

Annual Report 2021

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Remuneration Report

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Letter from the Chairman of the Remuneration and Nomination Committee



"Our goal is to ensure that our remuneration provides optimal incentives for successful leadership and is closely aligned with the interests of our shareholders."

Philippe Weber

Chairman of the Remuneration and Nomination Committee

Dear Shareholders,

On behalf of the Board of Directors and the Remuneration and Nomination Committee, it is my pleasure to share with you PolyPeptide's first Remuneration Report as a publicly listed company. The Remuneration Report explains our remuneration policies, principles and elements, as well as how PolyPeptide's performance results impacted the variable incentive payments to the Executive Committee. This report also includes a review of the key activities and decisions of the Remuneration and Nomination Committee following PolyPeptide's first day of trading on SIX Swiss Exchange on 29 April 2021.

Since PolyPeptide went public, a key focus of the Remuneration and Nomination Committee has been to develop a remuneration structure and governance framework that is simple, clear and transparent. Our goal is to ensure that our remuneration provides optimal incentives for successful leadership and is closely aligned with the interests of our shareholders.

In furtherance of this, in 2021 the Remuneration and Nomination Committee refined the short-term incentive program for the Executive Committee that more closely links performance to pay and introduced PolyPeptide's share-based long-term incentive program. For 2021, a portion of the current CEO's variable pay qualified under the long-term incentive program, and during the upcoming year, we plan to further expand the eligible long-term incentive program target group.

In the coming period, we will continue to proactively assess and review our remuneration programs to ensure that they are fulfilling their purpose, remaining competitive to attract the best talent and rewarding individual performance, competence and desired behaviors in line with PolyPeptide's values and leadership principles. Our aim is to balance fixed and variable compensation and short- and long-term incentives so that management's interests are aligned with those of our shareholders. In short, we want to create a culture of sustainable value creation.

Remuneration Report

We encourage candid dialogue with our shareholders as we continue to develop and evolve our remuneration structure. At the general meeting in April 2022, 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 2023 and (ii) to the Executive Committee for the financial year 2023. We respectfully ask for your endorsement of these agenda items at the general meeting in April 2022.

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

Sincerely,

Philippe Weber

Chairman of the Remuneration and Nomination Committee

Remuneration Report 2021

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") as well as PolyPeptide Group AG's Articles of Association and, with respect to compensation disclosure, in compliance with the SIX Swiss Exchange Directive on Information relating to Corporate Governance ("DCG") and the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse.

1 Remuneration governance

1.1 Articles of Association

Our [Articles of Association](#)¹ include the principles governing remuneration. The key provisions are summarized below.

Table 1: Articles of Association

Votes on compensation Article 13	<p>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 based components) that may be paid or allocated in the subsequent business year.</p>
Principles of compensation Board of Directors Article 25 para. 1	<p>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 form of shares in the Company and other benefits.</p>
Additional services by Directors Article 25 para. 3	<p>Members of the Board of Directors providing 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.</p>
Principles of compensation Executive Committee Article 26 para. 1	<p>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 form of shares in the Company and other benefits.</p>
Short-term and long-term variable compensation Article 26 paras 2-4	<p>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.</p>
Agreements related to compensation and maximum contract terms of the Executive Committee Article 24	<p>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.</p>
Additional compensation for new members of the Executive Committee Article 29	<p>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.</p>

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. 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](#)², 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.

¹ PolyPeptide Group AG's Articles of Association are available at <https://group.polypeptide.com/investors/corporate-governance/>.

² PolyPeptide Group AG's Organizational Regulations are available at <https://group.polypeptide.com/investors/corporate-governance/>.

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 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

