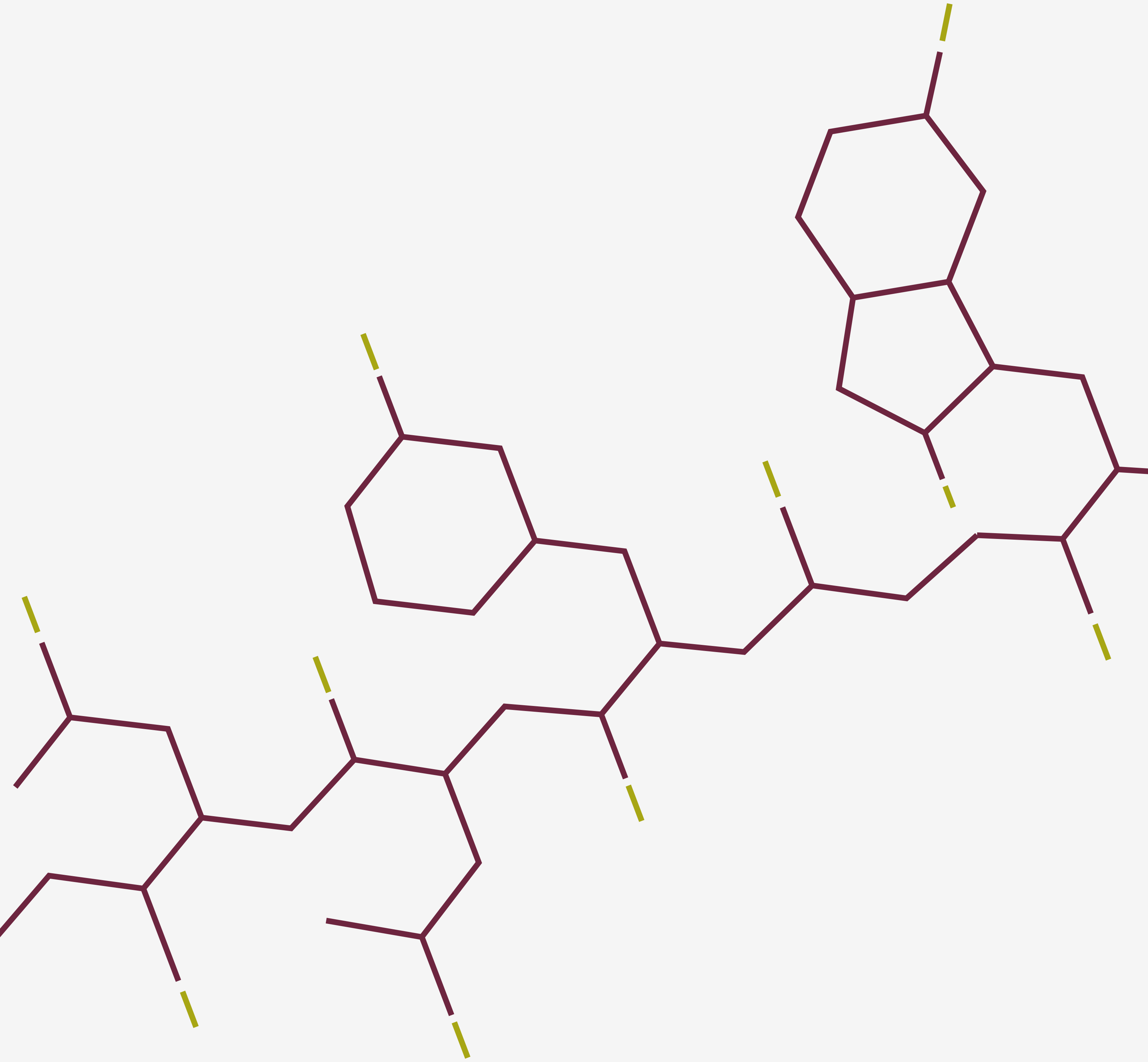
22

ANNUAL REPORT

A focused CDMO for peptides and oligonucleotides

INNOVATION | EXCELLENCE | TRUST



PolyPeptide

Content Overview

Overview

Editorial

"In 2022, as we scaled up for accelerated growth, we faced significant challenges. We have taken comprehensive measures to ensure improved delivery performance. In addition, we are working with customers to further optimize our commercial relationships. We are making good progress in the search for our new CEO, who will have the opportunity of leading PolyPeptide into a future with significant structural growth opportunities."

2022, a challenging year

As we reflect on the past year, we must acknowledge that 2022 did not meet our expectations for growth. We invested in the expansion of our workforce to scale up the organization, but faced a range of challenges both external and internal, which resulted in a significant decline in profitability. PolyPeptide was impacted by rising input costs and wage inflation and, particularly in the second half of 2022, by the technical and manufacturing process problems that hindered our performance. As a result, revenue for the year was down by 0.4% to EUR 281.0 million, and our adjusted EBITDA declined by 56.2% to EUR 38.7 million, highlighting the need for us to take comprehensive measures to address these challenges.

Focus on operational excellence

These measures include the strengthening of our workforce capabilities to instill technical proficiency, operational best practice and rigor, and also to provide improved onboarding and training to new employees. We are highly focused on ensuring quality and restoring our delivery performance by taking steps to minimize the risk from unforeseen technical failures, and have launched an internal program to strengthen operational procedures and controls across the business. In addition, we continue to implement our pricing measures, which have been launched to mitigate inflationary pressure. While I fully expect that these efforts will generate significant benefits and position PolyPeptide for long-term success, these changes will take time to fully implement and to achieve their intended results.

Positioning for growth

I have great confidence in the structural growth opportunities in the peptides market and we are continuing to experience strong demand from customers. With volume requirements for certain projects reaching unprecedented levels, a robust commercial and operational set-up will be critical. We are therefore exploring opportunities to work with our customers and suppliers more closely along the value chain. Furthermore, we aim to further standardize and integrate processes to strengthen our operational resilience across our manufacturing presence in different geographies. This remains a complex undertaking, but in the longer term will simplify cross-site product collaboration, allow further flexibility for customers, and mitigate risk.

Dividend and financial guidance for 2023

With the significant drop in profitability in 2022 and the ongoing efforts needed to restore revenue growth and profitability, we will not be proposing the payment of a dividend to our shareholders at the annual General Meeting on 12 April 2023 (“AGM 2023”).

An improvement in profitability in 2023 largely depends on the Group’s ability to achieve revenue growth. With the time required until the remediation measures yield results, we expect revenue for the first half of 2023 to be comparable with the previous year, with profitability significantly lower. A marked recovery in revenue and profitability is expected thereafter in the second half. For the full year of 2023, we currently expect high single- digit percentage revenue growth versus 2022, with an adjusted EBITDA margin in the mid-teens. Capital expenditure is planned to be around 10% of revenue, lower compared to 2022 (29.5% of revenue) and reflecting the planned completion of our accelerated capital deployment for growth launched in 2021.

We aim to provide an update of our mid-term outlook with the announcement of results for the first half of 2023 on 15 August 2023.

CEO search and new Board member

Following Mr De Vré’s resignation at the end of January 2023, PolyPeptide is currently conducting a CEO search, and we are committed to identifying a candidate who has the leadership skills and relevant experience to drive our growth and expansion plans. We have established a comprehensive search process with the support of a leading executive search firm to ensure a rigorous and thorough selection process.

Our Board of Directors is critical to our success, and we are committed to ensuring that it comprises individuals who possess the skills, experience and expertise necessary to guide our company into the future. To this end, I am pleased to announce that Dorothee A. Deuring (Austrian, 1968) will be nominated as a new member of the Board of Directors at the AGM 2023, who will further strengthen diversity and independence within the Board.

On behalf of the rest of the Board, I would like to thank our shareholders, as well as all other stakeholders, for their continuing support during this challenging year and for their trust in PolyPeptide moving forward. In particular, I would like to also thank our employees for their contribution in making PolyPeptide a trusted long-term partner. Their continued commitment is at the heart of our ability to deliver on our rich agenda and to turn our growth plans into success.

Baar, 14 March 2023

Sincerely,

Peter Wilden
Executive Chairman

Key Figures[1]

kEUR	2022	2021	Change
Revenue	280,978	282,126	-0.4%
Custom Projects	140,044	167,006	-16.1%
Contract Manufacturing	110,753	89,600	23.6%
Generics & Cosmetics	30,181	25,520	18.3%
EBITDA	38,670	84,848	-54.4%
Adjusted[2] EBITDA	38,670	88,199	-56.2%
Adjusted[2] EBITDA in % of revenue	13.8%	31.3%	-17.5 ppts
Operating result (EBIT)	12,607	64,165	-80.4%
Operating result (EBIT) in % of revenue	4.5%	22.7%	-18.3 ppts
Result for the year	7,767	47,258	-83.6%
Result for the period in % of revenue	2.8%	16.8%	-14.0 ppts
Earnings per share (EUR), basic	0.24	1.47	-84.0%
Return on net operating assets (RONOA)	3.2%	21.0%	-17.8 ppts
Cash and cash equivalents (end of period)	37,528	136,303	-72.5%
Net cash flow from operating activities	5,460	57,352	-90.5%
Capital expenditures	82,985	76,652	8.3%
Capital expenditures in % of revenue	29.5%	27.2%	2.4 ppts
Total assets (end of period)	575,782	595,038	-3.2%
Equity ratio (end of period)	73.2%	70.8%	2.5 ppts
Employees (# of FTEs, average)	1,139	1,041	9.5%

1 This table and report include references to operational indicators and alternative financial performance measures (APM) that are not defined or specified by IFRS. These APM should be regarded as complementary information to and not as substitutes of the Group's consolidated financial results based on IFRS. For the definitions of the main operational indicators and APM used, including related abbreviations, as well as for selected reconciliations to IFRS, please refer to the section "Definitions and reconciliations" of this report.

2 For 2022, no EBITDA adjustments were recognized. Adjusted EBITDA for 2021 excludes one-off IPO costs of EUR 5.7 million, partly offset by US government loans of EUR 2.4 million waived in context of the coronavirus pandemic.

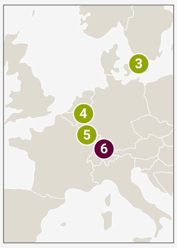
Profile

Footprint with customer proximity

Six cGMP-certified sites on three continents[1]

1 Torrance, USA
193 employees

2 San Diego, USA
70 employees



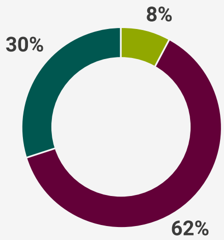
3 Malmö, Sweden
311 employees

4 Braine-l'Alleud, Belgium
430 employees

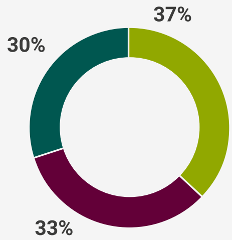
5 Strasbourg, France
131 employees

6 Baar, Switzerland (HQ)
7 employees

7 Ambernath, India
77 employees



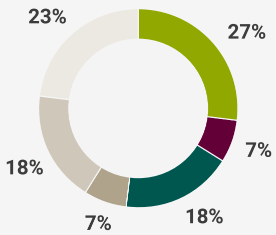
Employees by qualification[1]
- PhD
- Academic
- Non-academic



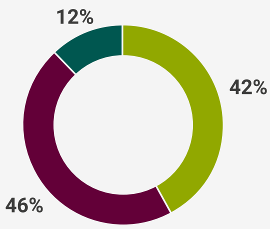
Employees by experience[1]
- <2 years
- 2 to 10 years
- >10 years

Helping patients across multiple health indications

Revenue from across therapeutic areas with pharma and biotech customers



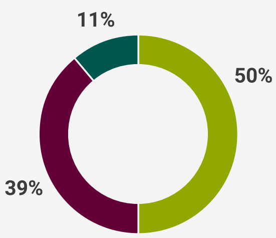
Revenue split by therapeutic areas[2]
- Metabolic
- Gastrologic
- Oncologic
- Cardio- and neurologic
- Coronavirus pandemic related
- Other



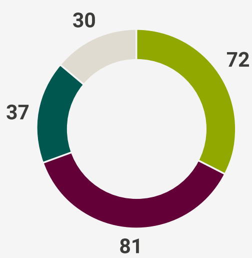
Revenue split by customer type[2]
- Large pharma
- Biotech
- Other pharma & academia

Solutions for development and commercial products

"Start here – stay here"



Revenue by business area[2]
- Custom Projects
- Contract Manufacturing
- Generics & Cosmetics



Number of active custom projects[2]
- Pre-clinical
- Phase I
- Phase II
- Phase III[3]

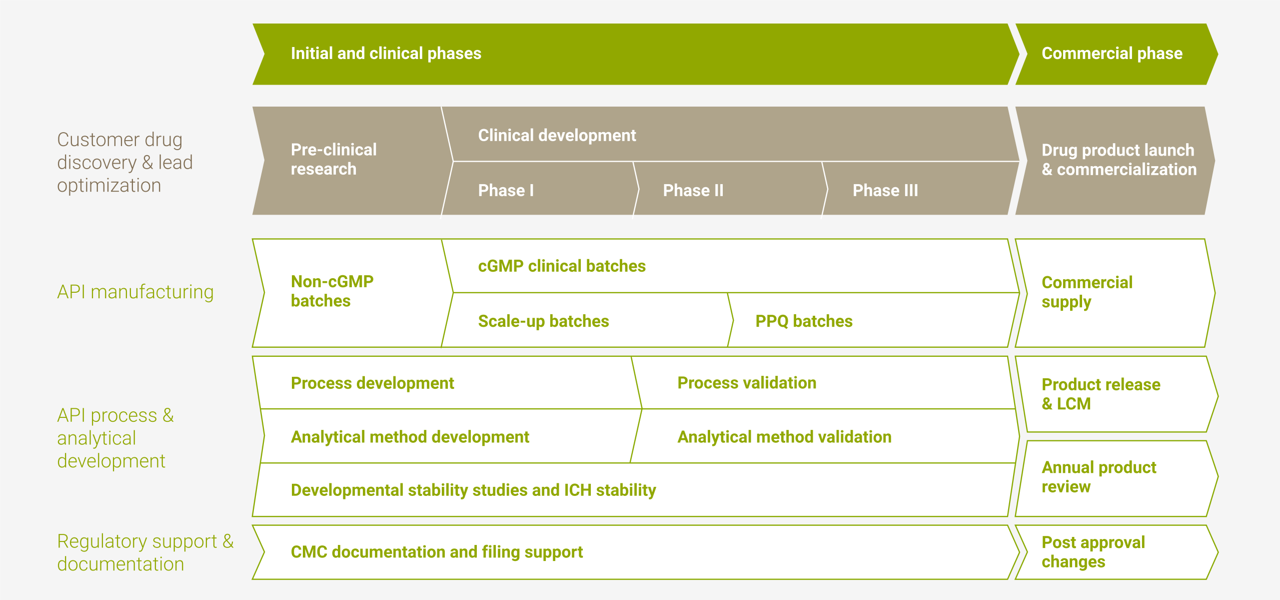
1 Data based on headcount as at 31 December 2022.

2 Approximate splits as per 31 December 2022.

3 Subsequent to the reporting period, one phase III project related to the treatment of cancer was terminated by the customer.

Business model

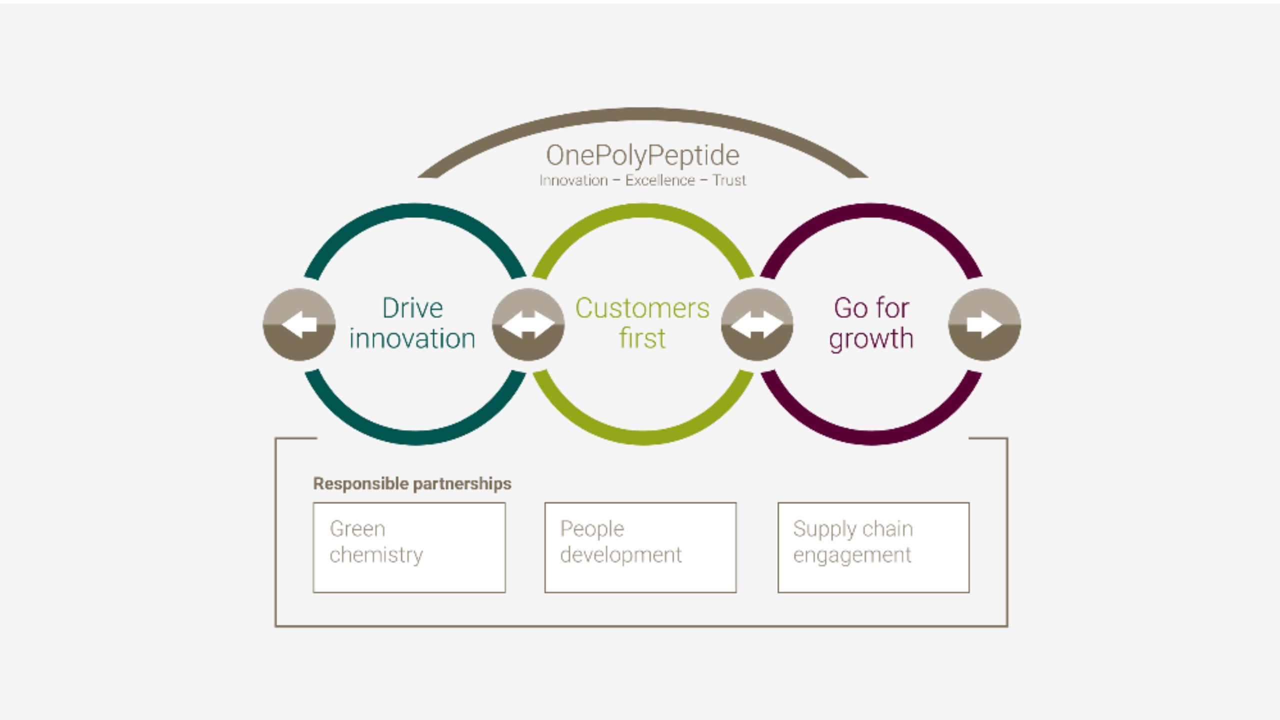
Providing expert knowledge for peptide- and oligonucleotide-based APIs along the entire life cycle



API – Active Pharmaceutical Ingredient; CMC – Chemistry, Manufacturing & Controls; cGMP – current Good Manufacturing Practice; ICH – International Council for Harmonization; LCM – Life Cycle Management; NDA – New Drug Application; PPQ – Process Performance Qualification.

Integrated strategy

Striving to be the preferred long-term partner for customers



Strategy

Company profile

PolyPeptide is a globally active contract development and manufacturing organization (CDMO) specializing in the development and manufacturing of peptides and oligonucleotides used as intermediates and active pharmaceutical ingredient (API) in therapeutic products. It also produces a range of peptides used in cosmetics. The Group mainly serves pharmaceutical and biotech companies as well as academic institutions.

The Group's history dates back to 1952, when it began the commercial manufacturing of therapeutic peptides in Malmö, Sweden. Since then, it has manufactured over 1,000 cGMP peptides and has developed into a full-service provider with differentiated technologies and capabilities to manufacture the most complex and innovative peptides. In the United States, the offering includes neoantigen peptides to support personalized cancer therapies. In 2021, the Group added oligonucleotides to its offering given the increasing relevance and substantial R&D investments in this therapeutic modality.

Business model

The main business of PolyPeptide is providing expert knowledge in peptide- and oligonucleotide-based API development and manufacturing along the entire life cycle of a drug, supporting initial and clinical phases, as well as commercialization. In the spirit of "start here – stay here", the Group serves its customers across three business areas, Custom Projects, Contract Manufacturing and Generics and Cosmetics.

In the Custom Projects business area, PolyPeptide generally supports customers in the pre-clinical through clinical stage development with flexible supply. The Group's pipeline of active custom projects, in particular the projects in the late stage of phase III clinical development, is seen as a driver of growth over the mid-term, as projects shift from development to commercialization. In the Contract Manufacturing business area, peptides and oligonucleotides are manufactured for approved commercial stage therapeutics, at scale, in commercial batches. In the Generics and Cosmetics business area, peptides are manufactured that are either off-patent or used in cosmetics.

The Group operates six cGMP certified sites in Europe, the US and India, adhering to stringent production standards and product quality specifications. Across the business areas, PolyPeptide provides complementary services, including process and analytical development as well as regulatory support.

The Group's customer relationships are typically long-term in nature, as the Group provides its services in a "start here – stay here" philosophy along the entire life cycle of a drug. It applies a cost-based pricing model throughout its areas of activity and within the framework of master service or commercial supply agreements. As part of its integrated strategy, the Group pursues the continued harmonization of its processes, systems and organization and plans to accelerate the standardization of its operational processes across sites. This will enable it to leverage its manufacturing footprint to the benefit of customers and to strengthen its resilience.

For further details on the footprint and the business model of the company, refer to the chapter Profile.

Market

According to an estimate by PolyPeptide based on third-party market reports published in 2022, the peptide therapeutics market is estimated to grow with a compound annual growth rate (CAGR) of around 10% to approximately USD 65 billion by 2027, driven by, among other factors, the increasing number of expected approvals of new peptide-based therapies and the growth of underlying patient populations. Therapeutic areas continue to broaden and include metabolic disorders, oncology, infectious diseases, orphan diseases, cardiovascular, neurology or gastro-enterology applications. As at the end of 2022, circa 81 peptide-based therapies were approved by the US Food and Drug Administration (FDA), with approximately 250 in clinical development (phases I to III) and approximately 500 in pre-clinical development.

Compared to the market for peptide-based therapeutics, the market for oligonucleotide-based therapeutics is more nascent, but faster growing. Based on market reports published in 2022, PolyPeptide estimates this market to grow with a CAGR of around 18% to USD 9 billion by 2027. As at the end of 2022, circa 15 oligonucleotide-based therapies were approved by the FDA, with approximately 190 in clinical development (phases I to III) and approximately 700 in pre-clinical development.

Integrated strategy

The Group's mission is to help customers develop products, secure regulatory approvals and successfully launch and commercialize their products in the market, while being flexible to adapt to the inherent uncertainties of drug development. Building on its core values of "Innovation", "Excellence" and "Trust", PolyPeptide aims to be the preferred long-term partner for all its customers, who typically expect their CDMO partners to have deep operational experience and scientific knowledge, coupled with a relentless focus on quality and a high delivery performance.

As a multinational company with 1,219 employees at the end of 2022, PolyPeptide fosters an agile, open and collaborative work environment. In an increasingly competitive labor market, the Group relies on a qualified and engaged workforce to closely collaborate with customers and to ensure a high delivery performance. Attracting the right talent and retaining it, also through appropriate human capital development, is essential for PolyPeptide to grow its business and to implement its integrated strategy.

The integrated strategy of the Group is articulated around four priorities:

- **Customers first:** The Group strives to maintain a high level of customer satisfaction across all relevant dimensions, including scientific expertise, product delivery, customer service, quality, project management and execution. It serves a growing number of customers and continuously invests in its infrastructure, its processes and its workforce to meet customer expectations.

- **Drive innovation:** The value generation of the Group is closely linked to its leading capabilities in providing its products and services effectively, efficiently and responsibly. To that end it maintains a holistic innovation agenda to ensure its manufacturing and analytical capabilities stay at the forefront of technology. In particular, the Group collaborates actively with various universities, start-up companies and scientific institutions to access innovative technologies. An important element is the Group's ambition to implement green chemistry processes to reduce the environmental impact from manufacturing activities.

- **Go for growth:** PolyPeptide aims to continuously build its high-quality API custom projects pipeline and to serve its customers throughout the life cycle of their products. Given the strength of its late-stage custom projects pipeline, the Group continuously optimizes the utilization of its production infrastructure while building additional capacity to meet expected growth. Upcoming patent expiries provide opportunities to further develop the peptide generics API business. With the decision to enter the emerging market for oligonucleotide-based APIs, the Group aims to address unmet needs of customers, thus unlocking an additional avenue of growth.

- **Collaborate as "OnePolyPeptide":** The Group maintains a program to continuously optimize internal collaboration, seeking the right balance between local entrepreneurship and global coordination. PolyPeptide seeks to reinforce, continuously improve and harmonize processes, systems and platforms across the Group in areas including, for example, digitalization, automation, cybersecurity, talent management, vendor qualification, risk management and quality systems.

Recognizing the importance of environmental, social and governance (ESG) criteria as part of the daily business conduct, PolyPeptide adheres to fundamental principles of business ethics, corporate responsibility, and compliance. The Group thereby pursues a holistic approach to sustainability that includes reducing its environmental footprint, promoting continued improvement towards business excellence as well as strengthening the company as an employer of choice. It believes that the integration of material ESG topics into its strategy is the most effective way to meet both business needs and stakeholder expectations.

For the visualization of the Group's integrated strategy, refer to the chapter Profile and for the progress report on its ESG agenda to the chapter Corporate Responsibility.

Scorecard and financial aspiration

The Group maintains a global balanced scorecard for supporting the implementation of its strategic agenda and operational plans and for executive compensation purposes (see Remuneration Report). In addition to the financial targets for revenue and adjusted EBITDA for a given period, the balanced scorecard includes quantitative goals for non-financial criteria. They are annually approved by the Board of Directors and include "on-time-in-full" (OTIF) delivery performance, quality, employee turnover, Environment Health & Safety (EH&S), green chemistry and critical project execution.

In line with the Group's accelerated capital deployment program for growth launched in 2021 and the increase in the workforce in 2022, the Group aims to consistently grow revenue over the mid-term with a progressive adjusted EBITDA margin.

For the financial guidance for 2023, please refer to the Business Review.

Business Review

Business Review

Weaker performance in 2022

Revenue lower than expected

PolyPeptide generated EUR 281.0 million in revenue in 2022, representing a decline of 0.4% versus 2021. At constant currency rates, the revenue decline was 3.0%. This revenue development reflects the lower contribution from the coronavirus pandemic-related business and in particular the technical and manufacturing process issues during 2022 communicated earlier. The pandemic-related revenue contribution was EUR 50.7 million in 2022 (EUR 63.2 million in 2021); excluding this contribution in each of the periods, revenue grew by 5.2%.

The commercial launch of two custom projects in 2022 resulted in a material shift of the associated revenue between business areas. Revenue in Custom Projects decreased by 16.1% and increased in Contract Manufacturing by 23.6% versus 2021. In Generics and Cosmetics, revenue increased by 18.3%, reflecting continued efforts to build the Generics portfolio. In 2022, the Group submitted 11 Drug Master Files (DMF) for Generics (Gx) in new markets and 72 new authorizations for customers to reference PolyPeptide's Gx filings.

PolyPeptide remained strongly committed to supporting the R&D activities of existing and new customers. The custom projects pipeline included 220 active projects at the end of 2022, compared to 196 projects at the end of 2021. In 2022, the Group secured a total of 47 projects, including several oligonucleotide projects, and 25 new clients. The number of projects in phase III of clinical development remained stable at 30 projects, with two phase II projects moving into phase III. Subsequent to the reporting period, one phase III project related to the treatment of cancer was terminated by the customer.

Also reflecting the operational issues during the reporting period, the overall on-time-in-full (OTIF) delivery performance for 2022 was 92%, against 95% in the year before. The net promoter score (NPS) dropped along with this from 75 to 70[1], which is still considered very strong.

[1] Based on interviews with over 100 customers in the context of an annual customer survey conducted by a 3rd party on behalf of PolyPeptide in early 2023, with a scale range from -100 (all detractors) to 100 (all promotors).

Decline in profitability

The gross profit in 2022 was EUR 54.5 million, down 47.5% versus 2021 with a gross margin of 19.4%, down 17.4 ppts. Adjusted EBITDA[2] for the year was EUR 38.7 million, down 56.2% versus 2021 with an adjusted EBITDA margin of 13.8%, down 17.5 ppts.

The decline in the adjusted EBITDA was driven by the cumulative effect of several factors, including EUR 20.9 million in higher personnel costs due to the increase in average FTEs by 9.5% versus the end of 2021, mainly in Operations and Quality. Additional operational and maintenance costs of EUR 11.7 million reflected variations from production and delivery schedules, including the operational issues. A decline of EUR 10.8 million was due to inflationary impacts, including wage adjustments. The increase in other costs, including travel, insurance and marketing expenses, amounted to EUR 3.2 million. Lastly, EUR 3.1 million related to adverse product mix effects.

PolyPeptide increased its personnel costs mainly in the first half of 2022 as part of its plans for growth, which did not materialize as expected. In response to the inflationary pressure, the Group began implementing pricing measures throughout the second half of the year to strengthen its financial resilience going forward.

[2] For 2022, no adjustments were recognized; adjusted EBITDA for 2021 excludes one-off IPO costs of EUR 5.7 million, partly offset by US government loans of EUR 2.4 million waived in context of the coronavirus pandemic.

The result for the year was EUR 7.8 million, down by 83.6%, after a financial result of EUR -5.0 million (EUR -4.3 million in 2021) and income tax charges of EUR 0.2 million (EUR -12.6 million), reflecting the lower result and tax credits in the US.

Sustained capital deployment

Given the anticipated future volume requirements from the active custom projects pipeline, PolyPeptide continued its infrastructure investments. Capital expenditure for the period increased by 8.3% to EUR 83.0 million or 29.5% of revenue, versus EUR 76.7 million or 27.2% in 2021.

Investment projects in 2022 included the ongoing construction of large-scale solid phase synthesis capacity in Braine-l'Alleud (Belgium), large-scale downstream capacity in Malmö (Sweden) and freeze-drying capacity at several sites. Investments also included further efforts in relation to the implementation of the Group's green chemistry agenda, the ongoing strengthening of analytical capabilities as well as IT and digitalization efforts.

The return on net operating assets for 2022 decreased to 3.2%, versus 21.0% for 2021, reflecting the lower operating result for 2022, down by 80.4%, and the increase of average net operating assets, up by 30.3%, ahead of planned growth.

Cash flow, changes in net working capital and cash position

2022 net cash flows from operating activities excluding the changes in net working capital were EUR 30.2 million. The net cash flow from the changes in net working capital was EUR -24.7 million, driven by lower contract liabilities and higher inventories, reflecting the anticipated growth as well as higher safety stocks. With cash flows from acquisitions of intangible assets and property, plant, and equipment of EUR -78.8 million, the free cash flow in 2022 amounted to EUR -73.3 million.

Cash and cash equivalents declined to EUR 37.5 million (versus EUR 136.3 million at the end of 2021), also reflecting the purchase of treasury shares and the dividend payment in May 2022 in the form of a cash distribution in the aggregate amount of EUR 23.6 million. With total financial debt of EUR 31.7 million, the net cash position of the Group was EUR 5.8 million at the end of 2022.

Strategy implementation and operational improvements

While the Group did not achieve its targets for growth and profitability in 2022, it continued to implement its integrated growth strategy throughout the year. The accelerated capital deployment program launched in 2021 continued in 2022, bringing the combined capital expenditure to EUR 159.6 million for the two-year period, and leaving the Group well positioned to capture future growth. One focal point for 2023 will be the finalization of the new large-scale solid phase synthesis infrastructure that the Group plans to bring online in Braine-l'Alleud (Belgium) in early 2024.

Following the decision in late 2021 to bring the various quality organizations from the six PolyPeptide manufacturing sites under one leadership, a Group-wide quality plan was approved in early 2022 that defines the priorities and key initiatives for the Group's quality assurance and quality control functions. The strengthening of the Group-wide processes is also evidenced by the Group's progress on its ESG agenda, including green chemistry and an inaugural carbon footprint assessment under the greenhouse gas protocol for its European manufacturing sites (see chapter Corporate Responsibility).

In the wake of the technical and manufacturing issues that hindered the Group's progress in 2022, PolyPeptide is undertaking comprehensive remediation measures. This includes the strengthening of workforce capabilities to instil technical proficiency, operational best practice and rigor, with the support of external experts where needed.

The Group has taken steps to minimize the risk from unforeseen technical failures and launched a program to strengthen operational procedures and controls. This includes Group-wide processes for improved operations planning and execution. By optimizing the utilization of its resources, the Group aims to free up capacity while also enhancing productivity, including improvements to the management of its net working capital.

Beyond that and with a longer-term perspective, the Group plans to accelerate the standardization and integration of its operational processes across sites to leverage its manufacturing footprint to the benefit of customers and to strengthen its resilience in the face of unforeseeable developments.

The Group remains confident in the fundamentals of the peptides market and is experiencing strong customer demand. With production volume requirements growing, the Group continues to invest in its green manufacturing program and aims to continuously develop it commercial relationships.

Organizational development and leadership changes

Within the strategic theme of "OnePolyPeptide", the Group undertook further steps to harmonize its organization, processes, and systems globally. For example, in May 2022, PolyPeptide announced the appointment of a new Chief Human Resources Officer and member of the PolyPeptide Management Committee, Monika Casanova, to harmonize HR processes, building on existing local practices as the Group aims to further strengthen its processes to hire, onboard, train, reward and develop talent.

In December 2022, PolyPeptide announced the appointment of Jens Fricke as the new Global Director Operations and member of the Executive Committee to support the Group's growth strategy and operational excellence initiatives. As part of its program to strengthen operational procedures and controls, the Group initiated in early 2023 several organizational changes to strengthen the operational focus and enhance Group-wide coordination.

In January 2023, subsequent to the reporting period, Raymond De Vré, CEO of PolyPeptide Group AG, decided to step down from his position, and Dr. Peter Wilden, Chairman of the Board of Directors, assumed the role of Executive Chairman, supported by Mr. De Vré, who remained available for a smooth transition. The process for the identification and appointment of a new CEO has been launched.

Risk management and internal audit

PolyPeptide is committed to continuously improving the management of risks and opportunities that might arise. In 2022, the Group finalized the implementation of an enterprise risk management (ERM) framework. An ERM report providing a consistent, Group-wide perspective of key identified risks was presented to and approved by the Board of Directors in November 2022. The report addresses the relevant topics to ensure a high delivery performance with a relentless focus on quality, while optimizing and building the capacities to support growth (for a brief description of the ERM Framework, refer to the Corporate Governance Report).

An Internal Audit function was established at PolyPeptide, led by the Head of Internal Audit who joined the Group in October 2022, reporting directly to the Audit and Risk Committee of the Board of Directors (ARC). In 2022, two internal audits were performed with the support of external advisors, and results were presented to the ARC. In 2023, the internal audit activity will focus on areas including the Group's control environment, as well as operational and financial processes, all aligned with the strategic priorities and the risks identified in the ERM framework.

Guidance for 2023 and dividend

PolyPeptide has confidence in the structural growth opportunities in its market and, more specifically, in the potential of its pipeline of active customer projects. With volume expectations growing significantly for some of these projects, the Group has started to explore with selected customers new commercial models to deploy the required manufacturing capacities in a timely manner.

With the enhancement of its workforce in 2022, the Group increased its fixed costs, and the improvement in profitability in 2023 largely depends on its ability to realize top-line growth.

With the time required until the launched remediation measures yield results, the Group expects revenue for the first half of 2023 to be comparable with the previous year, with profitability significantly lower. A marked recovery in revenue and profitability is expected thereafter in the second half.

For the full year of 2023, PolyPeptide currently expects high single-digit percentage revenue growth, with an adjusted EBITDA margin in the mid-teens. Capital expenditure is planned to be around 10% of revenue, lower compared to 2022 (29.5% of revenue) and reflecting the planned completion of the accelerated capital deployment for growth launched in 2021.

The Group aims to provide an update of the mid-term outlook with the announcement of results for the first half of 2023 on 15 August 2023.

With the significant drop in profitability in 2022 and the ongoing efforts needed to restore revenue growth and profitability, PolyPeptide will not be proposing the payment of a dividend to the forthcoming AGM 2023 on 12 April 2023.

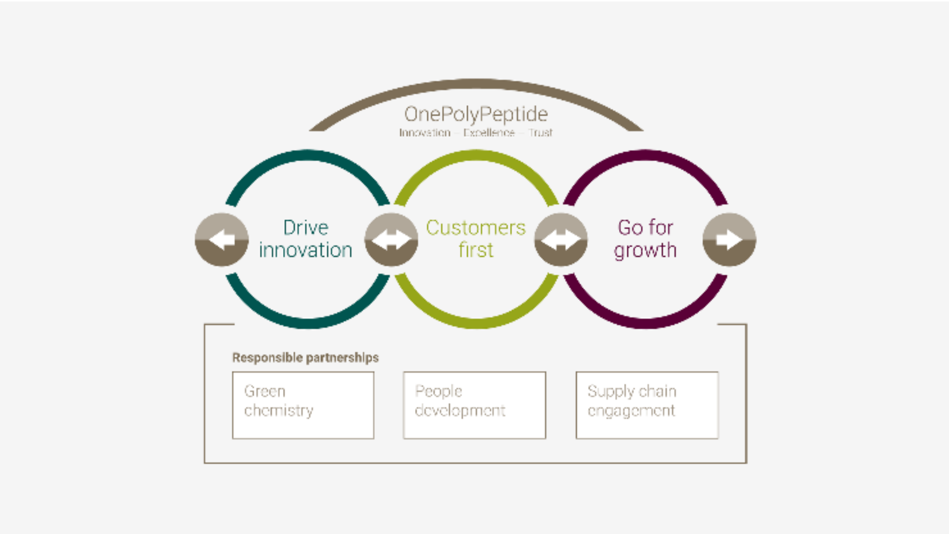
Corporate Responsibility

Corporate Responsibility

1. Integrated approach

PolyPeptide strives to adhere to fundamental principles of business ethics, corporate responsibility and compliance. It pursues an integrated strategy (see chapter Strategy) to incorporate the material environmental, social and governance (ESG) aspects as part of its strategic priorities. The four priorities: “Customer first”, “Drive innovation”, “Go for Growth” and “Collaboration as OnePolyPeptide” are rounded out by material ESG topics under the theme of “Responsible partnerships”.

PolyPeptide's integrated strategy



PolyPeptide’s mission is to help customers develop products, secure regulatory approvals and successfully launch and commercialize their products in the market. With the values of “Innovation”, “Excellence” and “Trust”, the aim is to be the preferred partner for its customers, who typically expect their CDMO partners to have deep operational experience and scientific knowledge, coupled with a relentless focus on quality and a high delivery performance.

As a multinational company with 1,219 employees at the end of 2022, PolyPeptide fosters an agile, open and collaborative work environment. The Group’s Code of Business Conduct and Ethics and the Supplier Code of Conduct are thereby the foundations to ensuring high ethical standards in compliance with legal and regulatory requirements throughout the organization.

PolyPeptide's values

Innovation
We are curious and explore new ways.
We are ambitious and find solutions.

Excellence
We have in-depth technical knowledge and deliver results.
We deliver quality in everything we do and lead by example.

Trust
We believe in teamwork and collaboration.
We are transparent and we accept responsibility.

2. Materiality and contribution to the SDGs

The last materiality assessment for the Group was conducted in the second half of 2021 with the support of a specialized sustainability advisory firm, following a structured process in a cross-functional working group that included global function heads and selected Executive Committee members.

In a first step, a comprehensive desk research of current and emerging trends and regulations was conducted followed by a peer analysis. The resulting long list of topics was, in a second step, discussed with the working group to incorporate feedback and missing topics. As a third step, and after first gaining initial insight on the outside-in impact of ESG topics on PolyPeptide, the working group reviewed the identified topics for risks and opportunities.

To comply with the concept of double materiality, the fourth step included the assessment of the stakeholder relevance through interviews with internal stakeholders, followed by the last step of assessing both the outside-in impact (financial materiality impact) and the inside-out impact (societal materiality impact).

Further, emerging Swiss legal requirements on the disclosure of non-financial matters (environment, social matters, labor matters, human rights aspects and the fight against corruption) and climate reporting were taken into consideration throughout the process. As a result, a total of twelve ESG topics were identified as material for PolyPeptide, with a clear definition derived from applicable sustainability standards, including the new Swiss legal requirements.

During the course of 2023, PolyPeptide plans to update its double materiality assessment, including the prioritization of its material ESG topics. It thereby strives for a focused and meaningful approach with traceable progress over time, aligned with the implementation of the integrated strategy of the Group.

PolyPeptide endorses the United Nations Agenda 2030 and considers the 17 Sustainable Development Goals (SDGs) as an important reference point for a sustainable future. The Group, through its integrated strategy, aims to contribute to the agenda of the world community, recognizing the comparably limited size and impact of its business.

The following SDG goals[1] where PolyPeptide can contribute have been identified and mapped to the material ESG topics:

Material ESG topics definition and SDG reference

Topic	Definition at PolyPeptide	SDG[1]	SDG target
Business ethics and compliance	Complying with applicable laws and conducting business with high ethical standards. This includes topics such as corruption and bribery, political contributions, taxation, transparency, as well as anti-competitive practices.	–	–
Circular waste management	Minimizing waste generation and resulting pollution, such as wastewater discharge, incineration and landfilling. Engaging in circular waste management practices, including by re-designing production processes, using materials more effectively, reducing the use of scarce raw materials and engaging in reuse, recycling, repurposing, remanufacturing, and chemical recovery of waste.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.4 12.5
Climate change mitigation	Adopting internal procedures to avoid combustion and fugitive emissions to reduce Scope 1 GHG emissions. Sourcing energy from renewable resources to reduce Scope 2 emissions, and reducing Scope 3 emissions such as from suppliers, purchased goods and services and their transportation, as well as work-related travel, leased assets and investments.	13 CLIMATE ACTION	13.1 13.2
Data protection	Running a secure and up-to-date digital environment to safeguard the privacy of employees, customers and suppliers, as well as of sensitive intellectual property, product and business information.	–	–
Diversity and inclusion	Hiring, promoting and including individuals from different genders and underrepresented social groups. Enabling every employee to perform at their best by ensuring equal pay for equal work, adopting a zero-tolerance policy towards discrimination and creating a fair, inclusive and mutually respectful working environment.	5 GENDER EQUALITY	5.1 5.5
		8 DECENT WORK AND ECONOMIC GROWTH	8.5
Environmental protection	Preventing any form of accidental pollution, such as chemical spills, poisonous fugitive emissions and explosions, that have a damaging effect on the surrounding environment and biodiversity. Assessing the local environment in terms of water scarcity, land use and nearby biodiversity areas when considering site expansions. Conserving water, energy and other local natural resources.	3 GOOD HEALTH AND WELL-BEING	3.9
		7 AFFORDABLE AND CLEAN ENERGY	7.3
		8 DECENT WORK AND ECONOMIC GROWTH	8.4
		12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2
Employee health	Ensuring the health and safety of employees by providing environment and safety training as well as encouraging employees to report on incidents and near misses to constantly improve safety protocols.	–	–

Green chemistry	Applying the principles of green chemistry to produce process innovations and products with a lower environmental footprint. This includes reducing solvents in production, as well as phasing out hazardous substances and other substances of concern. Partnering with universities, industry organizations and other parties to engage in shared innovation and further advance the industry in a responsible manner.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.4 9.5
		12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.4
Product quality	Ensuring high quality and safety of products. This includes following current good manufacturing practices (cGMP), receiving approval from regulatory agencies such as the US FDA, customer audits and internationally recognized certification standards such as ISO.	3 GOOD HEALTH AND WELL-BEING	3.8
People development	Attracting the right talent needed to further grow business operations. Providing employees with training and opportunities for growth, as well as respecting their needs and a healthy work-life balance in order to ensure employee retention.	–	–
Stakeholder dialogue	Engaging in a solution-oriented dialogue with stakeholders on a regular basis in order to identify risks and solve issues in advance. Enabling employees to give back to local communities through corporate citizenship programs.	–	–
Supply chain engagement	Actively working with suppliers to ensure responsible environmental and human rights practices as set out in the Supplier Code of Conduct. This includes holding collaborative sessions to identify, monitor and mitigate risks, offering a whistleblower hotline, as well as setting targets and applying due diligence mechanisms to new business relations.	8 DECENT WORK AND ECONOMIC GROWTH	8.7

[1] For details, refer to https://sdgs.un.org/goals; icons for informational purpose only.

3. ESG governance

The overall responsibility for ESG lies with the Board of Directors and each material ESG topic has been assigned to a Board Committee as set out in the below table. As a newly established Committee in 2022, no material ESG topic was assigned to the Chair's Committee (CC).

Committee	Material ESG topics
Remuneration and Nomination Committee (RNC)	Diversity and inclusion Employee health People development
Innovation and Technology Committee (ITC)	Circular waste management Environmental protection Green chemistry Product quality
Audit and Risk Committee (ARC)	Climate change Data protection Ethics and compliance Supply chain engagement Stakeholder dialogue

For the composition of the Board of Directors, its Committees and their respective responsibilities, please refer to the Corporate Governance Report.

The implementation of the ESG agenda as an integrated part of the Group's strategy has been delegated to the PolyPeptide Management Committee and the ESG Steering Committee, where all relevant global functions are represented. Each material ESG topic has been assigned to the manager of the respective global function to make sure that the ESG aspects are adequately reflected within the functional plans and in the day-to-day operations at local level.

Selected ESG-related aspects are part of the Global Balanced Scorecard and linked to the variable compensation of the Executive Committee, as described in the Remuneration Report. Starting in 2023, the risks and opportunities in relation to the material ESG topics will also be evaluated as part of the Group's enterprise risk management framework, with relevant developments reported to the Board of Directors.

PolyPeptide's ESG governance

4. Progress in 2022

SUSTAINABILITY PARTNER

Fostering innovation, also through active collaboration, to improve the environmental footprint of products and processes.

Green chemistry

> **Definition at PolyPeptide:** Applying the principles of green chemistry to produce process innovations and products with a lower environmental footprint. This includes reducing solvents in production, as well as phasing out hazardous substances and other substances of concern. Partnering with universities, industry organizations and other parties to engage in shared innovation and further advance the industry in a responsible manner.

In general, the manufacturing of peptide-based APIs requires a significant amount of raw materials, including solvents and water. Embracing the global efforts towards a more sustainable industry, and in response to and in anticipation of emerging customer expectations, in 2022 a cross-functional internal working group formalized a green program for PolyPeptide. By promoting more sustainable manufacturing processes, the Group's vision is to position itself at the forefront of environmental sustainability in its area of activity.

To save solvents used in production, in 2022 the Group continued the roll-out of its new washing concept by percolation. The required set-up is now deployed across sites in the relevant production infrastructure and applied as a new standard in new development processes. The green program of PolyPeptide also aims at increased usage of less hazardous solvents and enhanced recycling, also contributing to the reduction of the Group's carbon footprint. The Group defined specific metrics to track progress over the coming years, including the volume and share of less hazardous solvents used in production. A data collection process will be defined to ensure an efficient and consistent reporting as of 2023.

Under the supervision of the Innovation & Technology Committee of the Board of Directors, the implementation of the green program across the manufacturing sites is coordinated by a steering group with the involvement of critical Group functions including Innovation & Technology, Development, Engineering, Procurement and EH&S. Within Global Operations, respective activities will be tracked to systematically document and report the progress with the relevant initiatives.

Circular waste management

> **Definition at PolyPeptide:** Minimizing waste generation and resulting pollution, such as wastewater discharge, incineration and landfilling. Engaging in circular waste management practices, including by re-designing production processes, using materials more effectively, reducing the use of scarce raw materials and engaging in reuse, recycling, repurposing, remanufacturing and chemical recovery of waste.

The recycling of solvents used in large quantities in production is PolyPeptide's main contribution towards a more circular economy. As part of its green program, in 2022, the Group continued to identify solvent recycling opportunities and to develop analytical methods to ensure the quality of the solvents re-used. Validation tests at industrial scale are planned during 2023.

