MABION

MABION S.A. Directors' Report for the year 2023

Konstantynów Łódzki, 16 April 2024

In case of any discrepancies between Polish version and English translation, Polish version shall prevail.

Contents:

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD TO SHAREHOLDERS

Dear Ladies and Gentlemen, Shareholders and Investors,

It is with great pleasure that I would like to outline and summarise, in the introduction to the Mabion S.A. Directors' Report for 2023, the key achievements of the Company, also in terms of the objectives we set for our organisation with the Mabion's Strategy for 2023–2027 last April.

For Mabion, 2023 was a record year in terms of financial performance, especially across key profitability indicators, such as: PLN 74.5 million of adjusted[1] EBITDA, a two-fold year-on-year increase, or PLN 53.5 million of adjusted[2] net profit, more than two-fold year-on-year, as well as income from service activities of PLN 140.3 million, compared to PLN 90.6 million in 2022.

We delivered our announced annual income result of PLN 151.7 million and achieved an adjusted EBITDA margin significantly higher than announced: 49%, 24 pp. higher than we stated at the beginning of 2023. Our very strong performance, generated from the provision of CDMO (Contract Development and Manufacturing Organisation) services to our US partner, Novavax, ensures that Mabion will be in a stable financial position for at least the next 12 months due to the high level of cash available at the end of 2023, PLN 47.8 million.

We are now 12 months into Mabion's new growth vision as described in the Strategy for 2023–2027, with the first full and successful year of the transformation process into a fully integrated CDMO focusing on biologics behind us. We have changed our business model from a single-product company, centred on the development and manufacture of its own products, to a company with strong diversification potential, fully focused on the development, analytical and contract manufacturing services related to biologic medicines. Our expectation is that the effect of the change will be primarily income diversification, shorter time required to implement and commercialise Mabion's high competence, and a significantly faster return on invested capital for the Company and our shareholders.

To diversify income in the future, in H2 2023 we commenced the upgrade and expansion of the existing facility and laboratories located in Konstantynów Łódzki. With the construction and installation work completed in Q4 2023, which covered the existing manufacturing area, Mabion currently has at its disposal a technologically diversified facility with entirely new characteristics – it is no longer a single-product plant, but one with the ability to run different processes at the same time. In achieving this goal, one of the key elements was the replacement of two existing orbital shaking bioreactors with two new units of the same type, each with a capacity of 2,500 L, and retrofitting the facility with two more bioreactors, this time based on the classic stirring technology, with a capacity of 2,000 L each. Following the investments, our state-of-the-art facility is equipped with a set of bioreactor units with a total capacity of more than 10,000 L, and Mabion has gained greater flexibility and efficiency as a contract service provider, able to target its offer to an even wider range of prospective clients.

In parallel to upgrading and expanding the existing facility, we implemented a dynamic process to strengthen the Business Development (BD) area. Over the course of 2023, a team of BD experts has been assembled, which now comprises 10 people – actively establishing business relationships with new prospective clients. An important reinforcement for further BD activities is also the expansion of our structures within the key and prospective markets: the US and Europe. In the past few months, we hired dedicated specialists as Heads of Business Development Director in the US and Europe, who are responsible for sales strategies and the establishment of business partnerships, and have many years of experience and extensive networks. As at the date of the Report, the cumulative value of offers made by Mabion has increased to USD 213 million, whereas in November 2023, when we published our Q3 2023 results, the services offered by the Company was just under USD 30 million. This surge is primarily due to Mabion's growing international recognition as a competent entity positioned to provide a wide range of CDMO services.

The adoption of Mabion's development strategy towards a CDMO also resulted in changes to the Company's management structure in 2023. We expanded the Management Board to include Dr. Julita Balcerek, who, as of 8 November 2023, holds the position of Member of the Management Board and Chief Operating Officer, responsible for managing, supervising, and integrating the Company's operational areas in terms of development, manufacturing, and investment activities, as well as for the creation and implementation of new process technologies, the development of analytics characterising biological products and processes. This is a fully deserved recognition, which is also justified from the point of view of the separation of operating competence from that related to scientific and quality areas, which will be focused on by Sławomir Jaros – Member of the Management Board, Head of Science and Quality. In this way, Mabion's organisational structure reflects even better the division of competence sought by prospective clients and can ensure the highest standards in terms of quality assurance and quality control processes, as well as regulatory compliance.

In 2024, we will pursue further the objectives set out in the Mabion's Strategy, and our activities will focus around the continued development of the existing facility in Konstantynów Łódzki, where additional manufacturing equipment will be

[1] EBITDA adjusted for one-off event in Q4 2023 - write-down of fixed assets under construction of PLN 12.2 million.
[2] Net profit adjusted for one-off event in Q4 2023 - write-down of fixed assets under construction of PLN 12.2 million.

systematically installed, qualified, and commissioned – on the one hand to respond to the expectations of future clients, and on the other to further enhance the technical capabilities of the facility for future orders, including manufacturing at the finished product stage. In the sales channels, we will further intensify our presence at industry events as an exhibitor or speaker. The current year is also a moment when we intend to select the entity to adapt Mabion's existing new facility plan (Mabion II) to our advanced CDMO service delivery profile, in compliance with the current requirements and future market expectations. We strongly believe in the viability of this development path and when we are ready to start this significant scale-up of our potential annual income, by an order of magnitude of x 2–3, we will take a decision in relation to the financing choice and structure for this investment. At the moment, the priority is to diversify income within our existing manufacturing facilities, including the existing facility and laboratories in Konstantynów Łódzki, and to build our order portfolio.

To conclude, I would also like to reiterate our commitment to sustainable development goals as part of our governance, i.e. to acting as a company that applies the highest standards in terms of social and environmental responsibility. We are aware of the market and regulatory challenges that define the Company's objectives in terms of green transformation, environmental impact reduction, as well as working conditions, interaction with local communities, and responsible management, to name but a few. Therefore, back in February this year, we adopted the ESG Strategy for 2024-2027, which sets the Company's objectives in the environmental, social and corporate governance areas. As an actor on the international market, Mabion needs to integrate ESG factors into its strategic management. The commitment to the ESG area is driven by both regulatory requirements and growing expectations of our stakeholders. Our ESG Strategy is based on three pillars, accompanied by strategic and operational objectives that allow us to monitor the progress of its implementation. Mabion's ESG Strategy 2024-2027 is available on the Company's website: https://www.mabion.eu/wp-content/uploads/2024/02/Strategia-ESG_Mabion.pdf

I would like to extend my gratitude to all those involved who have contributed to Mabion's success to date. In particular, I would like to thank all the Shareholders for their belief in our Strategy and their confidence in the Management Board. I also appreciate the contribution to our development made by our suppliers and business partners that we work with on a daily basis. Last but not least, I would particularly like to emphasise the role of all the Company's employees who, with great determination and commitment, are regularly able to do things – I have a feeling – that are almost impossible, and for that I thank you greatly.

Yours sincerely,
Krzysztof Kaczmarczyk
President
of the Management Board
Mabion S.A.

CALENDAR

Table 1. Calendar of key events in 2023

February	> A loan agreement amounting to USD 15 million is signed with the European Bank for Reconstruction and Development for the expansion and upgrade of the Company's facility located in Konstantynów Łódzki. > Statement of Work #10 is signed with Novavax as part of the commercial contract manufacturing agreement.
April	> Mabion S.A. adopts the Strategy for 2023–2027 > An annex to an order with Novavax is signed that makes it possible for the Company to manufacture the COVID-19 Omicron vaccine antigen
May	> An annex to the agreement with Adolf Kühner AG is signed enabling the delivery of two new orbital shaking bioreactors to the Company's facility in Konstantynów Łódzki in Q3 2023
June	> Ordinary General Meeting of Mabion S.A. > Appointment of Members of the Supervisory Board of Mabion S.A. for the 3rd joint term of office
July	> An agreement with Global Life Sciences Solutions Poland Sp. z o.o. is signed for the manufacture and delivery, in Q3 2023, of a set of bioreactors to the Company's manufacturing facility in Konstantynów Łódzki
August	> Registration of amendments to the Articles of Association of Mabion S.A.
September	> An agreement with Bonfiglioli Engineering srl is signed for the manufacture and delivery of a direct packaging leakage control and optical inspection line to the Company's manufacturing facility in Konstantynów Łódzki
October	> Statement of Work #8 with Novavax as part of the commercial contract manufacturing agreement is terminated.
November	> Ms. Julita Balcerek is appointed to the Management Board of the Company for the second joint term as Member of the Management Board of MABION S.A.

Source: Own study of the Company

SELECTED FINANCIAL DATA

Table 2. Selected financial data of Mabion S.A. for 2023.

Selected financial data of Mabion S.A.	in PLN thousand		in EUR thousand	
	2023	2022	2023	2022
Net income from sales	151,678	163,982	33,495	34,977
Operating profit (loss)	55,061	28,215	12,159	6,018
Profit (loss) before tax	49,894	22,040	11,018	4,701
Net profit (loss)	41,269	23,192	9,113	4,947
Net cash flows from operating activities	(2,333)	38,840	(515)	8,284
Net cash flows from investing activities	(37,982)	(16,064)	(8,388)	(3,426)
Net cash flows from financing activities	34,494	(17,844)	7,617	(3,806)
Total net cash flows	(5,821)	4,931	(1,285)	1,052
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
Total assets	208,254	186,175	47,897	39,697
-/Cash and cash equivalents*	47,817	53,638	10,998	11,437
Liabilities and provisions for liabilities	90,478	109,668	20,809	23,384
Long-term liabilities	35,156	35,366	8,085	7,541
Current liabilities	55,323	74,302	12,724	15,843
Equity	117,776	76,507	27,087	16,313
Share capital	1,616	1,616	372	345
Number of shares (in pcs)	16,162,326	16,162,326	16,162,326	16,162,326
Weighted average number of shares (in pcs)	16,162,326	16,161,966	16,162,326	16,161,966
Net profit (loss) per ordinary share	2.55	1.43	0.56	0.31
Book value per share	12.89	11.52	2.96	2.46
Dividend declared or paid per share	-	-	-	-

* Part of "Total assets"

Source: Own study of the Company

Individual items of the balance sheet were translated into EUR at the average exchange rate for a specific balance sheet date, announced for the euro by the National Bank of Poland; (31 December 2023: PLN 4.3480, 31 December 2022: PLN 4.6899). Individual items of the income statement and cash flow statement have been converted into EUR at the exchange rate being the arithmetic average of the average exchange rates announced by the National Bank of Poland for the euro effective on the last day of each month of the financial year (2023: PLN 4.5284, 2022: PLN 4.6883).

1. BASIC INFORMATION ABOUT THE COMPANY

1.1 Company details

Mabion S.A. (hereinafter "Mabion" or Company") is a Polish biopharmaceutical company that provides contractual services in the scope of development, analytics, and manufacturing of biologic medicines (as a Contract Development and Manufacturing Organization, CDMO).

Mabion S.A. was established on 30 May 2007 as a limited liability company with its registered office in Kutno. The legal form of the Company changed on 29 October 2009 as a result of the transformation into a joint-stock company. In 2016, the Company's registered office was moved to Konstantynów Łódzki. Since 2010, shares of Mabion S.A. have been listed on the Warsaw Stock Exchange.

Registration and contact details of the Company

Company name:	Mabion Spółka Akcyjna
Registered office:	Konstantynów Łódzki
Address:	ul. gen. Mariana Langiewicza 60, 95-050 Konstantynów Łódzki
KRS (National Court Register) number	0000340462 District Court for Łódź - Śródmieście in Łódź, 20th Commercial Division of the National Court Register
NIP (Taxpayer Identification Number)	7752561383
REGON (Business Statistical Number)	100343056
Contact number:	phone (+48 42) 207 78 90
E-mail address:	info@mabion.eu
Website:	www.mabion.eu

1.2 Branches and facilities

The Company has no isolated branches within the meaning of the Act of 29 September 1994 on Accounting ("Accounting Act").

The core assets of the Company include resources and expertise concentrated within the Company's two facilities:

- The Research and Development Centre for Biotechnological Medicinal Products (Centrum Badawczo-Rozwojowe Biotechnologicznych Produktów Leczniczych) located at ul. Fabryczna 17 in Łódź, dedicated to analytical services for biological products, including clinical analytics, and meeting the international Good Laboratory Practice (hereinafter: GLP) standard
and
- the Scientific-Industrial Complex for Medical Biotechnology (Kompleks Naukowo-Przemysłowy Biotechnologii Medycznej) in Konstantynów Łódzki, ul. gen. Mariana Langiewicza 60, which is also the registered office of the Company. It has three functions: R&D, quality control, and manufacturing. It is one of the most advanced biotech medicine manufacturing facilities in Poland. In accordance with the business strategy adopted in 2023, the facility underwent an upgrade and was retrofitted with new equipment, which provided new technological capabilities. In past years, the Company had employed exclusively orbital shaking[3] bioreactor technology, and from 2023 onwards it diversified its bioreactor technology by adding new bioreactors with classic cell culture stirring technology to its suite of process equipment[4][5]. The Company has increased its capacity and strengthened its position as a CDMO providing comprehensive and end-to-end support to its clients – from the onset of medicine development to the implementation of the finished product into commercial-scale production. The medicines are manufactured in accordance with the principles of Good Manufacturing Practice (hereinafter GMP), under the Manufacturing and Importation Authorisation (MIA) held by the Company and issued by the Chief Pharmaceutical Inspectorate (hereinafter GIF).

1.3 Company's management rules

The Company operates on the basis of generally applicable legislation (including the Code of Commercial Companies) as well as its Articles of Association. The bodies of the Company are as follows: General Meeting, Supervisory Board, Management Board. The Management Board shall manage the Company and represent it externally. The competence of the Management Board shall include all matters not reserved for the competence of the General Meeting and the Supervisory Board. The Management Board is responsible for managing the Company's affairs and assets. The Management Board acts on the basis of the Company's Articles of Association and the Management Board's Rules of Procedure, adopted by the Management Board and approved by the Supervisory Board.

In 2023, the following changes occurred in the Company's basic management principles:

On 8 November 2023, the composition of the Management Board of the Company was expanded by a resolution of the Company's Supervisory Board, appointing Ms. Julita Balcerek to the Management Board of the Company for the second joint term as Member of the Management Board, with effect as of 8 November 2023. Consequently, the distribution of key areas of responsibility, tasks and competences at the Management Board level has changed. Mr. Slawomir Jaros, who previously acted as Chief Scientific and Operating Officer, has assumed duties as

[3] In this type of bioreactors, stirring occurs by orbital movement of the entire unit.
[4] In this type of bioreactors, stirring occurs by means of a rotor placed at the bottom of the culture bag.
[5] Both bioreactor types are based on disposables (sterile, single-use materials).

Chief Scientific and Quality Officer, while Ms. Julita Balcerek has taken on the role of Chief Operating Officer.

As at the date of this report, the composition of the Company's Management Board is as follows:

- Mr. Krzysztof Kaczmarczyk – President of the Management Board, Chief Executive,
- Ms. Julita Balcerek – Member of the Management Board, Chief Operating Officer,
- Mr. Grzegorz Grabowicz – Member of the Management Board, Chief Financial Officer
- Mr. Sławomir Jaros – Member of the Management Board, Head of Science and Quality
- Mr. Adam Pietruszkiewicz – Member of the Management Board, Head of Business Development.

The distribution of key areas/tasks and responsibilities within the Company at the Management Board of MABION S.A. level is as follows:

- Mr. Krzysztof Kaczmarczyk – President of the Management Board, Chief Executive, CEO – manages the work of the Management Board. The main duties of the President of the Management Board include the implementation of the Company's business strategy and investment policy and the acquisition of strategic partners for the Company. The President of the Management Board is also responsible for HR, legal, administration, investor relation areas, and for overseeing the proper performance of the Company's business, scientific, operating, and financial activities.
- Ms. Julita Balcerek, Member of the Management Board, Head of Operations, COO – responsible for managing, overseeing and integrating the Company's operational areas in the scope of development, manufacturing, investment, and operation maintenance and qualification activities. She is responsible for developing and implementing new process technologies and analytics to characterise biological products and processes. She oversees activities related to procurement, warehousing, transport, and investment processes.
- Mr. Grzegorz Grabowicz – Member of the Management Board, CFO – responsible for managing the Company's financial policy. He is responsible for acquiring funds, management reporting – including developing the Company's financial plans, and for accounting and financial reporting.
- Mr. Slawomir Jaros, Member of the Management Board, Head of Science and Quality, CSO, CQO – responsible for shaping the Company's science and quality policy as well as for defining the direction of development in terms of technology and the Company's offer, for creating, implementing, and delivering a regulatory and quality strategy. As part of the execution of orders for clients, he is responsible for internal consultation as well as supervision and control of service provision. Furthermore, he is responsible for the development and implementation of IT solutions to support the Company's growth, as for supporting the business development area in building business and industry relationships contributing to the Company's development.
- Mr. Adam Pietruszkiewicz, Member of the Management Board, Head of Business Development, CCO - responsible for the Company's business development, for acquiring new clients, building new industrial relations, and leading selected strategic projects related to the Company's international expansion. It was at his initiative that the contract with the Company's key client – Novavax, Inc., was initiated.

The Company's organisational chart is shown in section 9.2.3 of this Report.

1.4 Organisational or equity relationships

Mabion does not own any shares in any entities; there are no circumstances which could lead to the conclusion that the Company is a parent company within the meaning of Article 4 § 1(4) of the Polish Code of Commercial Companies ("CCC").

The Company is not owned, whether directly or indirectly, by another entity – to the Company's best knowledge, there are no entities which would meet the premises of the definition of the Company's parent pursuant to Article 4 (14) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Public Offering Act) and of the definition of the Company's parent pursuant to Article 4 § 1(4) of the Polish Code of Commercial Companies. In addition, to the Company's best knowledge, the shareholders and members of the Company's bodies are not bound by an agreement referred to in Article 87.1 (5) and Article 87. 4 of the Act on Public Offering. Significant shareholders have no voting rights other than those resulting from the shares held by them.

According to the best knowledge of the Management Board, there are no other organisational or capital relations of the Company with other entities.

2. COMPANY'S BUSINESS MODEL AND DEVELOPMENT STRATEGY

2.1 Company's business model

On 18 April 2023, the Management Board of Mabion S.A. adopted the Company's Strategy for 2023–2027 ("Strategy for 2023–2027"). In line with its strategy, the Company's Management Board intends to continue the Company's development towards a fully CDMO with a biological profile. As a target, the Company will provide the full range of services typical of an integrated CDMO to clients who need support at various stages of their product development and commercialisation (from early-stage projects to commercial -scale manufacturing). Detailed information on the Strategy for 2023–2027 can be found in section 2.2 of this report.

The Company's current business model follows the profile of a service company.

The activities aimed at changing the company's profile are divided into the following areas:

1. **Mabion as a fully integrated CDMO – 2023–2024**
The activities required to achieve this objective are as follows:

> Reorganisation of human resources involving reinforcements in the structures of: Business Development, R&D, Manufacturing, Quality, Process Development, and IT

> Training covering, among other things, the production of biologic medicines, ADCs and BsAbs, and new bioreactor technology;

> Reorganisation of the manufacturing area;

> Retrofitting of the laboratories of the Quality Control Department and the Research and Development Department;

> Upgrading laboratories in Łódź to increase their analytical capacity;

> Implementation of computerised systems for quality system management, analytical data management, and production management;

> Retrofitting of the manufacturing area and addition of a second manufacturing line allowing commercial production in shorter runs.

2. **Business scale-up preparations – 2025–2027**
For this purpose, the following activities will be carried out:

> Investment expenditure depending on the client's expectations;

> R&D work on the development of ADCs and BsAbs technology;

> Continuation of the implementation and development of computerised systems.

The enhanced competence will bring the following benefits to the Company, among other things:

> A possibility of handling a larger number of orders;

> Broader array of services;

> Higher return on assets;

> Well-prepared personnel, systems, and processes to operate effectively as a fully integrated biotech CDMO able to scale up the business in the long term.

2.2 Development strategy of Mabion S.A.

On 18 April 2023, the Strategy of Mabion S.A. for 2023-2027 was adopted by the Management Board of Mabion S.A., and received a positive opinion from the Company's Supervisory Board[6].

The Strategy for 2023–2027 is based on the expertise and resources accumulated over the years, enabling the Company to seize the market opportunity and begin, in 2021, its transformation into a CDMO. The Strategy for 2023–2027 provides for the continuation of the commenced transformation and further investment in the skills and assets related to the CDMO business.

Company's strategic vision

As a fully integrated CDMO focused on biologics, Mabion provides a full spectrum of services for medium-sized and smaller projects, from early development to commercial manufacturing phase, for clients whose products are at various stages of development.

CDMO

The decision to proceed with the Company's transformation from a company focusing on the development and marketing of its own products to a company concentrating on contract manufacturing, analytics and development (CDMO) services followed an in-depth analysis of Mabion's competencies and resources, combined with an analysis of market trends and an assessment of the attractiveness of business consisting in the independent launch of Company's own products (in particular the MabionCD20 mononclonal antibody developed by the Company[7]).

[6] The content of the Strategy for 2023-2027 is available on the Company's website: https://www.mabion.eu/wp-content/uploads/2023/05/20230418-MABION-Strategia-2023-2027.pdf

[7] Mabion CD20 – a proposed biosimilar to the reference medicines MabThera/Rituxan® (Roche), whose efficacy and safety have been clinically demonstrated.

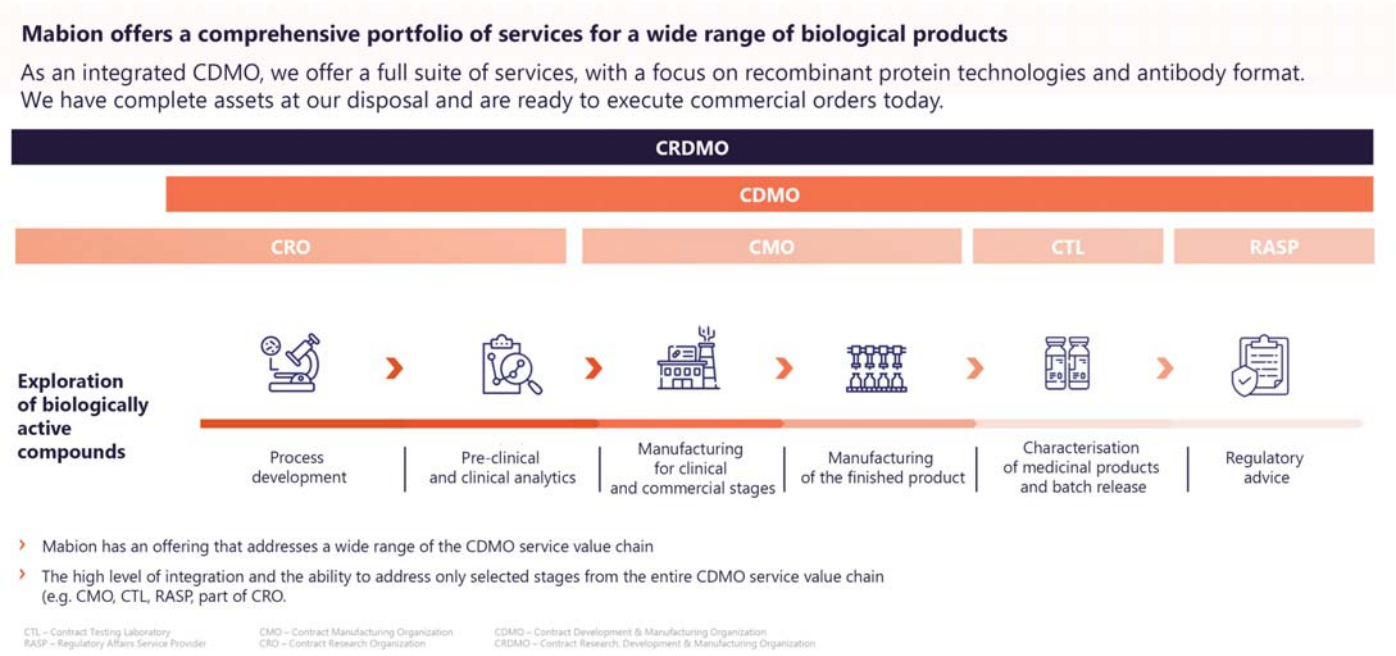
Analysis of the CDMO market prospects has led to two key conclusions. Firstly, the global CDMO market has attractive and long-term growth potential and there is room for new market players. Secondly, the range of services requested by potential clients coincides with the Company's current capabilities which were further augmented by the retrofitting of the Mabion facility with properly selected and market-compliant equipment for the development and manufacture of biological medicinal products.

Based on the assessment of the Company's Management Board, the main benefits stemming from the completion of the Company's transformation will include:

- diversification of income (by offering diversified services to a wider range of clients, which consequently leads to a lower portfolio concentration);
- shorter time necessary to implement and commercialise Company's competencies and resources (shorter "time to market");
- more flexible and better timed investments (answering to real demand on the part of the clients);
- significantly faster return on invested capital;
- substantial reduction of the regulatory risk in the Company's business.

The objective of the Management Board is that the Company, as a fully integrated player on the CDMO market, expands its range of expertise and services to become a competitive and attractive partner in the development and manufacture of biopharmaceutical products. The Company has the ability to implement projects at various stages of development and at the commercial production stage.

Table 3. Mabion as a fully integrated CDMO, offering a comprehensive portfolio of services to clients

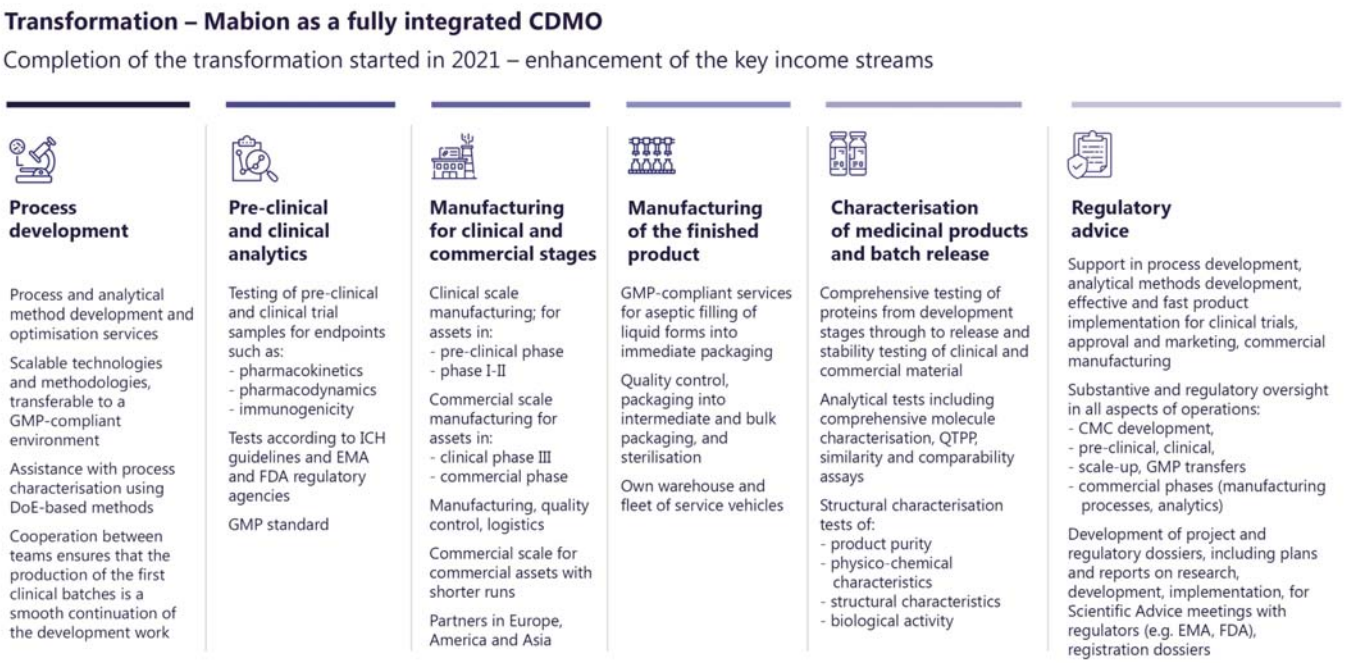


Source: Strategy for 2023–2027

The infrastructure assets and team competencies available for the Company, enabling it to offer a wide range of services to the market and allowing to classify Mabion as a fully integrated CDMO, are expected to allow the Company to generate income from its three areas of operation in 2023–2027:

1) development of the biological product production process,
2) in-process and finished product analytics (from development to release and stability testing),
3) manufacturing for clinical trial and commercial-scale manufacturing.