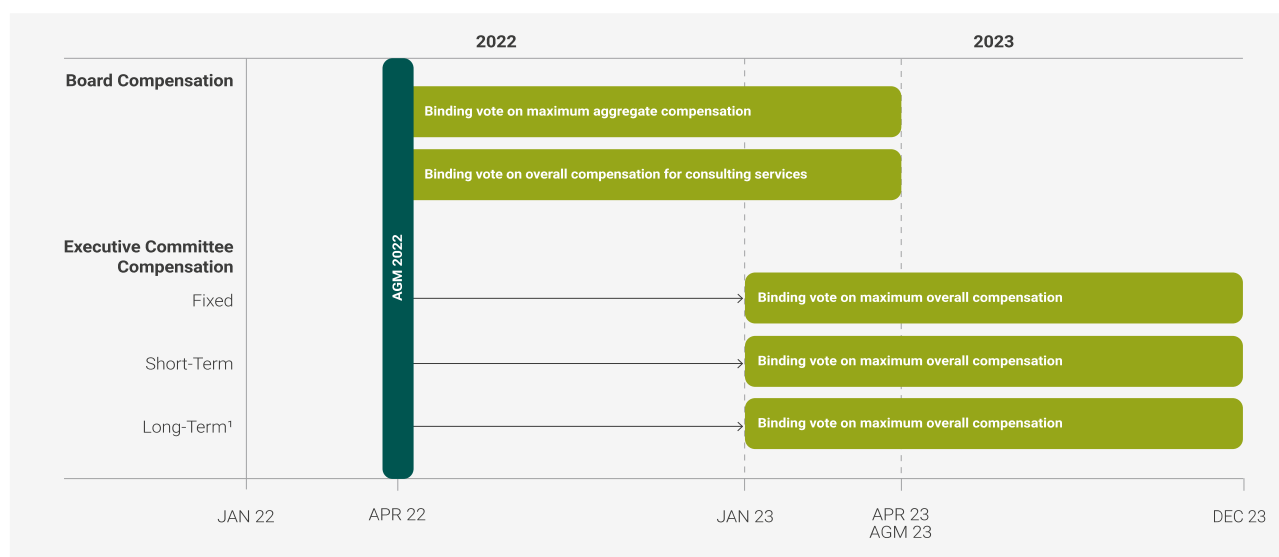
	Proposes	Reviews	Approves
Remuneration principles (Articles of Association)	Remuneration and Nomination Committee	Board	AGM
Remuneration Report	Remuneration and Nomination Committee	Board	Board AGM (with consultative vote)
Maximum aggregate amount of compensation for the Board	Remuneration and Nomination 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 of the other EC members	Remuneration and Nomination Committee		Board

The Board of Directors will submit three separate compensation-related resolutions for shareholder approval at the upcoming general meeting 2022:

- 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);
- The maximum overall compensation of the Executive Committee (fixed and variable based components) for the financial year 2023; 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 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 2022



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.

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 and the performance criteria related to compensation and periodical review of their implementation as well as 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 that 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 2021, the Remuneration and Nomination Committee consisted of two members (Peter Wilden and Philippe Weber) and was chaired by Philippe Weber.

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 PolyPeptide had its first day of trading on 29 April 2021, the Remuneration and Nomination Committee met three (3) times with all members present, in a combination of in-person sessions and video conferences, for an average duration of one and a half 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 from each Remuneration and Nomination Committee meeting are also circulated to the full Board once available for their review.

The Remuneration and Nomination Committee may invite to meetings and communicates periodically with the CEO, the CFO and the Director Global Human Resources, 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).

During the year ended 31 December 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.

Remuneration Report

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 2021:

- Review of remuneration principles, strategy and structure
- Establishment of rules for the long-term incentive program
- Individual performance targets and weighting for the 2021 variable short-term incentive for the members of the Executive Committee
- Individual performance targets for the 2021 variable long-term incentive for the CEO
- The structure and approach to the Remuneration Report 2021, including analysis on remuneration disclosure
- Succession planning at PolyPeptide
- Review results of reference group benchmarking in relation to the long-term incentive program as well as Board and Executive Committee remuneration

For more information, see also [section 3.5.3.1 “Remuneration and Nomination Committee” of the Corporate Governance Report 2021](#).

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

In connection with the IPO and in establishing the remuneration framework for the newly listed Company, the members of the Remuneration and Nomination Committee reviewed and took into account (i) published industry benchmarking studies, including Swiss-focused reports issued by PwC Switzerland and (ii) evaluated the remuneration and the composition of the remuneration (e.g., cash only or cash and shares) of similarly sized Swiss and international listed life science companies and contract and development manufacturing organizations (CDMOs) (e.g., on the basis of revenue, number of employees and market capitalization).³

The benchmarking assessment generally showed that the existing and contemplated remuneration levels and structure (including the proportion and discount associated with any Board share-based payments) at PolyPeptide were comparable at the median range to the defined reference market. Thus, the benchmarking assessment was used as a basis to support the compensation proposals for the Board of Directors and the Executive Committee made to and ultimately approved at the extraordinary general meeting held on 19 April 2021 (the "EGM 2021") (see [section 4.2 "2021 compensation of the Board of Directors"](#) and [section 5.2.2 "2021 aggregate compensation of the Executive Committee" of this Remuneration Report](#)). The Remuneration and Nomination Committee believes that the remuneration levels and framework will provide a competitive compensation package and allow PolyPeptide to access best in class candidates.

³ The similarly sized Swiss and international listed life science companies and CDMOs included Idorsia Ltd, Medacta Group SA, Bachem Holding AG and Siegfried Holding AG.