Concepts for downcycling and recycling depend on the availability of specialized facilities and partners within a reasonable distance from the manufacturing sites and on the volumes to be processed. Additional local providers were identified in 2022 for the manufacturing sites in Europe and are currently being evaluated as potential partners.

Through its efforts, the Group seeks to systematically increase the recycling rate, thereby reducing the disposal of hazardous solvent waste relative to its business volume. Relevant metrics include the consumption of water and energy, both absolute and relative to the level of business activity. Progress will be measured and tracked within Global Operations and reported in context of PolyPeptide's green program.

Environmental protection

> **Definition at PolyPeptide:** Preventing any form of accidental pollution, such as chemical spills, poisonous fugitive emissions and explosions, that have a damaging effect on the surrounding environment and biodiversity. Assessing the local environment in terms of water scarcity, land use and nearby biodiversity areas when considering site expansions. Conserving water, energy and other local natural resources.

PolyPeptide operates its six sites for the manufacturing of peptide- and oligonucleotide-based APIs in compliance with cGMP. These regulations contain minimum requirements for the methods, facilities and controls used in the manufacturing, processing and packaging of drug products.

In 2022, PolyPeptide further formalized its global approach to environment, health and safety matters (EH&S) after the appointment of a global director at the end of 2021, reporting to the Director Global Operations, who oversees the evolving EH&S regulatory landscape and works closely with each site to implement applicable EH&S regulations. An EH&S function is embedded in the local management structure of each manufacturing site. The function is responsible for respective matters, including the maintenance and continuous improvement of suitable measures to protect the environment and to continuously limit the environmental footprint in context of the Group's integrated strategy. In 2022, no reportable environmental incidents occurred.

In 2022, the Group continued to implement a Group-wide environmental management system, working towards an ISO 14001 certification for all sites. Following the certifications of the site in Braine l'Alleud in 2021, the sites in Ambernath and Strasbourg were certified in 2022. The remaining sites continue to address identified gaps in relation to the ISO standard and are targeted to receive their certifications by 2024 building on their current environmental management systems. Malmö and the US sites already have their own environmental management systems (EMS) in place and are working on the integration of the ISO requirements.

Climate change mitigation

> **Definition at PolyPeptide:** Adopting internal procedures to avoid combustion and fugitive emissions to reduce Scope 1 GHG emissions. Sourcing energy from renewable resources to reduce Scope 2 emissions and reducing Scope 3 emissions such as from suppliers, purchased goods and services and their transportation, as well as work-related travel, leased assets and investments.

While striving to continuously enhance its energy efficiency within its established EH&S practices, where possible, the Group covers its needs for electricity from available sustainable energy sources. In Europe, the two main manufacturing sites maintain contracts for renewable energy. In 2022, the Group conducted, with external support, an inaugural carbon footprint assessment under the greenhouse gas (GHG) protocol for its European manufacturing sites in Braine l'Alleud, Strasbourg and Malmö (see text box).

The Group plans to broaden the scope of its carbon footprint assessment to cover the remaining sites and intends to consolidate results for the development of a carbon reduction strategy by 2024, on which it will report within the new mandatory Swiss reporting requirements.

PolyPeptide's respective efforts are coordinated by the Director Global EH&S under the supervision of the Audit and Risk Committee of the Board of Directors and in context of the Group's integrated strategy. As part of its commitment, in 2022, the Group started the participation within the framework of CDP's climate change program, scoring a "C" rating[2].

[2] C rating places PolyPeptide in the Awareness band, meaning that the Group has demonstrated knowledge of the impacts on, and of, climate change issues.

Carbon footprint assessment results for 2021

In 2022, PolyPeptide undertook with external support an inaugural carbon footprint assessment for its three European manufacturing sites, applying the GHG protocol. The Scope 3 category "Capital goods" represent the main source of emissions at all the three sites, followed by "purchased goods", mainly linked to the volume of solvents used in production. The third relevant category is disposal of the "waste generated in operations", with differences between the sites mainly emerging from their wastewater management.

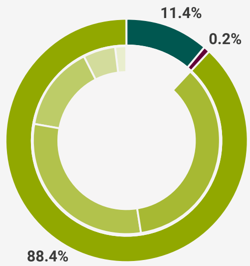
The findings in 2022 confirmed the importance of "green chemistry" as part of the Group's material ESG topics, which include efforts to reduce the usage of hazardous substances relative to the growing production volumes, or even replace or fully avoid them. In addition, they highlight the importance of optimizing the utilization of the Group's production infrastructure, also by standardizing critical operational processes within its "OnePolyPeptide" strategic initiative.

For 2023, PolyPeptide plans to broaden the scope of its efforts to cover the whole Group. While the initial findings from 2022 already provide actionable insights to address the drivers of carbon emissions at local level, a global perspective will allow the formalization of PolyPeptide's approach to the challenges of climate change and for preparation for its mandatory climate reporting from 2024 onwards.

The total of CO_2 emissions for the European manufacturing sites presented in the table is market-based with a value of zero for the electricity-related emissions, since PolyPeptide sources green electricity at all the three sites. Total emissions under the location-based approach were 47,875 tons.

Greenhouse gas emissions for 2021 (in kt CO_2e/year)
European manufacturing sites – Braine l'Alleud, Malmö and Strasbourg

Scope 1 Total emissions market-based approach	**5,174**	**11.4%**
Scope 2 Total emissions market-based approach	**78**	**0.2%**
Scope 3 Category 1 – 9 included	**40,312**	**88.4%**
Capital goods	16,791	41.7%
Purchased goods & services	13,526	33.6%
Waste generated in operations	6,632	16.5%
Upstream transportation & distribution	2,458	6.1%
Others	905	2.2%
Total (Scopes 1, 2 & 3)	**45,564 Kilotons CO_2e**	**100%**



EMPLOYER OF CHOICE

Acquiring, developing and retaining the knowledge of employees by ensuring an attractive working environment.

People development

> **Definition at PolyPeptide:** Attracting the right talent needed to further grow business operations. Providing employees with training and opportunities for growth, as well as respecting their needs and a healthy work-life balance in order to ensure employee retention.

Attracting the right talent and retaining it, also through the appropriate human capital development, is essential for PolyPeptide to grow its business and to implement its integrated strategy. In an increasingly competitive labor market, the Group relies on a qualified and engaged workforce to closely collaborate with customers on new solutions and to ensure a high delivery performance. To support expected growth, in 2022, the Group increased its number of employees (based on average full-time equivalents) by 9.5% to 1,139.

In May 2022, a new Chief Human Resource Officer reporting to the CEO joined the Group to further strengthen the attractiveness of PolyPeptide as an employer of choice and to harmonize HR processes, building on existing local practices. Group-wide HR standards are being developed, where the focus is on attracting, engaging and developing employees as well as strengthening talent management and performance management.

In 2022, the Group conducted for the second time, with external support, an internal global employee engagement survey under full anonymity. On a scale from 5 to 1, with 5 being the highest and 1 being the lowest, the overall engagement score for the Group was 3.7, slightly increasing from the previous year. With a participation rate of 74% of employees, the range of ratings for the main drivers remained within a narrow bandwidth of between 3.9 and 3.4. The specific results of the engagement survey were made available to the respective sites and functions in order to further develop their employees' engagement.

Employee health

> **Definition at PolyPeptide:** Ensuring the health and safety of employees by providing environment and safety training as well as encouraging employees to report on incidents and near misses to constantly improve safety protocols.

As a responsible employer, PolyPeptide aims to provide a work environment that protects the health, safety and wellbeing of all its employees. Safety regulations are made available and apply to all employees, customers, suppliers and visitors. All employees and external resources involved in manufacturing are trained in line with applicable safety standards and procedures. Employees also receive training specific to their workplace from their immediate supervisor. Where appropriate, risk analyses and mitigating measures are conducted in collaboration with external specialists.

In 2022, accident first response training and awareness campaigns for prevention were provided by the local EH&S functions at three sites, with approximately 400 attendees attending globally. In 2022, the Group incurred eleven lost time injuries (LTI), broadly stable versus the previous year, resulting in 0.8 lost working days per employee. The Group also undertook further efforts to protect employee health, including toxicological studies to classify raw materials and final products. Its green chemistry strategy is also expected to further improve working conditions by reducing the usage of toxic or carcinogenic solvents.

After the appointment of a Director Global EH&S at the end of 2021, the Group decided to work towards an ISO 45001 certification on occupational health and safety management systems for all its manufacturing sites by 2025. The first site that received the certification was Ambernath, India in 2022. The objective of ISO 45001 is the reduction of occupational injuries and diseases, including promoting and protecting physical and mental health. The Group is continuing to implement more standardized management systems across the manufacturing sites, which includes plans in 2023 to anchor the Group's ESG aspirations in the local EH&S policies.

Diversity and inclusion

Definition at PolyPeptide: Hiring, promoting and including individuals from different genders and underrepresented social groups. Enabling every employee to perform at their best by ensuring equal pay for equal work, adopting a zero-tolerance policy towards discrimination and creating a fair, inclusive and mutually respectful working environment.

PolyPeptide believes that diversity of all kinds creates a more successful workplace, as the employees' diverse experiences and backgrounds provide different perspectives on business challenges and opportunities. The Group promotes fair and equal employment opportunities free from discrimination in all aspects of the employment relationship, consistent with its Code of Business Conduct and Ethics and applicable regulations in the jurisdictions it operates. It cares about creating a positive workplace and inclusive working environment that embraces diversity and inclusion.

Line managers are responsible for ensuring the balanced development of their teams with the support of the human resources organization embedded in the local management structure of each manufacturing site. The Group tracks employment trends, including factors such as gender, age, tenure and educational background.

The Group's current composition of employees shows a generally balanced mix across relevant categories, with some differences at site level. PolyPeptide is characterized by an international and cross-generational community, given its geographic footprint as well as the balanced tenure of its workforce. Overall, the gender split is at 65% male and 35% female, with a 79% male representation in Production and an almost balanced gender split in majority of the other functions.

By geographical distribution (FTE)	**2022**	**2021**
Total	1,139	1,041
Baar	6	2
Strasbourg	131	124
Torrance	194	177
San Diego	66	71
Ambernath	75	69
Malmö	300	272
Braine l'Alleud	367	326

By job categories (FTE)	**2022**	**2021**
Production	618	585
Marketing and sales	19	17
Research and development	176	154
General and administration	89	79
Quality control	130	112
Quality assurance	107	94

By age (HC)[3]	**2022**	**2021**
Age 18 – 24	2%	1%
Age 25 – 34	30%	30%
Age 35 – 44	28%	29%
Age 45 – 54	27%	27%
Age 55+	13%	13%

By experience (HC)[3]	**2022**	**2021**
<2 years	37%	33%
2 to 10 years	33%	32%
>10 years	30%	35%

By qualification (HC)[3]	**2022**	**2021**
PhD	8%	7%
Academic	62%	67%
Non-academic	30%	26%

By gender (HC)[3]	**2022**		**2021**	
	female	male	female	male
All employees	35%	65%	35%	65%
Board of Directors	17%	83%	17%	83%
Executive Committee	20%	80%	20%	80%

3 Data based on headcount as at 31 December 2022.

BUSINESS EXCELLENCE

Maintaining close relationships across the value chain and demonstrating responsiveness to customer and other stakeholder needs.

Supply chain engagement

> **Definition at PolyPeptide:** Actively working with suppliers to ensure responsible environmental and human rights practices as set out in the Supplier Code of Conduct. This includes holding collaborative sessions to identify, monitor and mitigate risks, offering a whistleblower hotline, as well as setting targets and applying due diligence mechanisms to new business relations.

PolyPeptide maintains a diversified global network of several thousand suppliers. To continuously improve the timely availability of supplies in the required quality and quantity, the Group relies on its procurement organization under the leadership of the Director Global Procurement, who reports to the CFO, and with purchasing functions embedded in the local management structure of each manufacturing site.

The Group actively manages and develops its supply chain, also building on its supplier qualification process in compliance with cGMP. The Group's suppliers of raw materials, goods and services are asked to adhere to the Supplier Code of Conduct, which has been in place since 2017 and is available on the corporate website. They are expected to conduct their business responsibly and in line with the ethical standards of the Group, thereby protecting human rights and the environment.

To comply with the due diligence requirements, including the prevention of child labor, additional supply-chain-related procedures were developed in 2022. The scope of the supplier approval process is being broadened to now explicitly address specific aspects related to child labor. The Group thereby pursues, with external support, a risk-based approach, taking into consideration the guidance provided by ISO 26000 Social Responsibility as well as applicable ILO (International Labor Organization) Conventions and OECD (Organization for Economic Co-operation and Development) guidance.

Product quality

Definition at PolyPeptide: Ensuring high quality and safety of products. This includes following current good manufacturing practices (cGMP), receiving approval from regulatory agencies such as the US FDA, customer audits and internationally recognized certification standards such as ISO.

As a CDMO, PolyPeptide adheres to stringent production standards and detailed product quality specifications agreed with customers and for approved products documented in the regulatory drug master files. Product quality is thereby managed in compliance with cGMP under the leadership of the Director Global Quality, reporting to the CEO, and with quality assurance and quality control functions embedded in the local management structure of each manufacturing site. Relevant procedures are built into the entire production process from the quality assurance of raw materials through to the testing, storage and delivery of the final packaged product to customers. All employees and external resources involved in manufacturing process are trained in accordance with the applicable cGMP guidelines, safety standards and procedures. The training requirements are defined and tracked by the Quality department, based on a Standard Operation Procedure.

Following the decision in late 2021 to bring the various quality organizations from the six PolyPeptide manufacturing sites under one leadership, a Group-wide quality plan was approved in early 2022 that defines the priorities and key initiatives for the Group’s quality assurance and quality control functions. Based on a detailed analysis with feedback from regulators, customers and internal stakeholders, four focus areas were established:1) culture of quality, 2) supplier quality, 3) quality systems and compliance and 4) quality process improvement.

In context of the Group’s OnePolyPeptide strategic initiative, and within its quality plan, PolyPeptide strives to continue to harmonize and digitize its quality systems as well as to improve problem solving processes with advanced root cause analysis capabilities. Performance metrics related to quality matters are tracked and internally reported quarterly. Consistent with industry practice, PolyPeptide is subject to frequent inspections by regulatory authorities and customers. Throughout 2022, each of the manufacturing sites maintained a good standing with authorities.

Stakeholder dialogue

Definition at PolyPeptide: Engaging in a solution-oriented dialogue with stakeholders on a regular basis in order to identify risks and solve issues in advance. Enabling employees to give back to local communities through corporate citizenship programs.

As part of its culture, the Group fosters a continuously high focus across the organization on the needs of its customers. It maintains close relationships with many of them over many years and at various levels of the organization. The annual customer engagement survey was conducted towards the end of 2022 and resulted in a strong net promoter score (NPS[4]) of 70 (2021: 75) despite the drop of its overall on-time-in-full (OTIF) delivery performance to 92% (95%).

Led by its sales organization, in 2022, the Group resumed its physical marketing activities that were largely suspended in the previous years during the coronavirus pandemic. As a result, the Group participated with its cross-functional delegations in 25 trade shows and industry conferences, mainly in Europe and the United States.

Representatives of the Group are active as members of relevant industry associations and/or collaborate with various research institutions on innovation. An open and ongoing dialogue is maintained with authorities and communities at site level, also through selected local sponsoring activities. PolyPeptide seeks to maintain an engaging and collaborative working environment and considers its relationships with its employees and their representatives to be good. The Group communicates actively on new developments through its corporate reports, media releases and its website, and maintains a targeted equity investor engagement program.

[4] Based on interviews with over 100 customers in the context of an annual customer survey conducted by a third party on behalf of PolyPeptide in early 2023 with a scale range from -100 (all detractors) to 100 (all promotors).

Stakeholder engagement

PolyPeptide maintains an open dialogue with all internal and external stakeholders. The table "Stakeholder engagement" displays an overview with examples of the stakeholder engagement as part of the daily business conduct.

Stakeholder group	Examples of stakeholder engagement and interests
Customers	Annual customer satisfaction survey Cultivating a long-term trusted partnership Mantra of "Start here – stay here" and strong customer-centric perspective
Shareholders	Consistent implementation of integrated strategy Active communication though different channels Maintaining and fostering a transparent and open dialogue
Employees	Collaborative, diverse and inclusive international working environment Fostering dialogue via townhalls, internal news and employee events Global employee engagement survey Regular dialogue to discuss individual development plans Focus on employee health and safety Active dialogue and collaboration with applicable unions and freely choosen empoyee representatives
Suppliers	Long-term collaboration Supplier code of conduct
Industry associations	Collaboration, also to advance innovation and sustainability
Communities	Sponsoring of local activities Charitable contributions and partnerships for civic engagement Engagement with local universities, educational institutions, students, and graduates Collaboration with local communities on employment and training opportunities for job seekers

In 2022, PolyPeptide participated in various sustainability ratings. It expanded the coverage of the sustainability rating by EcoVadis to all of the six manufacturing sites, one year ahead of its ESG agenda communicated in the Annual Report 2021. The site in San Diego (California) was awarded a gold rating, while Malmö, Braine l'Alleud, Strasbourg (France) and Torrance (California) were awarded a silver rating. The site in Ambernath (India) was rated for the first time in 2022 with a bronze rating. As part of its commitment within the material topic "Climate change mitigation", in 2022, the Group submitted for the first time the Climate Change questionnaire within the CDP (Carbon Disclosure Program), receiving a "C" rating. Finally, in 2022, the Group participated voluntarily with the manufacturing site in Malmö in the Pharmaceutical Supply Chain Initiative (PSCI).

Data protection

> **Definition at PolyPeptide:** Running a secure and up-to-date digital environment to safeguard the privacy of employees, customers and suppliers, as well as of sensitive intellectual property, product and business information.

As part of innovation efforts, PolyPeptide pursues a holistic digitalization strategy with a comprehensive portfolio of relevant business and support projects. Digital solutions are increasingly used or being developed across functions and along the whole value chain to strengthen the value proposition while improving processes for enhanced productivity. Data protection is thereby managed according to a global information security policy that describes the procedures and rules for an adequate level of information and cybersecurity.

The Group's IT organization is under the leadership of the Director Global IS/IT, who reports to the CFO. In 2022, the Group continued to strengthen its IT organization, also by further reinforcing the cyber security organization and by updating its plans for the evolution of its digital infrastructure, networks and applications.

In 2022, the Group conducted several of its periodic IT security reviews with the manufacturing sites and completed an ISO 27001 gap-analysis on information security that confirmed the general approach to information and cybersecurity, but also revealed areas for improvement. It also continued its mandatory IT security awareness training with 14 topics covered and a participation rate of around 90%, including live tests conducted on internal users. As part of its efforts, the Group strives systematically to ensure that the latest security releases are installed on its computer systems. In 2022, it incurred no major cyber incidents.

Business ethics and compliance

> **Definition at PolyPeptide:** Complying with applicable laws and conducting business with high ethical standards. This includes topics such as corruption and bribery, political contributions, taxation, transparency, as well as anti-competitive practices.

Under the leadership of the General Counsel, reporting to the CEO, PolyPeptide maintained comprehensive efforts during 2022 to further develop its compliance programs. A cross-functional Corporate Compliance Committee (CCC) was established to promote compliance across the organization. The Group's efforts in 2022 included an update of its Code of Business Conduct and Ethics and the introduction of an enhanced screening of customers and suppliers under its sanctions and export control program.

The annual mandatory internal online training on the Code of Business Conduct and Ethics was conducted with a participation rate of 87%. In relation to the sanctions and export control program, additional training was conducted for impacted employees. PolyPeptide maintains applicable whistleblower programs through which anybody with knowledge or suspicion of illegal activities or irregularities can report observations confidentially and even anonymously, if desired. To ensure confidentiality, PolyPeptide mandated the operation of the hotline (24/7) by an external and independent firm. In 2022, one report was submitted to the Group's whistleblower hotline. Following an internal investigation, which was conducted with the guidance of external experts, the allegations made in the report could not be confirmed. The report was subsequently closed and summarized to the Executive Committee and the Audit and Risk Committee, with modifications made to applicable policies and procedures where opportunities for improvement were identified.

The Group finalized the implementation of an enterprise risk management framework (see further comments in the chapters Business Review and Corporate Governance). A new Internal Audit function within PolyPeptide was established in the second half of 2022, reporting directly to the Audit and Risk Committee of the Board of Directors.

Corporate Governance Report

Corporate Governance Report 2022

We are committed to the highest principles of good corporate governance, which we believe will provide a sustainable framework for realizing our strategy and objectives while at the same time strengthening our relationship with shareholders, employees, customers, suppliers and other business partners. Through accountability, transparency, fairness and responsibility, we strive to create an appropriate balance between management and control, while at the same time aligning with the interests of our stakeholders.

Our Corporate Governance Report 2022 provides information on corporate governance in accordance with the SIX Swiss Exchange Directive on Information relating to Corporate Governance ("DCG"), the Swiss Ordinance against Excessive Compensation with respect to Listed Stock Corporations ("OaEC")[1] and the principles of the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse.[2] The information contained herein generally follows the structure of the annex of the DCG.

All information within this Corporate Governance Report 2022 refers to the Company's organization, Articles of Association[3] and Organizational Regulations[4] that were in effect as of 31 December 2022 (unless otherwise stated).[5]

1 As part of the reform of Swiss corporate law, the provisions on compensation from the OaEC were incorporated into the Swiss Code of Obligations ("CO") with effect as of 1 January 2023, and the OaEC was repealed as of the same date. For the year ended 31 December 2022, the OaEC remained in force.

2 In its version as approved by the board of economiesuisse on 28 August 2014.

3 PolyPeptide Group AG's Articles of Association are available at https://www.polypeptide.com/investors/results-center/.

4 PolyPeptide Group AG's Organizational Regulations are available at https://www.polypeptide.com/investors/results-center/.

5 In line with the new regulations arising from the reform of Swiss corporate law, PolyPeptide Group AG (the "Company") will propose conforming amendments to its Articles of Association at the upcoming AGM 2023, such amendments to be set out in the invitation and agenda. Thereafter, the Board of Directors plans to amend relevant other regulations of the Company, in particular the Company's Organizational Regulations.

1 Group structure and shareholders

1.1 Group structure

1.1.1 Our Group's operational structure

We are a leading global independent contract development and manufacturing organization ("CDMO") focused on innovative peptides and oligonucleotides employed as the active pharmaceutical ingredient (*i.e.*, APIs) and used as intermediates in therapeutic products.

We are organized as a group of companies, and PolyPeptide Group AG (the "Company") is the ultimate parent company with its headquarters in Baar, Canton of Zug, Switzerland.

Our shareholders have the final say at PolyPeptide, and they exercise their rights at the general meeting. Our Board of Directors is directly accountable and reports to our shareholders by whom it is individually and annually elected.

In accordance with our Articles of Association[6], the Board of Directors determines our strategic direction as well as supervises the persons responsible for conducting PolyPeptide's business and achieving our strategic objectives. As provided for in the Company's Organizational Regulations[7], the Board of Directors has delegated the responsibility and authority necessary or appropriate for carrying out the day-to-day and operational activities of PolyPeptide to the Executive Committee.

Under the leadership of the CEO, the Executive Committee is comprised of the CEO, CFO, the Director of Global Sales and Marketing, the Director of Global Operations and the General Counsel. The Executive Committee is further supported by additional members of senior management with deep industry experience who are designated and appointed by the CEO and who, together with members of the Executive Committee, form the PolyPeptide Management Committee. The PolyPeptide Management Committee prepares, informs and coordinates the implementation of the decisions of the CEO and the Executive Committee within their respective operational spheres.

In 2022, the PolyPeptide Management Committee comprised the Executive Committee together with the Director Global Innovation & Technology, Chief Human Resources Officer (who joined during the first half of 2022), Director Global Quality, Director Global Development / Regulatory / IP and Head of Investor Relations and Corporate Communications. The members of our PolyPeptide Management Committee are based across PolyPeptide's sites in Europe and the US.

Complementing our senior management team is our highly qualified and committed workforce. In 2022, we employed an average of 1,139 FTEs across our headquarters in Switzerland and six (6) manufacturing sites in the US, Europe and India that served our clients' custom projects, contract manufacturing and generics and cosmetics needs throughout the world. For information regarding our custom projects, contract manufacturing and generics and cosmetics business areas, please refer to the chapter Strategy–Business Model and note 3 "*Revenue and expenses*" of the consolidated financial statements in the Financial Report 2022.

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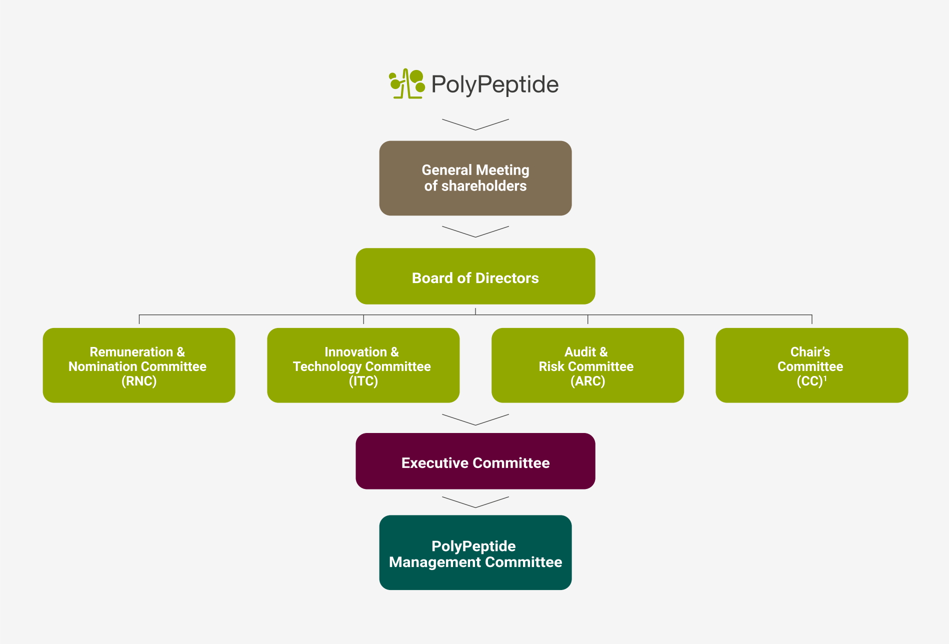
[6] PolyPeptide Group AG's Articles of Association are available at https://www.polypeptide.com/investors/results-center/.

[7] PolyPeptide Group AG's Organizational Regulations are available at https://www.polypeptide.com/investors/results-center/.

Governance bodies



[1] Established 30 November 2022.

1.1.2 Listing and capitalization

PolyPeptide Group AG, with its registered office at Neuhofstrasse 24, 6340 Baar, Switzerland, is a stock corporation (*Aktiengesellschaft*), in accordance with art. 620 et. seq. of the Swiss Code of Obligations (the "CO"). It was incorporated on 6 April 2021 and registered with the commercial register of the Canton of Zug on 7 April 2021 under the company registration number CHE-159.266.771.

The shares of the Company have been listed on SIX Swiss Exchange (ISIN CH1110760852, ticker symbol: PPGN, valor number: 111 076 085) since 29 April 2021. On 31 December 2022, the market capitalization (excluding treasury shares) of the Company's shares amounted to CHF 833,681,383. Except for the Company, there are no other listed companies belonging to PolyPeptide.

With the exception of the Company's treasury shares (see section 2.1 "*Company's ordinary share capital*" of this Corporate Governance Report), which are held by the Company itself, no shares of the Company are owned by any other PolyPeptide subsidiary.

1.1.3 Non-listed companies belonging to PolyPeptide

The Company's only direct shareholding is in Polypeptide Laboratories Holding (PPL) AB, which directly or indirectly wholly owns the other companies of the PolyPeptide group. The table below sets forth, as of 31 December 2022, the name, registered office, ownership interest and share capital of all direct and indirect subsidiaries that the Company consolidates.

Non-listed direct and indirect subsidiaries of PolyPeptide Group AG[1]

Company name	Registered office	Country	Interest held (%)	Share capital	Currency
Polypeptide Laboratories Holding (PPL) AB	Limhamn, Malmö	Sweden	100%	18,264.84	EUR
Polypeptide Laboratories (Sweden) AB	Limhamn, Malmö	Sweden	100%	11,500,000	SEK
PolyPeptide SA	Braine-l'Alleud	Belgium	100%	40,000,000	EUR
PolyPeptide Laboratories France S.A.S.	Strasbourg	France	100%	9,000,000	EUR
PolyPeptide Laboratories Pvt. Ltd.	Ambernath (East)	India	100%	603,788,800	INR
PolyPeptide Laboratories Inc.	Torrance, CA	USA	100%	7	USD
PolyPeptide Laboratories San Diego, LLC[2]	San Diego, CA	USA	100%	n/a	USD
PolyPeptide Laboratories A/S[3]	Hillerød	Denmark	100%	20,000,000	DKK

1 PolyPeptide Laboratories GmbH was merged through a cross-border merger into Polypeptide Laboratories Holding (PPL) AB as recorded in the Swedish Companies Registration Office on 16 August 2022 and in the German Commercial Register of the Hamburg Local Court on 24 August 2022.

2 PolyPeptide Laboratories San Diego, LLC is a wholly owned subsidiary of PolyPeptide Laboratories Inc.

3 PolyPeptide Laboratories A/S is a dormant company.

1.2 Significant shareholders

To the best of the Company's knowledge, the following shareholders had holdings reaching or exceeding 3% or more of the voting rights in the Company as of 31 December 2022, as notified in accordance with art. 120 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (the "FMIA"):

Shareholder (beneficial owner / direct shareholder)[1]	Number of shares	% of voting rights
Cryosphere Foundation (St. Peter Port, Guernsey) / Draupnir Holding B.V. (Hoofddorp, The Netherlands)[2]	18,582,406	56.10
T. Rowe Price Associates, Inc. (Baltimore, MD, USA)[3]	1,430,263	4.31
Rudolf Maag (Binningen BL, Switzerland)[4]	1,100,000	3.32
Premier Fund Managers Limited (Guildford, Surrey, UK)[5]	1,073,211	3.24
Premier Portfolio Managers Limited (Guildford, Surrey, UK) / Premier Miton European Opportunities Fund[6]	1,002,111	3.03

[1] The number of shares shown in this Corporate Governance Report and the holding percentages are based on the last disclosure of shareholding communicated by the respective shareholder to the Company and the Disclosure Office of SIX Exchange Regulation (SER). The number of shares held by the relevant shareholder may have changed since the date of such shareholder's notification. Any reportable changes since the date hereof can also be found on the website of SER, which also includes the individual reports of the significant shareholders: http://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html/.

[2] Disclosure notice of 9 December 2022. The notification included shares held by the Company (PolyPeptide Group AG, Baar, Zug, Switzerland) as well as sale positions by the Company pursuant to the long-term incentive plan representing 0.03% of voting rights corresponding to the maximum award of 9,909 performance share units. Mr. Frederik Paulsen (Lausanne, Switzerland) is at present the principal beneficiary of Cryosphere Foundation. See section 2.1 "*Company's ordinary share capital*" of this Corporate Governance Report, for information regarding the treasury shares held by the Company as of 31 December 2022 and section 5.1.4 "*Long-term incentive program*" of the Remuneration Report 2022 for information regarding the long-term incentive plan.

[3] Disclosure notice of 13 December 2022. The Company received an updated disclosure notice of 10 January 2023 indicating that the reported shareholding had fallen below 3%.

[4] Disclosure notice of 4 May 2021.

[5] Disclosure notice of 9 December 2022.

[6] Disclosure notice of 9 December 2022.

Notifications made in accordance with art. 120 FMIA during the 12 months preceding 31 December 2022, can be viewed at: http://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html/.

To the best of the Company's knowledge, as of 31 December 2022, there are no shareholders' agreements in force.

1.3 Cross-shareholdings

The Company does not have any cross-shareholdings exceeding 5% of the capital or voting rights with any other company.

2 Capital structure

2.1 Company's ordinary share capital

As of 31 December 2022, the share capital of the Company amounted to CHF 331,250.01 and was divided into 33,125,001 registered shares (*vinkulierte Namenaktien*) with a nominal value of CHF 0.01 each. The share capital is fully paid-up.

As of 31 December 2022, the Company held 199,196 treasury shares, representing 0.6013% of the Company's share capital. The Company purchased the treasury shares for the first time during the initial public offering (the "IPO") as part of the preferential allocation and purchased additional treasury shares during the course of 2022 to support PolyPeptide's share-based remuneration programs (see section 4 "*Compensation framework for the Board of Directors*" and section 5.1.4 "*Long-term incentive program*" of the Remuneration Report 2022).

2.2 Conditional share capital and authorized share capital of the Company

Below are summaries of the Company's conditional share capital (art. 3a of the Articles of Association) and two categories of authorized share capital (art. 3b and 3c of the Articles of Association) as of 31 December 2022.

2.2.1 Conditional share capital for employee participations

According to art. 3a of the Articles of Association, the share capital of the Company may be increased by up to CHF 6,000 by the issuance of up to 600,000 fully paid-up registered shares with a nominal value of CHF 0.01 each, upon the exercise of option rights or in connection with similar rights regarding shares (including performance stock units (PSU) and / or restricted stock units (RSU)) granted to officers and employees at all levels of the Company and its group companies according to respective regulations and resolutions of the Board of Directors. The pre-emptive rights and the advance subscription rights of the shareholders shall be excluded. The acquisition of registered shares based on art. 3a of the Articles of Association and every subsequent transfer of these registered shares shall be subject to the transfer restrictions pursuant to art. 5 of the Articles of Association. The conditions for the allocation and exercise of the option rights and other rights regarding shares from art. 3a of the Articles of Association are determined by the Board of Directors. The shares may be issued at a price below the respective market price.

The conditional share capital was created at the general meeting on 6 April 2021. If fully utilized, the maximum amount of this conditional share capital (*i.e.*, CHF 6,000) would equal approximately 1.8% of the existing share capital. The time period for an increase of the Company's share capital pursuant to art. 3a of the Articles of Association is unlimited. As of 31 December 2022, no shares have been issued out of conditional share capital.

2.2.2 Authorized share capital for financing and acquisitions

According to art. 3b of the Articles of Association, the Board of Directors shall be authorized to increase the share capital by a maximum amount of CHF 29,999.99 by issuing a maximum of 2,999,999 fully paid in registered shares with a par value of CHF 0.01 each. Increases in partial amounts shall be permissible. The subscription and acquisition of the new registered shares and every subsequent transfer of these registered shares shall be subject to the transfer restrictions pursuant to art. 5 of the Articles of Association.

The Board of Directors shall determine the issue price, the type of contribution, the date of issue, the conditions for the exercise of pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board of Directors may issue new registered shares by means of a firm underwriting through a financial institution, a syndicate of financial institutions or another third party and a subsequent offer of these shares to the existing shareholders or third parties (if the pre-emptive rights of the existing shareholders have been denied or have not been duly exercised). The Board of Directors is entitled to permit, to restrict or to exclude the trade with pre-emptive rights. It may permit the expiration of pre-emptive rights that have not been exercised, or it may place such rights or shares as to which pre-emptive rights have been granted, but not exercised, at market conditions or may use them otherwise in the interest of the Company.

The Board of Directors is further authorized to restrict or withdraw pre-emptive rights of existing shareholders and allocate such rights to third parties, the Company or any of its group companies for the acquisition of companies, businesses or participations or for investment projects of the Company or any of its group companies, or for the financing or refinancing of any of such transactions through a placement of shares.

The authorized share capital was created at the general meeting on 6 April 2021. If fully utilized, the maximum amount of this authorized share capital (*i.e.*, CHF 29,999.99) would equal approximately 9.1% of the existing share capital. The authority of the Board of Directors to increase the Company's share capital by issuing shares out of the Company's authorized share capital according to art. 3b of the Articles of Association lasts until 5 April 2023.

2.2.3 Authorized share capital for IPO

According to art. 3c of the Articles of Association, the Board of Directors shall be authorized to increase the share capital by a maximum amount of CHF 13,750 by issuing a maximum of 1,375,000 fully paid in registered shares with a par value of CHF 0.01 each for purposes of a placement of shares in an initial public offering (IPO), including in connection with an over-allotment option. Increases in partial amounts shall be permissible.

The Board of Directors shall determine the issue price, the type of contribution, the date of issue, the conditions for the exercise of pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board of Directors may issue new registered shares by means of a firm underwriting through a financial institution, a syndicate of financial institutions or another third party and a subsequent offer of these shares to the existing shareholders or third parties (if the pre-emptive rights of the existing shareholders have been denied or have not been duly exercised).

The Board of Directors is authorized to restrict or withdraw pre-emptive rights of existing shareholders and allocate such rights to third parties, the Company or any of its group companies for purposes of the placement of shares and / or the granting of an over-allotment option in the initial public offering.

The authorized share capital was created at the general meeting on 6 April 2021. If fully utilized, the maximum amount of this authorized share capital (*i.e.*, CHF 13,750) would equal approximately 4.2% of the existing share capital. The authority of the Board of Directors to increase the Company's share capital by issuing shares out of the Company's authorized share capital according to art. 3c of the Articles of Association lasts until 5 April 2023.

2.3 Changes in share capital

The Company was incorporated on 6 April 2021, at which time the issued share capital amounted to CHF 300,000, divided into 30,000,000 fully paid in registered shares with a nominal value of CHF 0.01 each. In connection with the IPO and the reorganization of the Group, on 28 April 2021, the Company's issued share capital was increased by CHF 31,250.01 as a result of the issuance of 3,125,001 shares with a nominal value of CHF 0.01 each out of authorized share capital, resulting in a share capital of CHF 331,250.01, divided into 33,125,001 registered shares with a nominal value of CHF 0.01 each as of 31 December 2022. Specifically, 3,125,000 shares were issued out of art. 3c of the Articles of Association in relation to the shares issued and sold by the Company in the IPO and one share was issued out of art. 3b of the Articles of Association following the contribution in kind of 50,000,000 shares of PolyPeptide Laboratories Holding B.V. from Draupnir Corporation S.à r.l.[8]

[8] For a more comprehensive description of the contribution in kind agreement of 28 April 2021, refer to art. 33 of the Articles of Association.

2.4 Shares and participation certificates

As of 31 December 2022, the share capital of the Company amounted to CHF 331,250.01 and was divided into 33,125,001 registered shares (*vinkulierte Namenaktien*) with a nominal value of CHF 0.01 each, all fully paid-up.

Subject to the Percentage Limit described in art. 5 para. 3 of the Articles of Assosciation and provided that its holder or usufructuary has been duly entered into the share register as a shareholder with voting rights on or before the relevant Record Date, each share carries one vote at a shareholders' meeting. Aside from the limitations described in the preceding sentence, the shares rank *pari passu* in all other respects with each other, including in respect of entitlements to dividends, to a share in the liquidation proceeds in the case of a liquidation of the Company and to pre-emptive rights. Dividend and voting rights are suspended for treasury shares held by the Company.

The Company issues its registered shares only as uncertificated securities (*Wertrechte*) within the meaning of art. 973c CO, and registers them as book-entry securities (*Bucheffekten*) within the meaning of the Federal Act on Intermediated Securities (FISA). In accordance with art. 973c CO, the Company maintains a non-public register of uncertificated securities (*Wertrechtebuch*).

Shareholders have no right to request conversion of the form in which registered shares are issued into another form. Each shareholder may, however, at any time require from the Company a confirmation relating to their current shareholding, as reflected in the Company's share register (*Aktienbuch*).

The Company has not issued any participation certificates (*Partizipationsscheine*).

2.5 Dividend-right certificates

The Company has not issued any dividend-right certificates (*Genussscheine*).

2.6 Limitations on transferability and Nominee registrations[9]

Art. 5 of the Articles of Association contains restrictions on shareholders' possibility to be entered into the Company's share register as a shareholder with voting rights and on the registration of nominees ("Nominees").[10]

2.6.1 Limitations on transferability

According to art. 5 para. 2 of the Articles of Association, persons acquiring shares shall on application be entered in the share register without limitation as shareholders with voting rights, provided they expressly declare themselves to have acquired the shares in their own name and for their own account and comply with the disclosure requirements stipulated by the FMIA. Entry in the share register as a shareholder with voting rights is subject to the approval of the Company.

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[9] This section 2.6 provides a summary of the limitations on transferability of the Company's shares and Nominee registrations. See art. 5 of the Articles of Association for more information.

[10] Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in a similar manner, as well as individuals, legal entities or partnerships (especially syndicates) that act in concert are considered as one shareholder or Nominee according to art. 5 para. 7 of the Articles of Association.

Entry in the share register as a shareholder with voting rights may be refused based on the grounds set out in art. 5 paras 3-7 of the Articles of Association. If the Company does not refuse to register the acquirer as shareholder with voting rights within 20 calendar days upon receipt of the application, the acquirer is deemed to be a shareholder with voting rights. Non-recognized acquirers shall be entered in the share register as shareholders without voting rights. The corresponding shares shall be considered as not represented in the general meeting.

The Board of Directors may, according to art. 5 para. 3 of the Articles of Association, refuse the registration in the share register as a shareholder with voting rights if an acquirer would as a result of the recognition as a shareholder with voting rights directly or indirectly acquire, or hold in the aggregate, more than 10 percent of the registered shares recorded in the commercial register (the "Percentage Limit").

The Board of Directors may enter the registration with voting rights in the share register according to art. 5 para. 4 of the Articles of Association even if 10 percent of the registered shares recorded in the commercial register are exceeded, (i) for shareholders who held or were allotted more than 10 percent of the registered shares recorded in the commercial register before completion of the IPO and only to the extent they held or were allotted such registered shares at that time and their respective legal successors ("Incumbent Shareholders"); (ii) if an Incumbent Shareholder (or his legal successor, respectively) acquires additional registered shares after the IPO; or (iii) if (A) a spouse, descendent, parent, sibling or an affiliated person of an Incumbent Shareholder (or his legal successor, respectively) or (B) any other acquirer acquires registered shares from an Incumbent Shareholder (or his legal successor, respectively) off-market, but in each case only to the extent such registered shares held by such Incumbent Shareholder (or his legal successor, respectively) had been registered with voting rights in the share register.

According to art. 5 para. 6 of the Articles of Association and subject to art. 652b para. 3 CO, the described limit for registration also applies to the subscription for or acquisition of registered shares by exercising pre-emptive, option or convertible rights arising from shares or any other securities issued by the Company or third parties.

According to art. 5 para. 7 of the Articles of Association legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert are considered as one shareholder or nominee.

The Company may in special cases approve exceptions to the above restrictions (art. 5 para. 3, 4 and 5 of the Articles of Association). After due consultation with the persons concerned, the Company is further authorized to delete entries in the share register as shareholder with voting rights with retroactive effect if they were effected on the basis of false information or if the respective person does not provide the information pursuant to art. 5 para. 3 of the Articles of Association. The concerned person has to be immediately informed about the deletion. Until an acquirer of shares becomes a shareholder with voting rights for the shares in accordance with art. 5 of the Articles of Association, he/she may neither exercise the voting rights connected with the shares nor other rights associated with the voting rights.

For so long as the Company's shares are issued as uncertificated securities and registered as book-entry securities, the transfer of shares and the granting of security rights must be made in accordance with FISA. The transfer of book-entry securities or the granting of security rights on book-entry securities by way of assignment is excluded.

2.6.2 Exceptions granted in the period under review

The Company may in special cases approve exceptions to the restrictions as set out in art. 5 (Share Register, Transfer Restrictions) of the Articles of Association.

As of 31 December 2022, no exceptions under art. 5 of the Articles of Association have been granted during the period under review.

2.6.3 Admissibility of Nominee registrations

According to art. 5 para. 5 of the Articles of Association, persons not expressly declaring themselves to be holding the shares for their own account in their application for entry in the share register or upon request by the Company (hereafter referred to as "Nominees") shall be entered in the share register as shareholders with voting rights without further inquiry up to a maximum of 3.0% of the share capital outstanding at that time. Subject to art. 5 para. 3 of the Articles of Association (see also section 6 "*Shareholders' participation rights*" of this Corporate Governance Report), above this limit, registered shares held by Nominees shall be entered in the share register with voting rights only if in its application for registration, or thereafter upon request by the Company, the Nominee discloses the names, addresses and shareholdings of the persons for whose account the Nominee is holding 0.5% or more of the share capital outstanding at that time and provided that the disclosure requirements stipulated by the FMIA are complied with. The Board of Directors has the right to conclude agreements with Nominees concerning their disclosure requirements.

According to art. 5 para. 6 of the Articles of Association and subject to art. 652b para. 3 CO, the described limit for registration also applies to the subscription for or acquisition of registered shares by exercising pre-emptive, option or convertible rights arising from shares or any other securities issued by the Company or third parties.

The Company may in special cases approve exceptions to the above restrictions according to art. 5 para. 8 of the Articles of Association. After due consultation with the persons concerned, the Company is further authorized to delete entries in the share register as shareholder with voting rights with retroactive effect if they were effected on the basis of false information or if the respective person does not provide the information pursuant to art. 5 para. 3 of the Articles of Association. The concerned person has to be immediately informed about the deletion. Until an acquirer of shares becomes a shareholder with voting rights for the shares in accordance with art. 5 of the Articles of Association, he/she may neither exercise the voting rights connected with the shares nor other rights associated with the voting rights. As of 31 December 2022, no exceptions under art. 5 of the Articles of Association have been granted during the period under review.

2.6.4 Procedure and conditions for cancelling transferability privileges and limitations

The easement or abolition of the restrictions of the transferability of the registered shares requires a resolution of a shareholders' meeting passed by at least two thirds of the represented share votes and an absolute majority of the par value of represented shares (see art. 12 of the Articles of Association).

2.7 Convertible bonds and options

As of 31 December 2022, the Company has not issued any bonds or options regarding its shares.

For information regarding the granting of Performance Share Units (PSUs) to selected employees of PolyPeptide, please refer to section 5.1.4 "*Long-term incentive program*" of the Remuneration Report 2022.

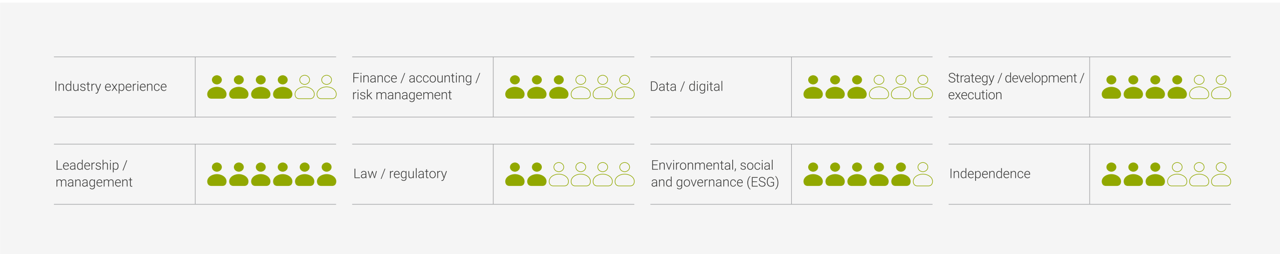
3 Board of Directors

The Board of Directors is responsible for PolyPeptide's overall direction and oversight of management, and holds the ultimate decision-making authority, with the exception of matters reserved for shareholders.

We believe that the composition of our Board of Directors should reflect PolyPeptide's objectives, strategic requirements, geographical reach and its culture. The Board of Directors should further be diverse in terms of gender, nationality, geographical / regional and business experience.

In furtherance of this, the Board of Directors has determined a wide range of skills to ensure that all members are well qualified, committed and willing to devote the necessary time and effort to effectively perform their responsibilities. Based on the defined set of competencies, the Board members were asked to identify their key skills highlighted by their educational and professional background and personal achievements, as illustrated in the chart below.