Table 4. Income streams in the CDMO business



Source: Strategy for 2023–2027

The presented division of income sources results from the fact that each of them can function independently and can be related to the implementation of different projects for several clients interested in selected cooperation areas. As a fully integrated company, Mabion can offer a comprehensive range of services to clients and, on commission, develop a therapeutic product from the concept level, employing all of the above streams (early process development, analytical tools development, manufacturing), as well as respond to the needs of a client who would only like to use selected services.

As at the date of this Report, the Company is ready to provide services in all the above-described areas.

In line with its objectives, the Company aims to become a recognised business partner for international clients in the CDMO segment. To this end, the Company has taken a number of measures in 2023 to develop recognition and attract business partners.

It is expected that the Company's recognisability and the gradual diversification of its services, will lead to the development of its client portfolio. The amount of income and the positive prospects for expansion of manufacturing operations for clinical trial and commercial purposes will trigger Company's decisions regarding the construction of the new facility – Mabion II. Accordingly, this will ensure that it will be possible to commence activities within the manufacturing stream of biological products based on the most recent formats of antibody class medicines – bispecific antibodies and conjugates (antibody – a small molecule, ADC – Antibody Drug Conjugate), or other recombinant proteins.

The scope of services offered by the Company is fully integrated, meaning that the Company will be able to deliver the full scope of the project commissioned by the client understood as stages from early development to commercial manufacture, as well as the provision of services as part of separate, smaller projects that only correspond to a section of the value chain offered by the Company.

The existing Company's manufacturing facility in Konstantynów Łódzki, its infrastructure and organisation had been designed in the past years for the development and production of MabionCD20 (Company's own product) and needed adaptation to enable the Company to increase its potential as a CDMO – an entity rendering comprehensive DS (drug substance) and DP (drug product) contract services.

To achieve the CDMO excellence expected by the market, the Company must demonstrate, among other things:

- proper response time to the requirements of prospective clients;
- flexibility with regard to the commencement and execution of orders in line with schedules;
- high degree of comprehensiveness of the service offer - it is beneficial for the client that external services related to the same product do not have to be distributed among multiple entities, as this ensures a cost and time advantage;
- ability to conduct several manufacturing, analysis, and product development projects concurrently;

- security of the generated data and the expected quality of processes and analytics;

upgrading the existing Company's facility and laboratories and to improve selected operational processes, which will include the improvement and implementation of an appropriate IT infrastructure.

Strategic objectives

As part of the Strategy for 2023–2027, the Company's assumption is to focus on the implementation and delivery of the following strategic objectives:

2023–2024

- Business model – shift of the Company's business model from products to services[8] (including the marketing of MabionCD20 by acquiring a licensee and possibly acting as a CMO (Contract Manufacturing Organisation) for MabionCD20, completion of work on the Company's own portfolio of other products;
- Transformation – furthering the Company's transformation into a fully integrated CDMO (maximising expenditure and investment for the development of innovative CDMO services);
- Upgrade and scale-up – upgrading the existing facility and laboratories to enable multiple services to be provided to multiple clients in parallel, and developing a design concept for Mabion II facility building on the design documentation currently available and meeting the expectations of the CDMO market, and also leveraging funds to commence its construction;
- Recognisability – creating a diversified client portfolio and gaining recognition in the sector of companies providing CDMO services;
- A self-funded entity – maintaining the dynamics of "profitable business growth" in order to generate positive cash flows enabling medium-term self-financing of operations and development; while the process of securing a strategic investor remains open for discussion with potential partners, transformation to a CDMO becomes a priority.

2025–2027

- Market positioning – Mabion becomes a recognisable and competitive business partner for international clients in the CDMO segment;
- Diversification – achieving attractive business diversification in terms of services on offer and client portfolio;
- Mabion II – construction of the second facility;
- Scale -up – reaching full operational and organisational readiness to scale up the business using the second manufacturing facility (Mabion II).

Subsequently, after 2027

- Mabion II – launch of the new manufacturing facility, Mabion II is fully operationally ready to render CDMO services;
- New production lines and a significant increase in production capacity are in place.

The assumed effects of implementing the Strategy for 2023–2027 in the horizon of the first 5 years of the investment will comprise, inter alia, an upgraded existing facility of the Company and a higher production capacity (8,000 L – 10,000 L, depending on bioreactor technology), a possibility to run several manufacturing processes simultaneously on a commercial scale, stabilisation of income and ongoing cash flows allowing the Company to self-finance until the investment in Mabion II is commenced.

MabionCD20

The Strategy for 2023–2027 also defines the plan and conditions for the further development of the MabionCD20 project and its commercialisation. In line with the Strategy for 2023–2027, the Company anticipates further development of the project in a model involving licensing to an external partner who will carry out the registration of the medicine and will be responsible for sales and distribution. The Company's function in such a model would be to contract manufacture the medicine (CMO) for the licensee.

MabionCD20 is the most advanced project in the Company's own product portfolio, ready to enter the final, registration phase of clinical trials. The schedule for further development work on MabionCD20 needs to be agreed with the future partner (licensee). The Company alone will not incur significant development expenditure on the project, but it will continue to incur expenses in terms of maintaining the project's potential and its readiness for the purposes of entering into a licence agreement.

Own products

In accordance with the Strategy for 2023-2027, as regards the Company's other existing product projects, following the transformation of the Company's from product to service profile, building of the Company's own product portfolio (denosumab, omalizumab, MabionEGFR[9], MabionMS[10]) has been discontinued.

[8] In this context, the Company's product-based business model means that the Company develops and markets its own products, either independently or with a partner. This business model will not be continued. The Company's new service-based business model means that the Company will not independently develop and market its own products, but will focus on providing contract services to clients as a CDMO. One of the services planned to be provided by the Company is the manufacture of MabionCD20 for a business partner that will choose to launch MabionCD20 on the market under a licence acquired from Mabion. Launching MabionCD20 on the market through licensing is the Company's objective in 2024–2025.

[9] Denosumab, omalizumab, MabionEGFR project - biosimilar medicines in the fields of autoimmunity, metabolic diseases, and oncology (denosumab, omalizumab, and cetuximab antibodies).

[10] MabionMS project – innovative MabionMS therapy (MS, multiple sclerosis) based on the rituximab as the active substance, for the treatment of multiple sclerosis.

Construction of Mabion II

In 2017, the Company started preparation of the expansion of the existing production facility (stage MABION II – Technological and Scientific Centre for Advanced Medical Biotechnology of Mabion S.A.), with will enable to significantly increase the production as well as R&D capacity of the Company. The Company holds a construction permit for a building with necessary infrastructure in Konstantynów Łódzki, detailed designs for all building and installation sectors, and detailed user requirement specifications for critical installations and major process lines. The building permit in force allows for the commencement of works on the extension of the existing plant, however, the moment of commencement of advanced construction works depends on the Company's needs and decisions.

Pursuant to the Strategy for 2023–2027, to enable the Company to provide the full range of services typical of an integrated CDMO, it is necessary to multiply production capacity and increase the number of independent manufacturing lines. For that purpose, the Company plans to expand the existing site with another production facility, Mabion II.

Current assumptions for the project:

- nearly 20,000 sq.m. of modern manufacturing, quality control, development, and office space;
- facility matching the CDMO's operating characteristics;
- the possibility of manufacturing several different products at the same time.

The decision to commence and on the course of the investment will depend on business factors, including the development of Mabion's CDMO business, the number of clients it has and agreements in place and in progress. The Company's financial results, e.g. EBITDA, as well as the availability of external financing will also inform – to a significant extent – the decision-making process.

According to the Strategy of Mabion S.A. for 2023–2027, the work on developing a design concept for Mabion II facility, using the currently available design documentation and meeting the expectations of the CDMO market, was to start in 2023. The work commenced in 2023 and continued into Q1 2024. Up to the date of this Report, the contractor for the updated Mabion II design has not been selected. In 2024, the Company will endeavour to leverage funding for the construction of the new facility so that the works can begin in 2025. The time frame for construction and commissioning of the new facility is currently estimated to be between 2025 and 2027 and depends, to a large extent, on the rate of growth of the Company's business as a CDMO, which will have a key impact on the ability to secure the financing required to start construction of Mabion II. At the same time, the Company assumes that the new facility can be built in stages and that the pace of up-fitting it can be aligned with the rate of development of the client and contract portfolio.

Benefits to the Company from the construction and commissioning of the Mabion II facility include mainly the following:

- increasing the service potential, and consequently the revenue potential, by multiplying manufacturing capacity;
- expanding the client base to include parties wishing to produce high-volume orders (commercial scale manufacturing);
- opportunity to acquire long-term contracts;
- possibility of running several manufacturing processes concurrently on a commercial scale.

2.3 Implementation of the strategy in the financial year

As part of the implementation of the Strategy for 2023-2027, in 2023 the Company initiated the following actions as part of the individual strategic objectives for 2023-2024:

I. Business model – shift of the Company's business model from products to services (including the marketing of MabionCD20 by acquiring a licensee and possibly acting as a CMO (Contract Manufacturing Organisation) for MabionCD20, completion of work on the Company's own portfolio of other products

As a result of the change in the Company's business model as adopted in the Strategy for 2023-2027, envisaging, with respect to the MabionCD20 project, to incur expenses only to maintain the potential of the project and its readiness for a licence agreement, the Company decided in May 2023 to terminate the agreement with Parexel International (IRL) Limited which was to conduct a bridging three-arm clinical trial of MabionCD20 commissioned by the Company. The schedule for further development work on MabionCD20 needs to be agreed with the future licensee.

The Company anticipates further development of the MabionCD20 project in a model involving licensing to an external partner who will carry out the registration of the medicine and will be responsible for sales and distribution.

As a result, in 2023 the Company engaged in licensee search activities. The efforts in question were carried out in cooperation with Plexus Ventures, which is a leading provider of support to pharmaceutical companies for the achievement of strategic goals by supporting pharmaceutical business development, structuring, and implementing intercompany transactions and agreements. The Plexus Ventures team, specialising in supporting processes such as sourcing partners for commercialisation or licensing, mergers, acquisitions, or asset sales, has worldwide network of contacts across markets including the US, Europe and Asia-Pacific, including China and Japan. In 2023, representatives of Plexus Ventures and the Mabion team held discussions and meetings with entities potentially interested in collaboration with the Company. As at the date of this Report, no licence agreement has been signed with any of the entities.

In accordance with its Strategy for 2023–2027 providing for the termination of the development of its own portfolio of remaining products, in April 2023 the Company decided to end its efforts to obtain patent protection under the applications submitted for the inventions called "Combination Therapy of Multiple Sclerosis comprising a CD20 Ligand" and "Low aggregate anti CD20 ligand formulation", developed as part of the MabionMS (multiple sclerosis) innovative therapy project. The same decision was taken with regard to all patent applications as part of the MabionMS project.

II. Transformation – furthering the Company's transformation into a fully integrated CDMO (maximising expenditure and investment for the development of innovative CDMO services)

In 2023, the Company carried out an analysis of the market demand for CDMO services and initiated the process of adapting its existing resources to said demand. The work performed at multiple operational levels of the Company involved both adapting the resources and knowledge already in place to meet market expectations and demonstrate them, as well as retrofitting and rebuilding Mabion's manufacturing facility. In addition, the Company continued its internal, organisational transformation towards an integrated CDMO, involving organisational, structural, and personnel changes, as well as technological and scientific preparation involving specialised training.

In line with the assumptions, the Company upgraded the manufacturing area in 2023 and, at the same time, retrofitted the machinery park with new equipment, increasing its flexibility and efficiency as a contract service provider without changing the usable area of the facility – details are described in the next section.

In addition, in order to operate in accordance with the highest standards and in response to client expectations, the Company entered into agreements to implement computerised systems such as eQMS (Quality Management System) and LIMS (Laboratory Information Management System).

The former enables supervision over the Pharmaceutical Quality System documentation, deviations, change control, training, OOS (out-of-specification results) and CAPA (corrective and preventive actions). The implementation of the LIMS system streamlines the quality control processes, ensures compliance with the latest standards in terms of documentation collection, archiving, data integrity, and allows for an increased scope of preventive actions, which is appreciated by CDMO clients.

III. Upgrade and scale-up – upgrading the existing facility and laboratories to enable multiple services to be provided to multiple clients in parallel, and developing a new plan for the Mabion II facility with a view to providing services as a CDMO, and leveraging funds to commence its construction.

Mabion's facility (the Scientific-Industrial Complex for Medical Biotechnology in Konstantynów Łódzki) allows for the production of sterile biotech medicines, in accordance with the scope of the Company's Manufacturing and Importation Authorisation. In the previous years, the facility has been adapted primarily for manufacturing as part of the MabionCD20 project, but can also be efficiently used for contract manufacturing of other biological products, as exemplified by the cooperation with Novavax.

In light of the transformation of Mabion into a CDMO, as assumed in the Strategy for 2023-2027, the Company was undertaking a number of activities in 2023 to adapt its business model to the role of a contract manufacturer (CDMO), which included a transformation in terms of services as well as an upgrade of the facility.

The purpose of retrofitting the Company's existing facility with selected equipment associated with the manufacturing process is primarily to achieve the ability to provide services utilising a variety of technologies and thereby increase flexibility in the provision of services as a contract manufacturer and to automate the DP manufacturing process. In line with the Strategy for 2023-2027, the retrofitting of the existing facility in 2023-2024 involves, among other things:

- diversification of bioreactor culture technology – complementing the development and process equipment with bioreactors based on the classic cell culture stirring technology will enable Mabion to offer both the already developed orbital shaking technology as well as a technology based on the use of the classical mixing system in bioreactors, which is the most common technology on the market);

- automation in the field of finished product services – purchase of a new high throughput isolator-based filling line, and an optical and leakage post-filling product control system.

As part of the upgrade during 2023, a number of changes were made to the layout of the premises and the installation of utilities, necessitated by the need to accommodate the newly acquired equipment ensuring that the Company's potential and flexibility as a contract manufacturer is enhanced. Among other things, the entire DP area was rearranged to accommodate the new filling line, to prepare the space for the installation of an automatic leakage control and optical evaluation line. In the DS section, the upstream area was adapted to accommodate the replacement and installation of new bioreactors and a separate area was created for cell harvesting purposes. Changes to the functions and layout of the premises necessitated changes within both the clean and dirty utilities to adjust them to work with the new equipment. A number of alterations were also made to improve the communication and functionality of the manufacturing area and technical spaces.

In 2023, as part of the facility upgrade, the single-use cell culture and process scale-up orbital shaking bioreactors (from Kuhner, 2,000 L) were replaced with the same technology.

In addition, a set of bioreactors (1x10 L, 2x50 L, 2x200 L, 2x2,000 L) employing the classic stirring technology based on disposable materials were purchased. Owning two types of bioreactors guarantees that the Company's bioreactor culture technology is diversified.

As part of the upgrade, a complete vial preparation and high-capacity sterile filling station was also installed, and a room was prepared for the ordered optical inspection line with a leakage tester, which, combined with the automatic packaging and serialisation line already in place, will allow the Company to provide the full scope of DP services.

During the upgrade, the volume of the process buffer preparation workstation was doubled by replacing the buffer preparation tank with two fully automated tanks, which will increase the efficiency of the manufacturing processes. In 2024, the purchased process equipment will be systematically qualified (which means a series of tests confirming that the equipment works properly in the operational and process ranges, which is a GMP requirement that needs to be fulfilled before the equipment is allowed to be used in pharmaceutical production) and commissioned, which will expand the operating capacity of the Manufacturing Facility for the purpose of future orders and enable the expansion of the offer to include sterile product filling.

As part of its investments, the Company purchased a direct packaging leakage control and optical inspection line. The investment will accelerate the finished product quality control processes, while at the same time enabling the provision of finished product quality control services for a much higher volume than currently possible.

In terms of retrofitting the R&D Department's infrastructure, the Company acquired a state-of-the-art Beacon Select™ system for cell line development (CLD). The system will improve the process of identifying the best-producing clones and reduce the amount of manual work, as it will cover the selection, culture, and testing of individual cell clones in a single, streamlined workflow. Conventional methods of clone selection, employed to date, involved multiple sequences performed on different instruments and/or manually. The introduction of a modern and automated solution not only shortens the first stages of clonal selection from more than 21 days to five days, but also allows high quality documentation to be produced, confirming the monoclonality of the cells selected for further development stages, which meets the requirements of regulatory agencies (EMA, FDA). The solution put in place increases the Company's reliability and competitiveness on the CDMO market as regards orders related to generation of stable cell lines.

In line with the assumptions of the Strategy for 2023-2027, the upgrade, understood as the completion of construction and installation works in the existing manufacturing zone in Konstantynów Łódzki, was completed in Q4 2023. In 2024, the Company plans to systematically install, qualify, and commission additional manufacturing equipment increasing in the technical capacity of the facility for the purposes of future orders, including the launch of manufacturing at the finished product stage.

In the period covered by this Report, the Company also initiated work related to the selection of an entity responsible for the verification and adaptation of the existing Mabion II facility design for the provision of advanced CDMO services. Under the strategy, the Company plans to secure financing for the construction of the new facility between 2023 and 2024, which will ultimately allow it to significantly scale up its operations and increase its annual revenue potential by a factor of two or three. Consistently, the factors essential for deciding on the shape and infrastructure of the new facility will include business criteria such as the number of clients, the number of contracts entered into and completed, and the level of income and EBITDA. As envisaged in the strategic plan, in 2023 the Company engaged in a dialogue with selected financial institutions to secure future financing for the Mabion II facility. At present, the Company remains in regular contact with entities that can support the financing of the new facility. However, the Company's primary focus is on securing new contracts for CDMO services and, once this is achieved, active acquisition of funds for the construction of the new plant will be resumed.

IV. Recognisability – creating a diversified client portfolio and gaining recognition in the sector of companies providing CDMO services to global clients

In 2023, the Company further pursued the technological development of the most attractive areas on the CDMO market, guided by the needs of future clients. In addition, the change in Mabion's strategy brought about the need to create a unit dedicated to business development within the Company's structure (the Business Development Department) and to intensify activities aimed at increasing Mabion's brand awareness already as a CDMO. One of the main activities was Mabion's presence at key trade fairs and industry conferences, such as BioEurope, BioInternational, JP Morgan Healthcare, DCAT, CPHI, to name but a few, where the Business Development Department team, supported by operational specialists and the Management Board, developed existing and established new relationships with business partners via numerous meetings, or where the Company was presented at well-prepared exhibition stands. In addition, Mabion significantly established its online presence through dedicated posts on LinkedIn, adapting the website www.mabion.eu to the CDMO profile, or publishing scientific and industry papers, increasing interest in the Company. The activities described above, as well as other cyclical activities, including campaigns promoting selected Mabion services, made it possible to establish numerous new business relationships and sign further contracts for Mabion services. The services in question have so far included the analytical characterisation of the investigational product, and therefore their value accounted for a small share of the Company's turnover. However, it is expected that gradually, the activities aimed at raising the Company's recognition will translate more significantly into the Company's income. Detailed information in this scope is contained in section 4.4.6. of this Report.

V. A self-funded entity – maintaining the dynamics of "profitable business growth" in order to generate positive cash flows enabling medium-term self-financing of operations and development; while the process of securing a strategic investor remains open for discussion with potential partners, transformation to a CDMO becomes a priority

In the period of 12 months of 2023, the Company received payments under the agreement with Novavax, amounting to USD 19,820 thousand and EUR 270 thousand. In addition, the Company also

leveraged funding from the EBRD in the amount of USD 15,000 thousand to expand and upgrade the Company's current facility located in Konstantynów Łódzki and to expand the IT infrastructure to support commercial contract manufacturing in progress under the agreement with Novavax, as well as to implement other potential CDMO projects. In 2023, Manion incurred expenditure of approximately PLN 36.8 million on the upgrade of the facility. Further expenditure is planned for 2024.

The concentration on the CDMO area and the promising growth prospects of Mabion as a CDMO player significantly influenced the plans to attract a long-term strategic investor. Namely, with the announcement of the Strategy for 2023-2027, the Company has decided to remain open to potential interest and discussions with strategic investors, while focusing primarily on goals such as completing the transformation, business diversification in the CDMO area field, and building the Company's value. A return to active discussions will be justified once these objectives have been systematically achieved.

2.4 Company's business development prospects

As for the global CDMO market, estimates of the total size of this complex landscape vary depending on definition and data source. Nevertheless, it is a commonly accepted fact that the market continues to demonstrate strong growth. In 2010, Research and Markets has estimated the global market for biologic CDMOs to be USD 9.93 billion and expects it to grow to USD 18.90 billion by 2026, at a CAGR of 12.2%. Technavio estimates an identical CAGR for this market, but suggests an additional USD 8.65 billion of growth between 2022 and 2026, with North America accounting for 41% of this growth.

Based on a much broader market definition that appears to include some small molecules and CRO services, DataIntello argues that the global market for biologic CDMOs, estimated at USD 133.4 billion in 2019, will reach USD 279.3 billion by 2026, with a CAGR of 10.2% over the forecast period from 2020 to 2026.[11]

Today, CDMOs are not only supporting the production of tens of important therapeutic products and vaccines around the world, but are also facilitating the development of new products, including new classes of therapeutic products, both by directly tapping into expertise and by enabling more efficient use of capital, allowing biopharmaceutical developers to focus on core competence. Biological CDMOs also play a crucial role in opening up the global markets for biosimilar medicines. Thanks to CDMOs, manufacturing capacity has become more accessible and the flexibility and supply-demand balance across the biopharmaceutical market has increased. A perfect example of the effectiveness of this mechanism was the contribution of biological CDMOs in the fight against the COVID-19 pandemic[12].

Pursuant to the Strategy for 2023–2027, adopted on 18 April 2023, the Management Board furthered the Company's transformation, which began in 2021, into a fully integrated CDMO focused on biologics. As a target, the Company will provide the full range of services to clients who need support at various stages of their product development (from early-stage projects to commercial-scale manufacturing). Mabion has the capacity and experience in the development, manufacturing, and analytics of biological products, built on long-term implementation of projects related primarily to biosimilar monoclonal antibodies.

The diversification of agreements and clients creates extensive growth opportunities, enabling to expand the range of both manufacturing and analytical services. Possible directions could include both broadening the experience in the area of therapeutic protein production and scaling up services (construction of Mabion II), as well as including the production of 'novel modalities' (ADCs, BsAbs), or scaling up or expanding commercial analytical services for proteins.

Increasing the client base can bring benefits in the form of entities looking to implement high-volume, long-term manufacturing agreements, with a focus on routine production of registered biotech medicines.

Resources

The manufacturing facility in Konstantynów Łódzki, with an area of 6331 m2, together with a plot of land of 1.9 ha, operating within the Łódź Special Economic Zone, as well as leased laboratory and office premises in Łódź at Fabryczna Street, provide the infrastructure necessary for operations as regards the CDMO offer.

As at 31 December 2023, the Company employed 247 people on the employment contract basis. Mabion's current resources, developed through years of research and development, include both fully functional analytical laboratories, a manufacturing area, and technical and operation know-how regarding quality systems required for production and analytics. The certifications and authorisations held by the Company include: GMP for manufacturing and analytics, GLP for clinical analytics, and ISO (environmental protection, occupational health and safety, and energy management).

Mabion has undergone numerous audits and inspections, operating within quality systems for pharmaceutical manufacturing since 2011, which has led to a mature quality system and makes the Company a reliable CDMO partner.

From its incorporation until 2021, the Company's main focus was on research and development activities in the field of specialised biosimilar medicines, such as therapeutic monoclonal antibodies, whose manufacture was more cost-effective than that of original formulations owing to innovative technologies developed by the Company, including a fully integrated disposables technology, enabling flexible use of manufacturing capacity and reduction of fixed production costs.

[11] Monoclonal Antibody & Recombinant Protein:2023 Market Analysis, CDMO Pricing and Benchmarking, Nice Insight Report, July 2023, p. 96
[12] Ibid., p. 21

The technology of manufacturing therapeutic monoclonal antibodies is a relatively new area of medical biotechnology explored by the largest global pharmaceutical concerns, an area which has been dynamically developing over the last 30 years. The Company is a pioneer in the area of modern biotechnology, not only on a domestic scale, but also in the area of Central and Eastern Europe. The global supply of biosimilars is provided exclusively by large international pharmaceutical corporations. Within several years Mabion S.A. acquired competencies to manufacture any biotechnological medicine, from the stage of designing, through the selection of the technological path, to manufacturing the finished medicine.

The Company has managed to acquire competencies unique on the Polish market in designing, development, and production of highly specialised protein medicines. As of 2021, this enabled the Company to diversify its business by offering services under the CDMO model. Using its competences, the Company becomes a natural partner for other entities at all stages of the process of development and production of biological medicines. The cooperation with Novavax in the manufacture of the protein vaccine antigen further strengthens the Company's credibility and improves its growth prospects as a CDMO.

2.5 Factors important for further development of the Company

Information on the agreements concluded in the area of operations and financing is presented in section 4.4 of this Report. Other significant factors and events relevant to the Company's future development are listed below:

Regulatory environment

The regulatory environment for biopharmaceutical service companies (CDMOs) is the same as for entities operating in the pharmaceutical industry and mirrors the high standards and strict quality requirements for the biopharmaceutical sector as a whole. The requirements are defined by regulatory agencies such as the FDA (Food and Drug Administration), EMA (European Medicines Agency), and local regulators – details can be found in section 3.2. Regulatory environment.

Ability to deliver on orders within the ranges expected by clients (operational, quality capacity)

Due to the implementation of its own projects in the period preceding the transformation into a CDMO and ongoing activities related to the development of a platform approach to optimise processes and analytical methods, the Company has the knowledge, experience, skills, and equipment necessary to fulfil orders within the ranges expected by clients. The R&D Department has the technical and scientific resources to implement client projects ranging from gene design to the optimisation of the biological product manufacturing process at the laboratory scale. In parallel, it operates a wide panel of in-house analytical methods whose underlying assumptions can be implemented in subsequent products analysed as part of the implementation of clients' projects. The Company also has compatible equipment at its disposal for running manufacturing processes at laboratory and industrial scales, which makes it possible to quickly and efficiently scale up processes developed at the laboratory scale to the manufacturing scale and run them on a regular basis in compliance with the GMP standard. The Manufacturing Department has the technical and scientific resources available to implement client projects from the generation of parental cell banks through the manufacture of the active substance and the finished product to the packaging of the final product. The compatibility of resources of the R&D and Quality Control Departments, in turn, enables the transfer of optimised analytical methods developed at the initial stages of client projects for the purposes of adapting them for use in product release processes.

The use of validated analytical methods is a crucial factor in controlling the quality parameters of manufactured products. The Quality Control Department has the knowledge and experience necessary to assist in adapting the validation or in the transfer of client's analytical methods to current ICH, Ph. Eur., USP requirements, and other applicable guidelines. In addition, it has the technical capacity to store and test samples subjected to stability processes, test raw materials used in manufacturing processes and employs a range of validated biological and physicochemical methods used for product control. With its experience and ability to work within the highest purity classes, it supports the processes of sterile product filling and the day-to-day control of environmental conditions. The Procurement and Logistics Department has the technical resources enabling transport under controlled conditions and a team responsible for the implementation of procurement processes.

