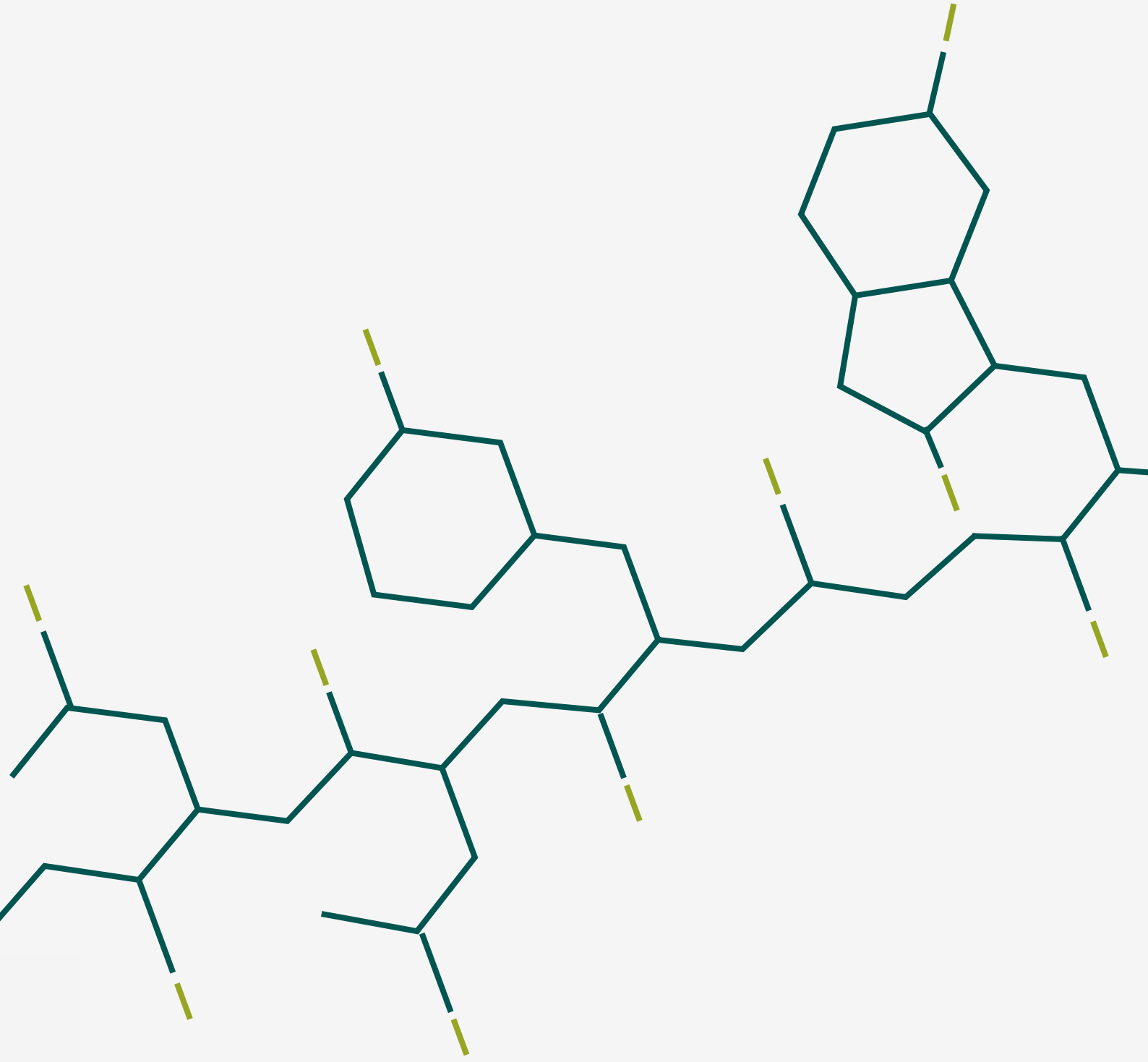
23 ANNUAL REPORT

A focused CDMO for peptides and oligonucleotides

INNOVATION | EXCELLENCE | TRUST



PolyPeptide

Content Overview

Management Report

Editorial

Peter Wilden, Chair of the Board of Directors, and Juan José González, Chief Executive Officer

2023 – Transformational progress continues

We started the year with a clear focus to address the operational challenges that had emerged in 2022. While these obstacles continued to impact our performance, PolyPeptide's agenda for operational improvements gained traction and delivered notable results in the second half of 2023:

- In H2 2023, we achieved revenue growth of over 40% compared to H1 2023, which we also see as supporting evidence of the market attractiveness and strong reputation of PolyPeptide among its customers. With this acceleration, revenue growth for the full year reached 14%.

- While continuously ramping up capacity for further growth, profitability improved in H2 2023, with EBITDA of EUR 13.4 million versus EUR -19.4 million in H1 2023.

- Cash flow from operating activities strengthened in H2 2023 to EUR 84.8 million versus EUR -48.3 million in H1 2023, also reflecting progress with our commercial model as evidenced by the increase of customer prepayments to secure capacity.

Though we are pleased with our progress, PolyPeptide finished the year with a negative EBITDA margin of -1.9% and a substantial net loss of EUR 51.4 million. There is still work in front of us to restore the profitability of the Company.

To ensure we have the financial flexibility to begin executing our agenda, we secured a revolving credit facility of EUR 111 million with the option to increase by EUR 40 million (uncommitted). In parallel, the Group's main shareholder agreed to extend its EUR 40 million credit facility.

On the customer front, we concluded three large mid-term commercial agreements, complementing the commercial agreement announced in December 2022, and positioning PolyPeptide for strong growth and value creation moving forward.

Throughout the reporting period, we also advanced our green chemistry program, which is vital for further improving our environmental footprint. In 2023, we were able to reduce solvent consumption relative to manufactured products by 24%, benefiting from the deployment of the Group's proprietary washing by percolation concept.

Attractive market

Based on third-party reports, we estimate the global peptide therapeutics market to be valued at around USD 40 billion. These reports forecast a robust high single-digit annual growth rate to the end of the decade. We believe these projections do not yet reflect the full potential from the emerging GLP-1 market, which in our view has significant momentum after recent drug approvals and the advancement of several drug candidates in clinical development.

Beyond GLP-1-related drugs, the market dynamics for peptide therapeutics is underpinned by the large number of ongoing development projects in areas including, but are not limited to, oncology, cardiology, neurology, and gastroenterology.

We anticipate an attractive growth trajectory for the CDMO market for peptides, given the strong pipeline of complex molecular entities under development and the rising demand for substantial volumes of manufactured peptides. We believe this marks a pivotal point for the industry, signaling a shift from laboratory-scale production to a robust industrial manufacturing model.

PolyPeptide well positioned

PolyPeptide is a leading peptide CDMO player, producing around one third of all commercial therapeutic peptides, with a rich and diversified development pipeline of new chemical entities. Our global GMP-certified production network, with facilities in Europe, the U.S. and India, ensures proximity where needed and provides the flexibility required by our customers for effective supply chain management.

Through this network, we serve our customers with innovative leading-edge process development and manufacturing capabilities. We are advancing over 250 pipeline peptides for therapeutics, vaccines, and diagnostic applications, of which 55 are for phase III of clinical development.

We are particularly active in GLP-1 therapies, where we are supporting customer efforts to develop treatments for type 2 diabetes, obesity, and related medical conditions.

2024 and beyond

As we enter 2024, our priority will be to meet increasing customer demand, continue to strengthen our operations and profitability, while further expanding capacity related to the GLP-1 opportunity.

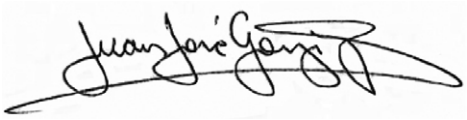
The financing arrangements put in place last year, coupled with the Group's ability to secure prepayments, have strengthened our position to partner with customers strategically and support our growth ambitions.

On behalf of the Board of Directors and Executive Management, we would like to thank our customers and shareholders for their continuous support, confidence, and trust. We would also like to take this opportunity to thank our staff for their dedication, professionalism, and contributions in advancing our agenda. At PolyPeptide, we are truly excited about the journey ahead.

Baar, 12 March 2024

Sincerely,

Peter Wilden
Chair of the Board of Directors



Juan José González
Chief Executive Officer

Key Figures[1]

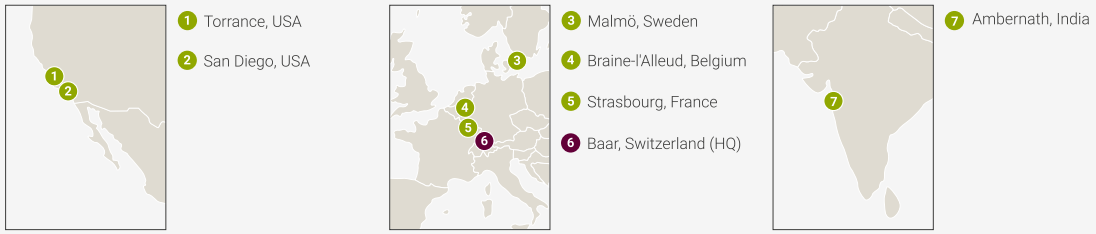
kEUR	2023	2022	Change
Revenue	320,372	280,978	14.0%
Custom Projects	154,453	140,044	10.3%
Contract Manufacturing	135,385	110,753	22.2%
Generics & Cosmetics	30,534	30,181	1.2%
EBITDA	-5,999	38,670	-115.5%
EBITDA in % of revenue	-1.9%	13.8%	-15.6 ppts
Operating result (EBIT)	-36,468	12,607	-389.3%
Operating result (EBIT) in % of revenue	-11.4%	4.5%	-15.9 ppts
Result for the year	-51,440	7,767	-762.4%
Result for the year in % of revenue	-16.1%	2.8%	-18.8 ppts
Earnings per share (EUR), basic	-1.56	0.24	-763.3%
Return on net operating assets (RONOA)	-8.5%	3.2%	-11.7 ppts
Cash and cash equivalents (end of year)	95,706	37,528	155.0%
Net cash flow from operating activities	36,485	5,460	568.4%
Capital expenditures	54,890	82,985	-33.9%
Capital expenditures in % of revenue	17.1%	29.5%	-12.4 ppts
Total assets (end of year)	689,088	575,782	19.7%
Equity ratio (end of year)	55.3%	73.2%	-17.9 ppts
Employees (# of FTEs, average)	1,202	1,139	5.5%

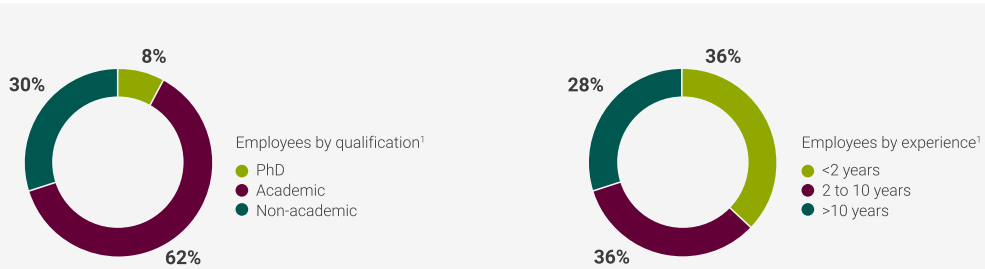
[1] This table and report include references to operational indicators and alternative financial performance measures (APM) that are not defined or specified by IFRS. These APM should be regarded as complementary information to and not as substitutes of the Group's consolidated financial results based 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.

Profile

Footprint with customer proximity

Six cGMP-certified sites on three continents[1]

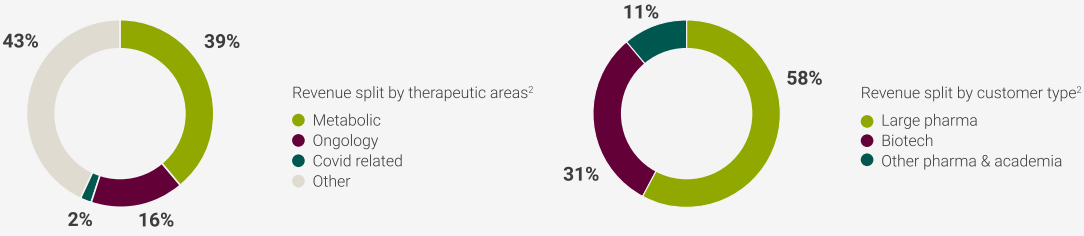




[1] Data based on headcount as at 31 December 2023. Number of employees in headcount (excl. apprentices, interns, students, trainees, contract workers and inactive workers).

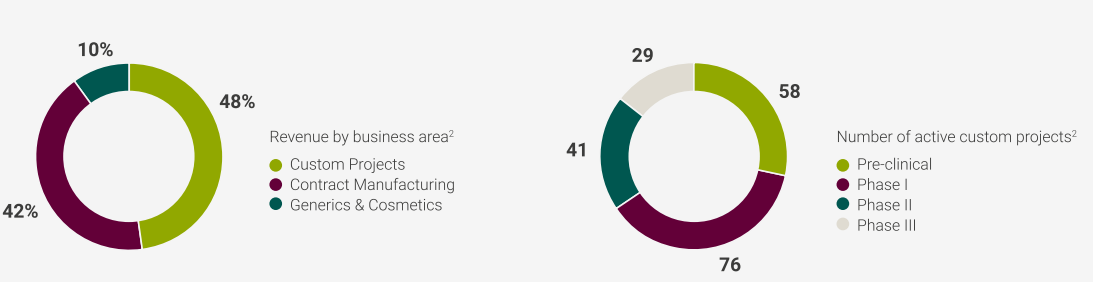
Helping patients across multiple health indications

Revenue from across therapeutic areas with pharma and biotech customers



Solutions for development and commercial products

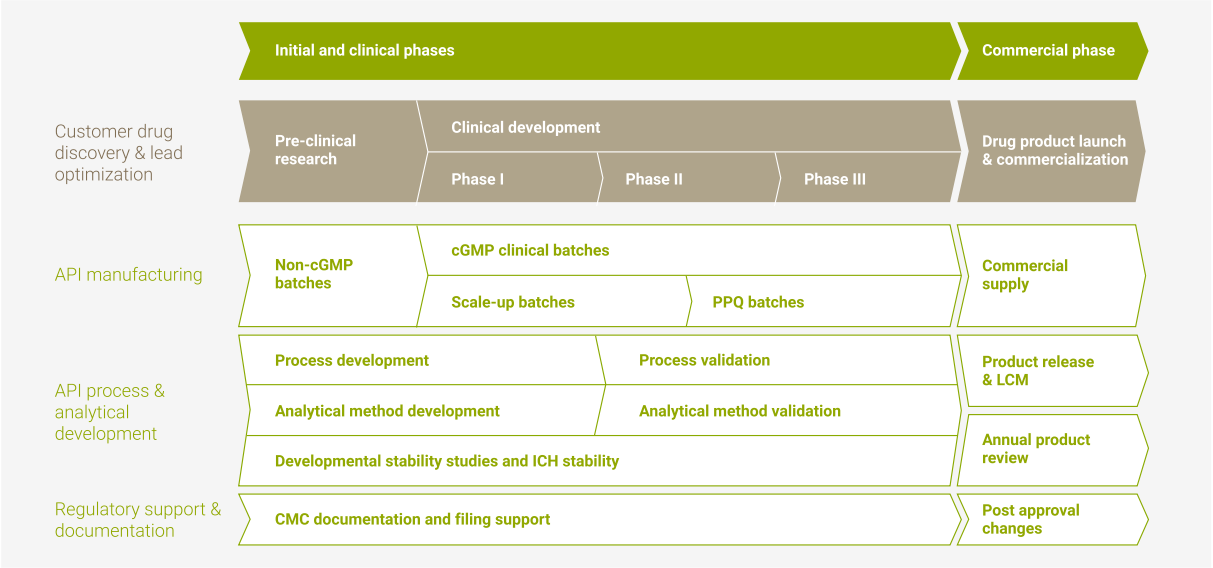
"Start here – stay here"



[2] Approximate splits as at 31 December 2023.

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 focused contract development and manufacturing organization (CDMO) specializing in the development and manufacturing of synthetic peptides and oligonucleotides used as active pharmaceutical ingredients (API) or intermediates in therapeutic products. The Group mainly serves pharmaceutical and biotech companies. It also produces a range of generic peptides and peptides used in cosmetics.

With a history of over 70 years and a strong manufacturing track with over 1,000 distinct therapeutic peptides manufactured for customers, the Group has developed into a full-service drug substance provider with differentiated technologies and capabilities to support complex and innovative drug development projects. In 2021, the Group added oligonucleotides to its offering, given the increasing market relevance of this therapeutic modality and the synergistic business model.

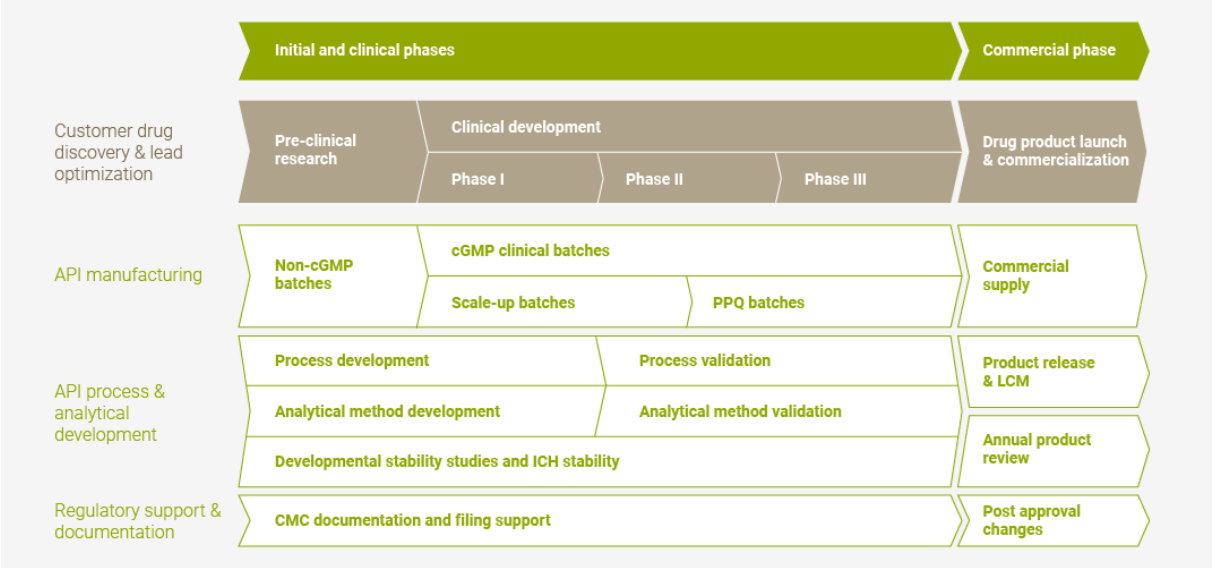
As a CDMO, PolyPeptide is subject to comprehensive regulations, including current Good Manufacturing Practices (cGMP), to assure quality and to ensure the safety of patients. The Group runs a network of six manufacturing sites, in Europe, the United States of America and India, with each of the sites subject to regular inspections by regulatory agencies and audits of its customers. All sites are GMP certified, demonstrating suitable processes, methods, facilities, and controls.

Business model

PolyPeptide provides its offering through its manufacturing sites and with a “start here – stay here” philosophy, covering the entire life cycle of a drug, starting with the customer’s pre-clinical drug development projects, followed by clinical phases through to commercialization. As a result, its customer relationships are often strategic and long-term by nature.

Business model

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



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

Activities include process and analytical method development and stability studies, as well as the production of API and intermediates. In addition, the Group provides its customers with regulatory documentation and support.

Revenue related to drug development projects results from the Group’s active custom projects pipeline and includes the manufacturing of non-GMP material for pre-clinical studies and GMP material for clinical phases. Once a drug has received regulatory approval, PolyPeptide recognizes product revenue in relation to commercial manufacturing activities.

PolyPeptide maintains a holistic quality system to ensure compliance with GMP and adherence to applicable guidelines, including those from the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH).

Market

Based on third-party market reports, PolyPeptide estimated the peptide therapeutics market to range between USD 34 billion and USD 39 billion in 2022 with an expected compound annual growth rate of between 7% and 9% until 2030.

PolyPeptide believes that the main growth driver is the increasing number of approved peptide-based therapies for metabolic disorders, in particular GLP-1 receptor agonist drugs for the treatment of diabetes, obesity and other co-morbidities. In addition, therapeutic areas for peptide-based drugs are expected to develop further, including oncology, infectious diseases, orphan diseases, cardiovascular, neurology or gastro-enterology applications.

According to the GlobalData drug database, accessed in December 2023, approximately 1,000 peptide drug projects (synthetic and recombinant) were in development, of which approximately 340 in clinical development, with approximately 70 in phase III or pre-registration. Based on third-party market reports, PolyPeptide estimates that more than 100 peptide-based therapies were approved by the US Food and Drug Administration (FDA) as at the end of 2023.

The addressable market for PolyPeptide is the outsourced market for synthetically manufactured peptide-based APIs, which was estimated by PolyPeptide, based on public company reports from the financial year 2022, to be around USD 1.3 billion in 2022. According to GlobalData drug database, the number of synthetically manufactured peptide drugs in development was approximately 800 in late December 2023, of which approximately 275 projects were in clinical development.

Compared to the market for peptide-based therapeutics, the market for oligonucleotide-based therapeutics is more nascent. According to GlobalData drug database, accessed in December 2023, the estimated market size for marketed oligonucleotide-based therapeutics is USD 4.1 billion in 2022, with an expected compound annual growth rate in the high teens until 2029.

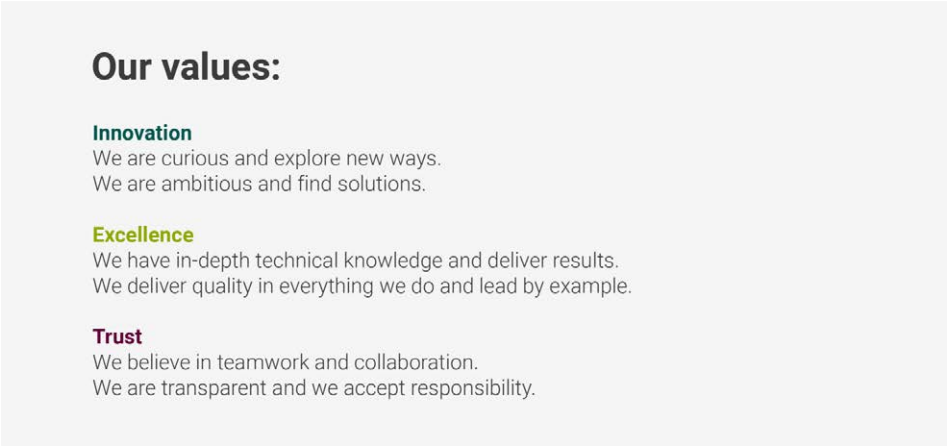
According to the GlobalData drug database, accessed in December 2023, approximately 950 oligonucleotide drugs were in development, of which approximately 190 in clinical development. Based on third-party market reports, PolyPeptide estimates that circa 20 oligonucleotide-based therapies were approved by the FDA as at the end of 2023.

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.

Building on its values of "Innovation", "Excellence" and "Trust", PolyPeptide aims to be the preferred long-term partner for its customers, who typically expect their CDMO partners to have deep scientific knowledge, technical expertise and operational experience, demonstrating a relentless focus on quality and a high delivery performance.

PolyPeptide's values



The Group sees its regional presence in Europe, the United States of America and India, its process development and manufacturing capabilities, and its culture of flexibility and responsiveness as competitive advantages.

As a multinational company with 1,273 employees at the end of 2023, PolyPeptide fosters an agile, open and collaborative work environment. It continuously develops its organization and shares best practices across the Group. Attracting and retaining qualified and engaged talent is essential for PolyPeptide to implement its integrated strategy, which is articulated around three priorities:

- **Drive innovation:** PolyPeptide seeks to serve with leading-edge capabilities in process development and manufacturing to provide its services effectively, efficiently and responsibly. It implements green chemistry processes to optimize its environmental impact.

- **Go for growth:** PolyPeptide aims to maintain a strong and diversified API custom projects pipeline. It expands its capacity to meet growing volume requirements. Upcoming patent expiries provide opportunities to develop the peptide generics API business.

- **Customers first:** PolyPeptide aspires to stay close to its customers and to maintain their high satisfaction across all relevant dimensions. It continuously invests in its processes, systems and its workforce to meet expectations with a high delivery performance.

PolyPeptide follows an integrated approach towards the management of environmental, social and governance (ESG) topics. It follows fundamental principles of business ethics, corporate responsibility and compliance. The integration of relevant criteria into its strategy, operations and enterprise risk management framework is seen as the most effective way to meet business needs and stakeholder expectations.

PolyPeptide's integrated strategy

The Group maintains a Global Balanced Scorecard, which is annually approved by the Board of Directors, for supporting the implementation of its strategy and operational plans as well as for executive compensation purposes. In addition to the financial targets for a given period, the scorecard includes quantitative targets for non-financial criteria such as delivery performance, quality, employee turnover, EHS, green chemistry and other ESG projects.

For more details, refer to the Profile section, the Corporate Responsibility Report 2023 and the Remuneration Report 2023. For the review of the financial performance, including the guidance for 2024, refer to the Business Review.

Management Report

Business Review

Record revenue growth of 43% in H2 2023 versus H1 2023; operational improvements yielding increased profitability and cash flow

Revenue

In 2023, PolyPeptide generated EUR 320.4 million in revenue, representing a 14.0% increase versus 2022 and 18.2% growth at constant currency rates. Excluding the contribution of revenue associated with the coronavirus pandemic, which amounted to EUR 5.8 million in 2023 versus EUR 50.7 million in 2022, revenue grew by 36.6%.

In H2 2023, revenue growth accelerated versus H1 2023 on the back of strong customer demand and operational progress to EUR 188.5 million, representing a substantial increase of 43.0% versus H1 2023 and 28.0% versus H2 2022. Excluding revenue associated with the coronavirus pandemic, the increase was 41.4% and 42.3%, respectively (revenue associated with the coronavirus pandemic of EUR 4.3 million in H2 2023, EUR 1.5 million in H1 2023 and EUR 17.9 million in H2 2022).

Revenue in 2023 was underpinned by peptide-driven momentum emerging from PolyPeptide's active custom projects pipeline. Several of the phase II and phase III projects for drugs related to metabolic, rare diseases and oncology progressed in their clinical development, with some reaching commercial stage. The number of commercial projects supported during 2023, including those in Generics & Cosmetics, increased to 64, up from 60 in 2022.

Revenue in Custom Projects increased by 10.3% in 2023 versus 2022, and by 22.2% in Contract Manufacturing. Excluding revenue associated with the coronavirus pandemic, revenue showed significant increases of 33.6% and 53.1%, respectively. Revenue in Generics & Cosmetics, where no impact from the coronavirus pandemic was recorded, increased by 1.2% compared to the strong prior year.

kEUR	2023	2022	Change
Revenue reported	320'372	280'978	14.0%
Custom Projects	154'453	140'044	10.3%
Contract Manufacturing	135'385	110'753	22.2%
Generics & Cosmetics	30'534	30'181	1.2%
Revenue not associated with the coronavirus pandemic	314'548	230'268	36.6%
Custom Projects	152'786	114'387	33.6%
Contract Manufacturing	131'228	85'700	53.1%
Generics & Cosmetics	30'534	30'181	1.2%

Within the strong revenue growth in 2023, the revenue shares related to metabolic diseases and large pharma customers increased to 39% and 58% respectively (up from 27% and 42% respectively, in 2022). This evidences the ongoing transformation of the Group into a large-scale global CDMO, with an increasing revenue share from commercial, including phase III, revenue, which was around 70% in 2023.

Profitability

The gross profit in 2023 was EUR 9.1 million (versus EUR 54.5 million in 2022) and EBITDA was EUR -6.0 million (EUR 38.7 million).

The significant drop in profitability was mainly attributable to the phase-out of the high-margin coronavirus-related business, the ongoing ramp-up of additional capacity, as well as the operational challenges that had become apparent towards the end of 2022, and which continued into 2023. Throughout the year, the Group implemented targeted measures for operational improvement, achieving increased profitability and cash flows in H2 2023. These measures included process optimizations related to production planning and execution, efforts to instill technical proficiency and best practice, as well as organizational changes. The Group also tightened its cost management and working capital discipline.

During 2023, the adverse impact on EBITDA from changes in the product mix was EUR 5.0 million, with the phase-out of the coronavirus-related business largely offset by benefits from the peptide-driven momentum. Operational costs increased by EUR 18.3 million, mainly reflecting the ongoing ramp-up for future growth combined with a temporarily lower utilization of assets, including the increase of average FTEs by 5.5%. Inventory write-downs were EUR 19.3 million higher, including a significant EUR 12.5 million write-down of obsolete inventory.

With the Group's measures for operational improvement beginning to bear fruit, profitability in H2 2023 increased to a gross profit of EUR 19.8 million (versus EUR -10.6 million in H1 2023 and EUR 16.6 million in H2 2022) and EBITDA of EUR 13.4 million (EUR -19.4 million in H1 2023 and EUR 12.0 million in H2 2022).

During the reporting period, the Group also incurred impairment losses of tangible assets of EUR 2.7 million, reflected in the operating result (EBIT).The financial result for 2023 was EUR -21.8 million (versus EUR -5.0 million in 2022), driven by foreign currency exchange losses of EUR 14.5 million (EUR 1.6 million). The majority of these losses relate to the currency translation of an intra-Group receivable with an offsetting effect in other comprehensive income, resulting in a net impact on total equity of zero. Interest expenses amounted to EUR 5.6 million (EUR 2.1 million).

The 2023 result and deferred tax income resulted in an income tax benefit of EUR 6.8 million (EUR 0.2 million), bringing the result for the year to EUR -51.4 million (EUR 7.8 million).

Cash flow and cash position

During H2 2023, the Group significantly improved its cash position, benefiting from successful financing activities, working capital improvement initiatives and customer prepayments. The net cash flow from operating activities in H2 2023 totaled EUR 84.8 million versus EUR -48.3 million in H1 2023, with free cash flow in H2 2023 of EUR 59.4 million (H1 2023: EUR -79.7 million).

In 2023, net cash flows from operating activities reached EUR 36.5 million (2022: EUR 5.5 million). Within that amount, the net cash flow from changes in net working capital was EUR 46.2 million, including a EUR 38.8 million increase in contract liabilities and a EUR 15.5 million decrease in inventories.

This was partly offset by the EUR 29.9 million increase in trade receivables, reflecting the high share of revenue recognized towards the end of the reporting period, while trade payables increased by EUR 17.4 million.

With cash flows from acquisitions of property, plant and equipment as well as intangible assets of EUR -56.7 million (EUR -78.8 million), free cash flow totaled EUR -20.2 million (EUR -73.3 million).

Cash and cash equivalents reached EUR 95.7 million at the end of 2023 (versus EUR 37.5 million at the end of 2022 and EUR 9.0 million at the end of H1 2023). With total financial debt of EUR 124.8 million (H1 2023: 88.8 million), reflecting net proceeds of EUR 49.1 million from a three-year revolving credit facility (RCF) with a bank consortium and EUR 40.0 million from an unsecured short-term credit facility with the Group's main shareholder, the net cash position was EUR -29.1 million (EUR -79.8 million), with an equity ratio of 55.3% (73.2%).

Investments

Between January 2021 and December 2023, PolyPeptide cumulatively deployed EUR 214.5 million in capital expenditure to upgrade and enhance its capabilities, together with an increase of its work force of 32.1% (based on average FTEs). The Group's accelerated capital deployment strategy over recent years has been instrumental in meeting the increasing customer demand as well as enabling the peptide-driven momentum experienced in 2023.

Capital expenditure for 2023 reached EUR 54.9 million or 17.1% of revenue, versus EUR 83.0 million or 29.5% in 2022. The Group completed several investment projects at the manufacturing sites and brought additional capacity online. It largely completed the construction of its large-scale solid phase synthesis capacity in Braine-l'Alleud, with the commissioning ongoing and the revenue ramp-up expected to start during H2 2024. In addition, the Group continued its initiatives in digitalization, green chemistry and enhanced analytical capabilities.

Sustainability

PolyPeptide is dedicated to serving its customers with leading-edge capabilities in process development and manufacturing and to providing its services effectively, efficiently and responsibly. The Group's innovation efforts, for which it maintains an intellectual property portfolio to not only protect and enhance its competitive position, but also to

generate benefits for its customers and stakeholders, includes a green chemistry program, which it successfully advanced during 2023.

With the deployment of its proprietary washing by percolation concept, the Group's overall solvent consumption relative to manufactured products declined in 2023 by 23.5% to 2.6 mt/kg (2022: 3.4 mt/kg). The green chemistry program is an integral part of PolyPeptide's efforts to limit its climate impact, which also includes initiatives for increasing energy efficiency and the share of renewable, less greenhouse gas intensive energy in its energy mix.

As part of the Annual Report 2023, PolyPeptide published an enhanced Corporate Responsibility Report, with additional non-financial metrics. For more details, refer to the Corporate Responsibility Report.

Business trends

PolyPeptide views its active custom projects and commercial projects portfolio of peptide-based active pharmaceutical ingredients (API) and intermediates as industry leading. It produces about one third of all commercial therapeutic peptides, with a rich and diversified new chemical entity (NCE) development pipeline of over 250 peptides for therapeutics, vaccines or diagnostic applications, of which 55 for phase III of clinical development.

It sees itself as well positioned for growth with its portfolio of peptide-based therapies for metabolic disorders, including in particular the GLP-1 receptor agonist drugs for the treatment of type 2 diabetes, obesity and other co-morbidities.

Beyond metabolic disorders, PolyPeptide expects additional growth from its involvement in other therapeutic areas for peptide-based drugs, including oncology, hormonal disorders, neurology, ophthalmology as well as cardiovascular and gastrointestinal applications.

Through its multisite network in Europe, the U.S. and India, PolyPeptide advanced its partnerships in 2023 with large pharma customers for several of its phase II and phase III projects in the metabolic and rare disease markets.

Three large commercial agreements were concluded during the reporting period, complementing the commercial agreement announced in December 2022, providing PolyPeptide with the potential to double revenue.

The financing arrangements put in place in 2023, combined with the Group's ability to secure prepayments, supports PolyPeptide's growth ambitions.

Risk management

PolyPeptide is committed to continuously improving the management of risks and opportunities that might arise. Based on the annual risk assessment, the enterprise risk management (ERM) report provides a consistent, Group-wide perspective of key identified risks and was presented to and approved by the Board of Directors in September 2023. During the course of 2023, the Group performed several internal audits, partly with the support of external consultants. For more details on the Group's ERM framework and Internal Audit, refer to the Corporate Governance Report.

Leadership changes

On 3 April 2023, the Group announced the appointment of Juan José González as its new CEO, effective 12 April 2023. With the completion of his introduction, Peter Wilden ended his temporary executive duties and continued as of 1 October 2023 in his role as Chairman of the Board of Directors.

On 15 August, the Group announced the appointment of Marc Augustin as its new CFO and member of the Executive Committee. He joined PolyPeptide on 1 January 2024, taking over from Lalit Ahluwalia who served as CFO for an interim period.

Guidance, outlook and dividend

In 2024, PolyPeptide's priority will be to meet the increasing customer demand, continue to strengthen operations and profitability, while further expanding capacity related to the GLP-1 opportunity.

As it will take some time to increase capacity utilization, it expects revenue growth in 2024 mid to high single-digit at constant currency rates versus 2023 with a positive EBITDA, operating at a net loss. Capital expenditure is expected to be between EUR 60 million and EUR 70 million.

Driven by the increasing capacity utilization, the Group expects a significantly stronger H2 versus H1 2024. For H1 2024, it expects revenue comparable with H1 2023 with improved EBITDA and a reduced net loss.

PolyPeptide is currently preparing its mid-term outlook, which it plans to publish on 13 August 2024, together with results for H1 2024. Taking into consideration market practice and key performance drivers, it will also at that point revisit its approach to certain disclosures around the development of its business.

With the net loss reported for 2023, the Group will not be proposing the payment of a dividend to the upcoming Annual General Meeting on 10 April 2024.

Corporate Responsibility Report

1. Introduction

PolyPeptide follows an integrated approach for the management of environmental, social and governance (ESG) topics that are considered material for its business. As a contract development and manufacturing organization (CDMO) serving pharma and biotech customers, PolyPeptide must adhere to stringent product quality requirements and regulations to protect the safety of patients. The Group seeks to promote corporate responsibility and to follow fundamental principles of business ethics and compliance.

PolyPeptide believes that the integration of material ESG topics into its strategy, operations and enterprise risk management framework is the most effective way to meet its business needs and stakeholder expectations. It uses a set of quantitative metrics to manage relevant ESG impacts, risks and opportunities, and to track its impact and progress on sustainable development.

For further information regarding PolyPeptide's strategy, market and business model, see section Strategy.

This Corporate Responsibility Report covers the period 1 January 2023 to 31 December 2023 (unless otherwise stated). It has been prepared in accordance with art. 964b of the Swiss Code of Obligations (CO) concerning transparency on non-financial matters (see section 5 Disclosures in accordance with art. 964b Swiss Code of Obligations), presents the Group's first report with reference to the GRI Standards (see section 7 GRI content index) and will be updated annually.

2. Sustainability approach

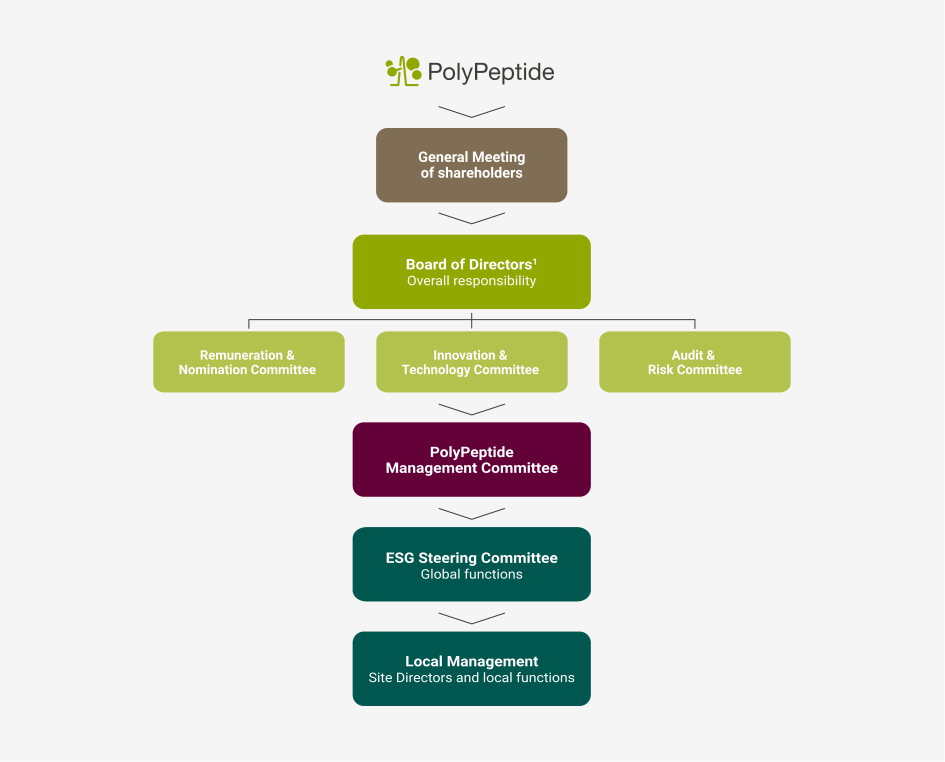
Defined responsibilities, relevant guidelines and policies, the integration of sustainability into strategy and remuneration, and stakeholder engagement form crucial elements of PolyPeptide's approach to managing its material ESG topics.