Board skills distribution



The Remuneration and Nomination Committee regularly assesses the set of competencies as well as each Director's contributions to ensure that an appropriate mix of skills, expertise and diversity is represented on the Board of Directors and its Committees. In addition, the Remuneration and Nomination Committee, together with the Board of Directors, actively considers gender diversity in succession planning of the Board of Directors as well as of the Executive Committee.

3.1 Members of the Board of Directors

There has been no change in the Board of Directors in the reporting year. Each Director stood for re-election at the general meeting 2022 ("AGM 2022") and was approved by the shareholders. Thus, as of 31 December 2022, the Board consisted of six (6) non-executive Directors (including the Chairman and the Lead Independent Director), three (3) of which are independent as outlined below:

Name	Position	First election	End of term
Peter Wilden	Chairman, Non-executive[1]	2021	AGM 2023
Patrick Aebischer	Vice-Chairman, Non-executive and Lead Independent Director[2, 3]	2021	AGM 2023
Jane Salik	Member, Non-executive[4]	2021	AGM 2023
Erik Schropp	Member, Non-executive	2021	AGM 2023
Beat In-Albon	Member, Non-executive and Independent[2]	2021	AGM 2023
Philippe Weber	Member, Non-executive and Independent[2, 5]	2021	AGM 2023

1 As announced on 30 January 2023, Raymond De Vré resigned as CEO, and Dr. Peter Wilden assumed the role of Executive Chairman with immediate effect. Dr. Wilden's role as Executive Chairman is expected to be limited in nature to actively manage the CEO succession and assure business continuity.

2 The term "independent" is interpreted in accordance with art. 14 of the Swiss Code of Best Practice for Corporate Governance. In addition, section 4(d) of the Organizational Regulations further specifies that (i) a Director shall be deemed to have no or comparatively minor business relations with any member of the Group as long as such Director is not receiving more than CHF 120,000 during any 12-month period in direct compensation from any member of the Group (other than director fees and related compensations), and (ii) the Director is not a current executive officer of a company that made payments to, or received payments from any member of the Group for property or services in an amount which, in any of the last three fiscal years, exceeded the greater of CHF 200,000 or 5% of the recipient company's consolidated gross revenues for that year, and (iii) the Director has not held any executive position within the Company during the past three years, and (iv) the Director does not represent a shareholder that holds more than 15% of the Company's shares.

3 Dr. Patrick Aebischer has been a Senior Partner and member of the Investment Advisory Committee of NanoDimension Management Limited since 2017. In 2021, PolyPeptide committed to a limited investment in a partnership managed by NanoDimension Management Limited. Dr. Aebischer abstained from voting on this item. The indirect business relationship between PolyPeptide and Dr. Aebischer resulting from said commitment is considered comparatively minor. Thus, Dr. Aebischer is considered independent within the meaning of art. 14 Swiss Code of Best Practice for Corporate Governance and section 4(d) of the Organizational Regulations.

4 Jane Salik (Member) served as the CEO of PolyPeptide from 2006 until 29 April 2021 and was a member of the Executive Committee of PolyPeptide from 2006 until 17 August 2021. Prior to her resignation from the Executive Committee on 17 August 2021, she was considered an executive member of the Board.

5 Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF), which acted as legal adviser to PolyPeptide in connection with its IPO and other ordinary course corporate legal matters. Refer to section 4.2 "*Compensation of the Board of Directors*" of the Remuneration Report 2022 for disclosure of the fees received by NKF in relation to these ordinary course legal matters. The business relationship between PolyPeptide and Mr. Weber is considered comparatively minor. Thus, Mr. Weber is considered independent within the meaning of art. 14 Swiss Code of Best Practice for Corporate Governance and section 4(d) of the Organizational Regulations.

PolyPeptide believes that the composition of its Board of Directors and Committees with regard to independence and competences fairly reflects and balances the interests of its shareholders and other stakeholders.

Set out below is a short description of the business experience, education and activities of each director.

Peter Wilden

Chairman since 2021
Non-executive[11]

Nationality: **German**
Year of birth: **1957**

Professional background
Beginning in 1991, Dr. Wilden held various senior roles within the Ferring Group, ultimately serving as Executive Vice President and CFO of Ferring Pharmaceuticals between 2000 and 2017. During his tenure with the Ferring Group, Dr. Wilden also served as member of the board of directors for various subsidiaries of the Ferring Group. Following his resignation as Executive Vice President and CFO in 2017, Dr. Wilden has continued to hold various directorships and advisory roles within the Ferring Group. Due to the Group's ongoing business relationship with the Ferring Group, which is also considered a related party, Dr. Wilden is assessed as not independent.[12]

As announced on 30 January 2023, Raymond De Vré resigned as CEO, and Dr. Peter Wilden assumed the role of Executive Chairman with immediate effect. Dr. Wilden's role as Executive Chairman is expected to be limited in nature to actively manage the CEO succession and assure business continuity.

Prior positions at PolyPeptide
- None

Outside mandates at listed companies
- None

Outside mandates at non-listed companies
- Executive Chairman of Ferring International Center SA, Switzerland (since 2002)

Outside mandates at non-profit organizations
- Director of the Suisse Polar Foundation, Switzerland (since 2018)
- Chairman of Project HOPE Suisse International Foundation, Switzerland (since 2015)
- Director / Vice-Chairman of Project HOPE, USA (since 2012)

Former outside activities and functions
- Vice-Chairman of Schlumberger AG, Austria (2014–2022)
- Director of Ferring Ventures SA (previously named Trizell Holding SA), Switzerland (2014–June 2021)
- Director / Chairman of the Audit Committee / Vice-Chairman of Lonza Group AG, Switzerland (2004–2014)
- Executive Vice-President and CFO of Ferring Pharmaceuticals, Switzerland (2000–2017)
- Director of Trace Biotech AG, Germany (1999–2002)
- Director of Group Finance of Ferring BV, The Netherlands (1995–2000)

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11 As announced on 30 January 2023, Dr. Peter Wilden assumed the role of Executive Chairman.

12 Ferring Group is disclosed in note 22 to the consolidated financial statements as a related party because it is related to the Company through the Esperante Investments Group ownership structure. For further information, see note 22 "*Related parties*" of the consolidated financial statements in the Financial Report 2022.

- Vice-President Finance & Accounting and Technical Operations of Ferring Arzneimittel GmbH, Germany (1993–1996)
- Director of Finance at Ferring Arzneimittel GmbH, Germany (1991–1993)
- IT Consultant at MaK Data System GmbH (within the Krupp Steel Group), Germany (1988–1991)
- Management Assistant, Krupp MaK Maschinenbau GmbH, Germany (1986–1988)
- Scientific Assistant within the IT-Group at the Institute of World Economics, Germany (1983–1986)
- Tax Inspector at the Inland Revenue Service, Germany (1980–1981)

Education
- PhD in Economics, University of Kiel, Germany (1991)
- MBA in Industrial Economics, University of Kiel, Germany (1986)
- Education Tax Inspector at the German Inland Revenue Service, Germany (1977–1980)

Key skills: Industry experience; Leadership / management; Finance / accounting / risk management; Data / digital; Environmental, social and governance (ESG); Strategy / development / execution

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Patrick Aebischer

Vice-Chairman and Lead Independent Director since 2021 [13]
Non-executive

Nationality: **Swiss**
Year of birth: **1954**

Professional background
Since 2000, Dr. Aebischer has served as a Professor of Neurosciences at the Swiss Federal Institute of Technology Lausanne (EPFL), Switzerland. He has received numerous honors, including the Robert Bing Prize of the Swiss Academy of Medicine and the Pfizer Foundation Prize for Clinical Neurosciences. Dr. Aebischer holds various academic advisory positions as well as various positions in non-profit foundations and scientific advisory boards.

Prior positions at PolyPeptide
- None

Outside mandates at listed companies
- Director of Logitech SA, Switzerland (since 2016)
- Director of Nestlé SA, Switzerland (since 2015)

Outside mandates at non-listed companies
- Director of Swiss Vaccine SA, Switzerland (since 2022)
- Chairman of Vandria SA, Switzerland (since 2021)
- Senior Partner of NanoDimension Management Limited, Cayman Islands (since 2017)
- Chairman of the Novartis Venture Fund, Switzerland (since 2014)
- Chairman of Amazentis SA, Switzerland (since 2007)

[13] Dr. Patrick Aebischer has been a Senior Partner and member of the Investment Advisory Committee of NanoDimension Management Limited since 2017. In 2021, PolyPeptide committed to a limited investment in a partnership managed by NanoDimension Management Limited. Dr. Aebischer abstained from voting on this item. The indirect business relationship between PolyPeptide and Dr. Aebischer resulting from said commitment is considered comparatively minor. Thus, Dr. Aebischer is considered independent within the meaning of art. 14 Swiss Code of Best Practice for Corporate Governance and section 4(d) of the Organizational Regulations.

Outside mandates at non-profit organizations
- Director of Fondation «Geneva Science & Diplomacy Anticipator», Switzerland (since 2019)
- Director of Fondation du domaine de Villette, Switzerland (since 2018)
- Chairman of Fondation ArtTech, Switzerland (since 2017)
- Director of Fondation Defitech, Switzerland (since 2017)
- Chairman of Swiss Polar Foundation, Switzerland (since 2016)
- Director of Fondation Claude Nobs, Switzerland (since 2015)
- Director of Fondation du Festival de Verbier, Switzerland (since 2015)

Former outside activities and functions
- Director of Lonza Group AG, Switzerland (2008–2020)
- Professor of Neurosciences, Swiss Federal Institute of Technology Lausanne (EPFL), Switzerland (2000–2019)
- President of EPFL, Switzerland (2000–2016)
- Founding scientist and Director of Modex Therapeutiques Inc., Switzerland (IPO 2000 on SIX) (1996–2004)
- Professor and Medical Director of the Surgical Research Division at Lausanne University Medical School Hospital (1992–2000)
- Founding scientist of CytoTherapeutics Inc., USA (IPO 1996 on NASDAQ) (1989–1999)
- Professor, Brown University, USA (1986–1992)

Education
- Dr. in Medicine, University of Geneva, Switzerland (1983)
- MD, University of Geneva, Switzerland (1980)

Key skills: Industry experience; Leadership / management; Data / digital; Environmental, social and governance (ESG); Strategy / development / execution; Independence

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Erik Schropp

Member since 2021
Non-executive

Nationality: **Dutch**
Year of birth: **1964**

Professional background
Currently, Mr. Schropp is CEO of Esperante Investments Group and a director of Draupnir Holding B.V. (one of the Company's significant shareholders, see section 1.2 "Significant shareholders" of this Corporate Governance Report).[14] As a result of these roles, Mr. Schropp is assessed as not independent.

Prior positions at PolyPeptide
- Director of PolyPeptide Laboratories Holding B.V., The Netherlands, and PolyPeptide Laboratories Holding (PPL) AB, Sweden (2017–2021)

Outside mandates at listed companies
- None

[14] Draupnir Holding B.V. is disclosed in note 22 to the consolidated financial statements as a related party because it is related to the Company through the Esperante Investments Group ownership structure. For further information, see note 22 *"Related parties"* of the consolidated financial statements in the Financial Report 2022.

Outside mandates at non-listed companies
- CEO of Esperante Investments Group (since 2020) (including serving as a director of Draupnir Corporation B.V., The Netherlands (since 2022) and Draupnir Holding B.V., The Netherlands (since 2008) and of the following strategic business units: (i) SEVER Life Sciences B.V., The Netherlands (since 2019), including serving as a director of four subsidiary companies; (ii) Esperante B.V., The Netherlands (since 2008); (iii) Svar Life Science AB, Sweden (since 2008), including serving as a director of one subsidiary company)
- Director of Haydn Holding AB, Sweden (since 2012) (including serving as a director at four subsidiary companies)
- Director of Ferring Foundation B.V., The Netherlands (since 2008) (including serving as a director of two subsidiary entities)

Outside mandates at non-profit organizations
- None

Former outside activities and functions
- Director of FinVector Oy, Finland (2020–2021)
- Director of Altacor Ltd., United Kingdom (2014–2017)
- Group Financial Officer, C&P Investors Group (presently: Esperante Investments Group), The Netherlands (2008–2020)
- Group Tax & Finance Director, C&P Investors Group (presently: Esperante Investments Group), The Netherlands (2005–2008)
- International Tax & Finance Director, Ferring Pharmaceuticals, The Netherlands and Denmark (1999–2005)
- International Tax Manager, Unisource N.V., The Netherlands (1996–1999)
- Tax Manager, Arthur Andersen, The Netherlands (1988–1996)

Education
- Master's degree in Economics & Tax, Erasmus University, Rotterdam, The Netherlands (1988)

Key skills: Leadership / management; Finance / accounting / risk management; Data / digital

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Jane Salik

Member since 2021
Non-executive (since 17 August 2021)

Nationality: **American**
Year of birth: **1953**

Professional background
Ms. Salik joined PolyPeptide in 1996 as President of PolyPeptide Laboratories Inc., where she was responsible for sales and marketing, and overall management, administration and strategic planning for the company. In 2006, she was appointed CEO during which time she guided PolyPeptide through a period of significant growth, expansion of sales and profits, expanding into new geographies and establishing a culture of innovation and execution of best practice. Ms. Salik resigned as CEO on 29 April 2021 and was a member of the Executive Committee of PolyPeptide until 17 August 2021. Due to her recent operational management roles at the Group, Ms. Salik is assessed as not independent.

Prior positions at PolyPeptide

- Group CEO (2006–April 2021) and Executive Committee member (2006–August 2021)
- President, PolyPeptide Laboratories, Inc., USA (1996–2006)
- Director of PolyPeptide Laboratories Holding B.V., The Netherlands, as well as certain of its direct and indirect global subsidiaries (2003–2021)

Outside mandates at listed companies

- None

Outside mandates at non-listed companies

- None

Outside mandates at non-profit organizations

- None

Former outside activities and functions

- Vice President of Sales and Marketing, Bachem California, USA (1986–1996)
- Technical services biochemist, product manager and marketing manager, Boehringer Mannheim, USA (1980–1986)

Education

- PhD in Molecular and Cellular Biology, SUNY Stony Brook, USA (1980)
- B.A. in Biology, Lafayette College, USA (1975)

Key skills: Industry experience; Leadership / management; Environmental, social and governance (ESG); Strategy / development / execution

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Beat In-Albon

Member since 2021
Independent; Non-executive

Nationality: **Swiss**
Year of birth: **1952**

Professional background

From 2016 to 2018, Mr. In-Albon was Head of Strategic Projects at Lonza AG, Switzerland, on a part-time basis ahead of his retirement. Previously, Mr. In-Albon served as Senior Vice President and Chief Operating Officer Specialty Ingredients and was a member of the Executive Management Committee of Lonza AG, Switzerland, from 2012 until 2015.

Prior positions at PolyPeptide

- None

Outside mandates at listed companies

- Chairman of Evolva Holding SA, Switzerland (since 2020)

Outside mandates at non-listed companies

- Chairman of Hans Kalbermatten Thermalbad AG, Switzerland (since 2021)
- Director of Deccan Fine Chemicals Pvt. Ltd., India (since 2019)

Outside mandates at non-profit organizations

- Vice-Chairman of Lonza Arena AG, Switzerland (since 2020)

Former outside activities and functions

- Director / Chairman of Escientia Switzerland AG, Switzerland (2020–2021)
- Head of Strategic Projects at Lonza AG, Switzerland (2016–2018)
- Senior Vice President and COO Specialty Ingredients / Member of the Executive Management Committee, Lonza AG, Switzerland, (2012–2015)
- Director of Siegfried AG, Switzerland (2009–2012)

- Executive Vice President of Industrial Services, Member of the Operations Council, SGS SA, Switzerland (2009–2012)
- Executive Vice President of Life Science Services / Member of the Operations Council, SGS SA, Switzerland (2008–2009)
- Senior Vice President / Head of Organic Fine- & Performance Chemicals / Member of the Executive Management Committee at Lonza Group AG, Switzerland (2006–2007)
- Senior Vice President / Head of Organic Fine- & Performance Chemicals / Member of the Executive Management Committee of Lonza AG, Switzerland (2003–2006)
- Various positions at Lonza AG, Switzerland, in the fields of Agrochemicals and Organic Fine Chemicals (starting 1983)

Education

- Master of Business Administration in Political Economy, University of Fribourg, Switzerland (1987)
- PhD in Economic Science, University of Fribourg, Switzerland (1983)

Key skills: Industry experience; Leadership / management; Finance / accounting / risk management; Law / regulatory; Environmental, social and governance (ESG); Independence

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Philippe Weber

Independent[15]; Non-executive
Member since 2021

Nationality: **Swiss**
Year of birth: **1965**

Professional background

Mr. Weber is a member of the board of directors of Niederer Kraft Frey AG, Zurich (since 2008) and has been a partner of Niederer Kraft Frey AG, Zurich since 2002. He is an attorney-at-law admitted to the Swiss bar.

Prior positions at PolyPeptide

- None

Outside mandates at listed companies

- Vice-Chairman of Leonteq AG, Switzerland, and Leonteq Securities AG, Switzerland (both since 2020)
- Director of Medacta Group AG, Switzerland (since 2019)
- Director of EDAG Engineering Group AG, Switzerland (since 2015)

Outside mandates at non-listed companies

- Director of NorthStar Holding AG, Switzerland (since 2018)
- Director of Banca del Ceresio SA, Switzerland (since 2017)
- Director of Newron Suisse SA, Switzerland (since 2007)
- Partner at Niederer Kraft Frey AG, Switzerland (since 2002)
- Company Secretary of CLS Group Holdings AG, Switzerland (since 2002)

[15] Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF), which acted as legal adviser to PolyPeptide in connection with its IPO and other ordinary course corporate legal matters. Refer to section 4.2 "*Compensation of the Board of Directors*" of the Remuneration Report 2022 for disclosure of the fees received by NKF in relation to these ordinary course legal matters. The business relationship between PolyPeptide and Mr. Weber is considered comparatively minor. Thus, Mr. Weber is considered independent within the meaning of art. 14 Swiss Code of Best Practice for Corporate Governance and section 4(d) of the Organizational Regulations.

Outside mandates at non-profit organizations
- None

Former outside activities and functions
- Chairman and managing partner of Niederer Kraft Frey AG, Switzerland (2015–March 2021)
- Director of Robert Aebi AG, Switzerland (2004–2017)

Education
- PhD in law (summa cum laude), University of Zurich, Switzerland (1995)
- LL.M. (with distinction), European University Institute (EUI) in Fiesole, Italy (1994)

Key skills: Leadership / management; Law / regulatory; Environmental, social and governance (ESG); Strategy / development / execution; Independence

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3.2 Other activities and vested interests

Except as disclosed in the biographies of the members of the Board of Directors, no further activities or vested interests are carried out outside of PolyPeptide.

3.3 Mandates and other permitted activities

Our Articles of Association limit the number of functions in superior management or administrative bodies of legal units other than with PolyPeptide that Directors are allowed to hold at one time.

Pursuant to art. 23 of the Articles of Association, the Directors may have the following other functions in the superior management or administrative bodies of legal units obliged to register themselves in a Swiss commercial register or a foreign equivalent thereof:
- up to four (4) mandates as member of the board of directors or any other superior management or administrative body of listed companies; and, in addition,
- up to ten (10) mandates as member of the board of directors or any other superior management or administrative body of legal entities that do not meet the above mentioned criteria.

With respect to the additional activities of the Directors, mandates in companies that are under uniform control or the same beneficial ownership are deemed to be one mandate.

The following mandates shall not be subject to the limitations set forth in art. 23 of the Articles of Association:
- mandates in companies which are controlled by the Company or which control the Company;
- mandates held at the request of the Company or companies controlled by it; no member of the Board of Directors shall, however, hold more than ten (10) such mandates; and
- mandates in associations, charitable organizations, foundations, employee welfare foundations and other similar organizations; no member of the Board of Directors shall, however, hold more than fifteen (15) such mandates.

3.4 Election and term of office

According to art. 15 of the Articles of Association, the Board of Directors consists of a minimum of three (3) members. As prescribed by Swiss Law, all members of the Board of Directors, including the Chairman, have to be elected individually, and may only be removed by a shareholders' resolution. The maximum term of office for a member of the Board of

Directors is one year. In this context, one year means the time period between one general meeting and the next or, if a member is elected at an extraordinary shareholders' meeting between such extraordinary shareholders' meeting and the next general meeting. Re-election is possible. The Company's Articles of Association do not contain a limitation on the number of terms served or the age of members of the Board of Directors, including the Chairman.

The members of the Remuneration and Nomination Committee (individually) as well as the independent proxy (the "Independent Proxy") are also elected by the general meeting for a one-year term.

If the office of the Chairman of the Board of Directors is vacant, the Remuneration and Nomination Committee is not complete or the Company does not have an Independent Proxy, the Board of Directors shall appoint a substitute for the time period until the conclusion of the next general meeting who must be (with the exception of the Independent Proxy) a member of the Board of Directors.

Please refer to section 3.1 "*Members of the Board of Directors*" of this Corporate Governance Report for information relating to the time of first election to office of the Company's current Directors.

3.5 Internal organizational structure

3.5.1 Allocation of tasks within the Board of Directors

3.5.1.1 General

Our Board of Directors is responsible for the ultimate direction of PolyPeptide, supervision of our management and holds the ultimate decision-making authority, with the exception of matters reserved for shareholders.

The Board of Directors determines PolyPeptide's strategy, the allocation of resources and the management framework. It is also responsible for setting the organizational structure, accounting, financial control and financial planning. In addition, the Board of Directors takes responsibility for all sustainability and environmental, social and governance ("ESG") issues. For further information, see the chapter Corporate Responsibility.

The internal structure of our Board of Directors is set out in the Organizational Regulations, which determines the corporate bodies of PolyPeptide, defines their responsibilities and competences regarding management and regulates the functioning and cooperation of the various bodies involved in PolyPeptide's management. Subject to applicable law and the Articles of Association, the allocation of tasks within the Board of Directors is determined annually by the Board at its first meeting following the general meeting in accordance with section 2.1.1 of the Organizational Regulations.

To operate effectively and allow in-depth focus in specific areas, the Board of Directors has four standing committees (each, a "Committee"):

Committee	Chair	Member
Audit and Risk Committee (ARC)	Beat In-Albon	Erik Schropp
Remuneration and Nomination Committee (RNC)	Philippe Weber	Peter Wilden
Innovation and Technology Committee (ITC)	Patrick Aebischer	Jane Salik
Chair's Committee (CC)[1]	Peter Wilden	Beat In-Albon Philippe Weber Patrick Aebischer

[1] Established 30 November 2022.

Except for the election of the Chairman of the Board of Directors and the members of the Remuneration and Nomination Committee (which are to be elected by the general meeting), the Board of Directors determines its own organization. It elects the Lead Independent Director, the members of the other Committees and appoints a secretary who does not need to be a member of the Board of Directors. Peter Wilden is currently serving as the Chairman of the Board of Directors.

Each Committee generally comprises two or more members of the Board of Directors with its own charter governing its duties and responsibilities. The Committees have no decision-making authority of their own (unless provided with such authority by a special resolution of the Board of Directors) and generally act in advisory and preparatory capacities. The Board of Directors remains ultimately responsible for the tasks delegated to the Committees by Swiss law, the Articles of Association or the Organizational Regulations.

The Board of Directors may form additional ad-hoc working groups and standing committees for particular areas within the scope of its duties to deal with specific issues. During the second half of 2022, the Chairman of the Board, together with the three chairmen of each of the Committees (listed in the table above) held a series of meetings with the CEO to discuss various topics of strategic importance and other key business matters. At its meeting on 30 November 2022, the Board of Directors decided to formalize this ad hoc working group and, thus, constituted a new "Chair's Committee". The Organizational Regulations were amended accordingly on 9 March 2023 to reflect this new standing committee. For more information on the Chair's Committee, see section 3.5.3.4 "*Chair's Committee*" of this Corporate Governance Report. Other than as described herein, no other ad-hoc working groups or standing committees were formed in 2022.

At least annually, the Board reviews its own performance, as well as the performance of each of the Committees. Such assessment seeks to determine whether each of the Board and the Committees function effectively and efficiently. For 2022, the self-assessments were prepared by the Company based on customary industry evaluations and questionnaires, and reviewed and commented on by the Chairman. Following the completion of the assessments, the Board of Directors reviews the results and discusses areas or opportunities for improvement.

3.5.1.2 Lead Independent Director

The Lead Independent Director is an independent member of the Board of Directors and is elected by the Board of Directors for a term of one year or until the conclusion of the next general meeting. If the Chairman is indisposed, the Lead Independent Director will take the chair at the meetings of the Board of Directors and the shareholders' meeting. In particular, the Lead Independent Director will chair the meeting of the Board of Directors or the shareholders' meeting if the Chairman is required to abstain from the deliberation and decision-taking in case the following items are on the agenda: (i) assessment of the work of the Chairman; (ii) decision of the Board of Directors on the request to the shareholders' meeting for the re-election or not of the Chairman; (iii) decision about the compensation of the Chairman; and (iv) any other matters in which the Chairman has a conflict of interest. The Lead Independent Director is entitled to call a meeting of the Board of Directors whenever he or she deems fit.

Patrick Aebischer is currently serving as the Lead Independent Director and Vice-Chairman.

3.5.2 Working methods of the Board of Directors

3.5.2.1 Overview

Meetings of the Board are held as often as the business requires, but as a general rule at least four (4) times per year, including (i) in the first quarter, *inter alia*, to approve the annual report and the agenda and invitation to the upcoming general meeting; (ii) immediately after the general meeting, *inter alia*, to constitute the Board; (iii) in the third quarter, *inter alia*, to approve the half year financials; and (iv) in the fourth quarter, *inter alia*, to approve the budget for the next financial year. For each of these meetings, the Chairman also generally selects key business or strategic topics for more in-depth focus and discussion, such as quality, information security / information technology and risk management. Meetings of the Board are convened by the Chairman if and when the need arises or whenever a Director or the CEO, indicating the reasons, so requests in writing. If the Chairman does not comply with any such request within 14 days, the Lead Independent Director is entitled to call the meeting.

Notice of meetings is given at least five (5) business days prior to the meeting. The notice must set forth the time, place and agenda of the meeting so that Directors may have a reasonable understanding of the business intended to be conducted at the meeting. Directors are provided with all necessary supporting materials at least five (5) business days prior to the meeting. In urgent cases (as determined by the Chairman in his or her discretion), a meeting may be held on appropriate shorter notice. If the Chairman deems it necessary, supporting materials may also be provided later to allow the Board to receive the latest available information. This applies, in particular, to updates on financial and other relevant data. Board meetings may be held in person, by telephone or by video conference.

The Chairman, or in his absence the Lead Independent Director, or in the absence of both, a Director designated by the attending Directors, shall chair the meeting.

If all Directors are present and agree, deviations from the formal requirements set forth in the Organizational Regulations (including those described above) are permitted; in particular, decisions can be taken in respect of items that are not listed on the agenda for the meeting.

As a general principle, Directors shall arrange their personal and business affairs so as to avoid, as much as possible, a conflict of interest. As set forth in the Organizational Regulations, each Director shall disclose to the Chairman regarding any conflict of interest arising or relating to any matter to be discussed at the meeting of the Board as soon as the Director becomes aware of its potential existence. The Chairman (or, if applicable, the Lead Independent Director or the Remuneration and Nomination Committee) will decide upon appropriate measures to avoid any interference of such conflict of interests with the decision-making of the Company. As a rule, subject to exceptional circumstances in which the best interests of the Company dictate otherwise, the Director will not participate in the decision-making involving the matter at stake. The Director with a conflict will have the right to, or may be required by the Chairman to provide a statement of his or her view of the matter.

In principle (and as set forth in the Organizational Regulations), the CEO and the other members of the Executive Committee attend designated and selected sections of the meetings of the Board without the right to vote as guests, except where not appropriate (*e.g.*, if particular matters relating to their performance or remuneration are discussed). For example, as a general matter all members of the Executive Committee attend Board sessions dedicated to reports from management, whereas no members of the Executive Committee are present at the non-executive sessions of the Board meetings. Other members of the Group’s senior management are expected to participate at meetings of the Board if specific issues falling within their responsibility are on the agenda. The Chairman decides if and which persons outside the Board are entitled to attend meetings of the Board as guests.

In order to pass resolutions, not less than a majority of the Directors must be participating in the meeting (whether in person, by phone or video conference). The Board may pass resolutions with the majority of the votes cast (simple majority). Abstentions count as votes uncast. In case of a tie of votes, the Chairman has the casting vote. Board resolutions may also be passed by means of circular resolutions, by letter, facsimile or PDF document (e-mail); provided that no Director requests by phone, facsimile or e-mail within five (5) days of receipt of the proposed resolution that the resolution be deliberated in a meeting. Board resolutions by means of circular resolutions require the affirmative vote of the majority of the Directors.

3.5.2.2 2022 Board of Director meetings and key topics

Since 1 January 2022, the Board of Directors met seven (7) times, in a combination of in-person sessions and video conferences, for an average duration of approximately four (4) hours (with individual sessions lasting between one (1) to six (6) hours).

The following table outlines the dates and the attendees of each meeting of the Board of Directors.

Date / place	Attendees	Other attendees
10 March 2022 *Video conference*	Board of Directors (all)	Raymond De Vré Jan Fuhr Miller Christina Del Vecchio *(Secretary)*
25 April 2022 *Obbürgen, Switzerland*	Board of Directors (all)	Raymond De Vré Jan Fuhr Miller (VC) Daniel Lasanow Neil Thompson Olivier Ludemann-Hombourger (Director Global Innovation & Technology) Jon Holbech Rasmussen (Director Global Development / Regulatory / IP) René Vestergaard (Director, Corporate Finance) Monika Casanova (Chief Human Resources Officer - *elect*) Christina Del Vecchio *(Secretary)*
22 June 2022 *Limhamn, Sweden*	Board of Directors (all)	Raymond De Vré Jan Fuhr Miller Daniel Lasanow Neil Thompson Christina Del Vecchio *(Secretary)*
17 August 2022 *Braine-l'Alleud, Belgium*	Board of Directors (all)	Raymond De Vré Jan Fuhr Miller Daniel Lasanow Neil Thompson Landon Piluso (Director of Global Quality) Christina Del Vecchio *(Secretary)*
27 October 2022 *Video conference*	Board of Directors (all)	N/A
10 November 2022 *Video conference*	Board of Directors (all)	N/A
30 November 2022 *Baar, Switzerland*	Board of Directors (all)	Raymond De Vré Jan Fuhr Miller Neil Thompson Christophe Chevalier (Head of Technical Department, Braine, VC) Landon Piluso (Director of Global Quality, VC) Kent Axelsson (Global Procurement Director, VC) Thomas Lorentzon (Global Director IS/IT) Michael Stäheli (Head of Investor Relations and Corporate Communications) Christina Del Vecchio *(Secretary)*

The key topics of the Board of Directors during this period included, among other things:

- Review and approval of the 2021 full-year report and audited consolidated financial statements
- Review and approval of 2021 variable short-term incentive for the members of the Executive Committee
- Review and approval of AGM 2022 agenda and invitation
- Review and approval of the individual targets and weighting of 2022 variable short-term incentive for the members of the Executive Committee
- Approval of the 2022 half-year report and consolidated financial statements

- Regular review and discussion regarding the Group's year-to-date sales, financials and full-year outlook
- Review and consideration of PolyPeptide’s key strategic plans and initiatives
- Deep-dive into PolyPeptide’s Quality and Information Security / Technology departments
- Review and monitoring of the Group’s Environmental, Social and Governance (ESG) Roadmap
- Review and approval of the Group’s Enterprise Risk Management system and evaluation of PolyPeptide’s key risks and mitigating / managing strategies
- Planning and content of the Group’s 2022 annual report and topics related to the 2023 general meeting
- Review of the Group’s budget for 2023 financial year

3.5.3 Working methods of the Committees

The Committees act in advisory and preparatory capacities and have no decision-making authority of their own (unless provided with such authority by a special resolution of the Board of Directors). The Board remains ultimately responsible for the tasks delegated to the Committees by Swiss law, the Articles of Association or the Organizational Regulations.

The Committees keep the Chairman of the Board of Directors informed on a current basis about all important strategic issues, transactions as well as any business situations and / or developments within their scope of responsibilities and duties. The Chairman monitors such informational duties of the Committees. The chairman of each Committee provides the full Board of Directors at their meeting with an overview of key topics discussed at the most recent Committee meeting.

Each Committee meets at such frequency as it deems necessary to fulfill its duties, normally ahead of ordinary Board meetings, which are expected to take place at least four times per year. Additional meetings may be held and may be convened at the request of either the Board of Directors or any Committee member. The Audit and Risk Committee further meets upon request of the governance, risk and compliance officer (the “GRC Officer”).

The secretary prepares the agenda for each meeting, keeps the minutes, and assists the Committee and the chairman to coordinate and fulfill their duties and assignments. Once signed by the Committee chairman and secretary, the minutes (together with all presentation and background materials) of each Committee meeting are made available to the full Board of Directors for their review.

3.5.3.1 Remuneration and Nomination Committee

The Remuneration and Nomination Committee is entrusted with preparing and periodically reviewing PolyPeptide’s compensation policy, compensation strategy and principles as well as the performance criteria related to compensation and the accompanying review of their implementation. The Remuneration and Nomination Committee is also responsible for submitting proposals and recommendations to the Board of Directors regarding compensation matters. The Remuneration and Nomination Committee further supports the Board of Directors in preparing the compensation proposals for the general meeting. In addition, the Remuneration and Nomination Committee assists the Board of Directors in relation to the succession planning for and nomination of the members of the Board of Directors and the Executive Committee as well as the corporate governance of the Company and the Group. In furtherance of this, the Remuneration and Nomination Committee, for example, regularly assesses the set of competencies as well as each Director’s contributions to ensure that an appropriate mix of skills, expertise and diversity is represented on the Board of Directors and its Committees. The specific responsibilities and competencies of the Remuneration and Nomination Committee are set forth in art. 19 of the Articles of Association, section 5.3 of the Organizational Regulations as well as the Remuneration and Nomination Committee Charter.

The members of the Remuneration and Nomination Committee are individually elected by the general meeting for a one-year term. The chairman of the Remuneration and Nomination Committee shall be independent and is appointed by the Board of Directors. As of 31 December 2022, the Remuneration and Nomination Committee consisted of two members: Philippe Weber (chairman) and Peter Wilden.

2022 Remuneration and Nomination Committee meetings and key topics

Since 1 January 2022, the Remuneration and Nomination Committee met six (6) times, in a combination of in-person sessions and video conferences, for an average duration of approximately two (2) hours.

Date / place	Attendees	Other attendees
4 February 2022 *Video Conference*	Philippe Weber Peter Wilden	Raymond De Vré Jan Fuhr Miller Christina Del Vecchio *(Secretary)*
3 March 2022 *Video Conference*	Philippe Weber Peter Wilden	Raymond De Vré Jan Fuhr Miller Christina Del Vecchio *(Secretary)*
25 April 2022 *Obbürgen, Switzerland*	Philippe Weber Peter Wilden	Raymond De Vré Monika Casanova (Chief Human Resources Officer - *elect*) Christina Del Vecchio *(Secretary)*
21 June 2022 *Limhamn, Sweden*	Philippe Weber Peter Wilden	Raymond De Vré Monika Casanova (Chief Human Resources Officer) Christina Del Vecchio *(Secretary)*
16 August 2022 *Braine-l'Alleud, Belgium*	Philippe Weber Peter Wilden	Raymond De Vré Monika Casanova (Chief Human Resources Officer) Christina Del Vecchio *(Secretary)*
29 November 2022 *Baar, Switzerland*	Philippe Weber Peter Wilden	Raymond De Vré Monika Casanova (Chief Human Resources Officer) Christina Del Vecchio *(Secretary)*

During the course of 2022, the key topics discussed by the Remuneration and Nomination Committee included, among other things:

- Review of the Group's remuneration principles, strategy and structure
- Review and proposal of 2021 variable short-term incentive for the members of the Executive Committee, including individual performance appraisal
- Review and proposal of compensation proposals for AGM 2022
- Review and proposal of individual performance targets and weighting for the 2022 variable short-term incentive for the members of the Executive Committee
- Review of shareholders' and proxy advisors' feedback on the Remuneration Report 2021
- Succession planning at PolyPeptide
- Assessments of the Board of Directors and its Committees
- Review and consideration of the expansion of PolyPeptide's long-term incentive program (LTIP)
- Review and discussion of the results of the benchmarking study for the Board of Directors and Executive Committee
- General update on corporate governance trends and best practices as well as upcoming Swiss corporate law changes
- Update on human capital management, including the Group's human resources mid- and long-term plan and an overview of key people analytics
- Discussion of the structure and approach to the Remuneration Report 2022, including analysis on remuneration disclosure
- Review of ESG material topics assigned to the Remuneration and Nomination Committee
- Review of the Remuneration and Nomination Committee Charter

3.5.3.2 Audit and Risk Committee

The Audit and Risk Committee assists the Board of Directors with respect to matters involving the financial and risk management aspects of governance. The Audit and Risk Committee focuses on assessing the adequacy and effectiveness of the Group's internal and prudential systems and controls in relation to both financial and non-financial risks. This includes compliance with legal and regulatory obligations, insurance and related matters. The Audit and Risk Committee will also obtain reasonable assurance with respect to the activity of the Internal Audit, evaluates the external auditors regarding the fulfillment of the necessary qualifications and independence according to the applicable legal provisions and makes proposals to the Board of Directors concerning the choice of the external auditors. The specific responsibilities and competencies, organization, functioning and reporting of the Audit and Risk Committee are set forth in section 5.2 of the Organizational Regulations as well as the Audit and Risk Committee Charter.

The members of the Audit and Risk Committee are appointed by the Board of Directors. At least one member, including the chairman, of the Audit and Risk Committee shall be independent. As of 31 December 2022, the Audit and Risk Committee consisted of two members: Beat In-Albon (chairman) and Erik Schropp.

2022 Audit and Risk Committee meetings and key topics

Since 1 January 2022, the Audit and Risk Committee met seven (7) times, in a combination of in-person sessions and video conferences, for an average duration of approximately one and a half (1.5) hours.

Date / place	Attendees	Other attendees
3 March 2022 *Video Conference*	Beat In-Albon Erik Schropp	Jan Fuhr Miller Christina Del Vecchio René Vestergaard (Director, Corporate Finance) Jonas Lavik Sonne (Group Controller, Corporate Finance) René Füglister (Partner, BDO) Fabian Hatzi (Manager BDO) Isilay Dagdelen *(Secretary)*
25 April 2022 *Obbürgen, Switzerland*	Beat In-Albon Erik Schropp	Jan Fuhr Miller, VC René Vestergaard (Director, Corporate Finance) Jonas Lavik Sonne (Group Controller, Corporate Finance, VC) Thomas Lorentzon (Global Director IS/IT, VC) Krister Svärd (Chief Information Security Officer, VC) René Füglister (Partner, BDO, VC) Isilay Dagdelen *(Secretary)*
10 June 2022 *Video Conference*	Beat In-Albon Erik Schropp	Jan Fuhr Miller Christina Del Vecchio René Vestergaard (Director, Corporate Finance) Jonas Lavik Sonne (Group Controller, Corporate Finance) Isilay Dagdelen *(Secretary)*
21 June 2022 *Limhamn, Sweden*	Beat In-Albon Erik Schropp	Jan Fuhr Miller René Vestergaard (Director, Corporate Finance) Jonas Lavik Sonne (Group Controller, Corporate Finance) Thomas Lorentzon (Global Director IS/IT) René Füglister (Partner, BDO, VC) Jesper Nygaard (Partner, Lockton Denmark) for Group insurance topic Isilay Dagdelen *(Secretary)*
8 August 2022 *Video conference*	Beat In-Albon Erik Schropp	Jan Fuhr Miller René Vestergaard (Director, Corporate Finance) Jonas Lavik Sonne (Group Controller, Corporate Finance) Michael Stäheli (Head of Investor Relations and Communications) René Füglister (Partner, BDO) Isilay Dagdelen *(Secretary)*
16 August 2022 *Braine-l'Alleud, Belgium*	Beat In-Albon Erik Schropp	Jan Fuhr Miller René Vestergaard (Director, Corporate Finance, VC) Jonas Lavik Sonne (Group Controller, Corporate Finance, VC) Thomas Lorentzon (Global Director IS/IT, VC) Krister Svärd (Chief Information Security Officer, VC) Isilay Dagdelen *(Secretary)*
29 November 2022 *Baar, Switzerland*	Beat In-Albon Erik Schropp	Jan Fuhr Miller René Vestergaard (Director, Corporate Finance, VC) Jonas Lavik Sonne (Group Controller, Corporate Finance, VC) Thomas Lorentzon (Global Director IS/IT) Krister Svärd (Chief Information Security Officer, VC) René Füglister (Partner, BDO, VC) Rebecca Weil (Head of Internal Audit) Michael Stäheli (Head of Investor Relations and Communications) Isilay Dagdelen *(Secretary)*

During the course of 2022, the key topics discussed by the Audit and Risk Committee included, among other things:

- Review of 2021 BDO audit and full-year consolidated and standalone financial statements
- Review of 2022 half-year consolidated financial statements

- Review of the Group's capital expenditure management processes
- Implementation of the Group's Internal Audit function, determination of the scope and planning of the internal audit
- Establishment of an Enterprise Risk Management system and evaluation of the Group's key risks / opportunities and mitigating / managing strategies
- Review of the Group's compliance programs, including the implementation of a more robust sanctions and trade compliance program, as well as monitoring of IT/ (cyber)security matters
- Assessment of the Group's internal control system
- Review of the Group's insurance program and treasury policy
- Evaluation of the Group's external auditor
- Review of ESG material topics assigned to the Audit and Risk Committee
- Review of the Audit and Risk Committee Charter

3.5.3.3 Innovation and Technology Committee

The Innovation and Technology Committee supports the Board of Directors and Executive Committee through the review of PolyPeptide's technology plans and strategies, while monitoring existing and future trends in technology related or adjacent to PolyPeptide's business. The specific responsibilities and competencies, organization, functioning and reporting of the Innovation and Technology Committee are set forth in section 5.4 of the Organizational Regulations as well as the Innovation and Technology Committee Charter.

The members of the Innovation and Technology Committee are appointed by the Board of Directors. The chairman of the Innovation and Technology Committee shall be independent. As of 31 December 2022, the Innovation and Technology Committee consisted of two members: Patrick Aebischer (chairman) and Jane Salik.

2022 Innovation and Technology Committee meetings and key topics

Since 1 January 2022, the Innovation and Technology Committee met four (4) times in person for an average duration of approximately two (2) hours.

Date / place	Attendees	Other attendees
25 April 2022 *Obbürgen, Switzerland*	Patrick Aebischer Jane Salik	Olivier Ludemann-Hombourger (Director Global Innovation & Technology) Christelle Bobier (Director Global Engineering and Manufacturing Technology, VC) Thomas Lorentzon (Global Director IS/IT, VC) Jon Holbech Rasmussen (Director Global Development / Regulatory / IP; *Secretary*)
21 June 2022 *Limhamn, Sweden*	Patrick Aebischer Jane Salik	Olivier Ludemann-Hombourger (Director Global Innovation & Technology) Jon Holbech Rasmussen (Director Global Development / Regulatory / IP; *Secretary*)
16 August 2022 *Braine-l'Alleud, Belgium*	Patrick Aebischer Jane Salik	Olivier Ludemann-Hombourger (Director Global Innovation & Technology) Neil Thompson (Director Global Sales and Marketing) Jon Holbech Rasmussen (Director Global Development / Regulatory / IP; *Secretary*)
29 November 2022 *Baar, Switzerland*	Patrick Aebischer Jane Salik	Olivier Ludemann-Hombourger (Director Global Innovation & Technology) Neil Thompson (Director Global Sales and Marketing) Jon Holbech Rasmussen (Director Global Development / Regulatory / IP; *Secretary*)

During the course of 2022, the key topics discussed by the Innovation and Technology Committee included, among other things:

- Discussions on PolyPeptide's green agenda, including the governance, priorities and objectives (i.e., green chemistry, green master plan and relevant KPIs)
- Review of the Group's digitalization strategy

- Discussions on the industrial challenges related to peptide and nucleotide development and manufacturing
- Considerations regarding potential strategic collaborations, access to experts and new related / adjacent business areas to support PolyPeptide's innovation ambition
- Review of ESG material topics assigned to the Innovation and Technology Committee
- Review of the Innovation and Technology Committee Charter

3.5.3.4 Chair's Committee

The Chair's Committee is intended to serve as a flexible body that nurtures and facilitates a strong relationship, efficient coordination and continuous information exchange between the Chairman of the Board, the chairman of each Committee and the CEO through roundtable discussions, with particular focus on the Group's strategy and other key business matters. The Chair's Committee was initially an ad hoc working group of the Board formed in May 2022. Realizing the benefit of the more frequent roundtable discussions, the Chairman proposed at the Board meeting on 30 November 2022 to formalize the ad hoc working group as a committee and, thus, constituted a new "Chair's Committee". The specific responsibilities and competencies, organization, functioning and reporting of the Chair's Committee are set forth in section 5.5 of the Organizational Regulations as well as the Chair's Committee Charter.

The members of the Chair's Committee include the Chairman of the Board and the chairmen of each Committee (*i.e.*, the chairman of the Remuneration and Nomination Committee, the chairman of the Audit and Risk Committee and the chairman of the Innovation and Technology Committee). As of 31 December 2022, the Chair's Committee consisted of four members: Peter Wilden (Chairman), Beat In-Albon, Philippe Weber and Patrick Aebischer.

2022 Chair's Committee meetings and key topics

Since 1 January 2022, the Chair's Committee met seven (7) times, in a combination of in-person sessions and video conferences, for an average duration of approximately one (1) hour.

Date / place	Attendees	Other attendees
25 May 2022 *Video Conference*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Raymond De Vré *(Secretary)*
21 June 2022 *Limhamn, Sweden*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Raymond De Vré *(Secretary)*
22 July 2022 *Video Conference*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Raymond De Vré *(Secretary)*
16 August 2022 *Braine-l'Alleud, Belgium*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Raymond De Vré *(Secretary)*
27 September 2022 *Video Conference*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Raymond De Vré *(Secretary)*
29 November 2022 *Baar, Switzerland*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Raymond De Vré Christina Del Vecchio *(Secretary)*
20 December 2022 *Video Conference*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Raymond De Vré *(Secretary)*

During the course of 2022, the Chair's Committee discussed various topics of strategic importance and other key business matters, including developments of the Group's long-term strategic plan, operational developments and relationships with key customers as well as considerations around the Group's budget for 2023.

3.6 Areas of responsibility between the Board of Directors and the Executive Committee

The Board of Directors' responsibilities, duties and competencies and the procedural principles by which it is governed are specified by Swiss law, art. 17 of the Articles of Association and sections 2 through 5 of the Organizational Regulations. Importantly, the responsibilities of the Board of Directors include determining the strategy of PolyPeptide as well as the appointment, supervision and dismissal of the members of the Executive Committee.

Art. 17 of the Articles of Association sets out the non-transferable and irrevocable duties of the Board of Directors, and in addition to the non-transferable and irrevocable duties set out in art. 716a CO, the Board of Directors has the further non-transferable and irrevocable duties to (i) adopt resolutions and amendments to the Articles of Association regarding the subsequent payment of capital with respect to non-fully paid-in shares, (ii) adopt resolutions and amendments to the Articles of Association in relation to increases in share capital, (iii) examine compliance with the legal requirements regarding the appointment / election of the external auditors, and (iv) execute the agreements pursuant to art. 12, 36 and 70 of the Federal Act on Merger, Demerger, Transformation and Transfer of Assets (Merger Act).