Standards relating to studies

The research and development work of the Company is conducted within the pharmaceutical quality systems.

The analytics related to samples originating from clinical projects are carried out in accordance with Good Laboratory Practice (GLP) principles. This was confirmed by obtaining a GLP certificate in March 2014 from the Bureau for Chemical Substances (Biuro do spraw Substancji Chemicznych). Holding such a certificate indicates the top quality of the research and analyses conducted. Analyses in the scope of medicine quality parameters (pharmacokinetics, pharmacodynamics, immunogenetics) and clinical parameters provide unbiased, reliable results acceptable by medicine registration offices throughout the world. In February 2024 (an event after the balance-sheet date), the laboratories of the Research and Development Centre in Łódź successfully underwent another routine GLP audit, as a result of which the validity of the certificate was extended. The activities related to planning, conducting, documenting and communicating the results of human clinical trials are performed in accordance with the principles of good clinical practice (GCP), i.e. the international ethical and scientific standards developed by the ICH (International Council on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use).

Information on collective experience and knowledge of key technical personnel

The organisational structure of Mabion includes operational departments and divisions: Research and Development, Regulatory Compliance and Consultancy, Regulatory and Scientific Affairs, Manufacturing, Quality Control, Quality Assurance, Administration, Finance, Operation Maintenance, Business Development, Project Management, Procurement and Logistics, Marketing Office and supporting units such as: OHS, independent Qualified Persons and Pharmacovigilance – the organisation chart is presented in section 9.2.3 of this Report. The plans for 2024 include expanding and building the competences of the Business Development Department, with the objective of dynamic client acquisition for the CDMO business and building Mabion's brand recognition. During its existence, the Company has gathered a stable and experienced research personnel team, both in the substantive and operating dimensions. An integral part of the Company's development is its dedication to the development of its staff, which is why Mabion takes great care and ensures that its employees have the opportunity to continuously improve and enhance their professional competences.

The company maintains close cooperation with the academic environment, implementing the provisions of cooperation agreements entered into with the Faculty of Biology and Environmental Protection of the University of Łódź and the Faculty of Biotechnology and Food Sciences at the Łódź University of Technology. In addition, Mabion has been cooperating for years with universities (Medical University, Łódź University of Technology) in the implementation of didactic work, student internships and mentoring programmes (e.g. "Młodzi w Łodzi"). Owing to such programmes, students can learn about the special nature of research projects, benefit from the exceptional experience of Mabion's specialists, and work on best-in-class professional laboratory equipment.

Cooperation with Higher Education Career Offices, in particular at the Łódź University of Technology and the Medical University of Łódź gives the Company an opportunity to prepare a team of young specialists for cooperation as part of scientific and commercial projects run by the Company. The Company aims to network with the academia and is actively present in many research and teaching centres in Poland. Among other things, cooperation is developed with the University of Wrocław, where representatives of Mabion S.A. delivered lectures for students of the Faculty of Biotechnology and took part in meetings with MSc students as part of the event "Biotechnology Company – knowledge, idea, management". An agreement was also signed on cooperation with the Faculty of Biochemistry, Biophysics and Biotechnology at Jagiellonian University.

As part of its cooperation with the Medical University of Lodz, the Company also implemented highly advanced forms of cooperation in the form of developing, running, and managing courses for medical biotechnology students. The Company plans to continue this cooperation in future periods.

The Company allocates significant funds for the participation of key employees in the most prestigious conferences and foreign trainings. It also supports their development by financing employee participation in post-graduate and doctoral studies.

2.6 Assessment of the feasibility of investment plans

Considering the assumptions of the Strategy for 2023-2027 of Mabion S.A. in terms of the planned investments, the activities completed throughout 2023, the development prospects for the Company's operations, as well as the external and internal factors important for the Company's further growth, presented in sections 2.3–2.5 of this Report, the Management Board of Mabion S.A. assesses the Company's investment plans adopted in the Strategy for 2023-2027 as feasible.

Due to the transformation of Mabion into a CDMO, work was carried out to introduce changes to the organisation of the manufacturing space and to retrofit the facility and expand the base of bioreactor technology. The reorganisation of the manufacturing space was aimed at optimising manufacturing processes for external clients, as well as enabling a shift in the profile of the facility from a single-product facility to one offering a possibility of running different processes at the same time.

The Company finances the implementation of the aforementioned investments tasks as described in sections 5.9 and 2.3, which are a continuation of the work on upgrading the existing manufacturing facility from the following sources:

- cash flows from current operations;
- a USD 15 million loan from the European Bank for Reconstruction and Development (EBRD).

The Company's liquidity, and therefore its ability to meet its investment targets, may be affected by:

- problems with client acquisition;
- insolvency of clients;
- interruptions in production material supply chains;
- shifts in work schedules;
- inability to carry out contract manufacturing at anticipated levels;
- limitation of supply financing by partners commissioning production;
- rising infrastructure investment costs and lack of adequate financing to expand manufacturing capacity;
- delays in the reimbursement of Value Added Tax (VAT);
- significant rise in energy and other fixed costs.

Given the aforementioned sources of funding and factors affecting the Company's liquidity, the Management Board recognises the risks associated with the schedule of investment plans. The Company's development and the related investments are dependent on the acquisition of clients and regular income from the current operations.

The possibility of implementing the investment plans adopted in the Strategy for 2023-2027 is also affected by the risk and threat factors identified in section 6 of this Report.

3. COMPANY'S ENVIRONMENT

3.1 Market environment

The CDMO market is a market with enormous growth prospects because of the steady increase in R&D spending in the pharmaceutical industry, the increase in the number of molecules in development, and the growing willingness of pharmaceutical and biotechnology companies to outsource production.

Forecasts for the CDMO/CRDMO[13] market indicate that it is growing very rapidly[14], and an increasing demand for biologic medicines, driven among other things by the ageing population, boosts the development of new products and new technologies, resulting in a wide range of biologics in the research and development phase. This situation is facilitated by growing healthcare spending as well as a conducive regulatory environment, including for biosimilar medicines, contributing to their availability for patients relative to more expensive originator medicines.

At the same time, one can observe an increasing level of outsourcing in many areas, including manufacturing, due to high specialisation and complexity of biologic medicine manufacturing processes as well as the cost-effectiveness and time advantages brought by specialised CDMOs/CRDMOs entrusted with manufacturing.

The increase in the number of clients for CDMOs/CRDMOs is driven by the growth of numerous start-ups, medium-sized and smaller companies, stemming from the growing, long-term and enduring demand for biologic medicines. New projects, which require a tailored and flexible approach, as well as the ongoing need to increase efficiency and productivity, are resulting in significantly increased demand for contract manufacturing and support services. To optimise their R&D processes and for the purposes of subsequent scaling-up and manufacturing, pharmaceutical companies cooperate with CDMOs/CRDMOs. Being able to outsource selected processes to a contact manufacturer makes it possible for them to operate without a comprehensive infrastructure for the development of a therapeutic product. Manufacturing sites in highly regulated markets are preferred, which is an advantage in terms of the Mabion's position, as the Company is located in the European Union and regulated by the European Medicines Agency. Furthermore, Mabion offers a wide array of services that enable it to develop a project in its facility from the level of a gene construct to a commercial product manufactured according to GMP standards with the necessary analytical and regulatory support (end-to-end services). This contributes to the competitiveness of the Company's offer and, combined with its over 16 years of experience in product development, confirmed also by its cooperation with Novavax, places Mabion as a CDMO entity attractive to both small and medium, but also large business partners.

Such a cooperation formula is particularly attractive for small and emerging biopharmaceutical companies that have neither advanced development and manufacturing capabilities nor expertise backed by years of experience. The COVID-19 pandemic has boosted the growth of the CDMO/CRDMO market due to the global demand for COVID-19 vaccine and therapies. With the increased demand for R&D activities, numerous small and medium-sized companies are involved in developing new medicines and in pre-clinical research. Already at the stage of pre-clinical development of biological medicines, dynamic growth in the value of their market is forecast and confirmed by the high number of projects at the clinical trial stage. There are currently 7,800[15] biopharmaceutical products in clinical development globally.

Accordingly, the demand for CDMO/CRDMO services is rising and such companies are consolidating and offering a comprehensive service - from clinical research to the manufacture of the final product on a commercial scale.

The contract manufacturing by Mabion may be a response to the rapidly increasing demand for the production of therapeutic proteins within the broad spectrum of biological medicine candidates manufactured using mammalian cells.

Trends in biotechnology

Among the trends observed in biotechnology, the dominant and growing market share of monoclonal antibodies (mAbs; from 50% in 2011 to 80% in 2021[16]), which is a field in which Mabion is highly specialised, is still highlighted. The majority of biologic medicines (around 70% at present) are manufactured using mammalian cell culture technologies, and it the case of Mabion it is no different. Even though bacterial/yeast cells can also be used as a substrate for biopharmaceuticals, the most commonly used platform is mammalian cells due to their ability to efficiently produce complex therapeutic proteins (containing post-translational modifications), similar to those found in humans. The demand for biologic medicines produced in mammalian cells continues to grow, fuelled by the increasing incidence of oncological and immunological diseases.

At the same time, new technologies are developing that to a large extent overlap with the monoclonal antibody technology, such as bispecific antibodies (BsAbs), antibody-drug conjugates (ADCs), as well as therapies based on the use of viral vectors (VVs), whose culture processes are to some extent specific, but nevertheless draw on purification processes developed for

[13] Contract Research, Development, and Manufacturing Organization
[14] Monoclonal Antibody & Recombinant Protein:2023 Market Analysis, CDMO Pricing and Benchmarking, Nice Insight Report, July 2023, p. 96
[15] https://www.nature.com/articles/s41587-022-01582-x
[16] https://www.nature.com/articles/s41587-022-01582-x

antibodies. Regulation around the aforementioned biotech medicines (often referred to as 'novel modalities' in biotechnology) is encouraging their development, as evidenced by the increasing number of products approved by European and US regulators across the aforementioned groups. This offers additional potential for Mabion in terms of attracting new clients, due to the possible adaptation of Mabion's expertise and equipment for the development, manufacture or analysis of "novel modalities", in particular BsAbs and ADCs. Mabion's accession to the group of CDMOs is also facilitated by the increasingly popular single-use technologies possessed by the Company, which enable a switchover between the production of different therapeutic proteins for different clients, ensuring a time and financial advantage, as well as minimising the risk of potential cross-contamination and reducing the amount of research necessary for multi-product manufacturing.

Competitive advantages

Mabion has a full portfolio of services to offer to other companies for the purposes of the development phase of mammalian cell-based medicines, including active substance and finished product manufacturing, development, as well as an outstandingly extensive range of analytical methods. At the same time, the Company offers a flexible client approach, time efficiencies, and a competitive range of services and prices. The expertise gained in medicine development also allows Mabion to support earlier development stages (from before GMP-compliant manufacturing to clinical or commercial research), as well as a thorough characterisation of the active substance and medicinal product which are inherent in the drug development and regulatory processes, as well as technical advice at all stages of the development.

3.2 Regulatory environment

The regulatory environment for biopharmaceutical service companies (CDMOs) is the same as for the entire pharmaceutical industry and mirrors the high standards and strict quality requirements for the biopharmaceutical sector as a whole. The requirements are defined by regulatory agencies such as the FDA (Food and Drug Administration), EMA (European Medicines Agency), and other local regulators. Manufacturing and analytical operations for products intended for clinical trials or commercial use are subject to the principles of Good Manufacturing Practice (GMP), which ensure the quality, safety, and efficacy of biopharmaceuticals. The regulations cover manufacturing, including the manufacturing unit, equipment, personnel, processes, and quality control. Mabion has a long track record of GMP certification for sterile manufacturing of biotech drugs, by national standards. CDMOs must also comply with health and safety requirements and legal requirements in the area of environmental protection, and – among other things – hold the relevant administrative decisions. The manufacture of products for clinical trials is also subject to clinical trial guidelines (Good Clinical Practice, GCP). In the USA, Europe, and Japan, compliance with globally harmonised recommendations of the International Council for Harmonisation Good Clinical Practice (ICH) is required.

New guidance/recommendations or updates to the existing guidance on the regulation of biological medicines, which may be relevant from the perspective of the Company's operations and further development, are outlined below.

> One of the most important changes in the regulatory environment in 2023 was the update of the **ICH Q5A Guideline on viral safety evaluation of biotechnology products derived from cell lines of human or animal origin ("ICH Q5A(R2)")**. Biological substances manufactured by Mabion S.A. are derived from mammalian and insect cell lines, so the update of the aforementioned guideline directly addresses a key feature of the Company's business. Since the microbiological purity of the biological medicines is essential to ensure patient safety, the Company's standard manufacturing process includes a stage of control of the input materials for the manufacturing process, a validated filtration or viral inactivation stage, and control of the cellular material from the manufactured batches.

The second release of ICH Q5A provides an update of the document first adopted by ICH in 1997. The guideline contains standards and recommendations for methods of virus detection and identification, as well as ways to design and perform virus removal tests. The guideline recommends the use of a risk-based approach to identify critical elements where product contamination may occur and where additional testing is advisable. Given the limitations of the current detection methods (e.g. insufficient sample size to detect low viral loads), ICH emphasises the need to demonstrate that the purification processes implemented by the company are sufficient to guarantee the viral safety of the final medicinal product. The type and extent of tests needed are to be determined on a product-by-product basis, depending on product characteristics and manufacturing methods. Factors such as the origin of the cell line, the extent of cell bank characterisation, the type of viruses to be detected, the composition of the cell culture medium, the culture methods, the characteristics of the manufacturing site, and the equipment in place should be taken into account. The guideline allows for the use of new technologies, e.g. NGS (Next Generation Sequencing), as an alternative to virus testing, which has so far been carried out with animals (in vivo testing) or cell lines (in vitro testing).

The guideline update was approved by the ICH committee on 1 November 2023 and subsequently by the EMA on 14 December 2023. The new provisions will take effect from 14 June 2024.

> In July 2023, the update of the ICH **guideline on quality risk management ("ICH guideline Q9 (R1)")** came into force. The document presents rules and examples of quality risk management tools for pharmaceutical products, including biological medicines. They span across the entire product life cycle, from development to control and review processes. The basic rules remain in line with the earlier version released in 2005. The ICH has included a more detailed description of what is required under quality risk management and how the provisions of the guideline should be read. A new chapter on risk-based decision-making reduces subjectivity in the process

and specifies how identified risks should drive the actions. There is also a new chapter on the role of risk management in ensuring product availability despite serious deficiencies found in product quality and the manufacturing process itself. The guideline systematises the risk management approach applied at Mabion and facilitates the interpretation of risks and their translation into decisions taken by the Company.

- In view of the continuous evolution of the SARS-CoV-2 virus and the weakening efficacy of previous COVID vaccines, the EMA and the FDA have issued **recommendations to update the formulation of these products for the next winter season 2023/24** (letters of June 2023: **"EMA and ECDC statement on updating COVID-19 vaccines to target new SARS-CoV-2 virus variants", "Updated COVID-19 Vaccines for Use in the United States Beginning in Fall 2023")**. The agencies recommended a monovalent product based on the XBB.1.5. variant that offers the best chance of providing protection against both current and emerging variants.

The recommendations indicated above were relevant to the Company in view of its agreements with Novavax, which include analytical and manufacturing services related to the production of an anti-COVID-19 vaccine (Nuvaxovid). The yearly modification of the vaccine formulation may affect the scope and type of work carried out under the above agreements. It also creates an opportunity to sign new agreements. The next recommendations, for the 2024/25 season, can be expected in June 2024.

- In July 2023, an amendment to the **Act of 18 March 2011 on the Office for Registration of Medicinal Products, Medical Devices and Biocidal Products (Polish Journal of Laws 2023, item 1223)** came into force. The amendment introduces, among other things, the possibility of providing scientific advice on the tests and studies necessary to demonstrate the quality, safety, or efficacy of medicinal products for human use. The solutions implemented in the amended Act are inspired by the scientific advice organised by the EMA and may prove useful during advisory procedures carried out by Mabion for clients.

- The draft **Guidance on Formal Meetings Between the FDA and Sponsors or Applicants of BsUFA Products Guidance for Industry** has also been updated. Changes include: the scope of data that should be included in the BIA application (Biosimilar Initial Advisory); the addition of a new meeting type – type 2a BPD (Biologic Product Development), the postponement of the deadline for submission of documentation for type 4 BPD meeting. The guidance may be useful for advisory procedures organised by Mabion.

Of the changes listed above, only the updates to the ICH guidelines are likely to have a direct impact on the Company's business. As in previous years, Mabion verifies the compliance of its internal quality system with the new provisions and makes the necessary modifications where needed. Importantly, none of the changes described above have a negative impact on the current potential as well as the Company's further expansion on the CDMO market.

4. MAJOR EVENTS AND ACTIVITIES OF THE COMPANY

4.1 Products and services provided by the Company

Mabion is an integrated biopharmaceutical company and possesses expertise in the protein-based therapeutic product development and manufacturing stages, including medicine development, analytics, transfer of technology, upscaling, manufacture of therapeutic substances and finished medicinal products. The Company has long term experience in the area of mammalian cell cultures and, in particular, in the production and characterisation of recombinant protein biopharmaceuticals, including monoclonal antibodies (mAbs), and vaccine antigens – in the field of manufacturing and analysis.

In the reporting period, i.e. in 2023, the Company has focused in its business activities on three important areas of activity:

- executing commercial orders for partners in the field of contract manufacturing, analytics, and development
- developing platform solutions for recombinant protein generation processes to expand opportunities for contract manufacturing and development services
- until the date of adoption of the Strategy for 2023–2027 development, manufacturing and marketing of own biosimilars, i.e. biological medicines that are developed to be similar to the original biotech drugs (MabionCD20, among others).

Until the Strategy for 2023–2027was adopted (i.e. until 18 April 2023), Mabion's project catalogue included three groups of projects: i.e. CDMO service projects (Nuvaxovid® vaccine), active in-house projects (MabionCD20, MabionMS and MabionEGFR), and new projects (denosumab and omalizumab).

The Company's most advanced project was MabionCD20, a proposed biosimilar to reference medicines, MabThera/Rituxan® (Roche). In 2023, as regards MabionCD20, the Company considers it most important to successfully carry out the following activities:

- continuation of long-term stability tests under routine storage conditions for the validation batches and stability tests for the reference material.
- extending the scopes of Quality Target Product Profile (QTPP) to take into account rituximab reference products coming to the market, and to monitor, on an ongoing basis, the quality characteristics of the aforementioned products.

In 2023, the implementation of the above activities in respect of the MabionCD20 project did not involve any income from sales for the Company. Following the adoption of the Strategy for 2023–2027 in April 2023, work on and development expenditure for MabionCD20 has been reduced to the minimum necessary to preserve the project's potential.

As regards the other projects in the active project group and the new projects, in 2023 the Company did not carry out any significant development work or incur any significant expenditures, nor did it generate any income from sales. Following the adoption of the Strategy for 2023–2027 in April 2023, work and development expenditure on these projects have been reduced to the minimum necessary to preserve the projects' potential.

The Company's income from sales in 2023 was mainly earned from services provided to Novavax, Inc. in relation to the Nuvaxovid vaccine. The Agreement with Novavax and the additional orders entered into thereunder were of critical importance to the Company in 2023, both on the operational and financial level.

As part of the commercial contract manufacturing agreement ("Master Contract Manufacturing Agreement" or "MCMA") and Statement of Work #1 (SOW#1) entered into with Novavax in October 2021, the Company agreed to manufacture a certain number of batches of the active substance, i.e. the COVID-19 vaccine antigen, branded as Nuvaxovid® ("Product") in the period up to 2025. In December 2021, the Company started, in line with the assumptions, the first manufacturing activities related to the preparation of the manufacturing facility, securing raw materials, approving raw materials for manufacturing in terms of quality, ensuring analytical capacity for process and product control, as well as commencing the implementation of the manufacturing schedule covering the period of 12.2021–12.2022. In line with its assumptions, the schedule implemented throughout 2022 was cumulative in time, i.e. the initial batches were planned as a sequence, and over time the ratio of simultaneous batches per unit of time increased.

Following the change in Novavax' production needs, Q3 2022 saw a suspension of production in order to develop a new schedule for the new vaccine variant. Under the annex to the Manufacturing Agreement and SOW#1 (signed on 22 September 2022), the manufacturing schedule was updated and the parties have agreed a guaranteed capacity volume for Novavax until Q2 2024. Novavax is not entitled to reduce the capacity volume reserved for that period (until Q2 2024). The duration of the Manufacturing Agreement was extended until 2026, with a guaranteed ordering period until May 2024. The annex also introduced remuneration for the Company in the absence of manufacturing orders, on account of Mabion guaranteeing and making its production capacity available, also until May 2024.

On 6 April 2023, the Company entered into Annex no. 2 to Statement of Work No. 1 with Novavax to extend the scope of the cooperation by including the manufacture of antigens being the active substance for the Omicron variant vaccines. In H1

2023, the company successfully completed GMP validation and production for the Omicron BA.5 variant and carried out a technical run for a further sub-variant, Omicron XBB.1.5 (informally Kraken). In the financial year 2023, the Company executed the order for Novavax as per the production needs of the counterparty, and in the absence of orders, kept a manufacturing slot in accordance with the provisions of the agreement.

In 2023, under the existing Manufacturing Agreement, Mabion executed additional orders with Novavax presented in the table below. Detailed information on the additional orders executed as part of the cooperation with Novavax is presented in section 4.4.1 of this Report.

Table 5. Additional orders implemented in 2023 under the existing Manufacturing Agreement between Mabion and Novavax

No.	Order name	Agreement date	Scope
1	SOW#2	18 January 2022	Additional analytical services to Novavax in the area of analytical research related to the quality control of the Nuvaxovid® vaccine. Order completed. The task is implemented on a continuous basis, depending on the samples supplied for analysis.
2	SOW#3	14 January 2022	The manufacture, in compliance with the GMP standard, of cell banks for Novavax, as input material for the production of the different variants of the SARS-CoV-2-rS active substance. Order completed in Q4 2023.
3	SOW#4	27 May 2022	The extension of the range of analytical tests implemented by the Company to include a quality test performed for the purposes of the finished product analysis. Order completed in Q4 2023.
4	SOW#7	20 July 2022	The generation of cell banks carrying genetic structures that will be used for the manufacturing processes of the active substance of one of Novavax's formulations. Order completed in Q4 2023.
5	SOW#8	2 August 2022	Stability tests on the SARS CoV-2 rS active substance. Order completed in Q3 2023
6	SOW#9	23 November 2022 (annex no. 1 signed on 14 April 2023)	The development of a method for and conducting a peptide mapping analysis for the active substance (DS) as well as the finished product (DP) of rS SARS-CoV-2 protein samples of Novavax products. Order completed. The task is implemented on a continuous basis, depending on the samples supplied for analysis.
7	SOW#10	9 February 2023	Logistics services, including the transportation and storage of materials, vaccine active substances, and finished products. Order completed. The task is open-ended, depending on Novavax's logistical needs.

Source: Own study of the Company

In 2023, the only recipient of the services provided by the Company worth more than 10% of its sales income was Novavax. The amount of income recognised in the financial statements for this entity reached a value corresponding to 99.93% of the Company's sales income. Due to the share indicated above, the Company is dependent on Novavax in terms of its income to which Mabion is entitled in return for manufacturing or manufacturing slots ensured for Novavax. The production for Novavax is conducted on the basis of the manufacturing process made available by the client who, due to binding contractual provisions and issues relating to intellectual property rights, is also the only entity entitled to receive the manufactured batches of the active substance. No formal relationship other than that arising from the 2021–2023 agreements and orders exists between the Company and Novavax.

For details of income generated by the Company, see Note 8 to the Financial Statements.

4.2 Sales markets

In 2023, nearly 100% of the Company's sales income came from exports, as the Company's main client is Novavax, a company with its registered office in the USA.

Table 6. Income from sales of Mabion S.A. by domestic and foreign markets

Sales direction	2023		2022	
	PLN thousand	%	PLN thousand	%
Domestic	112	**0.07%**	9	**0.01%**
Export	150,881	**99.93%**	161,141	**99.99%**

Source: Own study of the Company

4.3 Supply sources

In 2023, work carried out by the Company was related to very diverse areas (both in-house and contract projects) – small scale process work, scale-up process work, commercial scale process work, research and development analytical work, quality control analytical work. In consequence of the advancement of technologies developed in Mabion and the much differentiated level of project topics, the Company uses a wide range of products and services available on the market. This is reflected in the number of sources of supply used by the Company. The Company cooperates with suppliers in the area of supply of process equipment, consumables, substances, as well as services related to the projects implemented by the Company.

Producing an advanced biotechnological product as a monoclonal antibody or vaccine protein antigen requires maintaining appropriate sterility conditions and cleanliness areas, as well as certified input materials, including disposable materials. The final product is subject to release procedures of the Quality Control Department, which often require using appropriately characterised reagents or outsourcing analyses to appropriately certified bodies.

In the period covered by this report, the Company was not engaged in production of its own finished products (other than relating to the implementation of the CDMO agreement), hence the procurement and inventories include mainly materials that are used for research and development work. Raw materials purchased by the Company and used in the implementation of the CDMO agreement are recognised in the profit and loss account upon purchase rather than when actually used in production, unless they have an alternative use. Raw materials supplied and then used in the manufacturing process on order are specifically traceable. The Company does not have the right to use the raw materials for purposes other than contract manufacturing, and other circumstances also indicate that control over the raw materials is transferred to the contracting party by the Company at the time of acquisition of the raw materials. Consequently, the Company does not recognise purchases of raw materials acquired for the purpose of contract manufacturing in the balance-sheet under inventories. However, it should be emphasised that the process of supplying raw materials and ensuring adequate levels of raw materials in accordance with the existing agreement rests with the Company.

In 2023, no supplier of materials or services (including suppliers ensuring deliveries for the CDMO agreement), exceeded 10% of the Company's total sales income. In the Company's opinion, it is not dependent on any of its suppliers. In order to prevent possible risks of dependence on suppliers, the Company each time takes into account alternative solutions by monitoring the market of producers and suppliers. The measures described above enable some diversification of suppliers. The Company exercises due diligence to ensure that all orders are prepared well in advance to prevent possible delays in the supply chain. The facility upgrade, described in detail in section 2.3 of this report, will allow for a broader list of suppliers and reduce the risk of dependency in this respect, but still what materials and raw materials the Company will purchase as a CDMO will depend on the decisions of its clients (the Company procures the materials on behalf of the client contracting the service).

4.4 Agreements entered into or terminated in the financial year of 2023 and after the balance-sheet date

4.4.1 Material agreements in the area of operations

In 2023, the most important area of the Company's operations was primarily the execution of orders placed as part of the

Company's cooperation with Novavax. The cooperation of the parties is based on the Manufacturing Agreement concluded together with SOW#1 in 2021, under which the Company manufactures, on a commercial scale, the COVID-19 vaccine antigen under the name of Nuvaxovid® for Novavax in compliance with the GMP standard. The successive orders under the Manufacturing Agreement and the annexes concluded over the course of 2022 and 2023 have allowed for an expansion of the services provided to Novavax. Apart from the cooperation with Novavax, significant agreements entered into and terminated during the financial year 2023 concerned activities related to the implementation of the Company's Strategy for 2023-2027. The details are presented below.

Extension of cooperation with Novavax, Inc. – SOW#10

On 9 February 2023, the Company signed another extension to the scope of services under the Manufacturing Agreement with Novavax, in the form of Statement of Work #10 ("SOW#10"). The scope of SOW#10 comprises logistics services, including the transportation and storage, by the Company, of materials, vaccine active substances, and finished products under suitable transport and storage conditions agreed by the parties. The extension of the scope of services came into force on the date of signing SOW#10 and is continuous due to the nature of the services. The value of SOW#10 depends on the volume of transport services commissioned by Novavax and the products to be stored, and the duration of their storage by the Company. The final value of the order in the first year of its implementation was close to the initial estimate and amounted to approximately PLN 1 million (compared to an estimated value of approximately PLN 1.2 million).