All direct and indirect subsidiaries that PolyPeptide Group AG consolidates fall under the scope of this Corporate Responsibility Report 2023 and the information presented herein (for a detailed overview of PolyPeptide's consolidated subsidiaries, see section 1.1.3 Non-listed companies belonging to PolyPeptide of the Corporate Governance Report 2023 and note 11 Investments in subsidiaries of the consolidated financial statements in the Financial Report 2023).

2.1 Responsibilities and organization

At PolyPeptide, the Board of Directors is responsible for the overall direction of the Group and oversight of management, including the Group's integrated growth strategy, recognizing the importance of ESG. As such, the Board of Directors oversees the determination of the ESG topics that are material for PolyPeptide and approves the Annual Report, including this Corporate Responsibility Report. Oversight for sustainability matters is thematically assigned to the Remuneration and Nomination Committee, the Audit and Risk Committee and the Innovation and Technology Committee of the Board of Directors. For details about the responsibilities and composition of these Committees, refer to section 3.5.3 Working methods of the Committees of the Corporate Governance Report 2023.

PolyPeptide ESG governance



[1] The Chair's Committee of the Board of Directors has not been assigned responsibility for ESG topics.

ESG Steering Committee coordinates implementation

The responsibility and authority for carrying out operational activities of the Group are delegated to the Executive Committee. This includes the implementation of the Group's ESG activities as an integrated part of its strategy and business plans. By these means, the Executive Committee receives support from the PolyPeptide Management Committee and the ESG Steering Committee, where relevant global functions are represented. These functions have been assigned responsibility for material ESG topics, as set out in the table below, to make sure they are adequately reflected within the functional plans and, with the support of local management, in the day-to-day operations.

Assigned oversight and responsibilities for material ESG topics

Material ESG topics	Board Committee oversight	Functional responsibility (as member of ESG Steering Committee)
Product responsibility	Innovation and Technology Committee (ITC)	• Director Global Operations • Director Global Quality, Development & Regulatory Affairs
Green chemistry	Innovation and Technology Committee (ITC)	• Director Global Innovation & Technology • Director Global Quality, Development & Regulatory Affairs
Climate change mitigation	Audit and Risk Committee (ARC)	• Director Global EHS
Supply chain engagement	Audit and Risk Committee (ARC)	• Director Global Procurement
People	Remuneration and Nomination Committee (RNC)	• Chief Human Resources Officer • Director Global EHS
Business ethics and compliance	Audit and Risk Committee (ARC)	• General Counsel • Legal Counsel • Director Global IS / IT

2.2 Guidelines and policies

PolyPeptide is subject to comprehensive regulations, including current Good Manufacturing Practices (cGMP), to assure the quality of its services and products. The Group runs a network of six manufacturing sites in Europe, the United States of America and India, with each of the sites subject to regular inspections by regulatory agencies and audits by its customers. All sites are GMP certified, demonstrating suitable processes, methods, facilities, and controls.

The Group maintains a Quality Management System (QMS) with policies and procedures based on the obligation of PolyPeptide's customers to only use drug substances and intermediates that have been manufactured in compliance with GMP. This includes adherence to applicable guidelines, including those from the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH).

At each of its manufacturing sites, the Group strives to adhere to applicable requirements related to the protection of the Environment, Health and Safety (EHS), for which the Group maintains an internal policy.

It has further developed policies and procedures that address, among other things, due diligence and precautionary principles as well as the protection of human rights. The Group has issued the following policies and codes, which are available on its corporate website:

- Code of Business Conduct and Ethics,
- Supplier Code of Conduct,
- Global Anti-Corruption and Anti-Bribery Policy,
- Global Supply Chain Policy on Child Labor, and
- Whistleblower Policies.

They are underpinned by fundamental international conventions and guidelines, including, where applicable, International Labor Organization (ILO) Conventions, the United Nations' (UN) Universal Declaration of Human Rights, the UN Global

Compact principles, the Organization for Economic Cooperation and Development (OECD) Guidance for Responsible Business, industry standards, and other relevant statutory requirements.

Furthermore, PolyPeptide has implemented various internal policies to further support compliance and ethical business practices (e.g., Insider Dealing and Market Manipulation Policy, Disclosure Policy, Global Sanctions and Export Control Compliance Policy and Procedure, Risk Assessment and Reporting Procedure, and Enterprise Risk Management Policy).

PolyPeptide endeavors to ensure the implementation of its policies and procedures. For more details about the implementation of selected policies, see section 4 Reporting on the material ESG topics.

2.3 Integration in strategy and remuneration

To support the implementation of its strategy and operational plans and for executive compensation purposes, PolyPeptide maintains a Global Balanced Scorecard. The Global Balanced Scorecard consists of financial targets as well as quantitative goals for non-financial criteria, including ESG-related aspects.

Through the Global Balanced Scorecard, ESG aspects are also incorporated in the variable compensation of the Executive Committee, as described in section 5.1.3.2 2023 STIP of the Remuneration Report 2023. Starting in 2023 the risks and opportunities in relation to the material ESG topics have also been evaluated as part of the Group's Enterprise Risk Management framework, with relevant developments reported to the Board of Directors (see section 3.7.3 Enterprise Risk Management Framework of the Corporate Governance Report 2023).

2.4 Stakeholder engagement

PolyPeptide maintains an open dialog with internal and external stakeholders and is a member of various pharmaceutical and industry associations as well as the local and broader business community. Associations may serve a variety of purposes, such as exchanging best practice, advancing innovation and sustainability and fostering collaboration. In 2023, PolyPeptide maintained active memberships in various associations, such as ACS GCI Green Chemistry Institute Pharmaceutical Roundtable, essenscia, France Chimie, Medicon Valley Alliance, Biocom California and National Safety Council.

The table "Stakeholder engagement" displays PolyPeptide's main stakeholder groups and provides an overview with examples of the stakeholder engagement on a global and local level.

Stakeholder engagement

Stakeholder group	Examples of stakeholder engagement
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 strategy and operational plans • Transparent, integrated corporate reporting • Open dialog and communications through different channels
Employees	• Collaborative, diverse and inclusive international working environment • Fostering dialog via townhalls, internal news and employee events • Global employee engagement survey • Regular dialog to discuss individual development plans • Focus on employee health and safety • Active dialog and collaboration with applicable unions and freely chosen employee 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 universities, educational institutions, students, and graduates • Collaboration with communities on employment and training opportunities for job seekers

3. Materiality and contribution to the SDGs

In order to identify the material ESG topics and to comply with requirements from applicable regulations and standards, PolyPeptide regularly conducts a materiality analysis.

The following section summarizes how PolyPeptide identified the material topics and displays the materiality matrix resulting from the analysis. Moreover, it introduces the Sustainable Development Goals (SDGs), outlines the connection between PolyPeptide's material topics and SDGs, and presents PolyPeptide's contribution to relevant SDG targets.

3.1 Identification of material topics

In early 2023, PolyPeptide reviewed its initial double materiality assessment conducted with the support of a specialized sustainability advisory firm in 2021. The assessment in 2021 followed 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 as well as regulations was conducted, followed by a peer analysis. In a second step, the resulting long list of topics was discussed with the working group to incorporate feedback and missing topics. As a third step, the working group shortened the long list by taking into consideration risks and opportunities for PolyPeptide. For the resulting shorter list, 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) and the inside-out impact (impact materiality).

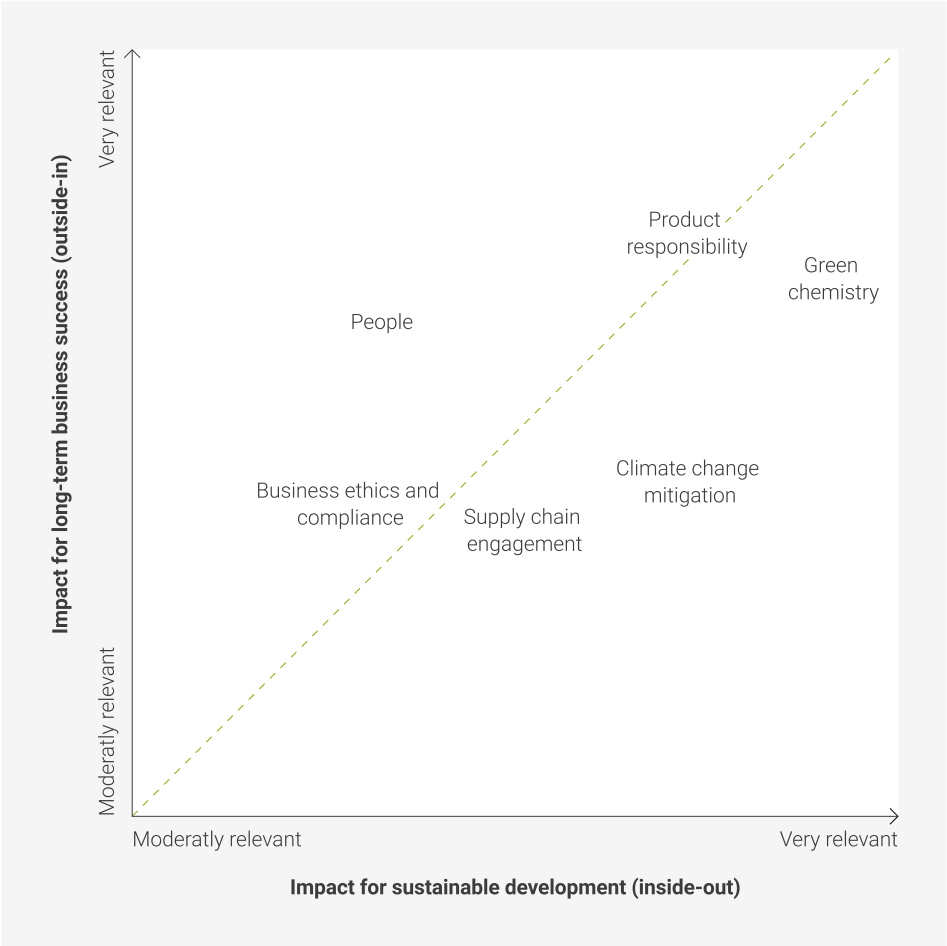
Further, emerging Swiss legal requirements on the disclosure of non-financial matters (environmental matters (in particular the CO2 goals), social matters, employee-related matters, respect for human rights and the fight against corruption) and climate reporting were taken into consideration throughout 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.

In the assessment conducted in early 2023, PolyPeptide updated and prioritized its material ESG topics. In light of market and business developments, the material ESG topics were re-positioned by considering their relevance for PolyPeptide's business success as well as the relevance of PolyPeptide's impact on sustainable development. The process also included the prioritization, re-grouping and consolidation of the topics, reflecting their interdependencies. An initial proposal was developed by a core working group with the support of a specialized sustainability advisory firm and then reviewed and adapted by the ESG Steering Committee during a one-day workshop. The resulting updated materiality matrix with the consolidated six topics was thereafter approved by the Board of Directors.

3.2 Materiality matrix

PolyPeptide's six material ESG topics include Product responsibility, Green chemistry, Climate change mitigation, Supply chain engagement, People, and Business ethics and compliance. The relative prioritization of the topics is illustrated in the graph "Materiality matrix", ranging from moderately relevant to very relevant.

Materiality matrix



3.3 Contribution to the SDGs

The 17 SDGs with their underlying 169 targets are a shared blueprint for peace and prosperity for people and the planet. The goals were adopted by all UN member states in 2015 and take into account the economic, social and environmental dimensions of sustainable development. The global partnership between all countries as well as the contribution made by the private sector and non-governmental organizations are crucial for the achievement of the SDGs and the agenda for sustainable development by 2030[1].

PolyPeptide endorses the UN Agenda 2030 and considers the 17 SDGs as an important reference point for a sustainable future.

In line with PolyPeptide's prioritized material topics, the Group has set its sight to contribute to the following SDG goals, recognizing the comparably limited size and impact of its business.

Materiality and contribution to the SDGs

Material ESG topics	Relevant SDGs[1]		Relevant underlying targets
Product responsibility		*Ensure healthy lives and promote well-being for all at all ages*	3.8 Contribute to providing access to quality health care services, as well as to safe, effective, quality, and affordable essential medicines and vaccines.
Green chemistry		*Build resilient infrastructure, promote sustainable industrialization and foster innovation*	9.4 Upgrade infrastructure, technologies, and processes for sustainable and efficient use of resources.
		*Ensure sustainable consumption and production patterns*	12.4 Ensure management of chemicals and all wastes throughout their life cycle. 12.5 Reduce waste generation through prevention, reduction, recycling, and reuse.
Climate change mitigation		*Take action to combat climate change and its impacts*	13.2 Integrate climate change measures into policies, strategies, and planning.
Supply chain engagement		*Promote inclusive and sustainable economic growth, employment and decent work*	8.7 Secure the prohibition and contribute to the elimination of child labor.
People		*Achieve gender equality and empower women*	5.5 Ensure participation and equal opportunities for leadership at all levels of decision making.
		*Promote inclusive and sustainable economic growth, employment and decent work*	8.5 Achieve productive employment, decent work, and equal pay for work of equal value.
Business ethics and compliance		*Promote just, peaceful and inclusive societies, and build effective, accountable and inclusive institutions*	16.5 Contribute to the reduction of corruption and bribery.

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

For more details on how PolyPeptide contributes to the individual SDG targets please refer to section 4 Reporting on the material ESG topics of this Corporate Responsibility Report.

4. Reporting on the material ESG topics

To report on its material ESG topics, PolyPeptide pursues a structure that allows for integration of the GRI standards' requirements as well as regulations of applicable jurisdictions. For each material topic, PolyPeptide describes significant risks and opportunities for its business as well as impacts on sustainable development. Moreover, PolyPeptide provides details on its management approach, including selected metrics. For some of these metrics, internal qualitative and quantitative targets have been defined and will be further refined for potential future disclosure, as the Group advances its ESG efforts.

Pursuant to the CO, the Report on Non-Financial Matters must cover environmental matters, in particular the CO2 goals, social issues, employee-related issues, respect for human rights and combating corruption. As part of the materiality analysis, PolyPeptide identified the material ESG topics, considering their relevance for its business as well as the CO requirements. The six ESG topics identified as material for PolyPeptide can be categorized under the non-financial matters as follows:

Non-financial matters according to the CO	Material ESG topic	Page reference
Environmental matters, in particular the CO2 goals	• Green chemistry	Page 29
	• Climate change mitigation	Page 32
Social matters*	• Product responsibility	Page 27
	• People	Page 36
Employee-related matters	• People	Page 36
Respect for human rights*	• Supply chain engagement	Page 34
	• People	Page 36
Fight against corruption	• Business ethics and compliance	Page 39

* For PolyPeptide's disclosure pursuant to the Swiss requirements on due diligence and transparency in relation to minerals and metals from conflict-affected areas and Child Labor, see section 4.4 Supply chain engagement and sections 5 Disclosures in accordance with art. 964b Swiss Code of Obligations and section 6 PolyPeptide's voluntary report on child labor due diligence in its supply chain.

4.1 Product responsibility

PolyPeptide's mission is to help its customers develop products, secure regulatory approvals and successfully launch and commercialize their products. Through its network of six GMP-certified manufacturing sites on three continents, PolyPeptide strives to meet customer requirements in terms of quality, quantity, and time.

Impact

With its expertise in the development and manufacturing of peptide- as well as oligonucleotide-based active pharmaceutical ingredients (API) and intermediates, PolyPeptide supports the drug innovation efforts of its customers and ensures a reliable supply of API material to the market once approved by regulatory authorities. Its active custom projects and commercial projects portfolio, including generics, covers a broad range of therapeutical areas to the benefit of millions of patients. Its manufacturing and quality processes are designed to protect their safety.

Risks and opportunities

The drug development and manufacturing process contains inherent technical and business risks along the entire life cycle of a product. Flawed operational processes and controls may result in a low delivery performance. Delays in agreed production and delivery schedules and/or lower than expected yields from manufacturing can adversely impact the availability of medication for patients.

Advanced process development capabilities, high manufacturing efficiency and on-time-in-full delivery performance meet customer expectations and support their drug innovation efforts.

Approach

Consistent with applicable regulations, the six GMP certified manufacturing sites of PolyPeptide maintain comprehensive policies and procedures that cover the entire value chain of their operations. In addition, PolyPeptide continuously develops its standards to enhance Group-wide consistency and coordination. Quality is assured at every production stage following the procedures from raw material procurement, testing, and storage through production, packaging, testing, releasing and finally delivery of the product to the customer.

Ambition

PolyPeptide aims to be the preferred long-term partner for customers throughout the entire drug life cycle. It seeks to maintain and further develop its pipeline of active custom projects and portfolio of commercial projects, diversified across therapeutical areas. With strong process development capabilities, PolyPeptide seeks to effectively support the development of complex peptide- and oligonucleotide-based API's and to meet the growing manufacturing volume requirements. With a relentless focus on process design, GMP and product quality, PolyPeptide strives for high manufacturing efficiency and on-time-in-full delivery performance as a driver for customer satisfaction and financial results.

Policies and commitments

The Group's goal is to help customers with product development, secure regulatory approvals, and implement successful market launches to benefit patients around the world. PolyPeptide ensures regulatory compliance through its dedication to strict production procedures and product quality standards. The Group's Quality Manual is the basis for all GMP activities. It defines which regulations are applicable and sets the basis for the policies and procedures to be followed for a specific product or service. An essential element is the Quality Plan, which includes quality performance metrics applicable across the Group.

Responsibilities

The oversight of Product responsibility at the Board level lies with the Innovation & Technology Committee. Responsibilities for implementation and day-to-day management are within the functions of the Director Global Operations and the Director Global Quality, Development & Regulatory Affairs both reporting to the CEO.

The Director Global Operations is responsible for the Group's manufacturing network. Each manufacturing site is managed by a Site Director, reporting to the Director Global Operations, with a Head Quality Control as a direct report.

The responsibilities of the Director Global Quality, Development & Regulatory Affairs include Quality Assurance, with a Director Global Quality Assurance as a direct report and a Head Quality Assurance at each manufacturing site.

The Director Global Quality, Development & Regulatory Affairs is also responsible for the Group's Quality Management System, which is designed to ensure that PolyPeptide consistently provides products and services that meet customer and applicable regulatory requirements. It includes processes for continuous improvement of the organization, its products, services, as well as the quality system itself.

Management of impacts, risks and opportunities

Compliance with policies, procedures and regulations is PolyPeptide's main instrument to prevent or mitigate low delivery performance, potentially leading to a lack of availability of medication for patients, and to prevent or mitigate potential adverse impacts of its products. Employees and external partners engaged in the manufacturing process undergo extensive training in compliance with GMP requirements and safety regulations. The individual training includes self-study, classroom teaching and practical on-the-job training, which is documented. To maintain training levels, PolyPeptide provides regular refresher courses.

PolyPeptide measures and tracks operational performance through a set of metrics, procedures, and internal reports. GMP nonconformities are investigated, including an impact assessment, with reviews and approvals by appropriate individuals in the quality organization. Where needed, the Group takes appropriate corrective and preventative actions. Customers are involved in the process as defined in the respective quality agreements.

With the growing manufacturing volumes from currently strong customer demand, the Group plans to continuously invest to expand its capacities, along with an increase of its workforce. To mitigate potential risks resulting from specific investments, it seeks the active involvement and participation of customers. PolyPeptide is also developing its organization to advance its capabilities.

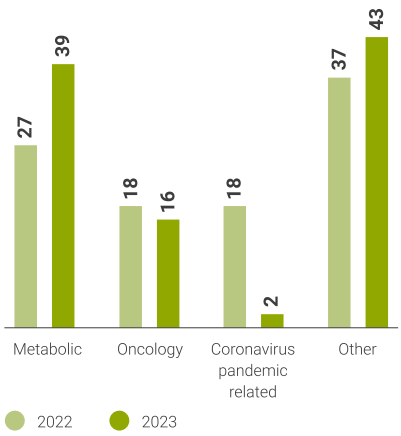
Achievements and challenges in 2023

Excluding the contribution of revenue associated with the coronavirus pandemic, PolyPeptide recorded growth of 36.6% in 2023, exhibiting peptide-driven momentum emerging from its active custom projects pipeline. The Group thereby benefited from the robust customer demand and from its capacity expansion efforts, which it continued during the reporting period with capital expenditures of EUR 54.9 million and an increase of its work force by 5.5% average full-time equivalents (FTEs).

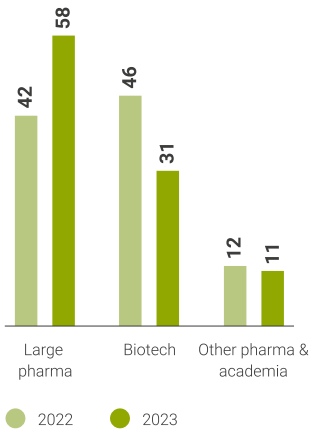
Throughout 2023, PolyPeptide remained committed to meeting the needs of its customers. It phased out the bulk of its coronavirus-related business, which together with the peptide-driven momentum resulted in a shift within the revenue mix. In a tougher funding climate during 2023, the Group observed some customers adjusting their drug development priorities, particularly for early-stage projects in the second half of the year. With 35 (2022: 47) custom projects acquired during 2023 with existing and new customers, and with other projects being completed, discontinued, or paused, the active custom projects pipeline at the end of 2023 included 204 (220) active custom projects, with 29 (30) projects in phase III and 41 (37) projects in phase II of clinical development, reflecting the progression of the later-stage projects.

In 2023, the Group also continued to strengthen its offering for maturing peptide-based API's, submitting 6 Drug Master Files for Generics (Gx) in new markets and 14 new authorizations for customers to reference PolyPeptide's Gx filings.

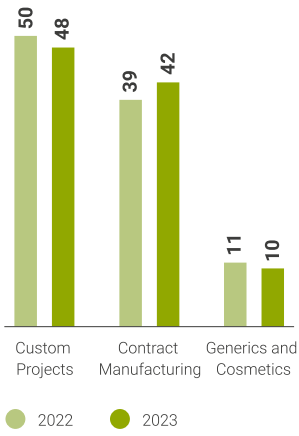
Revenue structure by therapeutical areas in %[1]



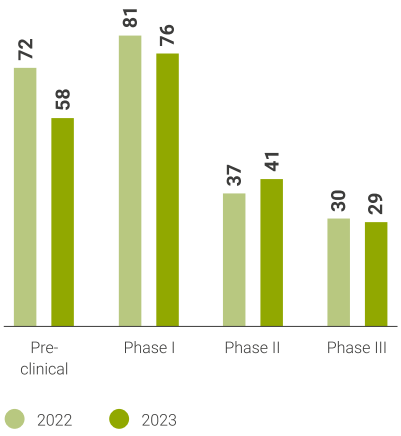
Revenue structure by customer type in %[1]



Revenue structure by business area in %[1]



Number of active custom projects[1]



[1] Approximate splits per 31 December 2022 and 31 December 2023.

In the context of revenue growth and the challenges associated with increased manufacturing volumes during 2023, the overall on-time-in-full delivery performance (OTIF) was 85% (2022: 92%). The net promoter score (NPS), which results from interviews with over 100 customers as part of PolyPeptide's annual customer survey, was 62.5 in early 2024 (early 2023: 70), still considered strong (scale range from -100 to 100). To ramp up and further strengthen its capabilities, the Group launched and partly implemented targeted organizational changes and process improvements in 2023.

PolyPeptide has undergone 2 regulatory and 66 customer GMP audits in 2023, and its audit performance has generally remained strong. Continuous improvement is facilitated by the resolution of audit comments, where appropriate actions are taken in close collaboration with customers and authorities.

4.2 Green chemistry

PolyPeptide is dedicated to applying relevant principles of green chemistry to mitigate the adverse impacts on the environment from its manufacturing activities. The Group pursues comprehensive innovation efforts to reduce, recycle, replace, or avoid hazardous solvents used in production.

Impact

The manufacturing of peptide- and oligonucleotide-based API's requires significant amounts of raw materials, including solvents and water. To improve environmental sustainability, PolyPeptide maintains a comprehensive Green program to reduce, recycle, replace, or even avoid altogether hazardous solvents used in production. The Group's experts regularly publish on the subject in scientific journals and actively collaborate to advance the industry and to make the manufacturing of patient's medications more sustainable.

Risks and opportunities

The use of hazardous chemicals in the manufacturing process could potentially harm employees' health, communities, and the environment. Strict EHS procedures and promoting green manufacturing practices against the backdrop of growing manufacturing volumes help to protect employees, the environment and safeguards communities as well as PolyPeptide's reputation.

Continuously emerging legal and regulatory requirements along with rising costs for raw materials and energy may adversely impact PolyPeptide's competitiveness. Its market position could deteriorate if competitors systematically adopt more sustainable manufacturing practices compared to those implemented at PolyPeptide. Adopting innovative manufacturing practices meets the expectations of PolyPeptide's customers and helps to strengthen the Group's competitive position and protect its profitability.

Approach

PolyPeptide uses its Green program as a fundamental element of its business strategy with a vision of positioning itself at the forefront of environmental sustainability in its area of activity. Innovation efforts are coordinated by the Group's innovation and technology team with implementation efforts by the manufacturing sites.

Ambition

Spearheaded by the Group's global innovation and technology team, its Green program continues its focus on the reduction of the quantity of solvents and reagents used relative to manufacturing volumes, the replacement of hazardous chemicals by greener alternatives and the development of solvent recycling opportunities. To promote the use of its innovative technical capabilities, the Group seeks to collaborate with customers in the early product development phase and continues to upgrade its manufacturing infrastructure accordingly.

Policies and commitments

PolyPeptide maintains a Green Master Plan, which was refined during 2023 under the supervision of the Innovation and Technology Committee of the Board of Directors. By striving for the optimized use of chemical substances, the plan also helps to reduce PolyPeptide's impact on climate change (see chapter below).

In 2023, the Group updated its global EHS policy statement, under which it pursues the implementation of an integrated EHS management system, including the implementation and certification of the EHS management systems at all manufacturing sites under ISO 14001. As of the reporting date, four of the six manufacturing sites had been ISO 14001 certified.

As anchored within its EHS policy statement, the Group is committed to promoting Green chemistry in projects from the early development phase, and to setting up production capacities that enable the use of Green chemistry. Furthermore, it is committed to promoting circular waste management by using processes to reduce waste, optimizing waste flows to enable their recycling and recovery, and developing solutions for solvent recycling.

Responsibilities

The oversight of Green chemistry at the Board level rests with the Innovation and Technology Committee. Responsibilities for implementation and day-to-day management are coordinated by the Green Steering group which includes all the relevant functions, including Innovation and Technology, Development, Technical Operations, Engineering, Procurement, and EHS. The Green Steering group is chaired by the Director Global Innovation & Technology, reporting to the CEO.

Management of impacts, risks and opportunities

The reduced and optimized utilization of chemicals supports the environmental sustainability of PolyPeptide's manufacturing activities, contributes to the reduction of the Group's carbon footprint, and mitigates chemical risks for communities. Consistent with its strategic aspiration to lead in innovation, PolyPeptide's global innovation and technology team maintains and systematically advances a portfolio of projects to improve the sustainability in manufacturing. This includes projects in different stages of development, partly with proprietary and protected technologies as part of the Group's intellectual property portfolio to not only enhance its competitive position, but also to generate benefits for its customers and stakeholders.

Part of the Green chemistry program is the replacement of hazardous solvents by greener substances. Several guidelines can be used to rank the greenness of the selected solvents, based on safety, health and environmental considerations. As is customary, PolyPeptide used its reasonable discretion for the solvent classification based on its expertise and building on the guidelines published by the Chem21 Consortium.

The Group follows local EHS requirements and is in regular contact with authorities. To save solvents used in production, the Group continues to deploy its patented in-process washing concept by percolation[2], which was developed by the Group's scientists. It pursues projects to advance solvent recovery, recycling and downcycling, both in upstream and downstream processes.

Efforts include the evaluation of disruptive technologies which, if successful, would allow increased throughput and productivity, coupled with the reduction of solvent consumption relative to the manufacturing volumes. A new research initiative was launched in 2023 to boost the volumetric capacity of the solid phase reactors by a chemical modification of the resin support.

[2] A percolation wash is a continuous flow wash in which a solid is washed in a continuous way by adding wash solvent at the top while withdrawing wash solvent at the same time from the bottom of the filter. In such a flow wash, the mother liquor and the associated impurities of synthesis are displaced by the wash solvent from the top to the bottom of the filter.

To progress its innovation efforts, the Group actively collaborates with customers, suppliers, academic institutions, and strategic partners. Where suitable, it shares its innovative concepts and as such helps to advance the industry and local service providers. Concepts for recycling or downcycling depend on, among other things, the availability of specialized facilities and service providers within a reasonable distance from the manufacturing sites.

PolyPeptide tracks the effectiveness of measures to reduce and optimize the utilization of chemicals through a set of metrics, procedures, studies and collaborations.

Achievements and challenges in 2023

To reduce solvent (particularly dimethylformamide (DMF)) consumption in upstream processes, in 2023, the Group broadened the application of its washing concept by percolation also to smaller manufacturing equipment. In 2023, the Group's overall solvent consumption was 2.6 metric tons relative to kg manufactured products[3], 23.5% lower than in 2022 (3.4 metric tons/kg), benefitting from the systematic application of its innovative washing concept. Percolation deployment in 2023 was 84%, defined as kg of DMF used by solid-phase peptide synthesis (SPPS) projects with percolation implemented, relative to the overall DMF consumption of all SPPS projects.

Efforts to replace DMF with greener solvents were continued with a specific focus on process performance and robustness. PolyPeptide resolved technical challenges related to precipitation by replacing the coupling agent used in production, securing the scale up and the reliability of the process. The use of greener solvents as an alternative to DMF was integrated in several development projects in 2023, during which 12.5% of new development projects started with green solvents[4]. PolyPeptide is committed to continuing its efforts to replace hazardous substances and integrates respective efforts in close collaboration with customers in early stages of the drug development process.

[3] Fresh solvents exclude the Group's recycled solvents (i.e., acetonitrile that is recycled at the Braine site) and water. Manufactured products include all finished goods (independent of whether they were released or not), i.e., API, cosmetics, intermediates shipped to customers and toll manufacturing).

[4] New development projects are projects that were won in 2023, or an existing project for which the process was substantially redeveloped in 2023.

In 2023, the Group's overall water consumption was 137.6 ML, with the increase versus 2022 (124.7 ML) driven by the higher manufacturing time.

Metric name	Definition	2023	2022
Percolation deployment	% of DMF (kg) used during percolation relative to the overall DMF consumption in SPPS projects (kg)	84	n/a
Solvent consumption	Overall fresh solvent consumption in metric tons relative to kg manufactured products	2.6	3.4
Green solvent projects	% of new development projects started with green solvents	12.5	n/a
Water consumption	Total water consumption in ML	137.6	124.7

The Group also completed a study related to solvent recycling or downcycling, respectively, identifying suitable applications in other industries with lower quality requirements related to DMF. Together with an external partner, it also set up a pilot-scale infrastructure for the recovery of the solvent acetonitrile, used in downstream processes.

In 2023, PolyPeptide started a collaboration with a biotech company to broaden the technology portfolio with a biochemical manufacturing approach that uses less or no solvents. Furthermore, it signed a scientific collaboration agreement to support one of its innovation projects with the potential to significantly enhance the performance of SPPS.

The implementation of the Group's Green chemistry program requires continued close collaboration across functional teams, with customers, suppliers and other stakeholders. As a consequence, in early January 2024, PolyPeptide further strengthened its respective management capabilities with the appointment of a Green Program Manager as part of the Group's EHS organization.

4.3 Climate change mitigation

Based on the results of a Group-wide carbon footprint assessment completed in 2023 in accordance with the Greenhouse Gas (GHG) Protocol, PolyPeptide plans to formalize its climate strategy in 2024. Its approach to Climate change mitigation is closely connected to its Green chemistry efforts.

Impact

According to the carbon footprint assessment completed in 2023 with data from 2022, most of PolyPeptide's impact on the climate occurred indirectly upstream and downstream from its operations (Scope 3). Within Scope 1 and 2, greenhouse gas (GHG) emissions differed by manufacturing site, subject to the scale of their respective activities and local conditions, such as the availability of electricity from renewable, less greenhouse gas intensive energy sources. Local conditions also impacted emissions within Scope 3, for example due to differences in the treatment of waste, including the availability of re- or downcycling capabilities. Within Scope 3, "capital goods" mainly related to the Group's capacity expansion represented the main source of emissions, followed by "purchased goods", primarily linked to increasing manufacturing volumes. The third relevant category within Scope 3 was the disposal of "waste generated in operations".

Risks and opportunities

PolyPeptide is experiencing increasing customer expectations related to climate matters, new legislative and regulatory requirements, and rising energy prices over the long-term. The Group's commitment related to Green chemistry (see above) is an integral part of the Group's efforts to mitigate the adverse impacts on the environment and the climate, particularly from growing manufacturing volumes.

The effective mitigation of its climate impact and transparent reporting towards its stakeholders protects the Group's customer value proposition and reputation. Reducing emissions and increasing energy efficiency may result in cost savings in the future.

Approach

PolyPeptide's approach to Climate change mitigation and Green chemistry is designed to effectively optimize its environmental impacts. Innovation efforts at Group level are thereby combined with local initiatives.

Ambition

PolyPeptide seeks to limit its climate impact through its Green chemistry efforts and by continuously increasing energy efficiency as well as enhancing the share of renewable, less greenhouse gas intensive energy in its energy mix. Based on the Group-wide carbon footprint assessment completed in 2023, the Group will develop and launch a greenhouse gas emission reduction program in 2024, on which it plans to publicly report in 2025.

Policies and commitments

PolyPeptide plans to formalize and to deploy a climate strategy in 2024 with actionable plans for each manufacturing site, consistent with Switzerland's ambition under the Paris Climate Agreement. The Group is subject to the Swiss ordinance on climate disclosures brought into force as of the beginning of 2024, which provides for the binding implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Consistent with these requirements, the Group plans to publish its first climate report as integral part of its Annual Report in 2025.

In 2023, PolyPeptide updated its EHS Group Policy Statement, incorporating the commitment to limiting its climate impact by increasing the part of renewable, less greenhouse gas intensive energy used for its manufacturing activities, continuously enhancing energy efficiency, and implementing a CO2 reduction program. The EHS Group Policy Statement also includes commitments related to applying the principles of green chemistry and to promoting circular waste management (see section 4.2 Green chemistry).

As part of its commitment, the Group participates within the framework of CDP's climate change program, scoring a "B-" rating[5] in 2023, and improved versus the "C" rating achieved in 2022. This complements the sustainability rating by EcoVadis, where PolyPeptide strives for a Group-wide rating, building on the existing "bronze" and "silver" ratings for the manufacturing sites.

[5] B- rating places PolyPeptide in the Management band (B/B- ratings), meaning that the Group is taking coordinated action on climate issues (2022: C rating = Awareness band).

Responsibilities

The oversight of Climate change mitigation at the Board level rests with the Audit and Risk Committee. Responsibilities for implementation are delegated to the Director Global EHS, who reports to the Global Director Operations. The Global Director EHS coordinates relevant climate-related matters with the Green Steering group and leads the EHS managers at the manufacturing sites, who are part of the local leadership teams, also reporting to the corresponding Site Director.

Management of impacts, risks and opportunities

With the Group-wide carbon footprint assessment completed in 2023, the Group gained comprehensive insights into the drivers and composition of its greenhouse gas emissions, also for each of the manufacturing sites and the differences between them. The findings serve as a base to define global and local initiatives as part of the formal climate strategy to be prepared and approved in 2024 and to be implemented over the coming years. The Group will thereby build on local experience and knowledge. For example, the Braine site joined a regional initiative to support Belgium's strategy against global warming. A long-term action plan was implemented with goals set for 2023 versus the baseline from 2010, which the site in Braine over-achieved, thereby improving energy efficiency by more than 20%[6].

A focus of PolyPeptide will be on technical innovation in the context of Green chemistry, which will require infrastructure investments and enhanced process standardization. The Group thereby seeks collaboration with its customers, as some of the concepts require their early integration into the drug development process.

Measures at the level of the manufacturing sites are subject to the scale of their respective activities and local conditions. Each site adheres to EHS requirements, possibly in combination with customized concepts, for example related to energy or waste management. Where possible, the sites strive to cover their needs for electricity from renewable, less greenhouse gas intensive energy sources, which is already the case for the two main manufacturing sites in Europe.

PolyPeptide requires its suppliers to acknowledge and comply with its Supplier Code of Conduct. This includes the commitment of suppliers to operate in an environmentally responsible and sustainable manner to minimize adverse impacts on the environment, particularly, to conserve natural resources, to avoid the use of hazardous materials where possible and to be engaged in activities that reuse and recycle. This also aims to contribute to reducing PolyPeptide's Scope 3 greenhouse gas emissions.

[6] According to the "Méthodologie des accords de branche de deuxième génération de l'industrie wallonne. Rév2 – Mars 2016".

Achievements and challenges in 2023

PolyPeptide progressed its efforts in 2023, finalizing its first Group-wide carbon footprint assessment as planned (see below). Based on the findings and with the improved understanding of the drivers of greenhouse gas emissions, PolyPeptide held initial workshops at the level of the manufacturing sites to identify suitable mitigating actions as part of the climate strategy to be formalized and deployed in 2024.

In 2023, the Group completed the energy efficiency program at its manufacturing site in Braine, over-achieving set goals according to the 2010 baseline.

In 2023, PolyPeptide invested significant resources to support the gathering, consolidation and reporting of relevant information required for the carbon footprint assessment as well as the external sustainability ratings. With continuously increasing requirements, the Group continues to develop and strengthen its internal reporting infrastructure.

The total electricity consumption of the manufacturing sites in 2023 amounted to 32,239 MWh (2022: 31,398 MWh). Of this, 17,417 MWh were purchased from renewable, less greenhouse gas intensive energy sources (2022: 16,856 MWh). The Group's overall energy efficiency improved to 16.1 MWh/kg manufactured product (2022: 22.1 MWh/kg), driven by the increased utilization of its facilities.

Building on the initial work completed in 2022 at the three European manufacturing sites, PolyPeptide completed in 2023 with external support its inaugural global carbon footprint assessment, following the GHG Protocol, for the entire Group. The Scope 3 category "capital goods" represents the main source of emissions of the Group, 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 2023 for the Group confirmed the results from the footprint assessment conducted in 2022 for the European manufacturing sites and the importance of Green chemistry as part of the Group's approach to climate change.

Group greenhouse gas emissions in tCO2e		2022
Scope 1 – direct emissions	Stationary combustion	4,168
	Mobile combustion	352
	Process emissions	476
	Refrigerants	608
	Total Scope 1 emissions	**5,604**

		2022
Scope 2 – indirect emissions[7]	Purchased electricity (market-based)	4,239
	Purchased hot water	84
	Total Scope 2 emissions	**4,323**

		2022
Scope 3 – up-and downstream emissions	Upstream	80,997
	1. Purchased goods and services	19,655
	2. Capital goods	45,241
	3. Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	1,034
	4. Upstream transportation and distribution	4,446
	5. Waste generated in operations	7,487
	6. Business travel	485
	7. Employee commuting	2,649
	8. Upstream leased assets	0
	Downstream	92
	9. Downstream transportation and distribution	92
	Total Scope 3 emissions	**81,089**

[7] Purchased electricity (location-based): 8,819 tCO2e.