While the Board of Directors is responsible for PolyPeptide's ultimate strategic direction and supervision of management, through the Organizational Regulations the Board has delegated the responsibility and authority necessary or appropriate for carrying out the day-to-day and operational activities of PolyPeptide to the Executive Committee under the leadership of the CEO. Nevertheless, the Board of Directors retains certain duties (in addition to the non-transferable and irrevocable duties described above), such as annually approving the budgets and business plans for the Group, monitoring risks as well as ensuring that fundamental policies and controls are in place for compliance with applicable law and regulations. In addition, the Organizational Regulations set out specific parameters, including financial thresholds, for certain strategic, operational and financial matters that remain within the competence of the Board of Directors. This information is also set out in an authority chart, which is an annex to the Organizational Regulations.

The Executive Committee is responsible for ensuring the execution of the decisions of the Board of Directors and implementing the strategy of PolyPeptide in accordance with Swiss law, the Articles of Association, the Organizational Regulations and the resolutions of the shareholders' meeting. The Executive Committee is led by the CEO and comprises the CEO, CFO, the Director of Global Sales and Marketing, the Director of Global Operations and the General Counsel, and such other officers as may be determined by the Board of Directors, in consultation with the CEO, from time to time. The Executive Committee has a dual function in the management of PolyPeptide. On the one hand, under the leadership of the CEO, the Executive Committee is responsible for the day-to-day business of the Company (to the extent not reserved to the Board); and, on the other hand, it is responsible for the operational business of the whole Group as well as of each individual site and subsidiary (to the extent that the respective competences are not reserved to the Board pursuant to the Organizational Regulations or are, by law, reserved to the boards of directors of the subsidiaries).

Pursuant to the Organizational Regulations, the CEO is appointed and removed by the Board of Directors upon recommendation of the Remuneration and Nomination Committee. The other members of the Executive Committee are appointed and removed by the Board of Directors upon recommendation of the Remuneration and Nomination Committee and in consultation with the CEO.

3.7 Information and control instruments vis-à-vis the Executive Committee

3.7.1 Principles of Board information

The Board of Directors has different information instruments in place to oversee, monitor and control the implementation of PolyPeptide's strategy as well as the execution of the responsibilities delegated to the Executive Committee.

Specifically, the Organizational Regulations require the CEO, together with the other members of the Executive Committee, to regularly inform the Board and its Committees at its ordinary meetings on the current course of business and all major business matters and important business developments, including anticipated opportunities and risks. Specifically, a report from the CEO is a standing agenda item at each ordinary board meeting where the CEO provides insight on the development of the Group's business and key strategic initiatives.

In addition, the Chairman and the CEO are in contact at regular intervals with respect to all major corporate policy issues. Extraordinary matters, including significant unanticipated developments, must immediately be reported to the Chairman. In addition, the Directors shall be informed immediately of extraordinary events by way of circular letter or, if necessary, in advance by telephone, e-mail or facsimile.

Furthermore, each Director is entitled to request information concerning all of PolyPeptide's affairs reasonably necessary to fulfill his or her fiduciary duties. For Directors requiring information or wishing to review documents outside of ordinary Board meetings, he or she must address his or her request in writing (including by e-mail) to the Chairman. To the extent necessary to fulfill his or her duties, each Director may further request in writing (including by e-mail) that the Chairman authorizes the inspection of the books and records of the Company. If the Chairman rejects a request for information, hearing or inspection, the Lead Independent Director or the Board shall decide whether to grant such request.

3.7.2 Regular reports to the Board

As noted above, the Executive Committee regularly reports to the Board of Directors and its Committees at their respective ordinary meetings. In addition to these meetings, on a monthly basis the Board of Directors receives sales and financial reports with (i) an executive summary, (ii) an assessment of the Group's monthly and year-to-date revenue, (iii) the profit and loss statement, the balance sheet and the cash flow statement, (iv) a capital expenditure overview as well as (v) selected Group KPIs, updates on various initiatives and the Group's outlook. These monthly reports illustrate the actual financial results to-date, along with comparisons to the previous period and the budgeted amounts, all with accompanying commentaries (where relevant). Directors often react to these reports with questions that are responded to by the CFO. In addition, through the Audit and Risk Committee, the Board receives the reports of PolyPeptide's external auditor in connection with the audit of the full-year financial statements and the review and procedures performed on the half-year financial statements.

3.7.3 Enterprise Risk Management Framework

Beginning in the second half of 2021 and during the course of 2022, the Audit and Risk Committee, together with the CFO, the General Counsel and members of the finance team, implemented an Enterprise Risk Management Framework. While the Board of Directors retains the ultimate responsibility for risk management and for determining the appropriate level of risk that PolyPeptide is willing to accept, the PolyPeptide Management Committee (together with the Audit and Risk Committee) is responsible for ensuring that the operation of Enterprise Risk Management Framework is sound, including risk management of significant risks through the monitoring of specified actions.

The Enterprise Risk Management Framework is designed to provide a consistent, Group-wide perspective of key risks as well as any other risk areas as they are subsequently identified in connection with ongoing monitoring and updates by risk owners and other stakeholders. The objective of these risk assessments is to (i) make the principal risks to which PolyPeptide is exposed more transparent, (ii) determine treatment measures to control, eliminate and / or exploit the level of the risks while monitoring their effectiveness and (iii) ultimately improve risk management. To the extent that the ongoing evaluation of the Enterprise Risk Management Framework discovers significant unanticipated developments, the PolyPeptide Management Committee will immediately report these to the Audit and Risk Committee and the Chairman of the Board. The Directors must also be informed of extraordinary events (as described above).

The PolyPeptide Management Committee together with the General Counsel and other internal stakeholders annually conduct a risk assessment and evaluate strategies to address the risks and opportunities identified (e.g., mitigating / managing actions). A risk assessment report is then prepared, specifying and assessing the main Group risks in terms of their probability and consequences, and submitted at least once per year to the Audit and Risk Committee. In addition, the risk assessment report is presented to the Board of Directors at one of their annually scheduled meetings for a deep-dive focus and discussion on risk assessment and management. In 2022, the deep-dive session and approval of the 2022 risk assessment report took place at the 30 November 2022 Board meeting.

See also chapter Business Review.

3.7.4 Internal controls

The Board of Directors is also responsible for designing, implementing, and maintaining the Group's internal control system, which provides the ultimate oversight for PolyPeptide's strategy, operations and finances. The Audit and Risk Committee supports the Board of Directors through the assessment of the adequacy and effectiveness of the Group's internal and prudential systems and controls in respect of both financial and non-financial risks, including through discussions with and reviewing reports from the external auditor, internal officers and management. PolyPeptide's internal control system is structured to ensure the correct disclosure and adequate coverage of control over all Group activities, with particular attention on areas considered potentially at risk. The external auditor confirms the existence of the internal control system in connection with the year-end audit.

According to the Organizational Regulations, the CFO, in cooperation with the CEO, ensures good financial governance, overseeing all financial planning, budgeting (short- and mid-term), reporting and risk management activities. Furthermore, the CFO leads the implementation of systems and procedures to seek compliance with regulatory requirements for financial information, reporting, disclosure requirements and internal control. The CFO and the Audit and Risk Committee regularly evaluate the risks of material misstatements in the consolidated financial statements and assess if the risks are reduced to an acceptable level by established and planned mitigating controls and processes. Significant risks are also continuously discussed in the meetings of the Executive Committee and the Audit and Risk Committee, which both take place on a regular basis. In 2022, the Audit and Risk Committee focused on six key areas of internal controls, specifically (i) revenue, (ii) inventories, (iii) payroll, (iv) property, plant and equipment, (v) financial reporting and closing processes and (vi) valuation of participations. During the course of 2022, the Audit and Risk Committee, together with the CFO and members of the finance team, evaluated key risks of financial misstatements in the identified key areas together with mitigating controls / processes currently in place, all of which were reviewed by the external auditor. In addition, improvement suggestions are submitted by the external auditor on a yearly basis, which are implemented by management in the following year.

3.7.5 Internal Audit

In 2022, the Board of Directors, through the Audit and Risk Committee, was further supported by the newly established Internal Audit function within PolyPeptide led by the Head of Internal Audit, who joined the Group in October 2022. Internal Audit's mission is to ensure that PolyPeptide's operations are conducted according to high standards by providing an independent, objective assurance function and by advising on best practice. Through a systematic and disciplined approach, Internal Audit helps PolyPeptide accomplish its objectives by evaluating and improving the effectiveness of the Group's risk management, control and governance processes. As is customary across the industry, the evaluation and internal audit of PolyPeptide's GMP activities will remain with the Quality department under the supervision of the Director Global Quality.

Internal Audit is responsible for, among other things, (i) developing and implementing annual audit plans using appropriate risk-based methodology, (ii) evaluating and assessing significant merging / consolidating of functions and new or changing services, processes, operations, technologies and control processes at the time of their development, implementation or expansion, (iii) establishing an Internal Audit quality assurance program to ensure high standards of operations, (iv) issuing periodic reports to the Audit and Risk Committee as well as the Executive Committee, (v) participating in any investigations at PolyPeptide and (vi) recommending appropriate actions to correct any deficiencies identified. The Audit and Risk Committee reviews and approves the annual internal audit plan. Further information on the responsibilities of Internal Audit can be found in the Internal Audit Charter, which is an annex to the Organizational Regulations. Functionally, the Internal Audit department reports to the Audit and Risk Committee. Administratively, the Internal Audit department reports to the CFO.

During the course of 2022, Internal Audit (with the support of external advisors) performed two audits on vendor master data and month-end tasks across the Group's three major sites. The audit results as well as the consultative project conclusions were presented to the Audit and Risk Committee during the second half of 2022. Moving forward and as part of the Audit and Risk Committee's regularly scheduled meetings, the Head of Internal Audit (who joined the Group in October 2022) will provide progress updates on the approved audit plan as well as propose any modifications to the audit plan if risk priorities change and provide information on the status of management's corrective actions.

See also chapter Business Review.

3.7.6 Compliance controls

PolyPeptide is committed to the highest levels of ethics and integrity in the way that it does business and understands that this is crucial for its continued success and reputation. PolyPeptide's core values and Code of Business Conduct and Ethics guide its everyday conduct. To monitor these efforts, the General Counsel shall be or shall designate another person as the Group's governance, risk and compliance officer ("GRC Officer"). Currently, the General Counsel serves as the GRC Officer.

The GRC Officer is responsible for developing and maintaining compliance policies, promoting a culture of responsibility, maintaining risk management, identifying remediation needs, providing training and taking other steps to assist the Group in meeting its legal, regulatory and ethical obligations. The GRC Officer reports to the CEO. However, the GRC Officer also has direct access to the Audit and Risk Committee and reports to the Audit and Risk Committee whenever requested or if there exists a significant compliance or risk issue that involves or implicates a member of the Executive Committee which the GRC Officer believes cannot be or has not been appropriately addressed by, or directly implicates, the CEO.

PolyPeptide has recently implemented various compliance initiatives and is in the process of expanding these to respond to PolyPeptide's ever-changing dynamic business environment. For example, in August 2022, PolyPeptide constituted a cross-functional Corporate Compliance Committee (the "CCC") to promote compliance across the organization with a focus on corporate compliance issues and matters, including compliance with securities laws and regulations, data privacy as well as sanctions and trade. The GRC Officer, or a delegate of the GRC Officer, is responsible for reporting on at least a quarterly basis (or more frequently, as needed) to the Executive Committee and the Audit and Risk Committee. In addition, in the second half of 2022 PolyPeptide updated its Code of Business Conduct and Ethics and introduced an updated electronic learning tool aimed at reinforcing the principles set out therein.

Furthermore, in late 2021 PolyPeptide launched its own whistleblower programs and hotlines, with ongoing improvements throughout 2022, including applicable country specific adaptations, where anybody with knowledge or suspicion of illegal activities or serious irregularities at PolyPeptide can report these observations confidentially and even anonymously. To ensure independence, PolyPeptide has mandated the operation of its whistleblower hotlines to a third-party service provider. As of 31 December 2022, one report of possible misconduct was received through one of the available whistleblowing reporting channels. Following an internal investigation, which was conducted with the guidance of external experts, the allegations made in the report could not be confirmed. The report was subsequently closed and summarized to the Executive Committee and the Audit and Risk Committee, with modifications made to applicable policies and procedures where opportunities for improvement were identified.

The implementation of these and other compliance measures is supervised by and regularly reported to the Audit and Risk Committee.

3.7.7 Quality assurance

To oversee and monitor PolyPeptide's quality assurance, the CEO has designated this responsibility to the Director Global Quality who reports to the CEO and is part of the PolyPeptide Management Committee. The Director Global Quality supervises the Group's quality control and quality assurance functions and is responsible for setting, reviewing, monitoring, revising and implementing the Group's quality management, quality control systems and quality assurance programs to comply with regulatory requirements and ensure high quality products, processes and related customer support. In addition, the Director Global Quality is responsible for providing results-oriented leadership to sustain and improve an effective and efficient international quality organization comprised of quality operations, quality systems, supplier quality and quality control / analytical development subject matter domains. Currently, Landon Piluso serves as the Director Global Quality.

4 Executive Committee

Through our Organizational Regulations, the Board of Directors has delegated the responsibility and authority necessary or appropriate for carrying out the day-to-day and operational activities of PolyPeptide to the Executive Committee under the leadership of the CEO.

The CEO is accountable for the sustainable management and results-oriented performance of the Group. As such, the CEO leads, manages, supervises and coordinates the Executive Committee and the PolyPeptide Management Committee as well as executes the corporate goals and strategy as set by the Board of Directors. The detailed responsibilities and functions of the Executive Committee, including the CEO and the CFO, are described in section 6 of the Organizational Regulations.

In general, meetings of the Executive Committee take place on a monthly basis (or more frequently, as determined by the CEO), with the expectation that there be no fewer than six such meetings per calendar year (as provided for in the Organizational Regulations). For the year ended 31 December 2022, the Executive Committee met twelve (12) times, in a combination of in-person sessions and video conferences, for an average duration of approximately three and a half (3.5) hours. The resolutions of the Executive Committee are taken by the majority of the members of the Executive Committee present, where the CEO has the power to overrule any Executive Committee resolution. At each meeting the CFO presents the financial situation of the Group, followed by a discussion on other non-financial pre-determined agenda items covering a range of topics across all relevant business and operational areas. The Organizational Regulations set forth procedures to address conflicts of interest.

4.1 Members of the Executive Committee

As of 31 December 2022, the Executive Committee comprised the CEO, the CFO, the General Counsel, the Director of Global Sales and Marketing and the Director Global Operations. The year of appointment in the table below reflects each Executive Committee member's respective appointment in their current position with the Group (including at Group subsidiaries).

Name	Year of birth	Year of appointment	Position
Raymond De Vré[1]	1968	2021	CEO
Jan Fuhr Miller	1970	2015	CFO
Christina Del Vecchio	1978	2021	General Counsel
Neil James Thompson[2]	1972	2022	Director Global Sales and Marketing
Jens Fricke[3]	1965	2022	Director Global Operations
Daniel Lasanow[4]	1962	2016	Director Global Operations

1 As announced on 30 January 2023, Raymond De Vré resigned as CEO, and Dr. Peter Wilden assumed the role of Executive Chairman with immediate effect. Mr. De Vré's contractual six-month notice period will end on 31 July 2023.

2 Member of the Executive Committee and Director Global Sales and Marketing as of 1 January 2022. Jan Christensen served as the Director Global Sales and Marketing until 31 December 2021 (see section 4.1 "*Members of the Executive Committee*" of the Corporate Governance Report 2021).

3 Member of the Executive Committee as of 1 December 2022.

4 Member of the Executive Committee until 30 November 2022.

Set out below is a short description of each Executive Committee member's business experience, education and activities.

Raymond De Vré

Chief Executive Officer

Nationality: **Belgian**
Year of birth: **1968**

Professional background

Functions at PolyPeptide

- Chief Executive Officer (2021–January 2023) [16]
- Chairman / Director of several PolyPeptide subsidiaries (2021–Q1 2023) [17]

Outside mandates at listed / non-listed companies or non-profit organizations

- None

Former outside activities and functions

- Senior Vice President, Head of Biologics and member of the Management Committee, Dr. Reddy's Laboratories, Switzerland (2018–2021)
- Senior Vice President Global Business Operations and Strategy, Biologics, Dr. Reddy's Laboratories, Switzerland (2017–2018)
- Vice President Commercial, Biologics, Dr. Reddy's Laboratories, Switzerland (2012–2017)
- Partner, McKinsey & Company, Switzerland (2004–2011)
- Consultant, McKinsey & Company, Belgium / USA / Switzerland (1996–2003)

Education

- PhD in Applied Physics, Stanford University, USA (1996)
- Master's degree in Applied Physics, Stanford University, USA (1992)
- Master's degree as Ingénieur Civil Physicien, École Polytechnique, Université Libre de Bruxelles, Belgium (1990)

16 As announced on 30 January 2023, Raymond De Vré resigned as CEO, and Dr. Peter Wilden assumed the role of Executive Chairman with immediate effect. Mr. De Vré's contractual six-month notice period will end on 31 July 2023.

17 Following the announcement of Mr. De Vré's resignation as CEO on 30 January 2023, a process was initiated to effect his resignation from each of the applicable Group subsidiary boards.

Jan Fuhr Miller

Chief Financial Officer

Nationality: **Danish**
Year of birth: **1970**

Professional background

Functions at PolyPeptide

- Chief Financial Officer (since 2015)
- Director of several PolyPeptide subsidiaries (since 2016)

Outside mandates at listed / non-listed companies or non-profit organizations

- None

Former outside activities and functions

- Vice President, Finance, CMC Biologics A/S, Denmark (2013–2015)
- Nordic Finance Leader, Honeywell A/S, Denmark (2012–2013)
- Director, Finance & Logistics, H. Lundbeck A/S, Denmark (2007–2011)
- Director, Finance & Business Administration, H. Lundbeck A/S, Denmark (2006–2007)
- Senior Manager, Business Information & Technology, H. Lundbeck A/S, Denmark (2004–2006)
- Manager, Marketing Research, H. Lundbeck A/S, Denmark (2003–2004)
- Manager, Business Operations, H. Lundbeck A/S, Denmark (2000–2003)
- Business Analyst, Colgate-Palmolive, Denmark (1998–2000)

Education

- MBA with concentration in Finance, the Keller Graduate School of Management, USA (2011)
- Master of Science, University of Aarhus, School of Management, Denmark (1999)

Christina Del Vecchio

General Counsel

Nationality: **Swiss and Swedish**
Year of birth: **1978**

Professional background

Functions at PolyPeptide

- General Counsel and Corporate Secretary (since 2021)
- Director of a PolyPeptide subsidiary (since 2023)

Outside mandates at listed / non-listed companies or non-profit organizations

- None

Former outside activities and functions

- Counsel, Niederer Kraft Frey AG, Switzerland (2018–2021)
- Senior Associate, Niederer Kraft Frey AG, Switzerland (2013–2018)
- Associate, Latham & Watkins LLP, United Kingdom (2008–2012)

Education

- Juris Doctor, James Kent Scholar, Columbia Law School, USA (2008)
- Bachelor of Arts, summa cum laude, University of Florida, USA (2000)

Neil James Thompson

Director Global Sales and Marketing

Nationality: **British**
Year of birth: **1972**

Professional background

Functions at PolyPeptide

- Director Global Sales and Marketing (since 2022)
- Group Commercial Director (2019–2021)
- Director Business Development Europe (2015–2019)
- Associate Director Business Development Europe (2010–2015)
- Business Manager Custom Development (2006–2010)
- Regional Sales Manager (2004–2005)

Outside mandates at listed / non-listed companies or non-profit organizations

- Member of the EuroPeptides Advisory Board for the EuroPeptides / EuroTIDES event (since 2012) (event managed and ran by Informa PLC – listed company)

Former outside activities and functions

- Peptide Product Manager, Bachem (UK) Ltd, United Kingdom (2001–2003)
- Assistant Production Manager, Bachem (UK) Ltd, United Kingdom (1999–2003)
- Assistant Production Manager, Peninsula Laboratories (Europe) Ltd, United Kingdom (1993–1999)

Education

- Bachelor of Science in Applied Chemistry and Biochemistry, Liverpool John Moores University, England (1997)

Jens Fricke

Director Global Operations

Nationality: **Danish**
Year of birth: **1965**

Professional background

Functions at PolyPeptide

- Director Global Operations (since 1 December 2022)
- Director of several PolyPeptide subsidiaries (since 2021)
- General Director Scandinavia (2013–30 November 2022)

Outside mandates at listed / non-listed companies or non-profit organizations

- None

Former outside activities and functions

- Director API Production, LEO Pharma, Denmark (2008–2013)
- Leading positions with increasing responsibilities in Aseptic Production and API Production, ALK Abello, Denmark (1998–2008)
- Chemist at Novo Nordisk / Hema Sure, Denmark (1995–1998)

Education

- Master of Sciences in Biochemistry, the University of Copenhagen, Denmark (1993)
- Strategic Leadership, IMD Lausanne, Switzerland (2010–2011)

Daniel Lasanow

Director Global Operations

Nationality: **Belgian**
Year of birth: **1962**

Professional background

Functions at PolyPeptide

- Director Global Operations (2016–30 November 2022)
- Director of several PolyPeptide subsidiaries (2016–30 November 2022)

Outside mandates at listed / non-listed companies or non-profit organizations

- None

Former outside activities and functions

- Senior Vice President, Multi-site Managing Director, Siegfried Pharma, Switzerland (2015–2016)
- Multi-site Managing Director, BASF Pharma, Switzerland (acquired by Siegfried Pharma) (2012–2015)
- Multi-site Production & Technologies Director, BASF Pharma, Switzerland (2011–2012)
- Production Director, NextPharma Technologies, Belgium (2009–2011)
- Production Director, Lonza, Belgium and UCB Bioproducts, Belgium (acquired by Lonza in 2006) (2000–2009)
- Plant Support Manager, SmithKline Beecham (now GlaxoSmithKline Pharmaceutical), Belgium (1992–2000)
- Junior Scientist, Ciba-Geigy (now Novartis), Switzerland (1987–1988)

Education

- Master of Sciences degree in Organic Chemistry, the University of Louvain, Belgium (1987)

In 2022, the Executive Committee, under the leadership of the CEO, was further supported by additional members of management, that, together with the Executive Committee, formed the PolyPeptide Management Committee.

4.2 Other activities and vested interests

Except as disclosed in the biographies of the members of the Executive Committee, no further activities or vested interests are carried out outside of PolyPeptide.

4.3 Mandates and other permitted activities

Pursuant to art. 23 of the Articles of Association, with the approval of the Board of Directors, the members of the Executive Committee may have the following other functions in the superior management or administrative bodies of legal entities obliged to register themselves in a Swiss commercial register or a foreign equivalent thereof:

- up to one (1) mandate as member of the board of directors or any other superior management or administrative body of listed companies; and, in addition
- up to five (5) mandates as member of the board of directors or any other superior management or administrative body of other legal entities that do not meet the above mentioned criteria.

With respect to the additional activities of the members of the Executive Committee, mandates in companies that are under uniform control or the same beneficial ownership are deemed to be one mandate.

The following mandates shall not be subject to the limitations set forth in art. 23 of the Articles of Association:

- mandates in companies which are controlled by the Company or which control the Company;
- mandates held at the request of the Company or companies controlled by it; no member of the Executive Committee shall, however, hold more than ten (10) such mandates; and
- mandates in associations, charitable organizations, foundations, employee welfare foundations and other similar organizations; no member of the Executive Committee shall, however, hold more than fifteen (15) such mandates.

4.4 Management contracts

The Company and its subsidiaries have not entered into any management contracts with third parties.

5 Compensation, shareholdings and loans

Information on compensation and shareholdings of the members of the Board of Directors and the Executive Committee can be found under section 4 *"Compensation framework for the Board of Directors"*, section 5 "*Compensation framework for the Executive Committee*" and section 6 "*Ownership of shares and options*" in the Remuneration Report 2022.

The rules regarding the principles of compensation are set in arts. 25 (*Principles relating to the Compensation of the members of the Board of Directors*), 26 (*Principles of Compensation relating to the members of the Executive Management*) and 29 (*Additional Amount of Compensation for new members of the Executive Management*) of the Articles of Association.

The rules regarding the approval of the remuneration by the general meeting are set forth in art. 13 (*Votes on Compensation*) of the Articles of Association.

Furthermore, according to art. 28 (*Loans, Credits, Pension Benefits other than from Occupational Pension Funds, Securities*) of the Articles of Association, the Company shall not grant loans, credits, pension benefits (*other than from occupational pension funds*) or securities to the members of the Board of Directors or the Executive Committee. Advance payments of fees for lawyers, court fees and similar costs relating to the defense against corporate liability claims up to a maximum amount of CHF 1,000,000 are not subject to these general restrictions.

In principle, there will be no payments to pension funds or similar institutions for the members of the Board of Directors. In exceptional cases, such payments may be made upon request of the Remuneration and Nomination Committee and subject to the approval by the general meeting if the members in question do not have other insurable income from subordinate employment.

Please refer to the Remuneration Report 2022 for further detailed information, and specifically with regard to loans and credits, see section 4.3 "*Loans, credits and related-party compensation*" and section 5.3 "*Loans, credits and related-party compensation*" of the Remuneration Report 2022.

6 Shareholders' participation rights

6.1 Voting rights restrictions and representation

6.1.1 General rules on restrictions to voting rights

Voting rights may be exercised only after a shareholder has been registered in the share register as a shareholder with voting rights up to a specific qualifying day prior to the shareholders' meeting designated by the Board of Directors (the "Record Date"). For such purpose, art. 5 para. 2 of the Articles of Association provides that persons acquiring shares shall on application be entered in the share register without limitation as shareholders with voting rights, provided they expressly declare themselves to have acquired the shares in their own name and for their own account and comply with the disclosure requirements stipulated by the FMIA. Entry in the share register as a shareholder with voting rights is subject to the approval of the Company.

Entry in the share register as a shareholder with voting rights may be refused based on the grounds set out in art. 5 paras 3-7 of the Articles of Association. If the Company does not refuse to register the acquirer as shareholder with voting rights within 20 calendar days upon receipt of the application, the acquirer is deemed to be a shareholder with voting rights. Non-recognized acquirers shall be entered in the share register as shareholders without voting rights. The corresponding shares shall be considered as not represented in the general meeting.

The Board of Directors may, according to art. 5 para. 3 of the Articles of Association, refuse the registration in the share register as a shareholder with voting rights if an acquirer would as a result of the recognition as a shareholder with voting rights directly or indirectly acquire, or hold in the aggregate, more than 10 percent of the registered shares recorded in the commercial register (the "Percentage Limit"). The Company may in special cases approve exceptions to the above restrictions (art. 5 para. 3, 4 and 5 of the Articles of Association).

Subject to the Percentage Limit described above and provided that its holder or usufructuary has been duly entered into the share register as a shareholder with voting rights on or before the relevant Record Date, each share entitles the holder to one vote.

For detailed information regarding the Percentage Limit and Nominee registrations, see section 2.6 "*Limitations on transferability and Nominee registrations*" of this Corporate Governance Report.

6.1.2 Exceptions granted in the period under review

No exceptions from the voting rights restrictions (*i.e.*, the Percentage Limit) as set forth in the Articles of Association were granted in the period under review.

6.1.3 Procedure and conditions for abolishing voting rights restrictions

Art. 12 of the Articles of Association outlines important shareholder resolutions that require a qualified majority, including the easement or abolition of the restriction of the transferability of the registered shares. All other resolutions can be passed by a simple majority of shareholders as set out in art. 11 of the Articles of Association, to the extent that Swiss law does not provide otherwise.

For information regarding the convocation of general meetings and the inclusion of items on the agenda, see section 6.3 "*Convocation of the general meeting*" and section 6.4 "*Inclusion of items on the agenda*" of this Corporate Governance Report.

6.1.4 Rules on participation at shareholders' meetings, instructions to the Independent Proxy and electronic participation at shareholders' meetings

At shareholders' meetings, each shareholder may be represented by the Independent Proxy or by means of a written proxy by any other person who need not be a shareholder. The Board of Directors determines the requirements regarding proxies and voting instructions (art. 11 of the Articles of Association).

Importantly, no shareholder or proxy may, directly or indirectly, exercise voting rights attached to own or represented shares that would collectively exceed 10 percent of the registered shares recorded in the commercial register. Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert are considered as one shareholder for the purposes of such voting. However, the foregoing restriction of voting rights do not apply to the exercise of voting rights by shareholders or their proxies (including the Independent Proxy), to the extent that their shares are registered with voting rights in the share register in accordance with art. 5 para. 4 of the Articles of Association.

The Independent Proxy has a duty to exercise the voting rights assigned to him by shareholders in accordance with their instructions. Further duties of the Independent Proxy are governed by the relevant statutory provisions. Art. 14 of the Articles of Association provides that the general meeting elects an Independent Proxy. Natural persons as well as legal entities and partnerships are eligible for election. The term of office of the Independent Proxy ends at the next general meeting. Re-election is possible. Swiss law allows for proxy instructions both in written as well as electronic form. For the period between the AGM 2022 held on 26 April 2022 and the next general meeting, ADROIT Attorneys, Kalchbühlstrasse 4, 8038 Zurich, Switzerland, has been elected as the Independent Proxy.

The Articles of Association do not contain any rules on the electronic participation of shareholders in shareholders' meetings.

The AGM 2022 was held without the physical presence of shareholders in accordance with the Swiss COVID-19 Ordinance. The shareholders were able to exercise their rights at the AGM 2022 through the independent voting rights representative. The proxy and voting instruction forms could either be sent by mail or submitted through the use of the electronic voting platform. The general meeting 2023 ("AGM 2023") will be held in person, with the details to be provided in the invitation.

6.2 Quorums required by the Articles of Association

The Articles of Association do not prescribe that a quorum of shareholders is required to be present at a shareholders' meeting.

Pursuant to art. 11 of the Articles of Association, shareholders' resolutions generally require the simple majority of the votes cast at the shareholders' meeting, to the extent that neither Swiss law nor the Articles of Association provide otherwise. Abstentions, empty votes and invalid votes will not be taken into account for the calculation of the required majority. The Chairman has no casting vote.

Pursuant to art. 12 of the Articles of Association, a resolution passed by at least two thirds of the represented share votes and the absolute majority of the represented shares par value is required for (i) matters listed in art. 704 of the CO and in art. 18 and art. 64 of the Merger Act, (ii) the easement or abolition of the restriction of the transferability of the registered shares, (iii) any amendment or cancellation of art. 31 of the Articles of Association (*i.e.*, exclusion of mandatory tender offer); (iv) any changes to art. 12 of the Articles of Association (*i.e.*, qualified majority for important resolutions).

6.3 Convocation of the general meeting

According to art. 8 para. 2 Articles of Association the notice of the general meeting shall state the day, time and place of the meeting, the agenda, the proposals of the Board of Directors and the proposals of the shareholders who have requested the general meeting or that an item be included on the agenda. According to art. 8 para. 3 Articles of Association the annual report, the remuneration report and the auditors' report shall be made available for inspection by the shareholders at the registered office of the Company at least 20 calendar days prior to the date of the ordinary general meeting. Reference to such submission and to the shareholders' right to request the conveying of these documents to them shall be included in the notice to the general meeting.

In accordance with the CO and art. 7 para. 3 Articles of Association, the Board of Directors is required to convene an extraordinary shareholders' meeting within two (2) months if requested by one or more shareholder(s) representing in aggregate at least 5% of the Company's nominal share capital registered in the commercial register. Such demands have to be submitted in writing, setting forth the items to be discussed and the proposals to be decided upon.

A shareholders' meeting is convened by publishing a notice of such meeting in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) at least 20 calendar days before the date of the meeting. To the extent the post and / or e-mail addresses of the shareholders are known, notice may also be sent simultaneously by post and / or e-mail. The notice needs to state the day, time and place of the meeting, the agenda, the proposals of the Board of Directors and the proposals of the shareholders who have requested the shareholders' meeting or that an item be included on the agenda.

6.4 Inclusion of items on the agenda

The Board of Directors states the items on the agenda.

According to art. 9 para. 2 Articles of Association registered shareholders with voting rights individually or jointly representing at least 0.5% of the share capital of the Company may demand that items be put on the agenda. Such demands have to be submitted to the Chairman of the Board of Directors at least 45 calendar days before the date of the relevant shareholders' meeting and need to be in writing, specifying the items and the proposals.

No resolutions may be passed on motions concerning agenda items which have not been duly announced apart from those exceptions permitted by Swiss law.

6.5 Entries in the share register

Voting rights may be exercised only after a shareholder has been registered in the share register as a shareholder with voting rights up to a specific qualifying day designated by the Board of Directors (*i.e.*, the Record Date).

There are no statutory rules concerning deadlines for entry in the share register. However, for organizational reasons, the share register is closed several days before the respective shareholders' meeting. The respective Record Date for inscriptions in the share register is announced in the invitation to the shareholders' meeting.

For information on certain limitations on transferability and nominee registrations, please refer to the information provided under section 2.6 "*Limitations on transferability and Nominee registrations*" of this Corporate Governance Report. For information on certain limitations on share voting rights, please refer to the information provided under section 6.1.1 "*General rules on restrictions to voting rights*" of this Corporate Governance Report.

6.6 Right to Inspect the Minutes of the General Meeting

The minutes of AGM 2022, held on 26 April 2022, can be viewed on PolyPeptide's website at https://www.polypeptide.com/news/events/general-meeting-2022/. Shareholders may also read the minutes at PolyPeptide's headquarters in Baar, Switzerland upon prior notice. The minutes of AGM 2023 will be published on the PolyPeptide website within 15 days from the date of AGM 2023.

7 Change of control and defense measures

7.1 Duty to make an offer

Pursuant to the applicable provisions of FinMA, any person that acquires shares of a company whose shares are listed on a Swiss stock exchange, whether directly or indirectly or acting in concert with third parties, and, as a result, exceeds the threshold of 33⅓% of the voting rights (whether exercisable or not) of such company, must submit a public tender offer to acquire all of the listed shares of such company. A company's articles of association may either waive this requirement entirely ("opting-out") or raise the relevant threshold to up to 49% ("opting-up").

Art. 31 of the Articles of Association includes an opting-out provision and thereby exempts shareholders from the duty to make a mandatory public tender offer pursuant to art. 135 FMIA. As a result, any shareholder or group of shareholders exceeding the threshold of 33⅓% of the voting rights (whether exercisable or not) of the Company is / are not required to make a mandatory tender offer to the other shareholders. In contrast with other companies listed in Switzerland which have no opting-out clause (and no opting-up clause), upon such shareholder or group of shareholders reaching or exceeding the threshold of 33⅓% of the voting rights (whether exercisable or not) of the Company, the shareholders will neither benefit from the option to sell their shares in a mandatory tender offer nor from minority shareholder protection rules related to such mandatory tender offers.

7.2 Clauses on change of control

PolyPeptide's long-term incentive program ("LTIP") provides that if a change of control (as defined in the LTIP rules) occurs while the participant still holds any unvested awards, then all unvested awards shall immediately vest at target. For more information on our LTIP, please refer to section 5.1.4 "*Long-term incentive program*" of the Remuneration Report 2022.

Other than in relation to PolyPeptide's LTIP, there are no agreements or schemes in place containing change of control clauses benefiting members of the Board of Directors and / or the Executive Committee.

8 Auditors

8.1 Duration of the mandate and term of office of the Lead Auditor

Our external auditor's term of office is one year. It ends with the approval of the annual financial accounts by the general meeting. Re-election and revocation by the general meeting are possible at any time. The lead auditor is rotated every seven years in accordance with Swiss law.

Our independent external auditor is BDO AG ("BDO"), Schiffbaustrasse 2, 8005 Zürich, Switzerland, and has been our independent auditor since our incorporation on 6 April 2021. BDO is supervised and regulated by the Federal Audit Oversight Authority. Since 6 April 2021, René Füglister has been the lead auditor.

8.2 Auditing fees

Total auditing fees charged by BDO for the audit of the consolidated financial statements, the audit of the statutory financial statements as well as the audit of selected sections of the Remuneration Report 2022 of the Company (*i.e.*, PolyPeptide Group AG) for the financial year 2022 amounted to CHF 618,796.

8.3 Additional fees

For additional services performed by BDO (or its affiliates) in the year ended 31 December 2022, PolyPeptide was charged total non-auditing fees as follows:

CHF	**Amount**[1]
BDO Sweden: Auditor's statement in connection with the cross-border merger between Polypeptide Laboratories Holding (PPL) AB and Polypeptide Laboratories GmbH	8,398
BDO Sweden: Consulting on local sustainability report	1,517
Total	**9,915**

1 Amounts converted to CHF from other currencies are translated at the average exchange rate 2022.

8.4 Information instruments pertaining to the External Audit

The Board of Directors monitors compliance and proposes the annual election of the external auditor to the general meeting as recommended by the Audit and Risk Committee. In accordance with the Organizational Regulations and the Audit and Risk Committee Charter, the Audit and Risk Committee oversees the integrity of PolyPeptide's financial statements, the effectiveness of the internal control over financial reporting, the compliance with legal and regulatory requirements and the effectiveness of PolyPeptide's risk management, compliance and quality assurance systems and processes.

In addition, the Audit and Risk Committee annually (or more often as required) assesses the performance, qualifications and independence of the external auditor as well as evaluates the audit fees. The Audit and Risk Committee's assessment of the external auditor is based on the independency and objectivity of the external auditors, the professional competence, the presented reports, the demonstrated technical and operational competences, the quality and sufficiency of resources, the ability to provide effective and practical recommendations as well as the external auditor's open and effective communication and coordination with PolyPeptide's finance team and other employees. Based on its assessment, the Audit and Risk Committee will make a recommendation to the Board of Directors concerning the choice of the external auditor. The budget for audit fees (and any additional non-audit services) is reviewed and negotiated by the Audit and Risk Committee, with the final audit and non-audit fees subject to approval by the Board of Directors.

Since 1 January 2022, the Audit and Risk Committee held five (5) meetings with representatives of BDO. During these meetings various accounting and reporting topics were discussed, including the 2022 half-year consolidated financial statements, key accounting topics, ongoing year-to-date financial performance, implementation of the Internal Audit function, establishment of an Enterprise Risk Management Framework, evaluation of the Group's key financial risks and mitigating strategies, audit plan and requirements for the 2022 audit of the consolidated financial statements, compliance and (cyber)security matters and internal control system. On an annual basis, the external auditor also presents a detailed report on the results of the audit of the consolidated financial statements, the findings on significant accounting and reporting matters and findings on the internal control system. This presentation was held at the Audit and Risk Committee meeting on 2 March 2023 (in relation to the approval of the 2022 full-year financial statements). The results and findings of this report are also discussed in detail with the CFO and other members of the PolyPeptide finance team. The chairman of the Audit and Risk Committee presented a summary of the external auditor's presentation (including submitting any accompanying materials for review) to the Board of Directors at its next scheduled meeting, which occurred on 9 March 2023.

For more information regarding the Audit and Risk Committee and their meetings which included the external auditors, please refer to section 3.5.3.2 "*Audit and Risk Committee*" of this Corporate Governance Report.

For information regarding PolyPeptide's Internal Audit function, please refer to section 3.7.5 "*Internal Audit*" of this Corporate Governance Report.

9 Information policy

We maintain a policy of transparent communication with all our stakeholders.

We release our financial results in the form of an annual report. Our annual report is published only in English and in electronic form under the links at the end of this section 9 within four months of the 31 December balance sheet date. According to art. 8 para. 3 Articles of Association the annual report, the remuneration report and the auditors' report shall also be made available for inspection by the shareholders at the registered office of the Company at least 20 calendar days prior to the date of the ordinary general meeting.

In addition, our financial results for the first half of each fiscal year are released only in English and only in electronic form under the links at the end of this section 9 within three months of the 30 June balance sheet date.

Our annual report and half-year results are announced via press releases and media and investor conferences held in person, via telephone or video conference / webcast.

In addition, we comply with the requirements of SIX Exchange Regulation on the dissemination of price-sensitive information. Ad hoc announcements can be accessed at the same time as they are communicated to the SIX Exchange Regulation at the links indicated at the end of this section 9. PolyPeptide will also send material and price-sensitive information directly, promptly and free of charge by e-mail. This service is offered under the links indicated at the end of this section 9.

Notices to shareholders and other announcements are made by publication in the Swiss Official Gazette of Commerce. The Board of Directors may designate further means for official publications.

Contact addresses

Copies of all information and documents pertaining to press releases, media conferences, investor updates and presentations at analyst and investor presentation conferences can be downloaded from our website at https://www.polypeptide.com/ or obtained upon request from Investor Relations and Corporate Communications, Neuhofstrasse 24, 6340 Baar, Switzerland (phone: +41 435 020 580; e-mail: investorrelations@polypeptide.com).

Main registered office

PolyPeptide Group AG
Neuhofstrasse 24
6340 Baar
Switzerland

Weblinks

The Company's website:
https://www.polypeptide.com

Subscription for ad hoc messages (push system):
www.polypeptide.com/news/subscription/

Ad hoc messages (pull system):
www.polypeptide.com/news/

Financial reports:
www.polypeptide.com/investors/results-presentations/

Corporate calendar:
www.polypeptide.com/investors/calendar/

Upcoming important dates:

- 14 March 2023 – Full-year Results 2022 and Media Conference
- 12 April 2023 – General Meeting 2023
- 15 August 2023 – Half-year Results 2023
- 12 March 2024 – Full-year Results 2023 and Media Conference
- 10 April 2024 – General Meeting 2024

10 Quiet periods (Blocked periods)

Our trading policy sets out internal guidance and rules on the proper handling of inside information and for trading in the Company's securities. In addition, our disclosure policy defines the information requirements and responsibilities with regard to informing the public in a fair and transparent manner, and at the earliest possible stage, about significant developments and changes concerning PolyPeptide.

We have introduced ordinary blocked periods during which time the Company and blocked persons must not deal in Company securities or make respective recommendations to any other person regardless of whether or not such person is in possession of inside information. PolyPeptide's ordinary blocked periods are (i) from 31 December until the lapse of one trading day following the public release of our annual results and (ii) from 30 June until the lapse of one trading day following the public release of our half-year results.

Blocked persons subject to the ordinary blocked periods include members of the Board of Directors, the Executive Committee, the PolyPeptide Management Committee as well as other individuals having access to inside information during these periods as identified by the CFO and General Counsel, in consultation with other members of management. The General Counsel maintains a list of the blocked persons, which is reviewed together with the CFO ahead of the commencement of each ordinary blocked period, and informs such individuals of their designation as a blocked person. Each blocked person must also deliver an acknowledgment of their designation as a blocked person to the General Counsel. In addition, the General Counsel reminds all blocked persons by e-mail of the applicable restrictions ahead of each ordinary blackout period.

In 2022, the following ordinary blocked periods applied: from 31 December 2021 until (and including) 15 March 2022; from 30 June 2022 until (and including) 19 August 2022; and from 31 December 2022 until (and including) 14 March 2023.

In addition to ordinary blocked periods, the Chairman, CEO, CFO or the General Counsel may each impose extraordinary blocked periods from time to time where they consider it necessary or appropriate, including (without limitation) where inside information exists or may arise (for example in connection with a potential material transaction) or where restrictions are required or appropriate to comply with regulatory or other requirements.

Remuneration Report

Letter from the Chairman of the Remuneration and Nomination Committee

Philippe Weber
Chairman of the Remuneration and Nomination Committee

Dear Shareholders,

On behalf of the Board of Directors and the Remuneration and Nomination Committee, I am pleased to present PolyPeptide's Remuneration Report for 2022. The Remuneration Report explains our remuneration policies, principles and elements, as well as the key activities of the Remuneration and Nomination Committee during the year and how PolyPeptide's performance results for 2022 impacted the variable incentive remuneration to the Executive Committee.

The current term of the Remuneration and Nomination Committee began following the annual general meeting held on 26 April 2022, where shareholders voted on the maximum aggregate remuneration amounts for the Board of Directors and the Executive Committee, with approval rates of 97.35% and 96.37%, respectively. In addition, shareholders approved the Remuneration Report 2021 in a consultative vote, achieving an approval rate of 96.63%. We thank PolyPeptide's shareholders for their feedback and welcome their clear mandate. Our goal remains to ensure that PolyPeptide's remuneration provides optimal incentives for successful leadership and is closely aligned with the interests of our shareholders.

The Remuneration and Nomination Committee remained active during the course of 2022 as we continued to develop a remuneration structure and governance framework that is simple, clear and transparent. One key activity in furtherance of this was a comprehensive benchmark review of the compensation of the Board of Directors and the Executive Committee, described in greater detail herein. One key observation following the benchmark review of the Executive Committee compensation was that all peers included a long-term incentive component alongside short-term incentive remuneration. The Remuneration and Nomination Committee considered the expansion of the LTIP to the full Executive Committee. However, in light of PolyPeptide's weak financial and operational performance, the Remuneration and Nomination Committee ultimately recommended to the Board of Directors not to grant any long-term incentive awards for the financial year 2022. The Remuneration and Nomination Committee plans to revisit this topic during the course of 2023.

Focusing on one of PolyPeptide's most important assets (*i.e.*, its people), the Remuneration and Nomination Committee together with the Group's Chief Human Resources Officer also looked more closely at PolyPeptide's approach to human capital management. The Remuneration and Nomination Committee supported the Board of Directors during the recent changes to the Executive Committee and remains focused on succession planning at PolyPeptide. As announced on 30 January 2023, Raymond De Vré resigned as CEO. PolyPeptide is currently conducting a CEO search, and we are committed to identifying a candidate who has the leadership skills and relevant experience to drive our growth and expansion plans. We have established a comprehensive search process.

Furthermore, in an increasingly competitive labor market, the Group relies on a qualified and engaged workforce to closely collaborate with customers on new solutions and to ensure high performance and quality. In the second half of 2022, PolyPeptide was impacted by technical and manufacturing process issues, highlighting the need for us to take measures to address these challenges. These measures include the strengthening of our workforce capabilities and the provision of improved training. This is underpinned by new leadership, including the appointment of a new Director Global Operations in December 2022. Attracting and retaining the right talent, along with the appropriate human capital development, is essential for PolyPeptide to grow its business. The Remuneration and Nomination Committee intends to further strengthen the attractiveness of PolyPeptide as an employer of choice.

Looking ahead, we will continue to proactively assess and review our remuneration programs to ensure that they are fulfilling their purpose in the evolving world in which we operate, remaining competitive to retain and attract the best talent and rewarding individual performance, competence and desired behaviors in line with PolyPeptide's values and leadership principles. We also appreciate the importance of ESG topics to all of our stakeholders and as PolyPeptide develops its sustainability targets further, the Remuneration and Nomination Committee is committed to strengthening the link between sustainability objectives and the remuneration of PolyPeptide's management towards the achievement of such targets. As an initial step, "green chemistry" was added as a performance measure to the 2022 Global Balanced Scorecard to advance PolyPeptide's sustainability objectives.

We encourage candid dialogue with our shareholders as we continue to evolve and improve PolyPeptide's remuneration structure. At the general meeting in April 2023, you will have the opportunity to express your opinion on our remuneration policies, principles and elements through a consultative vote on this Remuneration Report. We will also ask for your approval of the aggregate compensation amount to be awarded (i) to the Board of Directors for the period until the next general meeting in 2024 and (ii) to the Executive Committee for the financial year 2024. We respectfully request your endorsement of these agenda items at the general meeting in April 2023.