The Company informed about concluding SOW#10 in Current Report no. 4/2023 of 9 February 2023.

Execution of an annex with Novavax, Inc. for the manufacture of COVID-19 vaccine antigen: Omicron variant

On 6 April 2023, the Company entered into Annex No. 2 ("Annex No. 2") to SOW#1 with Novavax regarding the Company's ability to be contracted by Novavax to manufacture agreed batches of the COVID-19 Omicron variant vaccine antigen ("Omicron"). Annex no. 2 specifies the previously agreed and partially implemented activities aimed at including a further Omicron product in the scope of the cooperation, including the performance of technology transfer, process validation and subsequent manufacturing of the Omicron product in compliance with the GMP standard, in line with the detailed rules set out in Annex no. 2. Pursuant to Annex no. 2, when Novavax places an order for the Omicron product, the Company's responsibilities include, in particular, manufacturing the product, qualitative tests of product samples, stability research, procuring raw materials for production, quality management and supervision, and supporting Novavax in complying with registration requirements by submitting the relevant documentation.

The number of batches of the Omicron product commissioned for manufacture is agreed between the parties on an ongoing basis. The Omicron product will be manufactured within the capacity (manufacturing slots) guaranteed to Novavax to date. As a result of the Annex no. 2, the original Manufacturing Agreement and the Statements of Work contained therein also apply to the Omicron product.

The Company informed about concluding Annex no. 2 in Current Report no. 5/2023 of 6 April 2023.

The Company terminates its agreement with Parexel for the clinical trial of MabionCD20

On 22 May 2023, the Company decided to terminate the agreement of 2020 with Parexel International (IRL) Limited with its registered office in Ireland, to conduct a bridging three-arm clinical trial of MabionCD20 (Current Report no. 41/2020 of 29 October 2020). The Management Board's decision was based on the implementation of Mabion S.A.'s Strategy for 2023–2027 and the continuation of the transformation towards a fully integrated CDMO company specialising in biologics. The agreement was terminated in accordance with its provisions and had no material financial consequences for the Company other than the necessary costs associated with the termination of the clinical trial. The expenditure incurred to date, as estimated by the Company, to carry out the activities under the agreement, amounted to EUR 2.1 million, compared to a cost of approximately EUR 5.4 million for the trial as at estimated at the date of the agreement. Any further decisions as regards the MabionCD20 bridging clinical trial required for the purposes of the registration of the drug will be at the discretion of a prospective third-party partner who will carry out the registration under a licence granted by the Company and will be responsible for sales and distribution of the product.

The Company informed about the agreement termination in its Current Report no. 10/2023 of 22 May 2023.

Conclusion of an annex to the agreement for the supply of bioreactors to the Company's manufacturing facility

On 22 May 2023, Mabion entered into an annex to the agreement for the purchase of bioreactors, each with a capacity of 2,500 litres, together with ancillary services, entered into with Adolf Kühner AG, with its registered office in Switzerland, in 2021 (Current Report no. 64/2021 of 30 November 2021). Under the annex, the parties agreed that the supplier will manufacture and deliver two new bioreactors to the Company within the timeframe agreed for Q3 2023 (previously, the agreement provided for the delivery of four bioreactors within 15 months from its date). With the annex in place, the value of the agreement has changed and amounts to EUR 1.8 million, and reflects additional services ordered by the Company (original amount: EUR 2.3 million).

The agreement has been implemented as agreed. As a result, two new orbital shaking bioreactors have been installed at the Company, replacing the two bioreactors used to date.

The annex to the agreement was a result of changes that the Company is implementing following the adoption of the Strategy for 2023–2027. In accordance with the Strategy, one of the objectives the Company is pursuing is to achieve diversification in bioreactor breeding technology. Such bioreactor technology diversification is aimed at complementing the Company's development and process equipment with the classical cell culture stirring technology. As a result of the above activities, Mabion will be able to offer services using both technologies. The resulting expanded panel of available bioreactor technologies will bring greater flexibility to the Company in discussions with future clients as part of the CDMO services offering, which should lead to greater business diversification, which the Company's Management Board believes is one of the key factors for the Company's further growth.

The Company informed about concluding the annex in Current Report no. 11/2023 of 22 May 2023.

Execution of an agreement for the supply of a set of bioreactors to the Company's manufacturing facility

On 11 July 2023, the Company entered into an agreement with Global Life Sciences Solutions Poland Sp. z o.o., of the Cytiva Group ("Supplier") for the purchase of a set of bioreactors with the following capacities - 10 litres (1 unit), 50 litres (2 units), 200 litres (2 units) and 2,000 litres (2 units), together with additional services. Under the agreement, the Supplier was to manufacture, sell to and install at the Company a set of bioreactors under the brand name of "Cytiva Xcellerex XDR" in accordance with the specifications set out in the agreement, together with associated documentation, goods, software and services. The scheduled delivery date for delivering the bioreactors to the Company's manufacturing facility in Konstantynów Łódzki was set to Q3 2023, which was to be followed by installation, qualification tests, and acceptance of the equipment. The net value of the agreement was EUR 3.2 million.

The agreement has been implemented as agreed. The bioreactors were delivered to the Company and installed, which was followed by their testing and acceptance.

The purchase of the aforementioned bioreactors is in line with the Strategy for 2023–2027. The addition of bioreactors employing conventional stirred-tank technology to the development and process equipment made it possible too diversify the Company's bioreactor culture technologies. As a result, Mabion is able to offer both the orbital shaking technology as well as a technology based on the use of the conventional stirring system in bioreactors. Due to the investment, the Company has significantly strengthened its competitive position as a CDMO and is positioned to attract a new client segment whose products are developed based on the conventional bioreactor technology.

The Company informed about concluding the agreement in Current Report no. 19/2023 of 11 July 2023.

Mabion signs an agreement with Bonfiglioli Engineering srl for the manufacture and delivery of a direct packaging leakage control and optical inspection line to the Company's manufacturing facility

On 6 September 2023, Mabion entered into an agreement with Bonfiglioli Engineering srl with its registered office in Italy ("Supplier") for the manufacture and supply of a direct packaging leakage control and optical inspection line, together with associated documentation and services. Under the agreement, the Supplier will manufacture, supply and install, at the Company's registered office, a device for automatic leakage control of primary pharmaceutical packaging (vials containing finished, sterile medicinal product) and optical inspection of filled packaging and product inside the packaging, in line with the specifications defined in the agreement. The equipment incorporates a state-of-the-art measurement and control system and its design complies with GMP requirements, and national and international standards. The equipment's delivery to the Company's manufacturing facility in Konstantynów Łódzki, its assembly, installation, and commissioning, will take place in 2024. The net value of the Agreement is EUR 0.83 million, i.e. PLN 3.73 million (at the average exchange rate of the National Bank of Poland as announced on 6 September 2023).

The product inspection line is purchased as part of the implementation of the Strategy for 2023–2027. The investment will accelerate the processes of finished product inspection after filling into vials, while at the same time enabling these services to be provided for a much higher volume than is possible at present.

The Company informed about concluding the agreement in Current Report no. 22/2023 of 6 September 2023.

Termination of Statement of Work #8 (SOW#8) implemented for Novavax, Inc.

On 18 October 2023, Mabion and Novavax agreed to terminate Statement of Work Order #8 ("SOW#8") signed in August 2022 under the Manufacturing Agreement. In the agreement on the termination of SOW#8 ("Agreement"), the Company and Novavax have resolved to discontinue the tests conducted to date and to mutually release each other from all liabilities incurred prior to the effective date of the Agreement.

Under SOW#8, the Company carried out stability testing with regard to the active substance SARS CoV-2 rS – Wuhan variant, over a period of three years for each batch covered by the research. Novavax has informed that there is no need for continued stability tests for the Wuhan variant. Concurrently, stability testing of the active substance SARS CoV-2 rS – Omicron variant (carried out on the basis of Annex No. 2 to Statement of Work #1) is being continuously conducted. The discontinuation of work under SOW#8 did not have any material impact on the Company's financial position or the extent of its collaboration with Novavax.

Other services under the Manufacturing Agreement and the Statements of Work are provided as envisaged.

The Company informed about the termination of SOW#8 in Current Report no. 23/2023 of 18 October 2023.

4.4.2 Material agreements financing the Company's business

In the financial year 2023 and after the balance-sheet date, the Company has not entered into or terminated any agreements relating to loans or borrowings other than those indicated below.

Execution of a loan agreement with the European Bank for Reconstruction and Development

On 6 February 2023, the Company entered into a loan agreement with the European Bank for Reconstruction and Development (EBRD) for USD 15 million ("Loan Agreement"). The financing to the Company was approved by the credit committee of the EBRD on 18 October 2022.

The loan was to be disbursed once the standard conditions precedent specified in the Loan Agreement have been met, at the request of the Company, in one lump sum or in tranches of not less than USD 5,000 thousand, no later than nine months as of the date of the Loan Agreement. The first disbursement of the loan was to take place no later than six months after the date of the Loan Agreement; however, on 31 July 2023, the Company received confirmation from the EBRD that it was possible for the Company to make the first disbursement of the loan at a later date than indicated above. The entire loan amount of USD 15 million was disbursed on 28 September 2023.

The loan bears interest at a variable rate composed of the interest base, i.e. the compounded Secured Overnight Financing Rate (SOFR), plus a margin. The first two principal instalments of the loan were repaid according to the terms and conditions of the Loan Agreement: on 29 September 2023 and 28 December 2023. The third tranche of the loan was repaid after the balance-sheet date, on 25 March 2024, while its final tranche will be repaid, in accordance with the schedule specified in the Loan Agreement, on 30 June 2024.

The EBRD's amounts due under the Loan Agreement are collateralised for the benefit of the EBRD by the establishment of a contractual mortgage on the Company's real estate, a registered pledge on certain Company's assets related to the CDMO project and registered pledges on the Company's bank accounts, the assignment of rights or pledge on receivables under the Manufacturing Agreement with Novavax, the assignment of rights under insurance contracts for certain Company's assets, and a declaration of submission to execution by the Company in the form of a notarial deed. The Loan Agreement contains certain provisions that impose restrictions on the Company with respect to, among other things, the termination or amendment of the terms and conditions of the Production Agreement with Novavax if as a result the Company's proceeds are reduced; the disposal of, or encumbrance on, material assets of the Company; and incurring certain financial liabilities in excess of agreed amounts, including incurring, or committing to incur, capital expenditure in excess of an equivalent of PLN 5 million in any financial year for purposes unrelated to the projected financed with the loan. The Loan Agreement includes the EBRD's entitlement to grant the Company a written waiver of the restrictions imposed on the Company under the Loan Agreement. The right referred to in the preceding sentence is subject to the sole discretion of the EBRD. The Loan Agreement includes financial covenants regarding restrictions on dividend payments above the Debt Service Coverage Ratio (DSCR) specified in the Loan Agreement. Should the Company breach the obligations specified in the Loan Agreement, it will entitle the EBRD to terminate thereof and demand immediate repayment of the loan together with contractual default interest and any other due costs or fees. Under the Loan Agreement, the Company undertook to implement an Environmental and Social Action Plan to carry out ESG activities in accordance with EBRD Performance Requirements 1–8 and 10 of April 2019, as well as to pursue its business in accordance with the EBRD's anti-corruption guidelines.

The loan provided by the EBRD was used to finance the expansion and upgrade of the Company's facility located in Konstantynów Łódzki and to deploy IT systems to support the implementation of commercial contract manufacturing performed under the Manufacturing Agreement entered into with Novavax, and the implementation of other possible CDMO projects.

The Company informed of the EBRD credit committee's approval of the financing in Current Report no. 32/2022 of 18 October 2022. The Company informed on the conclusion of the Loan Agreement and the revised date for the first disbursement of the loan in Current Reports no. 2/2023 of 6 February 2023 and no. 20/2023 of 31 July 2023.

Termination of non-binding agreement with Polski Fundusz Rozwoju S.A.

On 6 February 2023, the Management Board of Mabion S.A., in connection with the conclusion of a Loan Agreement with EBRD referred to above, decided to terminate the non-binding agreement regarding the entry conditions of the investment of Polski Fundusz Rozwoju S.A. ("PFR") amounting to up to PLN 40 million. The agreement was entered into by the Company and the PFR on 3 March 2021, as notified by the Company in Current Report no. 16/2021 of 3 March 2021. To date, the agreement has been implemented in the part concerning the taking-up of the Company's shares up to the amount of PLN 10 million as part of an issue of U series shares carried out in 2021. The Company decided to abandon further implementation of the agreement.

The Company informed of the termination of the agreement in Current Report no. 3/2023 of 6 February 2023.

4.4.3 Borrowings granted

In the financial year 2023, the Company did not grant any borrowings.

4.4.4 Sureties and guarantees

In the financial year 2023, the Company neither granted not received any sureties and guarantees.

4.4.5 Transactions with related parties

The Company's transactions with related parties are presented in Notes 29 of the financial statements.

In the financial year 2023, the Company did not enter into transactions with related parties on terms other than arm's length.

4.4.6 Other major agreements

In August 2023, the Mabion S.A. entered into a general contracting agreement with KARMAR S.A. with its registered office in Warsaw ("Contractor"), under construction works are to be carried out for the Company consisting in the upgrade of the existing Scientific and Industrial Complex for Medical Biotechnology of Mabion S.A. in Konstantynów Łódzki. The work was completed in early November 2023. Under the agreement, the Contractor upgraded the manufacturing area to make it consistent with the Strategy for 2023–2027, envisaging the upgrading of the existing facility and laboratories to align the facility with the CDMO profile. In relation to the Company's sales income, the value of the agreement was not material. The expenditure associated with the investment was included in the Company's capital expenditure plan for 2023.

In September 2023, the Company entered into an agreement with MasterControl Solutions, Inc., USA, to implement an electronic quality management system (eQMS) ensuring oversight of Pharmaceutical Quality System documentation, deviations, change control, training, OOS, and CAPA. The agreement with MasterControl Solutions, Inc. provides for use of the system in a SaaS model for a minimum period until November 2026 and is a standard cloud services agreement. The value of the agreement did not exceed 5% of the Company's sales income for 2023.

In November 2023, the Company entered into three agreements with a Polish biotechnology company, providing for analytical services to be rendered by the Company for the purposes of characterisation of a biological research product dedicated to clinical trial. The total value of the agreements amounted to PLN 174.8 thousand, of which the total value of services provided in 2023 amounted to PLN 59 thousand. Under the terms and conditions of the agreement, the rest of the services, worth PLN 116 thousand, were delivered in Q1 2024. All services were delivered on time.

In December 2023, the Company entered into an agreement with LabVantage Solutions Inc., USA, to implement a LIMS (Laboratory Information Management System) at Mabion. The implementation of the LIMS at Mabion will, inter alia, accelerate quality control processes, ensure compliance with the latest standards in terms of documentation collection, archiving, data integrity, as well as enable an extended range of preventive measures, which is appreciated by CDMO clients. The agreement was executed as part of the implementation of the Strategy for 2023–2027. The LIMS implementation project at Mabion started in Q1 2024 and will span over several months. The value of the agreement did not exceed 5% of the Company's income and the investment in the LIMS system is included in the Company's capital expenditure plan for 2023–2024.

In December 2023, the Company entered into an agreement with Bruker Cellular Analysis, Inc., USA, for the supply of the Beacon Select™ system for cell line development (CLD). The Beacon Select™ system is based on a patented optoelectropositioning technology that enables selective placement of individual cells into dedicated compartments of the device chip using low intensity light. The solution guarantees that the best quality clone is selected from the pool of cells while allowing the first stages of cell line development to be carried out at high throughput in a short period of time. The equipment was delivered and installed in accordance with the schedules set out in the agreement. The value of the agreement did not exceed 5% of the Company's sales income for 2023.

4.5 Factors and events in the Company's operations

Information on the agreements concluded in the area of operations and financing is presented in section 4.4.1 and 4.4.2 of this Report. Other significant factors and events occurring in the Company's operations include mainly those set out in the sections below.

4.5.1 Material events occurring during the financial year and after the balance-sheet date

Decision to close the patent procedures for MabionMS

On 26 April 2023, the Company decided to end its efforts to obtain patent protection under the applications submitted for the inventions called "Combination Therapy of Multiple Sclerosis comprising a CD20 Ligand" and "Low aggregate anti CD20 ligand formulation", developed as part of the MabionMS (MS, multiple sclerosis) innovative therapy project. Analogous decisions have been taken with respect to all patent applications as part of the MabionMS project, of which the Company informed in interim reports published in the previous years. The present Company's decision was based on the implementation of Mabion S.A.'s Strategy for 2023–2027 and the continuation of the transformation towards a fully integrated CDMO company specialising in biologics.

The Company informed of termination of the patent procedures in Current Report no. 8/2023 of 26 April 2023.

Information on the Company's estimated financial results for 2023 and on the write-down of fixed assets under construction

On 10 April 2024, following the completion of the financial data aggregation exercise and the decision to recognise a write-down of PLN 12.2 million for fixed assets under construction, the Company announced its estimated financial results for 2023.

This write-down on property, plant and equipment under construction relates to expenditures incurred in previous periods for the construction of the new manufacturing facility, Mabion II. The decision to recognise a revaluation write-down as at the balance-sheet date (31.12.2023) was motivated by the analysis and risk assessment conducted as regards sufficient probability

of the continuation and implementation of the owned and activated project, with particular emphasis on the availability of guaranteed funds as at the balance-sheet date, allowing the investment to be implemented. Considering the Company's financial position as at the date of the decision to recognise the write-down and the level of expected cash flows from operating activities, and therefore the risk related to the possibility of obtaining an appropriate financing to use of the expenditures incurred for the design work and accompanying analyses related to the construction of the Mabion II facility, the Company's Management Board, with a view to the International Financial Reporting Standards (IFRS) applied by the Company, decided to recognise the write-down in the financial statements for 2023, by charging other operating costs in Q4 2023. Should the Company's financial situation change, its Management Board will again conduct an appropriate analysis as to whether it is appropriate to revalue the aforementioned assets.

The write-down recognised in the financial statements is a one-time event that bears no indication of the abandonment of the project at the balance-sheet date, but merely arises from the accounting principles applied by the Company and reflects the uncertainty as to the completion time of the investment tasks, which depends on the possibility of obtaining financing and on a satisfactory level of cash flows from operations. As at the date of this Report, the Management Board of the Company confirms its intention to build Mabion II, which is a key element of the Strategy for 2023–2027.

The write-down is non-cash and in the opinion of the Company's Management Board, has no impact on the Company's liquidity and operating position.

Detailed information in this respect can be found in the Financial Statements of Mabion S.A. for the financial year ended 31 December 2023.

The Company informed of the estimated financial results and the write-down in Current Report no. 2/2024 of 10 April 2024.

4.5.2 Other events

FDA grants the ODD status for rituximab in the indication of membranous nephropathy and autoimmune haemolytic anaemia

In January 2023, the US Food and Drug Administration (FDA) granted the Orphan Drug Designation (ODD) status to Mabion S.A. for rituximab in the indication of membranous nephropathy.

In February 2023, the FDA issued another positive decision for the Company, granting the ODD status to Mabion S.A. for rituximab in the indication of autoimmune haemolytic anaemia. Owing to this, the Company has a prospective business advantage when licensing the MabionCD20 antibody to an external partner, as this status may increase the value of this product to the licensee. Obtaining FDA registration for an orphan drug with the ODD status can ensure, inter alia, market exclusivity (the FDA will not approve the same or a similar drug in the same indication unless the drug demonstrates clinical superiority) for up to seven years.

4.6 Main domestic and foreign investments

In 2023, the Company did not make any significant investments in securities, financial instruments, or intangible assets.

In the reporting period of 2023, the Company implemented agreements with foreign contractors for the supply of property, plant and equipment to retrofit an existing manufacturing facility. The value of agreements signed with 3 key suppliers of fixed assets:

- Adolf Kuhner AG and Global Life Sciences Solutions Poland Sp. z o. o (of the Cytiva Group) – bioreactors,
- Bonfiglioli Engineering srl – leakage control and optical inspection line,

in previous periods and 2023 amounted to EUR 5,830 thousand, of which – as at the balance-sheet date of 31.12.2023 – the value of the liabilities amounts to EUR 937 thousand. The Company intends to fund these purchases from its own resources and by using the loan from the EBRD.

In the period from 1 January 2023 to 31 December 2023, the effective expenditure on fixed assets amounted to PLN 36.8 million. The expenditure was mainly incurred on the purchase of equipment for the manufacturing area and infrastructure of the Research and Development Department, i.e. the purchase of bioreactors (orbital shaking and with classical stirring technology) and the Beacon system for the development of cell lines, as well as IT systems.

5. COMPANY'S FINANCIAL AND ASSETS POSITION

5.1 Accounting principles applied to preparing financial statements

The financial statements of Mabion S.A. have been drawn up in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union as at the reporting date.

The financial statements of Mabion S.A. for 2023 include:

- statement of financial position as at 31 December 2023;

and the following statements for the financial year from 1 January to 31 December 2023:

- statement of comprehensive income;
- statement of changes in equity;
- cash flow statement;

and

- additional information containing a description of the adopted accounting principles and other explanatory information.

The financial statements cover the annual reporting period from 1 January to 31 December 2023 and the comparative period from 1 January to 31 December 2022.

The financial statements have been drawn up on the historical cost basis, with the exception of certain assets and liabilities and equity which were measured at fair value in accordance with the IFRS. The financial statements, with the exception of the cash flow statement, have been prepared on an accruals basis.

The financial statements have been drawn up in accordance with the going concern principle, which provides that the Company will continue to operate in the foreseeable future (presented in more detail in Note 3 to the financial statements). Therefore, no adjustments have been made to the financial statements which might be necessary if there was a risk that the Company would not continue as a going concern. For the financial year 2023, the Company generated a net profit of PLN 41,269 thousand. The implementation of the manufacturing agreement in cooperation with Novavax and further acquisition of new clients for CDMO services should provide the Company with the necessary funding for its ongoing operating and investing activities.

In the financial statements for the year 2023, the same accounting principles (policies) as in the financial statements for the year 2022 were applied. There were no changes in the rules for measuring assets and liabilities and financial result in 2023.

The scope of the annual report of the Company is consistent with the Minister of Finance Regulation of 29 March 2018 on current and periodic reporting by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Polish Journal of Laws of 2018, item 757).

5.2 Discussion of the Company's financial results for 2023

Factors and extraordinary events with a significant impact on the results

Extraordinary events affecting the Company's financial results, assets, and cash flows include the upgrade of the existing facility, resulting from the implementation of the new Strategy for Mabion for 2023–2027, and the signing and subsequent activation of financing in the form of a loan from the EBRD. Both factors contributed to the significant increase in fixed asset expenditure in the reporting period. The Company carried out impairment tests on property, plant and equipment. The recoverable value was determined on the basis of the higher of the two following amounts: fair value less costs to sell and value in use.

On the basis of the analyses performed by the Company, an impairment loss was recognised in the amount of PLN 12,233 thousand and, at the same time, it was found to be unnecessary to recognise an impairment loss for the remaining property, plant and equipment.

The fair value, for selected assets, was determined on the basis of a valuation by an external appraiser, while for the other assets, the prices obtainable on an active market on sales to an unrelated party were compared. For property, plant and equipment under construction, the feasibility of further realisation and utilisation of the expenditure incurred was verified in the analyses with a further report by external advisers on the suitability and adaptability of the solutions to the CDMO services provided or expected to be provided by the Company.

This write-down on property, plant and equipment under construction relates to expenditures incurred in previous periods for the construction of the new manufacturing facility, Mabion II. The decision to recognise a revaluation write-down as at the balance-sheet date was motivated by the analysis and risk assessment conducted as regards sufficient probability of the continuation and implementation of the owned and activated project, with particular emphasis on the availability of guaranteed funds as at the balance-sheet date, allowing the investment to be implemented. Considering the Company's financial position and the level of expected cash flows from its operations and, therefore, the risk of not obtaining an adequate level of financing necessary to fulfil the intentions related to the use of the expenditures incurred for the project work and accompanying analyses related to the construction of the Mabion II facility, the

Management Board decided to recognise a revaluation write-down in the financial statements for 2023.

It should be highlighted that the project in question does not have a specific validity date from a formal and legal point of view. Considering its technical and technological value, the project can still be finalised if adequate financing is obtained, which was confirmed by an external entity's analysis of the feasibility and adaptation of the project.

As at the date of these statements, the Management Board of the Company confirms its will to pursue the Mabion II project, which is a core element of the Strategy announced in 2023. The Company holds a building permit and the project has commenced, with the necessary expenditure incurred up to the date of the financial statements to continue the construction of the facility. The Company owns a plot of land located in Konstantynów Łódzki, on which the facility is to be built, and no formal restrictions on the implementation of this investment have been found beyond the ability to finance it as at the balance-sheet date.

The write-down recognised in the financial statements is therefore a one-time event that bears no indication of the abandonment of the project at the balance-sheet date, but merely reflects the uncertainty as to the completion time of the investment tasks, which depends on the possibility of obtaining financing and on a satisfactory level of cash flows from operations.

In the first place, during the period covered by the financial statements, the Company successfully fulfilled the need to upgrade the existing facility and also set the objective of utilising the production capacity after the period of cooperation with Novavax (Novavax has an exclusive use of the manufacturing capacity guaranteed until Q2 2024). The decision to incur significant expenditures on the construction of the new Mabion II facility, considering the scale of this project, depends directly on the utilisation of the manufacturing and service capacity at the existing facility. Once the capacity available in the upgraded facility has been utilised, the Company should proceed to raise financing and further expand the manufacturing and service capacity at Mabion II. The Company anticipates that in terms of obtaining financing for the construction and equipping of Mabion II, the financing will be available in tranches along with the progress of the construction work, and the facility itself (production lines) will be launched gradually with the acquisition of contracts/clients. Should a change in the Company's financial position, including the level of expected cash flows from operating activities become probable and, consequently, the probability of obtaining an appropriate level of financing necessary to put in practice the intentions related to the use of the expenditures incurred for the design works and accompanying analyses related to the construction of the Mabion II facility will raise, the Management Board may decide to reverse the write-down in subsequent reporting periods.

The Management Board is of the opinion that the project (activated expenditures covered by the write-down) and the new Mabion II manufacturing facility built as part of it, if completed, should bring tangible economic benefits in the form of income generated from future orders. This is reflected in the strategy approved by the Supervisory Board and communicated to the market. The strategy was a result of internal work and analyses by a renowned advisor on the market demand and the assets required for implementation, and the conclusions clearly support the thesis of tangible benefits from the implementation of the plan, with a particular focus on exploiting the possibility of generation of significant income after completion and utilising the potential of Mabion II. The demand for the CDMO services and the history of cooperation with Novavax justify the actions taken by the Company, the objectives set by it, and justify the direction of the Company's development envisaged in the strategy.

5.3 Financial and non-financial performance indicators

In 2023, in accordance with its accounting policies and principles, the Company has recognised income from its core operations derived from the provision of CDMO manufacturing and sales services, manufacturing slot services, and the provision of analytical and research services. The sources of generated income, which include in particular the cooperation with Novavax started in 2021, are presented in section 4.1 of this report. In total, the Company's net sales income realised in 2023 amounted to PLN 151,678 thousand, and gross profit on sales for 2023 amounted to PLN 114,584 thousand. Net profit for 2023 amounted to PLN 41,269 thousand.