In the future and to support compensation recommendations to the Board of Directors, the Remuneration and Nomination Committee will annually (or more often as required) benchmark the compensation of the members of the Board of Directors and the Executive Committee against the compensation of comparable companies to ensure that PolyPeptide's remuneration continues to be guided by its established principles and remuneration levels remain competitive to support the retention and attraction of talent. For these purposes, the Remuneration and Nomination Committee currently views similarly sized Swiss and international listed life science companies and CDMOs (e.g., on the basis of revenue, number of employees and market capitalization) as relevant for their analysis.⁴

However, when undertaking such benchmarking exercises in the future, the Remuneration and Nomination Committee will critically consider the relevant reference groups as well as the findings and will exclude companies that skew the comparative results due to their unique corporate governance frameworks or other factors that may impact the comparability. The Remuneration and Nomination Committee will further continue to place particular emphasis on selecting functions and responsibilities that reflect PolyPeptide's global activities, the growing complexity of its industry as well as the Group's expanding human capital management responsibilities with an increasing number of employees. Following such assessments, the Remuneration and Nomination Committee may propose to the Board of Directors any compensation adjustments (e.g., increases / decreases in base salaries or changes in the proportion of the compensation components) for proposal to the general meeting. The Remuneration and Nomination Committee may also decide to consult external advisors for specific remuneration matters and related topics.

⁴ The similarly sized Swiss and international listed life science companies and CDMOs included Idorsia Ltd, Medacta Group SA, Bachem Holding AG and Siegfried Holding AG.

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

According to [art. 24 of the Articles of Association](#) and in line with art. 3 para. 2 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. 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. 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.

Currently, all members of the Executive Committee are employed under contracts of unlimited duration with a notice period up to a maximum of twelve 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 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.

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 a lump sum compensation for expenses 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 form of shares in the Company and other benefits. In case 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 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 will be granted at a discount of 20% to market price.⁵ 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.

⁵ 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		Pay Mix ¹	
Base fees		<div> <div>50% Blocked shares</div> <div>50% Cash</div> </div>	<div>3-year blocking period</div>
Chairman	300,000		
Lead Independent Director and Vice Chairman	160,000		
Other members	140,000		
Committee chairman fees			
Audit and Risk Committee	40,000		
Remuneration and Nomination Committee	40,000		
Innovation and Technology Committee	40,000		

¹ Board members have the option to elect 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).

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 down 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 and until the resignation date, and any compensation already received in excess of the pro-rata entitlement are 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 providing 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 2021, see [section 4.2 "2021 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 2021 compensation of the Board of Directors

The following table shows the compensation of the Board of Directors for the period from 7 April 2021 to 31 December 2021. In light of the Company's incorporation in 2021 and its recent IPO, there are no meaningful prior year comparisons. For the current period (*i.e.*, until the general meeting 2022), 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: 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 Directors⁵		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 down 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 2021](#)), waived all compensation for his Board duties for the term of office from the EGM 2021 to the general meeting 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 services rendered on the board of PolyPeptide Laboratories Holding B.V. (the Group's predecessor holding company). For detailed information on the IPO Recognition Bonus, see [section 6 "IPO Recognition Bonus" of this Remuneration Report](#).

³ Jane Salik also received separate compensation for her role on the Executive Committee up and until 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 the table presented in [section 5.2.2 "2021 aggregate compensation of the Executive Committee" of this Remuneration Report](#). 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 this Remuneration Report](#).

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), well within the CHF 1 million limit approved by the EGM 2021.

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 this Remuneration Report](#).

For the term to the general meeting 2022, the EGM 2021 approved a maximum aggregate amount of fixed compensation for the Board of Directors of CHF 1.6 million (including social security costs, etc.). The table below 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 shareholders:

Table 6: 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 1,120,867 ¹	CHF 1,600,000	Approved EGM 2021

¹ The amount represents an estimate for the term of office from EGM 2021 to the general meeting 2022. The final amount will be disclosed in the Remuneration Report 2022. The amount is calculated as an estimate for the six members of the Board of Directors elected at the EGM 2021, of which one member (Erik Schropp) waived his compensation for his Board duties for the current term of office.

Importantly, the amount of compensation granted for the period referenced in the table above does not include the IPO Recognition Bonus that Erik Schropp and Jane Salik received following the successful IPO 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 this Remuneration Report](#).

In addition, with reference to [art. 25 para. 3 of the Articles of Association](#), for the period from the EGM 2021 until 31 December 2021, the Group paid CHF 122,559 to Niederer Kraft Frey AG (NKF), where Philippe Weber (Director) is a Partner, for legal services in relation to ongoing legal matters (other than in relation to the IPO), well within the CHF 1 million limit approved by the EGM 2021. The final amount for the period between EGM 2021 to the general meeting 2022 will be disclosed in the Remuneration Report 2022.

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 2021 to current or former members of the Board of Directors or to persons closely associated with current or former members of the Board of Directors.

In addition, during the period under review no compensation, which was not at market terms or standards, was directly or indirectly paid or granted to persons closely associated with current or former members of the Board of Directors.

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. 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 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 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.

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

Table 7: Remuneration framework for the Executive Committee

Component	Instrument	Purpose	Criteria
Fixed compensation			
Base salary	Monthly 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, insurances and benefits	Safeguard employees and their dependents in the event of retirement, sickness, inability to work and 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 program¹	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 the current CEO. However, the Remuneration and Nomination Committee is currently evaluating the expansion of the LTIP to cover additional members of 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 basis. 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, together with market conditions (see [section 2 "Remuneration philosophy and principles" of this Remuneration Report](#) for further information regarding benchmarking analyses) and competitiveness are also considered.