I would like to thank you for your ongoing support and trust that you will find PolyPeptide's Remuneration Report interesting and informative.

Sincerely,

Philippe Weber
Chairman of the Remuneration and Nomination Committee

Remuneration Report 2022

This Remuneration Report describes PolyPeptide's remuneration governance and principles, structure and elements. We have prepared this report in compliance with the requirements of the Swiss Ordinance against Excessive Compensation with respect to Listed Stock Corporations ("OaEC")[1], Polypeptide Group's Articles of Association as well as the SIX Swiss Exchange Directive on Information relating to Corporate Governance ("DCG") and the principles of the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse.[2]

All information within this Remuneration Report 2022 refers to the Company's organization, Articles of Association[3] and Organizational Regulations[4] that were in effect as of 31 December 2022 (unless otherwise stated).[5]

1 As part of the reform of Swiss corporate law, the provisions on compensation from the OaEC were incorporated into the Swiss Code of Obligations ("CO") with effect as of 1 January 2023, and the OaEC was repealed as of the same date. For the year ended 31 December 2022, the OaEC remained in force.

2 In its version as approved by the board of economiesuisse on 28 August 2014.

3 PolyPeptide Group AG's Articles of Association are available at https://www.polypeptide.com/investors/results-center/.

4 PolyPeptide Group AG's Organizational Regulations are available at https://www.polypeptide.com/investors/results-center/.

5 In line with the new regulations arising from the reform of Swiss corporate law, PolyPeptide Group AG (the "Company") will propose conforming amendments to its Articles of Association at the upcoming AGM 2023, such amendments to be set out in the invitation and agenda. Thereafter, the Board of Directors plans to amend relevant other regulations of the Company, in particular the Company's Organizational Regulations. For certain remuneration related regulations, we have included explanatory footnotes herein.

1 Remuneration governance

1.1 Articles of Association

Our Articles of Association[6] include the principles governing remuneration. The key provisions are summarized below.

Table 1: Articles of Association

Votes on compensation *Article 13*	The general meeting approves, separately and bindingly, the aggregate amounts of: (i) the maximum compensation of the Board of Directors for the term of office until the next general meeting that may be paid or allocated; and (ii) the maximum overall compensation of the Executive Committee (fixed and variable components) that may be paid or allocated in the subsequent business year.
Principles of compensation Board of Directors *Article 25 para. 1*	The compensation of the members of the Board of Directors consists of fixed compensation elements and may comprise variable compensation elements; the fixed compensation comprises a fixed base fee and fixed fees for chairmanship and memberships in Board committees or for roles of the Board of Directors as well as a lump sum compensation for expenses; the variable compensation (if applicable) comprises performance-related compensation elements and financial instruments (e.g., performance stock units (PSU)) and depends on the achievement of strategic and / or financial targets set in advance by the Board of Directors over the course of a performance period defined by the Board of Directors. The compensation is awarded in cash, in the form of shares in the Company and other benefits.
Additional services by Directors *Article 25 para. 3*	Members of the Board of Directors who provide consulting services to PolyPeptide in a function other than as members of the Board of Directors may be compensated in cash according to standard market rates subject to approval by the general meeting.
Principles of compensation Executive Committee *Article 26 para. 1*	Compensation for members of the Executive Committee consists of fixed base compensation in cash as well as variable compensation. The fixed compensation comprises the base compensation and may comprise additional compensation elements and benefits. The variable compensation may comprise short-term and long-term compensation components. Compensation to members of the Executive Committee may be awarded in cash, in the form of shares in the Company and other benefits.
Short-term and long-term variable compensation *Article 26 paras 2-4*	Short-term variable compensation of the Executive Committee depends on the achievement of targets set in advance by the Board of Directors over the course of a one-year performance period; the long-term variable compensation of the Executive Committee shall take into account the sustainable long-term performance and strategic objectives of PolyPeptide and achievements are generally measured based on a period of several years.
Agreements related to compensation and maximum contract terms of the Executive Committee *Article 24*	The employment agreements of the members of the Executive Committee shall in principle be concluded for an indefinite period. If the Board of Directors considers a fixed term appropriate, such fixed term shall not exceed one year. Employment agreements for an indefinite term may have a termination notice period of maximum 12 months; non-competition obligations for the time following termination of an employment contract with members of the Executive Committee and the associated compensation are permitted to the extent that this is justified from a business perspective. The compensation for such a non-competition undertaking shall not exceed the last paid fixed annual compensation of such member.[7]
Additional compensation for new members of the Executive Committee *Article 29*	If newly appointed or promoted members of the Executive Committee take office after the general meeting has approved the aggregate maximum amount of compensation of the members of the Executive Committee for the next business year, such newly appointed or promoted members may receive a compensation in each case of up to 50% of the last aggregate maximum amount of compensation for the Executive Committee approved by the general meeting.[8]

Loans and credits *Article 28 para. 1*	The Company shall not grant loans, credits, pension benefits (other than in the context of occupational pension) or securities to the members of the Board of Directors or the Executive Committee.[9] Advance payments of fees for lawyers, court fees and similar costs relating to the defense against corporate liability claims up to a maximum amount of CHF 1,000,000 are permitted.

In addition, our Organizational Regulations[10], including the Charter of the Remuneration and Nomination Committee, further describe and define the roles and responsibilities of the Remuneration and Nomination Committee and the Board of Directors.

[6] PolyPeptide Group AG's Articles of Association are available at https://www.polypeptide.com/investors/results-center/.

[7] In line with the new regulations arising from the reform of Swiss corporate law, from 2023 onwards any compensation payments toward non-competition agreements will not exceed the average compensation paid to such member during the last three financial years.

[8] In line with the new regulations arising from the reform of Swiss corporate law, from 2023 onwards any additional compensation will only be available for newly appointed members of the Executive Committee.

[9] In line with the new regulations arising from the reform of Swiss corporate law, from 2023 onwards such limitations will apply equally to current and former members of the Board of Directors and the Executive Committee as well as to persons closely associated with them.

[10] PolyPeptide Group AG's Organizational Regulations are available at https://www.polypeptide.com/investors/results-center/.

1.2 Role and activities of the Board of Directors and shareholders

As provided for in the OaEC and our Articles of Association, our shareholders have significant influence on the compensation of PolyPeptide's governing bodies and annually approve the maximum aggregate compensation for the members of our Board of Directors and Executive Committee for the applicable periods.

At PolyPeptide, the approach to remuneration is mainly structured by the Remuneration and Nomination Committee, with our Board of Directors being ultimately responsible for ensuring that we comply with and implement our shareholders' resolutions on compensation matters as well as adhere to statutory compensation provisions and the compensation principles set out in our Articles of Association.

The decision-making relationship between our shareholders, the Board of Directors and the Remuneration and Nomination Committee is illustrated below.

Table 2: Responsibilities regarding compensation decisions

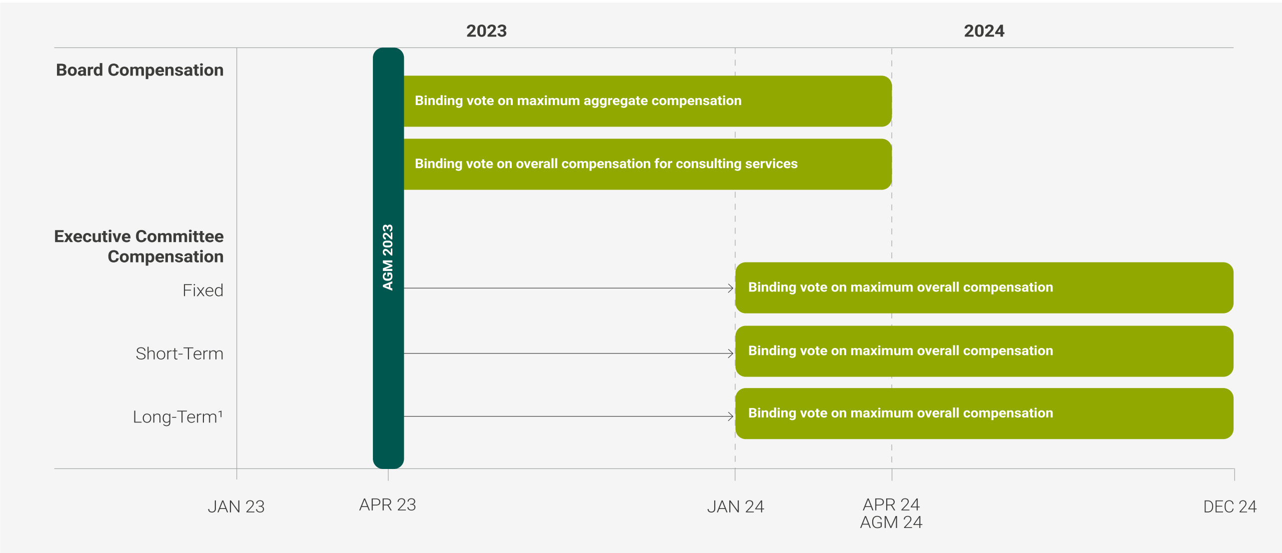
	Proposes	Reviews	Approves
Remuneration principles (Articles of Association)	Remuneration and Nomination Committee	Board	AGM
Remuneration framework	Remuneration and Nomination Committee		Board
Remuneration Report	Remuneration and Nomination Committee	Board	Board AGM (with consultative vote)
Maximum aggregate amount of compensation for the Board	Remuneration and Nomination Committee	Board	AGM
Maximum amount of compensation to Board members for consulting services	Remuneration and Nomination Committee	Board	AGM
Individual compensation of Board members	Remuneration and Nomination Committee		Board
Maximum aggregate amount of compensation (including STIP and LTIP) for EC	Remuneration and Nomination Committee	Board	AGM
Aggregate compensation of the CEO	Remuneration and Nomination Committee		Board
Aggregate compensation for each of the other EC members	CEO	Remuneration and Nomination Committee	Board

The Board of Directors will submit three separate compensation-related resolutions for shareholder approval at the upcoming general meeting 2023 (“AGM 2023”):

- The maximum aggregate amount of compensation of the Board of Directors for the term of office ending at the conclusion of the next general meeting (*i.e.*, until the next general meeting in 2024);
- The maximum overall compensation of the Executive Committee (fixed and variable components) for the financial year 2024; and
- The aggregate amount of compensation to members of the Board of Directors for consulting services to PolyPeptide in a function other than as members of the Board of Directors for the term of office ending at the conclusion of the next general (*i.e.*, until the next general meeting in 2024).

In addition, the Board of Directors will submit this Remuneration Report to shareholders for a separate consultative vote.

Table 3: Structure of shareholder voting on compensation at the AGM 2023



[1] For details regarding the LTIP, including vesting periods, see section 5.1.4 “*Long-term incentive program*” of this Remuneration Report.

The Board of Directors may divide the maximum overall compensation of the Executive Committee to be proposed for approval into a maximum fixed and maximum variable compensation and submit the respective proposals for separate approval by the general meeting. Further, the Board of Directors may present to the general meeting deviating or additional proposals for approval in relation to the same or different time periods.

If the general meeting does not approve the amount of the proposed fixed and variable compensation, as the case may be, the Board of Directors may either submit new proposals at the same general meeting, convene a new extraordinary general meeting and make new proposals for approval or may submit the proposals regarding compensation for retrospective approval at the next general meeting.

At the general meeting 2022 ("AGM 2022"), the Board of Directors submitted three separate compensation-related proposals, which were all approved by the shareholders:

- The maximum aggregate amount of compensation of the Board of Directors for the term of office ending at the conclusion of the next general meeting (*i.e.*, until the next general meeting in 2023) in the amount of CHF 1,600,000 (including all employee and employer social security contributions);
- The maximum overall compensation of the Executive Committee (fixed and variable components) for the financial year 2023 in the amount of CHF 7,000,000 (including all employee and employer social security and pension contributions); and
- The aggregate amount of compensation to members of the Board of Directors for consulting services to PolyPeptide in a function other than as members of the Board of Directors for the term of office ending at the conclusion of the next general (*i.e.*, until the next general meeting in 2023) in the amount of CHF 200,000.

In addition, shareholders approved the Remuneration Report 2021 in a consultative vote. For a reconciliation of approved compensation for the Board of Directors versus the estimated awarded amounts until the AGM 2023, see section 4.2 "*Compensation of the Board of Directors*" of this Remuneration Report. For a reconciliation of approved compensation for the Executive Committee versus awarded amounts for the year ended 31 December 2022, see section 5.2.2 "*Aggregate compensation of the Executive Committee*" of this Remuneration Report.

1.3 Role and activities of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee is entrusted with preparing and periodically reviewing PolyPeptide's compensation policy, compensation strategy and principles as well as the performance criteria related to compensation and the accompanying review of their implementation. The Remuneration and Nomination Committee is also responsible for submitting proposals and recommendations to the Board of Directors regarding compensation matters. The Remuneration and Nomination Committee further supports the Board of Directors in preparing the compensation proposals for the general meeting. In addition, the Remuneration and Nomination Committee assists the Board of Directors in relation to the succession planning for and nomination of the members of the Board of Directors and the Executive Committee as well as the corporate governance of the Company and the Group. In furtherance of this, the Remuneration and Nomination Committee, for example, regularly assesses the set of competencies as well as each Director's contributions to ensure that an appropriate mix of skills, expertise and diversity is represented on the Board of Directors and its Committees. The specific responsibilities and competencies of the Remuneration and Nomination Committee are set forth in art. 19 of the Articles of Association, section 5.3 of the Organizational Regulations as well as the Remuneration and Nomination Committee Charter.

The Remuneration and Nomination Committee consists of at least two members of the Board of Directors who are elected individually and annually by the general meeting. The term of office of the members of the Remuneration and Nomination Committee is one year. In this context, one year means the time period between one general meeting and the next or, if a member is elected at an extraordinary shareholders' meeting between such extraordinary shareholders' meeting and the next general meeting. Re-election is possible. The chairman of the Remuneration and Nomination Committee is independent and is appointed by the Board of Directors. As of 31 December 2022, the Remuneration and Nomination Committee consisted of two members: Philippe Weber (chairman) and Peter Wilden.[11]

[11] AGM 2022 confirmed the re-election of Philippe Weber and Peter Wilden as members of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee meets at such frequency as it deems necessary to fulfill its duties, normally ahead of ordinary Board meetings, which are expected to take place at least four (4) times per year. Additional meetings may be held and may be convened at the request of either the Board of Directors or any Remuneration and Nomination Committee member. Since 1 January 2022, the Remuneration and Nomination Committee met six (6) times, in a combination of in-person sessions and video conferences, for an average duration of approximately two (2) hours.

The Remuneration and Nomination Committee keeps the Board of Directors informed on a regular basis about all important strategic issues, transactions as well as any business situations and / or developments within its scope of responsibilities and duties. In addition, the chairman of the Remuneration and Nomination Committee provides the full Board of Directors at their meeting with an overview of key topics discussed at the most recent Remuneration and Nomination Committee meeting. The signed minutes (together with all presentation and background materials) from each Remuneration and Nomination Committee meeting are also circulated or otherwise made available to the full Board for their review.

The Remuneration and Nomination Committee may invite to meetings and communicates periodically with the CEO, the CFO and the Chief Human Resources Officer, as well as such other persons (including external specialist advisors) as the Remuneration and Nomination Committee deems appropriate. Such individuals may attend meetings without the right to vote as guests, except where not appropriate (*e.g.*, if particular matters relating to their performance or remuneration are discussed).

In 2021, the Remuneration and Nomination Committee worked with HCM International Ltd., Zurich ("HCM International") as external independent advisor on remuneration matters, in particular with regards to the development of the long-term incentive program. HCM International did / does not have any additional mandates at PolyPeptide. The Remuneration and Nomination Committee did not work with HCM International in 2022.

In 2022, the Remuneration and Nomination Committee engaged Willis Towers Watson ("WTW") for quantitative compensation benchmark services for PolyPeptide's management, including the Board of Directors and Executive Committee (see section 2 "*Remuneration philosophy and principles*" of this Remuneration Report). WTW provides additional advisory services to the Group, specifically actuarial valuations at two of our European sites. We believe that these standard and comparatively minor additional mandates at two of our local PolyPeptide sites do not impact their objectivity or independence.

In accordance with art. 19 of the Articles of Association and the Remuneration and Nomination Committee Charter, the Remuneration and Nomination Committee discussed the following topics at its meetings in 2022:

- Review of the Group's remuneration principles, strategy and structure
- Review and proposal of 2021 variable short-term incentive for the members of the Executive Committee, including individual performance appraisal
- Review and proposal of compensation proposals for AGM 2022
- Review and proposal of individual performance targets and weighting for the 2022 variable short-term incentive for the members of the Executive Committee
- Review of shareholders' and proxy advisors' feedback on the Remuneration Report 2021
- Succession planning at PolyPeptide
- Assessments of the Board of Directors and its Committees
- Review and consideration of the expansion of PolyPeptide's long-term incentive program (LTIP)
- Review and discussion of the results of the benchmarking study for the Board of Directors and Executive Committee
- General update on corporate governance trends and best practices as well as upcoming Swiss corporate law changes
- Update on human capital management, including the Group's human resources mid- and long-term plan and an overview of key people analytics
- Discussion of the structure and approach to the Remuneration Report 2022, including analysis on remuneration disclosure

- Review of ESG material topics assigned to the Remuneration and Nomination Committee
- Review of the Remuneration and Nomination Committee Charter

For more information, see also section 3.5.3.1 *"Remuneration and Nomination Committee" of the Corporate Governance Report 2022*.

2 Remuneration philosophy and principles

We believe that a corporate culture offering employees dynamic and stimulating working conditions with great opportunities to grow and contribute to the shared objective of creating customer satisfaction and fostering long-term customer loyalty through excellence in peptide and oligonucleotide technology, quality, value, service and customer support is key for safeguarding PolyPeptide's long-standing success.

In order to attract, motivate and retain talented individuals who drive performance, the Remuneration and Nomination Committee gives careful consideration to PolyPeptide's remuneration framework, which aims to be simple, clear and transparent. The Remuneration and Nomination Committee is guided by the following key principles:

- the remuneration framework should be competitive, commensurate with market conditions and drive sustainable long-term value creation
- the remuneration framework should reward individual performance and align the interests of the Board of Directors and Executive Committee with the interests of PolyPeptide and its shareholders
- the remuneration framework should be traceable
- the remuneration framework should contain a balance of both fixed and variable components to create sustainable value
- short-term variable components should be based on clear criteria and performance targets tied to PolyPeptide's strategic objectives and values, with consideration given to qualitative factors, including the individual's commitment to PolyPeptide's values through demonstrated behaviors
- long-term variable components should be evaluated and only awarded on the basis of PolyPeptide's long-term performance to promote the creation of shareholder value
- the remuneration framework should avoid creating unintended, undesirable or conflicting incentives or behaviors

As a basis for this work in 2022 and to support compensation recommendations to the Board of Directors, the Remuneration and Nomination Committee decided to undertake a comprehensive benchmark review of the compensation of the Board of Directors and the Executive Committee.

For the Board of Directors, the Remuneration and Nomination Committee initially conducted an internal desktop review of the board compensation of thirteen similarly sized Swiss SIX-listed peers (*e.g.*, considering employee base, revenue and market capitalization).[12] Within this Swiss peer group at the time of the internal review, PolyPeptide was positioned between the twenty-fifth and fiftieth percentile. This internal review was complemented by an analysis from Willis Towers Watson ("WTW"), which analyzed the board compensation of companies listed in the SMIM.[13] Within the SMIM peer group at the time of the analysis, PolyPeptide was positioned between the tenth and twenty-fifth percentile. The combined benchmarking analyses showed that PolyPeptide is positioned comparably to its peers with regards to level and structure of the Board of Directors' compensation package. Thus, the Remuneration and Nomination Committee concluded that no proposed changes to the remuneration of the Board of Directors were currently warranted.

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12 The similarly sized Swiss peer group comprised Vifor Pharma AG, Idorsia Ltd, Lonza Group AG, Bachem Holding AG, Galenica AG, Sonova Holding AG, Straumann Holding AG, Tecan Group Ltd., Siegfried Holding AG, Medacta Group SA, Sensirion Holding AG, medmix AG and Medartis Holding AG.

13 At the time of the review, the SMI Mid comprised Adecco Group AG, ams-OSRAM AG, Bachem Holding AG, Bâloise Holding AG, Barry Callebaut AG, BB Biotech AG, Cembra Money Bank AG, Chocoladefabriken Lindt & Sprüngli AG, Clariant AG, Dufry AG, EMS-Chemie Holding AG, Flughafen Zürich AG, Galenica AG, Georg Fischer AG, Helvetia Holding AG, Julius Bär Gruppe AG, Kuehne + Nagel International AG, PSP Swiss Property AG, Schindler Holding AG, SIG Combibloc Group AG, Sonova Holding AG, Straumann Holding AG, Swiss Prime Site AG, Tecan Group Ltd., Temenos AG, The Swatch Group AG, VAT Group AG and Zur Rose Group AG.

To ensure competitiveness with the market, the compensation of the Executive Committee was also benchmarked in 2022. The Remuneration and Nomination Committee engaged WTW, which reviewed the compensation practices of an agreed peer group of twenty-two European health science companies.[14] This peer group was selected by considering factors such as industry, revenue, employee base, geographic footprint, etc. The benchmark focused on appropriate functions within the peer group by applying the WTW grading. WTW uses a position evaluation methodology to size each role so that in all cases positions were compared with similar positions in terms of scope. Within this European health science peer group at the time of the analysis and based on data from WTW's existing database, PolyPeptide was positioned around the twenty-fifth percentile. In general, the benchmarking analysis for the Executive Committee revealed that our fixed compensation levels were commensurate with the identified peer universe. The Remuneration and Nomination Committee did obverse differences in the approach to variable compensation, as all peers included a long-term incentive component alongside short-term incentive remuneration. Consequently, the Remuneration and Nomination Committee considered the expansion of the LTIP to the full Executive Committee. However, in light of PolyPeptide's weak financial and operational performance, the Remuneration and Nomination Committee ultimately recommended that the Board of Directors not grant long-term incentive awards for the financial year 2022. The Remuneration and Nomination Committee plans to revisit this topic during the course of 2023.

Going forward, the Remuneration and Nomination Committee will conduct benchmark assessments for the compensation of the members of the Board of Directors and the Executive Committee every two or three years (or more often as required) against the compensation of comparable companies to ensure that PolyPeptide's remuneration continues to be guided by its established principles and that remuneration levels remain competitive to support the retention and attraction of talent. For these purposes, the Remuneration and Nomination Committee will consider whether it is appropriate or necessary to continue engaging external advisors as well as whether the identified peer groups from the most recent benchmark studies remain valid. The Remuneration and Nomination Committee will also consider PolyPeptide's overall internal compensation structure, the individual's profile (*e.g.*, skill set, experience, seniority), PolyPeptide's global activities, the growing complexity of its industry as well as the Group's expanding human capital management responsibilities in light of an increasing number of employees. Following such assessments, the Remuneration and Nomination Committee may propose to the Board of Directors compensation adjustments (*e.g.*, increases / decreases in base salaries or changes in the proportion of the compensation components) for proposal to the general meeting.

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14 Selected peer group of European Health Science companies consisted of Galapagos NV, Genmab A/S, Leo Pharma A/S, H. Lundbeck A/S, Laboratories Expanscience, QIAGEN N.V., IDT Biologika, Fidia Farmaceutici S.P.A., Cinfa S.A., Grupo Alter, Swedish Orphan Biovitrum AB, Ferring B.V., Galderma S.A., IBSA Institut Biochimique SA, Lonza Group AG, Novartis AG, Roche Holding AG, Straumann Holding AG, Tecan Group Ltd, Vifor Pharma AG, Bio Products Laboratory Holding Limited and Mundipharma International Limited.

3 Agreements related to the compensation for members of the Board of Directors and the Executive Committee

According to art. 24 para. 1 of the Articles of Association and in line with the OaEC, any mandate agreements with members of the Board of Directors have a fixed term until the conclusion of the next general meeting. Early termination or removals remain reserved. According to art. 24 para. 2 of the Articles of Association, the employment agreements of the members of the Executive Committee are in principle concluded for an indefinite period. If the Board of Directors considers a fixed term appropriate, such fixed term will not exceed one year. Employment agreements for an indefinite term may have a termination notice period of maximum 12 months. Art. 24 para. 3 of the Articles of Association provides that the non-competition obligations for the time following termination of an employment contract with members of the Executive Committee and the associated compensation are permitted to the extent that this is justified from a business perspective. According art. 24 para. 3 of the Articles of Association, the compensation for such a non-competition undertaking shall not exceed the last paid fixed annual compensation of such member.

Currently, all members of the Executive Committee are employed under contracts of unlimited duration with notice periods not exceeding a maximum of 12 months. Executive Committee members are not contractually entitled to termination payments or any change of control provisions (other than the special vesting provisions of any applicable LTIP awards, see section 5.1.4 "*Long-term incentive program*" of this Remuneration Report). In addition, the Executive Committee agreements contain non-competition clauses, and, in accordance with art. 24 para. 3 of the Articles of Association, any compensation for such a non-competition undertaking does not exceed the last paid fixed annual compensation of such Executive Committee member.[7]

4 Compensation framework for the Board of Directors

4.1 Remuneration approach

Pursuant to art. 25 of the Articles of Association, the compensation of the members of the Board of Directors (including the Chairman) is determined by the entire Board of Directors based on the proposal of the Remuneration and Nomination Committee and subject to and within the limits of the aggregate amounts approved by the general meeting. According to section 4(b) of the Organizational Regulations, the Chairman is required to abstain from the deliberation and decision-making about his or her own compensation. The compensation consists of fixed compensation elements and may comprise variable compensation elements. The fixed compensation includes a fixed base fee and fixed fees for chairmanship and memberships in Board committees or for roles of the Board of Directors as well as potentially a lump sum compensation for expenses (if applicable) which are determined by the full Board of Directors based on the proposal of the Remuneration and Nomination Committee, subject to and within the limits of the aggregate maximum amounts approved by the general meeting.

Any variable compensation comprises performance-related compensation elements and financial instruments (*e.g.*, performance stock units (PSU)) and depends on the achievement of strategic and / or financial targets set in advance by the Board of Directors over the course of a performance period defined by the Board of Directors. The compensation is awarded in cash, in the form of shares in the Company and other benefits. Where the compensation is paid in whole or in part in shares or financial instruments, the Board of Directors determines the grant conditions as well as any restriction periods and forfeit conditions.

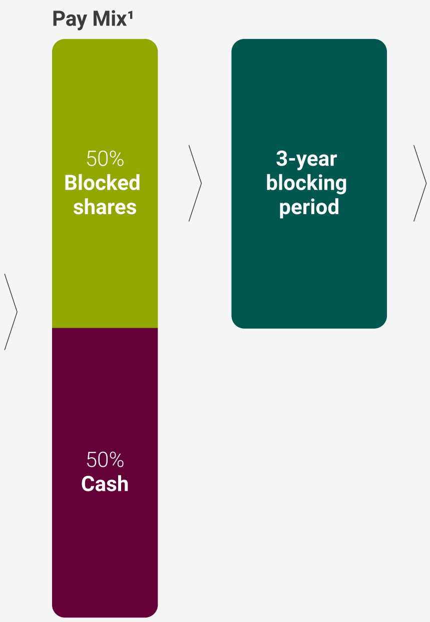
Currently, members of the Board of Directors only receive fixed compensation elements, of which at least half are payable in shares and the remainder in cash. Board members have the option of electing to be paid up to 100% of their fixed fee in shares. For Board members electing to receive more than 50% of their fixed fee in shares, the shares exceeding the 50% portion will be granted at a discount of 20% to market price.[15] All shares received as part of the Board's remuneration is subject to a three-year blocking period from the date of grant. We believe that the share-based component strengthens the alignment of the Board of Directors' interests with those of our shareholders as well as further incentivizes the members of the Board of Directors to drive PolyPeptide's success. During the period under review, there were no payments to pension funds or similar institutions for the members of the Board of Directors.

[15] The market price is the volume-weighted average share price over the last five trading days prior to the quarterly payment date.

Below is an overview of the current remuneration framework for the Board of Directors.

Table 4: Remuneration framework for the Board of Directors (in CHF)

Fixed annual compensation	
Base fees	
Chairman[2]	300,000
Lead Independent Director and Vice Chairman	160,000
Other members	140,000
Committee chairman fees[2]	
Audit and Risk Committee	40,000
Remuneration and Nomination Committee	40,000
Innovation and Technology Committee	40,000



[1] Board members have the option of electing on an annual basis to be paid up to 100% of their fixed fee in shares. For Board members electing to receive more than 50% of their fixed fee in shares, the shares exceeding the 50% portion will be granted at a discount of 20% to market price (calculated based on the volume-weighted average share price over the last five trading days prior to the quarterly payment date).

[2] The Chairman does not receive any additional compensation for his role as chairman of the Chair's Committee.

The cash and share compensation are paid out on a quarterly basis. The number of shares is determined by dividing each Board member's respective share-based compensation by the volume-weighted average closing share price over the last five trading days prior to the quarterly payment date (and with a discount of 20% on the shares exceeding 50% of the fixed fee, if applicable) and rounded up to the next whole number of shares. Any shares delivered to Board members in connection with their compensation are / will be blocked for a period of three years from the date of grant.

If a Board member resigns before completion of the respective term of office (*i.e.*, mid-term), such member is entitled to the respective pro-rata compensation earned up to and including the resignation date, and any compensation already received in excess of the pro-rata entitlement is to be transferred back to the Company.

In addition, in accordance with art. 25 para. 3 of the Articles of Association, the members of the Board of Directors who provide consulting services to PolyPeptide in a function other than as members of the Board of Directors may be compensated in cash according to standard market rates, subject to approval by the general meeting (for further information on such compensation paid in the year ended 31 December 2022, see section 4.2 "*Compensation of the Board of Directors*" of this Remuneration Report). Furthermore, pursuant to art. 27 of the Articles of Association, expenses that are not covered by the lump sum compensation for expenses (if applicable) pursuant to PolyPeptide's expense regulations are reimbursed against presentation of the relevant receipts. Amounts paid for expenses actually incurred do not need to be approved by the general meeting.

4.2 Compensation of the Board of Directors

While the structure and amount of remuneration of the members of the Board of Directors has not changed compared to 2021, the total compensation of the Board of Director increased by 33.3% for the year ended 31 December 2022 as compared to the previous period in absolute amounts due to the full 12-month service period in 2022 compared to a shorter nine-month period in 2021 following the Company's incorporation and initial public offering in April 2021.

The following tables show the compensation of the Board of Directors for the period from 1 January 2022 to 31 December 2022 (Table 5) and from 7 April 2021 to 31 December 2021 (Table 6). For the previous period (*i.e.*, 7 April 2021 until AGM 2022) and for the current period (*i.e.*, until AGM 2023), the Board did not receive a lump sum for expenses; rather any expenses incurred were reimbursed against the presentation of the relevant receipts.

Table 5: 2022 Compensation of the Board of Directors (1 January 2022 – 31 December 2022)

CHF	Position	Cash compensation	Share-based compensation[1]	Total (cash and shares)	Social security contributions	Total compensation
Peter Wilden	Chairman	63,750	257,337	**321,087**	20,116	**341,202**
Patrick Aebischer	Vice-Chairman, Lead Independent Director	50,000	162,137	**212,137**	11,738	**223,875**
Erik Schropp[2]	Member	–	–	**–**	–	**–**
Jane Salik	Member	70,000	69,881	**139,881**	–	**139,881**
Beat In-Albon	Independent Member	45,000	145,898	**190,898**	10,446	**201,344**
Philippe Weber[3]	Independent Member	19,500	177,680	**197,180**	13,425	**210,605**
Total Board of Directors		**248,250**	**812,931**	**1,061,181**	**55,725**	**1,116,906**

1 The number of shares due quarterly for each Director is the fair value at grant date determined by dividing each Board member's respective share-based compensation by the volume-weighted average share price over the last five trading days prior to the quarterly payment date and rounded up to the next whole number of shares. For Board members electing to receive more than 50% of their fixed fee in shares, the shares exceeding the 50% portion are granted at a discount of 20% to the volume-weighted average share price over the last five trading days prior to the quarterly payment date. For information regarding the accounting treatment of such share-based payments under IFRS, see note 4 of the consolidated financial statements in the Financial Report 2022.

2 Erik Schropp, as representative of Draupnir Holding B.V. (one of the Company's significant shareholders, see section 1.2 "*Significant shareholders*" of the Corporate Governance Report 2022), waived all compensation for his Board duties for the term of office from the AGM 2022 to AGM 2023.

3 Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF). For the year ended 31 December 2022, the Group paid CHF 66,414 to NKF for legal services in relation to ongoing corporate legal matters (*e.g.*, securities, employment, tax and corporate law questions), well within the CHF 200,000 limit approved by the AGM 2022.

Table 6: 2021 Compensation of the Board of Directors (7 April 2021 – 31 December 2021)

CHF	Position	Cash compensation	Share-based compensation[1]	Total (cash and shares)	Social security contributions	Total compensation
Peter Wilden	Chairman	56,250	182,346	**238,596**	16,546	**255,142**
Patrick Aebischer	Vice-Chairman, Lead Independent Director	37,500	121,519	**159,019**	8,993	**168,012**
Erik Schropp[2]	Member	–	–	**–**	–	**–**
Jane Salik[3]	Member	52,500	52,363	**104,863**	–	**104,863**
Beat In-Albon	Independent Member	33,750	109,422	**143,172**	8,007	**151,179**
Philippe Weber[4]	Independent Member	13,500	134,729	**148,229**	10,271	**158,500**
Total Board of Directors[5]		**193,500**	**600,379**	**793,879**	**43,817**	**837,696**

1 The number of shares due quarterly for each Director is the fair value at grant date determined by dividing each Board member's respective share-based compensation by the volume-weighted average share price over the last five trading days prior to the quarterly payment date and rounded up to the next whole number of shares. For Board members electing to receive more than 50% of their fixed fee in shares, the shares exceeding the 50% portion are granted at a discount of 20% to the volume-weighted average share price over the last five trading days prior to the quarterly payment date.

2 Erik Schropp, as representative of Draupnir Holding B.V. (one of the Company's significant shareholders, see section 1.2 "*Significant shareholders*" of the Corporate Governance Report 2022), waived all compensation for his Board duties for the term of office from the extraordinary general meeting held on 19 April 2021 (the "EGM 2021") to AGM 2022. However, Mr. Schropp received an IPO Recognition Bonus granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as selling shareholder). For detailed information on the IPO Recognition Bonus, see section 6 "*IPO Recognition Bonus*" of the Remuneration Report 2021.

3 Jane Salik also received separate compensation for her role on the Executive Committee up to and including 17 August 2021. The total separate compensation paid for her services on the Executive Committee during the period 1 January 2021 to 17 August 2021 is included in the compensation disclosed in section 5.2.2 "*2021 aggregate compensation of the Executive Committee*" of the Remuneration Report 2021. Ms. Salik also received an IPO Recognition Bonus granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as selling shareholder). For detailed information on the IPO Recognition Bonus, see *section 6 "IPO Recognition Bonus"* of the Remuneration Report 2021.

4 Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF), which acted as legal adviser to PolyPeptide in connection with its IPO and other ongoing legal matters. For the year ended 31 December 2021, the Group paid CHF 122,559 to NKF for legal services in relation to ongoing legal matters (other than in relation to the IPO).

5 One member of the board of directors of PolyPeptide Laboratories Holding B.V. (the Group's predecessor holding company), who subsequently was not elected to the Board of the Company, received an IPO Recognition Bonus granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as selling shareholder). For detailed information on the IPO Recognition Bonus, see section 6 "*IPO Recognition Bonus*" of the Remuneration Report 2021.

Reconciliation of compensation to shareholder resolutions
For the term to the AGM 2023, the AGM 2022 approved a maximum aggregate amount of fixed compensation for the Board of Directors of CHF 1,600,000 (including all employee and employer social security contributions). For the term to the AGM 2022, the EGM 2021 approved a maximum aggregate amount of fixed compensation for the Board of Directors of CHF 1,600,000 (including all employee and employer social security contributions).

Table 7 shows the reconciliation between the compensation that has been / will be paid / granted for the respective term of office and the maximum aggregate amount approved by the general meeting:

Table 7: Compensation approved and compensation paid / to be paid / granted for the members of the Board of Directors

	Total compensation granted	Maximum aggregate amount available	Status
EGM 2021 to AGM 2022	CHF 1,111,529[1]	CHF 1,600,000	Approved EGM 2021
AGM 2022 to AGM 2023	CHF 1,175,768[2]	CHF 1,600,000	Approved AGM 2022

1 The actual amount of compensation granted for the period from EGM 2021 to AGM 2022 does not include the IPO Recognition Bonus received by Erik Schropp and Jane Salik granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as selling shareholder). For detailed information, see section 6 "*IPO Recognition Bonus*" of the Remuneration Report 2021.

2 The amount represents an estimate for the term of office from AGM 2022 to AGM 2023. The amount is calculated as an estimate for the six members of the Board of Directors elected at the AGM 2022, of which one member (Erik Schropp) waived his compensation for his Board duties for the current term of office. The amount also includes the fixed executive chairman fee of CHF 25,000 per month awarded to Dr. Peter Wilden in his role as Executive Chairman (as announced on 30 January 2023) for the period 1 February 2023 to 31 March 2023. The role of Executive Chairman is expected to be limited in nature to actively manage the CEO succession and assure business continuity. The final amount of total compensation granted will be disclosed in the Remuneration Report 2023.

In addition, with reference to art. 25 para. 3 of the Articles of Association, for the period from the EGM 2021 until AGM 2022, the Group paid CHF 171,570 to Niederer Kraft Frey AG (NKF), where Philippe Weber (Director) is a Partner, for legal services in relation to ongoing corporate legal matters (other than in relation to the IPO), well within the CHF 1 million limit approved by the EGM 2021. For the period from the AGM 2022 until 31 December 2022, the Group paid CHF 66,414 to NKF for legal services in relation to ongoing corporate legal matters (*e.g.*, securities, employment, tax and corporate law questions), well within the CHF 200,000 limit approved by the AGM 2022. The final amount for the period between AGM 2022 to the AGM 2023 will be disclosed in the Remuneration Report 2023.

4.3 Loans, credits and related-party compensation

In accordance with art. 28 of the Articles of Association, no loans or credits were directly or indirectly granted or outstanding as at 31 December 2022 or 31 December 2021, respectively, to current members of the Board of Directors. In addition, no granted loans or credits were still outstanding as at 31 December 2022 or 31 December 2021, respectively, to former members of the Board of Directors.

For the years ended 31 December 2022 and 31 December 2021, respectively, no compensation was directly or indirectly paid or granted to persons closely associated with current or former members of the Board of Directors. In addition, no loans or credits were directly or indirectly granted or outstanding as at 31 December 2022 or 31 December 2021, respectively, to persons closely associated with current or former members of Board of Directors.

For the related party transactions, refer to note 22 "*Related parties*" of the consolidated financial statements in the Financial Report 2022.

5 Compensation framework for the Executive Committee

5.1 Remuneration approach

Pursuant to art. 26 of the Articles of Association, the compensation of the members of the Executive Committee is determined by the entire Board of Directors based on the proposal of the Remuneration and Nomination Committee and subject to and within the limits of the aggregate amounts approved by the general meeting. Regarding the compensation of the members of the Executive Committee (other than the CEO), the Remuneration and Nomination Committee works in consultation with the CEO.

In principle (and as set forth by the Organizational Regulations), members of the Executive Committee shall attend designated and selected sections of the meetings of the Board and Remuneration and Nomination Committee meetings as guests without the right to vote, except where not appropriate (*e.g.*, if particular matters relating to their performance or remuneration are discussed). Compensation to members of the Executive Committee may be awarded in cash, in the form of shares in the Company and other benefits.

The remuneration framework for members of the Executive Committee consists of fixed base compensation in cash as well as variable compensation elements. The fixed compensation comprises the base salary and additional pension and other benefits. The variable compensation comprises short-term and long-term compensation components (if applicable).

Below is an overview of the current remuneration framework for the Executive Committee.

Table 8: Remuneration framework for the Executive Committee

Component	Instrument	Purpose	Criteria
Fixed compensation			
Base salary	Monthly/bi-weekly cash payment	Attract, motivate, and retain talented and qualified management	Responsibilities and scope of the position; employee qualifications and skills; financial considerations; market conditions and competitiveness
Pension and Other Benefits	Pension plan, insurance and benefits	Safeguard employees and their dependents in the event of retirement, sickness, inability to work or death; provide competitive employee benefits	Comply with local laws and regulations (i.e., Switzerland, Sweden, the US, etc.); tailored to market conditions
Variable compensation			
Short-term incentive program	Annual cash bonus	Motivate and reward annual / short-term financial, operational and strategic objectives as well as demonstrated commitment to PolyPeptide values	Achievement of pre-identified performance targets (e.g., financial, operational and personal) at the end of a financial year
Long-term incentive program[1]	Annual grant of performance share units (PSUs)	Motivate, enhance and reward loyalty and align interests of shareholders and management	Achievement of pre-identified performance targets at the end of a three-year performance period

[1] For the year ended 31 December 2021 the only eligible participant in the LTIP was Raymond De Vré; for the year ended 31 December 2022 there were no LTIP awards granted. However, the Remuneration and Nomination Committee continues to evaluate the expansion of the LTIP to the Executive Committee as well as other members of senior management in future periods.

5.1.1 Base salary

The base salary for each member of the Executive Committee is a fixed component of compensation paid in cash on a monthly or bi-weekly basis depending on market practice. The base salary reflects the scope and key responsibilities of the role as well as the qualification and skills required to perform the role, along with the employee's individual skill set, qualifications and experience. Financial considerations, such as budget and affordability, are also considered together with market conditions and competitiveness (see section 2 "*Remuneration philosophy and principles*" of this Remuneration Report for further information regarding benchmarking analyses).

5.1.2 Pension and Other Benefits

Pension and other benefits provide security for employees and their dependents in the event of retirement, sickness, inability to work or death. The members of the Executive Committee participate in the pension and social insurance schemes in the countries where their employment contracts were entered into or where they are resident, as the case may be. As such, the plans vary according to local market practice and regulations; however, at a minimum they reflect the statutory requirements of the respective countries. For example, in line with local employment practice for Swiss employees, all employees under Swiss employment contracts are covered by a supplementary non-compulsory occupational welfare plan in addition to PolyPeptide's compulsory occupational pension scheme.

We also offer competitive employee benefits. Depending on market practice, such additional benefits may include a company car or car allowance, health coverage, variable vacation supplement, local profit-sharing schemes, etc. and, where relevant, relocation-related and international benefits, such as executive benefits allowance or reimbursements, tax advisory services, etc. In addition, to the extent applicable, supplemental awards to incoming Executive Committee members to compensate for remuneration forfeited at the previous employer (generally on a "like-for-like" basis) are reported as "Other benefits". The monetary value of any of these remuneration elements is disclosed in the compensation tables.

Out-of-pocket expenses incurred by members of the Executive Committee in connection with their employment services for PolyPeptide are duly reimbursed in accordance with the applicable regulations and are not considered to be compensation subject to approval and, hence, are not further considered in the compensation tables presented further below.

5.1.3 Short-term incentive program

5.1.3.1 Overview

The short-term incentive program ("STIP") is an annual cash-based incentive program intended to motivate and reward the Executive Committee to deliver on PolyPeptide's short-term financial, operational and strategic objectives.

In accordance with art. 26 of the Articles of Association, the STIP performance targets are determined in advance by the Board of Directors, upon recommendation of the Remuneration and Nomination Committee, for one financial year, where any awards are based on the audited consolidated financial statements for that specific financial year (as applicable). Performance targets are determined on an annual basis for each member of the Executive Committee, taking into account his/her position, responsibilities, and tasks, before or at the beginning of the one-year performance period.

We set demanding STIP financial performance targets to incentivize the delivery of best-in-class financial and operational performance. In parallel, individual performance targets (which are of a more qualitative and strategic nature and may include, for example, leadership skills, organizational development, demonstration of behaviors in line with PolyPeptide's values and management of strategic projects) also serve to encourage and motivate the Executive Committee to achieve the Group's objectives. Pay-outs are subject to caps that are expressed as pre-determined multipliers of the respective performance target levels.

In case of termination of employment during the performance period, the STIP payout may be reduced or forfeited depending on the conditions of such termination and subject to applicable law. Any STIP awards are paid in cash by 30 June following the approval of the applicable audited consolidated financial statements and are not subject to forfeiture or clawback provisions.

Following the end of the applicable financial year, the Remuneration and Nomination Committee assesses the achievement of the STIP financial and operational performance targets and calculates the corresponding payout factor, which is subject to approval of the Board of Directors. For the individual performance component, the Remuneration and Nomination Committee conducts an assessment of the individual contributions of each member of the Executive Committee and includes the corresponding payout factor in its proposal to the Board of Directors.

5.1.3.2 2022 STIP

For the year ended 31 December 2022, the individual target incentive amount for the CEO then in office corresponded to 60.0% of base salary and for the other four members of the Executive Committee then in office to 35.0% of base salary. The maximum payout amount for the CEO then in office was equivalent to 90% of base salary and for the other four members of the Executive Committee then in office to 52.5% of base salary.[16]

Currently, payouts under the STIP are calculated based on the achievement level of the respective performance targets, with 100% achievement resulting in 100% payout. For each performance target, there is a minimum threshold performance level of 85% achievement of the performance target, below which there is no payout. There is also a maximum performance level of 115% achievement of the performance target, at which threshold the payout is capped at 150%. Linear extrapolation is used to calculate the payout between the minimum threshold and target, and target and maximum. Thus, total payout under the STIP can range from 0% to 150% of the target incentive amount.

For the year ended 31 December 2022, the STIP objectives for the Executive Committee comprised both financial and individual performance objectives, as detailed in the table below.

Table 9: 2022 STIP performance objectives and weighting for the Executive Committee

Focus in 2022	Performance objective	Weighting
	CEO	
Growth	Revenue	40%
Profitability	Adjusted EBITDA	40%
Individual performance	Personal objectives	20%
	Other members of the Executive Committee	
Growth	Revenue	30%
Profitability	Adjusted EBITDA	30%
Global Balanced Scorecard[1]	Group operational performance	20%
Individual performance	Personal objectives	20%

[1] The 2022 Global Balanced Scorecard contained quantified targets on critical project execution, green chemistry (*new*), "on time in full" (OTIF), environmental health and safety, quality (audit and inspection compliance and cost of non-quality) and employee turnover. As compared to 2021, (i) the objective "innovation initiatives" was merged with green chemistry in 2022 and (ii) the objective "customer survey" was removed as OTIF was viewed as the more relevant customer indicator. These changes were made, *inter alia*, to encourage PolyPeptide's senior management, including the applicable members of the Executive Committee, to advance PolyPeptide's ESG agenda.

[16] The percentage amounts disclosed relate to the composition of the Executive Committee as of 31 December 2022.

The identified performance objectives were chosen because they are key value drivers for PolyPeptide and generally reward Executive Committee members for supporting the Group's growth, increasing profitability and promoting sustainable value creation. The targets on employee retention, environmental health and safety and green chemistry also support PolyPeptide's material ESG topics as "Sustainability partner" and "Employer of choice". The weighting of the performance objectives for the CEO then in office remained constant for 2022 as compared to 2021. For the other members of the Executive Committee, the weightings of the revenue and adjusted EBITDA performance objectives were both increased to 30% (2021: 25%) and the weighting of the group operational performance objective was decreased to 20% (2021: 30%). These changes were made to further focus the other members of the Executive Committee on driving PolyPeptide's growth and increasing its profitability.