The Company has set the following financial[17] indicators for 2023 in connection with the achievement of net sales income in 2023:

- EBITDA (i.e. operating profit adjusted for depreciation and amortisation);
- The return on assets (ROA, i.e. the ratio of net profit to the closing balance of assets);
- The return on equity (ROE, i.e. the ratio of net profit to the closing balance of equity);

[17] The financial indicators presented here are Alternative Performance Measures (APMs) within the meaning of the ESMA Guidelines on Alternative Performance Measures. Alternative Performance Measures do not constitute a measure of financial performance under International Financial Reporting Standards and should not be regarded as measures of financial performance. These figures were not audited by an independent auditor. Furthermore, the indicators are not uniformly defined and may not be comparable to indicators presented by other companies. APMs should only be analysed as additional financial information. The selected scope of the APMs presented in the report was based on the assessment by the Company's Management Board of the individual indicators commonly used in financial analysis as to their usefulness and meaningfulness in the context of the present stage of development of the Company's business. The APMs presented in the report may, in the opinion of the Company's Management Board, provide additional information on the Company's financial and operating position as well as facilitate the analysis and evaluation of the financial results achieved by the Company. No changes have occurred in the calculation of individual APMs relative to 2022.

> The return on revenue (ROR, i.e. the ratio of net profit to total income).The income earned in 2023 resulted mainly from the implementation of the agreement as well as additional orders for services implemented by the Company for Novavax and from the provision of analytical and regulatory services to other parties under agreements.

Table 7. Financial indicators

Financial indicators	2023	2022
Income from sales	PLN 151,678 thousand	PLN 163,982 thousand
Gross profit on sales	PLN 114,584 thousand	PLN 65,987 thousand
Net profit	PLN 41,269 thousand	PLN 23,192 thousand
EBITDA	PLN 62,260 thousand	PLN 37,191 thousand
Return on Assets (RoA)	19.82%	12.46%
Return on Equity (ROE)	35.04%	30.31%
Return on Revenues (ROR)	27.21%	14.14%

5.4 Current and projected financial situation of the Company

In the reporting period, the Company achieved satisfactory financial results for another consecutive year. The results allowed Mabion to meet its transformation objectives in line with the strategy announced at the beginning of 2023.

The net financial result reached its highest historical point and was produced as a result of the implementation of the agreement for contractual manufacturing and ancillary services for Novavax. The main sources of funding for operating and investing activities in 2023 included proceeds from the guaranteed agreement entered into with Novavax and the loan agreement with the EBRD. The Manufacturing Agreement and the different SOWs entered into in 2021 with Novavax have provided the opportunity of positive cash flows over the next 4 years until Q4 2024 and have become, in 2023, the main source of funding for ongoing operations. On the other hand, the loan agreement signed with the EBRD allowed for the upgrade of the facility and for the purchase of new equipment, as well as for launching the strategy of equipping the Company with the necessary IT tools. The measures taken and the use of financing in the area of infrastructure were aimed at expanding the availability and diversity of production and the range of services on offer as part of the CDMO transformation.

A key driver of positive financial results and liquidity situation, including the further expansion of manufacturing capacity and the construction of a new facility, is further development of the existing cooperation with the existing partner, Novavax, and the acquisition of new agreements in the CDMO area (please refer to Note 28.4 of the Financial Statements for more information on the Company's liquidity). This affects both the raising of funds for the day-to-day operations as well as the further financing of significant expenditures for the construction and equipping of the new facility, including the possibilities for bridge or long-term debt financing.

A significant reorganisation and the creation of a Business Development Department responsible for the development and acquisition of new agreements, supported by expenditures in this area, makes it possible to anticipate that this should translate into the effective acquisition of new orders and agreements in subsequent periods.

What is more, the Company does also exclude a future use of other sources of financing such as external debt financing, grants, subsidies from EU funds, earmarked funds for the implementation of new projects, or other sources where a decision is taken to start implementing an investment aimed at a substantial increase in manufacturing capacity by constructing a new manufacturing facility located by the existing facility.

5.5. Issues of securities

In 2023, the Company did not issue any securities.

5.6. Financial instruments

5.6.1 Financial instruments used

In line with the IFRS 9 classification, the Company has financial instruments such as long-term receivables, trade receivables, cash, repayable advances for distribution rights, trade liabilities, and loans and borrowings. A description of the above instruments together with the financial risk management methods and the exposure of each instrument to currency risk, interest rate risk, credit risk, and liquidity risk is provided in Note 28 of the Financial Statements.

5.6.2. Financial risk management objectives and methods

The Management Board of the Company maintains a continuous risk management process in all significant areas of the Company's

operations. Due to the dynamic situation on the pharmaceutical and CDMO market, the Management Board monitors, audits and updates potential risks on an ongoing basis, through:

- anticipation and identification of potential risks,
- in-depth risk analysis in order to proactively prevent risk materialisation;
- continuously monitoring and controlling the existing risk;
- avoiding the risk – refraining from certain high-risk activities;
- taking preventive actions – developing action plans and relevant procedures to be implemented immediately if a potential risk arises;
- keeping the risk within the predetermined limits or implementing risk minimization plans;
- reporting the identified risk and its nature.

Information on financial risk management is detailed in Note 28 to the financial statements.

The Company's principal objective is to maintain the Company's current and long-term liquidity using all instruments available on the market and, in particular, to implement the current and future agreements with partners for contract manufacturing in a CDMO formula of for other services. As regards a significant expansion of production capacity by constructing a new facility, the decision will be taken once the design of the new facility has been verified and an appropriate level of funds for the planned project has been secured.

5.7 Dividend policy

The Company does not have an official dividend policy. The Company's Management Board adjusts its dividend policy to the Company's changing business situation, taking into account the scope of necessary investment expenditure. Currently, the Company is in the growth stage and it does not intend to pay any dividend.

In the financial year 2023, the Company did not pay out any dividend.

On 13 June 2023, the Ordinary General Meeting of Mabion S.A. adopted Resolution No. 30/VI/2023 on the distribution of profit for the financial year 2022, in which it was resolved that the Company's net profit for the financial year beginning on 1 January 2022 and ending on 31 December 2022, in the amount of PLN 23,191,774.31, was allocated in full to the Company's supplementary capital.

The Company informed about the above resolution in Current Report no. 17/2023 of 13 June 2023.

5.8 Explanations of discrepancies between the actual financial results and the published forecasts

The Company has not published financial result forecasts for 2023.

5.9 Assessment of financial resource management

As at 31 December 2023, the Company's equity has a positive value of PLN 117,776 thousand, while the general debt due to long-term and short-term liabilities (supplies and services, and borrowings) amounts to PLN 90,478 thousand.

In evaluating its financing needs, the Company analyses the following factors on an ongoing basis:

- the scope of cooperation with Novavax under the agreement;
- value of new agreements signed with clients in the CDMO area;
- the opportunity to acquire new clients in the CDMO area;
- possibilities of obtaining financing for the construction of the planned manufacturing facility;
- current and planned level of cash generated from grants, subsidies, VAT refund and finance activities;
- current structure of financing of non-current and current assets;
- anticipated real investment level;
- opportunities to obtain grants or subsidies for ongoing projects.

In the opinion of the Management Board, the Company's management of financial resources is adequate to the needs and capabilities of the Company.

The Company is taking all required steps to ensure an adequate level of income that meets the Company's ability to provide services and carry out manufacturing processes beyond the period of guaranteed income, i.e. beyond Q2 2024.

In the Management Board's opinion, the activities aimed at further development of the cooperation with Novavax, obtaining new agreements as part of the CDMO service offer, acquiring debt financing, taking advantage of the funds available as part of the EU projects as well as the declared support of the shareholders should ensure an appropriate level of financing necessary for the Company to carry out its current activities and increase its capacity to provide services in the medium- and long-term time horizon.

6. RISK AND THREAT FACTORS

Liquidity risk

In 2023, the Company generated proceeds from sales of services under the existing agreements and for the provision of a manufacturing slot service. In the period under analysis, the Company used external financing for its investment activities through a financing agreement signed with the EBRD securing access to USD 15 million Furthermore, the Company is actively working to obtain co-financing opportunities for its ongoing projects, including further retrofitting of the facility, as well as the development of the CDMO offering.

The Company's management monitors current forecasts for the Company's liquid assets and liabilities based on projected cash flows.

The risk related to limited access to funding due to the global liquidity situation, or to the Company's financial position and implementation of plans to secure new contracts, cannot be excluded. One should indicate here the risks associated with fulfilling contractual obligations in terms of maintaining contractual ratios and possible changes to the terms and conditions of the existing financing agreements and their impact on the extent of use of this financing. In particular, the current situation resulting from the warfare in Ukraine, and their impact on capital markets should be borne in mind, as this may cause significant restrictions on sources of funding, including equity funding from share issues.

The Company's key counterparty, Novavax, expressed doubts over its ability to continue as a going concern in its financial statements for 2023[18]. Novavax informed that given its existing liquidity position and cash flow forecast, as well as the significant uncertainty related to income in 2024, there were serious doubts about its ability to continue as a going concern for a period of one year as of the date of publication of the financial statements. These concerns were also raised in the financial statements of Novavax for 2022, where it was stated that there is significant uncertainty regarding its expected income levels in 2023, the ability of the US government to provide funding, and the pending arbitration with its counterparty, Gavi. On 22 February 2024, Novavax reported that it had reached an agreement with its contractor, Gavi.[19] The existing agreement between the Company and Novavax is guaranteed until May 2024 and, regardless of the execution of manufacturing orders, the Company receives manufacturing capacity availability payments. As at the date of this Report, there are no arrears under the agreement.

Pursuant to the Strategy for 2023–2027, the Management Board has started to transform the Company into a fully integrated CDMO, whereas the growth dynamics will mainly depend on the available new production and research capacity that the Company plans to develop, and on the acquisition of new clients and new contracts.

The Company is planning to finance its operating and investing activities with proceeds from sources such as the implementation of contracts and orders in the area of the Company's core business, i.e. CDMO, and also debt financing, grants, subsidies, targeted funds for new projects.

As at the date of these financial statements, the Company holds letters of support received from the key shareholders (Twiti Investments Limited, Glatton Sp. z o.o, Polfarmex S.A.), whose contents indicate that these shareholders are willing and able to continue their financial support for the Company's day-to-day operations in the near future covering a period of at least another 13 months as of the date of signing of the financial statements, should the Company's financial situation so require, which, according to the Management Board's current knowledge, will not be the case.

Risk related to the macroeconomic, legal and political situation

Potential unfavourable changes in the macroeconomic, legal or political environment on the markets, for example the slowdown in the rate of economic growth or reduced healthcare expenditure, may have a negative impact on the Company's operations and financial results. Significant economic factors that have impact on the results achieved by our Company include the level of GDP, average wages, unemployment level, inflation level, volume of healthcare expenditure, rapid changes in the legislative environment that have a negative impact on legal certainty.

The rising inflation rate throughout 2022 and 2023 translated into the higher prices of a number of commodities purchased by the Company, as well as energy prices and interest rates on leases held by the Company.

Domestic and foreign laws and regulations which relate to the Company's operations require the Company to adapt its internal regulations and procedures to the requirements of the legislator. Failure to comply with the applicable regulations may result in the imposition of financial or other penalties on the Company. The Management Board monitors the macroeconomic, legal and political situation on an ongoing basis, trying to adapt the Company's strategy to changes in these areas sufficiently in advance.

Risk of force majeure

If unforeseen events occur, such as wars or terrorist attacks or epidemics, adverse changes in economic conditions and the financial market may occur, which may adversely affect the Company's financial condition and/or the schedules of agreements implemented by the Company. In addition, such

[17]https://app.quotemedia.com/data/downloadFiling?webmasterId=101533&ref=318110308&type=PDF&symbol=NVAX&cdn=866841eff464981a9ad8c201687bfb07&companyName=Novavax+Inc.&formType=10-K&dateFiled=2024-02-28

[18]. https://ir.novavax.com/press-releases/2024-02-22-Novavax-and-Gavi-Reach-Settlement-on-2021-COVID-19-Vaccine-Advance-Purchase-Agreement

random events as fires, floods and other extraordinary natural disasters may cause failures or destruction of material property belonging to Mabion S.A., as well as disruptions to the Company's operations, which may adversely affect the Company's financial results.

The current economic situation in the East – due to the war in Ukraine – has caused that the macroeconomic landscape has become increasingly less predictable, which may result in a further increase in prices of, for example, energy, restrictions on free trade, or other business restrictions, including disruptions in the supply chain for goods and services. Also, the risk of a possible escalation of the conflict to neighbouring countries, including Poland, cyberattacks on IT infrastructure or a reduction in the level of investment in Poland due to uncertainty among foreign investors cannot be excluded.

The Company has analysed the impact of the Russian military invasion in Ukraine and, in the Management Board's opinion, it does not affect the valuation and classification of assets and liabilities in the financial statements as at 31 December 2023. The Management Board has assessed the possible impact on the Company and has included appropriate disclosures in the Company's annual financial statements for the period of 12 months ended 31 December 2023 to describe the occurrence of this event as well as an assessment of its potential impact on the Company, including its financial performance in 2023. With regard to future periods, the level of risk involved is hard to estimate.

Risk related to operations carried out on an international scale

Operations on an international scale involve a number of risks, including:

- multiple, conflicting and changing laws and regulations, including those relating to privacy, tax, export and import restrictions, labour law, regulatory requirements and other administrative consents, permits and licences;
- co-operating entities' failure to obtain or to keep the regulatory permits in the different countries to use of the products manufactured by the Company;
- additional potentially significant patent rights of third parties;
- complex and difficult aspects of obtaining protection and pursuing intellectual property rights;
- the risk of difficulties in developing the Company's activities on the US market due to the different regulations compared to those in force in the EU;
- financial risks such as long payment cycles, debt collection difficulties, the impact of local and regional financial crises on demand and payment for products, as well as exposure to the risk of exchange rate fluctuations;
- natural disasters, political and economic instability, including war, terrorism, civil unrest, outbreak of disease, boycotts, restriction of freedom of trade and other business constraints;
- certain expenses, including travel, translation and insurance expenses;
- regulatory and compliance risks that relate to reliable information and control over sales and operations.

The Management Board monitors the risks associated with international operations on an ongoing basis, and endeavours to adapt the Company's strategy and procedures in sufficient advance to possible changes in the business environment.

Risk related to changes in legal regulations and their interpretation

Frequent regulatory changes that are typical of the Polish legal system may expose the Company to a risk that its business forecasts will become obsolete and its financial condition will deteriorate or even totally collapse. Regulatory changes that have the greatest impact on the Company operations are in particular those related to tax law and labour law (in 2023, significant changes in this regard consisted mostly in regulating remote working and implementing into the Polish legal system two important directives of the European Parliament and the Council, i.e. Directive No. 2019/1152 of 20 June 2019 on transparent and predictable working conditions in the European Union and Directive No. 2019/1158 of 20 June 2019 on work-life balance for parents and carers and repealing Council Directive 2010/18/EU, known as "Work-Life Balance Directive"), laws governing the operation of the social security system and publicly funded healthcare services, as well as pharmaceutical and intellectual property laws. Amendments to the above regulations may significantly reshape the Company's legal environment and thus alter its financial results. Also discrepancies in interpretation of the legal order prevailing in Poland and in the EU constitute a material factor which may have impact on the development prospects, results achieved and the financial position of the Company. Disparity in legal interpretations by national courts and public agencies and Community courts can have both direct and indirect consequences for the Company. The Management Board constantly monitors changes in laws and interpretations that are of key importance for the Company in an effort to proactively adapt the Company strategy to such developments.

Risk related to the tax policy

One of the main elements that influence the entrepreneurs' decisions is Polish tax law: frequently changed, imprecise and more often than not suffering from the lack of uniform interpretations. Indeed, practices of fiscal authorities and court decisions on tax issues are all based on vague legal regulations, which translates into an increased business risk in Poland compared to the more stable tax systems in the countries with mature economies. However, tax regulations are gradually harmonised so as to ensure their unequivocal interpretation by enterprises and tax authorities alike.

Risks related to administrative decisions (including by regulatory agencies)

The Company is unable to ensure that it will obtain particular permits, licences and consents required to complete biotechnological or construction projects, or those related to the environment protection, within timeframes assumed by the Company, or that no current or future permits, licences, or consents will be revoked. A negative development of the state of affairs may either delay the original projects or necessitate their change and so have an adverse impact on the Company business and financial performance.

The abovementioned risk relates especially to aspects of manufacturing authorisation and GMP certification, in particular, the provision of services to entities located outside the jurisdiction of the European Regulatory Agencies (e.g. in the USA). For these areas, inspections may be required for which the Company does not have any experience, and it might be necessary to prepare the facility with regard to other regulations, which may require a significant amount of time.

Every time there is a change in the scope and type of services provided by the Company (including manufacturing services), it is necessary to review the scope of permits in place (including environmental and pharmaceutical permits) and such a change can potentially have a negative impact on the Company's schedules. To mitigate this risk, the Company employs specialists both in the area of pharmaceutical regulation and in other legal areas where the Company discharges its responsibilities.

Exchange rate risk

Some of the raw materials necessary for production purposes are purchased in a foreign currency or denominated into PLN on the transaction date (USD and EUR). In addition, the Company may carry out significant investment purchases related to the retrofitting of the facility where the currency of the agreement is EUR or USD. The repayment of the loan agreement and the servicing costs of the EBRD financing also generate currency risk, as the USD is the settlement currency in the financing agreement. The costs of advisory services purchased by the Company, denominated in foreign currencies and provided in future reporting periods, may also generate currency risk.

Unfavourable changes in exchange rates (depreciation of the Polish zloty against foreign currencies) may contribute to an increase in the level of the Company's capital outlays and its current costs, which may have an adverse effect on the Company's financial results. It cannot be excluded that the Company may generate exchange rate differences arising from fluctuations in exchange rates as a result of the difference in the periods in which the receivable or liability arises and the realisation of the payment denominated in a foreign currency, including as a result of the conversion of the received funds into PLN. The Company has signed an agreement for the manufacture of an active substance, denominated in USD, which gives rise to exchange rate risk in terms of the earned income. It is expected that the risk of exchange rate fluctuations arising from emerging liabilities will be mitigated by the delivery of services using natural hedging.

The Company is also actively seeking clients in foreign markets. Acquiring foreign clients would reduce negative effects, if any, of exchange rate risk. The Company analyses the level of foreign exchange risk and the potential impact of the above changes on the results of the period on an ongoing basis. At present, the Company does not apply hedging instruments to mitigate the impact of changes resulting from temporary fluctuations in foreign exchange rates on the Company's financial results and capital position. More extensive information on exchange rate risk management can be found in note 28.1 of the annual financial statements.

Business risks associated with the implementation of the strategy adopted by the Company

At the date of this report, the Company's main client is Novavax. The agreement, binding upon the parties, is valid until the end of 2026 and provides for remuneration to Mabion both for producing a certain number of batches of the active substance and for remuneration should production not be commissioned. The liabilities arising from the above agreement and its schedule may preclude the Company's availability to engage with other clients. To counter this risk, the Company will focus on acquiring medium-sized and smaller projects (from early development stage to manufacturing for clinical trials), for clients at various stages of development. This will ensure efficient use of Mabion's resources, and fits in with market trends (demand for R&D activities, development of new medicines, and pre-clinical trials).

Considering the Company's short history in providing CDMO services, the Company is taking steps to build recognition, brand credibility in the industry, as well as a competitive offering. In 2023, the Company focuses on expanding and building the competences of the Business Development Department, with the objective of dynamic client acquisition for the CDMO business. To attract new counterparties, the Company also actively participates in industry events and trade fairs (DCAT Week, BioEurope, BIO International, CPHI).

However, the risk that client acquisition will take a different course than the Company currently assumes, in terms of schedule or type of projects, cannot be ruled out, which will require flexibility and ability to adapt on the part of the Company. Before the Strategy for 2023–2027 was adopted, a thorough analysis of Mabion's competences and resources was conducted, as well as an analysis of market trends and market development prospects for CDMOs, so – in the opinion of the Management Board – the Company is ready for diverse business scenarios, but at the same time it will proactively adapts its operations to be prepared for different market developments.

Business risks

To achieve its strategic objectives, the Company is continuing its investments in the manufacturing area, the retrofitting of laboratories, and the implementation of IT systems. The risk that the implementation schedule and the shape of the investment will be affected by factors such as the increasing cost of equipment, the cost of implementation of computerised systems, or the

costs associated with the induction of personnel to work with the new systems cannot be excluded.

The Company finances the above investment tasks from the following sources:

- cash flows from current operations;
- loan of USD 15 million from the EBRD.

In the Company's opinion, the aforementioned sources of funding are sufficient to cover the costs necessary to complete the Company's transformation into a fully integrated CDMO. The Company is also working to secure EU funding to enable it to meet its investment targets, making efficient use of its resources.

The last risk in this group is client insolvency risk. It is a situation that cannot be excluded the current economic or geopolitical situation. The Company endeavours to counteract this risk by drawing up agreements with precise provisions that guarantee the protection of its rights, as well as by way of well-considered business decisions.

Operating risks

CDMO activities involve various operational risks depending on the scope and timing of the customer's order. At the level of R&D activities aimed at project development from the cell line generation stage, the main risk is related to the productivity of the target cell clone. This is because the outcome of this stage of work determines the productivity and efficiency of the entire manufacturing process. In 2023, to minimise the risk associated with cell clone selection, the Company decided to acquire the Beacon Select system, which is the gold standard on the market today and guarantees the selection of the most productive clone from the pool of transferred cells.

At the same time, development projects need to optimise the production of recombinant proteins in cell culture and their purification, i.e. ensure that the conditions for these stages of the process are such that a product of adequate quality and purity can be obtained. Comprehensive optimisation of the above stages is every time a lengthy and time-consuming process, and there is a risk that the Company may not be able to find a client for the above activities. In order to minimise this risk, in 2023 the Company decided to develop platform approaches to optimise the steps of the cell culture and purification process, which will enable the described steps to be carried out in a much shorter time and at a lower cost.

In terms of manufacturing operations, a significant risk factor is the outcome of the GIF inspection, which will determine the ability to commence manufacturing operations once the manufacturing area has been upgraded. To mitigate this risk, the Company has consulted on the upgrade plan and commissioned an independent review of the upgrade preparations by a GMP advisory company.

One of the critical elements of the Company's offering is the process transfer and production of a product that meets the client's specifications, and therefore the risk of failure of these activities. To date, Mabion has successfully completed the process transfer for the production of a vaccine antigen for NVAX and has developed procedures and a workflow based on this experience. When a process is transferred from laboratory scale, the process itself can be well understood and properly prepared for the next step, which is transfer to commercial scale. The risks associated with potential transfer failures are mitigated by the introduction of bioreactors with classical stirring technology (active substance area) and a fully automated filling line based on isolator technology (finished product area). By implementing process equipment commonly used in clients' processes, the level of risk within transfers, these most critical and complex stages, is significantly reduced.

The implementation of computerised systems entails a number of challenges, from selecting the right systems supplier, to deploying and validating the systems according to the intended plan, integrating them into Mabion's existing systems, and training staff to work with the new systems. In 2023, the Company selected suppliers for the LIMS and QMS and started their deployment.

Risk relating to competition

Mabion offers a full portfolio of services to other companies for the purposes of the development phase of mammalian cell-based medicines, including process development, active substance and final product manufacturing, development, as well as an extensive range of analytical methods. At the same time, the Company offers a flexible client approach, time efficiencies, and a competitive range of services and prices. The expertise gained in medicine development also allows Mabion to support earlier development stages (from before GMP-compliant manufacturing to clinical or commercial research), as well as a thorough characterisation of the active substance and medicinal product which are inherent in the drug development and regulatory processes, and technical and strategic advice at all stages of the development. However, the risk that competition on the CDMO market will make it necessary for Mabion to build new competitive advantages cannot be excluded. As it results from the L. E. K Report drawn up for Mabion in 2021, the CDMOs are mainly selected on the basis of aspects such as quality, credibility, and operational capacity. These data were supported by a report by Industry Standard Research of 2023, further highlighting the importance of "track records" attesting to CDMOs executing contracts on schedule, having available manufacturing areas and interacting with EMA/FDA regulatory agencies. The Company will develop its offering, bearing in mind what is most important to potential clients.

Risks associated with the implementation of the Manufacturing Agreement with Novavax

In 2021, the Company entered into a Manufacturing Agreement, together with SOW#1 with Novavax pursuant to which the Company manufactures for Novavax, on a commercial scale, in compliance with the GMP standard, an antigen for a COVID-19 vaccine called Nuvaxovid®.

Moreover, in 2022 the Company entered into an annex to the Manufacturing Agreement with Novavax and an annex to SOW#1. Following the conclusion of the aforementioned annexes, the period of the agreement has been extended until the end of 2026, with a guaranteed period of unconditional commitment of the counterparty to acknowledge the performance until May 2024. Based on the schedule agreed between the parties, the Company receives either a remuneration for the product batches manufactured or a remuneration for the readiness to manufacture the product based on the manufacturing slots guaranteed to Novavax. Despite the annex in place, it cannot be excluded that as a result of the ongoing work and discussions with the partner, the assumptions relating to the manufacturing process or associated processes will change, which may also affect the work schedule. The production plans may also be affected by Novavax's financial situation. Novavax informed about its financial situation in its annual report for 2023.

The new provisions on remuneration for the readiness to manufacture safeguard the Company against loss of income (in the guaranteed period of the counterparty's unconditional commitment – i.e. until May 2024), even if Novavax' production plans change.

To minimise risks, regular monitoring of project work is carried out by a team dedicated to the project.

Risk related to low quality or loss of biological material

The basic material used in Mabion S.A. products is biological material. It is both manufactured by the Company and delivered by third party suppliers. Selecting optimal cell clones which form the basis for further medicine production on a larger scale is very important for the process of developing and producing biotechnological medicines. The quality of the biological material and its storage in strictly determined conditions is of key importance for the success of the work. There is a risk that the biological material acquired from third party suppliers will be of low quality or that the material produced by the Company will be damaged or destroyed, which would have a negative impact on achieving the Company's assumed revenues and financial results.

Mabion S.A. entered into cooperation with verified suppliers, it controls the quality of the supplies and stores the biological material in dedicated devices, using monitoring and two independent power sources.

Risks related to the production process and quality control process

One of the key elements in the production of biotechnological medicines is the production process, which must be carried out in compliance with the pre-defined parameters. The process of producing such medicines consists of several stages and even the smallest change in any of them may negatively affect the properties of the drug (e.g. in terms of efficacy or safety). It is very important to ensure continuity, including quality control, of the product at intermediate and final stages, stability control, and purity during the entire manufacturing process. The Company's quality control laboratories are equipped with state-of-the-art equipment that ensures maximum accuracy and repeatability of the obtained results. A panel of validated analytical methods ensures maximum accuracy, precision, specificity and reproducibility of the results. Designed in accordance with the regulator's requirements and guidelines, it enables reliable product inspection. An important aspect of analytical methods is the analytical procedure control strategy, which should ensure that the analytical procedure performs as expected throughout its life cycle. Continuous control of the method over time is critical for research where results are collected over years (e.g. product stability, quality tests). The absence of a reliable strategy covering, among other things, an analysis of trends may adversely affect the final assessment of both production processes and the products themselves. The materials used in the production zone have appropriate certificates for use in the pharmaceutical industry. The installed production line is based on sterile materials. The managing staff of the Company's departments are high-ranking specialists with a major education background, trained and properly prepared to carry out their scope of duties, both by internal and external experts. A major change in terms of the manufacturing process was the retrofitting of the facility with bioreactors using conventional stirring technology, which enables the production of biological medicines using the technology most commonly used nowadays. For that purpose, on 11 July 2023, the Company entered into an agreement with Global Life Sciences Solutions Poland Sp. z o.o., of the Cytiva Group for the purchase of a set of bioreactors with the following capacities: 10 litres (1 unit), 50 litres (2 units), 200 litres (2 units) and 2,000 litres (2 units), together with additional services. Having two bioreactor technologies at the Company's disposal guarantees higher production versatility for clients. Before this technology was implemented, both laboratory work to optimise the culture processes as well as preparations for transfers and final testing at the manufacturing process scale have been carried out, as well as appropriate training for manufacturing department personnel. In 2024, the manufacturing capacity will be further enhanced by the commissioning of a new automated liquid formulation isolator-based filling line and an optical inspection, and then a leakage control system for the products. Retrofitting the manufacturing area with the above-mentioned equipment will allow for increased flexibility, productivity, and production quality.