4.4 Supply chain engagement

PolyPeptide relies on an international network of suppliers for goods and services. The Group actively seeks to work with them to ensure and promote sustainable business and responsible human rights practices within its supply chain. In 2023, it developed and published a Group-wide Supply Chain Policy on Child Labor to reinforce its commitment to complying with all applicable laws and regulations on Child Labor.

Impact

PolyPeptide maintains a network of over 440 direct raw material suppliers around the globe. In 2023, the top 100 raw material suppliers together accounted for around 90% of the total material spending. The Group's main raw material categories constitute starting materials, solvents, reagents, and purification resins. Where feasible, PolyPeptide sources these products regionally, which benefits the environment as well as regional economies and communities. PolyPeptide actively assumes its responsibility to respect human rights, including those pertaining to Child Labor, inside its own operations and across its network of commercial partnerships. Insufficient supply chain engagement, including neglecting human rights, could have adverse effects on stakeholders along the supply chain, particularly workers and may harm the communities from which PolyPeptide sources.

Risks and opportunities

The availability of sufficient supplies is critical for PolyPeptide's customer value generation. A lack of sufficient planning and controls within its supply chain, including a lack of procedures to ensure responsible and sustainable business practices, might lead to reputational damages and delays or shortages of critical raw materials, capital goods and services, with adverse impacts on PolyPeptide's delivery performance and consequences for customers and patients.

The adequate diversification of sources, clear specifications and procedures, and the direct engagement help PolyPeptide to mitigate supply chain risks, ensure operational resilience and to promote ethical behavior and legal compliance along its value chain, ultimately preventing any harm to its reputation.

Approach

Operating within a highly regulated GMP business environment, PolyPeptide maintains procedures to approve and certify critical suppliers. With its Supplier Code of Conduct published on the corporate website, it expects its suppliers to conduct their business in compliance with applicable local, national, and international laws and regulations, contractual agreements and consistent with internationally recognized environmental, social, and corporate governance standards. The Group commits to providing suitable support, should a supplier identify practices or behaviors that fall short of these expectations.

Ambition

PolyPeptide believes that its suppliers should share its fundamental values and principles related to corporate responsibility. It expects them to conduct their business in compliance with all applicable local, national, and international laws and regulations, contractual agreements and consistent with internationally recognized environmental, social, and corporate governance standards. The Group is committed to safeguard and to promote responsible human rights practices by implementing and continuously advancing its due diligence approach.

Policies and commitments

With its Supplier Code of Conduct, which is based on the United Nations Global Compact and has been in force since 2017, PolyPeptide took a proactive approach to supply chain engagement. The document is divided into the five core sections Ethics, Labor and Human Rights, Health and Safety, Environment and Management systems. The Group's suppliers are required to observe and comply with the Supplier Code of Conduct and are encouraged to review their adherence regularly.

The Group updated the Supplier Code of Conduct and published a Global Supply Chain Policy on Child Labor in 2023 to reflect developments in Swiss law as well as its continued efforts on corporate responsibility. The amended supplier approval process now requires, *inter-alia*, an approach to identify and assess any risk of Child Labor.

Responsibilities

The oversight of Supply chain engagement at the Board level is with the Audit and Risk Committee. Responsibilities for implementation are delegated to the Director Global Procurement, who reports to the CFO. The Director Global Procurement works with the purchasing departments that are part of each manufacturing site's local management structure.

Management of impacts, risks, and opportunities

PolyPeptide requires its suppliers to acknowledge and comply with its Supplier Code of Conduct and the Global Supply Chain Policy on Child Labor. The instruments that PolyPeptide may use to identify and assess any risks of Child Labor in its supply chain are described in the Global Supply Chain Policy on Child Labor. The Group carries out a risk-based assessment to anticipate, avoid or mitigate potential or actual adverse impacts associated with its supply chain.

Starting in 2023, with the support of a multinational assurance, inspection, product testing and certification company, PolyPeptide began engaging with selected high-risk tier 1 raw material suppliers through a questionnaire based on ISO 26000. Suppliers are selected using a risk-based approach, focused on any enhanced risks of human rights and Child Labor violations based on, *inter alia*, the UNICEF Children's Rights in the Workplace Index. PolyPeptide may further conduct on-site as well as remote audits on a case-by-case basis to verify compliance. In the event of observations or suspicions of actual or potential violations, PolyPeptide will engage with the supplier to create a remediation plan, and in severe cases terminate the relationship.

PolyPeptide's analysis in 2023 in relation to minerals and metals from conflict-affected areas established that PolyPeptide does not place in free circulation or process minerals containing tin, tantalum, tungsten or gold, or metals from conflict-affected and high-risk areas in Switzerland. PolyPeptide also performed its first analysis in 2023 in relation to Child Labor (as defined in its Global Supply Chain Policy on Child Labor). PolyPeptide came to the conclusion that it does not offer any products or services for which there are reasonable grounds to suspect that they were manufactured or provided using Child Labor.

For further information on PolyPeptide's analysis in 2023 in relation to conflict minerals and metals from conflict-affected areas and Child Labor, see section 6 PolyPeptide's voluntary report on child labor due diligence in its supply chain.

Achievements and challenges in 2023

In 2023, PolyPeptide strengthened its supply chain engagement by rolling out its updated Supplier Code of Conduct and the new Global Supply Chain Policy on Child Labor, which was accompanied by internal communications and training.

PolyPeptide introduced a uniform supplier screening and onboarding process, starting with a search on a third-party screening interface. The process contributes to the identification of high-risk suppliers and the risk-based prioritization.

As part of its due diligence process, PolyPeptide uses the services of an external service provider to ensure the effectiveness of its supplier engagement. In 2023, nine selected high-risk tier 1 raw material suppliers (that are among PolyPeptide's top 100 suppliers) started their participation in assessments, including for human rights and Child Labor issues. With regard to human rights and/or Child Labor issues, no violations were detected as of 31 December 2023. PolyPeptide is committed to expanding and continuously improving the assessment of its supply chain, with a particular focus on any potential new suppliers from high-risk areas before entering into any business relationships. At the same time, PolyPeptide is committed to the ongoing training of relevant employees on the topic of Child Labor to foster awareness within the Group and cooperation with suppliers.

4.5 People

PolyPeptide depends on its employees to run its operations in line with GMP requirements and to develop its project and technology portfolio, and its organization. The Group operates in compliance with EHS regulations and upholds strict principles for a fair, inclusive, and respectful workplace that values safety and work-life balance.

Impact

Through its international manufacturing network, PolyPeptide offers qualified job opportunities, most of which subject to continued GMP training. The manufacturing process, especially the handling of hazardous substances, entails potential health and safety risks for employees that require specific precautions. In addition, increased production volumes can have an adverse impact on employees' health and well-being. With its commitment to a safe and healthy workplace, the Group strives to enhance overall employee health and well-being and to prevent accidents, sickness, absences, and mental health issues. The Group continuously invests in the maintenance and growth of its local infrastructure and endorses innovation and the sharing of best practices between its manufacturing sites.

Risks and opportunities

PolyPeptide's manufacturing processes are complex with a high level of responsibility for employees on the shop floor. Increased production volumes and associated intensified production schedules without adequate protective measures for employees' health and well-being may lead to more accidents, sickness, absences, and mental health issues. A lack of their technical proficiency may lead to flawed delivery performance, possibly with adverse impacts on the availability of medication for patients. Staff turnover or absences increase operational risks. A lack of compliance with EHS requirements could result in fines, harm PolyPeptide's reputation or impact its licenses to operate.

Adherence to GMP requirements ensures the quality of products and services, while market growth and the continued development of PolyPeptide's organization provide individual employment and development opportunities.

Approach

Each of PolyPeptide's manufacturing sites is GMP certified, with established HR and EHS functions as part of the local management organization. Where appropriate, Group-wide procedures ensure global coordination.

Ambition

Attracting and retaining talent with suitable qualifications is critical for PolyPeptide's success. It strives to offer employees an attractive work environment with development opportunities, and to allow them to manage their work-life balance. It upholds strict principles for a fair, inclusive, and respectful workplace and is committed to protect people's health and safety by eliminating hazards and reducing risks. The Group provides training programs in line with GMP requirements and actively develops its organization to manage the expected business growth.

Policies and commitments

All employees engaged in the manufacturing process go through trainings in compliance with GMP requirements and safety regulations. The individual GMP training includes self-study, classroom teaching and practical on-the-job training, which is documented and subject to regular refreshers.

The Group follows local EHS requirements with an initiative under way to certify the manufacturing sites under ISO 45001. Its EHS Group Policy Statement intends to protect people's health and safety by eliminating hazards and reducing the risks inherent in PolyPeptide's operations, by identifying and managing psychosocial risks and by creating a pleasant and safe workplace environment where people can develop.

PolyPeptide's values and commitments are codified in its Code of Business Conduct and Ethics. While not tolerating harassment, bullying, and discrimination, the Group fosters diversity, equity, and inclusion, provides equal employment opportunities, and defends human rights and freedom of association.

Furthermore, PolyPeptide abides by applicable municipal, state, federal, and local employment regulations, including those that cover pay rates, overtime, workplace health and safety, and equal employment opportunities. Employee contracts and handbooks are provided in the local language to ensure accessibility for all employees.

Responsibilities

The oversight of People at the Board level is with the Remuneration & Nomination Committee. Responsibilities for implementation and day-to-day management are with the Chief Human Resources Officer (CHRO) and the Director Global EHS, with the CHRO reporting to the CEO and the Director Global EHS to the Director Global Operations. They coordinate and implement Group-wide initiatives in collaboration with their colleagues with functional responsibility at the manufacturing sites.

Management of impacts, risks, and opportunities

In addition to individual GMP trainings, the Group provides employees with trainings in compliance with relevant EHS standards and protocols. Regular training is intended to ensure smooth operations, prevent accidents, and promote the health and well-being of employees, with access to medical services as appropriate.

To manage individual performance and development, the Group maintains annual performance evaluation and employee development processes. Line managers are requested to conduct suitable discussions with their team members, supported by Human Resources.

Complementing the incentive structures for its Executive Committee, the Group provides eligible employees with variable compensation, with realized pay levels subject to company performance and the achievement of individual objectives. The objectives thereby depend on the individual areas of responsibilities and typically include financial and non-financial criteria, linked to preset targets.

PolyPeptide continually monitors staff turnover, employee overtime, and absence, and takes site-specific actions where needed. Lost Time Injuries and reported workplace complaints are monitored and investigated with the appropriate remediation measures being taken. With employees leaving the Group, exit conversations or surveys are offered to collect relevant feedback.

Currently, two of the manufacturing sites have been issued an ISO 45001 certification. Through a targeted gap analyses, PolyPeptide plans to expand the ISO 45001 certification program to further sites including by sharing of best practices across the Group and continued harmonization between the manufacturing sites.

Occasionally, and subject to the risk assessment of new product development or construction projects, PolyPeptide conducts specific risk studies, collaborating with external specialists as necessary, to proactively identify and minimize potential threats to the health of employees or the environment.

Achievements and challenges in 2023

With continued business growth, PolyPeptide increased its employee base by 5.5% average FTEs in 2023. Significant efforts were deployed to ensure the appropriate training for new employees and to instill technical proficiency and operational best practices among the workforce.

In 2023, the Group incurred eleven lost time injuries (LTI) (2022: 11), resulting in 0.14 lost working days per employee (2022: 0.8). As part of PolyPeptide's commitment, the Group continued in 2023 its health and safety programs at the manufacturing sites, which included awareness and practical accident trainings. In addition, the sites held practical trainings with emergency responders.

The Group progressed in 2023 with the implementation of its EHS agenda towards an ISO 45001 and expects additional manufacturing sites to be certified in 2024. It updated its EHS Group Policy Statement to anchor its aspirations across the manufacturing sites.

More than 1,000 employees took part in the employee engagement survey 2023, yielding a participation rate of 89% (2022: 74%). The overall engagement score was 3.6, on a scale from 1 to 5, with 5 being the highest and 1 being the lowest (2022: 3.7). The survey revealed that "relationships with colleagues and managers" and "meaningful participation" as strengths of PolyPeptide's workplace culture, while "feedback and communication", "workplace and

tools", and "health" scored lower. The specific results of the engagement survey were made available to the respective teams in order to further develop employee engagement.

The launch of a new Group-wide intranet platform has improved internal communications and cooperation, giving employees instant access to news, information, and tools across the Group.

In 2023, the average number of employees in FTEs was 1,202 compared to 1,139 in 2022. Breakdowns of the employees by geography, job category, site, age, experience, qualification, and gender are presented in the tables below.

The number of employees covered by collective bargaining agreements by the end of 2023 was 71% (2022: 72%), representing all employees in Belgium, Sweden, and France that are covered by collective agreements.

Number of employees (HC)	2023[8]	in %	2022[9]	in %
Total	1,273	100%	1,219	100%
Baar (CH)	8	1%	7	1%
Strasbourg (FR)	138	11%	131	11%
Braine (BE)	430	34%	430	35%
Malmö (SE)	333	26%	311	26%
Ambernath (IN)	96	8%	77	6%
San Diego (US)	65	5%	70	6%
Torrance (US)	203	16%	193	16%

Average number of FTE's	2023	2022
Total	**1,202**	**1,139**
By geography		
Switzerland	7	6
France	131	131
Belgium	402	367
Sweden	312	300
India	90	75
USA	260	260
By job category		
Production	665	618
Marketing and sales	19	19
Research and development	177	176
General and administration	99	89
Quality control	135	130
Quality assurance	107	107

By age (HC)	2023[8]	2022[9]
Age 18 – 24	3%	2%
Age 25 – 34	30%	30%
Age 35 – 44	27%	28%
Age 45 – 54	27%	27%
Age 55+	13%	13%
By experience (HC)		
<2 years	36%	37%
2 to 10 years	36%	33%
>10 years	28%	30%
By qualification (HC)		
PhD	8%	8%
Academic	62%	62%
Non-academic	30%	30%

By gender split m/f (HC)	2023[8]		2022[9]	
	m	f	m	f
Production	78%	22%	79%	21%
Other functions	49%	51%	49%	51%

Gender diversity in 2023 (HC)[8]		m	f	Total (absolute)
Diversity of governance bodies and employees[10]	Board of Directors	71%	29%	7
	Executive Management	80%	20%	5
	Management[11]	64%	36%	224

[8] Data based on headcount as at 31 December 2023. Number of employees in headcount (excl. apprentices, interns, students, trainees, contract workers and inactive workers).

[9] Data based on headcount as at 31 December 2022. Number of employees in headcount (excl. apprentices, interns, students, trainees, contract workers and temporary workers).

[10] PolyPeptide recognizes that gender is not a binary concept.

[11] Management refers to employees in leadership positions, including all team leader roles with at least one direct report, as well as Executive Committee and PolyPeptide Management Committee members.

4.6 Business ethics and compliance

PolyPeptide is committed to ethical behavior and compliance with legal and regulatory requirements. This includes a secure digital environment to protect sensitive data and business information. It requires adherence to its Code of Business Conduct and Ethics, with procedures in place to identify potential wrongdoing and misbehavior.

Impact

PolyPeptide's commitment to ethical behavior and compliance with legal and regulatory requirements is intended to protect its assets and the interests of its stakeholders, including customers, employees, investors, and suppliers. Its efforts to instill a culture of integrity and responsibility thereby cover partners along the supply chain. PolyPeptide is focused on the needs of its customers to the benefit of patients and strives to ensure that its activities have a beneficial impact on the communities in which it operates. Violations of business ethics and compliance may jeopardize fair market structures and distort competition.

Risks and opportunities

Non-adherence to applicable laws, rules, regulations, ethical standards, internal policies and procedures, or the loss of sensitive data, may put the Group at risk of business interruptions and legal prosecution with adverse impacts on financial performance and reputation.

By demonstrating effective controls and compliance, PolyPeptide secures its operational performance and positions itself as a reliable, trustworthy business partner. As part of its innovation efforts, PolyPeptide continues to adapt digital solutions to strengthen operational processes, transparency, and efficiency.

Approach

The Group is subject to comprehensive regulations and stringent quality processes. Its approach to business conduct and ethics is codified in its Code of Business Conduct and Ethics, published on the Group's website.

Ambition

By requesting adherence to its Code of Business Conduct and Ethics, and with suitable internal policies and procedures, PolyPeptide seeks to ensure ethical behavior and compliance with legal and regulatory requirements. It has procedures in place to identify potential deficiencies, wrongdoing, and misbehavior, with differentiated procedures to assess and remediate infractions.

Policies and commitments

All employees, including managers and the members of the Board of Directors, are subject to the Code of Business Conduct and Ethics, which emphasizes the Group's commitment to ethics and compliance, sets forth the basic standards of ethical and legal behavior, provides reporting mechanisms for known or suspected ethical or legal violations, and helps to prevent and detect wrongdoing. Supplementing the Code of Business Conduct and Ethics and the Supplier Code of Conduct, the Global Anti-Corruption and Anti Bribery Policy sets out the principles for PolyPeptide's position for integrity and against corruption and bribery. It further provides guidance on how to recognize and deal with potential bribery and corruption issues.

Building on its core values of "Innovation", "Excellence" and "Trust", PolyPeptide fosters an agile, open and collaborative work environment with an atmosphere of honest and open communication. In addition, its whistleblower policies and procedures allow anyone to voice concerns about a possible wrongdoing confidentially and even anonymously, if desired, and without fear of reprisal.

PolyPeptide maintains a set of internal policies and procedures to ensure good corporate governance, including the Global Sanctions and Export Control Compliance Policy and Procedure, the Enterprise Risk Management Policy, the Risk Assessment and Reporting Procedure, a Disclosure Policy and an Insider Dealing and Market Manipulation Policy.

The Group maintains an Enterprise Risk Management framework providing a consistent, Group-wide perspective of identified key risks, presented to, and approved by the Board of Directors. Regular internal audits focus on areas including the Group's control environment, aligned with the strategic priorities and risks identified.

As outlined under section 4.4 Supply chain engagement, PolyPeptide also expects its suppliers to conduct their business in compliance with applicable local, national, and international laws and regulations, contractual agreements and consistent with internationally recognized environmental, social and corporate governance standards.

Responsibilities

The oversight of Business ethics and compliance at the Board level is with the Audit and Risk Committee. Responsibilities for implementation are delegated to the General Counsel, who also holds the position of the Group's Governance, Risk, and Compliance Officer. The Group's IT organization is under the leadership of the Director Global IS/IT, who reports to the CFO.

The Corporate Compliance Committee (CCC) is responsible for promoting corporate compliance, including the protection of data privacy, and identifying potential violations to ethical business conduct. The Group maintains a corporate compliance program to continuously prevent and identify infractions of laws, rules, policies, and guidelines.

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.

Finally, the Group's Head of Internal Audit reporting to the Audit and Risk Committee, plays an instrumental role in ensuring adequate Board oversight with the instillment of effective, compliant, and responsible business practices. The

Head of Internal Audit implements an annual audit plan, presented to and approved by the Audit and Risk Committee, and reports findings with best practice recommendations to the Audit and Risk Committee.

Management of impacts, risks and opportunities

The Group has differentiated legal and compliance procedures in place to prevent or assess and remediate any identified infractions of laws, rules, policies, and guidelines, subject to the nature of the issue. Its Code of Business Conduct and Ethics is part of the onboarding of new employees and regular trainings, including annual e-learnings.

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. A risk assessment report, including the probability and consequences of identified risks, is presented to the Board of Directors annually for a deep-dive discussion.

Observations and corrective actions resulting from internal audits have defined owners and due dates, with the implementation progress of defined actions being systematically monitored and reported.

The Global IS/IT organization monitors and audits the digital environment to detect and respond to any potential threats or breaches that could compromise the confidentiality, integrity, or availability of sensitive data and business information. By providing the necessary infrastructure, software and support, Global IS/IT supports and facilitates the digital transformation of PolyPeptide's processes, products, and services.

The Group provides regular digital and, where suitable, on-site trainings on business ethics, compliance, and cyber security. Through targeted internal messaging to employees, it seeks to ensure that employees are aware and knowledgeable about relevant standards and procedures, including the whistleblower hotlines operated 24/7 by an independent third party in relevant local languages.

The results of the digital ethics, compliance and cyber security awareness trainings are examined for effectiveness and continued improvement. The generally positive feedback and outcomes from the Group-wide e-training efforts demonstrate good acceptance and cultural compatibility of the training programs. Some of the manufacturing sites provide further trainings, for example, in the U.S. to combat harassment, discrimination, and retaliation.

Achievements and challenges in 2023

In 2023, the Group made continuous progress with its business ethics and compliance programs. It continued to develop the role of the CCC launched in 2022 and updated its whistleblower programs and whistleblower e-learning with active communications. It updated its Supplier Code of Conduct and released a new Global Anti-Corruption and Anti Bribery Policy as well as a Group-wide Supply Chain Policy on Child Labor to take into account changes in Swiss law and to reflect its continued efforts to promote corporate responsibility. Further trainings included the Code of Conduct e-learning and the IT-security awareness training.

	% of completed e-learning activities by employees
2023 Code of Conduct e-learning	92%
2023 Whistleblower e-learning	91%
2023 IT-security awareness e-learning	93%

In 2023, PolyPeptide had no significant instances of non-compliance with laws and regulations. The Group's whistleblower hotlines received two reports in 2023, which were both withdrawn based on subsequent developments. Nevertheless, the matters were investigated under the direction of external specialists and could not be substantiated. The reports were subsequently closed and summarized to the Executive Committee and the Audit and Risk Committee.

Comprehensive efforts were undertaken to refine the Group's approach to ESG in compliance with new and emerging legal requirements.

There were no legal actions during the reporting period regarding anti-competitive behavior or violations of anti-trust, pending or otherwise. There are also no incidents of corruption and, consequently, no responding actions to be reported.

5. Disclosures in accordance with art. 964b Swiss Code of Obligations

The following sections comprise the report on non-financial matters in accordance with art. 964b of the Swiss Code of Obligations (the "CO"), which includes an independent practitioner's limited assurance report on selected non-financial information, including a selected set of performance indicators. The consultative vote on the report on non-financial matters for the financial year 2023 at the 2024 annual general meeting is limited to the content of these sections.

Art. 964b CO content requirement	Section	Reference
General information required to understand our business	Introduction	Page 18
	Sustainability approach	Page 19-22
	Overview–Strategy	Page 9-11
	Reporting on the material ESG topics	Page 26-41
Description of the business model	Introduction	Page 18
	Overview–Strategy–Business model	Page 9-11
Description of materiality assessment	Materiality and contribution to the SDGs–Identification of material topics	Page 23
	Materiality and contribution to the SDGs–Materiality matrix	Page 24
	Reporting on the material ESG topics	Page 26-41
Description of governance	Sustainability approach–Responsibilities and organization	Page 19-20
Environmental matters (in particular CO2 goals)	Green chemistry	Page 29-31
	Climate change mitigation	Page 32-34
Main impacts, risks and opportunities	Green chemistry–Impact	Page 29
	Climate change mitigation–Impact	Page 32
	Green chemistry–Risks and opportunities	Page 29
	Climate change mitigation–Risks and opportunities	Page 32
Policies adopted, including the due diligence applied	Green chemistry–Approach–Policies and commitments	Page 30
	Climate change mitigation–Approach–Policies and commitments	Page 32
Measures taken to implement policies and assessment of effectiveness	Green chemistry–Approach–Management of impacts, risks and opportunities	Page 30-31
	Green chemistry–Approach–Achievements and challenges in 2023	Page 31
	Climate change mitigation–Approach–Management of impacts, risks and opportunities	Page 33
	Climate change mitigation–Approach–Achievements and challenges in 2023	Page 33-34
Performance indicators	Green chemistry–Approach–Achievements and challenges in 2023	Page 31
	Climate change mitigation–Approach–Achievements and challenges in 2023	Page 33-34
Social issues	Product responsibility	Page 27-29
	People	Page 36-39
Main impacts, risks and opportunities	Product responsibility–Impact	Page 27
	People–Impact	Page 36
	Product responsibility–Risks and opportunities	Page 27
	People–Risks and opportunities	Page 36
Policies adopted, including the due diligence applied	Product responsibility–Approach–Policies and commitments	Page 27
	People–Approach–Policies and commitments	Page 36-37

Measures taken to implement policies and assessment of effectiveness	Product responsibility–Approach–Management of impacts, risks and opportunities	Page 28
	Product responsibility–Approach–Achievements and challenges in 2023	Page 28-29
	People–Approach–Management of impacts, risks and opportunities	Page 37
	People–Approach–Achievements and challenges in 2023	Page 37-39
Performance indicators	Product responsibility–Approach–Achievements and challenges in 2023	Page 28-29
	People–Approach–Achievements and challenges in 2023	Page 37-39
Employee-related issues	People	Page 36-39
Main impacts, risks and opportunities	People–Impact	Page 36
	People–Risks and opportunities	Page 36
Policies adopted, including the due diligence applied	People–Approach–Policies and commitments	Page 36-37
Measures taken to implement policies and assessment of effectiveness	People–Approach–Management of impacts, risks and opportunities	Page 37
	People–Approach–Achievements and challenges in 2023	Page 37-39
Performance indicators	People–Approach–Achievements and challenges in 2023	Page 37-39
Respect for human rights	Supply chain engagement	Page 34-36
	People	Page 36-39
Main impacts, risks and opportunities	Supply chain engagement–Impact	Page 34
	People–Impact	Page 36
	Supply chain engagement–Risks and opportunities	Page 34-35
	People–Risks and opportunities	Page 36
Policies adopted, including the due diligence applied	Supply chain engagement–Approach–Policies and commitments	Page 35
	People–Approach–Policies and commitments	Page 36-37
Measures taken to implement policies and assessment of effectiveness	Supply chain engagement–Approach–Management of impacts, risks and opportunities	Page 35
	Supply chain engagement–Approach–Achievements and challenges in 2023	Page 36
	People–Approach–Management of impacts, risks and opportunities	Page 37
	People–Approach–Achievements and challenges in 2023	Page 37-39
Performance indicators	Supply chain engagement–Approach–Achievements and challenges in 2023	Page 36
	People–Approach–Achievements and challenges in 2023	Page 37-39
Combating corruption	Business ethics and compliance	Page 39-41
Main impacts, risks and opportunities	Business ethics and compliance–Impact	Page 39
	Business ethics and compliance–Risks and opportunities	Page 40
Policies adopted, including the due diligence applied	Business ethics and compliance–Approach–Policies and commitments	Page 40
Measures taken to implement policies and assessment of effectiveness	Business ethics and compliance–Approach–Management of impacts, risks and opportunities	Page 41
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Performance indicators	Business ethics and compliance–Approach–Achievements and challenges in 2023	Page 41
References to national, European or international regulations	Introduction	Page 18
	GRI content index	Page 48-51
Coverage of subsidiaries	Sustainability approach	Page 19

Art. 964j-l CO requirements	Section	Reference
PolyPeptide's due diligence in relation to minerals and metals from conflict-affected areas	Supply chain engagement–Approach	Page 35-36
	PolyPeptide's voluntary report on child labor due diligence in its supply chain	Page 45-47
PolyPeptide's due diligence in relation to child labor	Supply chain engagement–Approach	Page 35-36
	PolyPeptide's voluntary report on child labor due diligence in its supply chain	Page 45-47

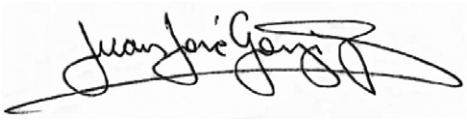
The report on non-financial matters for the financial year 2023 was approved for publication by the Board of Directors on 8 March 2024, and will be presented to the General Meeting of shareholders for a consultative vote on 10 April 2024.

Peter Wilden, Chair
Patrick Aebischer, Vice-Chair and Lead Independent Director
Jane Salik, Member
Erik Schropp, Member
Beat In-Albon, Independent Member
Philippe Weber, Independent Member
Dorothee A. Deuring, Independent Member

Baar, 12 March 2024

On behalf of the entire Board of Directors and the Executive Committee,

Peter Wilden
Chair of the Board of Directors



Juan José González
CEO

6. PolyPeptide's voluntary report on child labor due diligence in its supply chain

Re: Art. 964j-l of the Swiss Code of Obligations and the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor.

This voluntary report relates to the due diligence and reporting obligations in relation to minerals and metals from conflict-affected areas and child labor required by Art. 964j-l of the Swiss Code of Obligations ("CO") and the Swiss "Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor" ("DDTrO"). It covers the period 1 January 2023 to 31 December 2023. PolyPeptide's analysis in 2023 in relation to minerals and metals from conflict-affected areas established that it does not place in free circulation or process minerals containing tin, tantalum, tungsten or gold, or metals from conflict-affected and high-risk areas in Switzerland. PolyPeptide also performed its first analysis in 2023 in relation to Child Labor (as defined in its Global Supply Chain Policy on Child Labor[1]). PolyPeptide came to the conclusion that it does not offer any products or services for which there are reasonable grounds to suspect that they were manufactured or provided using Child Labor. However, given that PolyPeptide operates in potential Child Labor risk contexts (e.g., in light of its global sites and international Supply Chain (as defined in its Global Supply Chain Policy on Child Labor)), it has taken the decision to conduct due diligence and is reporting on this matter on a voluntary basis.

Principles

PolyPeptide strives to remain focused on the needs of its customers and its business, while adhering to fundamental principles of ethics and compliance, such as the United Nations Convention on the Rights of the Child[2], the Children's Rights and Business Principles developed by UNICEF, the United Nations Global Compact and Save the Children[3] and UNICEF's Children are everyone's business workbook 2.0[4].

PolyPeptide is aware of the problem of Child Labor in global value chains and takes its responsibility to respect human rights in its own operations and throughout its business relationships seriously, meaning to act with due diligence to avoid infringing on the rights of others and to address any adverse impacts. PolyPeptide is committed to complying with all applicable laws and regulations on Child Labor. Effectively preventing and mitigating adverse impacts may also help PolyPeptide maximize positive contributions to society, improve stakeholder relationships and protect its reputation.

Policies

The foundation of PolyPeptide's commitment to complying with all applicable laws and regulations on Child Labor is its Global Supply Chain Policy on Child Labor[1], Code of Business Conduct and Ethics[1] and Supplier Code of Conduct[1], which are mandatory for all employees, vendors, consultants and other business associates across PolyPeptide.

The Global Supply Chain Policy on Child Labor sets out in particular how PolyPeptide will comply with its due diligence and transparency obligations in its Supply Chain in relation to Child Labor. The Group-wide implementation of the principles as set out in the Global Supply Chain Policy on Child Labor helps PolyPeptide to avoid and address any adverse impacts related to Child Labor that may be associated with its Supply Chain.

PolyPeptide's Supply Chain due diligence and reporting management system as described in its Global Supply Chain Policy on Child Labor is an essential element in (i) detecting any products or services in its Supply Chain in relation to which there is a reasonable suspicion that they have been manufactured or provided using Child Labor, (ii) identifying and assessing the risks of adverse impacts in PolyPeptide's Supply Chain, (iii) establishing a risk management plan and taking measures to minimize the risks identified, regularly reviewing the effectiveness of the measures taken, including internal documentation, and (iv) preparing and publishing a yearly report on compliance with the due diligence obligations. The Global Supply Chain Policy on Child Labor further outlines PolyPeptide's Supply Chain Traceability System in relation to Child Labor.

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[1] Accessible at: www.polypeptide.com/company/downloads/.

[2] Accessible at: www.unicef.org/child-rights-convention/convention-text#.

[3] Accessible at: www.unicef.org/documents/childrens-rights-and-business-principles.

[4] Accessible at: www.unicef.org/vietnam/media/2281/file/Children%20are%20everyone's%20business:%20work book%202.0.pdf.

As an integral part of PolyPeptide's Supply Chain management system, its Global Supply Chain Policy on Child Labor is based on and to be read in conjunction with (i) PolyPeptide's Supplier Code of Conduct, (ii) the International Labor Organization (the "ILO") Conventions Nos 138[5] and 182[6], (iii) the ILO-IOE Child Labour Guidance Tool for Business of 15 December 2015[7], and (iv) the OECD Due Diligence Guidance for Responsible Business Conduct of 30 May 2018[8]. The Global Supply Chain Policy on Child Labor further supports PolyPeptide's environmental and human rights sustainability objectives.

The Code of Business Conduct and Ethics serves to (i) emphasize PolyPeptide's commitment to ethics and compliance with the law; (ii) set forth basic standards of ethical and legal behavior; (iii) provide reporting mechanisms for known or suspected ethical or legal violations; and (iv) help prevent and detect wrongdoing. In particular, the Code of Business Conduct and Ethics emphasizes PolyPeptide's efforts to ensure that its activities (directly or through its business relations) respect fundamental human rights, as set out by the United Nations Bill of Rights[9] and the core conventions of the ILO. PolyPeptide rejects any behavior that violates the human rights of any employee or individuals employed on behalf of the Group, especially forced labor or Child Labor, in its Supply Chain. The use of forced, bonded or indentured labor or involuntary prison labor is strictly prohibited; this applies both to its suppliers and within the Group.

The Supplier Code of Conduct requires suppliers to comply with all applicable national and international laws and regulations, including the ILO and the United Nations' Universal Declaration of Human Rights, industry standards, and all other relevant statutory requirements whichever requirements impose the highest standards of conduct. The Supplier Code of Conduct sets out PolyPeptide's expectations with regard to ethics, labor and human rights, health and safety, environment, management systems and how questions or concerns can be reported to PolyPeptide. It states that suppliers must prohibit involuntary labor or work performed under the threat of penalty, including forced, prison, indentured labor, bonded labor, or other forms of slavery and/or servitude. Suppliers must further avoid all use and forms of Child Labor in their business operations and act in accordance with the United Nations Global Compact principles, the ILO labor standards and the OECD Guidance for Responsible Business Conduct. Where local laws are stricter by requiring a higher age for work or compulsory education, they take precedence. The Supplier Code of Conduct further states that suppliers shall publicly declare zero tolerance of Child Labor in their own business operations and prohibit all forms of child or forced labor (including modern slavery and human trafficking) in their own supply chain network. Suppliers must perform the necessary due diligence as specified by the OECD and in accordance with the Swiss regulations, especially when requested by PolyPeptide. The Group commits to provide providing suitable support, should a supplier identify practices or behaviors that fall short of these expectations.

Supply chain risk assessment and management system

PolyPeptide maintains a network of over 440 direct raw material suppliers around the globe. In 2023, the top 100 raw material suppliers together accounted for around 90% of the total material spending. The Group's main raw material categories constitute starting materials, solvents, reagents, and purification resins. Where feasible, PolyPeptide sources these products regionally, which benefits regional economies and communities.

PolyPeptide requires its suppliers to acknowledge and comply with its Supplier Code of Conduct and the Global Supply Chain Policy on Child Labor. The Group carries out a risk-based assessment to anticipate, avoid or mitigate potential or actual adverse impacts associated with its Supply Chain. The instruments that PolyPeptide may use to identify and assess any risks of Child Labor in its Supply Chain are described in the Global Supply Chain Policy on Child Labor.

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5 Accessible at: www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312283.

6 Accessible at: www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C182.

7 Accessible at: www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/instructional material/wcms_ipec_pub_27555.pdf.

8 Accessible at: mneguidelines.oecd.org/due-diligence-guidance-for-responsible-business-conduct.htm.

9 See: www.ohchr.org/en/what-are-human-rights/international-bill-human-rights.

For example, PolyPeptide introduced in 2023 a uniform supplier screening and onboarding process, starting with a search on a third-party screening interface. The process contributes to the identification of high-risk suppliers and the risk-based prioritization. In addition, with the support of a multinational assurance, inspection, product testing and certification company, PolyPeptide began engaging with selected high-risk tier 1 raw material suppliers through a questionnaire based on ISO 26000. Suppliers are selected using a risk-based approach, focused on any enhanced risks of human rights and Child Labor violations based on, *inter alia*, the UNICEF Children's Rights in the Workplace Index. PolyPeptide may further conduct on-site as well as remote audits on a case-by-case basis to verify compliance. In the event of any observations or suspicions of actual or potential violations, PolyPeptide will engage with the supplier to create a remediation plan, and in severe cases terminate the relationship. In 2023, nine selected high-risk tier 1 raw material suppliers (that are among PolyPeptide's top 100 suppliers) started their participation in assessments, including for human rights and Child Labor issues. With regard to human rights and/or Child Labor issues, no violations were detected as of 31 December 2023. PolyPeptide is committed to expanding and continuously improving the assessment of its Supply Chain, with a particular focus on any potential new suppliers from high-risk areas before entering into any business relationships. At the same time, PolyPeptide is committed to the ongoing training of relevant employees on the topic of Child Labor to foster awareness within the Group and cooperation with suppliers.

For the financial year 2023, PolyPeptide assessed whether it offers any products or services for which there are reasonable grounds to suspect that they were manufactured or provided using Child Labor. As of 31 December 2023, through its risk analysis, information and research based on reasonable investigation, the assessment did not reveal any suspicion of Child Labor related to PolyPeptide's own business activity or that of its selected high-risk tier 1 raw material suppliers. PolyPeptide has internally documented this finding. Furthermore, through its risk analysis conducted in 2023, PolyPeptide did not identify any suspicion of Child Labor beyond its tier 1 Supply Chain. Given the complexity of the Supply Chain beyond tier 1, PolyPeptide will strive to expand its monitoring activities to enhance its diagnostic understanding of those suppliers.

Grievance mechanism

PolyPeptide maintains, as an early warning mechanism for risk identification, a reporting procedure that allows all interested parties to raise reasonable concerns about the existence of a potential or actual adverse impact related to Child Labor.

Anybody with knowledge or suspicion of illegal activities or irregularities at PolyPeptide (including any concerns about Child Labor in PolyPeptide's Supply Chain) can report observations confidentially and even anonymously, if desired, through PolyPeptide's whistleblower programs. Further information about PolyPeptide's whistleblower policies and hotlines can be found at: www.polypeptide.com/investors/corporate-governance/. Anyone who, in good faith, raises a concern about a possible ethics or compliance violation will be supported by PolyPeptide management and will not be subject to any form of retaliation. In addition, PolyPeptide will provide information on reports received to the Audit and Risk Committee or Board of Directors, as appropriate. All reports will be internally documented in writing.

In 2023, PolyPeptide did not receive any complaints or reports about Child Labor in its own operations or Supply Chain.

Traceability system

Names and addresses of all PolyPeptide's tier 1 raw material suppliers, as well as the category of the goods or services they provide, are recorded in the Group's ERP systems. PolyPeptide keeps records of its monitoring activities, assessments, and completed third party ISO 26000 questionnaires.

PolyPeptide established and will maintain, as integral part of its Supply Chain management system, a system to document information for each product or service for which there are reasonable grounds to suspect Child Labor, if any ("Supply Chain Traceability System"). The Supply Chain Traceability System consists of internal company documentation and would list, insofar as reasonably possible, the following information for each product or service in the upstream Supply Chain for which there are reasonable grounds to suspect Child Labor: (a) description of the product or service and the trade name (if one exists) and (b) the names and addresses of the vendor and the production sites or the service provider for PolyPeptide. As of 31 December 2023, the Supply Chain Traceability System contained no entries, as PolyPeptide's assessment did not reveal any reasonable suspicion of Child Labor.

Transparency and reporting

PolyPeptide's general communication and reporting in relation to Child Labor are described in the Global Supply Chain Policy on Child Labor.

The Global Supply Chain Policy on Child Labor, Code of Business Conduct and Ethics and Supplier Code of Conduct are all publicly available on PolyPeptide's website. PolyPeptide will continue to report in accordance with the DDTrO.

7. GRI content index

PolyPeptide has produced its report for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards.