We consider our STIP financial, operational and individual performance targets commercially sensitive information. Communicating such targets would provide privileged insight into PolyPeptide's strategy and could lead to a competitive disadvantage. Therefore, we have decided not to disclose the specific STIP performance targets, but to provide a general comment on their achievement at the end of the cycle (*e.g.*, see Table 12 in section 5.2.1 "*Overview and performance assessment*" of this Remuneration Report for an overview of the STIP target performance in 2022). As a general principle, though, the financial, operational and individual performance targets set each year incorporate significant improvements against the previous year's achievements. Demanding targets are intended to encourage and motivate the Executive Committee to deliver best-in-class performance and advance PolyPeptide's strategies.

5.1.4 Long-term incentive program

5.1.4.1 Overview

The share-based long-term incentive program ("LTIP") is designed to motivate, reward and retain key employees by providing them with the opportunity to become shareholders as well as participate in the future long-term success and prosperity of PolyPeptide. Furthermore, the LTIP is intended to align the interests of eligible employees with those of the Company's shareholders, to promote a performance culture throughout the organization and to align remuneration with the creation of shareholder value.

In accordance with art. 26 of the Articles of Association, the LTIP takes into account the sustainable long-term performance and strategic objectives of PolyPeptide. Achievements are generally measured based on a period of several years. The long-term compensation pay-outs are subject to caps that may be expressed as pre-determined multipliers of the respective target levels.

The Board of Directors or, to the extent delegated to it, the Remuneration and Nomination Committee determines the performance metrics, target levels and target achievement as well as grant, vesting, exercise, restriction and forfeiture conditions and periods in relation to shares or similar rights regarding shares to be awarded. In particular, the conditions may provide for continuation, acceleration or removal of vesting, exercise, restriction and forfeiture conditions and periods, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change of control or termination of an employment or mandate agreement. We may procure the required shares or other securities through purchases in the market or by using conditional share capital. Compensation may be paid by PolyPeptide or companies controlled by it.

5.1.4.2 LTIP Plan[17]

During the second half of 2021, the Board of Directors adopted the LTIP rules (the "Plan"), as amended from time to time.

According to the Plan, in any calendar year between 1 January and 31 December, inclusive, (a "Plan Year"), eligible employees may be awarded the contingent right to receive a certain number of registered Company shares in the future, provided that certain performance and other conditions are achieved ("Performance Share Unit(s)" or "PSU(s)"). Any shares awarded will only be transferred after such PSUs have vested following the three-year performance period and contingent upon continuous employment (subject to certain limited exemptions).

For awards made to any members of the Executive Committee (including the CEO), the Board of Directors approves any granting of PSUs upon recommendation of the Remuneration and Nomination Committee and such number of PSUs are / will be subject to the amounts approved at the applicable general meeting. Raymond De Vré's employment agreement provided for an annual target value for the allocation of PSUs.[18] The number of allocated PSUs to the other members of the Executive Committee will depend on the individual LTIP grant level determined by the Board of Directors, upon recommendation of the Remuneration and Nomination Committee, based on, *inter alia*, the individual's position, complexity of the function and level of responsibility. For eligible employees outside the Executive Committee, such individuals will be selected by the Executive Committee based on objective and subjective criteria determined by the Executive Committee, in each case following discussion with the Remuneration and Nomination Committee.

As a rule, the number of PSUs to be granted will equal the award amount divided by the volume-weighted average share price over the last 20 trading days prior to the PSU grant date. PSUs represent an unsecured, contingent right to the future transfer of shares in accordance with and subject to the restrictions set out in the Plan. PSUs do not provide the participant with any shareholding rights such as dividends, voting rights or the like during the vesting period. The right to receive any PSUs and / or shares under the Plan cannot be settled in cash.

The vesting of (i) 50% of the granted PSUs will be based on the three-year average of annual return on net operating assets (RONOA) and (ii) 50% of the granted PSUs will be based on the three-year weighted cumulative basic earnings per share (EPS) of the Company, in each case as achieved during the three-year performance period compared to pre-defined performance ranges with minimum, target and maximum goals set by the Board of Directors, upon recommendation from the Remuneration and Nomination Committee. RONOA is defined as the last twelve months' operating result as a percentage of average net operating assets and expresses how well PolyPeptide utilizes its assets to generate earnings. EPS illustrates PolyPeptide's profitability. During the course of 2022, the EPS performance measure as set out in the Plan was amended to "basic" EPS (previously "diluted" EPS), which we believe more accurately measures the performance of the participants. The RONOA and EPS performance achievements will determine the percentage of vested shares from the RONOA and EPS portion, respectively, of the PSUs with a variable factor from 0% up to 150%.

17 Summary of the relevant LTIP Plan.

18 Raymond De Vré voluntarily agreed to waive his annual target value 2022 for the allocation of PSUs as set out in his employment agreement.

Table 10: LTIP Plan

On the vesting date, if the minimum performance for a financial measure RONOA or EPS as defined in the performance range is not met, the portion of the PSUs relating to that financial measure expires unconditionally and the PSUs do not vest. If the maximum performance is met or exceeded for a financial measure, participants may receive up to 150% of that portion of the PSUs relating to that financial measure. Between minimum and target performance as well as between target and maximum performance, the variable factor will increase linearly. The number of vested PSUs is subject to an absolute value cap representing, in each case, 500% of the original grant value. The actual RONOA and EPS targets are considered commercially sensitive information, and we believe that communicating such targets would provide privileged insight into PolyPeptide's strategy and could lead to a competitive disadvantage. As such, we will disclose the targets and the corresponding results at the end of the respective performance period (*i.e.*, for the 2021 LTIP award with the reporting for the financial year 2023).

If PSUs vest and the respective shares are transferred to a participant pursuant to the Plan, that participant will receive an additional number of shares to compensate for missed dividend payments during the vesting period. The number of additional shares will equal the total amount of dividends during the vesting period attributable to the shares transferred to that participant, divided by the weighted average share price over the last 20 trading days prior to the vesting date.

Upon recommendation of the RNC, the Board of Directors may in its discretion adjust PSUs as it deems appropriate in the case of variation of share capital (*e.g.*, issues of shares or other equity securities) or other corporate events (other than a change of control) to maintain the value of the PSUs outstanding.

Generally, in case of termination of employment, PSUs are forfeited without compensation. In certain circumstances, for example the termination of employment as a result of death, all PSU grants will vest with immediate effect on a pro-rata basis at target. Upon the occurrence of a corporate event (*e.g.*, change of control due to a merger), all unvested PSUs shall immediately vest at target. In the event of termination of employment due to retirement, PSUs are subject to a pro-rata vesting at the end of each of the applicable vesting period(s). Upon permanent disability, PSUs shall vest at the end of each of the applicable vesting period(s). If a participant's employment is terminated without cause effective before the vesting date, any PSUs held will vest pro-rata at the end of each of the applicable vesting period(s).

The Plan further includes clawback provisions that allow for the cancelation or forfeiture of all or part of any unvested PSUs or, following vesting of any PSUs, the repayment for all or part of any vested PSUs, shares or cash settlements made under the Plan. These provisions apply in cases where, *inter alia*, the participant (i) engages in any act or omission that is considered malfeasance, fraud or misconduct, (ii) materially breaches any legal or regulatory obligations and/or internal policy of PolyPeptide, and/or (iii) takes part in any specific conduct that leads (or substantially contributes) to the Company or PolyPeptide having to restate financial statements and / or an inaccurate assessment of any performance or other condition under the Plan pursuant to which the individual LTIP award was made.

5.1.4.3 2022 LTIP Plan Awards

During the course of 2022, the Remuneration and Nomination Committee considered the expansion of the LTIP to the full Executive Committee as well as other members of senior management. However, in light of PolyPeptide's weak financial and operational performance, the Remuneration and Nomination Committee ultimately recommended that the Board of Directors not grant any long-term incentive awards for the financial year 2022. Raymond De Vré voluntarily agreed to waive his annual target value 2022 for the allocation of PSUs as set out in his employment agreement. The Remuneration and Nomination Committee plans to revisit this topic during the course of 2023.

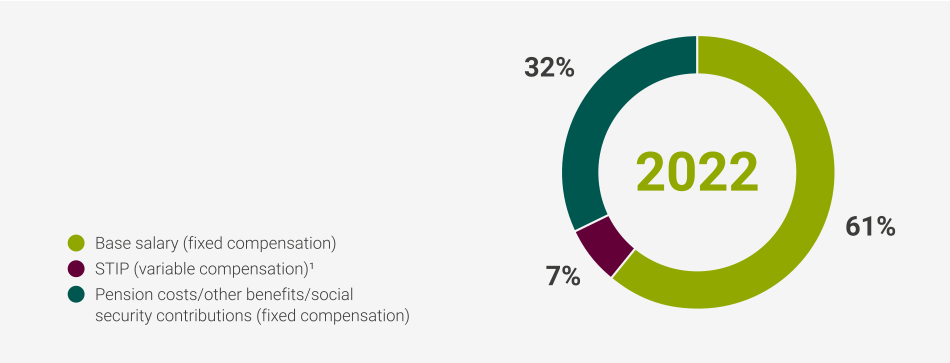
5.2 Compensation of the Executive Committee

5.2.1 Overview and performance assessment

For the year ended 31 December 2022, the Executive Committee received base salary, short-term variable compensation and pension and other benefits, in line with the remuneration framework described in section 5.1 "*Remuneration approach*" of this Remuneration Report.

Overall, in 2022 total variable compensation of the CEO then in office (*i.e.*, STIP only) amounted to 4.2% of his total compensation and 4.4% of his total fixed compensation (*i.e.*, base salary, pension costs, other benefits and social security contributions). For the other members of the Executive Committee (excluding the CEO then in office), the total variable compensation (*i.e.*, STIP only) amounted to on average 7.1% of the total compensation and 7.6% of the total fixed compensation (*i.e.*, base salary, pension costs, other benefits and social security contributions). Below is a cumulative overview of the compensation received by the Executive Committee.

Table 11: Breakdown of Executive Committee compensation

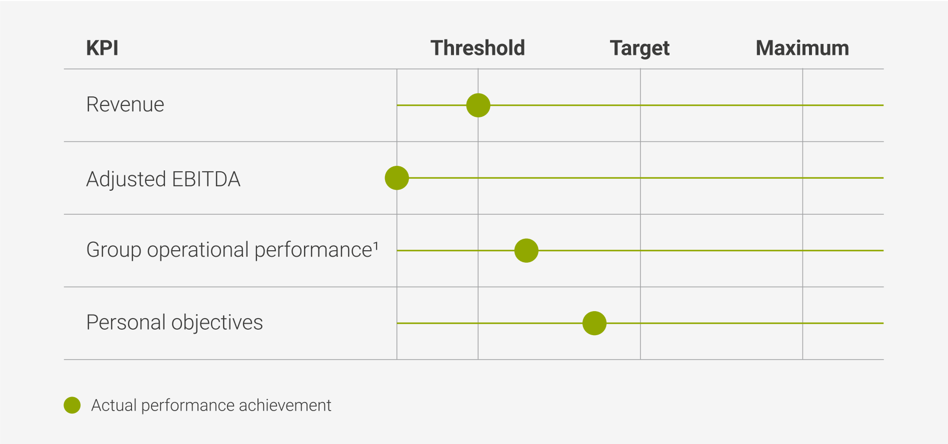


[1] For the year ended 31 December 2022 only STIP awards, but no LTIP awards, were granted.

In light of PolyPeptide's reported revenue decline of 0.4% and adjusted EBITDA decline of 56.2%, the STIP 2022 financial performance objectives just met the minimum threshold for growth, but were below the minimum threshold for profitability. With regard to the Global Balanced Scorecard objectives, the Group's overall achievement was below the target. Upon recommendation of the Remuneration and Nomination Committee following its assessments of the respective individuals, the Board determined that the members of the Executive Committee had achieved between 50% and 100% of their respective personal objectives.

Table 12 illustrates the outcome of the STIP performance targets for 2022 (see Table 9 in section 5.1.3.2 "*2022 STIP*" of this Remuneration Report for an overview of the 2022 STIP performance objectives and weighting for the Executive Committee).

Table 12: 2022 STIP performance of objectives



[1] Executive Committee members other than the CEO.

Thus, under the STIP 2022, the combined payout for the financial, operational and individual performance targets is 10.4% of the STIP target incentive amount for the CEO then in office and between 18.7% and 28.7% of the STIP target incentive amounts for the other members of the Executive Committee in office during the period under review.

As noted above, the Board of Directors, upon recommendation of the Remuneration and Nomination Committee, decided to defer all LTIP awards for 2022. Raymond De Vré voluntarily agreed to waive his annual target value 2022 for the allocation of PSUs as set out in his employment agreement.

5.2.2 Aggregate compensation of the Executive Committee

The following table shows the total aggregate compensation for the CEO (Raymond De Vré) then in office as the highest paid member of the Executive Committee during the period under review as well as the aggregate amount for the other members of the Executive Committee for the period from 1 January 2022 to 31 December 2022, including, *inter alia*, (i) the pro-rated compensation of Jens Fricke as new member of the Executive Committee effective 1 December 2022, (ii) the pro-rated compensation of Daniel Lasanow until he stepped down from the Executive Committee on 30 November 2022, (iii) the pro-rated compensation for the applicable portion of Daniel Lasanow's contractual 12-month notice period (which began on 30 November 2022 and will end on 30 November 2023) as well as the aggregate amount for the former members of the Executive Committee as described in greater detail in the notes to Table 13 below.

As announced on 30 January 2023, Raymond De Vré resigned as CEO. Mr. De Vré's contractual six-month notice period will end on 31 July 2023.

For the year ended 31 December 2022, the Executive Committee received total remuneration of CHF 3,116,537 (2021: CHF 6,160,787). This is an overall decrease of 49.4% compared to previous year, with the main changes explained in greater detail below.

Table 13: 2022 Compensation of the Executive Committee (1 January 2022 – 31 December 2022)

CHF	**Raymond De Vré**[1]	**Other members of the Executive Committee**[8]	**Total**
Base salary	475,000	1,434,405	**1,909,405**
Pension costs[2]	89,828	203,419	**293,248**
Other benefits[3]	24,000	293,995	**317,995**
Social security contributions[4]	82,588	312,014	**394,602**
Total fixed compensation	**671,416**	**2,243,833**	**2,915,249**
STIP bonus[5]	29,640	171,648	**201,288**
LTIP grant[6]	–	–	**–**
Total compensation[7]	**701,056**	**2,415,480**	**3,116,537**

1 As announced on 30 January 2023, Raymond De Vré resigned as CEO. Mr. De Vré's contractual six-month notice period will end on 31 July 2023.

2 Reflects pension contributions made in the year ended 31 December 2022, including (i) estimated contributions in relation to STIP 2022 to be paid by 30 June 2023; (ii) differences in actual contributions paid in 2022 in relation to STIP 2021 compared to the estimated contributions in relation to STIP 2021; and (iii) contributions in relation to the 4,882 shares that vested as of 1 June 2022 and 1,838 shares that vested as of 1 July 2022 that were granted to Raymond De Vré as part of his transition compensation for the loss of options and other entitlements (including bonuses) from termination of his previous employment agreement. For further information, see "*Additional Commentary—Other benefits*" of this Remuneration Report and section 5.2.2 "*2021 aggregate compensation of the Executive Committee*" of the Remuneration Report 2021.

3 Other benefits may include company car or car allowance, health coverage, variable vacation supplement, local profit-sharing schemes, etc. and, where relevant, relocation-related and international benefits, such as executive benefits allowance, tax advisory services, etc. The amounts reflected also include (i) estimated Other benefits due in relation to STIP 2022 to be paid by 30 June 2023; (ii) differences in actual Other benefits due in 2022 in relation to STIP 2021 compared to the estimated Other benefits in relation to STIP 2021; (iii) local profit-sharing paid in 2022 in relation to 2021 employment, where applicable.

4 Reflects social security contributions made in the year ended 31 December 2022, including (i) estimated contributions in relation to STIP 2022 to be paid by 30 June 2023; (ii) differences in actual contributions paid in 2022 in relation to STIP 2021 compared to the estimated contributions in relation to STIP 2021; and (iii) social security contributions in relation to the 4,882 shares that vested as of 1 June 2022 and 1,838 shares that vested as of 1 July 2022 that were granted to Raymond De Vré as part of his transition compensation for the loss of options and other entitlements (including bonuses) from termination of his previous employment agreement. For further information, see "*Additional Commentary—Other benefits*" of this Remuneration Report and section 5.2.2 "*2021 aggregate compensation of the Executive Committee*" of the Remuneration Report 2021.

5 Includes (i) the STIP to be paid by 30 June 2023; and (ii) differences in actual STIP 2021 paid in 2022 compared to the estimated STIP 2021 due to, *inter alia*, currency rate fluctuations.

6 This line item reflects new LTIP awards made in the respective financial year. The Board of Directors, upon recommendation of the Remuneration and Nomination Committee, decided to defer all LTIP awards for 2022. Raymond De Vré voluntarily agreed to waive his contractual right to an LTIP award in 2022.

7 All compensation amounts are disclosed in gross amounts. Amounts converted to CHF from other currencies are translated at the weighted average exchange rates for the year ended 31 December 2022.

8 Reflects the compensation of the other members of the Executive Committee for the period from 1 January 2022 to 31 December 2022 as follows: (i) compensation for Jan Fuhr Miller, Christina Del Vecchio and Neil Thompson, (ii) the pro-rated compensation of Jens Fricke as new member of the Executive Committee effective 1 December 2022, (iii) the pro-rated compensation of Daniel Lasanow until he stepped down from the Executive Committee on 30 November 2022, (iv) the pro-rated compensation for the applicable portion of Daniel Lasanow's contractual 12-month notice period, which began on 30 November 2022 and will end on 30 November 2023, (v) amounts paid to Jan Christensen who stepped down from the Executive Committee on 31 December 2021, but continued working full-time for the Group as a Director in the Global Sales & Marketing team until 30 September 2022, and (vi) amounts paid to Jane Salik in 2022 in relation to compensation due to her for services performed prior to stepping down from the Executive Committee on 17 August 2021.

Table 14: 2021 Compensation of the Executive Committee (1 January 2021 – 31 December 2021)

The following table shows the total aggregate compensation for the CEO (the highest paid members of the Executive Committee during the respective periods) as well as the aggregate amount for the other members of the Executive Committee (*i.e.*, excluding the CEO) for the period from 1 January 2021 to 31 December 2021.

CHF	Jane Salik[1]	Raymond De Vré[2]	Other members of the Executive Committee	Total
Base salary	251,209	356,250	1,066,620	**1,674,079**
Pension costs	12,297	73,221	217,306	**302,824**
Other benefits[3]	30,880	1,173,147[4]	371,955[5]	**1,575,982**
Social security contributions[6]	8,077	61,012	328,051	**397,140**
Total fixed compensation	**302,463**	**1,663,630**	**1,983,932**	**3,950,025**
STIP bonus	197,471	280,041	437,153	**914,665**
LTIP grant[7]	–	1,296,097	–	**1,296,097**
Total compensation[8]	**499,934**	**3,239,768**	**2,421,085**	**6,160,787**

1 Jane Salik served as CEO from 1 January 2021 until 29 April 2021 and then as member of the Executive Committee until 17 August 2021. Ms. Salik also received an IPO Recognition Bonus granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as selling shareholder). For detailed information on the IPO Recognition Bonus, see section 6 "*IPO Recognition Bonus*" of the Remuneration Report 2021.

2 Raymond De Vré served as CEO-elect and member of the Executive Committee as of 1 April 2021 and CEO as of 29 April 2021. As announced on 30 January 2023, Mr. De Vré resigned as CEO, and his contractual six-month notice period will end on 31 July 2023.

3 Other benefits may include company car or car allowance, health coverage, variable vacation supplement, local profit-sharing schemes etc. and, where relevant, relocation related and international benefits, such as executive benefits allowance, tax advisory services, etc. For information regarding the IPO Recognition Bonus that eligible members of the Executive Committee received and that was granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as the selling shareholder), see section 6 "*IPO Recognition Bonus*" of the Remuneration Report 2021.

4 In addition to other applicable benefits, Raymond De Vré received transition compensation for the loss of options and other entitlements (including bonuses) from termination of his previous employment agreement. For further information, see "*Additional Commentary—Other benefits*" of this Remuneration Report and section 5.2.2 "*2021 aggregate compensation of the Executive Committee*" of the Remuneration Report 2021.

5 A member of the Executive Committee received a one-time IPO Appreciation Bonus in the form of cash funded by PolyPeptide in acknowledgement of the substantial time commitment involved in the preparation and execution of the IPO.

6 The social security contributions for LTIP awards are not included as they are only due at vesting; they are expected to trigger employer social security costs up to 7% of the gain at vesting.

7 Fair value at grant date in accordance with IFRS 2 (see also note 4 "*Share-based payment*" of the consolidated financial statements in the Financial Report 2021). For the year ended 31 December 2021, the only recipient under the LTIP was Raymond De Vré. The LTIP value at vesting may vary based on performance outcomes and the share price at the time of vesting.

8 All compensation amounts are disclosed in gross amounts. Amounts converted to CHF from other currencies are translated at the weighted average exchange rates for the year ended 31 December 2021.

Additional commentary
The summaries below provide additional commentary with regard to the changes in the composition of the remuneration paid to the Executive Committee in 2022 as compared to 2021:

Composition of the Executive Committee: Table 13 reflects the remuneration of the members of the Executive Committee (*i.e.*, including the CEO) for the period from 1 January 2022 to

31 December 2022. Neil Thompson joined the Executive Committee as of 1 January 2022, succeeding Jan Christensen. Daniel Lasanow served as a member of the Executive Committee until 30 November 2022, and Jens Fricke joined the Executive Committee as of 1 December 2022 as his successor. Thus, the totals reflected in Table 13 include, *inter alia*, (i) the pro-rated compensation of Jens Fricke as new member of the Executive Committee effective 1 December 2022, (ii) the pro-rated compensation of Daniel Lasanow until he stepped down from the Executive Committee on 30 November 2022, (iii) the pro-rated compensation for the applicable portion of Daniel Lasanow's contractual 12-month notice period, which began on 30 November 2022 and will end on 30 November 2023, (iv) amounts paid to Jan Christensen who stepped down from the Executive Committee on 31 December 2021, but continued working full-time for the Group as a Director in the Global Sales & Marketing team until 30 September 2022, and (v) amounts paid to Jane Salik in 2022 in relation to compensation due to her for services performed prior to stepping down from the Executive Committee on 17 August 2021.

Table 14 reflects the remuneration of the members of the Executive Committee for the period from 1 January 2021 to 31 December 2021, including the remuneration paid to (i) Jane Salik who served as CEO from 1 January 2021 until 29 April 2021 and then as member of the Executive Committee until 17 August 2021, (ii) Raymond De Vré as member of the Executive Committee as of 1 April 2021, (iii) Christina Del Vecchio who joined the Executive Committee on 1 September 2021, (iv) Jan Christensen who served on the Executive Committee until 31 December 2021, and (v) Jan Fuhr Miller and Daniel Lasanow who both served on the Executive Committee for the full year 2021.

The total compensation of successors joining the Executive Committee during 2022 is generally commensurate with their predecessors' total compensation, with some variations due to applicable social security, pension, Other benefits, etc.

Base salary: The variance in base salary between 2021 and 2022 (an increase of 14.1%) is due to the changes in the composition of the Executive Committee as well as the payment made to former members of the Executive Committee, as described above. Excluding the new Executive Committee members who joined on 1 January 2022 and 1 December 2022, respectively, the base salaries for the other Executive Committee members did not change in 2022 as compared to 2021.

Other benefits: Other benefits decreased by 79.8% in 2022 as compared to 2021. As described in Remuneration Report 2021, in addition to applicable Other benefits (i.e., company car or car allowance, health coverage, variable vacation supplement, local profit-sharing schemes etc. and, where relevant, relocation related and international benefits), Raymond De Vré received a one-time grant of shares at a value of CHF 750,000, which were calculated at a 20% discount to the IPO offer price (*i.e.*, CHF 64) as compensation for the loss of unvested options from his previous employer. The shares were subject to continuous employment at the Group and were to vest over a period of three years, one-third each year starting in June 2022. To further compensate Mr. De Vré for his loss of variable payments for 2020 and 2021 from his previous employer, he received CHF 100,000 in cash and CHF 100,000 in shares at 15% discount to the IPO offer price (*i.e.*, CHF 64). In 2021, Mr. De Vré was paid and / or granted, as the case may be, CHF 1,155,147 for loss of options and other entitlements (including bonuses) from termination of his previous employment agreement. The value of the shares was calculated at the fair value at grant date in accordance with IFRS 2. As announced on 30 January 2023, Mr. De Vré resigned as CEO, and his contractual six-month notice period will end on 31 July 2023. As a result, shares subject to vesting on 1 June 2023 will vest, whereas the shares subject to vesting on 1 June 2024 will lapse and be forfeited. In addition, and as described in Remuneration Report 2021, a member of the Executive Committee received a one-time IPO Appreciation Bonus in the form of cash funded by PolyPeptide in acknowledgement of the substantial time commitment involved in the preparation and execution of the IPO.

For the year ended 31 December 2022, no such similar "Other benefits" were awarded.

STIP: The total payout under the STIP in 2022 is 78.0% lower than in 2021, reflecting the lower performance levels as described in section 5.2.1 "*Overview and performance assessment*" of this Remuneration Report. The comparison of the total payouts in 2022 as compared to 2021 is further impacted by the changes to the composition of the Executive Committee, as described above. Minor differences in actual STIP 2021 paid in 2022 compared to the estimated STIP 2021 due to, *inter alia*, currency rate fluctuations are reflected in Table 13.

LTIP: The Board of Directors, upon recommendation of the Remuneration and Nomination Committee, decided to defer all LTIP awards for 2022. Raymond De Vré voluntarily agreed to waive his contractual right to an LTIP award in 2022.

Reconciliation of compensation to shareholder resolutions
For the year ended 31 December 2021, the EGM 2021 approved a maximum aggregate amount of fixed and variable compensation for the Executive Committee of CHF 7,000,000 (including all employee and employer social security and pension contributions). Christina Del Vecchio joined the Executive Committee after the EGM 2021; however, no additional compensation amount in excess of that approved by the EGM 2021 has been paid, since the approved aggregate amount of compensation for the financial year 2021 was sufficient to compensate this newly appointed member.

For the year ended 31 December 2022, the EGM 2021 approved a maximum aggregate amount of fixed and variable compensation for the Executive Committee of CHF 7,000,000 (including all employee and employer social security and pension contributions). Jens Fricke and Neil Thompson joined the Executive Committee after the EGM 2021; however, no additional compensation amount in excess of that approved by the EGM 2021 has been paid, since the approved aggregate amount of compensation for the financial year 2022 was sufficient to compensate these newly appointed members to previously existing roles. The sum of the total fixed and variable compensation paid to the Executive Committee (including the CEO then in office) for the relevant period from 1 January 2022 to 31 December 2022 amounts to CHF 3,116,537 (including all employee and employer social security and pension contributions). It is thus within the limits of the amount approved by the extraordinary shareholders' meeting for the same period.

Table 15 below shows the reconciliation between the compensation that has been paid / granted for the respective term of office and the maximum aggregate amount approved by the general meeting:

Table 15: Compensation approved and compensation paid / granted for the members of the Executive Committee

	Total compensation granted	Maximum aggregate amount available	Status
1 January 2021 – 31 December 2021	CHF 5,005,640[1,2]	CHF 7,000,000	Approved EGM 2021
1 January 2022 – 31 December 2022	CHF 3,116,537	CHF 7,000,000	Approved EGM 2021
1 January 2023 – 31 December 2023	–	CHF 7,000,000	Approved AGM 2022

1 The amount presented excludes the CHF 1,155,147 that Raymond De Vré was paid and / or granted, as the case may be, for loss of options and other entitlements (including bonuses) from termination of his previous employment agreement. The EGM 2021 approved the transition compensation for Mr. De Vré in the amount of CHF 1.4 million. In addition, the amount presented does not include the IPO Recognition Bonus received by eligible members of the Executive Committee granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as the selling shareholder). For detailed information on the IPO Recognition Bonus, see section 6 "*IPO Recognition Bonus*" of the Remuneration Report 2021.

2 The actual compensation granted to members of the Executive Committee may vary depending on the actual payouts under the LTIP 2021. The number of PSUs vesting will depend on the achievements against targets at the end of the three-year performance period. The number of shares vested will be disclosed in the Remuneration Report of the respective financial year where vesting occurs.

5.3 Loans, credits and related-party compensation

In accordance with art. 28 of the Articles of Association, no loans or credits were directly or indirectly granted or outstanding as at 31 December 2022 or 31 December 2021, respectively, to current members of the Executive Committee. In addition, no granted loans or credits were still outstanding as at 31 December 2022 or 31 December 2021, respectively, to former members of the Executive Committee.

For the years ended 31 December 2022 and 31 December 2021, respectively, no compensation was directly or indirectly paid or granted to persons closely associated with current or former members of the Executive Committee. In addition, no loans or credits were directly or indirectly granted or outstanding as at 31 December 2022 or 31 December 2021, respectively, to persons closely associated with current or former members of the Executive Committee.

For the related party transactions, refer to note 22 "*Related parties*" of the consolidated financial statements in the Financial Report 2022.

6 Ownership of shares and options

The members of the Board of Directors and Executive Committee reflected in the table below held 0.2% of the outstanding shares as at 31 December 2022 and 0.2% as at 31 December 2021. Other than as indicated in the table below, no persons or entities closely associated with members of the Board of Directors or Executive Committee held any shares as of 31 December 2022 or 31 December 2021, respectively. Table 16 does not include any unvested PSUs.

Table 16: Shares held by members of the Board of Directors and the Executive Committee

Name	Role	Shares held as at 31 December 2022	Shares held as at 31 December 2021
Board of Directors[1]			
Peter Wilden	Chairman	8,402	1,658
Patrick Aebischer	Vice-Chairman, Lead Independent Director	5,318	1,105
Erik Schropp[2]	Member	3,193	3,193
Jane Salik	Member	19,553	17,737
Beat In-Albon	Independent Member	4,787	995
Philippe Weber	Independent Member	5,835	1,225
Executive Committee			
Raymond De Vré[3]	CEO	16,486	16,486
Jan Fuhr Miller	CFO	7,767	7,767
Jan Christensen[4]	Director Global Sales and Marketing	n/a	7,767
Daniel Lasanow[5]	Director Global Operations	7,767	7,767
Christina Del Vecchio	General Counsel	–	–
Neil James Thompson[6]	Director Global Sales and Marketing	1,122	1,122
Jens Fricke[7]	Director Global Operations	1,380	1,380

1 Any shares delivered to Board members in connection with their compensation are blocked for a period of three years from the date of grant.

2 Erik Schropp is a director of Draupnir Holding B.V. (one of the Company's significant shareholders, see section 1.2 "*Significant shareholders*" of the Corporate Governance Report 2022).

3 9,766 shares were subject to vesting periods and continuous employment at the Group. Specifically, 4,883 shares were to vest as of 1 June 2023 and 4,883 shares were to vest as of 1 June 2024, respectively. As announced on 30 January 2023, Raymond De Vré resigned as CEO, and his contractual six-month notice period will end on 31 July 2023. As a result, shares subject to vesting on 1 June 2023 will vest, whereas the shares subject to vesting on 1 June 2024 will lapse and be forfeited.

4 Member of the Executive Committee until 31 December 2021.

5 Member of the Executive Committee until 30 November 2022.

6 Member of the Executive Committee as of 1 January 2022.

7 Member of the Executive Committee as of 1 December 2022.

As of 31 December 2022, Raymond De Vré held a total of 6,606 PSUs with respect to grants made under the LTIP in 2021. As announced on 30 January 2023, Mr. De Vré resigned as CEO, and his contractual six-month notice period will end on 31 July 2023.

There were no LTIP awards made in 2022.

As of 31 December 2022, none of the members of the Board of Directors or the Executive Committee, or any persons closely associated with any member, held any stock options.

7 Other remuneration-related information under the CO

For the reporting period, no compensation other than as described in this Remuneration Report was paid or granted to former or current members of the Board of Directors or the Executive Committee. For the avoidance of doubt, remuneration paid to former Executive Committee members in the year ended 31 December 2022 is included in the remuneration in section 5.2.2 *"Aggregate compensation of the Executive Committee"* of this Remuneration Report.

8 Activities in other companies

For detailed information regarding the activities of the Board of Directors and Executive Committee in other companies, refer to section 3.1 "*Members of the Board of Directors*" and section 4.1 "*Members of the Executive Committee*", respectively, of the Corporate Governance Report 2022.

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REPORT OF THE STATUTORY AUDITOR

To the general meeting of PolyPeptide Group AG, Baar

Report on the Audit of the Remuneration Report

Opinion

We have audited the Remuneration Report of PolyPeptide Group AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) contained in table 5 "2022 Compensation of the Board of Directors (1January 2022 - 31 December 2022) on page 100, section 4.3 "Loans, credits and related-party compensation" on page 102, table 13 "2022 Compensation of the Executive Committee (1 January 2022 - 31 December 2022)" on page 111, and section 5.3 "Loans, credits and related-party compensation" on page 114/115 of the Remuneration Report.

In our opinion, the information on remuneration, loans and advances in the Remuneration Report (pages 87 to 118) complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Remuneration Report* section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables in the Remuneration Report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the Remuneration Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information,we are required to report that fact. We have nothing to report in this regard.

Board of directors' Responsibilities for the Remuneration Report

The board of directors is responsible for the preparation of a Remuneration Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the board of directors determines is necessary to enable the preparation of a Remuneration Report that is free from material misstatement, whether due to fraud or error. The board of directors is also responsible for designing the remuneration system and defining individual remuneration packages.

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Auditor's Responsibilities for the Audit of the Remuneration Report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Remuneration Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Zurich, 9 March 2023

BDO Ltd

René Füglister
Licensed Audit Expert
Auditor in Charge

ppa. Jan Trautwein
Licensed Audit Expert

Financial Report

Consolidated financial statements

Consolidated income statement

1 January - 31 December

kEUR	Note	2022	2021
Revenue	3	280,978	282,126
Other operating income	3	2,486	4,091
Total income		**283,464**	**286,217**
Cost of sales		-228,987	-182,426
Gross profit		**54,477**	**103,791**
Marketing and sales expenses	3	-4,905	-3,864
Research expenses	3	-1,243	-1,407
General and administrative expenses	3	-35,722	-34,355
Total operating expenses		**-41,870**	**-39,626**
Operating result (EBIT)		**12,607**	**64,165**
Financial income	3	9	653
Financial expenses	3	-5,049	-4,970
Total financial result		**-5,040**	**-4,317**
Result before income taxes		**7,567**	**59,848**
Income tax charges	5	200	-12,590
Result for the year		**7,767**	**47,258**
Attributable to shareholders of PolyPeptide Group AG		7,767	47,258
Earnings per share in EUR, basic	7	0.24	1.47
Earnings per share in EUR, diluted	7	0.24	1.47

Consolidated statement of comprehensive income

1 January - 31 December

kEUR	Note	2022	2021
Result for the year		7,767	47,258
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations, net of tax		4,834	14,901
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**4,834**	**14,901**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain / (loss) on defined benefit plans		13,526	1,187
Income tax effect	5	-3,174	-354
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**10,352**	**833**
Other comprehensive result for the year, net of taxes		**15,186**	**15,734**
Total comprehensive result for the year, net of taxes		**22,953**	**62,992**
Attributable to shareholders of PolyPeptide Group AG		22,953	62,992

Consolidated statement of financial position

As at 31 December

Assets, kEUR	Note	2022	2021
Non-current assets			
Intangible assets	8	15,865	14,268
Property, plant and equipment	9	275,878	216,486
Right-of-use assets	10	21,416	18,956
Deferred income tax assets	5	8,286	10,255
Other financial assets	24	2,767	3,467
Total non-current assets		**324,212**	**263,432**
Current assets			
Inventories	12	145,073	113,001
Trade receivables	13	46,486	65,233
Contract assets	3	2,660	2,556
Corporate income tax receivables		7,373	3,699
Other current assets	14	12,450	10,814
Cash and cash equivalents	15	37,528	136,303
Total current assets		**251,570**	**331,606**
Total assets		**575,782**	**595,038**

Consolidated statement of financial position (continued)

As at 31 December

Equity and liabilities, kEUR	**Note**	**2022**	**2021**
Equity attributable to equity holders of the parent company			
Share capital	6	302	302
Share premium		203,129	212,800
Translation reserve		14,119	9,285
Treasury shares		-13,609	-1,187
Other capital reserves		3,590	3,946
Retained earnings		214,146	196,027
Total equity		**421,677**	**421,173**
Non-current liabilities			
Deferred income tax liabilities	5	1,878	1,106
Pensions	16	26,637	38,981
Provisions	17	2,476	4,568
Lease liabilities	10	17,652	14,947
Other financial liabilities	18	9,410	10,302
Total non-current liabilities		**58,053**	**69,904**
Current liabilities			
Lease liabilities	10	3,566	3,058
Other financial liabilities	18	1,096	1,145
Corporate income tax payable		67	4,001
Trade payables	20	45,933	28,481
Contract liabilities	3	27,538	46,072
Other current liabilities	20	17,852	21,204
Total current liabilities		**96,052**	**103,961**
Total liabilities		**154,105**	**173,865**
Total equity and liabilities		**575,782**	**595,038**

Consolidated statement of changes in equity

1 January - 31 December

Attributable to shareholders of PolyPeptide Group AG:

kEUR	Share capital	Share premium	Translation reserve	Treasury shares	Other capital reserves	Retained earnings	Total
Balance as at 1 January 2022	**302**	**212,800**	**9,285**	**-1,187**	**3,946**	**196,027**	**421,173**
Result for the year						7,767	7,767
Remeasurement gain / (loss) on defined benefit plans, net of tax						10,352	10,352
Currency exchange differences			4,834				4,834
Total comprehensive income	**0**	**0**	**4,834**	**0**	**0**	**18,119**	**22,953**
Purchase of own shares				-13,933			-13,933
Dividends paid		-9,671					-9,671
Share-based payment					1,155		1,155
Transfer of own shares				1,511	-1,511		0
Total transactions with owners	**0**	**-9,671**	**0**	**-12,422**	**-356**	**0**	**-22,449**
Balance as at 31 December 2022	**302**	**203,129**	**14,119**	**-13,609**	**3,590**	**214,146**	**421,677**

Consolidated statement of changes in equity (continued)

1 January - 31 December

Attributable to shareholders of PolyPeptide Group AG:

kEUR	Share capital	Share premium	Translation reserve	Treasury shares	Other capital reserves	Retained earnings	Total
Balance as at 1 January 2021	**33,000**	**2,340**	**-5,616**	**0**	**0**	**147,936**	**177,660**
Result for the year						47,258	47,258
Remeasurement gain / (loss) on defined benefit plans, net of tax						833	833
Currency exchange differences			14,901				14,901
Total comprehensive income	**0**	**0**	**14,901**	**0**	**0**	**48,091**	**62,992**
Business restructuring	-33,000	33,000					0
Incorporation of PolyPeptide Group AG	273						273
Issue of new shares	29	182,112					182,141
IPO-related costs charged to equity		-4,652					-4,652
Purchase of own shares				-5,464			-5,464
Share-based payment					4,264		4,264
Transfer of own shares				4,277	-3,316		961
Repayment by Draupnir Holding B.V. related to IPO bonus					2,998		2,998
Total transactions with owners	**-32,698**	**210,460**	**0**	**-1,187**	**3,946**	**0**	**180,521**
Balance as at 31 December 2021	**302**	**212,800**	**9,285**	**-1,187**	**3,946**	**196,027**	**421,173**

Consolidated statement of cash flows

1 January - 31 December

kEUR	2022	2021
Cash flow from operating activities		
Result for the year	7,767	47,258
Adjustments to reconcile cash generated by operating activities		
Depreciation and amortization	26,063	20,683
Movement in provisions	-713	-236
Movement in pensions	1,545	1,465
Share-based payment expense	1,155	1,208
Financial income	-9	-653
Financial expenses	5,049	4,970
Income tax charge	-200	12,590
Government grant income	0	-2,387
IPO-related transaction costs	0	5,721
Changes in net working capital		
(Increase) / decrease in inventories	-33,129	-17,669
(Increase) / decrease in trade receivables	18,898	-11,751
(Increase) / decrease in contract assets	-115	-488
(Increase) / decrease in other current assets	-1,636	-3,905
Increase / (decrease) in trade payables	13,231	1,178
Increase / (decrease) in contract liabilities	-18,628	11,492
Increase / (decrease) in other current liabilities	-3,353	1,648
Cash generated from operations	**15,925**	**71,124**
Interest income received	9	8
Interest expenses paid	-2,494	-2,384
Income taxes paid	-7,980	-11,396
Net cash flows from operating activities	**5,460**	**57,352**
Cash flow from investing activities		
Acquisition of intangible assets	-3,665	-3,747
Acquisition of property, plant and equipment	-75,099	-73,961
Disposal of property, plant and equipment	12	122
Movement in other financial assets	317	-3,259
Net cash flows from investing activities	**-78,435**	**-80,845**

Consolidated statement of cash flows (continued)

1 January - 31 December

kEUR	2022	2021
Cash flow from financing activities		
Proceeds from the issue of ordinary shares	0	182,141
Purchase of own shares	-13,933	-5,464
Dividends paid	-9,671	0
IPO-related transaction costs	0	-7,376
Repayment by Draupnir Holding B.V. related to IPO bonus	0	2,998
Proceeds from short-term borrowings from banks	0	25,000
Repayment of long-term borrowings from banks	0	-25,000
Repayment of short-term borrowings from banks	0	-25,000
Repayment of lease liabilities	-2,695	-2,637
Repayment of other financial liabilities	-570	-13,734
Net cash flow from financing activities	**-26,869**	**130,928**
Net movement in cash and cash equivalents	**-99,844**	**107,435**
Cash and cash equivalents at the beginning of the year	136,303	17,208
Net foreign currency exchange differences	1,069	11,660
Cash and cash equivalents at the end of the year	**37,528**	**136,303**

Notes to the consolidated financial statements

General

PolyPeptide Group AG (the “Company”) is the holding company of a group of companies (the “Group”) engaged in the development, manufacturing and marketing of peptide- and oligonucleotide-based compounds for use in the pharmaceutical and related research industries. The Group offers a full service concept from early stage custom development to contract manufacturing in both solid phase and solution phase technology. In addition, the Group companies also market a wide range of generic peptides.

In 2007, PolyPeptide Laboratories Holding B.V. (incorporated under the laws of the Netherlands) became the holding company of the Group, which consisted of six integrated operating subsidiaries located in Sweden, USA, France, India and Belgium, plus a holding company located in Sweden, a dormant company located in Denmark, and a dormant company located in Germany, which has since been merged into the Swedish holding company in 2022.

As part of the preparations for the IPO on SIX Swiss Exchange on 29 April 2021, all the shares of PolyPeptide Laboratories Holding B.V. were contributed into the new Swiss entity, PolyPeptide Group AG, in the form of a capital contribution. As a result, PolyPeptide Group AG became the new parent holding company of the Group.

PolyPeptide Group AG (the “Company”) was incorporated in Switzerland on 6 April 2021. The registered office of the Company is Neuhofstrasse 24, 6340 Baar, Switzerland.
As at 31 December 2022, the Company was a 55.47% subsidiary of Draupnir Holding B.V., a company registered in the Netherlands. Draupnir Holding B.V.'s ultimate parent entity is Cryosphere Foundation, a foundation registered on Guernsey of which Mr. Frederik Paulsen (Lausanne, Switzerland) is at present the principal beneficiary pursuant to the charter of the foundation governed by the laws of Guernsey, although he has no vested interest in any portion of the foundation assets.

1 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of PolyPeptide Group AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The financial year for the Group is 1 January – 31 December 2022.

All amounts are stated in thousands of Euros, unless otherwise indicated.

Changes in accounting policies and presentation

The following amendments became mandatorily effective from 1 January 2022:

- Amendments to IFRS 3, IFRS 9, IFRS 16, IAS 16, IAS 37 and IAS 41

The adoption of these amendments to the IFRS Standards has not had any significant impact on the financial statements of the Group.

As a result, the accounting policies are consistent with prior years.

Principles of consolidation

The consolidated financial statements include the Company and its subsidiaries as at 31 December of each year. Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Reference is made to Note 11 for information regarding the consolidated subsidiaries. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

Translation of foreign currencies

The Group's consolidated financial statements are presented in Euros. The functional currency of the parent company is Swiss Franc (CHF). Each entity within the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Translation of transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of subsidiaries

The functional currencies of the foreign operations are the Euro, US Dollar, Indian Rupee, and the Swedish Krona. As at the reporting date, the assets and liabilities of the subsidiaries with a functional currency other than the Euro are translated into the presentation currency of the Group (the Euro) at the rate of exchange ruling at the reporting date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recorded in other comprehensive income. On disposal of a foreign entity, the component of other comprehensive income relating to that foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other taxes and duties. Revenue is recognized when a performance obligation is satisfied.

Performance obligations and timing of revenue recognition

The Group earns the majority of its revenues from the sale of goods. Therefore, most of the Group's revenues are recognized at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgement needed in identifying the point in time when control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question. The Group has no sales contracts that include performance obligations relating to warranties or returns.

The Group also incurs a portion of its revenues in connection with pharmaceutical services like development and analytical services. In some cases, these contracts run longer than a year with revenue recognized typically on an over time basis. These service contracts are set up in a way to be distinct and the consideration related to the services is based upon standard hourly prices. For these services, the Group recognizes revenues based upon stage of completion which is estimated by comparing the number of hours actually spent on the project with the total number of hours expected to complete the project (i.e. an input-based method). This is considered a faithful depiction of the transfer of services as the contracts are initially priced on the basis of anticipated hours to complete the projects and therefore also represent the amount to which the Group would be entitled to based on its performance to date.

Determining the transaction price
With respect to the sale of goods, a transaction price is agreed in an order or order confirmation, between the Group and its customer. Prices may also be included in the master service agreements, which are usually updated every year. However, the price in the order confirmation is leading. There are no other variable components included in the transaction price such as financing components, payables to the customer, non-cash considerations, etc. All other special considerations such as volume discounts are calculated on a calendar-year basis and therefore do not result in any uncertainties about the amount of the transaction price at the end of the financial year. The transaction price for services is based upon a price list with standard prices (fair value) for different kind of services.

Allocating amounts to performance obligations
As each performance obligation in a customer contract is generally priced against its fair value, only limited judgment is involved in the allocation of the total contract price to the individual performance obligations. This allocation will usually be determined by dividing the total contract price by the number of units ordered or hours spent.

Other income and expenses

Interest
For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate. Interest income and expense is included in financial income and expense in the income statement.

Other income, costs and expenses
Other income, costs and expenses are allocated to the year to which they relate. Losses are accounted for in the year in which they arise.

Research expenses

Research expenses relating to Custom Projects are included in 'Cost of sales' in the income statement. Research expenses not relating to Custom Projects are presented on the separate financial line item 'Research expenses' in the income statement.

Share-based payment

Share-based compensation is provided to members of the Board of Directors, the Executive Committee and certain other senior managers (as applicable).