The Company's production also depends on key suppliers. In the case of disposable technology, the Company depends on specialist solutions (disposable bags), which may have an impact on production. In addition, the quality of the bags may vary and in some cases may affect the product, which will make it unsuitable. The Company is also dependent on timely deliveries and the quality of all raw materials essential for the effective production of products. Even if the Company is able to successfully produce commercial quantities at our plant, it cannot guarantee that it will not face challenges in terms of guaranteeing a stable supply to global markets in the future.

Any unfavourable events having a negative impact on the Company's production activities could significantly increase costs and reduce the supply of the Company's services. Even small deviations from the normal production process could lead to reduced productivity, batch loss, product defects and other

supply disruptions. If microbial, viral or other contamination is detected in the Company's products or production plant, the plant may have to be closed for a longer period of time to investigate and handle the contamination. Any adverse event affecting the Company's product manufacturing operations may lead to shipping delays, lack of stock, batch failures, recalls or other interruptions in the supply of products. The Company may also be forced to make inventory write-downs and incur other fees and costs due to products not meeting the specification, costly repair work or looking for more expensive production alternatives. An extremely important factor in the Company's operations is maintaining appropriate conditions on the premises where the Company's products are being developed. Currently, Mabion holds all required approvals for the equipment and laboratory and manufacturing premises in both plants. The production process is monitored on a continuous basis and verified in accordance with the procedures adopted at the company, owing to which the Company systematically seeks to reduce the level of risk in this area.

The Company meets GMP requirements, holds the necessary approvals and permits (including a GMP Certificate for the Complex in Konstantynów Łódzki, issued by the Main Pharmaceutical Inspector).

Risk related to a possible failure in reaching manufacturing capacity in line with the Strategy for 2023–2027

Due to the transformation of Mabion into a CDMO, a decision was made to introduce changes to the organisation of the manufacturing space and to retrofit the facility and expand the base of bioreactor technology. These plans to reorganise the manufacturing space are aimed at optimising manufacturing processes for external clients. The facility was retrofitted with selected manufacturing equipment primarily to increase flexibility in the provision of services as a contract manufacturer.

One of Mabion's strategic objectives is the construction of Mabion II manufacturing facility which will allow the Company to significantly increase its production capacity, thereby increasing its potential and ability to implement project diversified in terms of employed technologies.

There is a risk that the Company will not be able to complete this project on schedule, as the decision to commence investment depends on a number of factors, such as the number of clients, the number of new and existing agreements, the level of EBITDA (operating profit increased by depreciation and amortisation write-downs), or the availability of financing (debt financing, grants, co-funding and other sources).

To mitigate the risk that factors preventing the Mabion II investment will occur, the Company is actively pursuing business development activities as well as activities aimed at ensuring that the Company has an optimal external financing structure for the purposes of this investment (which includes the possibility of obtaining grants and subsidies).

Risks related to the employment in the Company

Mabion's business is based on the knowledge and experience of its highly skilled managers and scientific and research personnel. There is a risk that key employees may leave the Company in the future, which could adversely affect the quality of its services. The Company may also be unable to attract or retain qualified personnel due to strong competition for such personnel among biotechnology, pharmaceutical and other companies. If the Company is unable to attract, retain and motivate the necessary staff to achieve its business objectives, it may face constraints that will make it significantly more difficult to achieve the objectives of the Company's business strategy. The Company's performance will also depend, in part, on the future employment level, and on the Company's ability to successfully integrate newly hired executive officers into its managed team and the Company's ability to develop an effective working relationship among senior management.

In order to counteract the above risk, the Company's Management Board pursues an active HR policy aimed at employing and retaining the most valuable specialists in the company and supporting their development. The success of the Company depends, among other things, on the continuous ability to attract, maintain and motivate highly qualified management and scientific staff. The Company's Management Board monitors trends on the remuneration market, including the subject of non-wage benefits, implementing new solutions at Mabion on an ongoing basis. The Company also has to ensure that the skills in the teams are continually renewed to prepare them to make effective use of new equipment and technology and to ensure operational efficiency. Reducing turnover, ensuring succession and developing talent are tasks of crucial importance. In 2023, to minimise these risks, the Company has adopted and implemented a new organisational structure and developed a training plan for selected teams and employees (internal and external training, support for doctoral studies, etc.).

Risk related to disclosure of trade secrets

The actual implementation of the Company's plans may depend on the confidentiality of the Company's confidential information, in particular on research and technological processes. It cannot be ruled out that such information will be disclosed and used by Company business partners or, in particular, its employees, and so it will become available to and used by competitors. If this is the case, the remedies, defences and claims of the Company may prove to be inadequate to protect it against negative consequences of the disclosure. The Company has taken a number of legal steps to eliminate this risk.

Risk related to industrial and intellectual property disputes

The Company operates in the area where industrial and intellectual property rights and their protection are issues of key importance. To the best knowledge of the Company, there are currently no pending proceedings regarding infringement of intellectual and

industrial property, involving Mabion. Also, the Company intends to operate in such a way so as to avoid any infringements of such third party rights. However, it cannot be ruled out that third party claims for infringement of the industrial and intellectual property rights are brought against the Company. Such claims, even if they prove to be unfounded, may adversely affect the time required to carry out relevant operational or business activities, and the defence against such claims may require considerable spending, which in turn could negatively affect the Company's financial performance.

Risk related to the funding obtained

In the reporting period, Mabion was a party to the following funding agreements in connection with its actively pursued R&D and implementation projects, as well as completed projects in the sustainability period:

- "Development and scaling of the innovative process for manufacturing the therapeutic recombined monoclonal antibody to enable the industrial implementation of the first Polish biotechnological medicine for oncological and autoimmune therapies"
  - Value of the project: PLN 53,896 thousand
  - Value of co-financing (contribution from the EU Funds): PLN 26,948 thousand
  - Project implementation period: 2016–2020

The Company has completed all the tasks provided for in the aforementioned project on schedule, submitted the relevant documentation to the NCBR and in 2022, it has been informed of NCBR's acceptance of the final report. The project entered a three-year sustainability period (until May 2025). By the end of this period, the Company is required to achieve the assumed result indicator, i.e. to implement the results of the R&D work completed as part of the project into its own activities (commercial manufacturing of MabionCD20) and to obtain income from the implemented R&D work (income from the sales of the medicine). Because of a number of force majeure factors, the Company has identified a risk of not meeting the above-mentioned indicators and immediately started a dialogue with the NCBR. This risk was also the only one identified during the project sustainability review carried out by the NCBR in 2023. The review was unqualified in the remaining areas. Following the completion of the work related to the review, the NCBR agreed to change the way of implementation from the use of the R&D results in the company's own business activity through the commencement of production or provision of services based on the results to the granting of a licence (at market conditions) for the use of the company's rights to the R&D results by another entrepreneur. Such a solution is considered by the Company as an opportunity to meet the indicator for the implementation of the project results and to generate income from the implementation of the R&D work. Considering the time horizon remaining until the end of the sustainability period, the Company, in cooperation with Plexus Ventures, is actively looking for a licensee. However, despite the actions taken, it needs to be highlighted that there is a risk that a licensee will not be acquired. Should the result indicator not be achieved by the end of the sustainability period for the project, the Company may be called upon by the NCBR to repay part or all of the co-financing, together with interest due. The Company is not able to exclude such risks in the future (after the end of the project sustainability period), but assesses it, at present, as low at this point in time and without impact on the Company's results for the period presented in this Report.

- "Development of a biotechnological medicine through the development of an innovative monoclonal IgG1 subclass antibody with reduced content of unfavourable glycoforms compared with the reference medicine – targeted against EGFR"
  - Value of the project: PLN 39,965 thousand
  - Value of co-financing (contribution from the EU Funds): PLN 28,354 thousand – target amount, PLN 3,912 thousand – final amount of financing received
  - Project implementation period: 2017–2022

In 2022, a decision was taken to abandon further implementation of the project due to the fact that, in the opinion of the Management Board, its further implementation was unjustified. In October 2022, the NCBR accepted the final project information and the project entered a three-year sustainability period. As at the date of this Report, the Company does not see any risk in maintaining the result indicator over the sustainability period.

- "Improvement of competitiveness of Mabion S.A. through implementation of a process innovation"
  - Value of the project: PLN 1,082 thousand
  - Value of European Regional Development Fund co-financing: PLN 396 thousand
  - Project implementation period: 2021–2023

The main objective of the project was to deploy an innovation at the Company, consisting of the introduction of a validated method for determining critical parameters of a medicinal substance – the purity of monoclonal antibodies, working in accordance with the requirements of the GMP-compliant environment, to regular use. In 2022, the Company decided to terminate the co-financing agreement as a result of a shift in the Company's objectives, which translated into an inability to achieve the project objective, as well as a significant increase in prices and exchange rates, which resulted in the need for additional higher financial expenditure. The agreement was terminated on 19 January 2023 (with no financial impact on the Company).

- "Development of an analytical methods panel to characterise immunogenicity in a clinical trial targeting rheumatoid arthritis patients using rituximab as a therapeutic substance"
  - Value of the project: PLN 3,633 thousand
  - Value of European Regional Development Fund co-financing: PLN 2,080 thousand
  - Project implementation period: 2021–2023

The main objective of the project was to boost R&D activity through the development and implementation of a new Company-wide panel of analytical methods. As a result of the project, an innovative solution in the form of a product was implemented, i.e. a commercial service consisting in running a panel of analytical methods for assessing the immunogenicity of biological products in clinical trials. The project was due to be completed by the end of 2023, but due to the fact that the project was no longer profitable as planned, the Company decided to terminate the project earlier

by the end of March 2023. The institution agreed to reduce the project deadline and the project is currently in the final payment application review stage.

All the above indicated co-financing agreements stipulate in detail the dates and scope of tasks which may be subsidized. There is a risk that if the Company fails to complete the planned work within the deadlines set by the managing institution/intermediary body, uses all or part of the subsidy contrary to its intended purpose or without complying with the applicable procedures, collects all or part of the subsidy in an undue or excessive manner, it will be obliged to reimburse part or the full amount of the subsidy plus interest. There is also a risk that the managing institution/intermediary body does not grant consent in the event of further problems related to substantive or financial progress, which may be related to the termination of co-financing agreement(s) and the necessity to return the funds collected together with interest. During the project period (i.e. after the completion of project work and the settlement of the project in question), there are risks associated with the achievement of specific results and indicators assumed under the project or dissemination of the project's results. Should the latter not be met, there is a risk that part or all of the funding will have to be repaid, together with statutory interest calculated as from the date of payment of the tranche in question. The amount of reimbursement is decided by the relevant body. As a result, if the conditions giving rise to the liability are met, the Company's financial position may deteriorate. In order to counteract the above risk, the Company has put in place internal procedures for the ongoing monitoring of project expenditures – the spending methods used and the schedule of spending implementation, as well as closely cooperates with intermediary institutions, informing on the ongoing basis on any possible risks. As at the date of this Report, the Company does not recognise any significant risks that could result in the reimbursement of the financing.

Risk related to operations in the Łódź Special Economic Zone

The Company conducts service activities, and production operations, and has built a fully-equipped Scientific-Industrial Complex in the Łódź Special Economic Zone (LSEZ). In accordance with the Act on Special Economic Zones, the income earned on business activities in a special economic zone, under the permit received, is exempt from Corporate Income Tax. Mabion S.A. is exempt from the tax until 31 December 2026. There is a risk of changes in law provisions concerning the operation of special economic zones or in tax advantages applicable in those zones. There is also a risk that the Company will cease meeting the conditions specified in the permit which entitles it to avail itself of these advantages. Upon the expiry of the permit or if the Company loses the permit before its expiry Mabion's further operations in the LSEZ may become unfavourable and increase tax burden.

Risks associated with the implementation of the ESG Strategy

Together with the Mabion S.A. Directors' Report for 2023, the Company publishes, for the second time, a Statement on Non-Financial Information. The statement is not subject to the legal obligation under Article 49b(1) of the Accounting Act, which identifies the entities required to draw up a statement on non-financial information. Pending the implementation of the regulations arising from Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting (CSRD) and to meet the expectations of the stakeholders, the Company has developed the Statement on Non-financial Information for 2023 based on the selected indicators of the 2021 Global Reporting Initiative reporting standard (GRI Standards).

On 19 January 2024, the Management Board of Mabion S.A. adopted and the Supervisory Board subsequently issued a positive opinion on the ESG Strategy for 2024-2027 (hereinafter: "ESG Strategy"). The ESG strategy is structured around 3 pillars – environmental, social, and corporate governance. As part of these pillars, the Company has developed eight strategic objectives consisting of twenty-three operational objectives and specific objectives that will enable Mabion to monitor the progress of the ESG Strategy implementation (KPIs).

The Company is currently undertaking activities related to the implementation of the ESG Strategy and the actions resulting from the implemented strategy.

The implementation of the ESG Strategy involves a risk of delays in the implementation of the measures resulting from the operational objectives and of incurring higher than planned costs to put in practice the strategy's assumptions. In future, the Company will be subject to reporting obligations under the CSRD and mandatory disclosures under the ESRS (European Sustainability Reporting Standards). Therefore, the risk of delays in the implementation of measures has been defined to ensure the required scope of disclosure This risk arises, inter alia, from possible difficulties in adapting the governance area, or the possibility of delays in the establishment of a compliance area within the Company and the development of due diligence policies and procedures, as well as possible difficulties in the implementation of climate change mitigation measures. There is also a risk related to changing legislation that directly affects the activities and processes implemented under the ESG Strategy. The Company identifies risks related to its inability to obtain sufficient data and information from external stakeholders, as well as risks related to possible difficulties in defining and monitoring the indicators.

To counteract the above risks and minimise their potential impact, the Company has engaged with an experienced consulting company that supports Mabion in the implementation of the project resulting from the operational objective planned for 2024 in the E-environment area. An ESG Team has been appointed in the Company to develop and implement the ESG Strategy, and the resulting objectives, actions and metrics. The employees involved in the project improve their ESG skills by attending industry training courses and conferences, and monitor on an ongoing basis any changes in legislation that may have an impact on the activities in the ESG area.

7. CORPORATE GOVERNANCE STATEMENT

7.1 Applied corporate principles

In the financial year 2023 and until the date of this Report, the Company was subject to the corporate governance principles defined in "Best Practice for GPW Listed Companies 2021" (DPSN 2021), adopted by the GPW Board by resolution of 29 March 2021, which came into force on 1 July 2021.

The DPSN 2021 document is available on the Warsaw Stock Exchange's website dedicated to corporate governance issues at: https://www.gpw.pl/dobre-praktyki2021.

On 21 June 2022, the Ordinary General Meeting of Mabion S.A. adopted, by way of a resolution, the Best Practice for GPW Listed Companies 2021 and declared that, acting within its powers, it will follow the DPSN 2021 in the scope applicable to general meetings and shareholders, taking into account the applicable legislation and the Articles of Association of Mabion S.A..

7.2 Corporate governance principles and recommendations not applied

As at 1 January 2023. The Company did not apply 10 DPSN 2021 principles: 1.4., 2.1., 2.2., 3.3., 4.1., 4.8., 4.9.1., 6.2., 6.3., 6.4., and, in addition, the Company was not affected by the 2 DPSN 2021 principles: 3.2 and 3.7.

On 7 June 2023, the Ordinary General Meeting amended the remuneration system for the Company's Supervisory Board Members by taking into account Rule 6.4 of DPSN2021: *"As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee"*. The Company's General Meeting passed a resolution on determining the remuneration of the Company's Supervisory Board Members, setting a fixed monthly remuneration for each Member of the Company's Supervisory Board and a fixed monthly remuneration for Supervisory Board Members appointed to the Supervisory Board Committees. Consequently, the Company has adopted DPSN 2021 Rule 6.4 for application.

Subsequently, the Company abandoned the application of Rule 4.3. DPSN 2021 (*"Companies should ensure publicly available real-time broadcasts of general meetings.")* due to the lack of needs reported by shareholders in this regard.

After the balance-sheet date, the Company posted information on its website in the scope specified in Rule 1.4 of DPSN 2021: "*To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial.*" Consequently, the Company has adopted DPSN 2021 Rule 1.4 for application.

At the date of this Report, the Company is not applying nine rules of DPSN 2021: 2.1., 2.2., 3.3., 4.1., 4.3., 4.8., 4.9.1., 6.2., 6.3., and, in addition, the Company is not affected by two DPSN 2021 principles: 3.2 and 3.7.

Explanations relating to DPSN 2021 principles not applied or not applicable as at the date of this Report:

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The above principle is not applied.

Company's comment: The Company does not have a diversity policy. However, at the stage of selection of the Management Board and the Supervisory Board, all applications are considered on the same basis, irrespective of gender, age, views, etc., and therefore there is no discrimination or unequal treatment of applications due to the above characteristics.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The above principle is not applied.

Company's comment: The composition of the Company's bodies does not meet the diversity criteria indicated in principle 2.1. and 2.2. However, at the stage of selection of the Management Board and the Supervisory Board, all applications are considered on the same basis, irrespective of gender, age, views, etc., and therefore there is no discrimination or unequal treatment of applications due to the above characteristics.

3.2. Companies' organisation includes units responsible for the tasks of individual systems and functions unless it is not reasonable due to the size of the company or the type of its activity.

This principle does not apply to the Company.

Company's comment: This principle does not apply to the Company due to the nature of the Company's business (medicine development and contract manufacturing activities – CDMO); development stage. Once the actual scale of the Company's business and its nature support a separation of units

responsible for particular systems, the Company's Management Board will take action in this respect.

3.3. Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.

The above principle is not applied.

Company's comment: At present, the Company does not have an internal auditor – the function of internal audit is exercised by the Management Board of the Company. The Company's Management Board is keeping an eye on the possible appointment of an internal auditor and once the actual scale of the Company's business and its nature justify the existence of an internal auditor in the Company, the Company's Management Board will take steps to appoint such a person. Independently of the Company's Management Board, the Audit Committee assesses on an annual basis whether there is a need to appoint such a person.

3.7. Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.

This principle does not apply to the Company.

Company's comment: The Company does not belong to a capital group.

4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

The above principle is not applied.

Company's comment: The Company does not apply this principle in view of the lack of expectations reported to the Company by shareholders in this respect and the excessive legal risks, which, in the Company's opinion, arise from the organisation of the e-meeting.

4.3. The Company shall provide publicly accessible real-life broadcast of the general meeting.

The above principle is not applied.

Company's comment: To date, the Company has not provided a real-time broadcast of the general meeting due to the lack of needs reported by shareholders in this regard.

4.8. Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.

The above principle is not applied.

Company's comment: Bearing in mind the interests of the shareholders, in particular individual shareholders, the Company does not impose any restrictions on the possibility of proposing draft resolutions for the General Meeting beyond those provided for by law.

4.9.1. If the general meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office, candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website;

The above principle is not applied.

Company's comment: The Company does not apply any restrictions on the possibility to propose candidates for the Supervisory Board before the General Meeting. The candidate proposals are posted on the Company's website as soon as they are received, ensuring that shareholders have equal access to information in this respect.

6.2. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.

The above principle is not applied.

Company's comment: At present, there are no operating incentive schemes in the Company that would meet the above criteria.

6.3. If companies' incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved.

The above principle is not applied.

Company's comment: At present, the Company does not operate an incentive scheme based on management options.

7.3 Shares and shareholders of Mabion S.A.

7.3.1 The Company's share capital

As at 31 December 2023 and as at the date of this report, the Company's share capital amounts to PLN 1,616,232.60 and is divided into 16,162,326 shares with a nominal value of PLN 0.10 each, including:

Table 8. Share capital structure

Number of shares	Type of shares	Kinds of shares	Series
450,000	registered	preference	A
450,000	registered	preference	B
450,000	registered	preference	C
450,000	ordinary	ordinary	D
100,000	registered	preference	E
100,000	registered	preference	F
20,000	registered	preference	G
2,980,000	ordinary	ordinary	H
1,900,000	ordinary	ordinary	I
2,600,000	ordinary	ordinary	J
790,000	ordinary	ordinary	K
510,000	ordinary	ordinary	L
360,000	ordinary	ordinary	M
340,000	ordinary	ordinary	N
300,000	ordinary	ordinary	O
1,920,772	ordinary	ordinary	P
11,000	ordinary	ordinary	S
2,430,554	ordinary	ordinary	U

Registered shares of A, B, C, E, F and G series are privileged in such a way that each of them entitles to two votes at the General Meeting.

The total number of votes resulting from all issued shares of the Company is 17,732,326 votes.

In the financial year 2023, there were no changes in the amount and structure of the Company's share capital.

On 7 June 2023, the Ordinary General Meeting of the Company, by Resolution No. 18/VI/2023, repealed Resolution No. 3/XI/2019 of the Extraordinary General Meeting of the Company of 29 November 2019, on the conditional increase of the Company's share capital through the issue of ordinary bearer T Series shares with the simultaneous full exclusion of the pre-emptive right of the existing shareholders of the Company, on the issue of C series subscription warrants with the simultaneous full exclusion of the pre-emptive right of the existing shareholders of the Company, and on amendments to the Company's Articles of Association. The resolution was repealed as a consequence of the expiry of the finance agreement and the warrant agreement entered into with the European Investment Bank, without any obligations of the Company towards the bank arising from the above agreements.

7.3.2 Shareholders of the Company holding significant blocks of shares

To the best knowledge of the Management Board of the Company, as at 1 January 2023 and as at 31 December 2023, and as at the date of this Report, i.e. 16 April 2024, the following shareholders held at least 5% in the general number of votes at the General Meeting of the Company.

Table 9. Shareholders of the Company holding significant blocks of shares

No.	Shareholder	Number of shares	Number of votes	Participation in the share capital	Share in the total number of votes
1.	Twiti Investments Limited	2,674,617	3,268,917	16.55%	18.44%
2.	Maciej Wieczorek through*:	1,717,485	2,210,335	10.63%	12.47%
	Glatton Sp. z o.o.	*1,097,135*	*1,097,135*	*6.79%*	*6.19%*
	Celon Pharma S.A.	*620,350*	*1,113,200*	*3.84%*	*6.28%*
3.	Polfarmex S.A.	1,474,346	1,957,196	9.12%	11.04%
4.	Other	10,295,878	10,295,878	63.70%	58.06%
	Total	**16,162,326**	**17,732,326**	**100%**	**100%**

* Mr Maciej Wieczorek holds 100% of the share capital of Glatton Sp. z o.o. and indirectly, through Glatton Sp. z o.o., 58.81% of the share capital of Celon Pharma S.A. and 68.17% of the total number of votes in Celon Pharma S.A.

7.3.3 Number of Company's shares held by managing and supervising persons

As at the date of publication of this report, i.e. 16 April 2024, Members of the Management Board of Mabion S.A. hold the following quantities of the Company's shares:

Table 10. Number of Company's shares held by managing and supervising persons

	The Management Board
Krzysztof Kaczmarczyk	holds directly 7,140 shares of the Company with a nominal value of PLN 0.10 each, constituting 0.04% of the Company's share capital and entitling to 0.04% of votes at the General Meeting.
Julita Balcerek	holds directly 3.423 shares of the Company with a nominal value of PLN 0.10 each, constituting 0.02% of the Company's share capital and entitling to 0.02% of votes at the General Meeting.
Grzegorz Grabowicz	holds directly 700 shares of the Company with a nominal value of PLN 0.10 each, constituting 0.004% of the Company's share capital and entitling to 0.004% of votes at the General Meeting.
Sławomir Jaros	holds directly 5,468 shares of the Company with a nominal value of PLN 0.10 each, constituting 0.03% of the Company's share capital and entitling to 0.03% of votes at the General Meeting; in addition, a person with regard to whom there is a presumption of agreement within the meaning of Article 87(4)(1) of the Act on Public Offering (...) directly holds 70 shares in the Company with a par value of PLN 0.10 each
Adam Pietruszkiewicz	holds directly 10.000 shares of the Company with a nominal value of PLN 0.10 each, constituting 0.06% of the Company's share capital and entitling to 0.06% of votes at the General Meeting.

Considering the extent of information provided by the Members of the Supervisory Board in their statements regarding, inter alia, relationships, business relations and transactions entered into in respect of the shares, to the best knowledge of the Company's Management Board, as at the date of publication of this Report, i.e. 16 April 2024, Members of the Supervisory Board of Mabion S.A. do not hold any shares of the Company.

Members of the Management Board and Supervisory Board of Mabion S.A. do not hold any shares in the Company's related entities.

7.3.4 Employee share ownership schemes

In the financial year 2023, no employee share ownership schemes were operated in the Company and, therefore, no control systems for the aforementioned schemes were in place.

7.3.5 Own shares

In the financial year 2023, the Company did not acquire or dispose of its own shares.

7.3.6 Holders of securities with special control rights

Registered shares of A, B, C, E, F and G series are privileged in such a way that each of them entitles to two votes at the General Meeting of Mabion S.A. No other securities giving special control rights exist in the Company.

Holders of registered shares of Mabion S.A.:

Table 11. Holders of registered shares of Mabion S.A.

Series	Number of shares	Shareholder	Number of series shares held by the shareholder as at 31 December 2023
A	450,000	Celon Pharma S.A.	450,000
B	450,000	Polfarmex S.A.	450,000
C	450,000	Twiti Investments Limited	450,000
E	100,000	Celon Pharma S.A.	32,850
		Polfarmex S.A.	32,850
		Twiti Investments Limited	34,300
F	100,000	Celon Pharma S.A.	10,000
		Twiti Investments Limited	90,000
G	20,000	Twiti Investments Limited	20,000

7.3.7 Restrictions on the exercise of voting rights

The Company's Articles of Association do not provide for any restrictions as to the exercise of voting rights or any provisions according to which, in cooperation with the Company, capital rights attached to securities would be separated from the possession of securities. Restrictions on the exercise of voting rights may result, in the case of the Company, only from the generally applicable provisions of law.

7.3.8 Restrictions on the transfer of ownership of securities

The Company's Articles of Association do not provide for restrictions on trading in the Company's ordinary bearer shares. A, B, C, E, F and G series shares of the Company are registered shares – the shareholders entitled under registered shares have the priority right and the pre-emption right to purchase registered shares intended for sale.

7.3.9 Agreements which may result in changes in the proportions of shares held by existing shareholders

To the best knowledge of the Company's Management Board, there are no arrangements which, if implemented in the future, could cause changes in the way the Company is controlled. The Articles of Association of the Company contain provisions related to the rules of disposal of privileged registered shares of A, B, C, E, F and G series (pre-emption right and priority right of purchase of registered shares for other owners of registered shares of the Company), on the basis of which a registered share can be disposed of to people other than shareholders entitled under the registered shares only on the condition that those entitled from the pre-emption right and from the priority right of purchase will not execute this right.

Management Board of Mabion S.A.

Krzysztof Kaczmarczyk
President of the Management Board,
Chief Executive, CEO

Julita Balcerek
Member of the Management Board,
Chief Operating Officer

Grzegorz Grabowicz
Member of the Management Board,
CFO

Sławomir Jaros
Member of the Management Board,
Head of Science and Quality, SCO, SQO

Adam Pietruszkiewicz
Member of the Management Board,
Head of Business Development, CCO

7.4 Management Board of Mabion S.A.

7.4.1 Composition of the Management Board and rules of its appointment

The Management Board of Mabion S.A. consists of three to seven members. Members of the Management Board are appointed by the Supervisory Board for a joint term of office of 5 years. The term of office shall be calculated in full financial years and shall expire at the end of a financial year. Each Member of the Management Board may be suspended or dismissed by the Supervisory Board or the General Meeting.