GRI 1 used	**GRI 1: Foundation 2021**
Applicable GRI Sector Standard(s)	**None**

General Disclosures

GRI Standard	Disclosure		Reference/ information	Omission
The organization and its reporting practices				
GRI 2: General Disclosures 2021	2-1	Organizational details	• Profile, page 7 • Strategy, page 9 • Group structure and shareholders, page 58 • Notes to the consolidated financial statements, page 176	
	2-2	Entities included in the organization's sustainability reporting	• Sustainability approach, page 19 • Group structure and shareholders, page 58	
	2-3	Reporting period, frequency and contact point	• Introduction, page 18 • Imprint, page 220	
	2-4	Restatements of information	• n/a (first report)	
	2-5	External assurance	• Independent practitioner's limited assurance report on selected non-financial information 2023, page 52	
Activities and workers				
GRI 2: General Disclosures 2021	2-6	Activities, value chain and other business relationships	• Strategy, page 9	
	2-7 a., c., d., e.	Employees	• People, page 36-39	
Governance				
GRI 2: General Disclosures 2021	2-9	Governance structure and composition	• Board of Directors, page 67	
	2-10	Nomination and selection of the highest governance body	• Election and term of office, page 77 • Remuneration and Nomination Committee, page 83	
	2-11	Chair of the highest governance body	• Members of the Board of Directors, page 68 • Internal organizational structure, page 78	
	2-12	Role of the highest governance body in overseeing the management of impacts	• Responsibilities and organization, page 19	
	2-13	Delegation of responsibility for managing impacts	• Responsibilities and organization, page 19	
	2-14	Role of the highest governance body in sustainability reporting	• Responsibilities and organization, page 19	
	2-15	Conflicts of interest	• Internal organizational structure, page 78	

	2-16	Communication of critical concerns	• Organizational Regulations • Business ethics and compliance, page 39-41 • Information and control instruments vis-à-vis the Executive Committee, page 89-90
	2-17	Collective knowledge of the highest governance body	• Board of Directors, page 67
	2-18	Evaluation of the performance of the highest governance body	• Remuneration Report, page 112
	2-19	Remuneration policies	• Articles of Association
	2-20	Process to determine remuneration	• Role and activities of the Board of Directors and shareholders, page 115-116 • Role and activities of the Remuneration and Nomination Committee, page 117-118
Strategy, policies and practices			
GRI 2: General Disclosures 2021	2-22	Statement on sustainable development strategy	• Editorial, page 4
	2-23	Policy commitments	• Business ethics and compliance, page 40
	2-24	Embedding policy commitments	• Business ethics and compliance, page 40-41
	2-25	Processes to remediate negative impacts	• Compliance controls, page 92
	2-26	Mechanisms for seeking advice and raising concerns	• Compliance controls, page 92
	2-27	Compliance with laws and regulations	• Business ethics and compliance, page 39-40
	2-28	Membership associations	• Stakeholder engagement, page 21
Stakeholder engagement			
GRI 2: General Disclosures 2021	2-29	Approach to stakeholder engagement	• Stakeholder engagement, page 22
	2-30	Collective bargaining agreements	• People, page 36

Material topics

GRI Standard	Disclosure		Reference/ information	Omission
GRI 3: Material Topics 2021	3-1	Process to determine material topics	• Identification of material topics, page 23	
	3-2	List of material topics	• Materiality matrix, page 24	
Product responsibility				
GRI 3: Material Topics 2021	3-3	Management of material topics	• Product responsibility, page 27	
Own indicator	–	Revenue structure	• Product responsibility, page 28	
Own indicator	–	Project pipeline	• Product responsibility, page 28	
Own indicator	–	Generics portfolio	• Product responsibility, page 28	
Own indicator	–	Delivery performance	• Product responsibility, page 29	
Own indicator	–	Customer satisfaction	• Product responsibility, page 29	
Green chemistry				
GRI 3: Material Topics 2021	3-3	Management of material topics	• Green chemistry, page 29	
GRI 303: Water and Effluents 2018	303-5, a.	Water consumption	• Green chemistry, page 31	
Own indicator	–	Solvent consumption	• Green chemistry, page 31	
Own indicator	–	Green solvent projects	• Green chemistry, page 31	
Own indicator	–	Percolation deployment	• Green chemistry, page 31	
Climate change mitigation				
GRI 3: Material Topics 2021	3-3	Management of material topics	• Climate change mitigation, page 32	
GRI 302: Energy 2016	302-1, c.i.	Energy consumption within the organization	• Climate change mitigation, page 33-34	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	• Climate change mitigation, page 34	
	305-2	Energy indirect (Scope 2) GHG emissions	• Climate change mitigation, page 34	
	305-3	Other indirect (Scope 3) emissions	• Climate change mitigation, page 34	
Own indicator	–	Renewable electricity	• Climate change mitigation, page 33	

Supply chain engagement			
GRI 3: Material Topics 2021	3-3	Management of material topics	• Supply chain engagement, page 34
Own indicator	–	Supplier assessment	• Supply chain engagement, page 34
People			
GRI 3: Material Topics 2021	3-3	Management of material topics	• People, page 36
GRI 403: Occupational health and safety 2018	403-9, a. ii.	Work-related injuries	• People, page 37
Own indicator	–	Employee engagement	• People, page 37-38
Business ethics and compliance			
GRI 3: Material Topics 2021	3-3	Management of material topics	• Business ethics and compliance, page 39
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	• Business ethics and compliance, page 41
GRI 206: Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	• Business ethics and compliance, page 41
Own indicator	–	IT security training	• Business ethics and compliance, page 41
Own indicator	–	Whistleblower training	• Business ethics and compliance, page 41

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REPORT OF THE INDEPENDENT PRACTITIONER

To the Board of Directors of PolyPeptide Group AG, Baar

Independent particioner's limited assurance report on selected non-financial information 2023

We have been engaged by the Board of Directors to perform assurance procedures to provide limited assurance on selected non-financial information (including the Greenhouse Gas (GHG) emissions) of PolyPeptide Group AG and its consolidated subsidiaries (the "Group") for the year ended 31 December 2023 disclosed in the Annual Report 2023 (the "Report").

Our assurance engagement does not extend to information in respect of earlier periods or to any other information included in the Report.

Scope and subject matter

Our assurance engagement relates to limited level of assurance on the selected non-financial information (including the GHG emissions) from 1 January 2023 to 31 December 2023 disclosed in the Report.

The following selected non-financial information (including the GHG emissions) published in the Report is within the scope of our limited assurance engagement:

- The PolyPeptide materiality determination process at Group level as disclosed on pages 23 and 24 of the Report;
- PolyPeptide's selected non-financial information as disclosed on pages 42 to 44 of the Report;
- PolyPeptide compliance with the due diligence and reporting obligations concerning minerals and metals from conflict regions and child labor as disclosed on page 44 of the Report.
- The correctness of the following consolidated performance indicators:

  Product responsibility performance indicator:
  - On-time-in-full delivery performance (OTIF) on page 29

  Green chemistry performance indicator:
  - Solvent consumption on page 31
  - Green solvent projects on page 31
  - Percolation deployment on page 31
  - Water consumption on page 31

  Climate change mitigation performance indicator:
  - Group greenhouse gas emissions on page 34

  Supply chain engagement performance indicator:
  - Supplier assessment on page 36 and 47

  People performance indicator:
  - Number of employees (headcount per site, end of period) on page 38
  - Geographical distribution (average number of FTE's per site) on page 38
  - Age (headcount, end of period) on page 39
  - Gender (headcount, end of period) on page 39

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- Gender diversity in 2023 (headcount, end of period) on page 39
- Lost time injuries, resulting in lost working days per employee on page 37

Business ethics and compliance performance indicator:

- Number of whistleblower reports on page 41
- Number of and nature of confirmed incidents of corruption on page 41

Criteria

The selected non-financial information 2023 (including the GHG emissions) was prepared by management under the supervision of the respective responsible Committees of the Board of Directors based on the following criteria (the "suitable Criteria"):

- PolyPeptide's materiality determination process at Group level based on the requirements of the "GRI Standards" published in October 2021 by the Global Reporting Initiative (GRI);
- PolyPeptide discloses a report on non-financial matters based on the non-financial disclosure requirements regarding transparency on non-financial matters according to art. 964a-964c of the Swiss Code of Obligations (CO);
- PolyPeptide complies with the requirements of art. 964j-964l CO regarding due diligence and reporting obligations concerning minerals and metals from conflict regions and child labor;
- PolyPeptide's disclosure of selected non-financial information, including selected performance indicators, with reference to the "GRI Standards" published by the Global Reporting Initiative (GRI).

Responsibility of the Board of Directors

The Board of Directors is responsible for the selection and application of the suitable Criteria and for the preparation and presentation of the selected non-financial information (including the GHG emissions) in accordance with the suitable Criteria and compliance with art. 964a-964c CO. This responsibility includes adequate record keeping as well as the design, implementation and maintenance of an internal control system relevant to the preparation of the selected non-financial information that is free from material misstatement, whether due to fraud or error.

Independence and Quality Control

We are independent of PolyPeptide Group AG in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), that are relevant to our audit of the financial statements and other assurance engagements in Switzerland. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

BDO also applies International Standard on Quality Management 1, which requires the firm to design implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We remain solely responsible for our assurance conclusion.

Responsibility of the Practitioner

Our responsibility is to perform an assurance engagement and to express a limited assurance conclusion on the selected non-financial information 2023 (including the GHG emissions) of the Group disclosed in the Report.

We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information" and, in respect of greenhouse gas emissions information, with ISAE 3410 "Assurance Engagements on Greenhouse Gas Statements", issued by the International Auditing and Assurance Standards Board. Those standards require that we plan and perform our procedures to obtain limited assurance whether anything has come to our attention that causes us to believe that the

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selected non-financial information 2023 (including the GHG emissions) was not prepared, in all material aspects, in accordance with the suitable Criteria.

Based on risk and materiality considerations, we performed our procedures to obtain sufficient and appropriate assurance evidence. The procedures selected depend on the assurance practitioner's judgement. A limited assurance engagement under ISAE 3000 (Revised) and ISAE 3410 is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

Our limited assurance procedures included, amongst others, the following work:

- Review of documentation and analysis of relevant policies and principles
  Reviewing relevant documentation on a sample basis, including the Group's non-financial reporting policies, management of reporting structure and documentation as well as reviewing the application of the Group's non-financial reporting documentation;
- Management inquiry
  Interviewing relevant personnel responsible for internal non-financial reporting and data collection at the sites and at the Group level to determine the understanding and application of the Group's non-financial reporting documentation;
- Perform analytical procedures
  Performing analytical procedures to evaluate, compare and benchmark selected consolidated performance indicators;
- Assessment of the key figures
  Testing the processes and system to generate collect, aggregate, monitor and report the selected consolidated performance indicators and performing test on a sample basis for selected consolidated performance indicators concerning completeness, accuracy, adequacy and consistency;
- Assessment of the processes and data consolidation
  Reviewing the management and non-financial reporting processes for the selected non-financial information 2023 (including the GHG emissions).
- Assessment of the disclosures in the Report with respect to the requirements of art. 964b para. 1 and para 2 CO and art. 964j-964l CO.

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

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected non-financial information 2023 (including the GHG emissions) for the period from 1 January 2023 to 31 December 2023 in the Report of PolyPeptide Group AG as described in the scope and subject matter section have not been prepared, in all material respects, in accordance with the suitable Criteria and art. 964a-964c CO respectively.

Inherent Limitations

The accuracy and completeness of the non-financial information 2023 (including the GHG emissions) are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data.

In addition, the GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine GHG emission factors and the values needed to combine emissions of different gases. Our assurance report therefore has to be read in connection with the Group guidelines used by PolyPeptide, its definitions and procedures as well as third-party guidelines used to present the selected non-financial information 2023.

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8031 Zurich

Intended Users and Purpose of Report

This report is prepared for, and only for, the Board of Directors of PolyPeptide Group AG, and solely for the purpose of reporting to them on the 2023 selected non-financial information (including the GHG emissions) disclosed in the Report and no other purpose. We do not, in giving our conclusion, accept or assume responsibility (legal or otherwise) or accept liability for, or in connection with, any other purpose for which our report including the conclusion may be used, or to any other person to whom our report is shown or into whose hands it may come, and no other persons shall be entitled to rely on our conclusion. We permit the disclosure of our report, in full only and in combination with the suitable Criteria, to enable the Board of Directors of PolyPeptide Group AG to demonstrate that they have discharged their governance responsibilities by commissioning an independent assurance report over the selected non-financial information 2023 (including the GHG emissions), without assuming or accepting any responsibility or liability to any third parties on our part. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of PolyPeptide Group AG for our work or this report.

Zurich, 8 March 2024

BDO Ltd

Simon Oswald

Roland Z'Rotz

Enclosures

Corporate Governance Report

Corporate Governance Report 2023

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 2023 provides information on corporate governance in accordance with the SIX Swiss Exchange Directive on Information relating to Corporate Governance ("DCG"), the Swiss Code of Obligations ("CO") and the principles of the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse.[1] The information contained herein generally follows the structure of the annex of the DCG.

All information within this Corporate Governance Report 2023 refers to the Company's organization, Articles of Association[2] and Organizational Regulations[3] that were in effect as of 31 December 2023 (unless otherwise stated).

[1] In its version as approved by the board of economiesuisse on 14 November 2022.

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

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

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 active pharmaceutical ingredients (*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[4], 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[5], 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, in 2023 the Executive Committee comprised the CEO, CFO, the Director Global Sales and Marketing, the Director 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 2023, the PolyPeptide Management Committee comprised the Executive Committee together with the Director Global Innovation & Technology, Chief Human Resources Officer, Director Global Quality, Director Global Development / Regulatory / IP and Head of Investor Relations and Corporate Communications. The current members of our PolyPeptide Management Committee are based across PolyPeptide's sites in Europe.

Complementing our senior management team is our highly qualified and committed workforce. In 2023, we employed an average of 1,202 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 Business Review–Revenue and note 3 "*Revenue and expenses*" of the consolidated financial statements in the Financial Report 2023.

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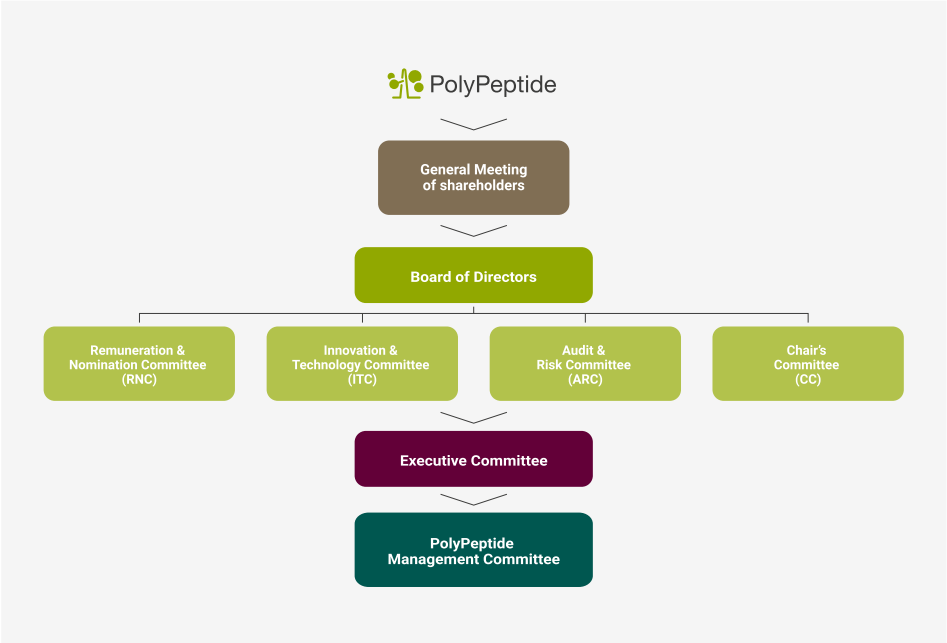
[4] PolyPeptide Group AG's Articles of Association are available at https://www.polypeptide.com/investors/results-center/.

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

Governance bodies



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 2023, the market capitalization (excluding treasury shares) of the Company's shares amounted to CHF 577,625,762.6. 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 2023, 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

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[1]	San Diego, CA	USA	100%	n/a	USD
PolyPeptide Laboratories A/S[2]	Hillerød	Denmark	100%	20,000,000	DKK

[1] PolyPeptide Laboratories San Diego, LLC is a wholly owned subsidiary of PolyPeptide Laboratories Inc.

[2] 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 2023, 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 shareholding
Cryosphere Foundation (St. Peter Port, Guernsey) / Draupnir Holding B.V. (Hoofddorp, The Netherlands)[2]	18,582,406	56.10
Premier Fund Managers Limited (Guildford, Surrey, UK)[3]	1,712,407	5.17
Premier Portfolio Managers Limited (Guildford, Surrey, UK) / Premier Miton European Opportunities Fund[4]	1,633,000	4.93
Rudolf Maag (Binningen BL, Switzerland)[5]	1,100,000	3.32
PRIMECAP Management Company (Pasadena, CA, USA) / PRIMECAP Odyssey Aggressive Growth Fund (Pasadena, CA, USA)[6]	1,061,016	3.20

[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 then held by the Company (PolyPeptide Group AG, Baar, Zug, Switzerland) as well as sale positions then held 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 2023 and section 5.1.4 "*Long-term incentive program*" of the Remuneration Report 2023 for information regarding the long-term incentive plan

[3] Disclosure notice of 18 March 2023.

[4] Disclosure notice of 18 March 2023.

[5] Disclosure notice of 4 May 2021.

[6] Disclosure notice of 30 March 2023.

Notifications made in accordance with art. 120 FMIA during the 12 months preceding 31 December 2023 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 2023, there are no shareholders' agreements in force.

1.3 Cross-shareholdings

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

2 Capital structure

2.1 Company's ordinary share capital

As of 31 December 2023, 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 2023, the Company held 155,494 treasury shares, representing 0.47% 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 2023).

2.2 Capital band and conditional capital

2.2.1 Capital band

As of 31 December 2023, the Company's Articles of Association did not include a capital band.

2.2.2 Conditional capital

Below is a summary of the Company's conditional share capital for employee participations (art. 3a of the Articles of Association) as of 31 December 2023.

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 or restricted, respectively, if and to the extent the option rights are not allocated to the existing shareholders. 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. Option rights pursuant to art. 3a of the Articles of Association must be exercised in writing or in electronic form allowing proof by text. This also applies to the waiver of the exercise of these rights.

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 2023, no shares have been issued out of conditional share capital.

2.2.3 Authorized capital

At the general meeting on 6 April 2021, two categories of authorized share capital ((i) authorized share capital for financing and acquisitions and (ii) authorized share capital for IPO) were created. The authority of the Board of Directors to increase the Company's share capital by issuing shares out of the Company's two categories of authorized share capital was limited until 5 April 2023. For more information see section 2.2.2 "*Authorized share capital for financing and acquisitions*" and section 2.2.3 "*Authorized share capital for IPO*" of the Corporate Governance Report 2022. 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. Specifically, 3,125,000 shares were issued out of the authorized share capital for IPO in relation to the shares issued and sold by the Company in the IPO and one share was issued out of the authorized share capital for financing and acquisitions. No other shares had been issued out of the Company's two categories of authorized share capital until their deletion from the Company's Articles of Association. See also section 2.3 "*Changes in share capital*" of this Corporate Governance Report 2023.

The Company proposed at the general meeting 2023 held on 12 April 2023 ("AGM 2023") the deletion of the Company's two categories of authorized share capital from its Articles of Association. The deletion was proposed in light of (i) the expiry of the time limit set in the Company's Articles of Association for execution of the authorized capital until 5 April 2023, (ii) the authorized capital for IPO no longer being required and (iii) the introduction of the capital band pursuant to the reform of Swiss corporate law (art. 653s et. seq. CO). The proposed deletion of the two categories of authorized share capital from the Articles of Association was approved at the AGM 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 2023. Specifically, 3,125,000 shares were issued out of the then applicable art. 3c of the Articles of Association (authorized share capital for IPO) in relation to the shares issued and sold by the Company in the IPO and one share was issued out of the then applicable art. 3b of the Articles of Association (authorized share capital for financing and acquisitions) following the contribution in kind of 50,000,000 shares of PolyPeptide Laboratories Holding B.V. from Draupnir Corporation S.à r.l.[6]

	Share capital (CHF)
Amount as of 6 April 2021 *(Incorporation of the Company)*	
Ordinary share capital	300,000.00
Conditional share capital *(if fully utilized)*	6,000.00
Authorized share capital for financing and acquisitions *(if fully utilized)*	30,000.00
Authorized share capital for IPO *(if fully utilized)*	45,000.00
Amount as of 31 December 2021	
Ordinary share capital	331,250.01
Conditional share capital *(if fully utilized)*	6,000.00
Authorized share capital for financing and acquisitions *(if fully utilized)*	29,999.99
Authorized share capital for IPO *(if fully utilized)*	13,750.00
Amount as of 31 December 2022	
Ordinary share capital	331,250.01
Conditional share capital *(if fully utilized)*	6,000.00
Authorized share capital for financing and acquisitions *(if fully utilized)*	29,999.99
Authorized share capital for IPO *(if fully utilized)*	13,750.00
Amount as of 31 December 2023	
Ordinary share capital	331,250.01
Conditional share capital *(if fully utilized)*	6,000.00
Authorized share capital for financing and acquisitions *(if fully utilized)*	–
Authorized share capital for IPO *(if fully utilized)*	–

[6] 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 2023, 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 Association 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[7]

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").[8]

2.6.1 Limitations on transferability

According to art. 5 para. 2 of the Articles of Association, and except as otherwise provided in 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 (i) to have acquired the shares in their own name and for their own account, (ii) that no agreements on the redemption or return of these registered shares exist, (iii) to bear the risk associated with the shares and (iv) comply with the disclosure requirements stipulated by the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015 ("FinMIA"). 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").

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7 This section 2.7 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.

8 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.

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 such Incumbent Shareholder's 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 such Incumbent Shareholder's legal successor, respectively) or (B) any other acquirer acquires registered shares from an Incumbent Shareholder (or such Incumbent Shareholder's legal successor, respectively) off-market, but in each case only to the extent such registered shares held by such Incumbent Shareholder (or such Incumbent Shareholder's 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, the acquirer 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 2023, no exceptions under art. 5 of the Articles of Association had 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 FinMIA 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.

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 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, the acquirer may neither exercise the voting rights connected with the shares nor other rights associated with the voting rights. As of 31 December 2023, no exceptions under art. 5 of the Articles of Association had 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 2023, neither the Company nor any of its subsidiaries has issued any bonds or options regarding the Company's 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 2023.

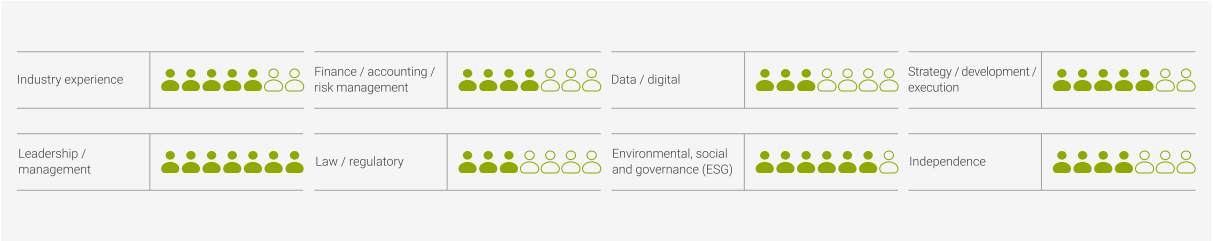
3 Board of Directors

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 age, gender, nationality, geographical / regional, background 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 the key skills illustrated above, as well as 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

During the reporting period, the number of members of the Board of Directors increased from six (6) to seven (7). Each Director in office as of 1 January 2023 stood for re-election at the AGM 2023 and was approved by the shareholders. Furthermore, Dorothee A. Deuring was elected as a new member of the Board of Directors at the AGM 2023. Thus, as of 31 December 2023, the Board consisted of seven (7) non-executive Directors (including the Chair and the Lead Independent Director), four (4) of which are independent as outlined below:

Name	Position	First election	End of term
Peter Wilden	Chair, (Non-) Executive[1]	2021	AGM 2024
Patrick Aebischer	Vice-Chair, Non-executive and Lead Independent Director[2, 3]	2021	AGM 2024
Jane Salik	Member, Non-executive[4]	2021	AGM 2024
Erik Schropp	Member, Non-executive[5]	2021	AGM 2024
Beat In-Albon	Member, Non-executive and Independent[2]	2021	AGM 2024
Philippe Weber	Member, Non-executive and Independent[2, 6]	2021	AGM 2024
Dorothee A. Deuring	Member, Non-executive and Independent[2, 7]	2023	AGM 2024

[1] Dr. Peter Wilden assumed the role of Executive Chair on 30 January 2023 following the resignation of the then current CEO. Upon the appointment of Juan José González as CEO effective 12 April 2023 and the completion of his introduction to PolyPeptide, Dr. Wilden stepped down from his executive duties as of 30 September 2023 and continued his role as Chair of the Board of Directors of the Company. Due to Dr. Wilden's prior and current roles within the Ferring Group and the Group's ongoing business relationship with the Ferring Group, which is considered a related party, together with his recent role as Executive Chair of PolyPeptide, Dr. Wilden is assessed as not independent. For further information, please refer to Dr. Wilden's biography below.

[2] The term "independent" is interpreted in accordance with art. 15 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. 15 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. Due to her recent operational management roles at the Group, Ms. Salik is assessed as not independent.

[5] 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, and also a related party). As a result of these roles, Mr. Schropp is assessed as not independent. For further information, please refer to Mr. Schropp's biography below.

[6] Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF), see section 4.2 "*Compensation of the Board of Directors*" of the Remuneration Report 2023 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 minor. Thus, Mr. Weber is considered independent within the meaning of art. 15 Swiss Code of Best Practice for Corporate Governance and section 4(d) of the Organizational Regulations.

[7] Dorothee A. Deuring was elected as a new member of the Board of Directors at the AGM 2023.

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

Chair since 2021
(Non-) Executive[9]

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, and his recent role as Executive Chair of PolyPeptide, Dr. Wilden is assessed as not independent.[10]

Prior positions at PolyPeptide

- Group Executive Chair (30 January 2023–30 September 2023)

Outside mandates at listed companies

- None

Outside mandates at non-listed companies

- None

Outside mandates at non-profit organizations

- Member of the board of directors of the Suisse Polar Foundation, Switzerland (since 2018)
- Chair of the board of directors of Project HOPE Suisse International Foundation, Switzerland (since 2015)
- Member / Vice-Chair of the board of directors of Project HOPE, USA (since 2012)

Former outside activities and functions

- Executive Chair of the board of directors of Ferring International Center SA, Switzerland (2002–August 2023)
- Vice-Chair of the board of directors of Schlumberger AG, Austria (2014–2022)
- Member of the board of directors of Ferring Ventures SA (previously named Trizell Holding SA), Switzerland (2014–June 2021)
- Member / Chair of the Audit Committee / Vice-Chair of the board of directors of Lonza Group AG, Switzerland (2004–2014)
- Executive Vice-President and CFO of Ferring Pharmaceuticals, Switzerland (2000–2017)
- Member of the board of directors of Trace Biotech AG, Germany (1999–2002)

[9] Dr. Peter Wilden assumed the role of Executive Chair on 30 January 2023 following the resignation of the then current CEO. Upon the appointment of Juan José González as CEO effective 12 April 2023 and the completion of his introduction to PolyPeptide, Dr. Wilden stepped down from his executive duties as of 30 September 2023 and continued his role as Chair of the Board of Directors.

[10] Ferring Group is disclosed in note 22 "*Related parties*" of the consolidated financial statements in the Financial Report 2023 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 2023.

- Member of the board of directors of Group Finance of Ferring BV, The Netherlands (1995–2000)
- Vice-President Finance & Accounting and Technical Operations of Ferring Arzneimittel GmbH, Germany (1993–1996)
- Member of the board of directors 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-Chair and Lead Independent Director since 2021[11]
Non-executive

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

Professional background

Dr. Aebischer was the president of EPFL, the Swiss Federal Institute of Technology Lausanne from 2000 to 2016 and Professor of Neurosciences until his retirement in 2019. 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

- Member of the board of directors of Logitech SA, Switzerland (since 2016)
- Member of the board of directors of Nestlé SA, Switzerland (since 2015)

Outside mandates at non-listed companies

- Member of the board of directors of Swiss Vaccine SA, Switzerland (since 2022)
- Chair of the board of directors of Vandria SA, Switzerland (since 2021)

[11] 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. 15 Swiss Code of Best Practice for Corporate Governance and section 4(d) of the Organizational Regulations.

- Senior Partner of NanoDimension Management Limited, Cayman Islands (since 2017)
- Chair of the board of directors of Amazentis SA, Switzerland (since 2007)

Outside mandates at non-profit organizations

- Member of the board of directors of Fondation "Geneva Science & Diplomacy Anticipator", Switzerland (since 2019)
- Member of the board of directors of Fondation du domaine de Villette, Switzerland (since 2018)
- Chair of the board of directors of Fondation ArtTech, Switzerland (since 2017)
- Member of the board of directors of Fondation Defitech, Switzerland (since 2017)
- Chair of the board of directors of Swiss Polar Foundation, Switzerland (since 2016)
- Member of the board of directors of Fondation Claude Nobs, Switzerland (since 2015)
- Member of the board of directors of Fondation du Festival de Verbier, Switzerland (since 2015)

Former outside activities and functions

- Chair of the board of directors of the Novartis Venture Fund, Switzerland (2014–2023)
- Member of the board of directors 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).[12] As a result of these roles, Mr. Schropp is assessed as not independent.

Prior positions at PolyPeptide

- Member of the board of directors of PolyPeptide Laboratories Holding B.V., The Netherlands, and PolyPeptide Laboratories Holding (PPL) AB, Sweden (2017–2021)

Outside mandates at listed companies

- None

Outside mandates at non-listed companies

- CEO of Esperante Investments Group (since 2020) (including serving as a member of the board of directors 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 member of the board of directors of two subsidiary companies; (ii) Esperante Ventures B.V., The Netherlands (since 2008); (iii) Svar Life Science AB, Sweden (since 2008), including serving as a member of the board of directors of two subsidiary companies)
- Member of the board of directors of Haydn Holding AB, Sweden (since 2012) (including serving as a member of the board of directors at six subsidiary companies)
- Member of the board of directors of Ferring Foundation B.V., The Netherlands (since 2008) (including serving as a member of the board of directors of two subsidiary entities)

Outside mandates at non-profit organizations

- Member of the board of directors, Stichting Det Paulsen Legaat, The Netherlands (since 2023)
- Member of the board of directors, Stichting Vrienden van Megara, The Netherlands (since 2022)

Former outside activities and functions

- Member of the board of directors of FinVector Oy, Finland (2020–2021)
- Member of the board of directors 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)

[12] Draupnir Holding B.V. is disclosed in note 22 "*Related parties*" of the consolidated financial statements in the Financial Report 2023 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 2023.

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)
- Member of the board of directors 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

- Member of the board of directors of Evolva Holding SA, Switzerland (since 2020, Chair 2020-2022)

Outside mandates at non-listed companies

- Chair of the board of directors of Hans Kalbermatten Thermalbad AG, Switzerland (since 2021)
- Member of the board of directors of Deccan Fine Chemicals Pvt. Ltd., India (since 2019)

Outside mandates at non-profit organizations

- Vice-Chair of the board of directors of Lonza Arena AG, Switzerland (since 2020)

Former outside activities and functions

- Member / Chair of the board of directors 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)
- Member of the board of directors 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

Philippe Weber

Independent[13]; 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-Chair of the board of directors of Leonteq AG, Switzerland, and Leonteq Securities AG, Switzerland (both since 2020)
- Member of the board of directors of Medacta Group AG, Switzerland (since 2019)
- Member of the board of directors of EDAG Engineering Group AG, Switzerland (since 2015)

Outside mandates at non-listed companies

- Member of the board of directors of NorthStar Holding AG, Switzerland (since 2018)
- Member of the board of directors of Banca del Ceresio SA, Switzerland (since 2017)
- Member of the board of directors 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)

Outside mandates at non-profit organizations

- None

Former outside activities and functions

- Chair of the board of directors 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

[13] Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF), see section 4.2 "*Compensation of the Board of Directors*" of the Remuneration Report 2023 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 minor. Thus, Mr. Weber is considered independent within the meaning of art. 15 Swiss Code of Best Practice for Corporate Governance and section 4(d) of the Organizational Regulations.

Dorothee A. Deuring

Independent; Non-executive
Member since 2023

Nationality: **Austrian**
Year of birth: **1968**

Professional background

Ms. Deuring is an independent corporate finance expert with more than 25 years of experience in the fields of manufacturing, biotech, pharmaceuticals and banking.

Prior positions at PolyPeptide

- None

Outside mandates at listed companies

- Member of the board of directors and Member of the Audit and Remuneration Committees of Elementis PLC (since 2017)
- Member of the board of directors of Temenos AG (since 2023)

Outside mandates at non-listed companies

- None

Outside mandates at non-profit organizations

- None

Former outside activities and functions

- Member of the board of directors and Member of the Audit Committee of Axpo Holding AG (since 2017-2023)
- Member of the board of directors of Lonza Group AG, Chair of the Audit and Compliance Committee (2020–2022)
- Supervisory Board Member of Immofinanz AG, Chair of the Audit Committee (2020–2022)
- Supervisory Board Member of Bilfinger SE, Member of the Audit Committee (2016–2021)
- Member of the board of directors of PIQUR Therapeutics AG (2019–2021)
- Member of the board of directors of Selecta AG (2020)
- Supervisory Board Member (*Beirat*) of Röchling Group SE & Co. KG (2016–2019)
- Head of Corporate Advisory Group Europe, Managing Director Wealth Management Division for UBS AG (2011–2014)
- Managing Director Investment Banking, Head Healthcare and Chemicals M&A for Bankhaus Sal. Oppenheim Jr & Cie (2007–2009)
- Vice Director, Corporate Finance, Mergers & Acquisitions; Vice Director, Diagnostics Division, Business Development for F. Hoffman-La Roche AG (2003–2007)
- Founder, Owner, Manager and Board Member of CoCap AG (1998-2003)
- Consultant for McKinsey & Company (1997–1998)
- Managing Director of K. Deuring & Co (1993–1997)

Education

- Master of Science in Chemistry from Université Louis Pasteur, Strasbourg, France (1994)
- Master in Business Administration from INSEAD, Fontainebleau, France (1996)

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

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

In accordance with Swiss law, 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 comparable functions at other companies with an economic purpose (including their group):

- 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 Chair, 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 Chair. Furthermore, the Company's Articles of Association do not contain any rules concerning the appointment of the Chair, the members of the Remuneration and Nomination Committee or the independent proxy (the "Independent Proxy") that deviate from those prescribed by Swiss law.

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

If the office of the Chair 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 Corporate Responsibility Report 2023.

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 Dorothee A. Deuring[1]
Remuneration and Nomination Committee (RNC)	Philippe Weber	Peter Wilden
Innovation and Technology Committee (ITC)	Patrick Aebischer	Jane Salik
Chair's Committee (CC)	Peter Wilden	Beat In-Albon Philippe Weber Patrick Aebischer

[1] Dorothee A. Deuring was elected to the Audit and Risk Committee following her election to the Board of Directors at the AGM 2023.

Except for the election of the Chair 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 and the chair of the Remuneration and Nomination Committee from among those Directors elected to the Remuneration and Nomination Committee at the general meeting, the chair and members of the other Committees, and appoints a secretary who does not need to be a member 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. In 2023, no such additional ad-hoc or standing committees were formed.

At least annually, the Board reviews its own performance, as well as the performance of each of the Committees. Such anonymous assessments seek to evaluate the Board's contribution to the Group and determine whether each of the Board and the Committees function effectively and efficiently. In addition, these assessments aim to improve governance, identify gaps in skill sets and diversity, as well as define future priorities for the Group. The assessments are reviewed and adjusted as appropriate on an annual basis by the Remuneration and Nomination Committee. For 2023, the self-assessments were prepared by the Company based on customary industry evaluations and questionnaires. Following the completion of the assessments, the Board of Directors reviews the results and discusses areas or opportunities for improvement.

3.5.1.2 Chair of the Board of Directors

The Chair calls and chairs the meetings of the Board of Directors and presides over the general meetings. Together with the person keeping the minutes (*i.e.*, the secretary), he or she signs the minutes of the deliberations and resolutions of the Board of Directors. The Chair, together with the CEO, is responsible for ensuring effective communication with shareholders and stakeholders, including government officials, regulators and public organizations. The Chair establishes and maintains a close working relationship with the CEO, providing advice and support to him or her. Furthermore, the Chair seeks to facilitate a constructive relationship between the Board of Directors, the CEO, and the other Board Committee members.

The Chair has the right to call upon third parties as advisors in meetings of the Board. The Committees shall keep the Chair informed on a current basis about all important strategic issues, transactions, the business situation and development, and important organizational changes within their scope of responsibilities and duties. The Chair shall monitor such informational duty of the Committees. The Chair reports to the Board of Directors on information received from each of the Committees. In addition, the Chair shall immediately inform the other Directors of any extraordinary situation regarding the Company or the Group of which the Chair may become aware. Peter Wilden is currently serving as the Chair of the Board of Directors. For more information, see section 3 of the Organizational Regulations.

3.5.1.3 Lead Independent Director

The Lead Independent Director is an independent member of the Board of Directors and is elected by the Board of Directors until the conclusion of the next general meeting. If the Chair 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 Chair 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 Chair; (ii) decision of the Board of Directors on the request to the shareholders' meeting for the re-election or not of the Chair; (iii) decision about the compensation of the Chair; and (iv) any other matters in which the Chair 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-Chair. For more information, see section 4 of the Organizational Regulations.

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 Chair also generally selects key business or strategic topics for more in-depth focus and discussion, such as operations, customer developments, quality and risk management. Meetings of the Board are convened by the Chair if and when the need arises or whenever a Director or the CEO, indicating the reasons, so requests in writing. If the Chair 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 Chair at his or her discretion), a meeting may be held at appropriate shorter notice. If the Chair 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 Chair, 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.

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 Chair has the casting vote. Board resolutions may also be passed by means of circular resolutions, by letter, facsimile or electronic means (*e.g.*, e-mail or via board management portals/platforms); 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.

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 Chair decides if and which persons outside the Board are entitled to attend meetings of the Board as guests.

The minutes set forth all resolutions passed and reflect in a general manner the considerations that led to the decisions taken, including, where applicable, any statements of attendees expressly made "for the record". The minutes must be signed by the Chair (or the Director who chaired the meeting) and the secretary. The minutes are available for review prior to the next meeting of the Board of Directors, when it is approved. Directors are entitled to examine the minutes of any Board meeting (as well as any Committee meeting) at any time.

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 Chair regarding any conflict of interest arising from 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. Directors should neither conclude any investment nor other transactions or accept any benefits that may jeopardize their independent safeguarding of the Company's interests.

The Chair (or, if applicable, the Lead Independent Director or the Remuneration and Nomination Committee) will decide upon appropriate and commensurate measures to avoid any interference of such conflict of interests with the decision-making of the Company. In the event of doubt, the Chair (or, if applicable, the Lead Independent Director or the Remuneration and Nomination Committee) shall request the respective corporate body (under exclusion of the Directors who are subject to the potential conflict of interest) to determine whether a conflict of interest exists and to decide upon appropriate measures.