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 and 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 the market practice, such additional benefits may include company car or car allowance, health coverage, 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 are disclosed in the compensation table.

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 table 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 claw-back 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 2021 STIP

For the year ended 31 December 2021, the individual target incentive amount for the former and current CEO corresponded to 60.0% of base salary and for the other four members of the Executive Committee to 35.0% of base salary. The maximum payout amount for the former and current CEO is equivalent to 90.0% of base salary and for other four members of the Executive Committee on average to 52.5% of base salary.

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 2021, the STIP objectives for the Executive Committee comprised both financial and individual performance objectives, as detailed in the table below.

Table 8: 2021 STIP performance objectives and weighting for the Executive Committee

Focus in 2021	Performance objective	Weighting
CEO¹		
Growth	Revenue	40%
Profitability	Adjusted EBITDA	40%
Individual performance	Personal objectives	20%
Other members of the Executive Committee		
Growth	Revenue	25%
Profitability	Adjusted EBITDA	25%
Global Balance Scorecard ²	Group operational performance	30%
Individual performance	Personal objectives	20%

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. 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. See also [section 5.2.2 "2021 aggregate compensation of the Executive Committee" of this Remuneration Report](#).

² The Global Balanced Scorecard contains quantified targets on "on time in full" (OTIF), quality, people retention, environmental health and safety, independent customer feedback, innovation initiatives and critical project execution.

The identified performance objectives have been 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. 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 11 in section 5.2.1 "Overview and performance assessment" of this Remuneration Report](#) for an overview of the STIP target performance in 2021). As a general principle, though, both the financial, operational and individual performance targets set each year incorporate significant improvements against the previous year's achievements.

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 determines 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.

5.1.4.1 LTIP Plan⁶

During the second half of 2021, the Board of Directors adopted the LTIP rules (the "Plan"). For the period under review, the only recipient under the LTIP is the current CEO. However, the Remuneration and Nomination Committee is currently evaluating the expansion of the LTIP to cover additional members of the Executive Committee as well as other members of senior management in future periods.

According to the Plan, in any calendar year from and including 1 January through 31 December (a so-called "Plan Year"), the 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).

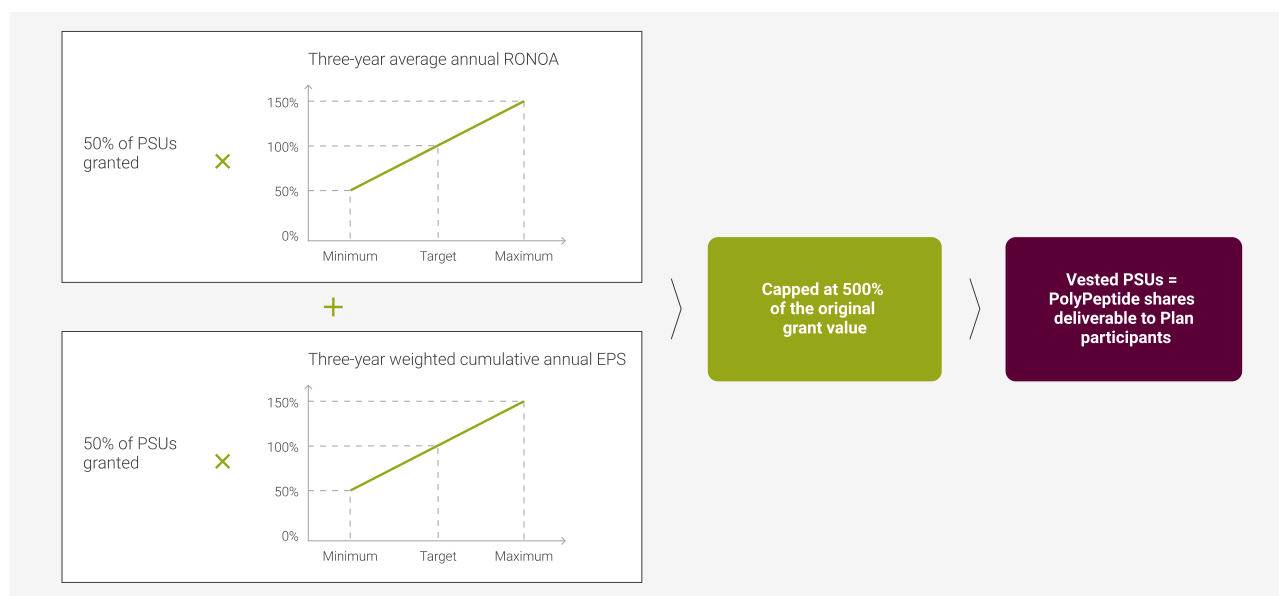
For awards made to any members of the Executive Committee (including the current CEO in 2021), the Board of Directors approves any granting of PSUs upon recommendation of the Remuneration and Nomination Committee and such number of PSUs are/will be subject to the amounts approved at the applicable general meeting. With regard to the current CEO, his employment agreement provides an annual target value for the allocation of PSUs. 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.