As of 1 January 2023, the composition of the Management Board of Mabion S.A. was as follows:

- Mr. Krzysztof Kaczmarczyk – President of the Management Board;
- Mr. Sławomir Jaros – Member of the Management Board
- Mr. Grzegorz Grabowicz – Member of the Management Board.
- Mr. Adam Pietruszkiewicz – Member of the Management Board.

On 8 November 2023, the Company's Supervisory Board adopted a resolution to appoint Ms. Julita Balcerek to the Management Board of the Company for the second joint term as Member of the Management Board, also entrusting her with the position of Chief Operating Officer. Concurrently, the responsibilities and tasks entrusted to Mr. Sławomir Jaros have been partially changed – as Management Board Member, he was entrusted with the position of Head of Science and Quality (previously Management Board Member for Science and Operations). The Company informed about the event in Current Report no. 24/2023 of 8 November 2023.

Accordingly, as at 31 June 2023 and up to the date of this Report, the composition of the Management Board of Mabion S.A. was as follows:

- Mr. Krzysztof Kaczmarczyk – President of the Management Board;
- Ms. Julita Balcerek – Member of the Management Board, Chief Operating Officer,
- Mr. Grzegorz Grabowicz – Member of the Management Board.
- Mr. Sławomir Jaros – Member of the Management Board
- Mr. Adam Pietruszkiewicz – Member of the Management Board.

Description of the Management Board Members' experience and competence, scope of responsibility, and term of office:

1. Krzysztof Kaczmarczyk – President of the Management Board, Chief Executive, CEO

Experience and competencies:

A manager with more than 25 years of experience in investment banks and international corporations.

In 1999-2008, he worked at Deutsche Bank, and his tasks included market analysis in the region of Central and Eastern Europe. In 2008-2010, he held managerial positions in Telekomunikacja Polska and Orange Group, being responsible for strategy and business development. In 2010-2011, he worked for a Swiss investment bank, Credit Suisse. In 2012–2015, he held a position of Deputy President of the Management Board for Strategy and Development at Emitel, an operator of the terrestrial radio and television network in Poland. In 2016-2018, advisor to the Management Board of KGHM Polska Miedź S.A. for strategy and development.

In parallel, he built up more than 15 years of supervisory experience by serving on the supervisory boards of more than 30 private and GPW-listed companies, on several occasions as chairman of the supervisory board or chairman of the audit committee.

A graduate of the Warsaw School of Economics with specialization in Finance and Accounting, and a former student at the University of Warsaw, majoring in International Relations.

Scope of responsibility:

He directs the work of the Management Board. The main duties of the President of the Management Board include the implementation of the Company's business strategy and investment policy and the acquisition of strategic partners for the Company. The President of the Management Board is also responsible for HR, legal, administration, investor relation areas, and for overseeing the proper performance of the Company's business, scientific, operating, and financial activities.

Term of office:

Mr. Krzysztof Kaczmarczyk has served as President of the Company's Management Board since 14 May 2021. He was appointed to the current second joint 5-year term of office, which commenced on 22 June 2022, by way of a resolution of the Supervisory Board on 25 May 2022. The current term of office of the Management Board will elapse on 31 December 2027.

2. Julita Balcerek – Member of the Management Board, Chief Operating Officer

Experience and competencies:

A graduate of the University of Wrocław, with a degree in biotechnology. She obtained her MD degree in molecular and cellular biology as part of the Medical University of Lodz's implementation doctorate programme. As part of her PhD thesis project, she developed an innovative platform to derive stable cell lines for the expression of recombinant proteins for biopharmaceutical applications. In 2023, she graduated from the Polish-American MBA Programme at the University of Łódź. She is qualified as a certified IPMA-C Project Manager. Associated with Mabion S.A. since 2008. At the Company, she has built the team and its competences in the development, manufacturing, and control of biological medicines. She served, among other things, as Project Manager for the project entitled "Transfer and validation of the NVAX protein vaccine manufacturing process", which was

successfully completed and resulted in a long-term collaboration with Novavax for contract manufacturing of the SARS-CoV-2 vaccine antigen. For years, she has been designing and actively supporting the development of managerial competences at senior and middle level in the Company, including through the Leadership Academy Programme, which she created and implemented in 2021.

Scope of responsibility:

Responsible for managing, overseeing and integrating the Company's operational areas in the scope of development, manufacturing, investment, and operation maintenance and qualification activities. She is responsible for developing and implementing new process technologies and analytics to characterise biological products and processes. She oversees activities related to procurement, warehousing, transport, and investment processes.

Term of office:

On 8 November 2023, the Company's Supervisory Board adopted a resolution appointing Ms. Julita Balcerek to the Management Board of the Company for the second joint term of office as a Member of the Management Board, effective as of 8 November 2023. The second joint term of office of the Company's Management Board started on 22 June 2022. The current term of office of the Company's Management Board will elapse on 31 December 2027.

3. Grzegorz Grabowicz – Member of the Management Board, CFO

Experience and competencies:

Experienced CFO of GPW-listed companies, statutory auditor, since 2003 associated with companies in the financial and medical industry.

Since January 2019, Member of the Management Board Member and Chief Financial Officer of the Company. He acquired knowledge and experience in management, working successively: from 1998 to 2003 in the Audit Department at Deloitte, and from 2003 to 2017 as deputy president of the management board and chief financial officer at Magellan S.A. (now BFF Polska S.A.). In parallel, rom 2010 to 2013 he served as president of the management board of MEDFinance S.A. and from 2007 to 2017, he was a member of the supervisory board of Magellan (Czech Republic) and Magellan (Slovakia). In 2013–2017, chairman of the supervisory board of MEDFinance S.A.

Mr. Grzegorz Grabowicz was also a member of the supervisory boards of companies listed on the GPW: Skarbiec Holding S.A., Develia S.A. (former LC Corp S.A.) and Medicalgorithmics S.A. At present, he is a member of the supervisory board of PRAGMAGO S.A. and XTB S.A.

He graduated from the University of Lodz, Faculty of Management and Marketing, specialising in Accounting, with a Master's Degree in Management and Marketing. In 2010, he completed a programme organised by Nottingham Trent University, obtaining the title of EMBA (Executive Master of Business Administration). He is certified as a statutory auditor.

Scope of responsibility:

Responsible for managing the Company's financial policy. He is responsible for acquiring funds, management reporting – including developing the Company's financial plans, and for accounting and financial reporting.

Term of office:

Mr. Grzegorz Grabowicz has served on the Company's Management Board since 2 January 2019. He was appointed to the current second joint 5-year term of office, which commenced on 22 June 2022, by way of a resolution of the Supervisory Board on 25 May 2022. The current term of office of the Management Board will elapse on 31 December 2027.

4. Sławomir Jaros – Member of the Management Board, Head of Science and Quality, SCO, SQO

Experience and competencies:

Manager and scientist, PhD in biotechnology, author of numerous scientific publications, involved in building the Company's team and technology since its inception.

Graduate of the Warsaw University of Life Sciences, majoring in Biotechnology. He obtained his DSc in biological sciences with honours, in the field of the development of an innovative vaccine against Fasciola hepatica using the recombinant protein and nucleic acid technology at the Polish Academy of Science in Warsaw. Graduate of the Polish-American Executive MBA studies, organised by the University of Maryland and the University of Lodz. He graduated with the best student award. Author and co-author of tens of scientific publications in biotechnology. Since 2015, he has been regularly invited by the Medical University of Lodz to deliver expert lectures on topics such as the development of biosimilar medicines.

Scope of responsibility:

Responsible for shaping the Company's science and quality policy as well as for defining the direction of development in terms of technology and the Company's offer, for creating, implementing, and delivering a regulatory and quality strategy. As part of the execution of orders for clients, he is responsible for internal consultation as well as supervision and control of service provision. Furthermore, he is responsible for the development and implementation of IT solutions to support the Company's growth, as for supporting the business development area in building business and industry relationships contributing to the Company's development.

Term of office:

Mr. Sławomir Jaros has served on the Company's Management Board since 5 October 2011. He was appointed to the current second joint 5-year term of office, which commenced on 22 June

2022, by way of a resolution of the Supervisory Board on 25 May 2022. The current term of office of the Management Board will elapse on 31 December 2027.

5. Adam Pietruszkiewicz – Member of the Management Board, Head of Business Development, CCO

Experience and competencies:

He has extensive expertise in the area of business scale-up, with a track record of completed strategic projects in the CEE region.

A graduate of Boston University in International Management and International Relations. Mr. Adam Pietruszkiewicz has more than 20 years of experience in private equity: he managed the operations of the Coast2Coast Capital fund in Poland, and was previously associated with The Riverside Company fund for over 13 years, where he served as managing director. By investing in and developing companies from various sectors (e.g. healthcare, IT, industry, food) he has developed a network of strong relationships in the business environment in our country and in the entire region of Central and Eastern Europe. As of November 2019, Mr. Adam Pietruszkiewicz is a partner at Twiti Investments Limited.

From 16 June 2020, Mr. Adam Pietruszkiewicz acted as Member of the Supervisory Board of Mabion S.A., being delegated twice by the Supervisory Board to perform the duties of Member of the Management Board, first from 17 September 2020 to 17 December 2020, and then from 25 January 2021 until the date of his resignation from the Supervisory Board due to his appointment to the Management Board of the Company.

Scope of responsibility:

In the Management Board, Mr. Adam Pietruszkiewicz is responsible for the Company's business development, for acquiring new clients, building new industrial relations, and leading selected strategic projects related to the Company's international expansion. It was at his initiative that the contract with the Company's key client, Novavax, Inc., was initiated.

Term of office:

Initially, Mr. Adam Pietruszkiewicz has served as Member of the Company's Supervisory Board delegated to act as Member of the Management Board, while since 3 June 2021, pursuant to a resolution of the Company's Supervisory Board, he was appointed as Member of the Management Board. He was appointed to the current second joint 5-year term of office, which commenced on 22 June 2022, by way of a resolution of the Supervisory Board on 25 May 2022. The current term of office of the Management Board will elapse on 31 December 2027.

7.4.2 Management Board's powers and activities in 2023

The Management Board exercises all rights to manage the Company with the exception of rights reserved by law or the Company's Articles of Association for decisions of the General Meeting and the Supervisory Board (§ 27 of the Company's Articles of Association). The right to take a decision on the issue or purchase of shares is vested in the General Assembly (§ 17 of the Company's Articles of Association). Two Members of the Management Board acting jointly or one Member of the Management Board acting together with a proxy are authorised to make declarations of will on behalf of the Company. The Management Board shall manage the Company and its assets with due diligence resulting from the professional nature of its activities and its loyalty to the Company, comply with law, provisions of the Company's Articles of Association and resolutions adopted by the General Meeting and the Supervisory Board.

In 2023, the Company's Management Board held regular meetings and adopted 67 resolutions in total.

In 2023, as part of the management of the Company's affairs, in addition to the current matters of the Company, the Management Board of Mabion S.A. paid particular attention to the following areas:

- the Strategy of Mabion S.A. for 2023–2027 – work related to the development and adoption of the strategy was carried out in Q1 and Q2 of 2023, after which the Company's Management Board started to draw up the strategy implementation plan and supervised the implementation of the strategy;
- facility upgrade – the oversight of the construction work and the procurement process related to the retrofitting of the facility constituted an important element of the implementation of the Company's strategy and received particular attention from the Management Board in 2023;
- implementation of the agreement with Novavax – the Management Board monitored the manufacturing agreement and additional orders related thereto on an ongoing basis, actively participating in project team meetings of both parties;
- development of the ESG strategy – this process, initiated in H2 2023, was pursued with the active participation of the Company's Management Board and Supervisory Board and in consultation with a wide group of Company's stakeholders;
- activities related to the Company's internal reorganisation to optimise the Company's operations in terms of an integrated CDMO profile, were implemented and monitored by the Management Board and also involved a new allocation of responsibilities at the level of the Management Board itself.

7.4.3 Remuneration of Management Board Members

The table below presents the value of remuneration of the Management Board Members for serving on the Company's Management Board in 2023.

Table 12. Remuneration of Management Board Members

Member of the Management Board	Fixed basic salary	Variable remuneration (bonuses, rewards)	Additional benefits**	Employee share ownership schemes	Total remuneration
Krzysztof Kaczmarczyk	PLN 841,062.55	PLN 0.00	PLN 34,390.99	PLN 0.00	PLN 875,453.54
Julita Balcerek	PLN 81,428.57*	PLN 0.00	PLN 1,450.15	PLN 1,080.80	PLN 83,959.52
Grzegorz Grabowicz	PLN 540,000.00	PLN 0.00	PLN 4,800.00	PLN 9,522.00	PLN 554,322.00
Sławomir Jaros	PLN 540,000.00	PLN 0.00	PLN 13,680.00	PLN 0.00	PLN 553,680.00
Adam Pietruszkiewicz	PLN 540,000.00	PLN 0.00	PLN 34,624.33	PLN 0.00	PLN 574,624.33
Total	PLN 2,542,491.12	PLN 0.00	PLN 88,945.47	PLN 10,602.80	PLN 2,642,039.39

* The remuneration of Julita Balcerek is shown from her appointment to the Company's Management Board, for the period from 08.11.2023 to 31.12.2023.

** Additional benefits include the use of a company car, medical insurance for the Management Board Member and their family members. The right to these benefits stems from the employment contracts and other contracts.

Source: Own study of the Company

The Company does not have any subsidiaries, therefore the Members of the Management Board did not receive any remuneration from the Company's subsidiaries in 2023.

In 2023, Management Board Members were paid rewards and performance bonuses on the basis of Management Board's resolutions. These amounts were not included in the table above as they related to 2022.

7.4.4 Compensation agreements

No contracts have been entered into with members of management which would provide for compensation in the event of their resignation or removal from the position without a valid reason, or in the event that the removal or lay-off is a result of a merger by acquisition, except for provisions relating to severance payments or compensation for non-compete compliance.

7.5 Supervisory Board of Mabion S.A.

7.5.1 Composition of the Supervisory Board and rules of its appointment

The Supervisory Board of Mabion S.A. consists of five to nine members. Members of the Supervisory Board are elected for a joint term of office, which lasts 3 years. The term of office shall be calculated in full financial years and shall expire at the end of a financial year. Members of the Supervisory Board are appointed and dismissed by the General Meeting.

At least two members of the Supervisory Board should be members independent of the Company within the meaning of the provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Act on Statutory Auditors) and have no real or significant relationship with any shareholder holding at least 5% of the total number of votes in the Company. At least one Member of the Company's Supervisory Board should have knowledge and skills in accounting or auditing of financial statements. At least one Member of the Company's Supervisory Board should have knowledge and skills in the industry in which the Company operates.

In the financial year 2023 and up to the date of this report, the composition of the Company's Supervisory Board was as follows:

- Robert Koński – Chairman of the Supervisory Board (Independent Member);
- Józef Banach – Independent Member of the Supervisory Board (from 23 June 2023 Deputy Chairman of the Supervisory Board),
- Sławomir Kościak – Independent Member of the Supervisory Board (until 23 June 2023 Deputy Chairman of the Supervisory Board),
- David John James – Independent Member of the Supervisory Board;
- Wojciech Wośko – Supervisory Board Member,
- Zofia Szewczuk – Independent Member of the Supervisory Board.

Changes to the composition of the Supervisory Board of Mabion S.A.

In the financial year 2023, there were no changes in the composition of the Company's Supervisory Board.

In connection with the expiry of the current term of office of Members of the Company's Supervisory Board, on 7 June 2023, the Ordinary General Meeting of the Company adopted resolutions to appoint all the existing Supervisory Board Members as

Members of the Supervisory Board for the next i.e. 3rd joint term of office. The resolutions on the appointment of Members of the Supervisory Board of Mabion S.A. entered into force on 17 June 2023. The Company informed about the event in Current Report no. 15/2023 of 7 June 2023. On 23 June 2023, functions within the Supervisory Board were divided, as a result of which the function of Chairman was assumed by Mr. Robert Koński and the function of Deputy Chairman was assumed by Mr. Józef Banach (until 23 June 2023, these functions were held by Mr. Robert Koński and Mr. Slawomir Kościak, respectively).

Description of the experience and competence, independence criteria, and term of office of the Supervisory Board Members:

1. Robert Koński – Chairman of the Supervisory Board, Independent Member;

Experience and competencies:

Graduate of the John F. Kennedy School of Government (MPA) at Harvard University and Tufts University (BA) in the United States. Since July 2022, he has served as deputy president of the management board at Figene Capital (listed on NewConnect), a company that builds and operates wind farms and photovoltaic farms. Formerly, from March 2020, the President of the Management Board and a Partner in the consulting company Five Rand Sp. z o.o. In recent years, he has worked for, inter alia, PGE Polska Grupa Energetyczna S.A., Kulczyk Holding S.A., Euronet Worldwide, Inc. and Horton International. Between 1990 and 1995, he acted as an advisor to the Minister of Finance (from Leszek Balcerowicz to Grzegorz Kołodko) on the transformation and restructuring of the Polish financial services sector. He was also a member of the team negotiating the agreement with the London Club. Currently, he serves on the supervisory board of Platige Image S.A.

Term of office:

Mr. Robert Konski has served on the Company's Supervisory Board since 14 June 2017, including as its Chairman since 14 May 2021. On 7 June 2023, Ordinary General Meeting of the Company adopted a resolution to appoint Mr. Robert Koński, on 17 June 2023, as Member of the Supervisory Board for the next, i.e. third, joint term of office. The current term of office of the Company's Supervisory Board will elapse on 31 December 2026.

Criterion for independence of a Supervisory Board Member:

In accordance with the statement submitted by him, Mr. Robert Koński meets the independence criteria specified in Article 129(3) of the Act on Statutory Auditors and does not have any real and significant relations with a shareholder holding at least 5% of the total number of votes in Mabion S.A., and therefore also meets the independence criteria referred to in Rule 2.3 of DPSN 2021.

2. Józef Banach – Deputy Chairman of the Supervisory Board (Independent Member);

Experience and competencies:

Graduate of the Faculty of Law at the Jagiellonian University in Cracow. Legal Adviser, partner in Ontilo Banach Szczypiński sp. k. He started his career in the Ministry of Finance, then for a number of years worked at PricewaterhouseCoopers sp. z o.o., most recently as a leader of the Proceedings and International Tax Law team. Member of a number of supervisory boards of capital companies, including in the position of Chairman of the Supervisory Board of Poczta Polska and PHN S.A. A long-term expert of the Tax Council at PKPP Lewiatan, including the acting head of the Tax Council. Author of numerous publications in the field of law, including the commentary "Polish Agreements on Avoidance of Double Taxation" by CH Beck. Repeated proxy of the parties in proceedings before administrative authorities and administrative and common courts which ended with a success of the client.

In accordance with the statement submitted by him, Mr. Józef Banach has knowledge and skills in accounting or auditing of financial statements, and knowledge and skills in the industry in which Mabion operates.

Term of office:

Mr. Józef Banach has served on the Company's Supervisory Board since 28 June 2018. On 7 June 2023, Ordinary General Meeting of the Company adopted a resolution to appoint Mr. Józef Banach, on 17 June 2023, as Member of the Supervisory Board for the next, i.e. third, joint term of office. On 23 June 2023, the Supervisory Board of Mabion S.A. elected Mr. Józef Banach to serve as Deputy Chairman of the Supervisory Board. The current term of office of the Company's Supervisory Board will elapse on 31 December 2026.

Criterion for independence of a Supervisory Board Member:

In accordance with the statement submitted by him, Mr. Józef Banach meets the independence criteria specified in Article 129(3) of the Act on Statutory Auditors and does not have any real and significant relations with a shareholder holding at least 5% of the total number of votes in Mabion S.A., and therefore also meets the independence criteria referred to in Rule 2.3 of DPSN 2021.

3. Sławomir Kościak – Independent Member of the Supervisory Board

Experience and competencies:

Licensed Investment Advisor with license number 303 and holder of the CFA (Chartered Financial Analyst) title. Graduate of the Warsaw School of Economics with a major in Finance and Banking, he also studied at the Aarhus School of Business in Denmark and Universität zu Köln in Germany, and completed the Community of European Management Schools – Master's in International Management (CEMS MIM) management programme. Scholarship holder of the Educational Enterprise Foundation. He lectured at courses for stockbrokers (Association of Brokers and Advisors,

ZMiD) and for investment advisers (PERK). He has been associated with the capital market and the healthcare sector for more than a decade. At present, he serves as member of the supervisory board and the appointment and remuneration committee at Medicalgorithmics S.A., member of the supervisory board and the audit committee at Urteste S.A., member of the supervisory board at Auxilius Pharma Sp. z o.o., member of the supervisory board of MediSensonic S.A. He has more than 10 years of experience in asset management. He worked, among others, at the European Investment Fund in Luxembourg and the Morgan Stanley real estate fund in Frankfurt. In 2009–2020, he managed a number of different funds and investment strategies within TFI PZU, both with the PZU Group's own funds and those entrusted by external clients, equity, mixed and absolute return funds. The investment portfolio included companies listed on the GPW as well as those listed on stock exchanges in the EU and the USA. Member of the Investment Committee, AUM of over PLN 20 billion. From 2014, a Medical Sector Director at TFI PZU responsible for investments in companies from the healthcare sector.

In accordance with the statement submitted by him, Mr. Sławomir Kościak has knowledge and skills in accounting or auditing of financial statements, and knowledge and skills in the industry in which Mabion operates.

Term of office:

Mr. Sławomir Kościak has served on the Company's Supervisory Board since 23 February 2021. On 7 June 2023, Ordinary General Meeting of the Company adopted a resolution to appoint Mr. Sławomir Kościak, on 17 June 2023, as Member of the Supervisory Board for the next, i.e. third, joint term of office. The current term of office of the Company's Supervisory Board will elapse on 31 December 2026.

Criterion for independence of a Supervisory Board Member:

In accordance with the statement submitted by him, Mr. Sławomir Kościak meets the independence criteria specified in Article 129(3) of the Act on Statutory Auditors and does not have any real and significant relations with a shareholder holding at least 5% of the total number of votes in Mabion S.A., and therefore also meets the independence criteria referred to in Rule 2.3 of DPSN 2021.

4. David John James – Independent Member of the Supervisory Board

Experience and competencies:

Graduate of the University of Cambridge, certified auditor at the Polish Chamber of Chartered Accountants and ICAEW (Institute of Chartered Accountants in England and Wales). At present: International Liaison Partner, Grupa Strategia, Poland (Polish member company of the international Morison Global network). He has 36 years of experience in audit and internal control. Member of the management boards of many companies and a start-up advisor in the CEE region for nearly fifty companies. Partner responsible for auditing the financial statements of over 100 companies and groups of companies from multiple sectors of the economy, both GPW listed companies or groups listed on stock exchanges of other countries, private equity funds and family businesses. His portfolio includes over 80 due diligence analyses, he dealt with statutory, internal and forensic financial audits and provided business advisory services to many clients.

He has worked in Poland, the UK, Germany, Czech Republic, Slovakia, and Russia. He is fluent in eight languages and speaks twelve others. For four years, David James had mentored around 100 teams of young entrepreneurs taking part in the incubator organised under the aegis of the British Embassy and the University of Cambridge, David James trained students from all over Poland in creating modern business plans and budgeting. David James is the creator of an original method of foreign language learning.

In accordance with the statement submitted by him, Mr. David James has knowledge and skills in accounting or auditing of financial statements, and knowledge and skills in the industry in which Mabion S.A. operates.

Term of office:

Mr. David John James has served on the Company's Supervisory Board since 23 March 2017. On 7 June 2023, Ordinary General Meeting of the Company adopted a resolution to appoint Mr. David John James, on 17 June 2023, as Member of the Supervisory Board for the next, i.e. third, joint term of office. The current term of office of the Company's Supervisory Board will elapse on 31 December 2026.

Criterion for independence of a Supervisory Board Member:

In accordance with the statement submitted by him, Mr. David John James meets the independence criteria specified in Article 129(3) of the Act on Statutory Auditors and does not have any real and significant relations with a shareholder holding at least 5% of the total number of votes in Mabion S.A., and therefore also meets the independence criteria referred to in Rule 2.3 of DPSN 2021.

5. Wojciech Wośko – Member of the Supervisory Board;

Experience and competencies:

Graduate of the Faculty of Medicine at the Medical University of Lodz and the postgraduate studies in Management Accounting at the University of Lodz. Licensed securities broker (licence no. 449). Associated with the capital market since 1994. He worked at HSBC Securities Polska, Dom Maklerski BZ WBK and Santander Biuro Maklerskie, where he was responsible for sales in the field of institutional clients (investment funds, pension funds, asset management companies). He has controlling competence in the supervision of corporate finances and expertise in dealing on domestic and international spot and derivatives markets, and contributed to the preparation and implementation of numerous offerings of public companies on the primary and secondary market. Since July 2020, he has been associated with Polfarmex S.A.

In accordance with the statement submitted by him, Mr. Wojciech Wośko has knowledge and skills in accounting or auditing of financial statements, and knowledge and skills in the industry in which Mabion operates.

Term of office:

Mr. Wojciech Wośko has served on the Company's Supervisory Board since 23 February 2021. On 7 June 2023, Ordinary General Meeting of the Company adopted a resolution to appoint Mr. Wojciech Wośko, on 17 June 2023, as Member of the Supervisory Board for the next, i.e. third, joint term of office. The current term of office of the Company's Supervisory Board will elapse on 31 December 2026.

Criterion for independence of a Supervisory Board Member:

In accordance with the statement submitted by him, Mr. Wojciech Wośko does not meet the independence criteria specified in Article 129(3) of the Act on Statutory Auditors and has real and significant relations with a shareholder holding at least 5% of the total number of votes in Mabion S.A., and therefore also does not meet the independence criteria referred to in Rule 2.3 of DPSN 2021.

6. Zofia Szewczuk – Independent Member of the Supervisory Board

Experience and competencies:

Graduate of ESCP-EAP Europe and Poznań University of Economics and Business with titles of Master of Science in Finance and Accounting for Business and Master of Science in Management. She has many years of experience in the private equity industry, gained by working for leading funds in Poland and abroad. Since 2016, she has been associated with Polski Fundusz Rozwoju S.A., where she currently acts as Head of the Investment Department. Her previous experience includes Mid Europa (2011–2015) and 3i (2009–2011). In that time, she has participated in numerous transactions in sectors such as biotechnology, services, industry, and tourism.

Ms. Zofia Szewczuk has extensive ownership and supervisory experience, gained when representing the investor side. Her work entails regular cooperation with the management boards of companies in the implementation of development and recovery initiatives and performance monitoring. At present, apart from serving on the Supervisory Board of Mabion S.A. Ms. Zofia Szewczuk is also a member of the supervisory boards of Elemental Holding S.A., Supersnow S.A., and PESA S.A.

In accordance with the statement submitted by her, Ms. Zofia Szewczuk has knowledge and skills in accounting or auditing of financial statements, and knowledge and skills in the industry in which Mabion operates.

Term of office:

Ms. Zofia Szewczuk has served on the Company's Supervisory Board since 22 June 2021. On 7 June 2023, Ordinary General Meeting of the Company adopted a resolution to appoint Ms. Zofia Szewczuk, on 17 June 2023, as Member of the Supervisory Board for the next, i.e. third, joint term of office. The current term of office of the Company's Supervisory Board will elapse on 31 December 2026.

Criterion for independence of a Supervisory Board Member:

In accordance with the statement submitted by her, Ms. Zofia Szewczuk meets the independence criteria specified in Article 129(3) of the Act on Statutory Auditors and does not have any real and significant relations with a shareholder holding at least 5% of the total number of votes in Mabion S.A., and therefore also meets the independence criteria referred to in Rule 2.3 of DPSN 2021.