As a rule, subject to exceptional circumstances in which the best interests of the Company dictate otherwise, in case of a disclosed conflict of interest a two-stage vote regarding the matter at stake is to be held, first among all Directors and then without the Director subject to the conflict of interest. The Director with a conflict shall have the right to, or may be required by the Chair to provide a statement of their view of the matter. In case of a continuing conflict of interest, the Board of Directors shall decide whether the Director subject to the conflict of interest should be asked to resign or should not be nominated for re-election.

3.5.2.2 2023 Board of Director meetings and key topics

Since 1 January 2023, the Board of Directors met ten (10) times, in a combination of in-person sessions and video conferences, for an average duration of approximately three and a half (3.5) hours (with individual sessions lasting between one (1) to over 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 for relevant topics
26 January 2023 *Video conference*	Peter Wilden Patrick Aebischer Jane Salik Erik Schropp Beat In-Albon Philippe Weber	External Legal Advisor Christina Del Vecchio *(Secretary)*
9 March 2023 *Video conference*	Peter Wilden Patrick Aebischer Jane Salik Erik Schropp Beat In-Albon Philippe Weber	Jan Fuhr Miller Christina Del Vecchio *(Secretary)*
2 April 2023 *Video conference*	Peter Wilden Patrick Aebischer Jane Salik Erik Schropp Beat In-Albon Philippe Weber	Lalit Ahluwalia Christina Del Vecchio *(Secretary)*
13 April 2023 *Baar, Switzerland*	Peter Wilden Patrick Aebischer Jane Salik Erik Schropp Beat In-Albon Philippe Weber Dorothee A. Deuring[1]	Juan José González Jan Fuhr Miller Lalit Ahluwalia Jens Fricke (Director Global Operations) Neil Thompson (Director Global Sales and Marketing) Olivier Ludemann-Hombourger (Director Global Innovation & Technology) Christina Del Vecchio *(Secretary)*
15 May 2023 *Video conference*	Peter Wilden Patrick Aebischer Jane Salik Erik Schropp Beat In-Albon Philippe Weber Dorothee A. Deuring	Juan José González Jan Fuhr Miller Lalit Ahluwalia René Vestergaard (Director, Corporate Finance) Christina Del Vecchio *(Secretary)*
27 June 2023 *Baar, Switzerland*	Peter Wilden Patrick Aebischer Jane Salik Erik Schropp Beat In-Albon Philippe Weber Dorothee A. Deuring	Juan José González Lalit Ahluwalia Jens Fricke (Director Global Operations) Neil Thompson (Director Global Sales and Marketing) Christina Del Vecchio *(Secretary)*
11 August 2023 *Video conference*	Peter Wilden Patrick Aebischer Jane Salik Erik Schropp Beat In-Albon Philippe Weber Dorothee A. Deuring	Juan José González Lalit Ahluwalia Christina Del Vecchio *(Secretary)*

5 September 2023 *Baar, Switzerland*	Peter Wilden Patrick Aebischer Jane Salik Erik Schropp Beat In-Albon Philippe Weber Dorothee A. Deuring	Juan José González Lalit Ahluwalia Jens Fricke (Director Global Operations) Neil Thompson (Director Global Sales and Marketing) Marc Augustin (CFO elect) Rebecca Weil-Pflug (Head of Internal Audit) Michael Stäheli (Head of Investor Relations and Corporate Communications) Isilay Dagdelen (Legal Counsel) Christina Del Vecchio *(Secretary)*
6 November 2023 *Video conference*	Peter Wilden Patrick Aebischer Jane Salik Philippe Weber Dorothee A. Deuring	Juan José González Lalit Ahluwalia Christina Del Vecchio *(Secretary)*
1 December 2023 *Baar, Switzerland*	Peter Wilden Patrick Aebischer Jane Salik Erik Schropp Beat In-Albon Philippe Weber Dorothee A. Deuring	Juan José González Lalit Ahluwalia Jens Fricke (Director Global Operations) Neil Thompson (Director Global Sales and Marketing Marc Augustin (CFO elect) Monika Casanova (Chief Human Resources Officer) Christina Del Vecchio *(Secretary)*

[1] Dorothee A. Deuring was elected as a new member of the Board of Directors at the AGM 2023.

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

- Review and approval of the Group's 2023 budget and mid-term business plan
- Review and approval of the 2022 annual report and audited consolidated financial statements
- Review and approval of the 2022 variable short-term incentive for the members of the Executive Committee
- Review and approval of the AGM 2023 agenda and invitation
- Review and approval of the individual targets and weighting of 2023 variable short-term incentive for the members of the Executive Committee as well as performance targets for the 2023 variable long-term incentive award for the CEO
- Approval of the appointments to and removals from the Executive Committee
- Approval of financing agreements
- Approval of the 2023 half-year report and consolidated financial statements
- Regular review and discussion regarding the Group's year-to-date sales, financials and full-year outlook as well as monitoring cash flow and net working capital
- Review and consideration of PolyPeptide's key strategic plans and initiatives
- Monitoring of developments with key customers and operational and profitability improvement initiatives
- Review and monitoring of the Group's Environmental, Social and Governance (ESG) Roadmap and accompanying non-financial reporting legal obligations
- Review and approval of the Group's Enterprise Risk Management Report 2023
- Planning and content of the Group's 2023 annual report and topics related to the 2024 general meeting
- Review of the Group's budget for 2024 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 Chair 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 Chair monitors such informational duties of the Committees. The chair 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 chair to coordinate and fulfill their duties and assignments. Once signed by the Committee chair 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. The term of office of the members of the Remuneration and Nomination Committee ends at the conclusion of the next ordinary general meeting. Re-election is possible. The chair of the Remuneration and Nomination Committee shall be independent and is appointed by the Board of Directors. As of 31 December 2023, the Remuneration and Nomination Committee consisted of two members: Philippe Weber (chair) and Peter Wilden.

2023 Remuneration and Nomination Committee meetings and key topics

Since 1 January 2023, 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 one and a half (1.5) hours.

Date / place	Attendees	Other attendees for relevant topics
14 February 2023 *Video conference*	Philippe Weber Peter Wilden	Raymond De Vré Jan Fuhr Miller Monika Casanova (Chief Human Resources Officer) Christina Del Vecchio *(Secretary)*
2 March 2023 *Video conference*	Philippe Weber Peter Wilden	Jan Fuhr Miller Monika Casanova (Chief Human Resources Officer) Christina Del Vecchio *(Secretary)*
12 April 2023 *Baar, Switzerland*	Philippe Weber Peter Wilden	Monika Casanova (Chief Human Resources Officer) Christina Del Vecchio *(Secretary)*
26 June 2023 *Baar, Switzerland*	Philippe Weber Peter Wilden	Juan José González Monika Casanova (Chief Human Resources Officer) Christina Del Vecchio *(Secretary)*
4 September 2023 *Baar, Switzerland*	Philippe Weber Peter Wilden	Monika Casanova (Chief Human Resources Officer) Christina Del Vecchio *(Secretary)*
27 November 2023 *Baar, Switzerland and video conference*	Philippe Weber (VC) Peter Wilden (VC)	Juan José González Monika Casanova (Chief Human Resources Officer) Christina Del Vecchio *(Secretary)* Representatives from HCM International Ltd.

During the course of 2023, the key topics discussed by the Remuneration and Nomination Committee included, among other things:

- General review and assessment of the continued appropriateness of PolyPeptide's remuneration principles, strategy and structure
- Review and preparation of compensation proposals for the Board of Directors and Executive Committee for AGM 2023
- Review and initiation of the redesign of PolyPeptide's long-term incentive program (LTIP), with a focus on the performance targets
- Review of shareholders' and proxy advisors' feedback on the Remuneration Report 2022
- Review of the structure and approach to the Remuneration Report 2023, including analysis on remuneration disclosure
- Review of the results of the internal benchmark desk research for the Board of Directors
- Review and preparation of proposals to the Board regarding the achievement of the 2022 variable short-term incentive for the members of the Executive Committee, including individual performance appraisal
- Review and preparation of proposals to the Board regarding individual performance targets and weighting for the 2023 variable short-term incentive for the members of the Executive Committee
- Review and preparation of proposals to the Board regarding of the performance targets for the 2023 variable long-term incentive award for the CEO
- Oversight of the recruitment and the new appointments to the Executive Committee
- Review of succession planning at PolyPeptide
- Review of the results of the self-assessments of the Board of Directors and its Committees
- General update on corporate governance trends and best practices as well as relevant regulatory developments
- Review of shareholder analysis and outreach
- Update on human capital management, including the Group's human resources mid- and long-term plan and an overview of key people analytics
- Review of material ESG 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, including the integrity of the Company's and Group's financial statements. 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 Audit and Risk Committee is further responsible for the appointment and dismissal as well as the compensation for the Head of Internal Audit. 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 chair, of the Audit and Risk Committee shall be independent. As of 31 December 2023, the Audit and Risk Committee consisted of three members: Beat In-Albon (chair), Erik Schropp and Dorothee A. Deuring.

2023 Audit and Risk Committee meetings and key topics

Since 1 January 2023, the Audit and Risk 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 for relevant topics
2 March 2023 *Video conference*	Beat In-Albon Erik Schropp	Jan Fuhr Miller René Vestergaard (Director, Corporate Finance) Jonas Lavik Sonne (Senior IFRS Group Controller, Corporate Finance) Rebecca Weil-Pflug (Head of Internal Audit) René Füglister (Partner, BDO) Isilay Dagdelen *(Secretary)*
12 April 2023 *Baar, Switzerland*	Beat In-Albon Erik Schropp	Jan Fuhr Miller Juan José González Lalit Ahluwalia René Vestergaard (Director, Corporate Finance, VC) Jonas Lavik Sonne (Senior IFRS Group Controller, Corporate Finance, VC) Rebecca Weil-Pflug (Head of Internal Audit) Thomas Lorentzon (Global Director IS/IT, VC) Krister Svärd (Chief Information Security Officer, VC) Dag Widell (Manager ERP & Application Services, Global IT Governance, VC) Karin Hult (Director Global Business Processes, Global Business Processes, VC) Isilay Dagdelen *(Secretary)*
26 June 2023 *Baar, Switzerland*	Beat In-Albon Erik Schropp Dorothee A. Deuring[1]	Juan José González Lalit Ahluwalia René Vestergaard (Director, Corporate Finance) Jonas Lavik Sonne (Senior IFRS Group Controller, Corporate Finance, VC) Rebecca Weil-Pflug (Head of Internal Audit) Thomas Lorentzon (Global Director IS/IT, VC) Krister Svärd (Chief Information Security Officer, VC) Representatives from Lockton Denmark for Group insurance topic (VC) Michael Stäheli (Head of Investor Relations and Corporate Communications) René Füglister (Partner, BDO, VC) Isilay Dagdelen *(Secretary)*
7 August 2023 *Video conference*	Beat In-Albon Erik Schropp Dorothee A. Deuring	Juan José González Lalit Ahluwalia Christina Del Vecchio René Vestergaard (Director, Corporate Finance) Jonas Lavik Sonne (Senior IFRS Group Controller, Corporate Finance) Rebecca Weil-Pflug (Head of Internal Audit) René Füglister (Partner, BDO) Isilay Dagdelen *(Secretary)*
4 September 2023 *Baar, Switzerland*	Beat In-Albon Erik Schropp Dorothee A. Deuring	Juan José González Lalit Ahluwalia René Vestergaard (Director, Corporate Finance) Jonas Lavik Sonne (Senior IFRS Group Controller, Corporate Finance, VC) Rebecca Weil-Pflug (Head of Internal Audit) Krister Svärd (Chief Information Security Officer, Global IT Services) Isilay Dagdelen *(Secretary)*

27 November 2023 *Baar, Switzerland and video conference*	Beat In-Albon (VC) Erik Schropp (VC) Dorothee A. Deuring	Lalit Ahluwalia, VC Marc Augustin (CFO elect) René Vestergaard (Director, Corporate Finance, VC) Jonas Lavik Sonne (Senior IFRS Group Controller, Corporate Finance, VC) Rebecca Weil-Pflug (Head of Internal Audit) Thomas Gerd Hansen (Director Global IS/IT, VC) Krister Svärd (Chief Information Security Officer, Global IT Services, VC) René Füglister (Partner, BDO, VC) Isilay Dagdelen *(Secretary)*

[1] Dorothee A. Deuring was elected as a new member of the Board of Directors at the AGM 2023.

During the course of 2023, the key topics discussed by the Audit and Risk Committee included, among other things:

- Review of 2022 BDO audit and full-year consolidated and standalone financial statements
- Review of 2023 half-year consolidated financial statements
- Regular review and discussion regarding the Group's year-to-date sales and financials as well as monitoring cash flow and net working capital
- Review of the Group's capital expenditure management processes
- Oversight of the Group's long-term financing strategy
- Oversight of the work of Internal Audit, including compensation proposal for the Head of Internal Audit
- Review of the Enterprise Risk Management Report 2023
- Review of the Group's compliance programs, including the sanctions and trade compliance program and whistleblower programs, 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
- Assessment of the Group's accounting policies as well as of tax and transfer pricing aspects
- General assessment of yearly business expenses of the members of the Executive Committee
- Review of the status of material legal proceedings, including measures taken by management to protect the interests of the Company and the Group
- Evaluation of the Group's external auditor
- Review of material ESG topics assigned to the Audit and Risk Committee and engagement of BDO for limited assurance on the Group's report on non-financial matters for the financial year 2023
- 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 chair of the Innovation and Technology Committee shall be independent. As of 31 December 2023, the Innovation and Technology Committee consisted of two members: Patrick Aebischer (chair) and Jane Salik.

2023 Innovation and Technology Committee meetings and key topics

Since 1 January 2023, 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 for relevant topics
12 April 2023 *Baar, Switzerland*	Patrick Aebischer Jane Salik	Neil Thompson (Director Global Sales and Marketing) Olivier Ludemann-Hombourger (Director Global Innovation & Technology) Jon Holbech Rasmussen (Director Global Development / Regulatory / IP; *Secretary*)
26 June 2023 *Baar, Switzerland*	Patrick Aebischer Jane Salik	Neil Thompson (Director Global Sales and Marketing) Olivier Ludemann-Hombourger (Director Global Innovation & Technology) Jon Holbech Rasmussen (Director Global Development / Regulatory / IP; *Secretary*)
4 September 2023 *Baar, Switzerland*	Patrick Aebischer Jane Salik	Neil Thompson (Director Global Sales and Marketing) Julien Coubran (Director Global EHS) Olivier Ludemann-Hombourger (Director Global Innovation & Technology) Jon Holbech Rasmussen (Director Global Development / Regulatory / IP; Director Global Quality ad interim; *Secretary*)
29 November 2023 *Baar, Switzerland*	Patrick Aebischer Jane Salik	Neil Thompson (Director Global Sales and Marketing) Olivier Ludemann-Hombourger (Director Global Innovation & Technology) Jon Holbech Rasmussen (Director Global Development / Regulatory / IP; Director Global Quality ad interim; *Secretary*)

During the course of 2023, 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)
- Considerations regarding Process excellence through clinical development
- Discussions on the industrial challenges related to the implementation of new technologies and innovation in peptide development and manufacturing
- Considerations and selected updates regarding strategic collaborations
- Review of material ESG 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 Chair of the Board, the chair of each Committee and the CEO through roundtable discussions, with particular focus on the Group's strategy and other key business matters. 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 Chair of the Board and the chairs of each Committee (*i.e.*, the chair of the Remuneration and Nomination Committee, the chair of the Audit and Risk Committee and the chair of the Innovation and Technology Committee). As of 31 December 2023, the Chair's Committee consisted of four members: Peter Wilden (Chair), Beat In-Albon, Philippe Weber and Patrick Aebischer.

2023 Chair's Committee meetings and key topics

Since 1 January 2023, the Chair's Committee met ten (10) 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 for relevant topics
19 January 2023 *Video conference*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Raymond De Vré Christina Del Vecchio *(Secretary)*
16 February 2023 *Video conference*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Christina Del Vecchio *(Secretary)*
13 April 2023 *Baar, Switzerland*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Lalit Ahluwalia Christina Del Vecchio *(Secretary)*
22 May 2023 *Video conference*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Juan José González Christina Del Vecchio *(Secretary)*
26 June 2023 *Baar, Switzerland*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Juan José González Christina Del Vecchio *(Secretary)*
12 July 2023 *Video conference*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Juan José González Lalit Ahluwalia Christina Del Vecchio *(Secretary)*
7 August 2023 *Video conference*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Juan José González Christina Del Vecchio *(Secretary)*
4 September 2023 *Baar, Switzerland*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Juan José González Christina Del Vecchio *(Secretary)*
30 October 2023 *Video conference*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Juan José González Lalit Ahluwalia Christina Del Vecchio *(Secretary)*
1 December 2023 *Baar, Switzerland*	Peter Wilden Beat In-Albon Philippe Weber Patrick Aebischer	Juan José González Christina Del Vecchio *(Secretary)*

During the course of 2023, the Chair's Committee discussed various topics of strategic importance and other key business matters, including developments among the Group's leadership team, long-term financing plans, developments with key customers, operational and profitability improvement initiatives as well as considerations around the Group's budget for 2023 and then later in the year for 2024.

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) prepare the report on non-financial matters and other reports as required by law, (ii) adopt resolutions and amendments to the Articles of Association regarding the subsequent payment of capital with respect to non-fully paid-in shares, (iii) adopt resolutions on the change of the share capital to the extent such power is vested in the Board of Directors, confirming changes in the share capital and adopt the consequential amendments to the Articles of Association (including deletions), (iv) examine compliance with the legal requirements regarding the appointment / election of the external auditors, and (v) 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 in 2023 comprised the CEO, CFO, the Director Global Sales and Marketing, the Director 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 Chair 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 Chair. In addition, the Directors shall be informed immediately of extraordinary events by way of circular letter and, 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, the Director must address their request in writing (including by e-mail) to the Chair. To the extent necessary to fulfill their duties, each Director may further request in writing (including by e-mail) that the Chair authorizes the inspection of the books and records of the Company. If the Chair 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 2023, the Audit and Risk Committee additionally received weekly cash balance assessments and bi-weekly cash projections. Through the Audit and Risk Committee, the Board also 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 the 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 / opportunities 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 Chair of the Board. The Directors must also be informed of extraordinary events (as described above).

The PolyPeptide Management Committee together with the General Counsel, the Head of Internal Audit and other internal stakeholders annually conduct a risk assessment to identify risks, map probability and impact, and evaluate strategies to address the risks and opportunities identified (*e.g.*, mitigating / managing actions). These mitigating / managing actions are specific to each identified risk and opportunity, and the respective risk owners are responsible for monitoring their implementation and effectiveness. The PolyPeptide Management Committee oversees the Enterprise Risk Management Framework throughout the year.

Based on the annual risk assessment, an Enterprise Risk Management Report is prepared, specifying and assessing the main Group risks in terms of their probability and consequences as well as outlining the mitigating / managing actions, and submitted at least once per year to the Audit and Risk Committee. In addition, the Enterprise Risk Management 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 2023, the deep-dive session and approval of the Enterprise Risk Management Report 2023 took place on 5 September 2023. In the Enterprise Risk Management Report 2023, PolyPeptide identified, *inter alia*, operational, supply chain, commercial, regulatory compliance and information technology / information security risks for which corresponding risk mitigation / managing measures were adopted.

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. Importantly, the internal control system aims to ensure the integrity and completeness of accounting, to provide timely and reliable financial reporting, and to prevent, minimize and identify errors and irregularities in the financial statements. 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, the PolyPeptide Management Committee and the Audit and Risk Committee, which all take place on a regular basis. In 2023, 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 2023, 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 2023, the Board of Directors, through the Audit and Risk Committee, was further supported by the Internal Audit function within PolyPeptide led by the Head of Internal Audit. 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 practices. 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 cGMP activities 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 2023, Internal Audit with the support of external consultants performed one site audit as well as process audits across four sites. The audit results as well as the results of other consultative projects conducted during 2023 were presented to the Audit and Risk Committee between the second and fourth quarters of 2023. As part of the Audit and Risk Committee's regularly scheduled meetings, the Head of Internal Audit provides progress updates on the approved audit plan and proposes any modifications to the audit plan if risk priorities change and provides 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 that the GRC Officer believes cannot be or has not been appropriately addressed by, or directly implicates, the CEO.

PolyPeptide has implemented various compliance initiatives and is continuously 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. In 2023, two new functions, including PolyPeptide's new Corporate Compliance Manager, joined the CCC, strengthening its promotion of corporate compliance across the Group. 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. Furthermore, in the second half of 2023 PolyPeptide updated its Supplier Code of Conduct and its Code of Business Conduct and Ethics with references to its new Global Supply Chain Policy on Child Labor, and it introduced an updated electronic learning tool aimed at reinforcing the principles set out in the Code of Business Conduct and Ethics.

In addition, PolyPeptide has established and promotes its whistleblower programs and hotlines, where anybody with knowledge or suspicion of illegal activities or 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 2023, two reports of possible misconduct were received through the available whistleblowing reporting channels. However, each of the whistleblowers withdrew their respective complaints because they considered the reported matter resolved in light of subsequent developments. Nevertheless, internal investigations were carried out under the guidance of external experts and the allegations made in the reports could not be confirmed. The reports were subsequently closed and summarized to the Executive Committee and the Audit and Risk Committee.

The implementation of these and other compliance measures is supervised by and regularly reported to the Audit and Risk Committee at each of their ordinary meetings.

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. As of 31 December 2023, Jon Holbech Rasmussen was serving as the Director Global Quality ad interim.

3.8 Gender guidelines

As of 31 December 2023, two (2) out of seven (7) members of the Board of Directors were female (29%). The Remuneration and Nomination Committee, together with the Board of Directors, actively considers gender diversity in succession planning of the Board of Directors.

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 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 2023, the Executive Committee met twelve (12) times, in a combination of in-person sessions and video conferences, for an average duration of approximately two (2) 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 predetermined 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 2023, the Executive Committee comprised the CEO, the CFO, the General Counsel, the Director 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
Juan José González[1]	1972	2023	CEO
Lalit Ahluwalia[2]	1951	2023	CFO ad interim
Christina Del Vecchio	1978	2021	General Counsel
Neil James Thompson	1972	2022	Director Global Sales and Marketing
Jens Fricke	1965	2022	Director Global Operations

[1] Dr. Peter Wilden assumed the role of Executive Chair on 30 January 2023 following the resignation of Raymond De Vré (the then current CEO) (see section 4.1 "*Members of the Executive Committee*" of the Corporate Governance Report 2022). Upon the appointment of Juan José González as CEO effective 12 April 2023 and the completion of his introduction to PolyPeptide, Dr. Wilden stepped down from his executive duties as of 30 September 2023 and continued his role as Chair of the Board of Directors of PolyPeptide Group AG. See section 3.1 "*Members of the Board of Directors*" of this Corporate Governance Report.

[2] As announced on 3 April 2023, Jan Fuhr Miller resigned as CFO, and Lalit Ahluwalia assumed the role of CFO ad interim and member of the Executive Committee effective 1 May 2023 until 31 December 2023. On 15 August 2023, PolyPeptide announced the appointment of Marc Augustin as new CFO. He joined the Company and became a member of the Executive Committee as of 1 January 2024.

Set out below is a short description of the business experience, education and activities for each Executive Committee member in office as of 31 December 2023. For the information regarding the former Chief Executive Officer, Raymond De Vré, who resigned as of 30 January 2023, and the former Chief Financial Officer, Jan Fuhr Miller, who resigned as of 1 May 2023, see section 4.1 "*Members of the Executive Committee*" of the Corporate Governance Report 2022.

Juan José González

Chief Executive Officer

Nationality: **Peruvian and American**
Year of birth: **1972**

Professional background

Functions at PolyPeptide

- Chief Executive Officer (as of 12 April 2023)[14]
- Chair / Member of the board of directors of several PolyPeptide subsidiaries (since 2023)

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

- Member of the board of directors and Member of the Audit & Remuneration Committee, Straumann Group (IPO in 1998), Switzerland (since 2019)

Former outside activities and functions

- Chief Executive Officer, Ambu, Denmark (2019–2022)
- Various senior roles within the Johnson & Johnson Group, USA (2007–2019), including Global Vice President, Smoking Cessation, OTC division, UK, (2007), Area Managing Director, Consumer sector, United Kingdom (2011–2013) and ultimately serving as President Orthopeadics, Medical Devices sector, USA (2016–2019)
- Commercial Director Europe, Middle East and Africa, Pfizer Inc. Consumer Healthcare Division, UK, (2004–2006)
- Engagement Manager, U.S., Europe, Asia Pacific and Latin America–Global Consumer and Private Equity Practices, McKinsey & Company, USA (1999–2004)
- Country Marketing and Sales manager–Consumer Electronics and Home Application Retail Division, Repsol, Peru (1996–1997)
- Sales Supervisor, Peru (1993-1994) and Regional Sales Manager, Peru, Ecuador and Bolivia (1995), The Procter & Gamble Company, Peru (1993–1995)

Education

- Master of Technology Management, Columbia University, New York, USA (2016)
- MBA in Marketing and Corporate Finance, University of Notre Dame, USA (1999)
- Bachelor of Science in Industrial Engineering, University of Lima, Peru (1993)

[14] Dr. Peter Wilden assumed the role of Executive Chair on 30 January 2023 following the resignation of Raymond De Vré (the then current CEO) (see section 4.1 "*Members of the Executive Committee*" of the Corporate Governance Report 2022). Upon the appointment of Juan José González as CEO effective 12 April 2023 and the completion of his introduction to PolyPeptide, Dr. Wilden stepped down from his executive duties as of 30 September 2023 and continued his role as Chair of the Board of Directors of PolyPeptide Group AG. See section 3.1 "*Members of the Board of Directors*" of this Corporate Governance Report.

Lalit Ahluwalia

Former Chief Financial Officer ad interim

Nationality: **American**
Year of birth: **1951**

Professional background

Functions at PolyPeptide

- Chief Financial Officer ad interim (1 May 2023–31 December 2023)[15]
- Chief of Staff to the Executive Chair of PolyPeptide (February 2023–April 2023)

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

- None

Former outside activities and functions

- Vice President Special Projects, Ferring Pharmaceuticals Inc., USA (2018–January 2023)
- Chief Financial Officer, Ferring Pharmaceuticals Inc., USA (2010–2018)
- Member of the Supervisory Board, Ferring India Private Ltd, India (2013–January 2023)
- Head of Business Finance, Ranbaxy Laboratories Ltd., India (2001–2006) and Chief Financial Officer, Ranbaxy Pharmaceuticals Inc., USA (2006–2010)
- Vice President of Business Development, Gillette India Pvt. Ltd. (1992–1996), Finance Director, Gillette Group South Africa Pty Ltd., South Africa (1996–2000), Finance Director, Gillette India Ltd, India (2000–2001)
- Chief Financial Officer, Frito Lay, India (1989–1991)
- Head Treasury and Financial Planning (1987–1989), General Manager, Classic Finance (1986), Manager Strategic Planning and Diversification Group (1984–1985); Financial Controller Hotels Division (1979–1984), Financial Controller, Printing and Packaging Factory (1976–1978), Internal Auditor (1975–1976), ITC Ltd, India (1975–1989).
- Assistant, Accounting, British Steel Corporation, United Kingdom (1971–1975)

Education

- Bachelor's Degree with Honors in Commerce, St. Xavier's College, Kolkata, India (1970)
- Associate Member, The Chartered Institute of Management Accountants, United Kingdom (1975)

[15] As announced on 3 April 2023, Jan Fuhr Miller resigned as CFO, and Lalit Ahluwalia assumed the role of CFO ad interim and member of the Executive Committee effective 1 May 2023 until 31 December 2023. On 15 August 2023, PolyPeptide announced the appointment of Marc Augustin as new CFO. He joined the Company and became a member of the Executive Committee as of 1 January 2024. Mr. Ahluwalia will remain as a senior advisor to PolyPeptide until 29 February 2024. For the information regarding the former Chief Financial Officer, Jan Fuhr Miller, see section 4.1 "Members of the Executive Committee" of the Corporate Governance Report 2022.

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)
- Member of the board of directors 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 / TIDES Europe 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, United Kingdom (1997)

Jens Fricke

Director Global Operations

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

Professional background

Functions at PolyPeptide

- Director Global Operations (since 2022)
- Member of the board of directors 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)

On 15 August 2023, PolyPeptide announced the appointment of Marc Augustin as new CFO. He joined the Company and became a member of the Executive Committee as of 1 January 2024. Below is a short description of Mr. Augustin's the business experience, education and activities.

Marc Augustin

Chief Financial Officer

Nationality: **German**
Year of birth: **1972**

Professional background

Functions at PolyPeptide

- Chief Financial Officer (as of 1 January 2024)

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

- None

Former outside activities and functions

- Head Finance Mammalian and Microbial Business Unit, Vice President Finance Biologics and Global Head Sales Excellence Biologics, Lonza AG, Switzerland (2016–December 2023)
- Finance Director Switzerland, Head of Finances Operations Orthopaedics Europe, Smith & Nephew Orthopaedics AG, Switzerland (2009–2016)
- Head Of Finance & Administration (Site Controller), Alcoa Extrusion Hannover GmbH & CO. KG, Germany (2008–2009)
- Business Unit Controller Accessibility, ThyssenKrupp Elevator AG, Germany (2004–2008)
- Senior Project Manager M&A / Controlling, ThyssenKrupp Services AG, Germany (2001–2004)
- Management Trainee, Babcock Borsig AG, Germany (1998–2001)

Education
- MBA in Controlling, Tax, Heinrich-Heine-Universität Düsseldorf, Germany (1998)

In 2023, 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

In accordance with Swiss law, our Articles of Association limit the number of functions in superior management or administrative bodies of legal units other than with PolyPeptide that members of the Executive Committee are allowed to hold at one time.

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 comparable functions at other companies with an economic purpose (including their group):
- 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.

4.5 Gender guidelines

As of 31 December 2023, one (1) out of five (5) members of the Executive Committee was female (20%). The Remuneration and Nomination Committee, together with the Board of Directors, actively considers gender diversity in succession planning of the Executive Committee.

5 Compensation, shareholdings and loans

Information on compensation and shareholdings of the current and former 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 2023.

The rules regarding the principles of compensation are set in art. 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 current or former members of the Board of Directors or the Executive Committee or to persons closely associated with them. 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 2023 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 2023.

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, except as otherwise provided in the Articles of Association, 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 (i) to have acquired the shares in their own name and for their own account, (ii) that no agreements on the redemption or return of these registered shares exist, (iii) to bear the risk associated with the shares and (iv) comply with the disclosure requirements stipulated by FinMIA. 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, including the group clause, 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 the majority of the votes represented 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 of such shareholder's choice. 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 does 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 the Independent Proxy 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 conclusion of 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 2023 held on 12 April 2023 and the next general meeting, ADROIT Attorneys, Kalchbühlstrasse 4, 8038 Zurich, Switzerland, has been elected as the Independent Proxy.

According to art. 8 para. 3 of the Articles of Association the Board of Directors shall determine the venue of the general meeting and the form in which it is to be held. However, no shareholder shall be unduly obstructed in exercising their rights in connection with the general meeting by the choice of venue (art. 701a para. 2 CO). The place of meeting may also be abroad or several places of meeting may be determined for one general meeting. If the general meeting is held at several locations at the same time, the votes of the participants must be transmitted directly in picture and sound to all meeting locations (art. 701a para. 3 CO). Pursuant to art. 8 para. 4 of the Articles of Association, the Board of Directors may provide that shareholders who are not present at the physical location of the general meeting have the option to exercise their rights electronically (*i.e.*, hybrid general meeting). The Board of Directors may also waive the determination of a physical venue and order the holding of a purely virtual general meeting (*i.e.*, exclusively by using electronic means).

The AGM 2023 was held with the physical presence of shareholders in accordance with the Articles of Association. The shareholders were able to attend the AGM 2023 personally or exercise their rights at the AGM 2023 through the Independent Proxy or by means of a written proxy by any other person of such shareholder's choice. The proxy and voting instruction forms were either sent by mail or submitted through the use of the electronic voting platform. The general meeting 2024 ("AGM 2024") 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 majority of the votes represented at the shareholders' meeting, to the extent that neither Swiss law nor the Articles of Association provide otherwise. The Chair shall have 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, 43 and 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 or cancellation of 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, notice of a general meeting is given 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.

According to art. 8 para. 2 Articles of Association, the notice of the general meeting shall state (i) the date, beginning, nature and place of the general meeting, (ii) the agenda items, (iii) the proposals of the Board of Directors with a brief statement of reasons, (iv) the proposals of the shareholders, if any, together with a brief statement of reasons, and (v) the name and the address of the Independent Proxy. According to art. 8 para. 3 Articles of Association the Board of Directors shall determine the venue of the general meeting and the form in which it is to be held. The place of meeting may also be abroad or several places of meeting may be determined for one general meeting. According to art. 8 para. 4

Articles of Association the Board of Directors may provide that shareholders who are not present at the place of the general meeting may exercise their rights by electronic means (*i.e.*, hybrid general meeting). The Board of Directors may also waive the determination of a meeting location and order the holding of a purely virtual general meeting (*i.e.*, exclusively by using electronic means). According to art. 8 para. 5 Articles of Association the annual report, the remuneration report and related audit report, the Auditors' report, the report on non-financial matters and other reports as required by law shall be made available to the shareholders at least 20 calendar days prior to the date of the ordinary 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 60 calendar days if one or more shareholder(s) representing at least five (5) percent of the share capital or the votes request such meeting in writing, setting forth the items to be discussed and the proposals to be decided upon.

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 or votes of the Company may demand that items be put on the agenda or that proposals for items be included in the notice convening the general meeting. Such demands have to be submitted to the Chair of the Board of Directors at least 40 calendar days before the date of the relevant shareholders' meeting and need to be in writing, specifying the items and the proposals. Shareholders may submit a brief statement of reasons together with the agenda items or proposals. This must be included in the notice convening the general meeting.

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 Board of Directors has resolved to set the cut-off date for participation in shareholders' meetings to not more than ten days prior to the date of the meeting. The Record Date for inscription in the share register is announced in the invitation to the shareholders' meeting.

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.

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 2023, held on 12 April 2023, can be viewed on PolyPeptide's website at https://www.polypeptide.com/news/events/general-meeting-2023/. Shareholders may also read the minutes at PolyPeptide's headquarters in Baar, Switzerland upon prior notice. The minutes of AGM 2024 will be published on the PolyPeptide website within 15 days from the date of AGM 2024.

7 Change of control and defense measures

7.1 Duty to make an offer

Pursuant to the applicable provisions of FinMIA, 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 FinMIA. 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 share-based long-term incentive program ("LTIP") for eligible participants 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 2023.

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 or other members of the Company's management.

8 Transparency on non-financial matters

To create transparency on non-financial matters, PolyPeptide has prepared its report on non-financial matters for the financial year 2023 in accordance with art. 964b CO.

The report on non-financial matters for the financial year 2023 comprises selected sections from PolyPeptide's Corporate Responsibility Report 2023 (as outlined in the section "*Disclosures in accordance with art. 964b Swiss Code of Obligations*" of the Corporate Responsibility Report 2023) that contain the non-financial information required under art. 964b CO. The report on non-financial matters for the financial year 2023 further includes an independent practitioner's (BDO AG, Zurich), limited assurance report on selected non-financial information, including a selected set of performance metrics.

9 Auditors

9.1 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 for cause (*aus wichtigen Gründen*) by the general meeting are possible at any time. The lead auditor is rotated every seven years in accordance with Swiss law.

For the period between the AGM 2023 held on 12 April 2023 and the next general meeting, BDO AG ("BDO"), Schiffbaustrasse 2, 8005 Zurich, Switzerland, has been elected our independent external auditors. BDO 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.

9.2 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 2023 of the Company (*i.e.*, PolyPeptide Group AG) for the financial year 2023 amounted to CHF 703,790.

9.3 Additional fees

For additional services performed by BDO (or its affiliates) in the year ended 31 December 2023, PolyPeptide was charged total non-auditing fees as follows:

CHF	**Amount**[1]
BDO Sweden: Audit related services on local sustainability report	12,705
BDO Switzerland: Limited assurance on PolyPeptide Group AG's report on non-financial matters for the financial year 2023	80,000
BDO India: Review of income tax return / tax audit report for PolyPeptide Laboratories Pvt. Ltd.	7,030
Total	**99,735**

[1] Amounts converted to CHF from other currencies are translated at the average exchange rate 2023.

9.4 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. With respect to non-audit services, the Audit and Risk Committee is focused on ensuring that BDO is not awarded any contracts that could lead to a conflict of interest with the audit mandate or impair its independence. The results of the assessment are reported to the Board of Directors. Based on its assessment, the Audit and Risk Committee makes 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 2023, the Audit and Risk Committee held four (4) meetings with representatives of BDO. The Head of Internal Audit participated in all meetings of the Audit and Risk Committee held in 2023 (*i.e.*, in six (6) meetings). During these meetings various accounting and reporting topics were discussed, including the audit report for 2022, the 2023 half-year consolidated financial statements, key accounting topics, ongoing year-to-date financial performance, oversight of the work of the Internal Audit function, review of the Enterprise Risk Management framework, evaluation of the Group's key financial risks and mitigating strategies, audit plan and requirements for the 2023 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 comprehensive 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. For the year ended 31 December 2023, this presentation was held at the Audit and Risk Committee meeting on 1 March 2024 (in relation to the approval of the 2023 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 chair of the Audit and Risk Committee presented a summary of the external auditor's presentation (including accompanying materials submitted) to the Board of Directors at its next scheduled meeting, which occurred on 8 March 2024.

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.

10 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 10 within four months of the 31 December balance sheet date. According to art. 8 para. 5 Articles of Association the annual report, the remuneration report and related audit report, the Auditors' report, the report on non-financial matters and other reports as required by law shall be made available to the shareholders 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 10 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 10. 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 10.

Notices to shareholders are made by publication in the Swiss Official Gazette of Commerce. The Board of Directors may designate further means of publication.

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:

- 12 March 2024 – Full-year Results 2023 and Media Conference
- 10 April 2024 – General Meeting 2024
- 13 August 2024 – Half-year Results 2024
- 11 March 2025 – Full-year Results 2024 and Media Conference
- 9 April 2025 – General Meeting 2025
- 12 August 2025 – Half-year Results 2025

11 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 2023, the following ordinary blocked periods applied: from 31 December 2022 until (and including) 14 March 2023; from 30 June 2023 until (and including) 15 August 2023; and from 31 December 2023 until (and including) 12 March 2024. No exceptions to the ordinary blocked period were granted in 2023.

In addition to ordinary blocked periods, the Chair, 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 Chair of the Remuneration and Nomination Committee

Philippe Weber
Chair of the Remuneration and Nomination Committee

Dear Shareholders,

I am pleased to share with you PolyPeptide's Remuneration Report for 2023. This was a transformational year for PolyPeptide, one in which the Board of Directors, with the support of the Remuneration and Nomination Committee, focused on repositioning the Group for growth. A major focus area for the Remuneration and Nomination Committee in 2023 was the Group's leadership team, with PolyPeptide experiencing significant transition among the members of the Executive Committee.