The programs are classified as equity arrangements where the fair value of the shares granted under the programs are recognized as an expense with a corresponding increase in equity. The fair value of the shares is measured at the market share price of PolyPeptide Group AG's shares, adjusted to take into account terms and conditions upon which the shares were granted.
The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all associated conditions will be complied with. When the grant relates to an expense item, it is recognized as other operating income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognized as deferred income and released to other operating income in equal annual amounts over the expected useful life of the related asset.

Tax credits that can only be realized by a reduction of current or future corporate tax payments, rather than being directly settled in cash, are presented as part of the income tax charge for the year.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Corporate income tax is calculated on taxable profit according to the applicable tax rates in the various countries.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Current income tax items are recognized in correlation to the underlying transaction either in profit or loss, through other comprehensive income or directly in equity.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities at the reporting date and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect to taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized and the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction in other comprehensive income or directly in to equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

VAT
Income, expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Fair value measurements
The Group measures certain financial instruments at fair value. The fair values of financial instruments measured at amortized costs are disclosed in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal market or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the business combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized, firstly on goodwill and then on the other assets.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at costs less any accumulated amortization and any accumulated impairment losses. Internal development of software for internal use is recognized as intangible assets if the recognition criteria are met. Otherwise, the expenditure is reflected in the income statement in the year in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

The Group's intangible assets consist of software and other intangible assets. Software is amortized on a straight-line basis over five to ten years whereas other intangible assets are amortized on a straight-line basis over five years.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the costs of replacing part of the plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as dwelling costs in the income statement.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as stated hereunder.

• buildings (and leasehold improvements)	10 to 50 years
• machinery and equipment	3 to 16 years
• other	3 to 5 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Financial assets
Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are "solely payments of principal and interest" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortized cost (debt instruments)
This category is most relevant to the Group. The Group's financial assets at amortized cost mainly include trade receivables.

The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from credit enhancements that are integral to the contractual terms.

Financial assets at amortized cost (debt instruments)
For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit loss at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Inventories
Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows: Raw materials are stated at the purchase cost on a first in, first out basis. Finished goods and work-in-progress include costs of direct materials and labor and a proportion of manufacturing overhead based on normal operating capacity but excluding borrowing cost as the production does not require a substantial period of time.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Other current assets
All other current assets are stated at the amounts at which they were acquired or incurred.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position and in the statement of cash flows comprise cash on hand and in banks and short-term deposits with an original maturity of three months or less.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings and payables as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss
This category comprised the contingent consideration payable following from the acquisition of Lonza Braine S.A. (renamed into PolyPeptide S.A.) on 3 January 2017 as further disclosed in Note 18. This contingent consideration was carried in the statement of financial position at fair value with changes in fair value recognized in the statement of income in the finance income or expense line. As at 31 December 2021, the contingent consideration was fully paid. The Group has no other financial liabilities being classified at fair value through profit or loss.

Other financial liabilities
All loans and borrowings, (trade) payables and other financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the income statement.

Derecognition of financial assets and liabilities
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continued involvement in the asset. If there is an associated liability, the Group recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continued involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the net of the carrying amount and the maximum amount of the consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as financial expenses in the income statement.

Pensions
The Group has insured contributory pension plans covering substantially all employees. Pension obligations are funded through annual premiums. The Group has defined benefit obligations to employees. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Remeasurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:
- the date of the plan amendment or curtailment; and
- the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the following changes in the net defined benefit obligation under cost of revenues and general and administrative expenses in the consolidated income statement:
- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies.

Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and in the case of quoted securities it is the published bid price.

Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability, except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes that the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favor of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of a termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognized where the Group is contractually required to dismantle, remove or restore the leased assets.

Subsequent to initial measurement, lease liabilities are increased as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the revised net present value of future lease payments. The carrying amount of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or an index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the remaining (revised) lease term.

Other liabilities

All other liabilities are stated at the amounts at which they were acquired or incurred.

Cash flow statement

The cash flow statement is prepared according to the indirect method. Cash and cash equivalents comprise cash on hand and in banks and short-term deposits with an original maturity of three months or less. Interest and income tax cash flows are included in the cash flow from operating activities.

Future changes in accounting policies

The following standards, amendments to standards, and interpretations have been issued by the IASB and are mandatorily effective for reporting periods beginning 1 January 2023 or later.

The Group has not early adopted any of these and does not expect them to have a significant impact on the consolidated financial statements:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or non-Current)
- IAS 1 Presentation of Financial Statements (Amendment - Non-current Liabilities with Covenants)

Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impact of rising inflation and interest rates

Inflation and interest rates increased in 2022, spurred by the geopolitical tensions.
The increased interest rates primarily impacted the measurement of the defined benefit obligation at the reporting date since it is measured by discounting future cash flows to a net present value, using a discount rate that reflects the general interest rate level.
The increases in inflation resulted in increased energy and raw material costs, wages, etc., particularly leading to increased cost of sales recognized in the income statement.

Impairment of non-financial assets

The Group assesses whether there are any indicators for impairment for all non-financial assets at each reporting date and tests for impairment when there are indicators that the carrying amounts may not be recovered. When value in use calculations is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows (see Note 8, 9 and 10). Even though 2022 was characterized by a volatile macroeconomic environment as discussed above, the Group has not identified any indicators for impairment. No impairment losses of non-current assets have thus been recognized in 2022 (2021: no impairment losses).

Pension and other employment benefits

The cost of defined benefit pension plans is determined using actuarial calculations. The actuarial calculations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions (see Note 16).

Deferred income tax assets
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management's judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies (see Note 5).

2 Segment information

PolyPeptide generates revenue that can be divided into the three business areas described in Note 3. The chief operating decision maker (i.e., the Executive Committee) reviews revenue generated within each business area but does not review results at this disaggregated level. The chief operating decision maker rather reviews the results of the Group as a whole to assess performance. This internal assessment of performance has not changed since the last annual financial statements of the Group. However, the definition of an operating segment according to IFRS 8 – *Operating segments* has been revisited, and it has been concluded that the three business areas should not be considered three separate operating segments since only revenue information for each area is reviewed by the chief operating decision maker. As a result, there is only one operating segment according to IFRS 8 – *Operating segments*.

The segment disclosures are thus provided in accordance with the requirements applicable for entities that have a single reportable segment.

Revenue from major customers (10% or more of total revenue)
In 2022, revenues of approximately kEUR 48,300 and kEUR 41,300 were derived from two customers.
In 2021, revenues of approximately kEUR 57,600 and kEUR 35,900 were derived from two customers.

Geographical areas
Shown below are the carrying amounts of non-current assets other than deferred income tax assets and other financial assets, broken down by location of the assets. Related additions to intangible assets and property, plant and equipment (PP&E) during the year and revenues generated from the location of the assets are shown as well.

2022 **kEUR**	**USA**	**Europe** **& Asia**	**Total**
Revenue	90,158	190,820	280,978
Additions to intangible assets and PP&E	20,850	62,135	82,985
Non-current assets, carrying amount	106,825	206,334	313,159

2021 **kEUR**	**USA**	**Europe** **& Asia**	**Total**
Revenue	89,887	192,239	282,126
Additions to intangible assets and PP&E	33,225	43,427	76,652
Non-current assets, carrying amount	90,094	159,616	249,710

3 Revenue and expenses

PolyPeptide generates revenue that can be divided into the three business areas described below:

Revenue by business area

kEUR	2022	2021
Custom Projects	140,044	167,006
Contract Manufacturing	110,753	89,600
Generics and Cosmetics	30,181	25,520
Total revenue	**280,978**	**282,126**

Custom Projects business area specializes in the manufacturing of custom research-grade peptides and oligonucleotides, in milligram, gram or pilot scale quantities, at predefined purity levels for use in pre-clinical and clinical development as well as for regulatory and scientific studies. Custom Projects also provides cGMP manufacturing services during the later phases of development. Revenue is allocated to Custom Projects for sales of products in the pre-clinical through clinical stage development (i.e., prior to commercial launch) as generally set out in master service agreements and/or the accompanying work / purchase orders.

Contract Manufacturing business area manufactures peptides for commercial stage peptide therapeutics, at scale, in commercial batches and in accordance with cGMP requirements. The Group's Contract Manufacturing services also include consultation for continuous improvement and process stabilization / optimization to support scale-up, process changes to support cost of goods sold enhancement, lifecycle management and extension as well as regulatory support. Revenue is allocated to Contract Manufacturing where production is related to the commercial supply of products, including the production of commercial generic products where we manufacture for the patent originator, as generally set out in master supply agreements and/or the accompanying work / purchase orders.

Generics and Cosmetics business area manufactures peptide-based generics for the human and veterinary market, produced on an industrial scale following cGMP guidelines. Generally, PolyPeptide’s generic products are off-patent and manufactured for numerous generic customers. The business area also includes revenue generated from the sale of peptides used in cosmetics, primarily for anti-aging applications. Revenue is allocated to Generics and Cosmetics for product sales to generics manufacturers and non-originators (i.e., not the original patent holder) as well as cosmetics sales, each as generally set out in nonproprietary master supply agreements and/or the accompanying work / purchase orders.

Revenue by geographical area

Revenue is attributed to the individual geographical area based on the invoice address of the respective customer.

kEUR	2022	2021
Americas	133,437	116,083
Europe	125,820	142,697
Asia Pacific	21,255	21,084
Others	466	2,262
Total revenue	**280,978**	**282,126**

Revenue from contracts with customers

2022

kEUR	API	Related services	Total
Timing of transfer of goods and services			
Point in time	246,006		246,006
Over time		34,972	34,972
Total revenue	**246,006**	**34,972**	**280,978**

2021

kEUR	API	Related services	Total
Timing of transfer of goods and services			
Point in time	255,422		255,422
Over time		26,704	26,704
Total revenue	**255,422**	**26,704**	**282,126**

Revenues from Active Pharmaceutical Ingredients (API) fully relate to the sale of goods and revenues from related services relate to the rendering of services. All revenues from contracts with customers classify as business-to-business.

Contract assets and contract liabilities

Contract assets

kEUR	2022	2021
As at 1 January	**2,556**	**2,044**
Transfer in the period from contract assets to trade receivables	-2,537	-2,044
Transfer of services to customers during the period where payment is not due as at the balance sheet date	2,652	2,532
Currency exchange differences	-11	24
As at 31 December	**2,660**	**2,556**

Contract liabilities

kEUR	2022	2021
As at 1 January	**46,072**	**33,480**
Amounts included in contract liabilities that were recognized as revenue during the period	-45,677	-33,480
Cash received in advance of performance and not recognized as revenue during the period	27,050	44,972
Currency exchange differences	93	1,100
As at 31 December	**27,538**	**46,072**

Contract assets and contract liabilities arise at each facility because cumulative payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognized on the contracts. Contract assets and liabilities are presented on the face of the consolidated statement of financial position.

Other operating income

kEUR	2022	2021
Research refund	1,683	1,190
Invoiced freight and insurance	413	292
Export incentives	90	17
Investment grants	80	115
Other	220	2,477
Total other operating income	**2,486**	**4,091**

The research refund of kEUR 1,683 (2021: kEUR 1,190) relates to a deduction on tax paid due to qualified research in chemistry. The investment grants of kEUR 80 (2021: kEUR 115) relates to improving air emission handling, etc.
US government loans waived of kEUR 2,370 in the context of the coronavirus pandemic are included as 'Other' in 2021.

Marketing and sales expenses

kEUR	2022	2021
Salaries and employee benefits	-3,122	-2,933
Marketing and promotion costs	-826	-428
Other	-957	-503
Total marketing and sales expenses	**-4,905**	**-3,864**

Research expenses

kEUR	2022	2021
Salaries and employee benefits	-790	-756
Other	-453	-651
Total research expenses	**-1,243**	**-1,407**

General and administrative expenses

kEUR	2022	2021
Salaries and employee benefits	-14,847	-16,935
Other staff expenses	-2,636	-1,951
Service fee Group-related company	-10	-147
Depreciation and amortization	-1,302	-1,590
Professional services	-4,884	-5,646
Insurance cost	-2,318	-1,801
IT services	-2,794	-2,263
Other	-6,932	-4,022
Total general and administrative expenses	**-35,722**	**-34,355**

IPO cost

The following IPO-related expenses are included within “General and administrative expenses” in the income statement:

kEUR	2022	2021
Consultancy services	0	-1,381
IPO cash bonus	0	-1,342
IPO share bonus	0	-2,998
Total IPO cost	**0**	**-5,721**

The IPO cash bonus amount relates to the bonus award made by the Group after the IPO to selected non-executives involved in the IPO process. The IPO share bonus amount relates to expenses incurred by the Group in relation to the shares awarded by Draupnir Holding B.V. in the IPO process. These expenses were fully reimbursed by Draupnir Holding B.V in H2 2021.

In addition, an amount of kEUR 4,652 relating to consultancy services, Swiss Federal Issue Stamp Tax and Bank Commissions was charged directly to the share premium reserve in 2021 in accordance with IAS 32.

Financial income

kEUR	2022	2021
Interest income due from third parties	9	8
Fair value decrease of contingent consideration (see Note 18)	0	645
Total financial income	**9**	**653**

Financial expenses

kEUR	2022	2021
Interest expenses due to third parties	-2,091	-2,127
Interest on contingent consideration (see Note 18)	0	-696
Foreign currency exchange losses	-1,627	-1,867
Other financial expenses	-1,331	-280
Total financial expenses	**-5,049**	**-4,970**

Staff costs and employee information

kEUR	2022		2021	
	Indirect	Direct	Indirect	Direct
Salaries and wages	-14,097	-68,722	-15,394	-56,672
Social charges	-2,695	-14,817	-3,062	-13,119
Pension costs	-1,967	-4,851	-2,168	-4,572
Total staff cost	**-18,759**	**-88,390**	**-20,624**	**-74,363**

An amount of kEUR 88,390 (2021: kEUR 74,363) relating to salaries and employee benefits has been included in cost of sales.

The average number of FTEs of the principal departments is as follows:

Average number of employees

	2022	2021
Production	618	585
Marketing and sales	19	17
Research and development	176	154
General and administration	89	79
Quality control	130	112
Quality assurance	107	94
Total	**1,139**	**1,041**

Depreciation and amortization included in the income statement
Included in Cost of sales:

kEUR	2022	2021
Depreciation	-22,731	-17,231
Amortization	-2,030	-1,862
Total	**-24,761**	**-19,093**

Included in General and administrative expenses:

kEUR	2022	2021
Depreciation	-1,295	-1,090
Amortization	-7	-500
Total	**-1,302**	**-1,590**

4 Share-based payment

Share-based payment was introduced at the Group as part of the IPO on SIX Swiss Exchange on 29 April 2021.

The following equity-settled share-based payment arrangements are recognized in the consolidated financial statements:

Board of Directors
Members of the Board of Directors receive at least half of their fixed fees in shares, with the option to elect to be paid up to 100% of their fixed fee in shares. For Board members electing to receive more than 50% of their fixed fee in shares, the shares exceeding the 50% portion are granted at a discount of 20% to market price. The proportion between shares (in excess of 50%) and cash is selected by each Board member upon election at the annual general meeting and is fixed until next annual general meeting. The Board of Directors is compensated on a pro-rata basis for the period of service, even in the case of early termination or removal.

The fair value at grant date amounted to kEUR 799 (2021: kEUR 731), reflecting a measurement based on a total number of shares of 9,835 (2021: 12,540) and the price of EUR 81 (CHF 83) per share as at 26 April 2022 (2021: The initial public offering price of EUR 58 (CHF 64) per share).

All shares will be fully vested at the annual general meeting in April 2023. In 2022, a total amount of kEUR 809 (2021: kEUR 713) was recognized as "General and administrative expenses" in the income statement according to the principles of graded vesting in IFRS 2.

Chief Executive Officer

During the year ended 31 December 2021, the then current CEO of the Group, Raymond De Vré, was granted three separate share-based payment arrangements:

- A one-time grant of shares at a value of kCHF 750, which was calculated at a 20% discount to the initial public offering price of CHF 64, as compensation for the loss of unvested options from his previous employer. The fair value at grant date amounted to kEUR 854, reflecting a measurement based on 14,648 number of shares and the initial public offering price of EUR 58 (CHF 64) per share. The grant includes a service condition of three years, one-third vesting each year as of 1 June (starting from 2022). The expenses are recognized in the income statement according to the principles of graded vesting in IFRS 2, resulting in an amount of kEUR 329 recognized as "General and administrative expenses" in 2022 (2021: kEUR 401).

- A grant of shares at a value of kCHF 100 at 15% discount to the initial public offering price as compensation for his loss of variable payments for 2020 and 2021 from his previous employer. The fair value at grant date amounted to kEUR 107, reflecting a measurement based on 1,838 number of shares and the initial public offering price of EUR 58 (CHF 64) per share. The grant included a service condition of one year and vested on 1 July 2022. The expenses have been recognized on a straight-line basis in the income statement, resulting in an amount of kEUR 45 recognized as "General and administrative expenses" in 2022 (2021: kEUR 66).

- During the second half of 2021, the Board of Directors adopted a Long-Term Incentive Plan ("LTIP") for Executive Committee members and other members of senior management of the Group. Under this share-based incentive program, eligible participants will be awarded the contingent right to receive a certain number of shares in the future ("PSU(s)") in the Company subject to, inter alia, continued employment and achievement of non-market performance targets. The actual number of PSUs that will eventually vest and be settled in shares depend on the RONOA and EPS performance of the Group over a three-year performance period.

  During the course of 2022, the Remuneration and Nomination Committee considered the expansion of the LTIP to the full executive Committee as well as other members of senior management. However, in light of PolyPeptide's disappointing financial performance in 2022, the Remuneration and Nomination Committee ultimately recommended to the Board of Directors not to grant any long-term incentive awards in 2022. The then current CEO of the Group, Raymond De Vré, voluntarily agreed not to receive his annual target value 2022 for the allocation of PSUs as set out in his employment agreement. The Remuneration and Nomination Committee plans to revisit this topic during the course of 2023.

  For the year ended 31 December 2021, the only eligible participant in the LTIP was the then current CEO of the Group, Raymond De Vré. The PSUs were granted to Raymond De Vré on 29 November 2021. In accordance with IFRS 2, the maximum number of shares potentially vesting was used for the determination of the fair value of the grant. As a result, the fair value at grant date amounted to kEUR 1,241, reflecting a measurement based on 9,909 number of PSUs and the share price of PolyPeptide Group AG as of the grant date of EUR 125 (CHF 131). The vesting period ends 10 trading days after the shareholders approve the 2023 audited consolidated financial statements.

  In 2022, no expenses have been recognized in the income statement since it is expected that no shares from the 2021 grant will eventually vest. In 2021, an amount of kEUR 28 was recognized as "General and administrative expenses" in the income statement. This amount has been reversed in 2022.

IPO share bonus

For the year ended 31 December 2021, eligible members of the Board of Directors, the Executive Committee and certain other senior managers were granted a total of 51,434 number of shares upon the successful listing on SIX Swiss Exchange. The fair value at grant date amounted to kEUR 2,998 and was measured based on the initial public offering price of EUR 58 (CHF 64) per share.

Since all the shares vested immediately upon the listing, the full amount was recognized in the income statement in the year ended 31 December 2021 as “General and administrative expenses” (see Note 3). The amount was subsequently fully reimbursed by Draupnir Holding B.V., which was recognized directly in equity on “Other capital reserves” in the same period.

5 Taxation

Taxation includes local and foreign taxation. Major components of the tax expense were:

kEUR	2022	2021
Consolidated income statement		
Current income tax charge	-2,705	-9,217
Deferred income tax charge	2,905	-3,373
Total income tax charge	**200**	**-12,590**
Consolidated statement of comprehensive income		
Income tax directly charged to comprehensive income	-3,174	-354
Total income tax charge (credit)	**-3,174**	**-354**

Amounts recorded in the consolidated statement of comprehensive income relate to deferred income taxes on actuarial gains and losses on defined benefit plans as a result of IAS 19.

A reconciliation of the income tax charge applicable to profit from operating activities before income tax at the Swiss statutory income tax rate to income tax expense at the Company’s effective income tax rate for the years ended 31 December was as follows:

kEUR	2022	2021
Result before income taxes	7,567	59,848
At Swiss statutory income tax rate of 11.8 %	-895	-7,080
Different income tax rates of other countries	-1,148	-7,829
Non-deductible expenses and non-taxable income	-688	600
Non-capitalized tax losses	-382	-826
R&D tax credits	3,152	2,220
Effect of change in tax rates	209	185
Adjustments in respect of current income tax of previous year	-48	141
At an effective income tax rate of -2.7% (2021: 21.0%)	**200**	**-12,590**

The effective tax rate for 2022 is negative by -2.7%, which is due to the Group having a tax income, despite having a positive profit before tax result. The tax income is mainly due to recognized R&D tax credits in the USA, which are expected to be utilized in the future to reduce tax liabilities.

Non-capitalized tax losses are related to impairment of deferred tax assets on tax losses in Polypeptide Group AG. A deferred tax asset has not been recognized due to uncertainty on whether the tax loss will be utilized before a seven-year expiry limitation.

Income from R&D tax credits is related to US R&D tax credits. Included in the tax benefit recognized is a provision of kEUR 632 for the uncertainty about whether the claimed R&D tax credits will be sustained by the US tax authorities.

The deferred tax assets include an amount of kEUR 2,888 relating to US R&D tax credits that have been claimed but for which uncertainty exists about whether these will be sustained by the US tax authorities.

kEUR	2022	2021
Differences in carrying amount and fiscal valuation of assets and liabilities	4,232	7,846
Capitalized tax losses carried forward	4,054	2,409
Total deferred income tax assets	**8,286**	**10,255**

The deferred tax assets for losses carried forward relate to tax losses of PolyPeptide Laboratories Inc. (USA), PolyPeptide Laboratories France S.A.S. (France) and PolyPeptide SA (Belgium). The tax losses are expected to be offset against future taxable profits, which are expected to be realized within the foreseeable future.

The valuation of deferred tax assets for losses carried forward is based on management-approved medium-term budgets. Tax losses are expected to be utilized within five years.

The deferred tax asset for temporary differences mainly relates to a deferred tax asset for unutilized R&D tax credit in PolyPeptide Laboratories Inc. (USA), including provision for uncertainty about whether this can be sustained by the US tax authorities.

The Group has unrecognized tax loss carry-forwards available for losses incurred in various countries approximating kEUR 1,194,138 (2021: kEUR 10,842), of which kEUR 2,730 has no expiration date, kEUR 9,753 will expire by the end of 2028, and kEUR 1,181,655 will expire by the end of 2029. No deferred income tax asset has been recognized due to uncertainty with respect to available taxable profits in the future for these tax jurisdictions and the limitations imposed by tax legislation in order to utilize the tax losses.

The significant increase in unrecognized deferred tax losses is because of a tax deduction of equity in Polypeptide Group AG, which is permissible under Swiss Tax regulations. The tax deduction is calculated on the basis of the development of the share price of the Group. The effect of this tax deduction and corresponding valuation allowance on the deferred tax asset has been reported through equity. As no net deferred tax asset is recognized for the tax loss generated by this tax deduction, there is no net tax effect reported in equity.

Deferred income tax liabilities as at 31 December relate to the following:

kEUR	2022	2021
Differences in carrying amount and fiscal valuation of assets and liabilities	1,878	1,106
Total deferred income tax liabilities	**1,878**	**1,106**

Differences in the carrying amount and tax values of assets and liabilities mainly relate to differences in valuation of Land & Buildings and Machinery & Equipment.

The deferred income tax charge relates to the following:

kEUR	2022	2021
Movement in deferred tax assets	616	-3,293
Movement in deferred tax liability	-772	-243
Translation differences	-113	-191
Total deferred income tax charge	**-269**	**-3,727**

kEUR	2022	2021
Deferred tax charge in income statement	2,905	-3,373
Deferred tax (credit) / charge in statement of comprehensive income	-3,174	-354
Total deferred income tax charge	**-269**	**-3,727**

Translation differences mainly relate to the Swedish Krona, Indian Rupee and US Dollar.

6 Shareholders' equity

Share capital

The parent company of the Group, PolyPeptide Group AG, was incorporated on 6 April 2021 with 30,000,000 shares with a nominal value of CHF 0.01 each, corresponding to a share capital of CHF 300,000.

The contribution of all the shares of PolyPeptide Laboratories Holding B.V. into PolyPeptide Group AG in exchange for one share increased the share capital by CHF 0.01.

In connection with the IPO, PolyPeptide Group AG further increased its initial share capital by issuing 3,125,000 shares with a nominal value of CHF 0.01 each, corresponding to an increase in its share capital of CHF 31,250. This transaction increased the share premium reserve by CHF 199,968,750.

There have been no changes to the share capital since the IPO. As a result, the share capital of PolyPeptide Group AG comprised 33,125,001 shares of CHF 0.01 each as at 31 December 2022. All shares are fully paid in.

Treasury shares

	Number of shares	Average purchase/ transfer price (EUR)	% of number of shares in share capital
Own shares as at 1 January 2022	20,371		0.1%
Purchase	200,000	70	0.6%
Transfer	-21,175	71	-0.1%
Own shares as at 31 December 2022	**199,196**		**0.6%**
Own shares as at 1 January 2021	0	0	0.0%
Purchase	93,750	58	0.3%
Transfer	-73,379	58	-0.2%
Own shares as at 31 December 2021	**20,371**		**0.1%**

From March to July 2022, PolyPeptide Group AG purchased 200,000 own shares at the average price of EUR 70 to be held as treasury shares. 21,175 number of shares have been transferred to employees and Board members as part of their share-based remuneration during 2022 (2021: 73,379 number of shares were transferred to employees and Board members as part of their share-based remuneration, including as part of the IPO recognition bonus reimbursed by Draupnir Holding B.V.).

Cash distribution

On 26 April 2022, the shareholders of PolyPeptide Group AG approved at the Annual General Meeting to pay a cash distribution of CHF 0.3 per entitled share out of the foreign capital contribution reserves. Treasury shares held by the Company at the time of the cash distribution were not entitled to the cash distribution.

The distribution to shareholders of entitled shares totaled kEUR 9,671 (kCHF 9,916), which has been recognized against share premium in the consolidated financial statements.

No cash distribution was made in 2021.

7 Earnings per share

kEUR	2022	2021
Result for the year attributable to shareholders of PolyPeptide Group AG	7,767	47,258
Weighted average number of shares ('000)	33,125	32,123
Weighted average number of own shares ('000)	139	26
Weighted average number of outstanding shares ('000)	32,986	32,097
Dilution effect of share-based payment ('000)	18	27
Weighted average number of diluted shares ('000)	33,004	32,124
Earnings per share (EPS), basic	**0.24**	**1.47**
Earnings per share (EPS), diluted	**0.24**	**1.47**

Basic earnings per share has been calculated by dividing the result for the year attributable to the owners of PolyPeptide Group AG by the weighted average number of shares outstanding during the year. Treasury shares are not considered as outstanding shares.

Diluted earnings per share is calculated by dividing the result for the year attributable to the owners of PolyPeptide Group AG by the weighted average number of shares outstanding adjusted for all potentially dilutive shares. Dilutive shares arise from the share-based payment described in Note 4.

8 Intangible assets

kEUR	Software	Other	Total
Acquisition value			
Balance as at 1 January 2022	23,089	3,391	26,480
Additions	3,635	–	3,635
Disposals	–	-1,949	-1,949
Transfers	1,442	-1,442	–
Currency exchange differences	-75	–	-75
Balance as at 31 December 2022	**28,091**	**–**	**28,091**
Accumulated amortization and impairment losses			
Balance as at 1 January 2022	-8,821	-3,391	-12,212
Amortization	-2,037	–	-2,037
Disposals	–	1,949	1,949
Transfers	-1,442	1,442	–
Currency exchange differences	74	–	74
Balance as at 31 December 2022	**-12,226**	**–**	**-12,226**
Carrying value as at 31 December 2022	**15,865**	**–**	**15,865**

kEUR	Software	Other	Total
Acquisition value			
Balance as at 1 January 2021	18,876	9,978	28,854
Additions	4,110	–	4,110
Disposals	–	-6,604	-6,604
Transfers	101	–	101
Currency exchange differences	2	17	19
Balance as at 31 December 2021	**23,089**	**3,391**	**26,480**
Accumulated amortization and impairment losses			
Balance as at 1 January 2021	-6,850	-9,448	-16,298
Amortization	-1,970	-392	-2,362
Disposals	–	6,465	6,465
Currency exchange differences	-1	-16	-17
Balance as at 31 December 2021	**-8,821**	**-3,391**	**-12,212**
Carrying value as at 31 December 2021	**14,268**	**–**	**14,268**

As at 31 December 2022, the carrying amount of software includes an amount of EUR 7.1 million (2021: EUR 4.3 million) that is still under construction. This software will be taken into use in subsequent periods and hence no amortization has been recognized over this software yet.

The Group assesses whether there are any indicators for impairment for all non-financial assets at each reporting date. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the asset and its carrying value and recognizes the amount in the income statement. The Group has not identified any indicators for impairment during the year.

9 Property, plant and equipment

kEUR	Land & Buildings	Machinery & Equipment	Assets under construction	Other operating assets	Total
Acquisition value					
Balance as at 1 January 2022	87,666	170,545	87,397	434	346,042
Additions	659	253	78,324	114	79,350
Disposals	-3	-704	-3	–	-710
Transfers	34,878	33,085	-67,963	–	–
Currency exchange differences	816	-2,022	889	–	-317
Balance as at 31 December 2022	**124,016**	**201,157**	**98,644**	**548**	**424,365**
Accumulated depreciation and impairment losses					
Balance as at 1 January 2022	-38,627	-90,584	–	-345	-129,556
Depreciation	-6,393	-14,088	–	-45	-20,526
Disposals	2	696	–	–	698
Currency exchange differences	-315	1,212	–	–	897
Balance as at 31 December 2022	**-45,333**	**-102,764**	**–**	**-390**	**-148,487**
Carrying value as at 31 December 2022	**78,683**	**98,393**	**98,644**	**158**	**275,878**

kEUR	Land & Buildings	Machinery & Equipment	Assets under construction	Other operating assets	Total
Acquisition value					
Balance as at 1 January 2021	94,658	138,828	49,570	366	283,422
Additions	10	–	72,532	–	72,542
Disposals	-15,263	-325	-19	-1	-15,608
Transfers	5,812	30,082	-36,064	69	-101
Currency exchange differences	2,449	1,960	1,378	–	5,787
Balance as at 31 December 2021	**87,666**	**170,545**	**87,397**	**434**	**346,042**
Accumulated depreciation and impairment losses					
Balance as at 1 January 2021	-48,875	-77,297	–	-320	-126,492
Depreciation	-3,890	-11,747	–	-26	-15,663
Disposals	15,263	221	–	1	15,485
Currency exchange differences	-1,125	-1,761	–	–	-2,886
Balance as at 31 December 2021	**-38,627**	**-90,584**	**–**	**-345**	**-129,556**
Carrying value as at 31 December 2021	**49,039**	**79,961**	**87,397**	**89**	**216,486**

The Group assesses whether there are any indicators for impairment for all non-financial assets at each reporting date. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the asset and its carrying value and recognizes the amount in the income statement. The Group has not identified any indicators for impairment during the year.

The amount of borrowing costs capitalized during the year was nil (2021: nil). Other operating assets comprise office equipment.

As at 31 December 2022, the carrying amount of Land & Buildings includes an amount of approximately EUR 7.6 million (2021: EUR 8.9 million) for which the legal ownership is no longer with the Group due to the transaction with Monedula AB, as further disclosed in Note 18.

10 Leases

Set out below are the carrying amounts of right-of-use assets recognized in the statement of financial position and the movements during the year:

kEUR	Buildings	Cars	Other equipment	Total
Cost of right-of-use assets				
Balance as at 1 January 2022	17,999	2,272	3,863	24,134
Additions	1,054	730	1,434	3,218
Remeasurements	1,903	-11	–	1,892
Disposals	–	-215	-209	-424
Currency exchange differences	954	-29	-6	919
Balance as at 31 December 2022	**21,910**	**2,747**	**5,082**	**29,739**
Accumulated depreciation				
Balance as at 1 January 2022	-3,056	-1,019	-1,103	-5,178
Depreciation	-1,783	-654	-1,063	-3,500
Disposals	–	215	210	425
Currency exchange differences	-96	21	5	-70
Balance as at 31 December 2022	**-4,935**	**-1,437**	**-1,951**	**-8,323**
Carrying value as at 31 December 2022	**16,975**	**1,310**	**3,131**	**21,416**

kEUR	Buildings	Cars	Other equipment	Total
Cost of right-of-use assets				
Balance as at 1 January 2021	11,899	1,877	1,897	15,673
Additions	5,974	678	2,125	8,777
Remeasurements	-792	-8	–	-800
Disposals	–	-271	-174	-445
Currency exchange differences	918	-4	15	929
Balance as at 31 December 2021	**17,999**	**2,272**	**3,863**	**24,134**
Accumulated depreciation				
Balance as at 1 January 2021	-1,701	-696	-398	-2,795
Depreciation	-1,204	-582	-872	-2,658
Disposals	–	255	174	429
Currency exchange differences	-151	4	-7	-154
Balance as at 31 December 2021	**-3,056**	**-1,019**	**-1,103**	**-5,178**
Carrying value as at 31 December 2021	**14,943**	**1,253**	**2,760**	**18,956**

Set out below are the carrying amounts of the lease liabilities recognized in the statement of financial position and the movements during the year:

kEUR	Buildings	Cars	Other equipment	Total
Lease liabilities				
Balance as at 1 January 2022	14,232	1,270	2,503	18,005
Additions	1,054	730	1,419	3,203
Interest expenses	440	36	83	559
Remeasurements	1,918	-11	–	1,907
Lease payments	-1,293	-696	-1,265	-3,254
Currency exchange differences	821	-15	-8	798
Balance as at 31 December 2022	**17,172**	**1,314**	**2,732**	**21,218**
Lease liabilities				
Balance as at 1 January 2021	9,732	1,200	1,501	12,433
Additions	5,472	678	2,124	8,274
Interest expenses	302	35	66	403
Remeasurements	-791	-8	–	-799
Lease payments	-1,206	-633	-1,200	-3,039
Currency exchange differences	723	-2	12	733
Balance as at 31 December 2021	**14,232**	**1,270**	**2,503**	**18,005**

The maturity of the total undiscounted lease liability as at 31 December is disclosed in Note 23.

The following amounts are recognized in the income statement:

kEUR	2022	2021
Depreciation expense of right-of-use assets	3,500	2,658
Interest expense on lease liabilities	559	403
Variable lease payments not included in the lease liabilities	244	21
Short-term leases (included in G&A expenses)	508	433
Leases of low-value assets (included in G&A expenses)	671	624
Total amount recognized in the income statement	**5,482**	**4,139**

The Group had total cash outflows for leases of kEUR 4,677 in 2022 (2021: kEUR 4,117). The total lease liability of the Group mainly relates to leases of buildings in Torrance, USA. The remaining lease liability largely consists of machinery and company cars in various Group companies, primarily having fixed monthly lease payments.

11 Investments in subsidiaries

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed below. Details of investments in subsidiaries as at 31 December are as follows:

Name	Location	Percentage of ownership	
		2022	2021
Polypeptide Laboratories Holding (PPL) AB	Limhamn, Sweden	100%	100%
Polypeptide Laboratories (Sweden) AB	Limhamn, Sweden	100%	100%
PolyPeptide SA	Braine-l'Alleud, Belgium	100%	100%
PolyPeptide Laboratories France S.A.S.	Strasbourg, France	100%	100%
PolyPeptide Laboratories Inc.	Torrance, CA, USA	100%	100%
PolyPeptide Laboratories San Diego, LLC[1]	San Diego, CA, USA	100%	100%
PolyPeptide Laboratories Pvt. Ltd.	Ambernath (East), India	100%	100%
PolyPeptide Laboratories A/S[2]	Hillerød, Denmark	100%	100%
PolyPeptide Laboratories GmbH[3]	Hamburg, Germany	0%	100%

1 PolyPeptide Laboratories San Diego, LLC is a wholly owned subsidiary of PolyPeptide Laboratories Inc.

2 PolyPeptide Laboratories A/S is a dormant company.

3 During 2022, PolyPeptide Laboratories GmbH was merged into Polypeptide Laboratories Holding (PPL) AB.

Percentage of voting shares is equal to percentage of ownership.

12 Inventories

kEUR	2022	2021
Raw materials and supplies	61,435	38,757
Work in progress	51,417	51,211
Finished goods	32,221	23,033
Balance as at 31 December	**145,073**	**113,001**

Raw materials that are expired or that are no longer used in production, and finished goods for which no future sales are expected, are fully written off at the balance sheet date. Finished goods that are expected to be sold after retesting are written off for the expected loss during this retesting. The estimated loss is approximately 10% of the original weight of the batch.

Costs of inventories recognized in cost of sales in the income statement during the financial year amounted to kEUR 85,952 (2021: kEUR 65,998).

Provisions for obsolete stock amounted to EUR 39,916 as at 31 December 2022 (2021: kEUR 27,206). Inventory write-offs recognized in cost of sales in the income statement during the financial year 2022 amounted to kEUR 7,154, mainly due to inventory write-offs in France and Sweden (2021: kEUR 5,439, mainly due to inventory write-offs in Belgium and Sweden).

13 Trade receivables

kEUR	2022	2021
Trade receivables	46,486	65,233
Balance as at 31 December	**46,486**	**65,233**

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

The aging analysis of trade receivables is as follows:

kEUR	Total	< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
31 December 2022	46,486	42,069	1,349	1,667	832	569
31 December 2021	65,233	60,948	3,132	120	207	826

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

A significant part of the outstanding accounts receivable balance relates to large reputable pharmaceutical companies with no known history of write-offs. The expected credit loss for these large pharmaceutical companies is estimated at nil. For smaller outstanding debtors, the expected loss rates are based on the Group’s historical credit losses experienced over the three-year period prior to the period end. These historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group’s customers.

Movements in the bad debt allowance for trade receivables are as follows:

kEUR	2022	2021
Balance as at 1 January	-131	-141
Increase in bad debt allowance	-55	0
Receivable written-off during the year as uncollectible	8	0
Unused amounts reversed	0	22
Currency exchange difference	-9	-12
Balance as at 31 December	**-187**	**-131**

14 Other current assets

kEUR	2022	2021
Prepaid expenses	5,003	4,749
VAT receivable	5,892	4,436
Other	1,555	1,629
Balance as at 31 December	**12,450**	**10,814**

Other current assets are non-interest-bearing and are normally settled on 60-day terms.

15 Cash and cash equivalents

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following as at 31 December of each year:

kEUR	2022	2021
Cash and cash equivalents	37,528	136,303
Balance as at 31 December	**37,528**	**136,303**

The balance as at 31 December 2021 includes a term deposit of kCHF 92,500 (kEUR 89,540), which was fixed until 3 February 2022.

For the purpose of the Consolidated Statement of Cash Flows, changes in liabilities arising from financing activities for the years were as follows:

kEUR	Non-current interest bearing loans and borrowings	Non-current other financial liabilities	Lease liabilities	Current other financial liabilities
Balance as at 1 January 2022	–	10,302	18,005	1,145
Cash flows		–	-3,254	-1,145
Non-cash flows				
New lease liabilities	–	–	3,203	–
Remeasurements	–	523	1,907	–
Accrued interest	–	611	559	–
Fair value loss/(gain)	–	–	–	–
Government loans waived	–	–	–	–
Transfer from non-current to current	–	-1,096	–	1,096
Currency exchange differences	–	-929	798	–
Balance as 31 December 2022	**–**	**9,410**	**21,218**	**1,096**

kEUR	Non-current interest bearing loans and borrowings	Non-current other financial liabilities	Lease liabilities	Current other financial liabilities
Balance as at 1 January 2021	25,000	16,697	12,433	10,199
Cash flows	-25,000	-5,890	-3,039	-7,844
Non-cash flows				
New lease liabilities	–	–	8,274	–
Remeasurements	–	217	-799	–
Accrued interest	–	1,335	403	–
Fair value loss/(gain)	–	-645	–	–
Government loans waived	–	–	–	-2,355
Transfer from non-current to current	–	-1,145	–	1,145
Currency exchange differences	–	-267	733	–
Balance as 31 December 2021	**–**	**10,302**	**18,005**	**1,145**

16 Pensions

Provision for pensions

The Group participates in local pension plans in countries in which they operate. There are principally two types of pension plans:

- Defined contribution plans, where the Group's only obligation is to pay a pension premium to a fund or insurance company on behalf of the employee. Contributions to defined contribution pension schemes are charged to the consolidated income statement in the year to which they relate.
- Defined benefit plans, where the Group's undertaking is to provide pension benefits related to services rendered based on final salary levels. This plan is managed by recording the total accumulated pension obligation as a provision on the statement of financial position with no assigned plan assets. This method is used in Sweden, France, Belgium, India and Switzerland.

In PolyPeptide Laboratories (Sweden) AB and PolyPeptide S.A., the total pension benefits are mixed plans. Some parts are defined contribution-type plans and some parts are defined benefit-type plans. For each of the defined benefit plans, no trust is established and the full liability is recorded in the statement of financial position with compulsory insurance coverage. The Swedish actuarial determined liability is calculated by a third-party institution, the Pension Registration Institute (PRI), using assumptions defined by the company. PRI also administrates the pension payments to employees, which are subsequently charged to the company. The Belgium fund is outsourced to an insurance company called AXA Insurance. All funds requested to cover the year are called by and paid to the insurance company. Additionally, an actuarial evaluation is performed under IFRS rules in order to determine the liability. This computation is performed by a third-party institution.

PolyPeptide Laboratories France SAS has, in accordance with French law, accounted for a lump sum to be paid to employees upon retirement. In the consolidated numbers, IAS 19 is followed regarding the accounting treatment of pensions. The French actuarial determined liability is calculated by a third-party institution, using assumptions defined by the company.

Movement in the provision for pensions for the years was as follows:

kEUR	2022	2021
Defined benefit obligation as at 1 January	38,981	39,128
Interest costs	547	342
Current service costs	3,279	3,094
Net actuarial (gain)/losses through other comprehensive income	-12,287	-1,330
Benefits paid	-2,281	-1,828
Currency exchange difference	-1,602	-425
Balance as at 31 December	**26,637**	**38,981**

Pension expenses reflected in the income statement:

kEUR	2022	2021
Current service costs	-3,279	-3,094
Interest costs	-547	-342
Net benefit expenses	**-3,826**	**-3,436**
Defined contribution pension expenses	-3,539	-3,646
Total pension expenses	**-7,365**	**-7,082**

The principal assumptions used in determining pension obligations are shown hereunder:

kEUR	2022		2021	
	Belgium	Sweden	Belgium	Sweden
Discount rate	3.80%	3.70%	0.90%	1.90%
Future salary increases	3.87%	2.70%	3.45%	2.90%
Future pension increases	2.20%	2.70%	1.80%	2.20%
Long-term assumptions inflation	2.20%	2.00%	1.80%	2.20%

The forecasted defined benefit obligation for the year 2023 is assessed at kEUR 27,423 (2022: kEUR 40,529).

Sensitivity to changes in assumptions

Changes in the assumptions will impact the defined benefit pension obligation as at 31 December 2022 as follows:

kEUR	0.5%	(0.5%)
Discount rate (increase 0.5% / decrease 0.5%)	-2,230	2,473
Future salary increases (increase 0.5% / decrease 0.5%)	1,625	-1,478
Long-term assumption inflation (increase 0.5% / decrease 0.5%)	1,433	-1,341

17 Provisions

kEUR	2022	2021
Provision for pension taxes	739	2,618
Provision for product warranty	0	293
Provision for restoration costs	1,600	1,507
Provision for litigation	75	94
Other provisions	62	56
Balance as at 31 December	**2,476**	**4,568**

The provision for pension taxes relates to wage taxes of 24.26% on Swedish pension premiums.

The provision for product warranty in 2021 related to a rare undetected equipment issue, which impacted multiple batches produced for one customer in 2020. It was reversed during 2022 since it was no longer more likely than not that a present obligation existed at the end of the year.

The provision for restoration costs relates to the requirement to return leased properties of the Torrance facility into the conditions required by the terms and conditions of the lease agreements.

The provision for litigation relates to labor law claims from former employees.

Movement of the provision for the years was as follows:

kEUR	2022	2021
Balance as at 1 January	4,568	4,312
Utilization	-46	0
Additions through profit or loss	36	281
Reversals through profit or loss	-704	-486
(Release)/additions through other comprehensive income	-1,239	0
Other movements	0	443
Currency exchange differences	-139	18
Balance as at 31 December	**2,476**	**4,568**

18 Other financial liabilities

kEUR	2022	2021
Financial liability to Monedula AB	10,506	11,447
Total other financial liabilities as at 31 December	**10,506**	**11,447**
Non-current other financial liabilities	9,410	10,302
Current other financial liabilities	1,096	1,145
Total other financial liabilities as at 31 December	**10,506**	**11,447**

Financial liability to Monedula AB
In December 2019, PolyPeptide Laboratories (Sweden) AB sold all its shares in PolyPeptide Fastighets AB to related party Draupnir Holding B.V.
PolyPeptide Fastighets AB was subsequently renamed into Monedula AB.

Monedula AB is the owner of the premises that are leased by PolyPeptide Laboratories (Sweden) AB. At transaction date, PolyPeptide Laboratories (Sweden) AB and Monedula AB also extended the existing lease agreement to 31 December 2035.

Although the legal ownership of the premises was transferred to the buyer, management concluded that the transfer of the premises did not satisfy the requirements of IFRS 15 and hence that the transaction should not be accounted for as a sale of the asset. Therefore, the carrying value of the premises as at the transaction date remained on the consolidated statement of financial position of the Group. The consideration received for the premises in the amount of SEK 124.8 million (kEUR 11,947) was recognized as other financial liability accounted for in accordance with IFRS 9 as prescribed in IFRS 16.103(a).

The financial liability is currently measured at amortized cost using an effective interest rate of 5.57% (2021: 5.57%). The financial liability matures on 31 December 2035 and will be settled with future lease terms payable to Monedula AB. The total carrying value of the liability as at 31 December 2022 amounts to SEK 116.8 million (kEUR 10,506), of which SEK 12.2 million (kEUR 1,096) is presented as current financial liability. The total carrying value of the liability as at 31 December 2021 amounted to SEK 117.3 million (kEUR 11,447), of which SEK 11.7 million (kEUR 1,145) was presented as current financial liability.

Contingent consideration due to acquisition of a subsidiary

The contingent consideration related to the acquisition of Lonza Braine S.A. (renamed into PolyPeptide SA) on 3 November 2017.

A reconciliation of the contingent consideration for the years is as follows:

kEUR	2022	2021
Balance as at 1 January	0	12,497
Payment of contingent liability	0	-12,548
Fair value adjustment of contingent consideration (see Note 3)	0	-645
Accrued interest on contingent consideration (see Note 3)	0	696
Total contingent consideration as at 31 December	**0**	**0**
Non-current contingent consideration	0	0
Current contingent consideration	0	0
Total contingent consideration as at 31 December	**0**	**0**

The contingent consideration was fully paid as at the end of 2021.

19 Short-term borrowings from banks

As at 31 December 2022, the Group had been granted multiple overdraft facilities for a total amount of kEUR 26,200 (2021: kEUR 26,200).

An amount of kEUR 25,000 was granted by Danske Bank (2021: kEUR 25,000), of which nil was drawn as at 31 December 2022 (2021: nil). The interest rate on the DANSKE Bank facility amounts to DANSKE BOR plus a margin of 0.80% (2021: 0.80%) on the amounts drawn.