⁶ Summary of the relevant LTIP Plan; not comprehensive.

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 earnings per share (EPS) of the Company, as attributable to shareholders on a fully diluted basis, 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 last twelve months operating result in percent of average net operating assets and expresses how well PolyPeptide utilizes its assets to generate earnings. EPS illustrates PolyPeptide's profitability. 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%.

Table 9: LTIP Plan



In preparing the proposals for the RONOA and EPS targets for the LTIP 2021 award (and as ultimately approved by the Board of Directors), the Remuneration and Nomination Committee assessed, *inter alia*, PolyPeptide's historical growth and performance, its strategic and business plans as well as the expectations from equity analysts currently following PolyPeptide. 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).

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.

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.

Generally, in case of termination of employment, PSUs are forfeited without any 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 or disability, PSUs are subject to a pro-rata vesting 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).

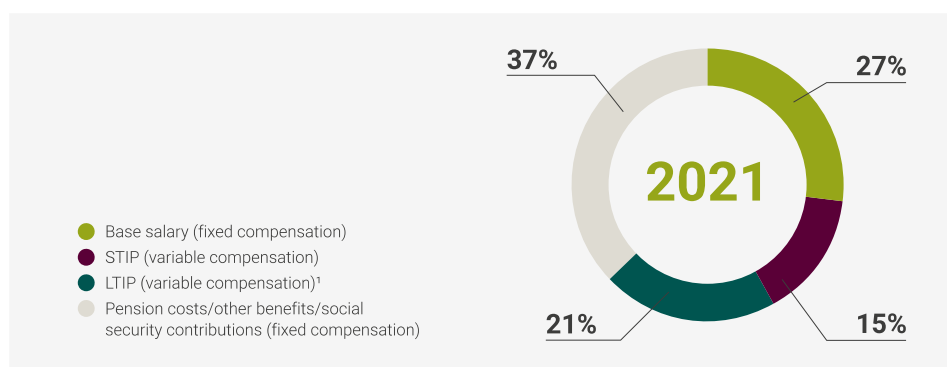
5.2 2021 compensation of the Executive Committee

5.2.1 Overview and performance assessment

For the year ended 31 December 2021, the Executive Committee received base salary, 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 2021 total variable compensation of the current CEO (i.e., STIP and LTIP) amounted to 48.6% of his total compensation and 94.7% of his total fixed compensation (i.e., base salary, pension costs, other benefits and social security contributions). The total variable compensation of the former CEO, the (i.e., STIP only) amounted to 39.5% of her total compensation and 65.3% of her 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 current and former CEO), the total variable compensation (i.e., STIP only) amounted to on average 18.1% of the total compensation and 22.0% 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 10: Breakdown of Executive Committee compensation

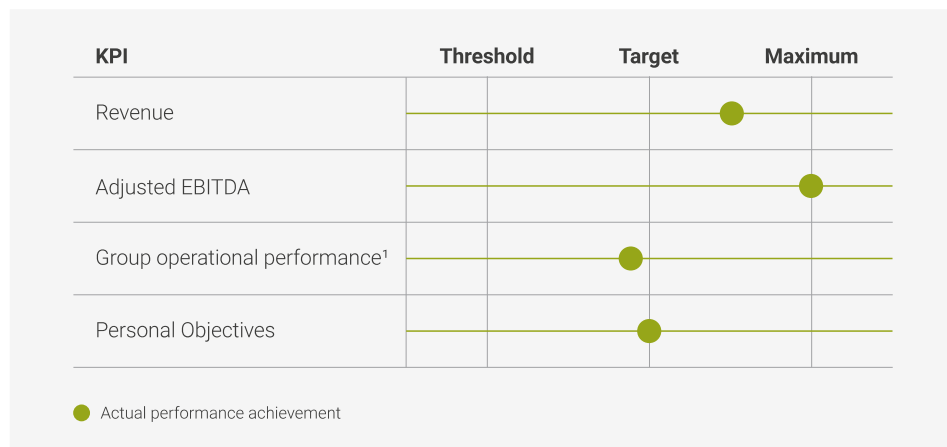


¹ For the year ended 31 December 2021 the only eligible participant in the LTIP was the current CEO.