The Remuneration and Nomination Committee led the search for the new CEO and was committed to identifying a candidate who had the leadership skills and relevant experience to drive PolyPeptide's growth and expansion plans. In April 2023, the Board of Directors, following the Remuneration and Nomination Committee's recommendation, was pleased to announce the appointment of Juan José González as the Group's new CEO. The Remuneration and Nomination Committee is convinced that with his track record and broad background in different healthcare sectors and geographies, Mr. González has the right set of skills, experience and vision to lead PolyPeptide. At the same time, the Group announced that its then current CFO had resigned, with Lalit Ahluwalia assuming the role of CFO ad interim. The Remuneration and Nomination Committee embarked on a further executive search and was pleased to recommend Marc Augustin to the Board of Directors as the Group's new CFO in August 2023. The Remuneration and Nomination Committee strongly believes that Mr. Augustin's background in a high-growth CDMO environment with deep finance and operational experience will prove highly valuable as PolyPeptide continues to scale up its operations. During the search for a new CEO and the subsequent transition period, the Chair of the Board of Directors and member of the Remuneration and Nomination Committee, Dr. Peter Wilden, assumed the role of Executive Chair. The Remuneration and Nomination Committee thanks Dr. Wilden for accepting the additional responsibilities during this critical time for PolyPeptide.

Overall, the transition among the Group's top management from late 2022 onwards required significant engagement from the Remuneration and Nomination Committee to ensure the appropriate identification and successful recruitment of candidates. These efforts also included a review of the remuneration structures used for executive management. As a result of these personnel changes, 2023 was a year of transition in terms of executive remuneration as well, as further described in this Remuneration Report (see Table 13 as well as the accompanying commentary).

In addition to focusing on succession within the Group's Executive Committee, the Remuneration and Nomination Committee performed its regular compensation-related activities in the reporting year. They included the annual review of the Group's remuneration programs, analysis of an updated compensation benchmark desk research for the Board of Directors, performance goal setting for the Executive Committee and the performance assessment at year-end. The Remuneration and Nomination Committee also recommended the remuneration for the members of the Board of Directors and Executive Committee, while also preparing this Remuneration Report and the say-on-pay votes for the annual general meeting. This Remuneration Report contains further details on the activities of the Remuneration and Nomination Committee throughout 2023.

One high priority for the Remuneration and Nomination Committee, and its entrusted material ESG topic, is PolyPeptide's "People". PolyPeptide's employees are one of its most important assets, and it strives to offer employees a fair, inclusive, and respectful work environment with development opportunities. PolyPeptide aims to be an employer of choice in its sector, an ambition that requires a compensation framework designed to attract, motivate and retain the qualified talent PolyPeptide needs to succeed globally. Going forward, the Remuneration and Nomination Committee will work with the Group's Chief Human Resources Officer to further strengthen PolyPeptide's attractiveness and retention of existing and future talents, drive fair and equitable remuneration policies and practices aligned with PolyPeptide's sustainability ambitions as well as its diversity, inclusion and well-being initiatives. These efforts are also expected to enhance PolyPeptide's performance and yield excellent returns for shareholders.

Looking ahead to 2024, the Remuneration and Nomination Committee will continue to proactively assess and review the Group's remuneration programs to ensure that they are fit for purpose in the interconnected world in which PolyPeptide operates, remaining competitive and rewarding individual performance, competence and desired behaviors in line with PolyPeptide's values and leadership principles. Throughout 2024, we plan to revise the structure and eligible pool of participants for the Group's long-term incentive program, with the goal of recalibrating performance targets to support PolyPeptide's key strategic ambitions. Applicable changes to the long-term incentive plan in 2024 will be described in PolyPeptide's Remuneration Report for 2024.

We also appreciate the importance of ESG topics to all stakeholders and as PolyPeptide develops its sustainability targets further, the Remuneration and Nomination Committee is committed to further aligning the targeting and fulfillment of these sustainability objectives with the variable remuneration of PolyPeptide's management.

We encourage candid dialogue with PolyPeptide's shareholders as we continue to evolve and improve PolyPeptide's remuneration structure. At the annual general meeting in April 2024, you will have the opportunity to express your opinion on PolyPeptide's remuneration policies, principles and elements through a consultative vote on this Remuneration Report. We will also be seeking 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 2025 and (ii) to the Executive Committee for the financial year 2025. We respectfully request your endorsement of these agenda items at the annual general meeting in April 2024.

On behalf of the Board of Directors and the Remuneration and Nomination Committee, I would like to thank you for your trust and your ongoing support during this period of transformation.

Sincerely,

Philippe Weber
Chair of the Remuneration and Nomination Committee

Remuneration Report 2023

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 Code of Obligations ("CO"), the Company'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.[1]

All information within this Remuneration Report 2023 refers to the Company's organization, Articles of Association[2] and Organizational Regulations[3] that were in effect as of 31 December 2023 (unless otherwise stated).

[1] In its version as approved by the board of economiesuisse on 14 November 2022.

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

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

1 Remuneration governance

1.1 Articles of Association

Our Articles of Association[4] 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 chair positions 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 set in advance by the Board of Directors.
Agreements related to compensation, maximum contract terms and non-compete 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 average compensation paid to such member during the last three financial years.

Additional compensation for new members of the Executive Committee *Article 29*	If newly appointed 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 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.
Loans, credits and pension benefits *Article 28 para. 1*	The Company shall not grant loans, credits, pension benefits (other than in the context of occupational pension) or securities to current or former members of the Board of Directors or the Executive Committee or to persons closely associated with them. 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[5], 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.

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

[5] 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 CO 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, the Remuneration and Nomination Committee and the CEO is illustrated below.

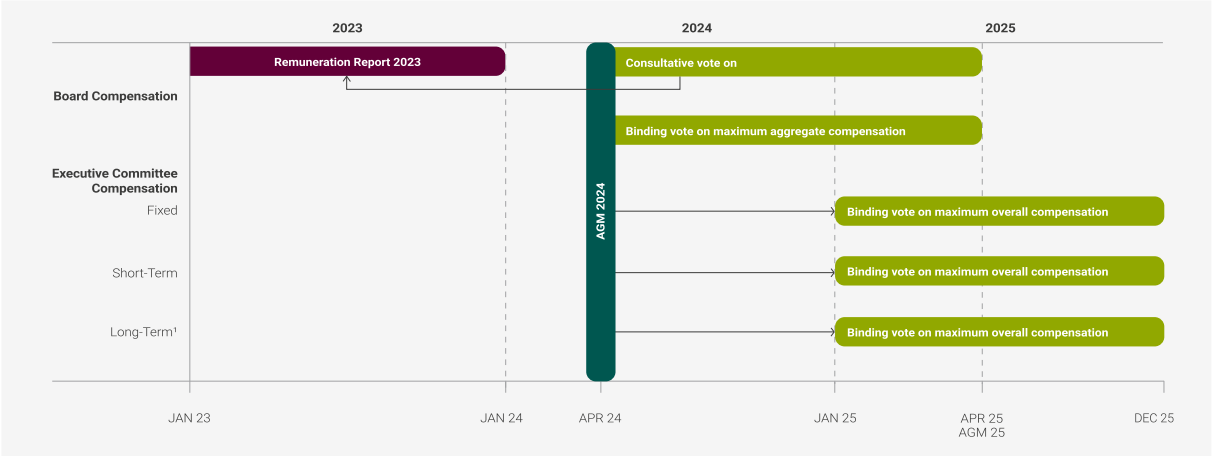
Table 2: Responsibilities regarding compensation decisions

The Board of Directors will submit two separate compensation-related resolutions for shareholder approval at the upcoming general meeting 2024 ("AGM 2024"):

- 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 general meeting in 2025); and
- The maximum overall compensation of the Executive Committee (fixed and variable components) for the financial year 2025.

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 2024



[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 submit the proposals regarding compensation for retrospective approval at the next general meeting.

At the general meeting 2023 ("AGM 2023"), 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 general meeting in 2024) 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 2024 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 meeting (*i.e.*, until the general meeting in 2024) in the amount of CHF 200,000.

In addition, shareholders approved the Remuneration Report 2022 in a consultative vote. For a reconciliation of approved compensation for the Board of Directors versus the estimated awarded amounts until the AGM 2024, 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 2023, 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 acts in advisory and preparatory capacities and has no decision-making authority of its own (unless provided with such authority by a special resolution of the Board of Directors). The Board of Directors remains ultimately responsible for the tasks delegated to the Remuneration and Nomination Committee by Swiss law, the Articles of Association or the Organizational Regulations.

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 chair of the Remuneration and Nomination Committee is independent and is appointed by the Board of Directors. As of 31 December 2023, the Remuneration and Nomination Committee consisted of two members: Philippe Weber (chair) and Peter Wilden.[6]

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 2023, 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 one and a half (1.5) 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 chair of the Remuneration and Nomination Committee provides the full Board of Directors at their ordinary meetings 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 communicates periodically with and may invite to meetings 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. The Remuneration and Nomination Committee did not work with HCM International in 2022, but engaged HCM International again in 2023 to assist with the recalibration of the performance targets under the long-term incentive program. Any changes to the long-term incentive plan in 2024 will be disclosed in the Remuneration Report 2024. HCM International did not have any additional mandates at PolyPeptide in 2021, 2022 or 2023.

[6] The AGM 2023 confirmed the re-election of Philippe Weber and Peter Wilden as members of the Remuneration and Nomination Committee.

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 did not provide any benchmark services in 2023. However, WTW provided additional advisory services to the Group in 2022 and 2023, 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 did 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 2023:

Review of remuneration principles, strategy and structure

- General review and assessment of the continued appropriateness of PolyPeptide's remuneration principles, strategy and structure
- Review of compensation proposals for the Board of Directors and Executive Committee for AGM 2023
- Review and initiation of the redesign of PolyPeptide's long-term incentive program (LTIP), with a focus on the performance targets
- Review of shareholders' and proxy advisors' feedback on the Remuneration Report 2022
- Review of the structure and approach to the Remuneration Report 2023, including analysis on remuneration disclosure

Compensation of the Board of Directors

- Preparation of compensation proposals for AGM 2023 for the Board of Directors
- Review of the results of the internal benchmark desk research for the Board of Directors

Compensation of the Executive Committee

- Review and preparation of proposals to the Board regarding the achievement of the 2022 variable short-term incentive for the members of the Executive Committee, including individual performance appraisal
- Review and preparation of proposals to the Board regarding individual performance targets and weighting for the 2023 variable short-term incentive for the members of the Executive Committee
- Review and preparation of proposals to the Board regarding performance targets for the 2023 variable long-term incentive award for the CEO
- Preparation of compensation proposals for AGM 2023 for the Executive Committee

Succession and governance

- Oversight of the recruitment and new appointments to the Executive Committee
- Review of succession planning at PolyPeptide
- Review of the results of the self-assessments of the Board of Directors and its Committees
- General update on corporate governance trends and best practices as well as relevant regulatory developments
- Review of shareholder analysis and outreach
- Update on human capital management, including the Group's human resources mid- and long-term plan and an overview of key people analytics
- Review of material ESG 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 2023.

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 and to support compensation recommendations to the Board of Directors, the Remuneration and Nomination Committee undertook a comprehensive benchmark review of the compensation of the Board of Directors and the Executive Committee in 2022. For the Board of Directors, the Remuneration and Nomination Committee initially conducted an internal desktop review of board compensation for thirteen similarly sized Swiss SIX-listed peers (*e.g.*, considering sector, employee base, revenue and market capitalization).[7] 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.[8] Within the SMIM peer group at the time of the analysis in 2022, PolyPeptide was positioned between the tenth and twenty-fifth percentile. The combined benchmarking analyses showed that PolyPeptide was positioned comparably to its peers with regards to level and structure of the Board of Directors' compensation package.

[7] The similarly sized Swiss peer group comprised 13 companies in 2022: 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.

[8] 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.

In 2023, the Remuneration and Nomination Committee conducted an updated internal desktop review of board compensation of similarly sized Swiss SIX-listed peers comparable to its 2022 review (*e.g.*, considering sector, employee base, revenue and market capitalization).[9] This updated internal review showed that PolyPeptide was positioned between the tenth and twenty-fifth percentile within this Swiss peer group. Driven in large part by the decline in PolyPeptide's market capitalization, the Remuneration and Nomination Committee acknowledged the corresponding decline in peer group positioning as well as the comparably higher positioning of PolyPeptide's aggregate Board remuneration. At the same time, the Remuneration and Nomination Committee remained focused on the Group's strategic ambitions and the need to retain and attract highly qualified Directors to drive PolyPeptide's transformation and future growth. In addition, at least half of the Board's remuneration is paid in shares, thus closely aligning the Board's interest with that of the Company's shareholders to drive PolyPeptide's success (see also section 4.1 "*Remuneration approach*" of this Remuneration Report). As a result, the Remuneration and Nomination Committee concluded that no proposed changes to the remuneration of the Board of Directors were currently warranted.

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.[10] 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 in 2022 and based on data from WTW's existing database, PolyPeptide was positioned around the twenty-fifth percentile. The Remuneration and Nomination Committee reviewed this benchmark analysis again in 2023 and found that Polypeptide was still positioned around the twenty-fifth percentile within this peer group at the time of the review. The Remuneration and Nomination therefore concluded that the benchmark analysis of the Executive Committee from 2022 remained valid and did not carry out an updated assessment in 2023.

The Remuneration and Nomination Committee will continue to 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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9 The similarly sized Swiss peer group comprised 12 companies in 2023: 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. Vifor Pharma AG was no longer included in the group following its delisting and subsequent discontinuation of public reporting.

10 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 CO, 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 to art. 24 para. 3 of the Articles of Association, the compensation for such a non-competition undertaking shall not exceed the average compensation paid to such member during the last three business years.

Currently, all members of the Executive Committee are employed under contracts of unlimited duration with notice periods not exceeding a maximum of 12 months. Board mandates are not subject to notice periods and terminate ordinarily at the conclusion of the next general meeting. There are no contractual agreements or undertakings in place with respect to severance payments for members of either the Executive Committee or the Board of Directors. For information regarding special vesting provisions of any applicable LTIP awards, in particular with regard to a change of control, 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 average compensation paid to such Executive Committee member during the last three business years.

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 Chair) 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 Chair is required to abstain from the deliberation and decision-making about his / 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 chair positions 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.

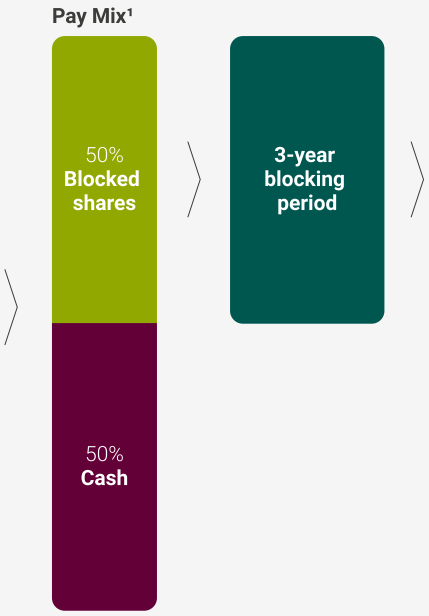
Currently, members of the Board of Directors only receive fixed compensation elements, of which at least half are payable in shares and the remainder in cash. Board members have the option of electing to be paid up to 100% of their fixed fee in shares. For Board members electing to receive more than 50% of their fixed fee in shares, the shares exceeding the 50% portion will be granted at a discount of 20% to market price.[11] All shares received as part of the Board's remuneration are 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.

[11] 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	
Chair[2]	300,000
Lead Independent Director and Vice Chair	160,000
Other members	140,000
Committee chair 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 Chair does not receive any additional compensation for his role as chair 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. In 2023, the allocated shares were sourced from the Company's treasury shares.

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 2023, 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.

During the course of 2023, Dr. Peter Wilden, the Chair of the Board, received a fixed executive chair fee of CHF 25,000 per month for his role as Executive Chair (as announced on 30 January 2023) for the period 1 February 2023 to 30 September 2023. The executive chair fee was commensurate with the substantial additional duties and responsibilities during the interim period prior to the appointment of the new CEO as well as during the new CEO's induction to PolyPeptide. This remuneration is included in Table 5, see section 4.2 "*Compensation of the Board of Directors*" of this Remuneration Report.

4.2 Compensation of the Board of Directors

The structure and remuneration components of the members of the Board of Directors has not changed in 2023 compared to 2022. However, the total compensation of the Board of Directors increased by 29.7% for the year ended 31 December 2023 as compared to 31 December 2022 due to (i) the fixed executive chair fee of CHF 25,000 per month awarded to Dr. Peter Wilden in his role as Executive Chair for the period 1 February 2023 to 30 September 2023 and (ii) the election of an additional member to the Board of Directors at AGM 2023.

The following tables show the compensation of the Board of Directors for the period from 1 January 2023 to 31 December 2023 (Table 5) and from 1 January 2022 to 31 December 2022 (Table 6). In each of these periods, 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: 2023 Compensation of the Board of Directors
(1 January 2023 – 31 December 2023)

CHF	Position	Cash compensation	Share-based compensation[1]	Total (cash and shares)	Social security contributions	Total compensation
Peter Wilden	Chair	71,250	249,643	**320,894**	20,165	**341,059**
	Executive Chair[2]	200,000	–	**200,000**	14,356	**214,356**[2]
Patrick Aebischer	Vice-Chair, Lead Independent Director, ITC Chair	50,000	163,263	**213,263**	11,803	**225,067**
Erik Schropp[3]	Member	–	–	**–**	–	**–**
Jane Salik	Member	70,000	70,354	**140,354**	–	**140,354**
Beat In-Albon	Independent Member, ARC Chair	45,000	146,946	**191,946**	10,507	**202,453**
Philippe Weber[4]	Independent Member, RNC Chair	18,500	180,232	**198,732**	13,402	**212,135**
Dorothee A. Deuring[5]	Independent Member	52,500	52,621	**105,121**	7,765	**112,886**
Total Board of Directors		**507,250**	**863,060**	**1,370,310**	**78,002**	**1,448,313**

[1] The number of shares due quarterly for each Director is 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 grant date and rounded up to the next whole number of shares, included in the table at the fair value at grant date. 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 grant 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 2023.

[2] The amount reflects the fixed executive chair fee of CHF 25,000 per month awarded to Dr. Peter Wilden in his role as Executive Chair (as announced on 30 January 2023) for the period 1 February 2023 to 30 September 2023. For the year ended 31 December 2023, Dr. Peter Wilden received in aggregate total compensation of CHF 555,415.

[3] 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 2023), waived all compensation for his Board duties for the term of office from the AGM 2023 to AGM 2024.

[4] Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF). For the year ended 31 December 2023, the Group paid CHF 185,892 to NKF for legal services in relation to ongoing corporate legal matters (*e.g.*, securities, employment, tax, bank finance and corporate law matters), of which CHF 6,720 was directly attributable to legal services provided by Philippe Weber. In addition, NKF provided legal assistance in connection with the signing of a revolving credit facility agreement (as announced by the Company on 2 October 2023). The revolving credit facility agreement enabled the Company to refinance its then existing borrowings as well as to continue to finance its working capital and capital expenditure requirements to support its planned business growth. The amount paid to NKF is currently within the CHF 200,000 limit approved by the AGM 2023. In the event that the amount of fees paid to NKF between the period from AGM 2023 until AGM 2024 exceeds the CHF 200,000 limit, the shareholders will be asked to approve the excess amount, any such excess amount will be set out in the AGM 2024 invitation.

[5] Dorothee A. Deuring was elected as a member of the Board of Directors at the AGM 2023 (on 12 April 2023).

Table 6: 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	Chair	63,750	257,337	**321,087**	20,116	**341,202**
Patrick Aebischer	Vice-Chair, Lead Independent Director, ITC Chair	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, ARC Chair	45,000	145,898	**190,898**	10,446	**201,344**
Philippe Weber[3]	Independent Member, RNC Chair	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 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, included in the table at the fair value at grant date. 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.

Reconciliation of compensation to shareholder resolutions
For the term to the AGM 2024, the AGM 2023 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 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).

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
AGM 2022 to AGM 2023	CHF 1,179,252[1]	CHF 1,600,000	Approved AGM 2022
AGM 2023 to AGM 2024	CHF 1,431,798[2]	CHF 1,600,000	Approved AGM 2023

[1] The amount includes the fixed executive chair fee of CHF 25,000 per month awarded to Dr. Peter Wilden in his role as Executive Chair for the period 1 February 2023 to 31 March 2023.

[2] The amount represents an estimate for the term of office from AGM 2023 to AGM 2024. The amount is calculated as an estimate for the seven members of the Board of Directors elected at the AGM 2023, 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 chair fee of CHF 25,000 per month awarded to Dr. Peter Wilden in his role as Executive Chair for the period 1 April 2023 to 30 September 2023. The final amount of total compensation granted will be disclosed in the Remuneration Report 2024.

In addition, with reference to art. 25 para. 3 of the Articles of Association, for the period from the AGM 2022 until AGM 2023, the Group paid CHF 101,130 to Niederer Kraft Frey AG (NKF), where Philippe Weber (Director) is a Partner, for legal services in relation to ongoing corporate legal matters (*e.g.*, securities, employment, tax, bank finance and corporate law matters), within the CHF 200,000 limit approved by the AGM 2022.

For the period from the AGM 2023 until 31 December 2023, the Group paid CHF 185,892 to NKF for legal services in relation to ongoing corporate legal matters (*e.g.*, securities, employment, tax, bank finance and corporate law matters), of which CHF 6,720 was directly attributable to legal services provided by Philippe Weber. In addition, NKF provided legal assistance in connection with the signing of a revolving credit facility agreement (as announced by the Company on 2 October 2023). The revolving credit facility agreement enabled the Company to refinance its then existing borrowings as well as to continue to finance its working capital and capital expenditure requirements to support its planned business growth. The amount paid to NKF is currently within the CHF 200,000 limit approved by the AGM 2023. In the event that the amount of fees paid to NKF between the period from AGM 2023 until AGM 2024 exceeds the CHF 200,000 limit, the shareholders will be asked to approve the excess amount, any such excess amount will be set out in the AGM 2024 invitation.

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 2023 or 31 December 2022, respectively, to current members of the Board of Directors. In addition, no granted loans or credits were still outstanding as at 31 December 2023 or 31 December 2022, respectively, to former members of the Board of Directors.

For the years ended 31 December 2023 and 31 December 2022, 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 2023 or 31 December 2022, 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 2023.

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	Retain and 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	Attract, motivate, retain 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)	Retain, 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 2023 the only eligible participant in the LTIP was the current CEO. However, the Remuneration and Nomination Committee continues to evaluate 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 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 such member's 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 2023 STIP

For the year ended 31 December 2023, the individual target incentive amount for the current CEO corresponded to 75% of base salary and for the other current members of the Executive Committee in office as of 31 December 2023 to 35% of base salary. The maximum payout amount for the current CEO was equivalent to 112.5% of base salary and for the other current members of the Executive Committee in office as of 31 December 2023 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 quantitative 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%. For each qualitative performance target, appropriate deliverables, ranges and/or milestones are defined at the start of the reporting period and subsequently assessed at the end of the reporting period. 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 2023, the STIP objectives for the Executive Committee comprised both financial and individual performance objectives, as detailed in the table below.

Table 9: 2023 STIP performance objectives and weighting for the Executive Committee

Focus in 2023	Performance objective	Weighting
	CEO	
Growth	Revenue	40%
Profitability	EBITDA	40%
Individual performance	Personal objectives	20%
	Other members of the Executive Committee	
Growth	Revenue	30%
Profitability	EBITDA	30%
Global Balanced Scorecard[1]	Group operational performance	20%
Individual performance	Personal objectives	20%

[1] The 2023 Global Balanced Scorecard contained quantified and qualitative targets on critical internal project execution, green chemistry & ESG projects, "on time in full" (OTIF), environmental health and safety (Lost Time Incident), quality (audit and inspection compliance and cost of non-quality), employee turnover and cash year-end balance. As compared to 2022, the following were added: (i) ESG projects included together with the green chemistry target and (ii) a cash year-end balance target. 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 as well as focus on net working capital management.

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 & ESG projects also support the following PolyPeptide material ESG topics: Green chemistry, Climate change mitigation, People and Supply chain engagement (see also Corporate Responsibility Report). The weighting of the performance objectives for the current CEO and the other current members of the Executive Committee in office as of 31 December 2023 remained constant for 2023 as compared to the respective roles on the Executive Committee in 2022.

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 2023). 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. The Group 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.

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 the LTIP award, reflecting the value of the PSUs at grant date (*i.e.*, assuming 100% target achievement), will be subject to the maximum aggregate compensation amounts approved at the applicable general meeting for the Executive Committee. The number of shares vesting will depend on the achievements against the targets at the end of the three-year performance period, and the LTIP value may vary based on the share price at the time of vesting.

With regard to the current CEO, his employment agreement provides for an annual target corresponding to 145% of his base salary for the allocation of PSUs. The number of PSUs allocated 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 CEO based on objective and subjective criteria determined by the Executive Committee.

5.1.4.2 LTIP Plan[12]

The current LTIP rules (the "Plan") were adopted by the Board of Directors in 2021. During the course of 2024, the Remuneration and Nomination Committee plans to revise the structure and eligible pool of participants under the Plan. The goal is to recalibrate the LTIP performance targets to support PolyPeptide's key strategic ambitions. Any changes to the Plan in 2024 will be described in the Remuneration Report 2024. For the period under review, the only recipient under the current Plan is the current CEO, Juan José González.

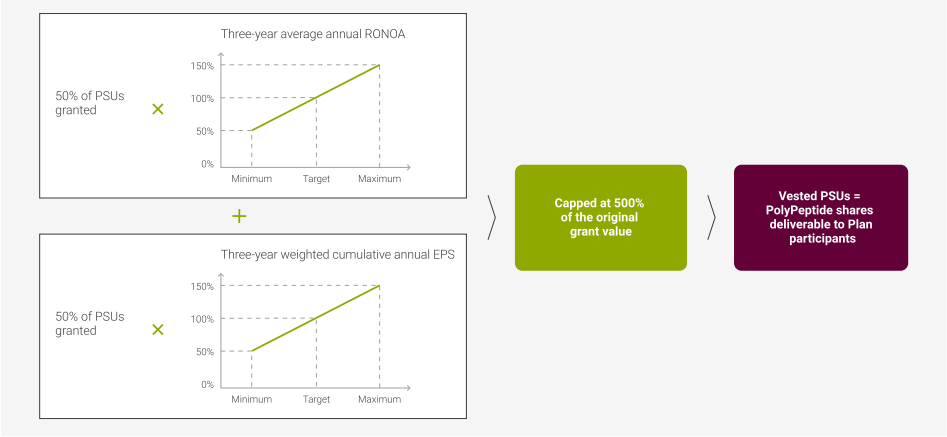
According to the Plan, in any calendar year between 1 January and 31 December, inclusive (a "Plan Year"), eligible employees may be awarded the contingent right to receive a certain number of registered Company shares in the future, provided that certain performance and other conditions are achieved ("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).

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.

[12] Summary of the relevant LTIP Plan.

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. In setting the RONOA and EPS performance targets for the LTIP 2023 award, the Remuneration and Nomination Committee proposed and the Board of Directors approved that each performance target exclude the impact of cost absorption to better reflect the Group's underlying operational 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 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, in the event that any PSUs vest, we will disclose the targets and the corresponding results at the end of the respective performance period (*i.e.*, for the 2023 LTIP award with the reporting for the financial year 2025).

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 Remuneration and Nomination Committee, 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 2023 LTIP Plan awards and vesting of prior awards

In 2023, the current CEO was the only employee eligible to participate in the LTIP and was granted 34,040 PSUs.

No PSUs were awarded in 2022.

The PSUs awarded in 2021 will not vest in April 2024 (based on the financial statements for the year ended 31 December 2023), as the minimum performance thresholds for RONOA and EPS were not achieved through the performance period 2021 to 2023.

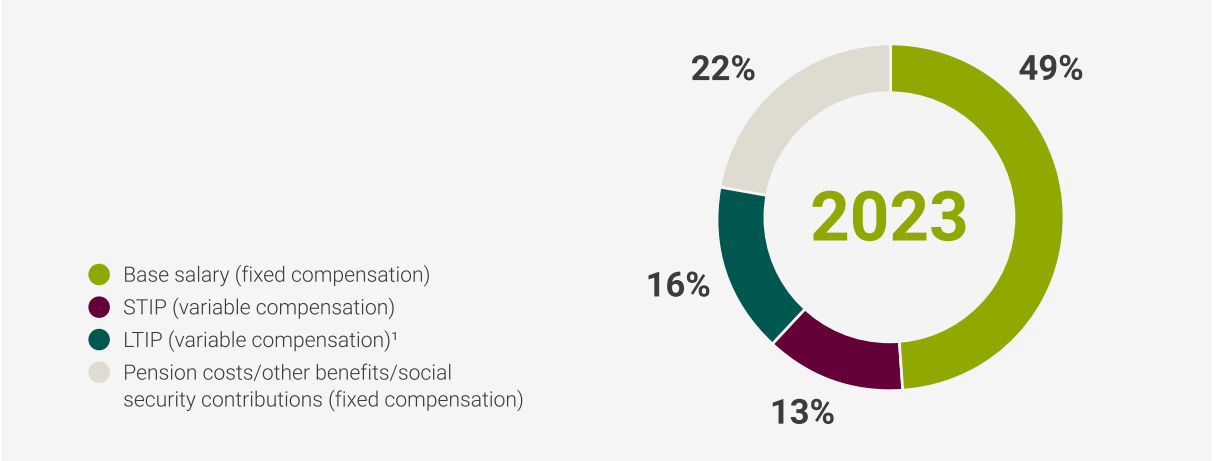
5.2 Compensation of the Executive Committee

5.2.1 Overview and performance assessment

For the year ended 31 December 2023, 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 2023 total variable compensation of the current CEO (*i.e.*, STIP and LTIP) amounted to 56.9% of his total compensation and 131.9% 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 current CEO), the total variable compensation (*i.e.*, STIP only) amounted to an average 12.0% of the total compensation and 13.6% 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

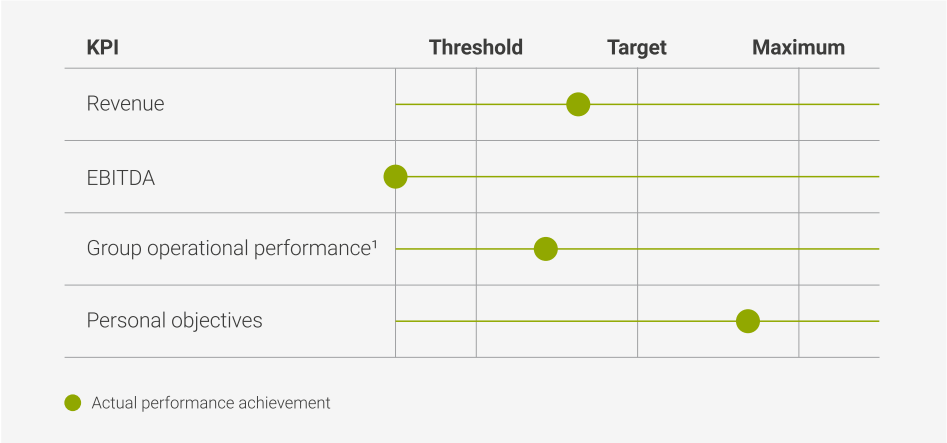


[1] For the year ended 31 December 2023 the only eligible participant in the LTIP was the current CEO.

In light of PolyPeptide's reported revenue increase of 14.0% and EBITDA decrease of 115.5%, the STIP 2023 financial performance objectives were between the minimum threshold and target for growth, but below the threshold for profitability. With regard to the Global Balanced Scorecard objectives, the Group's overall achievement was between the minimum threshold and 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 100% and 150% of their respective personal objectives.

Table 12 illustrates the outcome of the STIP performance targets for 2023 (see Table 9 in section 5.1.3.2 *"2023 STIP"* of this Remuneration Report for an overview of the 2023 STIP performance objectives and weighting for the Executive Committee).

Table 12: 2023 STIP performance of objectives



1 Applicable for Executive Committee members in office as of 31 December 2023.

Thus, under the STIP 2023, the combined payout for the financial, operational and individual performance targets is 54.6% of the STIP target incentive amount for the current CEO and between 47.0% and 57.0% of the STIP target incentive amounts for the other current members of the Executive Committee in office as of 31 December 2023.

5.2.2 Aggregate compensation of the Executive Committee

The following table shows the total aggregate compensation for the current CEO (*i.e.,* Juan José González) as the highest paid member of the Executive Committee during the period under review as well as the aggregate amount for the other current and former members of the Executive Committee for the period from 1 January 2023 to 31 December 2023. Dr. Peter Wilden received a fixed executive chair fee of CHF 25,000 per month in connection with his role as Executive Chair from 1 February 2023 to 30 September 2023. The amounts received by Dr. Wilden are included as a separate line item in Table 5, see section 4.2 "*Compensation of the Board of Directors*" of this Remuneration Report.

For the year ended 31 December 2023, the Executive Committee received total remuneration of CHF 4,715,682 (2022: CHF 3,116,537). This is an overall increase of 51.3% compared to previous year, with the main changes explained in greater detail below.

Table 13: 2023 Compensation of the Executive Committee
(1 January 2023 – 31 December 2023)

CHF	Juan José González[1]	Other members of the Executive Committee[8]	Total
Base salary	561,167	1,763,932	**2,325,098**
Pension costs[2]	74,452	231,472	**305,923**
Other benefits[3]	51,706	292,723	**344,429**
Social security contributions[4]	61,371	334,814	**396,185**
Total fixed compensation	**748,696**	**2,622,940**	**3,371,636**
STIP bonus[5]	231,042	356,635	**587,678**
LTIP grant[6]	756,369	–	**756,369**
Total compensation[7]	**1,736,107**	**2,979,576**	**4,715,682**

[1] As announced on 3 April 2023, Juan José González was appointed as new CEO effective 12 April 2023.

[2] Reflects pension contributions made in the year ended 31 December 2023, including (i) estimated contributions in relation to STIP 2023 to be paid by 30 June 2024 and (ii) differences in actual contributions paid in 2023 in relation to STIP 2022 compared to the estimated contributions in relation to STIP 2022 as disclosed in Table 14.

[3] Other benefits may include company car or car allowance, health coverage, variable vacation supplement 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 2023 to be paid by 30 June 2024; (ii) differences in actual Other benefits due in 2023 in relation to STIP 2022 compared to the estimated Other benefits in relation to STIP 2022 as disclosed in Table 14.

[4] Reflects social security contributions made in the year ended 31 December 2023, including (i) estimated contributions in relation to STIP 2023 to be paid by 30 June 2024; and (ii) differences in actual contributions paid in 2023 in relation to STIP 2022 compared to the estimated contributions in relation to STIP 2022 as disclosed in Table 14.

[5] Includes (i) the STIP to be paid by 30 June 2024; and (ii) differences in actual STIP 2022 paid in 2023 compared to the estimated STIP 2022 due to currency rate fluctuations.

[6] Disclosure reflects the LTIP grant for the reporting year, *i.e.*, the value of the PSUs at grant date, assuming 100% target achievement. The LTIP value at vesting may vary based on performance outcomes (between 0 and 150%) and respective share price at the time of vesting. Juan José González, the current CEO, was the only employee eligible to participate in the LTIP 2023 and was granted 34,040 PSUs.

[7] All compensation amounts are disclosed in gross amounts. Amounts converted to CHF from other currencies are translated at the average exchange rates for the year ended 31 December 2023.

[8] Reflects the compensation of the other current and former members of the Executive Committee for the period from 1 January 2023 to 31 December 2023 as follows: (i) the compensation paid to Neil James Thompson (Director Global Sales and Marketing), Jens Fricke (Director Global Operations) and Christina Del Vecchio, General Counsel (including a one-time appreciation bonus), (ii) the pro-rated compensation paid to Raymond De Vré who resigned as CEO and stepped down from the Executive Committee on 30 January 2023 as well as compensation paid during his six-month contractual notice period that ended on 31 July 2023, (iii) the pro-rated compensation paid to Jan Fuhr Miller who resigned as CFO and stepped down from the Executive Committee on 30 April 2023, but remained employed until 30 June 2023, (iv) the pro-rated compensation paid to Lalit Ahluwalia as new CFO ad interim and member of the Executive Committee effective 1 May 2023 until he stepped down from the Executive Committee as of 31 December 2023 and (v) the pro-rated compensation paid to Daniel Lasanow (former Director Global Operations) for the applicable portion of his contractual 12-month notice period that ended on 30 November 2023. For the year ended 31 December 2023, the Company paid CHF 965,443 in compensation to former members of the Executive Committee.

Table 14: 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 ended 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 section 5.2.2 *"2022 aggregate compensation of the Executive Committee"* of the Remuneration Report 2022.

[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 section 5.2.2 *"2022 aggregate compensation of the Executive Committee"* of the Remuneration Report 2022.

[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 average exchange rates for the year ended 31 December 2022.

[8] Reflects the compensation of the other current and former members of the Executive Committee for the period from 1 January 2022 to 31 December 2022 as follows: (i) compensation for Jan Fuhr Miller (CFO), Christina Del Vecchio (General Counsel) and Neil Thompson (Director Global Sales and Marketing), (ii) the pro-rated compensation of Jens Fricke (Director Global Operations) as new member of the Executive Committee effective 1 December 2022, (iii) the pro-rated compensation of Daniel Lasanow (former Director Global Operations) 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 ended on 30 November 2023, (v) amounts paid to Jan Christensen (former Director Global Sales and Marketing) 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 (former CEO) in 2022 in relation to compensation due to her for services performed prior to stepping down from the Executive Committee on 17 August 2021. For the year ended 31 December 2022, the Company paid CHF 555,510 in compensation to former members of the Executive Committee (including all applicable pension costs, Other benefits and social security contributions).

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 2023 as compared to 2022:

Composition of the Executive Committee: Table 13 reflects the remuneration of the current and former members of the Executive Committee for the period from 1 January 2023 to 31 December 2023, with 6.39 full-time equivalents in total. In 2023, PolyPeptide experienced transitions at the level of both the CEO and CFO. Specifically, Juan José González joined

as CEO and member of the Executive Committee as of 12 April 2023, succeeding Raymond De Vré who resigned as CEO and member of the Executive Committee as of 30 January 2023. Jan Fuhr Miller resigned as CFO and member of the Executive Committee on 30 April 2023, and Lalit Ahluwalia joined as CFO ad interim and member of the Executive Committee as of 1 May 2023. Thus, the totals reflected in Table 13 include, *inter alia*, (i) the compensation paid to Neil James Thompson (Director Global Sales and Marketing), Jens Fricke (Director Global Operations) and Christina Del Vecchio (General Counsel, including a one-time appreciation bonus), (ii) the pro-rated compensation paid to Raymond De Vré as CEO as well as compensation paid during his six-month contractual notice period that ended on 31 July 2023, (iii) the pro-rated compensation paid to Juan José González as of 12 April 2023 (iv) the pro-rated compensation paid to Jan Fuhr Miller as CFO effective 1 January 2023 until 30 April 2023 as well as compensation paid until his departure on 30 June 2023, (v) the pro-rated compensation paid to Lalit Ahluwalia as CFO ad interim and member of the Executive Committee effective 1 May 2023 until he stepped down from the Executive Committee as of 31 December 2023 and (vi) the pro-rated compensation paid to Daniel Lasanow (former Director Global Operations) for the applicable portion of his contractual 12-month notice period that ended on 30 November 2023.

Table 14 reflects, *inter alia*, the remuneration of the current and former members of the Executive Committee, with 5.83 full-time-equivalents in total, for the period from 1 January 2022 to 31 December 2022, including, *inter alia*, the remuneration paid to (i) Jens Fricke (Director Global Operations) who joined the Executive Committee as of 1 December 2022, (ii) Daniel Lasanow (former Director Global Operations) who served as member of the Executive Committee until 30 November 2022 and whose contractual 12-month notice period began on 30 November 2022 and ended on 30 November 2023, (iii) Jan Christensen (former Director Global Sales and Marketing) who served on the Executive Committee until 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 (iv) Jane Salik (former CEO) relation to compensation due to her for services performed prior to stepping down from the Executive Committee on 17 August 2021.