The remaining kEUR 1,200 was granted by ING Bank (2021: kEUR 1,200), of which nil was drawn as at 31 December 2022 (2021: nil). The interest rate on the ING Bank credit facility amounts to EURIBOR plus a margin of 1.5% (2021: 1.5%) on the amounts drawn.

20 Trade payables and other current liabilities

kEUR	2022	2021
Trade payables	45,933	28,481
Total trade payables	**45,933**	**28,481**
Taxes and social securities	4,786	3,575
Government grants	0	54
Accrued expenses	12,407	16,901
Other	659	674
Total other current liabilities	**17,852**	**21,204**

Trade payables and other current liabilities are non-interest-bearing.

21 Contingent liabilities and guarantees

Limited Partnership Investment
In November 2021, the Group entered into a limited partnership agreement with a commitment to invest a maximum amount of kUSD 30,000. An amount of kUSD 3,000 has been paid as at 31 December 2022 and recognized in the balance sheet as "Other financial assets". As a result, the Group has a contingent liability of kUSD 27,000 (kEUR 25,315). If the general partner of the limited partnership makes an additional capital call, the Group would be obliged to pay the amount within ten business days.

Guarantee pension fund
All members of the PRI Pensionsgaranti, the issuer of the definied benefit plan in Sweden, are subject to a mutual liability. This liability would only be invoked in the event that PRI Pensionsgaranti has consumed all its assets. The mutual liability of the Group is limited to a maximum of 2% of the Group's individual pension liability with PRI Pensionsgaranti. As such, the Group has a contingent liability of kEUR 225 as at 31 December 2022 (2021: kEUR 182), for which it has issued a guarantee to PRI Pensionsgaranti.

22 Related parties

The following transactions have been entered into with related parties:

2022 kEUR	Income from related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
Entity with control over the company				
Draupnir Holding B.V.[1]	–	–	–	–
Other related entities				
Thalamus	–	-167	–	-304
Ferring Group	41,300	-38	5,918	-4
Monedula AB	191	-1,556	–	-10,506
Amzell B.V.	172	–	–	–
Amring Pharmaceuticals Inc	–	–	–	–
Bazell Pharma AG	–	–	–	–
SVAR Life Science AB	166	–	–	–
Nordic Pharma Ltd.	–	-7	–	–

1 A cash distribution of CHF 0.3 per entitled share was approved by the General Meeting in April 2022. This resulted in a cash distribution of kEUR 5,363 to Draupnir Holding B.V. in May 2022.

2021 kEUR	Income from related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
Entity with control over the company				
Draupnir Holding B.V.	6,794	-221	–	–
Other related entities				
Thalamus	–	-167	–	-404
Ferring Group	36,169	-3	2,999	–
Monedula AB	355	-1,224	438	-11,447
Amzell B.V.	166	–	–	–
Amring Pharmaceuticals Inc	9	–	–	–
Bazell Pharma AG	1	–	–	–
SVAR Life Science AB	79	–	–	–
Nordic Pharma Ltd.	–	-9	–	–

All disclosed related parties are either related through the Esperante Investments S.à r.l. ownership structure or through managerial control. Esperante Investments S.à r.l. is a higher parent company of our majority shareholder Draupnir Holding B.V.

Income from Draupnir Holding B.V. primarily relates to reimbursement of IPO recognition bonuses. Purchases from Draupnir Holding B.V. relate to service and insurance fees.

Purchases from and amounts due to Thalamus AB relate to rental of premises.

Income from the Ferring Group and amounts due from the Ferring Group relate to sale of goods.

Purchases from Monedula AB relate to the lease of premises. Income and amounts due from Monedula relate to property management fees and recharged improvements to the premises. Amounts due to Monedula AB relate to the financial liability as disclosed in Note 18.

Income from and amounts due from Amzell B.V. relate to sale of goods.

Income from SVAR Life Science AB relates to sale of goods.

During the year, no provisions for doubtful debt and no write-offs on receivables from related parties were recognized (2021: nil). No guarantees were given or received for any outstanding related party balances (2021: nil).

Transactions with key management personnel

Compensation of key management personnel of the Group:

kEUR	2022	2021
Salaries and short-term benefits	3,112	3,454
Post-employment benefits	292	279
Share-based payment expense	1,155	4,206
Total transactions with key management	**4,559**	**7,939**

Reference is made to Note 4 for further details on the share-based payment expense.
Key management personnel are considered all members of the Executive Committee and the Board of Directors.

23 Financial risk management objectives and policies

The Group's principal financial instruments comprise lease liabilities, other financial assets and liabilities and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors and other current assets and liabilities that arise directly from its operations. It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and foreign currency risk. The sensitivity analyses in the following sections relate to the position as at 31 December 2022 and 2021. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant. The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

Interest rate risk:

- The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at the balance sheet date.

Foreign currency risk:

- The sensitivity of the profit before tax is the effect of the assumed changes in currency rates of third-party financial instruments in a foreign currency other than the functional currency of the respective subsidiaries.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate cash flow risk as interest-bearing loans and borrowings have been granted at fixed and variable interest rates. Revision of the fixed interest rate is possible at renewal of the liability. The Group decides whether to enter into fixed or variable interest contract based on the most favorable conditions at the time of entering into the contract. The Group does not enter into derivatives to hedge interest rate risks

The table below demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

Effect on profit before tax

kEUR	2022	2021
Change in interest rates		
Increase in basis points:		
15	56	-134
20	75	-179
Decrease in basis points:		
(10)	-38	90
(15)	-56	134

In 2021, the Group had bank deposits with a negative interest rate. For 2021, an increase in the table above thus reflects the impact on the Group's profit before tax if the negative interest rate increased to an even more negative level, whereas a decrease reflects the impact on the Group's profit before tax if the negative interest rate decreased to a less negative level.
In 2022, the interest rates on the Group's bank deposits were positive. As a result, the amounts in the table for 2022 are shown with an opposite sign compared to 2021.

Foreign currency risk

Due to operations in Sweden, India, Switzerland and the United States of America, the Group's statement of financial position is affected by movements in the foreign exchange rates. The Group does not enter into derivative transactions. The Group has also transactional currency exposures, such exposures arising from sales or purchases in currencies other than the currency of the operating subsidiaries. As the volumes of these transactions are relatively low compared to the total volume, the foreign currency risk exposure is considered low.

The Group has no currency exposure on financial instruments as all third-party interest-bearing loans and borrowings are due in the functional currency of the respective subsidiary that has subscribed to the interest-bearing loans and borrowings. The trade debtors, trade creditors and other financial liabilities are primarily stated in functional currency of the operations.

The table below demonstrates the sensitivity to a reasonable possible change in currencies, with all other variables held constant, of the Group's profit before tax and the Group's equity (through the impact on non-functional currencies).

kEUR	Effect on profit before tax		Effect on equity	
	2022	2021	2022	2021
Change in currency percentage				
5%	-70	-2,243	-16,672	-13,904
(5%)	77	2,479	18,427	15,368

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group has no significant credit risks, other than those that have already been allowed for, nor any concentrations of credit with a single customer or in an industry or geographical region that carries an unusually high credit risk.

Credit risks relating to the trade receivables and cash balances are monitored regularly. Clients are assessed according to Group criteria prior to entering into agreements. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned in Notes 13, 14 and 15.

Liquidity risk

The Group monitors its risk to a shortage of funds using a cash flow forecast model. This model considers the maturity of both its non-current and current assets (trade receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and funding from and to other entities within the Group. Payments will be covered out of cash flow from operating activities, cash and facilities available.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December of each year based on contractual undiscounted payments.

kEUR	Less than 1 year	1-5 years	More than 5 years	Total
Year ended 2022				
Other financial liabilities	-1,096	-4,385	-5,025	-10,506
Lease liabilities	-3,588	-9,522	-10,825	-23,935
Trade payables	-45,933	–	–	-45,933
Other current liabilities	-2,522	–	–	-2,522
Balance as at 31 December 2022	**-53,139**	**-13,907**	**-15,850**	**-82,896**

kEUR	Less than 1 year	1-5 years	More than 5 years	Total
Year ended 2021				
Other financial liabilities	-1,174	-4,694	-10,366	-16,234
Lease liabilities	-3,083	-8,099	-9,466	-20,648
Trade payables	-28,481	–	–	-28,481
Other current liabilities	-6,197	–	–	-6,197
Balance as at 31 December 2021	**-38,935**	**-12,793**	**-19,832**	**-71,560**

Capital management

The primary objective of the Group's capital management is to maintain sound capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using shareholder equity ratio, which is the total shareholder equity divided by total equity and liabilities, based on the consolidated financial statements. The Group has no formally approved ratio range but considers a ratio above 25% as being sound.

The table below shows the shareholder equity ratio for the years 2022 and 2021.

kEUR	2022	2021
Total shareholder equity	421,677	421,173
Total equity and liabilities	575,782	595,038
Equity ratio as at 31 December	**73.2%**	**70.8%**

24 Financial instruments

Fair values

In view of their short-term nature, the fair values of financial instruments of cash, trade receivables and payables, and short-term liabilities approximate their carrying amounts. All financial assets and liabilities are measured at amortized cost except for the investment in a limited partnership (see Note 21), which is measured at fair value through profit or loss.

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial non-current instruments that are carried in the financial statements.

kEUR	Carrying value		Fair value	
	2022	2021	2022	2021
Financial assets				
Other financial assets	2,767	3,467	2,575	4,148
Financial liabilities				
Other financial liabilities	-10,506	-11,447	-10,506	-11,447

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy (see Note 1) are as follows:

kEUR	Level 1	Level 2	Level 3
As at 31 December 2022			
Other financial assets	126	–	2,449
Other financial liabilities	–	-10,506	–
As at 31 December 2021			
Other financial assets	1,295	204	2,649
Other financial liabilities	–	-11,447	–

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Level 1 inputs include the publicly listed share price of PolyPeptide Group AG. Level 2 inputs include the discounted cash flow method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. Level 3 inputs include unobservable inputs that reflect the assumptions that market participants would use when pricing the asset, including assumptions about risk (applicable for 2022), as well as the price paid by the Group for the financial asset just before the balance sheet date (applicable for 2021).

The own non-performance risk as at 31 December 2022 was assessed and considered to be insignificant.

25 Subsequent events

There have been no significant events subsequent to the balance sheet date that would require additional disclosure in the consolidated financial statements.

The consolidated financial statements for 2022 were approved for issue by the Board of Directors on 9 March 2023 and are subject to approval by the Annual General meeting on 12 April 2023.

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STATUTORY AUDITOR'S REPORT

To the general meeting of PolyPeptide Group AG, Baar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of PolyPeptide Group AG and its subsidiaries (the Group) – which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 122 to 171) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the provisions of Swiss law, the requirements of the Swiss audit profession as well as the International Code of Ethics for Professional Accountants *(including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the Key Audit Matter was addressed in the audit
Revenue recognition The Group has recognised revenue of kEUR 280,978 (2021: kEUR 282,126). The Group earns the majority of its revenues from the sale of goods (Active Pharmaceutical Ingredients), which are recognised at a point in time and a portion of its revenues in connection with pharmaceutical services with revenue recognised typically on an over time basis. Due to the significant expected growth of revenues from Active Pharmaceutical Ingredients (API), the fact that sales contracts include many different terms, there is a risk of incorrect timing of revenue recognition due to fraud or error, the significant level of judgement and estimate involved by management in assessing revenue recognition over time related to pharmaceutical services, where contracts run longer than a year and the linkage of certain management incentive compensation to revenue targets, we consider revenue to be a key audit matter. We refer to Note 1 Summary of significant accounting policies and Note 3 Revenue and expenses.	We obtained an understanding of the control environment and performed a walkthrough of the revenue and receipts cycle as part of the risk assessment process. We performed tests of transactions for revenues, specific procedures on sales orders opened during the financial year 2022 but not closed as of 31 December 2022, credit memo testing, cut-off procedures by reviewing the shipping logs shortly before and after year-end and testing samples before and after the year-end. We have obtained the invoice journal and verified it to the general ledger. We have reconciled the sales prices and quantities to contracts and delivery notes on a sample basis. We have verified credit entries posted within trade receivables and related to bank receipts only. We have verified that all goods that have been shipped from the site are also invoiced at the balance sheet date or recorded as accrued income. We tested appropriate timing of revenue recognition by comparing individual sales transactions to delivery documents. We analysed revenue transactions using computer aided audit and data analysis techniques. We reviewed the calculation of percentage of completion and the related revenue and margin recognised for a selection of projects. We requested confirmation of revenues from significant customers through a confirmation directly from the third party. Furthermore, we have assessed the adequacy of the disclosures relating to revenue recognition in the notes.

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information,we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the Consolidated Financial Statements

The board of directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report-for-ordinary-audits. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 9 March 2023

BDO Ltd

René Füglister
Licensed Audit Expert
Auditor in Charge

ppa. Jan Trautwein
Licensed Audit Expert

Financial Report

Financial statements of PolyPeptide Group AG

Income statement of PolyPeptide Group AG

1 January - 31 December 2022 (2021: 7 April - 31 December)

kCHF	Note	2022	2021
Financial income	7	2,212	499
Service income		7,748	4,181
Total income		**9,960**	**4,680**
Personnel expenses		-4,512	-3,675
Other operating expenses		-2,372	-7,821
Interest expenses third parties		-162	-441
Other financial expenses	8	-6,074	-2,225
Depreciation on tangible assets		-71	–
Impairment losses on investments	9	-1,160,400	–
Operating result before taxes (EBT)		**-1,163,631**	**-9,482**
Loss before taxes		**-1,163,631**	**-9,482**
Taxes		0	-122
Net loss for the year/period		**-1,163,631**	**-9,604**

Statement of financial position of PolyPeptide Group AG

As at 31 December

Assets, kCHF	Note	2022	2021
Current assets			
Cash and cash equivalents	1	10,061	117,468
Other receivables from related parties		313	430
Other receivables from group companies		14,359	3,770
Accrued income and prepaid expenses		799	949
Total current assets		**25,532**	**122,617**
Non-current assets			
Receivables from related parties		–	625
Receivables from group companies		137,744	66,027
Financial assets	3	2,463	2,736
Investments	2	759,300	1,919,700
Tangible assets		779	89
Total non-current assets		**900,286**	**1,989,177**
Total assets		**925,818**	**2,111,794**

Statement of financial position of PolyPeptide Group AG (continued)

As at 31 December

Liabilities, kCHF	Note	2022	2021
Current liabilities			
Other liabilities due to third parties		644	580
Other liabilities due to related parties		14	8
Accrued expenses and deferred income		80	205
Total short-term liabilities		**738**	**793**
Non-current liabilities			
Liabilities due to group companies		2,284	1,910
Total long-term liabilities		**2,284**	**1,910**
Shareholders' equity			
Share capital	4	331	331
Statutory capital reserves			
Reserves from capital contribution	5	2,104,803	2,114,719
Other capital reserves		4,949	4,949
Accumulated losses			
Net loss brought forward		-9,604	–
Net loss for the year/period		-1,163,631	-9,604
Treasury shares	6	-14,052	-1,304
Total shareholders' equity		**922,796**	**2,109,091**
Total liabilities and shareholders' equity		**925,818**	**2,111,794**

Notes to the financial statements of PolyPeptide Group AG

General information

Accounting policies
These financial statements were prepared in accordance with the provisions of the Swiss Law on Accounting and Finance Reporting (32nd title of the Swiss Code of Obligations). Significant valuation principles that have been applied in the preparation of these financial statements that are not prescribed by law are described below.

Presentation of cash flow statement and additional disclosures in the notes dispensed with
As PolyPeptide Group AG (the "Company") has prepared consolidated financial statements under a recognized accounting standard (IFRS), it has decided, in accordance with the law, to dispense with the presentation of information on interest-bearing liabilities and audit fees in the notes, a cash flow statement, and an annual review.

Financial year 2021 and 2022
The first financial year ran from 7 April 2021 to 31 December 2021.
In 2022, the financial year ran from 1 January 2022 to 31 December 2022.

Valuation principles
Assets are valued at no more than cost. Liabilities are carried at nominal value.

All assets and liabilities in foreign currencies are translated by applying the exchange rate prevailing on the balance sheet date. Exchange differences are recognized in the income statement.

Earnings and expenses originated in foreign currencies are translated with the monthly exchange rate.

Investments
Investments are shown at individual historical acquisition costs less impairment, if any.

Own shares
Own shares are recognized in equity as a negative item at cost as per the date of acquisition. In the event of a subsequent sale, a gain or loss is recognized through the income statement and is included in retained earnings or accumulated deficit to be carried forward in equity.

Share-based payments
Part of the variable compensation paid to members of the Executive Committee and part of the compensation paid to members of the Board of Directors is in the form of Company shares. The acquisition cost of the shares is recorded under personnel expense.

Declaration of the number of full-time equivalents (FTEs)
The average number of full-time positions during the reporting was below 50.

1 Cash and cash equivalents

kCHF	2022	2021
Cash	10,061	24,968
Fixed-term deposit	–	92,500
Balance as at 31 December	**10,061**	**117,468**

2 Investments

As at 31 December 2022, the Company held the following direct and significant indirect investments:

Group companies	Location	Capital and voting shares	
		Direct	Indirect
Polypeptide Laboratories Holding (PPL) AB	Limhamn, Sweden	100%	
Polypeptide Laboratories (Sweden) AB	Limhamn, Sweden		100%
PolyPeptide SA	Braine-l'Alleud, Belgium		100%
PolyPeptide Laboratories France S.A.S.	Strasbourg, France		100%
PolyPeptide Laboratories Inc.	Torrance, CA, USA		100%
PolyPeptide Laboratories San Diego, LLC	San Diego, CA, USA		100%
PolyPeptide Laboratories Pvt. Ltd.	Ambernath (East), India		100%
PolyPeptide Laboratories A/S	Hillerød, Denmark		100%

As at 31 December 2021, the Company held the following direct and significant indirect investments:

Group companies	Location	Capital and voting shares	
		Direct	Indirect
Polypeptide Laboratories Holding (PPL) AB	Limhamn, Sweden	100%	
Polypeptide Laboratories (Sweden) AB	Limhamn, Sweden		100%
PolyPeptide SA	Braine-l'Alleud, Belgium		100%
PolyPeptide Laboratories France S.A.S.	Strasbourg, France		100%
PolyPeptide Laboratories Inc.	Torrance, CA, USA		100%
PolyPeptide Laboratories San Diego, LLC	San Diego, CA, USA		100%
PolyPeptide Laboratories Pvt. Ltd.	Ambernath (East), India		100%
PolyPeptide Laboratories A/S	Hillerød, Denmark		100%
PolyPeptide Laboratories GmbH[1]	Hamburg, Germany		100%

[1] During 2022, PolyPeptide Laboratories GmbH was merged into Polypeptide Laboratories Holding (PPL) AB.

Percentage of voting shares is equal to percentage of ownership.

3 Contingent liabilites and guarantees

Limited Partnership Investments

	2022		2021	
	kUSD	kCHF	kUSD	kCHF
Uncalled capital commitment as at 31 December	27,000	24,932	27,000	24,709

Limited Partnership Investments
In November 2021, the Company entered into a limited partnership agreement. The Company committed to invest a maximum amount of kUSD 30,000. As at 31 December 2021 and 31 December 2022, kUSD 3,000 has already been invested and thus kUSD 27,000 is disclosed as an uncalled capital commitment.

Guarantee pension fund
All members of the PRI Pensionsgaranti, the issuer of the definied benefit plan in Sweden, are subject to a mutual liability. This liability would only be invoked in the event that PRI Pensionsgaranti has consumed all its assets. The mutual liability of the Group is limited to a maximum of 2% of the Group's individual pension liability with PRI Pensionsgaranti. As such, the Group has a contingent liability of kEUR 225 as at 31 December 2022 (2021: kEUR 182), for which it has issued a guarantee to PRI Pensionsgaranti.

4 Share capital

The Company was founded with a share capital of CHF 300,000 and was increased to CHF 331,250.01 on 28 April 2021. As at 31 December 2022, the share capital in the amount of CHF 331,250.01 consists of 33,125,001 registered shares with a nominal value of CHF 0.01 per share.

5 Reserves from capital contributions

CHF	2022	2021
Reserves from capital contributions (foreign)	1,909,783,753	1,919,700,000
Reserves from capital contributions (domestic)	195,019,440	195,019,440
Total reserves from capital contribution as at 31 December	**2,104,803,193**	**2,114,719,440**

The reported reserves from capital contributions as capital contributions within the meaning of Art. 5 para. 1bis (for the part of the “domestic KER”) or Art. 5 para. 1quater lit. a of the Withholding Tax Act (for the part of the “foreign KER”) have been confirmed by the Swiss Federal Tax Administration as at 1 June, 2022.

6 Treasury shares

2022	No of Shares	Average prices in CHF
Own shares as at 1 January 2022	20,371	64.00
Purchase	200,000	71.86
Allocations to Board members/executive management (incl. group companies)	21,175	70.68
Own shares as at 31 December 2022	**199,196**	**70.54**

2021	No of Shares	Average prices in CHF
Own shares as at 1 January 2021	0	
Purchase	93,750	64.00
Allocations to Board members/executive management (incl. group companies)	73,379	64.00
Own shares as at 31 December 2021	**20,371**	**64.00**

From March to July 2022, the Company purchased 200,000 own shares at the average price of CHF 71.86 to be held as treasury shares. 21,175 number of shares have been transferred to employees and Board members as part of their share-based remuneration during 2022 (2021: 73,379 number of shares were transferred to employees and Board members as part of their share-based remuneration, including as part of the IPO recognition bonus reimbursed by Draupnir Holding B.V.).

7 Financial income

kCHF	2022	2021
Interest income from Group companies	2,212	248
Realized capital gain treasury shares	–	251
Total financial income	**2,212**	**499**

8 Other financial expenses

kCHF	2022	2021
Foreign exchange result	-4,716	2,225
Other financial expenses	-742	–
Realized capital loss treasury shares	-616	–
Total other financial expenses	**-6,074**	**2,225**

9 Impairment loss on investments

Due to the large weight of the main asset (i.e., the investment in Polypeptide Laboratories Holding (PPL) AB, Sweden) in the overall assets of PolyPeptide Group AG, the decreased share price of the PolyPeptide Group AG represents an impairment indicator for the underlying investment.

For reasons of valuation consistency, the impairment test was carried out using the same method as the original pricing of the shares at the IPO:
30,000,000 (number of shares) x CHF 25.32 (share price on 31 Dec 2022) - CHF 300,000 =
Net market value of PolyPeptide Laboratories Holding (PPL) AB, Sweden.

The impairment test resulted in an impairment loss of CHF 1,160,400 in 2022, which has been recognized in the income statement.

10 Share ownership of the Board of Directors and the Executive Committee

As at 31 December 2022:

	Function	Number of shares	which are blocked	allocated in the reporting period
Klaus Peter Wilden	Chairman	8,402	8,402	6,744
Patrick Aebischer	Vice-Chairman	5,318	5,318	4,213
Beat In-Albon	Member	4,787	4,787	3,792
Jane Anne Salik	Member	19,553	2,292	1,816
Erik Schropp	Member	3,193	–	–
Philippe Weber	Member	5,835	5,835	4,610
Total Board of Directors		**47,088**	**26,634**	**21,175**

	Function	Number of shares	which are blocked	allocated in the reporting period
Raymond De Vré	CEO	16,486	9,766	6,720
Jan Fuhr Miller	CFO	7,767	–	–
Daniel Lasanow[1)]	Director Global Operations	7,767	–	–
Christina Del Vecchio	General Counsel	–	–	–
Neil James Thompson	Director Global Sales and Marketing	1,122	–	–
Jens Fricke[2)]	Director Global Operations	1,380	–	–
Total Executive Committee		**34,522**	**9,766**	**6,720**
Total		**81,610**	**36,400**	**27,895**

1 Member of the Executive Committee until 30 November 2022.

2 Member of the Executive Committee as of 1 December 2022.

As at 31 December 2021:

	Function	Number of shares	which are blocked	allocated in the reporting period
Klaus Peter Wilden	Chairman	1,658	1,658	1,658
Patrick Aebischer	Vice-Chairman	1,105	1,105	1,105
Beat In-Albon	Member	995	995	995
Jane Anne Salik	Member	17,737	476	17,737
Erik Schropp	Member	3,193	–	3,193
Philippe Weber	Member	1,225	1,225	1,225
Total Board of Directors		**25,913**	**5,459**	**25,913**

	Function	Number of shares	which are blocked	allocated in the reporting period
Raymond De Vré	CEO	16,486	unvested	unvested
Jan Fuhr Miller	CFO	7,767	–	7,767
Jan Christensen[1)]	Director Global Sales and Marketing	7,767	–	7,767
Daniel Lasanow	Director Global Operations	7,767	–	7,767
Christina Del Vecchio	General Counsel	–	–	–
Neil James Thompson[2)]	Director Global Sales and Marketing	1,122	–	1,122
Total Executive Committee		**40,909**	**–**	**24,423**
Total		**66,822**	**5,459**	**50,336**

1 Member of the Executive Committee until 31 December 2021.

2 Member of the Executive Committee as of 1 January 2022.

11 Major Shareholders

Based on the available information, the following shareholders are considered significant shareholders in accordance with Art. 120 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (the "FMIA") (> 3% of the registered share capital).

Major shareholders 2022:

Shareholder	Number of shares	Percentage of voting rights
Cryosphere Foundation (St. Peter Port, Guernsey) / Draupnir Holding B.V. (Hoofddorp, The Netherlands) [1)]	18,582,406	56.10%
Capital Research and Management Company (Los Angeles, USA)	–	–
T. Rowe Price Associates, Inc. (Baltimore, USA) [2)]	1,430,263	4.31%
Rudolf Maag (Binningen BL, Switzerland) [3)]	1,100,000	3.32%
Premier Fund Managers Limited (Guildford, Surrey, UK) [4)]	1,073,211	3.24%
Premier Portfolio Managers Limited (Guildford, Surrey, UK) / Premier Miton European Opportunities Fund [5)]	1,002,111	3.03%
Total important shareholders	**23,187,991**	**70.00%**

1 Disclosure notice of 9 December 2022. The disclosure notice included shares held by the Company (PolyPeptide Group AG, Baar, Zug, Switzerland) as well as sale positions by the Company pursuant to the long-term incentive plan representing 0.03% of voting rights corresponding to the maximum award of 9,909 performance share units. As at 31 December 2022, the Company was a 55.47% subsidiary of Draupnir Holding B.V., a company registered in The Netherlands. Draupnir Holding B.V.'s ultimate parent entity is Cryosphere Foundation (St. Peter Port, Guernsey; formerly known as Foundation Mamont), a foundation registered on Guernsey of which Mr. Frederik Paulsen (1006 Lausanne, Vaud, Switzerland) is at present the principal beneficiary pursuant to the charter of the foundation governed by the laws of Guernsey.

2 Disclosure notice of 13 December 2022. The Company received an updated disclosure notice of 10 January 2023 indicating that the reported shareholding had fallen below 3%.

3 Disclosure notice of 4 May 2021.

4 Disclosure notice of 9 December 2022.

5 Disclosure notice of 9 December 2022.

Major shareholders 2021:

Shareholder	Number of shares	Percentage of voting rights
Draupnir Holding B.V. (Hoofddorp, The Netherlands) [1)]	18,396,859	55.54%
Capital Research and Management Company (Los Angeles, USA) [2)]	1,546,023	5.34%
Rudolf Maag (Binningen BL, Switzerland) [3)]	1,100,000	3.32%
T. Rowe Price Associates, Inc. (Baltimore, USA) [4)]	995,004	3.00%
Total important shareholders	**22,037,886**	**67.20%**

1 PolyPeptide Group AG (the "Company") was incorporated in Switzerland on 6 April 2021. As at 31 December 2021, the Company was a 55.54% subsidiary of Draupnir Holding B.V., a company registered in The Netherlands. Draupnir Holding B.V.'s ultimate parent entity is Foundation Mamont, a foundation registered on Guernsey of which Mr. Frederik Paulsen (1006 Lausanne, Vaud, Switzerland) is at present the principal beneficiary pursuant to the charter of the charter of foundation governed by the laws of Guernsey.

2 The disclosure notice of 6 May 2021 includes 1,546,023 shares of the Company corresponding to 5.34% of all voting rights, of which 0.67% were delegated by a third party.

3 Disclosure notice of 5 May 2021.

4 Disclosure notice of 17 February 2022.

12 Residual amount of leasing obligations

The maturity of leasing obligations which have a residual term of more than twelve months or which cannot be canceled within the next twelve months is as follows:

kCHF	31 December 2022	31 December 2021
0-1 years	113	–
1-5 years	452	–
More than 5 years	481	–
Total	**1,046**	**–**

13 Subsequent events

There have been no significant events subsequent to the balance sheet date that would require additional disclosure in the financial statements.

The financial statements for 2022 were approved for issue by the Board of Directors on 9 March 2023 and are subject to approval by the Annual General Meeting on 12 April 2023.

Proposal for the appropriation of accumulated deficit

The Board of Directors proposes that the General Meeting approves that the accumulated deficit of CHF 1,173,234,646 be carried forward to the new account.

Appropriation of accumulated deficit

CHF	2022
Accumulated deficit brought forward	-9,603,831
Net loss for the period	-1,163,630,815
Accumulated deficit to be carried forward	**-1,173,234,646**

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STATUTORY AUDITOR'S REPORT

To the general meeting of PolyPeptide Group AG, Baar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PolyPeptide Group AG (the Company) – which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 176 to 187) comply with Swiss law and the articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the provisions of Swiss law, the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the Key Audit Matter was addressed in the audit
Impairment of Investments As of 31 December 2022, the book value of investments amounted to kCHF 759,300 (31 December 2021: kCHF 1,919,700) in PolyPeptide Laboratories Holding (PPL) AB, Sweden. Investments are carried at historical acquisition costs less impairment charges. We consider the valuation of investments in PolyPeptide Laboratories Holding (PPL) AB, Sweden to be a key audit matter owing to the magnitude of the balance in relation to the financial statements and the significant decrease in share price in the course of 2022. There is a risk that carrying investments are not recoverable. We refer to Note General Information - Investments, Note 2 Investments and Note 9 Impairment loss on investments.	We performed the following audit procedures: We obtained and reviewed management's memorandum addressing the impairment loss in PolyPeptide Laboratories Holding (PPL) AB, Sweden. We reviewed presentation and disclosure of the impairment loss in PolyPeptide Laboratories Holding (PPL) AB, Sweden and recalculated the impairment loss charged. We assessed whether the share price is an observable market price in an active market. Moreover, we have assessed the adequacy of the disclosures relating to impairment loss in the notes.

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information,we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the Financial Statements

The board of directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law, and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

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report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report-for-ordinary-audits. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of accumulated deficit be carried forward to the new account complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, 9 March 2023

BDO Ltd

René Füglister	ppa. Jan Trautwein
Licensed Audit Expert Auditor in Charge	Licensed Audit Expert

Three-year Financial History[1]

kEUR	2022	2021	2020
Income and expenses			
Revenue	280,978	282,126	223,033
Custom Projects	140,044	167,006	101,872
Contract Manufacturing	110,753	89,600	100,108
Generics & Cosmetics	30,181	25,520	21,053
Total income	283,464	286,217	224,811
Cost of sales	-228,987	-182,426	-151,108
Total operating expenses	-41,870	-39,626	-29,325
o/w Depreciation and amortization	-26,063	-20,683	-17,545
Financial income	9	653	106
Financial expenses	-5,049	-4,970	-6,799
Income tax charges	200	-12,590	-6,350
Result for the year	7,767	47,258	31,335
Performance			
Gross profit	54,477	103,791	73,703
Gross margin in % of revenue	19.4%	36.8%	33.0%
EBITDA	38,670	84,848	61,923
Adjusted[2] EBITDA	38,670	88,199	61,958
Adjusted[2] EBITDA in % of revenue	13.8%	31.3%	27.8%
Operating result (EBIT)	12,607	64,165	44,378
Operating result (EBIT) in % of revenue	4.5%	22.7%	19.9%
Earnings per share (EUR), basic[3]	0.24	1.47	1.04
Proposed cash distribution per share (CHF)	0.00	0.30	0.00
Return on net operating assets (RONOA)	3.2%	21.0%	18.2%
Financial position			
Total assets	575,782	595,038	375,975
Non-current assets	324,212	263,432	196,113
Current assets	251,570	331,606	179,862
Total equity and liabilities	575,782	595,038	375,975
Equity	421,677	421,173	177,660
Non-current liabilities	58,053	69,904	96,467
Curent liabiliities	96,052	103,961	101,848
Cash flows[4]			
Net cash flows from operating activities	5,460	57,352	49,482
Net cash flows from investing activities	-78,435	-80,845	-42,560
Net cash flows from financing activities	-26,869	130,928	-6,730
Cash and cash equivalents at the end of the year	37,528	136,303	17,208
Employees			
Employees (# of FTEs, average)	1,139	1,041	910

[1] This table includes references to operational indicators, such as customer projects, and alternative financial performance measures (APM) that are not defined or specified by IFRS. These APM should be regarded as complementary information to and not as substitutes of the Group's consolidated financial results based on IFRS. For the definitions of the main operational indicators and APM used, including related abbreviations, as well as for selected reconciliations to IFRS, please refer to the section "Definitions and reconciliations" of this report.

[2] 2022: No adjustments made.
2021: Adjusted for one-off IPO costs and US government loans waived in the context of the coronavirus pandemic.
2020: Adjusted for equipment damage provision and costs related to the IPO.

[3] The parent company of the Group changed during 2021. However, due to the predecessor accounting for this reorganization, basic earnings per share for 2020 has been calculated based on the total number of outstanding shares of 30,000,001, corresponding to the share capital of PolyPeptide Group AG prior to the capital increase of 3,125,000 shares.

[4] Changes to the presentation of cash flows were made in the Annual Report 2021 and in the Annual Report 2020. The cash flows for 2021 and 2020 in the table above are based on the consolidated cash flow statement in the Annual Report 2021.

Definitions and Reconciliations

Selected information provided in this report includes operational indicators or Alternative Financial Performance Measures (APM) that are not accounting measures defined by IFRS. The Group believes that investor understanding of PolyPeptide's performance is enhanced by disclosing such indicators and measures, since they provide additional insights into the underlying business, strategic progress and/or financial performance. Operational indicators and alternative financial performance measures should not be considered as substitutes to the Group's consolidated financial results based on IFRS. They may not be comparable to similarly titled measures by other companies. This section includes the definitions of the main operational indicators and alternative financial performance measures provided as well as a reconciliation of selected Alternative Financial Performance Measures to the most directly reconcilable IFRS line item.

Abbreviations

API – Active Pharmaceutical Ingredient

APM – Alternative Financial Performance Measure

CAGR – Compound Annual Growth Rate

CDMO – Contract Development and Manufacturing Organization

cGMP – current Good Manufacturing Practice

CMC – Chemistry, Manufacturing & Controls

EH&S – Employee Health & Safety

ESG – Environmental, Social and Governance

FTE – Full-time equivalent

ICH – International Council for Harmonization

IPO – Initial Public Offering

LCM – Life Cycle Management

LTI – Lost Time Injuries

NDA – New Drug Application

NPS – Net Promoter Score

OTIF – On-Time-In-Full

PPQ – Process Performance Qualification

SIX – SIX Swiss Exchange

Operational indicators

As part of our financial disclosure, we report revenue from our custom projects business area, and we occasionally make implicit or explicit reference to the underlying project pipeline as an indicator to measure operational performance. This includes the number of projects in total or in categories. Our project count for a given period includes only projects that are invoiced to our customers. Projects with parallel activities at more than one site, or which are transferred from one site to another, or which included multiple peptides or oligonucleotides are counted as one project. The synthesis or one-time manufacturing of small quantities of peptides or oligonucleotides, mostly for research or academic use, is not considered as a project.

Our reference to

- **pre-clinical projects** includes non-GMP manufacturing for the lead candidate selection, and subsequent non-GMP manufacture of the selected API for pre-clinical and toxicological studies;
- **phase I and phase II** projects include GMP manufacturing of the API for phase I and II clinical trials, including stability studies, process and analytical development as well as regulatory documentation;
- **phase III projects** includes GMP manufacturing of an API for the use in phase III clinical trials, including process validation (manufacturing of PPQ batches) and analytical method validation as well as regulatory documentation (NDA filing support).

Active custom projects include (i) projects with ongoing manufacturing activities; (ii) projects with ongoing non-manufacturing activities (development, analytical services, regulatory, stability studies); (iii) projects with open orders in the Group's accounting system pending to be delivered; and (iv) projects that are active on the customer's end, but not necessarily active at PolyPeptide (i.e., when the customer is conducting pre-clinical or clinical studies, formulation studies, etc.).

As part of an annual customer survey commissioned to a third party, PolyPeptide systematically monitors customer-related performance indicators, including the Net Promoter Score (NPS). This is considered to be a key metric that allows the tracking of promoters and detractors within the customer base and the measurement of the organization's performance through its customers' eyes.

Alternative Financial Performance Measures (APM)

Revenue at constant currency rate: Revenue translated into the presentation currency, EUR, using the weighted average EUR currency exchange rate from the prior period. This measure provides additional transparency on revenue trends by excluding the impact of fluctuations in exchange rates.

Gross Margin: Gross profit as a percentage of revenue.

Adjusted EBITDA: EBITDA adjusted for non-recurring expenses or income to better reflect the underlying performance of the business.

Adjusted EBITDA Margin: Adjusted EBITDA as a percentage of revenue.

EBITDA: Operating result (EBIT) plus depreciation, amortization and impairment charges (if any).

EBITDA Margin: EBITDA as a percentage of revenue.

Operating result (EBIT): Earnings before total financial result and income tax charge.

Capital expenditures (Capex): Investments in property, plant and equipment assets and intangible assets capitalized during a reporting period.

Net operating assets: The sum of Non-current assets plus Current assets less Cash and cash equivalents less Current liabilities.

Return on net operating assets (RONOA): Last twelve months Operating result in percentage of average Net operating assets.

Equity ratio: Equity at the end of the period divided by Total assets at the end of the period.

Free Cash Flow (FCF): Net cash flows from operating activities less cash paid for acquisition of intangible assets less cash paid for acquisition of property, plant and equipment assets.

Net Cash: Cash and cash equivalents less lease liabilities less other financial liabilities.

Proposed cash distribution per share: Proposed cash distribution divided by total number of outstanding shares as at 31 December.

Headcount: Number of people employed by PolyPeptide at the time indicated (i.e. excluding contractors).

Reconciliations

Operating result to EBITDA and Adjusted EBITDA

kEUR	2022	2021	2020
Operating result (EBIT)	12,607	64,165	44,378
Depreciation, amortization and impairment charges (if any)	26,063	20,683	17,545
EBITDA	**38,670**	**84,848**	**61,923**
Government loans waived	0	-2,370	0
IPO consultancy services	0	1,381	0
IPO cash bonus	0	1,342	0
IPO share bonus	0	2,998	0
Equipment damage provision	0	0	-489
Costs related to the IPO	0	0	524
Adjusted EBITDA	**38,670**	**88,199**	**61,958**

Return on net operating assets (RONOA)[1]

kEUR	2022	2021	2020
Operating result (EBIT)	12,607	64,166	44,378
Average[1] Net operating assets:			
Total non-current assets (average)	293,822	229,773	179,293
Total current assets (average)	291,588	255,734	161,266
Cash and cash equivalents (average)	-86,916	-76,756	-17,358
Total current liabilities (average)	-100,007	-102,905	-79,893
Average[1] Net operating assets	398,487	305,846	243,308
Return on net operating assets (RONOA)	**3.2%**	**21.0%**	**18.2%**

[1] The average amounts are calculated as: (Current period's figures + prior period's figures) / 2.

Proposed cash distribution per share

	2022	2021	2020
Result for the year (kEUR)	7,767	47,258	31,335
Proposed pay-out ratio (%)	0.0%	20.3%	0.0%
Proposed cash distribution (kEUR)	–	9,613	–
Exchange rate (EUR/CHF)	–	0.97	–
Proposed cash distribution (kCHF)	–	9,931	–
Number of outstanding shares as at 31 December ('000)	–	33,105	–
Proposed cash distribution per share (CHF)	**–**	**0.30**	**–**

Free Cash Flow

kEUR	2022	2021
Net cash flows from operating activities	5,460	57,352
Acquisition of intangible assets	-3,665	-3,747
Acquisition of property, plant and equipment	-75,099	-73,961
Free Cash Flow	**-73,304**	**-20,356**

Net Cash

kEUR	2022	2021
Cash and cash equivalents	37,528	136,303
Interest-bearing liabilities (Total financial debt):		
Lease liabilities (Non-current)	-17,652	-14,947
Other financial liabilities (Non-current)	-9,410	-10,302
Lease liabilities (Current)	-3,566	-3,058
Other financial liabilities (Current)	-1,096	-1,145
Interest-bearing liabilities (Total financial debt)	-31,724	-29,452
Net Cash	**5,804**	**106,851**

Revenue at constant currencies[1]

kEUR	2022	2021
Revenue at constant currencies[1]	273,868	282,226
Impact from changes in exchange rates compared to prior period	7,110	-100
Revenue reported (IFRS)	**280,978**	**282,126**

[1] Revenue translated into the presentation currency, EUR, using the weighted average EUR currency exchange rate from the prior period.

Change in revenue

	2022 vs 2021	2021 vs 2020
Change in revenue reported (IFRS) (%)	-0.4%	53.9%
Change in revenue at constant currencies (%)	-3.0%	55.5%

Coronavirus pandemic

kEUR	2022	2021
Revenue associated with the coronavirus pandemic	50,710	63,194
Revenue not associated with the coronavirus pandemic	230,268	218,932
Revenue reported (IFRS)	**280,978**	**282,126**

Capital expenditures (Capex)

kEUR	2022	2021
Property, plant and equipment assets capitalized	79,350	72,542
Intangible assets capitalized	3,635	4,110
Capital expenditures (Capex)	**82,985**	**76,652**

Legal Note

Cautionary statement on forward-looking information: This report has been prepared by PolyPeptide Group AG and includes forward-looking information and statements concerning the outlook for the Group's business. These statements are based on current expectations, estimates and projections about the factors that may affect the Group's future performance. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates”, “targets”, “plans”, “projects”, “outlook” or similar expressions.

There are numerous risks, uncertainties and other factors, many of which are beyond PolyPeptide Group AG’s control, that could cause the Group's actual results to differ materially from the forward-looking information and statements made in this Annual Report and that could affect the Group's ability to achieve its stated targets. The important factors that could cause such differences include, among others: relationships with employees, customers and other business partners; strategies of competitors; manufacturing capacity and utilization; quality issues; supply chain matters; legal, tax or regulatory disputes; and changes in the political, social and regulatory framework in which the Group operates, or in economic or technological trends or conditions. Although PolyPeptide Group AG believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

Alternative Financial Performance Measures (APM): This report contains references to operational indicators, such as customer projects, and APM that are not defined or specified by IFRS, including revenue at constant currency rates, EBITDA, adjusted EBITDA, adjusted EBITDA margin, net operating assets, return on net operating assets, capital expenditures, equity ratio, net working capital, free cash flow, net cash, total financial debt and revenue associated with the coronavirus pandemic. These APM should be regarded as complementary information to and not as substitutes for the Group’s consolidated financial results based on IFRS. These APM may not be comparable to similarly titled measures disclosed by other companies. For the definitions of the main operational indicators and APM used, including related abbreviations, as well as for selected reconciliations to IFRS, refer to the section “Definitions and reconciliations” in this report.

For the purposes of this report, unless the context otherwise requires, the term “the Company” means PolyPeptide Group AG, and the terms “PolyPeptide”, “the Group”, “we”, “us” and “our” mean PolyPeptide Group AG and its consolidated subsidiaries. In various tables, the use of “-” indicates not meaningful or not applicable.

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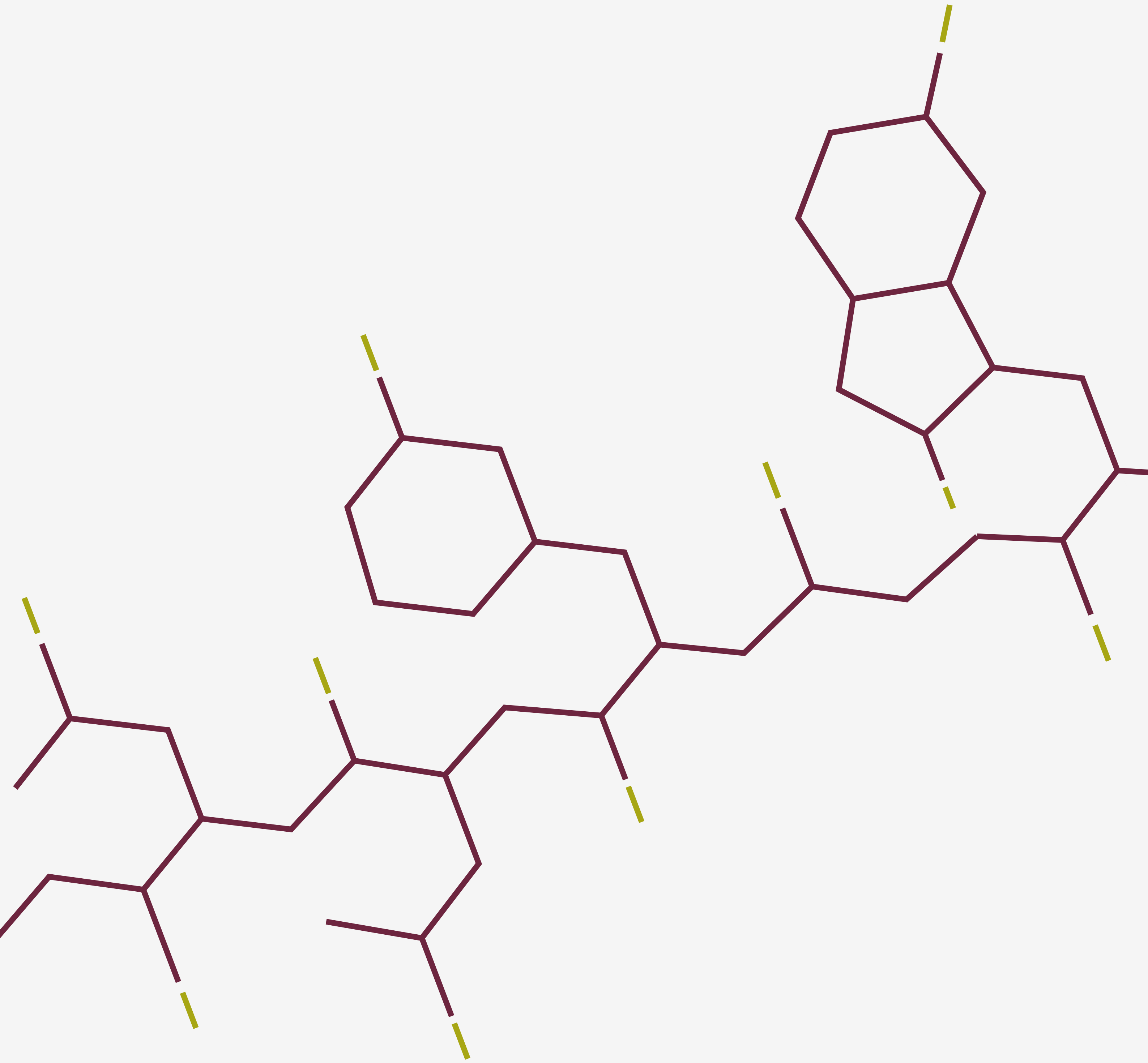

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