In light of PolyPeptide's reported revenue growth of 26.5% and adjusted EBITDA growth of 42.4%, the STIP 2021 financial performance objectives exceeded their targets for growth and profitability, reaching the maximum target for adjusted EBITDA. With regard to the Global Balanced Scorecard, the Group's overall achievement was slightly below target. Upon recommendation of the Remuneration and Nomination Committee following its assessments of the respective individuals, the Board determined that the former and current CEO as well as

the other members of the Executive Committee also achieved their targets (*i.e.*, 100%) for each of their respective personal objectives. The table below illustrates the outcome of the STIP performance targets for 2021 (see [table 8 in section 5.1.3.2 “2021 STIP” of this Remuneration Report](#) for an overview of the 2021 STIP performance objectives and weighting for the Executive Committee).

Table 11: 2021 STIP performance of objectives



¹ Executive Committee members other than the current and former CEO.

Thus, under the STIP, the combined payout for the financial, operational and individual performance targets is 131.0% of the STIP target incentive amount for the former and current CEO and 117.1% of the STIP target incentive amounts for the other members of the Executive Committee.

In 2021, the current CEO was the only employee eligible to participate in the LTIP and was granted 6,606 PSUs.

5.2.2 2021 aggregate compensation of the Executive Committee

The following table shows the total aggregate compensation for the former and current CEO (the highest paid members of the Executive Committee during the respective periods) as well as the aggregate amount for the other four members of the Executive Committee (i.e., excluding the former and current CEO) for the period from 1 January 2021 to 31 December 2021. In light of the Company's status as a newly listed company, there are no meaningful prior year comparisons.

Table 12 Compensation of the Executive Committee
(1 January 2021 – 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 ⁷	197,471	280,041	437,153	914,665
LTIP Grant ⁸	–	1,296,097	–	1,296,097
Total compensation⁹	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. For information regarding her separate compensation as member of the Board of Directors, see [section 4.2 "2021 compensation of the Board of Directors" of this Remuneration Report](#). 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 this Remuneration Report](#).

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.

³ Other benefits may include company car or car allowance, health coverage, 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 this Remuneration Report](#).

⁴ In addition to applicable other 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 are subject to continuous employment at the Group and will vest over a period of three years, one-third each year starting in June 2022. The shares are entitled to dividends, if any, during the vesting period. To further compensate Raymond 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) vesting at the beginning of July 2022. For an overview of the vesting of these shares, see footnote 3 to the table 15 in [section 7 "Ownership of shares and options" of this Remuneration Report](#). The EGM 2021 approved the transition compensation for Raymond De Vré in the maximum aggregate amount of CHF 1.4 million for loss of options and other entitlements (including bonuses) from termination of his previous employment agreement, of which CHF 1,155,147 has been paid and/or granted, as the case may be. The value of the shares is calculated at the 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](#)).

⁵ A member of the Executive Committee received a one-time IPO Appreciation Bonus in the form of cash funded by PolyPeptide in acknowledgement for the substantial time commitment involved in the preparation and execution of the IPO. For information regarding the separate 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 this Remuneration Report](#).

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 STIP for 2021 to be paid by 30 June 2022.

⁸ 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 is Raymond De Vré, the current CEO. The LTIP value at vesting may vary based on performance outcomes and the share price at the time of vesting.

⁹ 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.

For the financial year 2021, the EGM 2021 approved a maximum aggregate amount of fixed and variable compensation for the Executive Committee of CHF 7.0 million (including social security contributions, etc.). 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.

The table 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 shareholders:

Table 13: 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	CHF 7,000,000	Approved EGM 2021
1 January 2022 – 31 December 2022	–	CHF 7,000,000	Approved EGM 2021

¹ The amount presented excludes the CHF 1,155,147 that Raymond De Vré has been 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 the current CEO in the amount of CHF 1.4 million. For further information, please refer to [footnote 4 to table 12 in section 5.2.2 "2021 aggregate compensation of the Executive Committee" of this Remuneration Report](#).

Importantly, the amount of compensation granted for the year ended 31 December 2021 reflected in the table above does not include 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). For detailed information on the IPO Recognition Bonus, see [section 6 "IPO Recognition Bonus" of this Remuneration Report](#).

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 2021 to current or former members of the Executive Committee or to persons closely associated with current or former members of the Executive Committee.

In addition, during the period under review no compensation was directly or indirectly paid or granted to persons closely associated with current or former members of the Executive Committee.

6 IPO Recognition Bonus

Following the successful IPO, Draupnir Holding B.V. (as the selling shareholder) granted and funded (or reimbursed, as the case may be) a bonus to eligible members of the Board of Directors and the Executive Committee as well as other eligible employees and a former director of PolyPeptide Laboratories Holding B.V. (the Group's predecessor holding company) in recognition of their past efforts to the Group. The IPO Recognition Bonus was paid in cash; however, eligible members of the Board of Directors, the Executive Committee and certain other senior managers received 50% of their IPO Recognition Bonus in shares.

The EGM 2021 approved the IPO Recognition Bonus in a cumulative amount of EUR 7.0 million (excluding social security costs, etc.), of which the following amounts set forth in the table below were paid and/or granted to eligible members of the Board of Directors and the Executive Committee as well as other eligible employees and a former director of PolyPeptide Laboratories Holding B.V. (the Group's predecessor holding company). All costs, including additional associated costs (e.g., social security contributions), were fully reimbursed by Draupnir Holding B.V. (i.e., the Company did not incur any costs or make any additional contributions in association with the IPO Recognition Bonus).