Base salary: The variance in base salary between 2022 and 2023 (an increase of 21.8%) is mainly due to the changes in the composition of the Executive Committee, as described above. For members of the Executive Committee in office as of 31 December 2022 and 31 December 2023, respectively, the aggregated base salary levels in CHF decreased by 0.43% in 2023 as compared to 2022, mainly due to currency rate fluctuations.

Other benefits: Other benefits increased by 8.3% in 2023 as compared to 2022, mainly due to the changes in the composition of the Executive Committee, as described above.

STIP: The total payout under the STIP in 2023 is 192.0% higher than in 2022, reflecting the performance levels as described in section 5.2.1 "*Overview and performance assessment*" of this Remuneration Report. The comparison of the total payouts in 2023 as compared to 2022 is further impacted by the changes to the composition of the Executive Committee, as described above.

LTIP: In 2023, Juan José González, the current CEO, was the only employee eligible to participate in the LTIP 2023 and was granted 34,040 PSUs. The Board of Directors, upon recommendation of the Remuneration and Nomination Committee, deferred all LTIP awards for 2022. Thus, this line item proportionally increased reflecting the LTIP award made in 2023.

Reconciliation of compensation to shareholder resolutions
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). Two new members 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 compensation dispensed to the Executive Committee (including the CEO then in office) in the year ended 31 December 2022 amounted 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.

For the year ended 31 December 2023, the AGM 2022 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). Two new members were promoted to the Executive Committee and Juan José González was newly appointed to the Executive Committee in each case after the AGM 2022; however, no additional compensation amount in excess of that approved by the AGM 2022 has been paid / granted, since the approved aggregate amount of compensation for the financial year 2023 was sufficient to compensate those newly appointed members. The compensation paid / granted to the Executive Committee in the year ended 31 December 2023 amounted to CHF 4,715,682 (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 2022 – 31 December 2022	CHF 3,116,537	CHF 7,000,000	Approved EGM 2021
1 January 2023 – 31 December 2023	CHF 4,715,682	CHF 7,000,000	Approved AGM 2022
1 January 2024 – 31 December 2024	–	CHF 7,000,000	Approved AGM 2023

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 2023 or 31 December 2022, respectively, to current members of the Executive Committee. In addition, no granted loans or credits were still outstanding as at 31 December 2023 or 31 December 2022, respectively, to former members of the Executive Committee.

For the years ended 31 December 2023 and 31 December 2022, 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 2023 or 31 December 2022, 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 2023.

6 Ownership of shares and options

The members of the Board of Directors and Executive Committee reflected in the table below held 0.4% of the outstanding shares as at 31 December 2023 and 0.2% as at 31 December 2022. 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 2023 or 31 December 2022, 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 2023	Shares held as at 31 December 2022
Board of Directors[1]			
Peter Wilden	Chair	22,436	8,402
Patrick Aebischer	Vice-Chair, Lead Independent Director; Chair ITC	14,503	5,318
Erik Schropp[2]	Member	3,193	3,193
Jane Salik	Member	23,511	19,553
Beat In-Albon	Independent Member, Chair ARC	13,054	4,787
Philippe Weber	Independent Member, Chair RNC	15,976	5,835
Dorothee A. Deuring[3]	Independent Member	3,000	n/a
Executive Committee			
Juan José González[4]	CEO	227,842	n/a
Marc Augustin[5]	CFO	2,500	n/a
Lalit Ahluwalia[6]	CFO ad interim	–	n/a
Christina Del Vecchio	General Counsel	–	–
Neil James Thompson	Director Global Sales and Marketing	1,122	1,122
Jens Fricke	Director Global Operations	1,380	1,380
Raymond De Vré[7]	Former CEO	n/a	16,486
Jan Fuhr Miller[8]	Former CFO	n/a	7,767

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 also a director of Draupnir Holding B.V. (one of the Company's significant shareholders); this shareholding is not reflected in Table 16 (see section 1.2 "*Significant shareholders*" of the Corporate Governance Report 2023).

3 Member of the Board of Directors as of 12 April 2023.

4 Member of the Executive Committee as of 12 April 2023.

5 Member of the Executive Committee as of 1 January 2024.

6 Member of the Executive Committee as of 1 May 2023 until of 31 December 2023.

7 Member of the Executive Committee until 30 January 2023.

8 Member of the Executive Committee until 30 April 2023.

As of 31 December 2023, Juan José González (current CEO) held 34,040 PSUs with respect to grants made under the LTIP in 2023.

As of 31 December 2022, Raymond De Vré (former CEO) held a total of 6,606 PSUs with respect to grants made under the LTIP in 2021. As per the service condition in the Plan and the terms of his separation agreement, the amount of PSUs was reduced to 5,688.5 PSUs. The PSUs awarded in the financial year 2021 will not vest in April 2024 (based on the financial statements for the year ended 31 December 2023), as the minimum performance thresholds were not achieved.

As of 31 December 2023, 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. As described in Section 4.3 “Loans, credits and related-party compensation” and 5.3 “Loans, credits and related-party compensation” of this Remuneration Report, no compensation was paid or granted to persons closely associated with 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 2023 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

In accordance with Swiss law, art. 23 of the Articles of Association limits the number of comparable functions at other companies with an economic purpose (including their group) that members of the Board of Directors and Executive Committee are allowed to have at one time. As of 31 December 2023, the members of the Board of Directors and Executive Committee carried out the following activities or mandates in comparable functions at other companies with an economic purpose (including their group) as per art. 734e CO:

Board of Directors

Peter Wilden, Chair
Outside mandates at listed companies
- None

Outside mandates at non-listed companies
- None

Patrick Aebischer, Vice-Chair and Lead Independent Director
Outside mandates at listed companies
- Member of the board of directors of Logitech SA, Switzerland (since 2016)
- Member of the board of directors of Nestlé SA, Switzerland (since 2015)

Outside mandates at non-listed companies
- Member of the board of directors of Swiss Vaccine SA, Switzerland (since 2022)
- Chair of the board of directors of Vandria SA, Switzerland (since 2021)
- Senior Partner of NanoDimension Management Limited, Cayman Islands (since 2017)
- Chair of the board of directors of Amazentis SA, Switzerland (since 2007)

Erik Schropp, Member
Outside mandates at listed companies
- None

Outside mandates at non-listed companies
- CEO of Esperante Investments Group (since 2020) (including serving as a member of the board of directors 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 member of the board of directors of two subsidiary companies; (ii) Esperante Ventures B.V., The Netherlands (since 2008); (iii) Svar Life Science AB, Sweden (since 2008), including serving as a member of the board of directors of two subsidiary companies)
- Member of the board of directors of Haydn Holding AB, Sweden (since 2012) (including serving as a member of the board of directors at six subsidiary companies)
- Member of the board of directors of Ferring Foundation B.V., The Netherlands (since 2008) (including serving as a member of the board of directors of two subsidiary entities)

Jane Salik, Member
Outside mandates at listed companies
- None

Outside mandates at non-listed companies
- None

Beat In-Albon, Independent member
Outside mandates at listed companies
- Member of the board of directors of Evolva Holding SA, Switzerland (since 2020)

Outside mandates at non-listed companies
- Chair of the board of directors of Hans Kalbermatten Thermalbad AG, Switzerland (since 2021)
- Member of the board of directors of Deccan Fine Chemicals Pvt. Ltd., India (since 2019)

Philippe Weber, Independent member
Outside mandates at listed companies
- Vice-Chair of the board of directors of Leonteq AG, Switzerland, and Leonteq Securities AG, Switzerland (both since 2020)
- Member of the board of directors of Medacta Group AG, Switzerland (since 2019)
- Member of the board of directors of EDAG Engineering Group AG, Switzerland (since 2015)

Outside mandates at non-listed companies
- Member of the board of directors of NorthStar Holding AG, Switzerland (since 2018)
- Member of the board of directors of Banca del Ceresio SA, Switzerland (since 2017)
- Member of the board of directors of Newron Suisse SA, Switzerland (since 2007)
- Partner at Niederer Kraft Frey AG, Switzerland (since 2002)

Dorothee A. Deuring, Independent member
Outside mandates at listed companies
- Member of the board of directors and Member of the Audit and Remuneration Committees of Elementis PLC (since 2017)
- Member of the board of directors of Temenos AG (since 2023)

Outside mandates at non-listed companies
- None

Executive Committee

Juan José González, Chief Executive Officer
Outside mandates at listed companies
- Member of the board of directors and Member of the Audit & Remuneration Committee, Straumann Group, Switzerland (since 2019)

Outside mandates at non-listed companies
- None

Lalit Ahluwalia, Former Chief Financial Officer ad interim
Outside mandates at listed companies
- None

Outside mandates at non-listed companies
- None

Christina Del Vecchio, General Counsel
Outside mandates at listed companies
- None

Outside mandates at non-listed companies
- None

Neil James Thompson, Director Global Sales and Marketing
Outside mandates at listed companies
- Member of the EuroPeptides Advisory Board for the EuroPeptides / EuroTIDES / TIDES Europe event (since 2012) (event managed and ran by Informa PLC – listed company)

Outside mandates at non-listed companies
- None

Jens Fricke, Director Global Operations
Outside mandates at listed companies
- None

Outside mandates at non-listed companies
- None

Marc Augustin, Chief Financial Officer as of 1 January 2024
Outside mandates at listed companies
- None

Outside mandates at non-listed companies
- None

For additional information regarding the business experience, education and activities of each member of the Board of Directors and Executive Committee, 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 2023.

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STATUTORY AUDITOR'S REPORT

To the general meeting of PolyPeptide Group AG, Baar

Report on the Audit of the Remuneration Report according to Art. 734a-734f CO

Opinion

We have audited the remuneration report of PolyPeptide Group AG (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) contained in table 5 "2023 Compensation of the Board of Directors (1 January 2023 - 31 December 2023) on page 124, section 4.3 "Loans, credits and related-party compensation" on page 126, table 13 "2023 Compensation of the Executive Committee (1 January 2023 - 31 December 2023)" on page 134, section 5.3 "Loans, credits and related-party compensation" on page 137, table 16 "Shares held by members of the Board of Directors and the Executive Committee" on page 138, section 7 "Other remuneration-related information under the CO" on page 139, and section 8 "Activities in other companies" on page 140/141 of the remuneration report.

In our opinion, the information pursuant to Art. 734a-734f CO in the remuneration report (pages 112 to 141) complies with Swiss law and the Company's 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 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 table 5 "2023 Compensation of the Board of Directors (1 January 2023 - 31 December 2023 on page 124, section 4.3 "Loans, credits and related-party compensation" on page 126, table 13 "2023 Compensation of the Executive Committee (1 January 2023 - 31 December 2023) on page 134, section 5.3 "Loans, credits and related-party compensation" on page 137, table 16 "Shares held by members of the Board of Directors and the Execuitve Committee" on page 138, section 7 "Other remuneration-related information under the CO" on page 139, and section 8 "Activities in other companies" on page 140/141 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.

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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.

Auditor's Responsibilities for the Audit of the Remuneration Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO 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, 8 March 2024

BDO Ltd

René Füglister
Licensed Audit Expert
Auditor in Charge

Jan Trautwein
Licensed Audit Expert

Financial Report

Consolidated financial statements

Consolidated income statement

1 January - 31 December

kEUR	Note	2023	2022
Revenue	3	320,372	280,978
Other operating income	3	4,481	2,486
Total income		**324,853**	**283,464**
Cost of sales		-315,730	-228,987
Gross profit / (loss)		**9,123**	**54,477**
Marketing and sales expenses	3	-4,053	-4,905
Research expenses	3	-1,465	-1,243
General and administrative expenses	3	-40,073	-35,722
Total operating expenses		**-45,591**	**-41,870**
Operating result (EBIT)		**-36,468**	**12,607**
Financial income	3	103	9
Financial expenses	3	-21,878	-5,049
Total financial result		**-21,775**	**-5,040**
Result before income taxes		**-58,243**	**7,567**
Income tax	5	6,803	200
Result for the year		**-51,440**	**7,767**
Attributable to shareholders of PolyPeptide Group AG		-51,440	7,767
Earnings per share in EUR, basic	7	-1.56	0.24
Earnings per share in EUR, diluted	7	-1.56	0.24

Consolidated statement of comprehensive income

1 January - 31 December

kEUR	Note	2023	2022
Result for the year		-51,440	7,767
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations, net of tax		7,713	4,834
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**7,713**	**4,834**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain / (loss) on defined benefit plans	16	3,269	13,526
Income tax effect	5	-836	-3,174
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**2,433**	**10,352**
Other comprehensive result for the year, net of taxes		**10,146**	**15,186**
Total comprehensive result for the year, net of taxes		**-41,294**	**22,953**
Attributable to shareholders of PolyPeptide Group AG		-41,294	22,953

Consolidated statement of financial position

As at 31 December

Assets, kEUR	Note	2023	2022
Non-current assets			
Intangible assets	8	16,454	15,865
Property, plant and equipment	9	300,582	275,878
Right-of-use assets	10	23,523	21,416
Deferred income tax assets	5	16,690	8,286
Other financial assets	24	5,237	2,767
Total non-current assets		**362,486**	**324,212**
Current assets			
Inventories	12	128,507	145,073
Trade receivables	13	76,674	46,486
Contract assets	3	2,103	2,660
Corporate income tax receivables		7,424	7,373
Other current assets	14	16,188	12,450
Cash and cash equivalents	15	95,706	37,528
Total current assets		**326,602**	**251,570**
Total assets		**689,088**	**575,782**

Consolidated statement of financial position (continued)

As at 31 December

Equity and liabilities, kEUR	Note	2023	2022
Equity attributable to equity holders of the parent company			
Share capital	6	302	302
Share premium		203,129	203,129
Translation reserve		21,832	14,119
Treasury shares	6	-10,394	-13,609
Other capital reserves		1,217	3,590
Retained earnings		165,139	214,146
Total equity		**381,225**	**421,677**
Non-current liabilities			
Deferred income tax liabilities	5	3,644	1,878
Pensions	16	25,111	26,637
Provisions	17	1,649	2,476
Interest-bearing loans and borrowings	19	49,087	–
Lease liabilities	10	18,869	17,652
Other financial liabilities	18	9,893	9,410
Contract liabilities	3	23,160	–
Total non-current liabilities		**131,413**	**58,053**
Current liabilities			
Interest-bearing loans and borrowings	19	41,253	–
Lease liabilities	10	4,453	3,566
Other financial liabilities	18	1,227	1,096
Corporate income tax payable		227	67
Trade payables	20	60,906	45,933
Contract liabilities	3	42,969	27,538
Other current liabilities	20	25,415	17,852
Total current liabilities		**176,450**	**96,052**
Total liabilities		**307,863**	**154,105**
Total equity and liabilities		**689,088**	**575,782**

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 2023	**302**	**203,129**	**14,119**	**-13,609**	**3,590**	**214,146**	**421,677**
Result for the year						-51,440	-51,440
Remeasurement gain / (loss) on defined benefit plans, net of tax						2,433	2,433
Currency exchange differences			7,713				7,713
Total comprehensive income	**–**	**–**	**7,713**	**–**	**–**	**-49,007**	**-41,294**
Purchase of own shares							–
Dividends paid							–
Share-based payment					842		842
Transfer of own shares				3,215	-3,215		–
Total transactions with owners	**–**	**–**	**–**	**3,215**	**-2,373**	**–**	**842**
Balance as at 31 December 2023	**302**	**203,129**	**21,832**	**-10,394**	**1,217**	**165,139**	**381,225**

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 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	**–**	**–**	**4,834**	**–**	**–**	**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		–
Total transactions with owners	**–**	**-9,671**	**–**	**-12,422**	**-356**	**–**	**-22,449**
Balance as at 31 December 2022	**302**	**203,129**	**14,119**	**-13,609**	**3,590**	**214,146**	**421,677**

Consolidated statement of cash flows

1 January - 31 December

kEUR	2023	2022
Cash flow from operating activities		
Result for the year	-51,440	7,767
Adjustments to reconcile cash generated by operating activities		
Depreciation, amortization and impairment	30,469	26,063
Movement in provisions	40	-713
Movement in pensions	867	1,545
Share-based payment expense	842	1,155
Financial income	-103	-9
Financial expenses	21,878	5,049
Income tax expense / (income)	-6,803	-200
Changes in net working capital		
(Increase) / decrease in inventories	15,511	-33,129
(Increase) / decrease in trade receivables	-29,894	18,898
(Increase) / decrease in contract assets	548	-115
(Increase) / decrease in other current assets	-3,738	-1,636
Increase / (decrease) in trade payables	17,368	13,231
Increase / (decrease) in contract liabilities	38,840	-18,628
Increase / (decrease) in other current liabilities	7,564	-3,353
Cash generated from operations	**41,949**	**15,925**
Interest income received	54	9
Interest expenses paid	-4,754	-2,494
Income taxes paid	-764	-7,980
Net cash flows from operating activities	**36,485**	**5,460**
Cash flow from investing activities		
Acquisition of intangible assets	-3,836	-3,665
Acquisition of property, plant and equipment	-52,897	-75,099
Disposal of property, plant and equipment	8	12
Investments in other financial assets	-2,787	317
Net cash flows from investing activities	**-59,512**	**-78,435**

Consolidated statement of cash flows (continued)

1 January - 31 December

kEUR	2023	2022
Cash flow from financing activities		
Purchase of own shares	–	-13,933
Dividends paid	–	-9,671
Proceeds from short-term borrowings from banks	55,172	–
Repayment of short-term borrowings from banks	-55,172	–
Net proceeds from short-term borrowings from Draupnir Holding B.V.	40,000	–
Net proceeds from long-term borrowings from banks	49,087	–
Repayment of lease liabilities	-3,921	-2,695
Repayment of other financial liabilities	-619	-570
Net cash flow from financing activities	**84,547**	**-26,869**
Net movement in cash and cash equivalents	**61,520**	**-99,844**
Cash and cash equivalents at the beginning of the year	37,528	136,303
Net foreign currency exchange differences	-3,342	1,069
Cash and cash equivalents at the end of the year	**95,706**	**37,528**

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 also markets a wide range of generic peptides.

The registered office of the Company is Neuhofstrasse 24, 6340 Baar, Switzerland.

As at 31 December 2023, 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 material accounting policy information

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 2023.

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 2023:

- *IFRS 17 - Insurance Contracts*
- *Disclosure of Accounting Policies* (Amendment to IAS 1 and IFRS Practice Statement 2)
- *Definition of Accounting Estimates* (Amendment to IAS 8)
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12)
- *International Tax Reform – Pillar Two Model Rules* (Amendments to IAS 12)

The adoption of the new standard and the amendments to the IFRS Accounting 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. As a result, most of the Group's revenues are recognized at a point in time when control of the goods has transferred to the customer. All indicators of transfer of control according to IFRS 15 are normally in place when the Group delivers the goods to the customer. The level of judgement needed to determine the point in time at which a customer obtains control of the goods is thus limited.

When bill-and-hold arrangements are in place, the Group satisfies its performance obligation while still retaining physical possession of the goods until it is transferred to the customer at a point in time in the future. However, IFRS 15 clearly states four criteria that must be met for a customer to have obtained control of a product in a bill-and-hold arrangement. These criteria are reflected in the agreements with the customers, and the level of judgement needed for revenue recognition for bill-and-hold arrangements is thus also limited.

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 controlling. 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, 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.

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.

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.

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.

Tax credits
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.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities 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 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.

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 that is amortized on a straight-line basis over five to ten 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 20 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. Except for 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.

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.

Factoring

In the reporting period beginning 1 January 2023, the Group decided to enter a non-recourse factoring agreement with a bank for a few selected customers. The arrangement is non-recourse between the Group and the bank where all risks and rewards of ownership of receivables are fully transferred to the bank, and where the Group does not provide any guarantee about the performance of the receivables. When the Group derecognizes the receivable from the customer and recognizes the consideration received from the bank, the difference between the carrying amount of the receivable and the consideration received from the bank is recognized as a financial expense in the income statement.

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
After initial recognition, the financial liabilities are 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 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. Re-measurements 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 net 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 2024 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:

- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1)
- *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7)
- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16)
- *Lack of Exchangeability* (Amendments to IAS 21)

Non-current Liabilities with Covenants (Amendments to IAS 1) becomes mandatorily effective for reporting periods beginning on or after 1 January 2024. However, the Group decided to early adopt it for the reporting period beginning 1 January 2023.

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.

Impairment of non-financial assets
The Group assesses whether there are any indicators of 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 to calculate the present value of those cash flows. Even though 2022 and 2023 were characterized by a volatile macroeconomic environment, the Group has not identified any indicators of impairment. No impairment losses of non-current assets have thus been recognized in 2023 (2022: no impairment losses).

Pension and other employment benefits
The cost of defined benefit pension plans is determined using actuarial calculations. The actuarial calculations include assumptions about discount rates, future salary increases, and life expectancy. 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. As a result, 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. Accordingly, 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 2023, revenues of approximately kEUR 42,100 and kEUR 34,900, respectively, were derived from two customers.
In 2022, revenues of approximately kEUR 48,300 and kEUR 41,300, respectively, 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.

2023 kEUR	USA	Europe & India	Total
Revenue	92,760	227,612	320,372
Additions to intangible assets and PP&E	4,479	50,411	54,890
Non-current assets, carrying amount	97,918	242,641	340,559

2022 kEUR	USA	Europe & India	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

3 Revenue and expenses

PolyPeptide generates revenue that can be divided into the three business areas described below:

Revenue by business area

kEUR	2023	2022
Custom Projects	154,453	140,044
Contract Manufacturing	135,385	110,753
Generics and Cosmetics	30,534	30,181
Total revenue	**320,372**	**280,978**

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 the Group manufactures 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	2023	2022
Americas	130,603	133,437
Europe	161,735	125,820
Asia Pacific	25,377	21,255
Others	2,657	466
Total revenue	**320,372**	**280,978**

Revenue from contracts with customers

2023

kEUR	API	Related services	Total
Timing of transfer of goods and services			
Point in time	282,189		282,189
Over time		38,183	38,183
Total revenue	**282,189**	**38,183**	**320,372**

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**

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	2023	2022
As at 1 January	**2,660**	**2,556**
Transfer in the period from contract assets to trade receivables	-2,646	-2,537
Transfer of services to customers during the year where the right to payment as at 31 December is conditioned on something other than the passage of time	2,098	2,652
Currency exchange differences	-9	-11
As at 31 December	**2,103**	**2,660**

Contract liabilities

kEUR	2023	2022
As at 1 January	**27,538**	**46,072**
Amounts included in contract liabilities that were recognized as revenue during the period	-23,062	-45,677
Cash received in advance of performance and not recognized as revenue during the period	61,902	27,050
Currency exchange differences	-249	93
As at 31 December	**66,129**	**27,538**

Other operating income

kEUR	2023	2022
Research refund	1,204	1,683
Invoiced freight and insurance	2,707	413
Export incentives	–	90
Investment grants	82	80
Other	488	220
Total other operating income	**4,481**	**2,486**

The research refund relates to a deduction on tax paid due to qualified research in chemistry.
The investment grants relate to improving air emission handling, etc.

Marketing and sales expenses

kEUR	2023	2022
Salaries and employee benefits	-2,474	-3,122
Marketing and promotion costs	-1,049	-826
Other	-530	-957
Total marketing and sales expenses	**-4,053**	**-4,905**

Research expenses

kEUR	2023	2022
Salaries and employee benefits	-1,009	-790
Other	-456	-453
Total research expenses	**-1,465**	**-1,243**

General and administrative expenses

kEUR	2023	2022
Salaries and employee benefits	-16,107	-14,847
Other staff expenses	-2,630	-2,636
Depreciation, amortization and impairment loss	-4,155	-1,302
Professional services	-4,577	-4,884
Insurance cost	-2,563	-2,318
IT services	-2,530	-2,794
Other	-7,511	-6,941
Total general and administrative expenses	**-40,073**	**-35,722**

Financial income

kEUR	2023	2022
Interest income due from third parties	54	9
Other financial income	49	–
Total financial income	**103**	**9**

Financial expenses

kEUR	2023	2022
Interest expenses due to third parties	-5,623	-2,091
Foreign currency exchange losses	-14,495	-1,627
Other financial expenses	-1,760	-1,331
Total financial expenses	**-21,878**	**-5,049**

Staff costs

kEUR	2023		2022	
	Indirect	Direct	Indirect	Direct
Salaries and wages	-15,788	-73,256	-14,097	-68,722
Social charges	-3,011	-14,691	-2,695	-14,817
Pension costs	-831	-5,504	-1,967	-4,851
Total staff cost	**-19,630**	**-93,451**	**-18,759**	**-88,390**

An amount of kEUR 93,451 (2022: kEUR 88,390) 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

	2023	2022
Production	665	618
Marketing and sales	19	19
Research and development	177	176
General and administration	99	89
Quality control	135	130
Quality assurance	107	107
Total	**1,202**	**1,139**

Depreciation and amortization included in the income statement

Included in Cost of sales:

kEUR	2023	2022
Depreciation	-23,963	-22,731
Amortization	-2,220	-2,030
Impairment	-131	–
Total	**-26,314**	**-24,761**

Included in General and administrative expenses:

kEUR	2023	2022
Depreciation	-1,479	-1,295
Amortization	-86	-7
Impairment	-2,590	–
Total	**-4,155**	**-1,302**

4 Share-based payment

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 the 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.

In 2023, the fair value at grant date amounted to kEUR 886 (2022: kEUR 799), reflecting a measurement based on a total number of shares of 43,690 (2022: 9,835) and a price of EUR 20 (CHF 20) per share as at 12 April 2023 (2022: a price of EUR 81 (CHF 83) per share as at 26 April 2022).

All shares will be fully vested at the annual general meeting in April 2024. In 2023, a total amount of kEUR 892 (2022: kEUR 809) was recognized as “General and administrative expenses” in the income statement according to the principles of graded vesting in IFRS 2.

Chief Executive Officer

The Board of Directors has 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 depends on the RONOA and EPS performance of the Group over a three-year performance period.

For the year ended 31 December 2023, the only eligible participant in the LTIP was the CEO of the Group, Juan José González, who joined the Group in April 2023. The PSUs were granted to Juan José González on 6 September 2023. 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 1,135, reflecting a measurement based on 51,060 number of PSUs and the share price of PolyPeptide Group AG as of the grant date of EUR 23 (CHF 22). The vesting period ends 10 trading days after the shareholders approve the 2025 audited consolidated financial statements.

In January 2023, Raymond De Vré resigned as the CEO of the Group. He was subsequently succeeded by the current CEO of the Group, Juan José González. The resignation of Raymond De Vré has impacted the share-based payment-related expenses as follows:

- When Raymond De Vré joined the Group in 2021, he received 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 included a service condition of three years, one-third vesting each year as of 1 June (starting from 2022). The expenses have been recognized in the income statement as “General and administrative expenses” according to the principles of graded vesting in IFRS 2, resulting in an accumulated expense of kEUR 730 as at 31 December 2022.
  Due to the resignation of Raymond De Vré, the last tranche previously expected to vest in June 2024 did not vest. As a result, an adjustment has been recognized in 2023, resulting in an accumulated expense of kEUR 569 as at 31 December 2023. No further expenses relating to this grant will be recognized in future periods.

- Raymond De Vré participated in the LTIP and was granted PSUs at a fair value of kEUR 1,241 on 29 November 2021. The vesting would end 10 trading days after the shareholders approve the 2023 audited consolidated financial statements. The resignation of Raymond De Vré has changed these vesting terms. However, due to the expected RONOA and EPS performance of the Group over the three-year performance period, no shares from the 2021 grant are expected to vest (similar to the expectation as at 31 December 2022). As a result, no expenses have been recognized in the income statement in 2023 (2022: nil) and the change in the terms due to the resignation has thus not resulted in a financial impact.

The comparative figures for 2022 include an expense of kEUR 45 recognized as "General and administrative expenses" in the income statement, reflecting a grant to Raymond De Vré for his loss of variable payments from his previous employer. The shares vested in 2022 and thus have no impact on 2023.

5 Taxation

Taxation includes local and foreign taxation. Major components of the tax expense were:

kEUR	2023	2022
Consolidated income statement		
Current income tax charge	-827	-2,705
Deferred income tax charge	7,630	2,905
Total income tax charge	**6,803**	**200**
Consolidated statement of comprehensive income		
Income tax directly charged to comprehensive income	-836	-3,174
Total income tax charge (credit)	**-836**	**-3,174**

Amounts recorded in the consolidated statement of comprehensive income related 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	2023	2022
Result before income taxes	-58,243	7,567
At Swiss statutory income tax rate of 11.8 %	6,849	-895
Different income tax rates of other countries	5,611	-1,148
Non-deductible expenses and non-taxable income	-703	-688
Non-capitalized tax losses	-10,353	-382
R&D tax credits	3,438	3,152
Effect of change in tax rates	60	209
Adjustments in respect of current income tax of previous year	1,901	-48
At an effective income tax rate of 11.7% (2022: -2.7%)	**6,803**	**200**

The effective tax rate for 2023 is 11.7 %. The Group has recorded a limited tax income, despite the significant loss before tax. The relatively low tax income is mainly due to non-capitalized tax losses and R&D tax credits incurred by the US group entities in 2023.

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 expiry (tax losses in Switzerland expires after seven years).

Income from R&D tax credits is related to US R&D tax credits. This income is subsequently reversed through the impairment of the US deferred tax assets.

The deferred tax assets include an amount of kEUR 2,863 relating to US R&D tax credits that have been claimed, but for which uncertainty exists on whether these will be sustained by the US tax authorities.

kEUR	2023	2022
Differences in carrying amount and fiscal valuation of assets and liabilities	5,813	4,232
Capitalized tax losses carried forward	10,877	4,054
Total deferred income tax assets	**16,690**	**8,286**

The deferred tax assets for losses carried forward relate to tax losses of PolyPeptide Laboratories Holding (Sweden) AB, 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 net deferred tax asset compose of temporary differences mainly related to inventory, pension liabilities, deferred tax deduction of book expenses as well as unutilized R&D tax credits in PolyPeptide Laboratories Inc. (USA), including accounting for uncertainty on whether this can be sustained by US tax authorities.

The Group has unrecognized tax loss carry forwards available for losses incurred in various countries approximating mEUR 1,545 (2022: mEUR 1,194), of which mEUR 19.3 has no expiration date and mEUR 1,526 will expire between 2028 and 2030. 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 in 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	2023	2022
Differences in carrying amount and fiscal valuation of assets and liabilities	3,644	1,878
Total deferred income tax liabilities	**3,644**	**1,878**

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	2023	2022
Movement in deferred tax assets	8,404	616
Movement in deferred tax liability	-1,766	-772
Translation differences	156	-113
Total deferred income tax charge	**6,794**	**-269**

kEUR	2023	2022
Deferred tax charge in income statement	7,630	2,905
Deferred tax (credit) / charge in statement of comprehensive income	-836	-3,174
Total deferred income tax charge	**6,794**	**-269**

Translation differences mainly relate to the Swedish Krona, Indian Rupee and US Dollar.

6 Shareholders' equity

Share capital

There have been no changes to the share capital of the parent company of the Group, PolyPeptide Group AG, during 2023. As a result, the share capital of PolyPeptide Group AG comprised 33,125,001 registered shares with a nominal value of CHF 0.01 each as at 31 December 2023.

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 2023	199,196		0.6%
Purchase	–	–	–
Transfer	-43,702	74	-0.1%
Own shares as at 31 December 2023	**155,494**		**0.5%**
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 2023	**199,196**		**0.6%**

There have been no purchases of own shares during 2023.

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. 43,702 shares were transferred to Board members as part of their share-based remuneration during 2023 (2022: 21,175 shares transferred to employees and Board members as part of their share-based remuneration).

Cash distribution

No cash distribution was made in 2023.

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 was recognized against share premium within equity.

7 Earnings per share

kEUR	2023	2022
Result for the year attributable to shareholders of PolyPeptide Group AG	-51,440	7,767
Weighted average number of shares ('000)	33,125	33,125
Weighted average number of own shares ('000)	184	139
Weighted average number of outstanding shares ('000)	32,941	32,986
Dilution effect of share-based payment ('000)	27	18
Weighted average number of diluted shares ('000)	32,968	33,004
Earnings per share (EPS), basic	**-1.56**	**0.24**
Earnings per share (EPS), diluted	**-1.56**	**0.24**

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 2023	28,091	–	28,091
Additions	2,897	–	2,897
Disposals	-1,082	–	-1,082
Currency exchange differences	-22	–	-22
Balance as at 31 December 2023	**29,884**	**–**	**29,884**
Accumulated amortization and impairment losses			
Balance as at 1 January 2023	-12,226	–	-12,226
Amortization	-2,306	–	-2,306
Disposals	1,082	–	1,082
Currency exchange differences	20	–	20
Balance as at 31 December 2023	**-13,430**	**–**	**-13,430**
Carrying value as at 31 December 2023	**16,454**	**–**	**16,454**

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**

As at 31 December 2023, the carrying amount of software includes an amount of EUR 6.6 million (2022: EUR 7.1 million) that is still under construction. This software will be taken into use in subsequent periods and hence no amortization has been recognized for this software yet.

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. If any indicators of impairment have been identified, the Group calculates the amount of impairment as the difference between the recoverable amount of the asset and its carrying value and recognizes the impairment loss in the income statement. The Group has not identified any indicators of 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 2023	124,016	201,157	98,644	548	424,365
Additions	2,590	7,864	41,535	4	51,993
Disposals	–	-3,259	-2,721	–	-5,980
Transfers	5,895	39,813	-45,708	–	–
Currency exchange differences	-2,558	-2,143	-582	7	-5,276
Balance as at 31 December 2023	**129,943**	**243,432**	**91,168**	**559**	**465,102**
Accumulated depreciation and impairment losses					
Balance as at 1 January 2023	-45,333	-102,764	–	-390	-148,487
Depreciation	-6,428	-15,045	–	-47	-21,520
Impairment losses	–	–	-2,721	–	-2,721
Disposals	–	3,250	2,721	–	5,971
Currency exchange differences	884	1,355	–	-2	2,237
Balance as at 31 December 2023	**-50,877**	**-113,204**	**–**	**-439**	**-164,520**
Carrying value as at 31 December 2023	**79,066**	**130,228**	**91,168**	**120**	**300,582**

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**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. If any indicators of impairment have been identified, the Group calculates the amount of impairment as the difference between the recoverable amount of the asset and its carrying value and recognizes the impairment loss in the income statement.

In 2023, the Group decided to discontinue the development of certain assets under construction. As a result, an impairment loss of kEUR 2,721 was recognized, reflecting a recoverable amount of nil after the impairment. No impairment losses were recognized in 2022.

The amount of borrowing costs capitalized during the year was nil (2022: nil).

As at 31 December 2023, the carrying amount of Land & Buildings includes an amount of approximately kEUR 7,100 (2022: kEUR 7,600) 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 2023	21,910	2,747	5,082	29,739
Additions	379	2,084	4,008	6,471
Remeasurements	27	7	38	72
Disposals	-106	-599	-759	-1,464
Currency exchange differences	-610	-4	-12	-626
Balance as at 31 December 2023	**21,600**	**4,235**	**8,357**	**34,192**
Accumulated depreciation				
Balance as at 1 January 2023	-4,935	-1,437	-1,951	-8,323
Depreciation	-1,840	-792	-1,290	-3,922
Disposals	106	553	759	1,418
Currency exchange differences	149	3	6	158
Balance as at 31 December 2023	**-6,520**	**-1,673**	**-2,476**	**-10,669**
Carrying value as at 31 December 2023	**15,080**	**2,562**	**5,881**	**23,523**

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**

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 2023	17,172	1,314	2,732	21,218
Additions	379	2,083	3,983	6,445
Interest expenses	441	47	139	627
Remeasurements	27	-7	38	58
Lease payments	-2,007	-842	-1,701	-4,550
Currency exchange differences	-470	-2	-4	-476
Balance as at 31 December 2023	**15,542**	**2,593**	**5,187**	**23,322**
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**

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	2023	2022
Depreciation expense of right-of-use assets	3,922	3,500
Interest expense on lease liabilities	627	559
Variable lease payments not included in the lease liabilities	18	244
Short-term leases (included in G&A expenses)	991	508
Leases of low-value assets (included in G&A expenses)	494	671
Total amount recognized in the income statement	**6,052**	**5,482**

The Group had total cash outflows for leases of kEUR 6,053 in 2023 (2022: kEUR 4,677).
The total lease liability of the Group mainly relates to leases of buildings in Torrance, California, 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	
		2023	2022
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%

[1] PolyPeptide Laboratories San Diego, LLC is a wholly owned subsidiary of PolyPeptide Laboratories Inc.

[2] PolyPeptide Laboratories A/S is a dormant company.

Percentage of voting shares is equal to percentage of ownership.

12 Inventories

kEUR	2023	2022
Raw materials and supplies	72,068	61,435
Work in progress	37,116	51,417
Finished goods	19,323	32,221
Balance as at 31 December	**128,507**	**145,073**

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 down at the balance sheet date. Finished goods that are expected to be sold after retesting are written down 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 158,857 (2022: kEUR 85,952).

Provisions for obsolete stock amounted to kEUR 52,724 as at 31 December 2023 (2022: kEUR 39,916). Inventory write-downs recognized in cost of sales in the income statement during the financial year 2023 amounts to kEUR 26,483, mainly due to inventory write-downs in Belgium and USA (2022: kEUR 7,154, mainly due to inventory write-downs in France and Sweden).

13 Trade receivables

kEUR	2023	2022
Trade receivables	76,674	46,486
Balance as at 31 December	**76,674**	**46,486**

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

In 2023, the Group decided to enter a non-recourse factoring agreement with a bank for a few selected customers. The arrangement is non-recourse between the Group and the bank where all risks and rewards of ownership of receivables are fully transferred to the bank, and where the Group does not provide any guarantee about the receivables' performance. As a result, PolyPeptide has no continuing involvement in the transferred receivables.

When the receivable is derecognized, the difference between the carrying amount of the receivable and the consideration received from the bank is recognized as a financial expense in the income statement.

In 2023, consideration received from the bank as part of the non-recourse factoring agreement amounted to kEUR 8,300 which resulted in a related financial expense of kEUR 84.

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 2023	76,674	73,876	1,724	545	163	366
31 December 2022	46,486	42,069	1,349	1,667	832	569

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 a three-year period prior to the end of the reporting period. 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	2023	2022
Balance as at 1 January	187	131
Increase in bad debt allowance	187	55
Receivable written-off during the year as uncollectible	-80	-8
Unused amounts reversed	-10	0
Currency exchange difference	-5	9
Balance as at 31 December	**279**	**187**

14 Other current assets

kEUR	2023	2022
Prepaid expenses	5,089	5,003
VAT receivable	9,783	5,892
Other	1,316	1,555
Balance as at 31 December	**16,188**	**12,450**

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	2023	2022
Cash and cash equivalents	95,706	37,528
Balance as at 31 December	**95,706**	**37,528**

As described in Note 19, PolyPeptide Group AG signed a revolving credit facility agreement with three banks during 2023. In addition, it secured a short-term credit facility from its main shareholder, Draupnir Holding B.V.