Table 14: IPO Recognition Bonus paid / granted by Draupnir Holding B.V.

EUR	Cash compensation	Share-based compensation	Total (cash and shares)	Social security and other contributions ⁵	Total IPO Recognition Bonus
Erik Schropp ¹	185,000	185,000	370,000	–	370,000
Jane Salik ²	1,000,000	1,000,000	2,000,000	17,608	2,017,608
Jan Fuhr Miller ³	450,000	450,000	900,000	7,924	907,924
Jan Christensen ³	450,000	450,000	900,000	460,884	1,360,884
Daniel Lasanow ³	450,000	450,000	900,000	477,770	1,377,770
Other employees ⁴	1,485,000	445,000	1,930,000	516,818	2,446,818
Total	4,020,000	2,980,000	7,000,000	1,481,004	8,481,004

¹ Erik Schropp previously served as a member of the board of directors of PolyPeptide Laboratories Holding B.V. (the Group's predecessor holding company). Erik Schropp is also a member of the Company's current Board of Directors. For further information, see [section 4.2 "2021 compensation of the Board of Directors"](#) of this Remuneration Report.

² 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. For information regarding her compensation as member of the Board of Directors, see [section 4.2 "2021 compensation of the Board of Directors"](#) of this Remuneration Report. For information regarding her compensation related to her services as CEO and member of the Executive Committee during the period from 1 January 2021 to 17 August 2021, see [section 5.2.2 "2021 aggregate compensation of the Executive Committee"](#) of this Remuneration Report.

³ Jan Fuhr Miller (CFO), Jan Christensen (Director Global Sales and Marketing until 31 December 2021) and Daniel Lasanow (Director Global Operations). For information regarding their separate compensation as members of the Executive Committee, see [section 5.2.2 "2021 aggregate compensation of the Executive Committee"](#) of this Remuneration Report.

⁴ Consists of 18 other senior managers of PolyPeptide as well as a member of the board of directors of PolyPeptide Laboratories Holding B.V. (the Group's predecessor holding company), Peter Nilsson, who received EUR 90,000 in cash compensation and EUR 90,000 in share-based compensation.

⁵ Social contributions and other required contributions.

7 Ownership of shares and options

The members of the Board of Directors and Executive Committee held 0.2% of the outstanding shares as at 31 December 2021, as illustrated in the table below. The below table does not include any unvested PSUs.

Table 15: Shares held by members of the Board of Directors and the Executive Committee

Name	Role	Shares held as at 31 December 2021
Board of Directors¹		
Peter Wilden	Chairman	1,658
Patrick Aebischer	Vice-Chairman, Lead Independent Director	1,105
Erik Schropp	Member	3,193
Jane Salik ²	Member	17,737
Beat In-Albon	Independent Member	995
Philippe Weber	Independent Member	1,225
Executive Committee		
Raymond De Vré ³	CEO	16,486
Jan Fuhr Miller	CFO	7,767
Jan Christensen ⁴	Director Global Sales and Marketing	7,767
Daniel Lasanow	Director Global Operations	7,767
Christina Del Vecchio ⁵	General Counsel	–
Neil James Thompson ⁶	Director Global Sales and Marketing	1,122

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 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.

³ 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.

The 16,486 shares are subject to vesting periods and continuous employment at the Group. Specifically, 4,882 shares vest as of 1 June 2022 and 1,838 shares vest as of 1 July 2022. Thereafter, 4,883 shares vest as of 1 June 2023 and 4,883 shares vest as of 1 June 2024, respectively.

⁴ Member of the Executive Committee until 31 December 2021.

⁵ Member of the Executive Committee as of 1 September 2021.

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

As of 31 December 2021, Raymond De Vré (CEO) held a total of 6,606 PSUs with respect to grants made under the LTIP in 2021.

As of 31 December 2021, none of the members of the Board of Directors or the Executive Committee held any stock options.

8 Other remuneration-related information under the OAEC

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.



Phone +41 44 444 35 55
Fax +41 44 444 35 35
www.bdo.ch

BDO Ltd
Schiffbaustrasse 2
8031 Zurich

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of PolyPeptide Group AG, Zug

We have audited the remuneration report of PolyPeptide Group AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14 - 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in table 5 "Compensation of the Board of Directors (7 April 2021 - 31 December 2021)" on page 89 and table 12 "Compensation of the Executive Committee (1 January 2021 - 31 December 2021)" on page 98 and table 14 "IPO Recognition Bonus paid / granted by Draupnir Holding B.V." on page 100 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 - 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 - 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2021 of PolyPeptide Group AG complies with Swiss law and articles 14 - 16 of the Ordinance.

Zurich, 10 March 2022

BDO Ltd

René Füglistner

Auditor in Charge
Licensed Audit Expert

ppa. Fabian Hatzi

Licensed Audit Expert

BDO Ltd, a limited company under Swiss law, incorporated in Zurich, forms part of the international BDO Network of independent member firms.

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', '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 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 and total financial debt. These APM should be regarded as complementary information to and not as substitutes of 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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PolyPeptide Group AG

Dammstrasse 19
6300 Zug, Switzerland
info@polypeptide.com
www.polypeptide.com

Investor Relations

Phone: +41 (0) 41 723 20 34
investorrelations@polypeptide.com

Media / Corporate Communications

Phone: +41 (0) 41 723 20 34
media@polypeptide.com

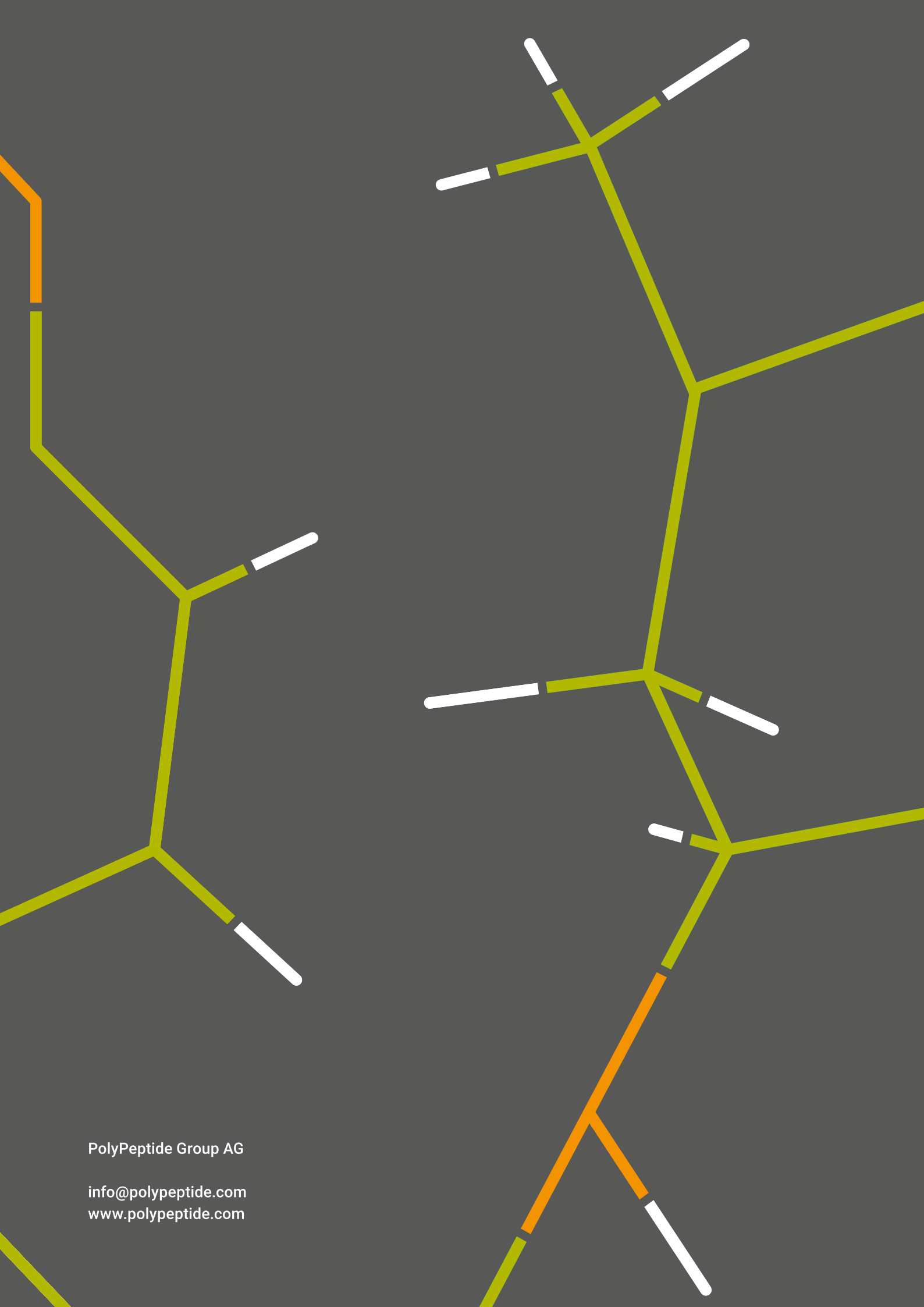
Share register and share information

areg.ch
Fabrikstrasse 10
4614 Hägendorf, Switzerland
Phone: +41 (0) 62 209 16 60
info@areg.ch

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PolyPeptide Group AG

info@polypeptide.com
www.polypeptide.com