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	Current interest-bearing loans and borrowings	Non-current other financial liabilities	Lease liabilities	Current other financial liabilities
Balance as at 1 January 2023	–	–	9,410	21,218	1,096
Cash flows	49,087	40,000	–	-4,550	-1,096
Non-cash flows					
New lease liabilities	–	–	–	6,445	–
Remeasurements	–	–	1,232	58	–
Accrued interest	–	1,253	597	627	–
Government loans waived	–	–	–	–	–
Transfer from non-current to current	–	–	-1,227	–	1,227
Currency exchange differences	–	–	-119	-476	–
Balance as 31 December 2023	**49,087**	**41,253**	**9,893**	**23,322**	**1,227**

kEUR	Non-current interest bearing loans and borrowings	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	–
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**

16 Pensions

The Group participates in local pension plans in the countries in which it operates. The pension plans are either structured as defined contribution plans or defined benefit plans:

- Defined contribution plans, where the Group is only obliged to pay a pension premium to a fund or insurance company on behalf of the employee. Contributions to defined contribution pension schemes are recognized as incurred in the consolidated income statement.
- Defined benefit plans, where the Group is obliged to provide pension benefits related to services rendered based on final salary levels. The obligation arising from the defined benefit plans is recognized as a net defined benefit obligation in the statement of financial position. This plan is used in Sweden, France, Belgium, India and Switzerland.

The majority of the total net defined benefit obligation recognized in the consolidated financial statements relates to the entities in Sweden and Belgium. 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 net defined benefit obligation is calculated by a third-party institution, the Pension Registration Institute (PRI). PRI also administrates the pension payments to employees, which are subsequently charged to the company.

The Belgian 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. The net defined benefit obligation is calculated by a third-party institution, Willis Towers Watson.

The movement in the net defined benefit obligation is shown on the following pages.

kEUR	Present value of obligation	Fair value of plan assets	Net defined benefit obligation
Balance as at 1 January 2023	**44,062**	**-17,425**	**26,637**
Reclassification from provisions (see Note 17)	739	–	739
Amounts recognized in the income statement			
Current service cost	2,411	–	2,411
Past service cost	9	–	9
Interest expense (+) / income (-)	1,645	-682	963
Total amount recognized in the income statement	**4,065**	**-682**	**3,383**
Remeasurements recognized in other comprehensive income			
Return on plan assets, excluding amounts included in interest (income)	–	685	685
Actuarial gain (-) or loss (+) from changes in demographic assumptions	-750	–	-750
Actuarial gain (-) or loss (+) from changes in financial assumptions	-2,393	–	-2,393
Actuarial gain (-) or loss (+) from changes in experience	-811	–	-811
Change in asset ceiling, excluding amounts included in interest expense	0	–	–
Total amount recognized in other comprehensive income	**-3,954**	**685**	**-3,269**
Exchange differences	139	-76	63
Contributions:			
By employer	-269	-2,173	-2,442
By plan participants	167	-167	–
Payments from plan:			
Benefit payments	-826	826	–
Settlements	–	–	–
Balance as at 31 December 2023	**44,123**	**-19,012**	**25,111**

The reclassification from provisions relates to wage taxes of 24.26% on Swedish pension premiums. In prior years, this was classified as a provision in the consolidated statement of financial position. However, the classification of the liability was reassessed in 2023, and it was considered more appropriate to classify it as part of the defined benefit obligation. As a result, an adjustment to the opening balance is reflected in the table above.

There was no impact of minimum funding requirements or asset ceiling on the net defined benefit obligation in 2023.

kEUR	Present value of obligation	Fair value of plan assets	Net defined benefit obligation
Balance as at 1 January 2022	**54,845**	**-15,864**	**38,981**
Amounts recognized in the income statement			
Current service cost	3,279	–	3,279
Past service cost	–	–	–
Interest expense (+) / income (-)	730	-183	547
Total amount recognized in the income statement	**4,009**	**-183**	**3,826**
Remeasurements recognized in other comprehensive income			
Return on plan assets, excluding amounts included in interest (income)	–	862	862
Actuarial gain (-) or loss (+) from changes in demographic assumptions	-110	–	-110
Actuarial gain (-) or loss (+) from changes in financial assumptions	-19,524	–	-19,524
Actuarial gain (-) or loss (+) from changes in experience	6,485	–	6,485
Change in asset ceiling, excluding amounts included in interest expense	–	–	–
Total amount recognized in other comprehensive income	**-13,149**	**862**	**-12,287**
Exchange differences	-1,578	-24	-1,602
Contributions:			
By employer	-260	-2,021	-2,281
By plan participants	151	-151	–
Payments from plan:			
Benefit payments	44	-44	–
Settlements	–	–	–
Balance as at 31 December 2022	**44,062**	**-17,425**	**26,637**

There was no impact of minimum funding requirements or asset ceiling on the net defined benefit obligation in 2022.

Pension expenses reflected in the income statement

kEUR	2023	2022
Current service costs	2,411	3,279
Past service costs	9	–
Net interest costs	963	547
Defined benefit costs	**3,383**	**3,826**
Defined contribution costs	2,952	2,992
Total pension expenses	**6,335**	**6,818**

Weighted average principal assumptions used in determining the present value of the defined benefit obligation

kEUR	2023	2022
Discount rate (%)	3.97%	3.74%
Future salary increases (%)	3.43%	3.57%
Remaining life expectancy at the time of retirement (years):		
Male	22.0	22.0
Female	25.2	25.3

Sensitivity to changes in assumptions

Changes in the assumptions will impact the defined benefit pension obligation as at 31 December as follows:

kEUR	Increase	Decrease
Discount rate (+/- 0.5%)	-2,517	3,084
Future salary increases (+/- 0.5%)	1,743	-1,542
Life expectancy (+/- 1 year)	1,167	-1,068

Expected contributions to the plan for next annual reporting period

The Group expects to pay kEUR 1,423 in contributions to defined benefit plans in 2024.

Weighted average duration

The weighted average duration of the defined benefit obligation is 14.8 years (2022: 15.3 years).

17 Provisions

kEUR	2023	2022
Provision for pension taxes	–	739
Provision for restoration costs	1,545	1,600
Provision for litigation	28	75
Other provisions	76	62
Balance as at 31 December	**1,649**	**2,476**

The provision for pension taxes relates to wage taxes of 24.26% on Swedish pension premiums. In 2023, the classification of this liability was reassessed, and it was considered more appropriate to classify it as part of the defined benefit obligation in note 16. As a result, a reclassification took place, and no amount is included for 2023 in the table above.

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	2023	2022
Balance as at 1 January	2,476	4,568
Reclassification to pensions (see Note 16)	-739	–
Utilization	-47	-46
Additions through profit or loss	13	36
Reversals through profit or loss	–	-704
(Release)/additions through other comprehensive income	–	-1,239
Currency exchange differences	-54	-139
Balance as at 31 December	**1,649**	**2,476**

18 Other financial liabilities

kEUR	2023	2022
Financial liability to Monedula AB	11,120	10,506
Total other financial liabilities as at 31 December	**11,120**	**10,506**
Non-current other financial liabilities	9,893	9,410
Current other financial liabilities	1,227	1,096
Total other financial liabilities as at 31 December	**11,120**	**10,506**

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 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 to be accounted for as a sale of the asset. Therefore, the carrying value of the premises as at the transaction date remained in 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 a financial liability and 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% (2022: 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 2023 amounts to SEK 123.4 million (kEUR 11,120), of which SEK 13.6 million (kEUR 1,227) is presented as a current financial liability. The total carrying value of the liability as at 31 December 2022 amounted to SEK 116.8 million (kEUR 10,506), of which SEK 12.2 million (kEUR 1,096) was presented as a current financial liability.

The lease payments change each year based on changes in a consumer price index. When the adjustment to the lease payments takes effect, the financial liability is remeasured to reflect the new net present value of the future lease payments. This remeasurement is the reason for the increase in 2023.

19 Interest-bearing loans and borrowings

As presented in the PolyPeptide Group Half-year report 2023, the Company secured beginning of July 2023 a short-term credit facility from the main shareholder, Draupnir Holding B.V., in the amount of EUR 40 million.

On 2 October 2023, the Company further announced the signing of a revolving credit facility agreement with Credit Suisse, Danske Bank and Zürcher Kantonalbank as mandated lead arrangers. With Credit Suisse as the coordinator and agent, the banks committed to a three-year revolving credit facility (RCF) in the amount of EUR 111 million with an uncommitted increase option of EUR 40 million. The RCF allowed the Group to refinance its existing borrowings from banks as well as finance its working capital and capital expenditure requirements to support its planned business growth. In parallel, Draupnir Holding B.V. agreed to extend its EUR 40 million subordinated credit facility, which may be refinanced under the RCF subject to certain conditions.

The RCF agreement includes a financial covenant. For each period of twelve months ending on 30 June or 31 December in any year, the Group must thus comply with a predetermined financial ratio that is based on debt and earnings.

The interest rate on the RCF amounts to EURIBOR plus a margin on the amounts drawn. The margin is determined on a semi-annual basis based on the leverage ratio as defined in the RCF. Until the adjustment of the margin on 30 June 2024, the margin is 3.40 per cent per annum. The interest rate on the Draupnir Holding B.V facility amounts to three months EURIBOR plus a margin of between 2.9% and 4.2% per annum on the amounts drawn.

One of the mandated lead arrangers participating in the RCF has issued a bank guarantee in the amount of EUR 10 million in favor of one of the Group's customers in relation to amounts received pursuant to (i) manufacturing capacity reservations and (ii) raw material prepayments. The amount of the bank guarantee has reduced the available drawings available under the RCF.

As at 31 December 2023, an amount of kEUR 50,000 was drawn from the revolving credit facility, and kEUR 40,000 was drawn from the credit facility provided by Draupnir Holding B.V.

As at 31 December 2023, an amount of kEUR 1,200 was granted by ING Bank (2022: kEUR 1,200), of which nil was drawn as at 31 December 2023 (2022: nil). In 2023, the interest rate on the ING Bank credit facility amounted to 1-month EURIBOR plus a margin of 1.2% on the amounts drawn and a facility fee of 0.30% on the total facility amount (2022: 1-month EURIBOR plus a margin of 1.5% and no facility fee).

As at 31 December 2022, the Group had been granted an overdraft facility by Danske Bank for a total amount of kEUR 25,000, of which nil was drawn as at 31 December 2022. The interest rate on the Danske Bank facility amounted to DANSKE BOR plus a margin of 0.80% on the amounts drawn.

20 Trade payables and other current liabilities

kEUR	2023	2022
Trade payables	60,906	45,933
Total trade payables	**60,906**	**45,933**
Taxes and social securities	9,077	4,786
Accrued expenses	14,947	12,407
Other	1,391	659
Total other current liabilities	**25,415**	**17,852**

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.
A capital call was made during 2023, where the Group invested kUSD 3,300 in addition to investments made in prior years. The investments are recognized as "Other financial assets" in the consolidated statement of financial position and measured at fair value through profit or loss.

As at 31 December 2023, the Group thus has remaining a contingent liability of kUSD 23,700 (kEUR 21,449).

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 defined 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 264 as at 31 December 2023 (2022: kEUR 225), for which it has issued a guarantee to PRI Pensionsgaranti.

Belgian labor authorities
The Belgian labor authorities (Service Public Federal – Emploi, Travail et Concertation Sociale) conducted a partial audit of the PolyPeptide Braine-l'Alleud site in July 2023. The audit report alleges a number of potential findings. The Group expects that a settlement could be reached in 2024 (provided, however, that any such settlement may be postponed or delayed due to ongoing discussions and/or procedural aspects) and that such settlement may result in an outflow of resources embodying economic benefits ranging from kEUR 53 to kEUR 9,600. The Group has consulted its lawyer and tried to prepare a reliable estimate of the potential outflow within this range in accordance with the guidance of IAS 37, but it has not been possible because of the various potential outcomes of the matter. As a result, no provision is recognized in the consolidated statement of financial position.

22 Related parties

The following transactions have been entered into with related parties:

2023 kEUR	Income from related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
Draupnir Holding B.V.	–	–	–	–
Thalamus AB	–	-167	–	-197
Ferring Group	34,900	-93	1,279	-56
Monedula AB	8	-1,270	–	-11,120
Amzell B.V.	21	–	–	–
Amring Pharmaceuticals Inc	3	–	–	–
SVAR Life Science AB	104	–	14	–
Nordic Pharma Ltd.	–	-6	–	–
Limhamn Kajan 37 AB	–	-41	–	-182

In addition to the information shown in the table above, PolyPeptide Group AG secured a short-term credit facility from its main shareholder, Draupnir Holding B.V., during 2023. As a result, interest expenses at the amount of kEUR 1,224 have been incurred during the year. As at 31 December 2023, an amount of kEUR 40,000 was drawn from the credit facility and is accordingly recognized in the consolidated statement of financial position as a current liability (see Note 19).

2022 kEUR	Income from related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
Draupnir Holding B.V.[1]	–	–	–	–
Thalamus AB	–	-167	–	-304
Ferring Group	41,300	-38	5,918	-4
Monedula AB	191	-1,556	–	-10,506
Amzell B.V.	172	–	–	–
Amring Pharmaceuticals Inc	–	–	–	–
SVAR Life Science AB	166	–	–	–
Nordic Pharma Ltd.	–	-7	–	–

[1] A cash distribution of CHF 0.3 per entitled share was approved by the Annual General Meeting in April 2022. This resulted in a cash distribution of kEUR 5,363 to Draupnir Holding B.V. in May 2022.

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 the majority shareholder Draupnir Holding B.V.

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 recognized for the lease of premises 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.

Purchases from and amounts due to Limhamn Kajan 37 AB relate to rental of premises.

During 2023, no provisions for doubtful debt and no write-offs on receivables from related parties were recognized (2022: nil). No guarantees were given or received in 2023 for any outstanding related party balances (2022: nil).

Transactions with key management personnel

Compensation of key management personnel of the Group:

kEUR	2023	2022
Salaries and short-term benefits	4,341	3,112
Post-employment benefits	313	292
Share-based payment expense	842	1,155
Total transactions with key management	**5,497**	**4,559**

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 trade receivables, cash and cash equivalents, trade payables, lease liabilities, other financial liabilities and interest-bearing loans and borrowings. The market risk, credit risk and liquidity risk relating to the Group's financial instruments are described below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risk. Currency risk and interest rate risk are considered most relevant for the Group and are thus described below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is primarily exposed to interest rate risk due to the interest-bearing loans and borrowings described in Note 19 which is used as the basis for the sensitivity analysis below.

The Group does not enter into derivatives to hedge interest rate risks.

The table below shows the effect on the Group's profit before tax if a reasonably possible change in the market interest rate had been applied to the risk exposure in existence at the end of the reporting period. No impact on equity is disclosed because the interest rates on the credit facilities are variable.

Effect on result before tax

kEUR	2023	2022
Change in interest rates		
Increase in basis points:		
15	-135	56
20	-180	75
Decrease in basis points:		
(10)	90	-38
(15)	135	-56

The table shows that an increase in the market interest rate of 15 and 20 basis points would have impacted the result before income taxes negatively in 2023 by kEUR 135 and kEUR 180, respectively. In 2022, changes in the market interest rate of 15 and 20 basis points would have impacted the result before income taxes positively by kEUR 56 and kEUR 75, respectively, because the interest rates on the Group's bank deposits were positive and the Group did not have any interest-bearing loans and borrowings. As a result, the amounts in the table for 2023 are shown with an opposite sign compared to 2022.

Since the amounts drawn from the revolving credit facility and the credit facility from Draupnir Holding B.V. (see further details in Note 19) have fluctuated significantly during 2023, the Group does not believe the year-end exposure reflects the exposure during 2023. As a result, the sensitivity analysis above for 2023 is considered unrepresentative.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group's exposure to currency risk is primarily related to an inter-company receivable between the parent company, PolyPeptide Group AG, and PolyPeptide Laboratories Holding (PPL) AB because the functional currency of PolyPeptide Group AG is Swiss franc (CHF) while the loan to PolyPeptide Laboratories Holding (PPL) AB is denominated in Euro (EUR). The Group is also exposed to currency risk from sales and purchases in currencies other than the functional currency of the operating sites. However, as the volumes of these transactions are relatively low compared to the total volume, the currency risk exposure from such transactions is considered low.

The Group does not enter into derivatives to hedge currency risks.

The table below shows the effect on the Group's result before tax if a reasonably possible change in the exchange rate between CHF and EUR had been applied to the risk exposures in existence at the end of the reporting period.

kEUR	Effect on result before tax	
	2023	2022
Change in currency percentage		
5 percentage points	-7,494	-6,994
(5%) percentage points	7,494	6,994

Based on the currency exposure at the end of the reporting period, the result before tax would thus have been negatively affected by kEUR 7,494 (2022: 6,994) if CHF appreciated against EUR by 5 percentage points, while it would have been impacted the result before tax positively by the same amounts if the CHF depreciated against EUR by 5 percentage points.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counter-parties 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 recognized in the consolidated statement of financial position.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group monitors its liquidity risk by using a cash flow forecast model. This model considers the timing of expected cash inflows from payments from customers as well as expected cash outflows for inventories, investments, salaries, financial expenses, VAT, taxes, and other operating expenses. The Group uses the cash flow forecast model for reducing the amounts drawn from the credit facilities while still monitoring its liquidity risk.

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December based on contractual undiscounted payments.

kEUR	Less than 1 year	1-5 years	More than 5 years	Total
Year ended 2023				
Interest-bearing loans and borrowings	-41,253	-50,000	–	-91,253
Other financial liabilities	-1,258	-5,032	-8,805	-15,095
Lease liabilities	-4,539	-11,856	-9,770	-26,165
Trade payables	-60,906	–	–	-60,906
Other current liabilities	-3,445	–	–	-3,445
Balance as at 31 December 2023	**-111,401**	**-66,888**	**-18,575**	**-196,864**

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**

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 adjusts 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 2023 and 31 December 2022.

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 stated below shows the development of the shareholder equity ratio for the years 2023 and 2022.

kEUR	2023	2022
Total shareholder equity	381,225	421,677
Total equity and liabilities	689,088	575,782
Equity ratio as at 31 December	**55.3%**	**73.2%**

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 the Group's non-current financial instruments that are recognized in the consolidated statement of financial position.

kEUR	Carrying value		Fair value	
	2023	2022	2023	2022
Non-current financial assets				
Other financial assets	5,237	2,767	5,237	2,575
Non-current financial liabilities				
Interest-bearing loans and borrowings	-49,087	–	-50,000	–
Other financial liabilities	-9,893	-9,410	-9,893	-9,410

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 2023			
Other financial assets	–	–	5,237
Interest-bearing loans and borrowings	–	-50,000	–
Other financial liabilities	–	-9,893	–
As at 31 December 2022			
Other financial assets	126	–	2,449
Interest-bearing loans and borrowings	–	–	–
Other financial liabilities	–	-9,410	–

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.

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 2023 were approved for issue by the Board of Directors on 8 March 2024 and are subject to approval by the Annual General meeting on 10 April 2024.

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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 2023, 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 material accounting policy information.

In our opinion the consolidated financial statements (pages 145 to 192) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 320,372 (2022: kEUR 280,978). 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 material accounting policy information 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 2023 but not closed as of 31 December 2023, 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 Accounting Standards 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 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 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, 8 March 2024

BDO Ltd

René Füglister
Licensed Audit Expert
Auditor in Charge

Jan Trautwein
Licensed Audit Expert

Financial Report

Financial statements of PolyPeptide Group AG

Income statement of PolyPeptide Group AG

1 January - 31 December

kCHF	Note	2023	2022
Financial income	7	9,238	2,212
Service income		8,947	7,748
Total income		**18,185**	**9,960**
Personnel expenses		-6,201	-4,512
Other operating expenses		-2,086	-2,372
Interest expenses third parties		-1,083	-162
Interest expenses related parties		-1,179	–
Other financial expenses	8	-12,770	-6,074
Depreciation on tangible assets		-173	-71
Impairment losses on investments	9	-234,000	-1,160,400
Operating result before taxes (EBT)		**-239,307**	**-1,163,631**
Loss before taxes		**-239,307**	**-1,163,631**
Taxes		–	–
Net loss for the year		**-239,307**	**-1,163,631**

Statement of financial position of PolyPeptide Group AG

As at 31 December

Assets, kCHF	Note	2023	2022
Current assets			
Cash and cash equivalents	1	280	10,061
Other receivables from related parties		–	313
Other receivables from group companies		17,799	14,359
Accrued income and prepaid expenses		683	799
Total current assets		**18,762**	**25,532**
Non-current assets			
Receivables from group companies		222,137	137,744
Financial assets	3	5,434	2,463
Investments	2	525,300	759,300
Tangible assets		683	779
Total non-current assets		**753,554**	**900,286**
Total assets		**772,316**	**925,818**

Statement of financial position of PolyPeptide Group AG (continued)

As at 31 December

Liabilities, kCHF	Note	2023	2022
Current liabilities			
Other liabilities due to third parties		1,471	644
Other liabilities due to related parties		–	14
Interest-bearing liabilities due to shareholder		37,812	–
Accrued expenses and deferred income		134	80
Total short-term liabilities		**39,417**	**738**
Non-current liabilities			
Interest-bearing liabilities due to third parties		46,301	–
Liabilities due to group companies		–	2,284
Total long-term liabilities		**46,301**	**2,284**
Shareholders' equity			
Share capital	4	331	331
Statutory capital reserves			
Reserves from capital contribution	5	2,104,803	2,104,803
Other capital reserves		4,949	4,949
Treasury shares	6	-10,943	-14,052
Net loss brought forward		-1,173,235	-9,604
Net loss for the year		-239,307	-1,163,631
Total shareholders' equity		**686,598**	**922,796**
Total liabilities and shareholders' equity		**772,316**	**925,818**

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
The financial year runs from 1 January to 31 December.

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 in the income statement.

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 expenses.

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	2023	2022
Cash	280	10,061
Balance as at 31 December	**280**	**10,061**

2 Investments

There were no changes to the investments held by the Company during 2023. As a result, the table below shows the direct and significant indirect investments held by the Company as at 31 December 2023 and as at 31 December 2022:

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[1]	San Diego, CA, USA		100%
PolyPeptide Laboratories Pvt. Ltd.	Ambernath (East), India		100%
PolyPeptide Laboratories A/S[2]	Hillerød, Denmark		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.

Percentage of voting shares is equal to percentage of ownership.

3 Contingent liabilites and guarantees

Limited Partnership Investments

	2023		2022	
	kUSD	kCHF	kUSD	kCHF
Uncalled capital commitment as at 31 December	23,700	19,861	27,000	24,932

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.
A capital call was made during 2023, where the Company invested kUSD 3,300 in addition to investments made in prior years. As a result, an uncalled capital commitment of kUSD 23,700 as at 31 December 2023 is disclosed in the table above.

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 defined 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 264 as at 31 December 2023 (2022: kEUR 225), for which it has issued a guarantee to PRI Pensionsgaranti.

4 Share capital

There have been no changes to the share capital of PolyPeptide Group AG during 2023. As a result, the share capital of PolyPeptide Group AG comprised 33,125,001 registered shares with a nominal value of CHF 0.01 each as at 31 December 2023.

5 Reserves from capital contributions

CHF	2023	2022
Reserves from capital contributions (foreign)	1,909,783,753	1,909,783,753
Reserves from capital contributions (domestic)	195,019,440	195,019,440
Total reserves from capital contribution as at 31 December	**2,104,803,193**	**2,104,803,193**

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 30 January 2024.

6 Treasury shares

2023	No. of shares	Average prices in CHF
Own shares as at 1 January 2023	199,196	70.54
Purchase	–	–
Transfer to Board members / executive committee (incl. group companies)	-43,702	71.13
Own shares as at 31 December 2023	**155,494**	**70.38**

2022	No. of shares	Average prices in CHF
Own shares as at 1 January 2022	20,371	64.00
Purchase	200,000	71.86
Transfer to Board members / executive committee (incl. group companies)	-21,175	70.68
Own shares as at 31 December 2022	**199,196**	**70.54**

From March to July 2022, PolyPeptide Group AG purchased 200,000 own shares at the average price of CHF 71.86 to be held as treasury shares. 43,702 shares were transferred to Board members as part of their share-based remuneration during 2023 (2022: 21,175 shares transferred to employees and Board members as part of their share-based remuneration).

7 Financial income

kCHF	2023	2022
Interest income from Group companies	9,238	2,212
Total financial income	**9,238**	**2,212**

8 Other financial expenses

kCHF	2023	2022
Foreign exchange result	-9,855	-4,716
Other financial expenses	-150	-742
Realized capital loss treasury shares	-2,765	-616
Total other financial expenses	**-12,770**	**-6,074**

9 Impairment loss on investments

Due to the large weight of the main asset (i.e., the investment in Polypeptide Laboratories Holding (PPL) AB) 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 17.52 (share price as at 31 Dec 2023) - CHF 300,000 = Net market value of PolyPeptide Laboratories Holding (PPL) AB.

The impairment test resulted in an impairment loss of kCHF 234,000 in 2023 (2022: kCHF 1,160,400), which has been recognized in the income statement.

10 Share ownership of the Board of Directors and the Executive Committee

As at 31 December 2023:

	Function	Number of shares	which are blocked	allocated in the reporting period
Klaus Peter Wilden	Chairman	22,436	22,436	14,034
Patrick Aebischer	Vice-Chairman	14,503	14,503	9,185
Beat In-Albon	Member	13,054	13,054	8,267
Jane Anne Salik	Member	23,511	6,250	3,958
Erik Schropp	Member	3,193	–	–
Philippe Weber	Member	15,976	15,976	10,141
Dorothee Deuring[1)]	Member	3,000	3,000	3,000
Total Board of Directors		**95,673**	**75,219**	**48,585**

	Function	Number of shares	which are blocked	allocated in the reporting period
Juan José Gonzáles[2)]	CEO	227,842	–	–
Raymond De Vré[3)]	CEO	11,603	–	-4,883
Jan Fuhr Miller[4)]	CFO	7,767	–	–
Lalit Ahluwalia[5)]	CFO ad interim	–	–	–
Christina Del Vecchio	General Counsel	–	–	–
Neil James Thompson	Director Global Sales and Marketing	1,122	–	–
Jens Fricke	Director Global Operations	1,380	–	–
Total Executive Committee		**249,714**	**–**	**-4,883**
Total		**345,387**	**75,219**	**43,702**

1 Member of the Board of Directors as of 12 April 2023.
2 Member of the Executive Committee as of 12 April 2023.
3 Member of the Executive Committee until 30 January 2023.
4 Member of the Executive Committee until 1 May 2023.
5 Member of the Executive Committee as of 1 May until 31 December 2023.

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.

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).
The number of shares shown in tables 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.

Major shareholders 2023:

Shareholder (beneficial owner / direct 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%
Premier Fund Managers Limited (Guildford, Surrey, UK)[2)]	1,712,407	5.17%
Premier Portfolio Managers Limited (Guildford, Surrey, UK) / Premier Miton European Opportunities Fund[3)]	1,633,000	4.93%
T. Rowe Price Associates, Inc. (Baltimore, MD, USA)[4)]	–	–
Rudolf Maag (Binningen BL, Switzerland)[5)]	1,100,000	3.32%
PRIMECAP Management Company (Pasadena, CA, USA) / PRIMECAP Odyssey Aggressive Growth Fund (Pasadena, CA, USA)[6)]	1,061,016	3.20%
Total important shareholders	**24,088,829**	**72.72%**

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 2023, 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 18 March 2023.

3 Disclosure notice of 18 March 2023.

4 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%.

5 Disclosure notice of 4 May 2021.

6 Disclosure notice of 30 March 2023.

Major shareholders 2022:

Shareholder (beneficial owner / direct 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%
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.

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 2023	31 December 2022
0-1 years	113	113
1-5 years	452	452
More than 5 years	368	481
Total	**933**	**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 2023 were approved for issue by the Board of Directors on 8 March 2024 and are subject to approval by the Annual General Meeting on 10 April 2024.

Proposal for the appropriation of accumulated deficit

The Board of Directors proposes that the General Meeting approves that the accumulated deficit of CHF 1,412,542,049 be carried forward to the new account.

Appropriation of accumulated deficit

CHF	2023
Net loss brought forward	-1,173,234,646
Net loss for the period	-239,307,403
Accumulated deficit to be carried forward	**-1,412,542,049**

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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 2023, 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 197 to 208) 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 2023, the book value of investments amounted to kCHF 525,300 (31 December 2022: kCHF 759,300) 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 2023. 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 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 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, 8 March 2024

BDO Ltd

René Füglister
Licensed Audit Expert
Auditor in Charge

Jan Trautwein
Licensed Audit Expert

Three-year financial history[1]

kEUR	2023	2022	2021
Income and expenses			
Revenue	320,372	280,978	282,126
Custom Projects	154,453	140,044	167,006
Contract Manufacturing	135,385	110,753	89,600
Generics & Cosmetics	30,534	30,181	25,520
Total income	324,853	283,464	286,217
Cost of sales	-315,730	-228,987	-182,426
Total operating expenses	-45,591	-41,870	-39,626
o/w Depreciation, amortization and impairment	-30,469	-26,063	-20,683
Financial income	103	9	653
Financial expenses	-21,878	-5,049	-4,970
Income tax	6,803	200	-12,590
Result for the year	-51,440	7,767	47,258
Performance			
Gross profit	9,123	54,477	103,791
Gross margin in % of revenue	2.8%	19.4%	36.8%
EBITDA	-5,999	38,670	84,848
EBITDA in % of revenue	-1.9%	13.8%	30.1%
Operating result (EBIT)	-36,468	12,607	64,165
Operating result (EBIT) in % of revenue	-11.4%	4.5%	22.7%
Earnings per share (EUR), basic	-1.56	0.24	1.47
Proposed cash distribution per share (CHF)	–	–	0.30
Return on net operating assets (RONOA)	-8.5%	3.2%	21.0%
Financial position			
Total assets	689,088	575,782	595,038
Non-current assets	362,486	324,212	263,432
Current assets	326,602	251,570	331,606
Total equity and liabilities	689,088	575,782	595,038
Equity	381,225	421,677	421,173
Non-current liabilities	131,413	58,053	69,904
Curent liabiliities	176,450	96,052	103,961
Cash flows			
Net cash flows from operating activities	36,485	5,460	57,352
Net cash flows from investing activities	-59,512	-78,435	-80,845
Net cash flows from financing activities	84,547	-26,869	130,928
Cash and cash equivalents at the end of the year	95,706	37,528	136,303
Employees			
Employees (# of FTEs, average)	1,202	1,139	1,041

[1] This table includes references to 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.

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 APMs 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 APMs provided as well as a reconciliation of selected APMs 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

CDP – Carbon Disclosure Project

cGMP – current Good Manufacturing Practice

CO – Code of Obligation

CMC – Chemistry, Manufacturing & Controls

DDTrO – Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor

DMF – Dimethylformamide

EHS – Employee Health & Safety

ESG – Environmental, Social and Governance

FTE – Full-time equivalent

GHG – Greenhouse Gas Protocol

GRI – Global Reporting Initiative

Gx – Generics

ICH – International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use

ILO – International Labor Organization

ISO – International Organization for Standardization

IPO – Initial Public Offering

LCM – Life Cycle Management

LTI – Lost Time Injuries

NDA – New Drug Application

NPS – Net Promoter Score

OECD – Organization for Economic Cooperation and Development

OTIF – On-Time-In-Full

PPQ – Process Performance Qualification

QMS – Quality Management System

R&D – Research & Development

SDG – Sustainable Development Goals

SIX – SIX Swiss Exchange

SPPS – Solid Phase Peptide Synthesis

TCFD – Task Force on Climate-related Financial Disclosure

UN – United Nations

UNICEF – United Nations Children's Fund

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** includes 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.).

Reference to "peptides" is to a chemical entity (CE) with a unique amino acid sequence regardless of production site, manufacturing process or salt form. A "pipeline peptide" is a new chemical entity (NCE) in development and a "commercial peptide" is a NCE for an approved therapeutic, including generics and for commercial cosmetics.

References to "commercial therapeutic peptides" are to regulatory approved therapeutic peptides.

A "commercial project" relates to the manufacturing of commercial peptide, oligonucleotide and other material. This includes therapeutic API or intermediates with regulatory approval, both for the innovator or for a generic drug manufacturer. A commercial project may also include material for diagnostic, cosmetic or veterinary purposes.

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.

A lost time injury (LTI) is a work-related injury due to external causes that requires medical treatment and results in the loss of productive work time.

On time in full (OTIF) reflects whether a shipment / delivery is done on or before the promised shipping date (On Time) and the ordered or more than the ordered quantity is delivered (or within agreed tolerance) (In Full).

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.

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

Revenue at constant currencies[1]

kEUR	2023	2022
Revenue at constant currencies[1]	332,192	273,868
Impact from changes in exchange rates compared to prior period	-11,820	7,110
Revenue reported (IFRS)	**320,372**	**280,978**

[1] Revenue translated into the presentation currency, EUR, using the weighted average EUR currency exchange rate from the prior period.

Change in revenue

	2023 vs 2022	2022 vs 2021
Change in revenue reported (IFRS) (%)	14.0%	-0.4%
Change in revenue at constant currencies (%)[1]	18.2%	-3.0%

[1] The change is calculated as: (Current period's revenue at constant currencies) / (Prior period's revenue reported (IFRS)) - 1.

Coronavirus pandemic

kEUR	H1 2023	H2 2023	FY 2023	H1 2022	H2 2022	FY 2022
Revenue associated with the coronavirus pandemic	1,507	4,317	5,824	32,823	17,887	50,710
Revenue not associated with the coronavirus pandemic	130,327	184,221	314,548	100,833	129,435	230,268
Revenue reported (IFRS)	**131,834**	**188,538**	**320,372**	**133,656**	**147,322**	**280,978**

Operating result to EBITDA

kEUR	2023	2022
Operating result (EBIT)	-36,468	12,607
Depreciation, amortization and impairment charges (if any)	30,469	26,063
EBITDA	**-5,999**	**38,670**

Return on net operating assets (RONOA)[1]

kEUR	2023	2022
Operating result (EBIT)	-36,468	12,607
Average[1] Net operating assets:		
Total non-current assets (average)	343,349	293,822
Total current assets (average)	289,086	291,588
Cash and cash equivalents (average)	-66,617	-86,916
Total current liabilities (average)	-136,251	-100,007
Average[1] Net operating assets	429,567	398,487
Return on net operating assets (RONOA)	**-8.5%**	**3.2%**

[1] The average amounts are calculated as: (Current period's figures + prior period's figures) / 2.

Free Cash Flow

kEUR	H1 2023	H2 2023	FY 2023	H1 2022	H2 2022	FY 2022
Net cash from operating activities	-48,322	84,807	36,485	-7,659	13,119	5,460
Acquisition of intangible assets	-2,277	-1,559	-3,836	-2,146	-1,519	-3,665
Acquisition of property, plant and equipment	-29,089	-23,808	-52,897	-39,080	-36,019	-75,099
Free Cash Flow	**-79,688**	**59,440**	**-20,248**	**-48,885**	**-24,419**	**-73,304**

Net Cash

kEUR	2023	2022
Cash and cash equivalents	95,706	37,528
Interest-bearing liabilities (Total financial debt):		
Interest-bearing loans and borrowings (Non-current)	-49,087	–
Lease liabilities (Non-current)	-18,869	-17,652
Other financial liabilities (Non-current)	-9,893	-9,410
Interest-bearing loans and borrowings (Current)	-41,253	–
Lease liabilities (Current)	-4,453	-3,566
Other financial liabilities (Current)	-1,227	-1,096
Interest-bearing liabilities (Total financial debt)	-124,782	-31,724
Net Cash / (debt)	**-29,076**	**5,804**

Capital expenditures (Capex)

kEUR	2023	2022
Property, plant and equipment assets capitalized	51,993	79,350
Intangible assets capitalized	2,897	3,635
Capital expenditures (Capex)	**54,890**	**82,985**

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, revenue (not) associated with the coronavirus pandemic, EBITDA, EBITDA margin, net operating assets, return on net operating assets (RONOA), capital expenditures (Capex), equity ratio, net working capital, free cash flow, net cash, total financial debt and headcount. 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. Some non-financial figures in the Corporate Responsibility Report have been rounded. Percentages may have been calculated using rounded numbers.

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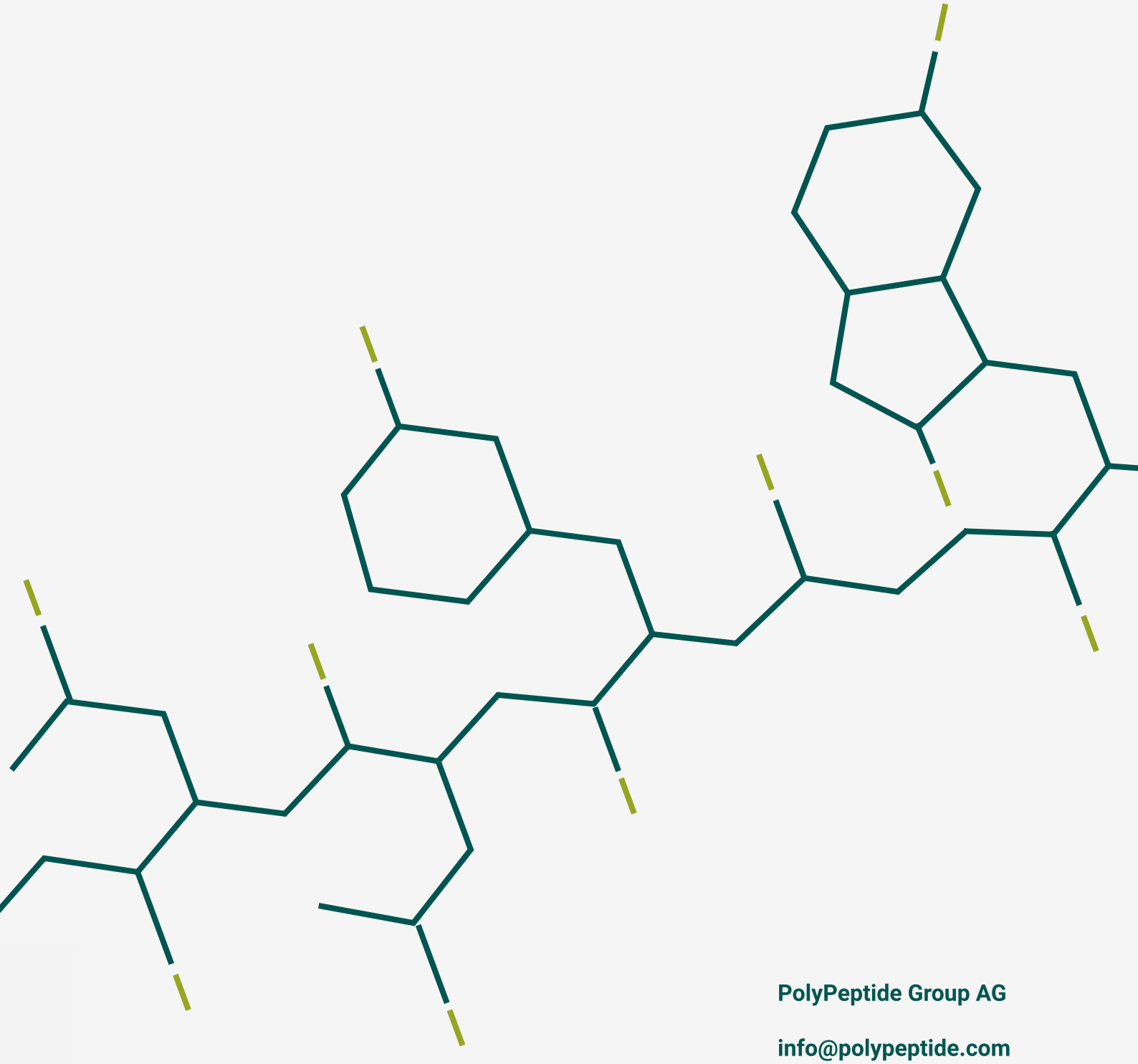

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