7.5.2 Powers of the Supervisory Board and description of its operations in 2023

Pursuant to § 22 of the Company's Articles of Association, the competences of the Supervisory Board of Mabion S.A. comprise actions reserved for it in the Commercial Companies Code, and moreover:

a) passing resolutions on the purchase and sale of real estate, perpetual usufruct or share in real estate of a value exceeding PLN 250 thousand;
b) appointing a statutory auditor to audit the Company's financial statements;
c) appointing and dismissing the Company's Management Board Members;
d) determining the amount of remuneration of Management Board Members;
e) assessing Management Board motions as to distribution of profit or loss coverage;
f) approval of the Rules of Procedure of the Management Board;
g) giving opinions on the Company's multi-year strategic plans;
h) passing the Rules of Procedure which determine the procedures of operation of the Supervisory Board;
i) granting consent for the sale of Company's fixed assets the value of which exceeds 10% of the Company's equity;
j) granting consent to pledging or granting usufruct in respect of registered shares
k) granting consent for the Company to enter into a significant agreement with a shareholder holding at least 5% of the total number of votes in the Company or an entity related to the Company, except for typical transactions concluded on arm's length as part of the Company's operating activity with entities belonging to the Company's capital group.

In addition to the activities listed above, the Supervisory Board should:

a) draw up and present to the Ordinary General Meeting, on an annual basis, a Supervisory Board's report containing information as defined in the Code of Commercial Companies and DPSN2021,
b) examine and give opinions on issues that are to be subject General Meeting's resolutions.

Supervisory Board Members exercise their rights and duties personally. Meetings of the Supervisory Board shall be held where necessary, however not less frequently than once every calendar quarter. A Supervisory Board's meeting is convened by the Chairman of the Supervisory Board, and if they are provisionally incapable of performing their duties – the Deputy Chairman of the Supervisory Board or at least two Members of the Supervisory Board. A meeting of the Supervisory Board may also be convened upon request of the Management Board. Meeting of the Supervisory Board may be attended by Company's Management Board Members in advisory capacity. Resolutions of the Supervisory Board are be adopted by an absolute majority of votes of the Supervisory Board Members present at the meeting. Notwithstanding the manner of adopting resolutions by the Supervisory Board – at a meeting, in writing, or using direct means of distant communication, in the event of a tied vote, the Chairman has the casting vote. Resolutions of the Supervisory Board require inviting all Members of the Supervisory Board and presence of at least half of them in order to be valid. The Supervisory Board adopts resolutions in an open ballot, unless otherwise required by relevant provisions of the applicable law.

In 2023, the Supervisory Board of the Company held 6 (six) meetings on the following dates:

1) 16 March 2023 (no resolutions were adopted at the meeting).
2) 17–18 April 2023 (9 resolutions were adopted at the meeting).
3) 23 June 2023 (6 resolutions were adopted at the meeting).
4) 26 July 2023 (no resolutions were adopted at the meeting).
5) 25 September 2023 (2 resolutions were adopted at the meeting).
6) 8 November 2023 (3 resolutions were adopted at the meeting).

In addition to the meetings, the Supervisory Board adopted 20 (twenty) resolutions outside the meetings by means of direct remote communication.

In 2023, the Management Board of Mabion S.A., as part of its supervision of the Company's business, carried out in particular activities associated with obtaining information and documents from the Management Board and selected employees of the Company, as well as monitoring the progress of the Company's facility upgrade through a personal visit to the Company's registered office. The Supervisory Board paid particular attention to the following areas:

a) the status of work on the Company's Strategy for 2023–2027 and the assumptions adopted by the Management Board for its development,
b) the analysis of the current market situation,
c) a recommendation on the evaluation of the draft loan agreement with the EBRD,
d) an opinion on the Company Strategy for 2023–2027 as approved by the Management Board,
e) an opinion on the Company's Budget for 2023 approved by the Management Board,
f) activities implemented as part of the Company's Strategy for 2023–2027,
g) the Company's liquidity situation and current situation,
h) the client acquisition process,
i) an assessment of the achievement of the bonus targets set for 2022 as part of the Management Board Bonus Scheme,
j) setting of bonus targets for the next period,
k) the status of work on the draft ESG Strategy,
l) the status of the work on upgrading the facility and its performance in line with the established budget and schedule.

7.5.3 Remuneration of Supervisory Board Members

The value of the remuneration due for performing functions on the Company's Supervisory Board and paid in respect of the year 2023 was as follows:

Table 13. Remuneration of the Supervisory Board Members

Supervisory Board Member	Gross remuneration due for 2023	Gross remuneration paid in 2023
Robert Koński	PLN 91,200.00	PLN 93,200.00
Józef Banach	PLN 91,200.00	PLN 93,200.00
Sławomir Kościak	PLN 69,600.00	PLN 67,600.00
David John James	PLN 91,200.00	PLN 93,200.00
Wojciech Wośko	PLN 60,200.00	PLN 59,700.00
Zofia Szewczuk	PLN 60,200.00	PLN 59,700.00

Source: Own study of the Company

The Company does not have any subsidiaries, therefore the Members of the Company's Supervisory Board did not receive any remuneration from the Company's subsidiaries in 2023. In 2023, no remuneration in the form of share options was paid to the Supervisory Board Members, nor were any awards, benefits, or remuneration paid on the basis of a bonus or profit-sharing plan. The Company's corporate regulations do not provide for the Members of the Supervisory Board to receive remuneration in the form of share options or remuneration in the form of bonus schemes or participation in profits.

In 2023, the Company did not grant any in-kind benefits to Members of its Supervisory Board nor any other additional remuneration or benefits, apart from the remuneration for serving as Member of the Supervisory Board as indicated in the table above.

Until 7 June 2023, the remuneration of the Supervisory Board Members in accordance with the resolution of the Company's Extraordinary General Meeting of 16 February 2017 was as follows:

- PLN 1 thousand gross for Members of the Supervisory Board for participating in a Supervisory Board meeting.
- PLN 4 thousand gross monthly for Members of the Supervisory Board appointed to Supervisory Board Committees.

On 7 June 2023, the Company's Extraordinary General Meeting adopted a resolution on setting the remuneration of the Members of the Company's Supervisory Board, pursuant to which it set the following remuneration for the Members of the Company's Supervisory Board:

- PLN 4,000 gross – the fixed monthly remuneration for each Member of the Company's Supervisory Board,
- PLN 1,500 gross – the fixed monthly remuneration for each Member of the Supervisory Board appointed to Supervisory Board Committees.

7.5.4 Committees of the Supervisory Board

As part of the Supervisory Board of Mabion S.A., there is an Audit Committee and an Appointment and Remuneration Committee.

1. Audit Committee

Pursuant to § 25(1) of the Company's Articles of Association , the Supervisory Board appoints the Audit Committee responsible for supervising the Company's financial affairs. The Audit Committee comprises at least three persons elected by the Supervisory Board from among its Members. The majority of the Members of the Audit Committee, including its Chairman, should be independent from the Company within the meaning of the Act on Statutory Auditors. At least one member of the Audit Committee should have knowledge and skills in accounting or auditing of financial statements. At least one member of the Audit Committee should have knowledge and skills in the industry in which the Company operates.

In the financial year 2023, the composition of the Audit Committee was as follows:

- Mr. David John James – Chairman of the Audit Committee;
- Mr. Józef Banach – Member of the Audit Committee,
- Mr. Robert Koński – Member of the Audit Committee,
- Mr. Sławomir Kościak – Member of the Audit Committee,
- Ms. Zofia Szewczuk – Member of the Audit Committee.

Changes to the composition of the Audit Committee of the Supervisory Board of Mabion S.A.:

On 23 June 2023, the first meeting of the Supervisory Board of the third joint term of office was held, during which, inter alia, resolutions were adopted on the election of the Chairman and Members of the Audit Committee. The composition of the Audit Committee includes all the persons who held the position in the previous term of office.

Until 31 December 2023 and until the date of publication of this report, the composition of the Appointment and Remuneration Committee is as follows:

The Audit Committee operates in line with the provisions of the Act on Statutory Auditors, and its organisation and operation are specified in the rules of procedure adopted by the Supervisory Board.

The criteria of independence within the meaning of the Act on Statutory Auditors in the composition of the Audit Committee in 2023 were fulfilled by all members of the Committee, e.g. Mr. David James, Mr. Józef Banach, Mr. Robert Koński, Mr. Sławomir Kościak and Ms. Zofia Szewczuk. These persons also met the independence criteria within the meaning of the Best Practice of GPW Listed Companies 2021.

Responsibilities and powers of the members of the Audit Committee

Table 14. Responsibilities and powers of the members of the Audit Committee

Members of the Audit Committee who have declared that they had knowledge and skills in the field of:	
accounting or audit of financial statements:	the industry in which Mabion S.A. operates:
David John James	David John James
Józef Banach	Józef Banach
Zofia Szewczuk	Zofia Szewczuk
Sławomir Kościak	Sławomir Kościak

Source: Own study of the Company

Information on the sources of knowledge and skills acquired by individuals in accounting or auditing and the industry in which Mabion S.A. operates is presented in section 7.5.1 of this Report.

Activities of the Audit Committee in 2023

In 2023, the Audit Committee held 3 (three) meetings, on the following dates:

1) 4 April 2023
2) 14 April 2023
3) 23 August 2023

The Audit Committee's meetings were primarily devoted to presenting and discussing with the auditor the status of the work on the audit of the annual financial statements, followed by a summary of that work, a discussion of key audit, accounting, and

financial reporting issues, and presenting and discussing with the auditor the status of the work on the review of the interim condensed financial statements, a summary of the results of that work, and significant related issues.

In 2023, the Audit Committee also adopted a resolution on amending the Policy and procedure for the selection of the audit firm. The amendment consisted in the introduction of emergency procedures envisaged in the event when the audit firm auditing the Issuer's financial statements loses its authorisation to conduct such audit.

In 2023, in the course of its work the Audit Committee also dealt with issues related to the assessment of the achievement of the corporate objective constituting an important element of the assessment of the achievement of the bonus targets set for 2022, and to the setting of corporate targets for the next bonus period. The achievement of the corporate objective was assessed based on the results presented in the financial statements for 2022, audited and approved by the Ordinary General Meeting on 7 June 2023.

2. Appointment and Remuneration Committee

Pursuant to § 25(2) of the Company's Articles of Association, the Supervisory Board may appoint an Appointment and Remuneration Committee responsible for preparing assessments of candidates for Management Board Members and defining the rules and amount of remuneration of the Management Board Members. The Remuneration Committee comprises at least three Members appointed by the Supervisory Board from among its Members, where at least one of the Members of the Remuneration Committee should be an independent Member of the Supervisory Board within the meaning of the provisions of § 21 of the Company's Articles of Association.

The Appointment and Remuneration Committee is an advisory body to the Supervisory Board. Members of the Committee exercise powers set out in the Rules of Procedure of the Appointment and Remuneration Committee adopted by the Company's Supervisory Board, pursuant to Article 390 of the Code of Commercial Companies.

In the financial year 2023, the composition of the Appointment and Remuneration Committee was as follows:

- Mr. Robert Koński – Chairman of the Appointment and Remuneration Committee,
- Mr. David John James – Member of the Appointment and Remuneration Committee,
- Mr. Józef Banach – Member of the Appointment and Remuneration Committee,
- Mr. Sławomir Kościak – Member of the Appointment and Remuneration Committee (as of 23 June 2023),
- Mr. Wojciech Wośko – Member of the Appointment and Remuneration Committee.

Changes to the composition of the Appointment and Remuneration Committee of the Supervisory Board of Mabion S.A.:

On 23 June 2023, the first meeting of the Supervisory Board of the third joint term of office was held, during which, inter alia, resolutions were adopted on the election of the Chairman and Members of the Appointment and Remuneration Committee. The Appointment and Remuneration Committee has appointed Mr. Slawomir Kościak and all the persons who held this position in the previous term of office.

Until 31 December 2023, the composition of the Appointment and Remuneration Committee has not changed.

On 16 January 2024 (an event after the balance-sheet date), at a meeting of the Supervisory Board, Mr. Robert Koński tendered his resignation as Chairman of the Appointment and Remuneration Committee. On the same day, the Supervisory Board adopted a resolution to elect Mr. Sławomir Kościak as Chairman of the Appointment and Remuneration Committee.

Up to the date of this Report, there have been no changes to the composition of the Appointment and Remuneration Committee.

As at the date of publication of this Report, the composition of the Appointment and Remuneration Committee was as follows:

- Mr. Sławomir Kościak – Chairman of the Appointment and Remuneration Committee,
- Mr. Robert Koński – Member of the Appointment and Remuneration Committee,
- Mr. David John James – Member of the Appointment and Remuneration Committee,
- Mr. Józef Banach – Member of the Appointment and Remuneration Committee,
- Mr. Wojciech Wośko – Member of the Appointment and Remuneration Committee.

Activities of the Appointment and Remuneration Committee in 2023

In 2023, the Appointment and Remuneration Committee held 3 (three) meetings, on the following dates:

1) 7 August 2023
2) 11 August 2023
3) 2 November 2023

The Appointment and Remuneration Committee's meetings were devoted, inter alia, to analysing and assessing the candidacy of Ms. Julita Balcerek as a Management Board Member, issuing a recommendation to the Supervisory Board on the Management Board Member's remuneration in the event of a resolution on her appointment, as well as summarising the achievement of individual bonus objectives set for 2022 under the Management

Board Members' Bonus Scheme, and setting objectives for the next bonus period.

In 2023, the Appointment and Remuneration Committee also adopted resolutions on issuing a recommendation to the Supervisory Board on the assessment of the achievement of the individual objectives set for 2022 under the Management Board Members' Bonus Scheme, as well as issuing an opinion and recommendation to the Supervisory Board on the draft new Policy on Remuneration of the Members of the Management and Supervisory Boards of Mabion S.A. and the draft Ordinary General Meeting resolution adopting this Policy.

7.5.5 Procedures related to the selection and services of an audit firm

Audit firm selection policy and policy for the provision of permitted non-audit services

Pursuant to § 22.1 (b) of the Company's Articles of Association, the Company's Supervisory Board selects an audit firm to audit and review the Company's financial statements. When selecting an audit firm, the Supervisory Board acts on the basis of the indicated criteria and the recommendation of the Audit Committee.

The Policy and procedure for the selection of the audit firm for the statutory audit of the financial statements (hereinafter referred to as "Policy and procedure for the selection of the audit firm") was adopted by a resolution of the Audit Committee of 20 October 2017 and subsequently amended by a resolution of 21 April 2020 (in view of changes in applicable legislation) and a resolution of 29 December 2023 (in view of the introduction of emergency procedures if the audit firm loses its audit authorisation).

The Policy on the provision of permitted non-audit services by the audit firm conducting the statutory audit, related entities of the audit firm and by a member of the audit firm's network (hereinafter "Policy on the provision of permitted non-audit services") was adopted by a resolution of the Audit Committee on 20 October 2017.

The main assumptions of the implemented Policy and procedure for the selection of the audit firm and the Policy on the provision of permitted non-audit services are as follows:

The audit firm is selected in appropriate advance so that the contract for statutory audit of financial statements can be signed in time to allow the audit firm to participate in the stocktaking of significant assets.

The selection is made taking into account the principles of impartiality and independence of the audit firm and taking into account the principle of rotation of the audit firm and the key statutory auditor. The first audit agreement is entered into with an audit firm for a period of not less than two years with the possibility of extension for further periods of at least two years.

It is forbidden to include contractual clauses in agreements entered into by the Company, as invalid by virtue law, which would limit the possibility of selecting an audit firm by the Supervisory Board of the Company, for the purpose of carrying out the statutory audit of the Company's financial statements, to certain categories or lists of audit firms.

The Audit Committee, acting as part of the Supervisory Board of the Company, takes a decision on a recommendation to extend or not to extend the agreement with an audit firm, of which it informs the Supervisory Board of the Company.

If the Supervisory Board of the Company decides not to extend the agreement with the audit firm for a subsequent period and if the extension of the agreement for a subsequent period is not permissible in line with the rotation principle, the Policy and procedure for the selection of the audit firm apply.

The Tender Committee appointed by the Company's Management Board is responsible for organizing the selection procedure for the statutory audit of the Company's financial statements, including for drawing up tender documentation.

The request for proposals for the selection of an audit firm for the purposes of the statutory audit of the Company's financial statements is prepared by the Tender Committee in consultation with the Audit Committee and is subject to publication on the website www.mabion.eu and is sent to selected audit firms within a specified period of time.

Collected offers of audit firms together with a report containing conclusions from the selection procedure are submitted to the Audit Committee for approval.

The Audit Committee decides on the approval of the report containing the conclusions of the selection procedure and submits a recommendation to the Supervisory Board, which includes at least two options for selecting an audit firm with a justification and an indication of the Audit Committee's reasonable preference for one of them.

If the Supervisory Board's decision to appoint an audit firm deviates from the recommendations of the Audit Committee, the Supervisory Board justifies the reasons for non-compliance with the recommendations of the Audit Committee and communicates such justification to the General Meeting.

In accordance with Article 5(1) of Regulation (EU) No 537/14 of the European Parliament and of the Council of 16 April 2014, a statutory auditor or an audit firm carrying out the statutory audit of a public-interest entity, or any member of the network to which the statutory auditor or the audit firm belongs, shall not directly or indirectly provide to the audited entity, to its parent undertaking or to its controlled undertakings within the Union any prohibited non-audit services in:

a) the period between the beginning of the period audited and the issuing of the audit report; and
b) the financial year immediately preceding the period referred to in point (a) in relation to the services listed in Article 5(1), second paragraph, point e) of the above mentioned Regulation.

Services prohibited under Article 136.1 of the Act on Statutory Auditors include also other services which are not financial audit activities. Where a statutory auditor or an audit firm provides the said services to the Company, its parent undertaking or entities controlled by it for a period of at least three consecutive financial years, the total remuneration for such services shall be limited to a maximum of 70 % of the average remuneration paid in the last three consecutive financial years for the statutory audit(s) of the Company and, where applicable, its parent undertaking, entities controlled by it, and the consolidated financial statements of that group of undertakings. For the purposes of the limitations set out in the first sentence, non-audit services other than those referred to in the preceding paragraph and in this paragraph which are required to be provided under EU or national legislation shall be excluded.

The services indicated in Article 136.2 of the Act on Statutory Auditors are not prohibited services. The provision of these services is possible only to the extent not related to the tax policy of the audited entity, after the Audit Committee has carried out an assessment of threats to and safeguards of independence referred to in Articles 69-73 of the Act on Statutory Auditors and after the Audit Committee has given its consent.

Audit firm

The audit of the Company's financial statements for 2023 and the review of the Company's condensed interim financial statements for the period from 1 January 2023 to 30 June 2023 were conducted by PricewaterhouseCoopers Polska Sp. z o.o. Audyt sp. k. with its registered office in Warsaw ("PwC"). The audit firm was selected by the Supervisory Board by resolution no. 1/II/2022 of 24 February 2022 on the basis of the authorisation provided for in the Company's Articles of Association. The audit firm was selected on the basis of recommendations of the Audit Committee. The recommendation of the Audit Committee met the applicable conditions and was drawn up as a result of the procedure for selecting an audit firm meeting the applicable criteria, organised by the Company. By means of the aforementioned resolution, the Supervisory Board selected PwC to audit of the Company's annual financial statements for 2022, 2023, and 2024, and to review the Company's semi-annual financial statements for the periods ended 30 June 2022, 30 June 2023, and 30 June 2024.

Pursuant to resolution no. 2/II/2022 of 24 February 2022, the Supervisory Board selected PwC to evaluate the reports on the remuneration of the Management Board and Supervisory Board members of the Company for the years 2021–2024 and as a result, PwC provided permitted non-audit assurance services to the Company in 2023 in the form of an assessment of the report on the remuneration of the Company's Management Board and Supervisory Board Members for 2022. The services listed above have been given a prior positive recommendation by the Audit Committee of the Company's Supervisory Board regarding the auditor's independence assessment. The Company's Supervisory Board has agreed to the provision of the above services.
For more information on the audit firm, please refer to point 8.4 of this Report.

7.6 General Meeting of Mabion S.A.

7.6.1 Operating principles of the General Meeting

The General Meeting acts based on the Code od Commercial Companies and the Rules of Procedure of General Meetings of Mabion S.A.

General Meetings of the Company are held at the Company's registered office, either in Łódź or in Warsaw. General Meetings are convened in the manner set out in the CCC. The General Meeting is opened by the Chairman or another Member of the Supervisory Board, and in their absence by the President of the Management Board or a person designated by the Management Board. Shareholders may attend the General Meeting and implement voting rights in person or by proxy.

The General Meeting only considers matters included in the agenda. In matters not included on the agenda, resolutions may be adopted provided that the entire share capital is represented and none of the attending shareholders has objected to the adoption of the resolution. To be valid, a resolution on removing items included in the General Meeting's agenda requires a majority of 3/4 of the votes cast in the presence of shareholders representing at least 50% of the Company's share capital, with the consent of the shareholders filing a justified motion to abandon investigating the item in question. In the event that a motion for removing an item is filed by the Management Board, the resolution of the General Meeting requires an absolute majority of votes cast. Removing items included in the agenda upon request made pursuant to Article 401 of the CCC requires consent of the shareholder who made the request.

The General Meeting is capable of adopting binding resolutions irrespective of the number of shares represented at it, subject to the provisions of the CCC providing for a qualified majority. All resolutions of the General Meeting are adopted by an absolute majority of votes, unless the provisions of the CCC or the Company's Articles of Association stipulate other conditions for the adoption of such resolutions. Voting at the General Meeting is conducted in an open ballot, except as provided for in the CCC.

The Rules of Procedure for the Company's General Meeting are available on the Company's website at:
https://www.mabion.eu/dokumenty-korporacyjne/.

7.6.2 Essential powers of the General Meeting

The competence of the General Meeting includes issues reserved for it by the Code of Commercial Companies, while the purchase and sale of real estate, perpetual usufruct or share in real estate or perpetual usufruct do not require the adoption of a resolution by the General Meeting (§ 17.2 of the Company's Articles of Association).

Pursuant to §17 (1) of the Company's Articles of Association, the competence of the General Meeting includes in particular:

a) examining and approving the Management Board's report on the operations of the Company and the financial statements, and the Supervisory Board's report for the financial year;

b) distributing profit and covering losses;

c) discharging Members of the Supervisory Board of the Company and Members of the Management Board of the Company of their duties;

d) increasing or decreasing the share capital;

e) amending the Company's Articles of Association, including changing the object of activity;

f) merging the Company with other entities;

g) dividing and transforming the Company;

h) dissolving the Company;

i) adopting the Rules of Procedure of the Company's General Meeting;

j) other matters provided for in the Articles of Association and the provisions of the applicable law.

Moreover, the competence of the General Meeting includes:

> appointing and dismissing Members of the Supervisory Board;

> suspending or dismissing Members of the Management Board;

> determining the manner in which the Company's profit is to be allocated;

> determining the dividend date.

To be valid, a resolution on the merger or division of the Company requires a majority of 3/4 of the votes cast.

7.6.3 Rights of shareholders and the manner of their execution

Rights and obligations related to the Company's shares are determined in the provisions of the Code of Commercial Companies (CCC), in the Articles of Association, and in other legal regulations.

Property rights attached to the Company's shares resulting from the Articles of Association

The Company's shareholders have the following property rights following from specific provisions of the Articles of Association:

1) Right of first refusal in the purchase of registered shares by the-then holders of registered shares in proportion to the shares held (§ 13 of the Company's Articles of Association)

2) Right to redeem the shares held (§ 12 of the Company's Articles of Association).

Corporate rights vested in the Company's shareholders in connection with participation in the Company:

1) Right to participate in the General Meeting in person or through a proxy (Article 412 of the CCC) and right to vote at the General Meeting (Article 411 § 1 of the CCC). Voting rights from the existing Company shares are as follows:
   a. two votes at the General Meeting are attached to each of the A, B, C, E, F, G series shares;
   b. one vote at the General Meeting is attached to each of the D, H, I, J, K, L, M, N, O, P, S, U series shares.

2) The right to convene the Extraordinary General Meeting by shareholders representing at least one-half of the share capital or at least one-half of the votes in the Company (Article 399 § 3 of the CCC).

3) The right of shareholders with at least one-twentieth of the Company's share capital to request that the Extraordinary General Meeting be convened and to request that certain items be put on the agenda (Article 400 § 1 of the CCC). If within two weeks of the date of presenting the request to the Management Board the Extraordinary General Meeting is not convened, the registration court may authorise the shareholders who requested the Meeting to convene it (Article 400 § 3 of the CCC).

4) The right of shareholders with at least one-twentieth of the Company's share capital to request that certain matters be put on the agenda of the next General Meeting (Article 401 § 1 of the CCC). The request should contain at least a justification or draft resolution relating to the proposed item on the agenda (Article 401 § 1 of the CCC).

5) The right to appeal against General Meeting resolutions pursuant to the rules specified in Articles 422-427 of the CCC.

6) The right to request appointing the Supervisory Board in separate groups. Pursuant to Article 385 § 3 of the CCC, on motions from shareholders representing at least one-fifth of the share capital. The Supervisory Board should be then appointed by the next General Meeting by voting in separate groups.

7) The right to request that a specific item related to the incorporation of a public company or running it be audited by a statutory auditor (an auditor for special issues). The respective resolution should be adopted by the General Meeting upon a motion by a shareholder or shareholders holding at least 5% of the total voting rights at the General Meeting (Article 84 of the Act on Public Offering). For this purpose, the shareholders may request that the Extraordinary General Meeting be convened or that the passing of such a resolution be included in the agenda of the next General Meeting. If the General Meeting dismisses the motion for

appointing an auditor for special issues, the motioners may request that such an auditor be appointed by the Registration Court within 14 days of passing the resolution (Article 85 of the Act on Public Offering).

8) The right to obtain information about the Company in the scope and manner specified by the law, in particular pursuant to Article 428 of the CCC. During a General Meeting, at the request of a shareholder the Management Board has to provide information relating to the Company, if this is justified for assessing an item on the agenda; a shareholder who is refused such information during a General Meeting and who reports his/her objection to the minutes of the Meeting may file a motion with the Registration Court to oblige the Management Board to provide such information (Article 429 of the CCC).

9) The right to request the release of documents corresponding in content to the Directors' Report on the Company's activities, its financial statements, the Supervisory Board's report or the audit report. The release of these documents may be requested as from the date of the convening of the ordinary general meeting. The documents must be made available without delay, and no later than two business days after the request. Upon request by a shareholder, documents will be made available in electronic form, including by means of electronic communication (Article 395 § 4 of the CCC).

10) The right to inspect, on the premises of the Management Board, the list of shareholders entitled to participate in the General Meeting and to request a copy of such a list, subject to payment of the costs of its preparation, and to request that the list be sent free of charge to an electronic delivery address or by e-mail (Article 407 § 1–11 of the CCC).

11) The right to request copies of motions regarding items on the agenda, within a week preceding the date of the General Meeting (Article 407 § 2 of the CCC).

12) The right to file a motion for checking the list of attendees to the General Meeting by a specially appointed committee comprising at least three persons. The motion may be filed by shareholders holding one-tenth of the share capital represented at such a General Meeting. The motioners are entitled to appoint one of the members of the committee (Article 410 § 2 of the CCC).

13) The right to inspect the book of minutes and request that copies of resolutions certified by the Management Board be issued (Article 421 § 3 of the CCC).

14) The right to file a claim for repairing damage caused to the Company according to the principles specified in Article 486 and 487 of the CCC, if the Company does not file a lawsuit for damages within a year of the date of disclosing the action which caused the damage.

15) The right to inspect documents and request that the copies of documents referred to in Article 505 § 1 of the CCC (in the event of a merger of the Company), in Article 540 § 1 of the CCC (in the event of a division and acquisition of the Company) and in Article 561 § 1 of the CCC (in the event of the Company's transformation) be made available on the Company's premises free of charge.

16) The right to request that a commercial company which is a Company's shareholder provide information whether it is the parent or subsidiary of a given commercial company or co-operative which is a Company's shareholder, or whether it ceased to be such a parent or subsidiary. A shareholder may also request that the number of shares or votes be disclosed, or the number of shares or votes that the commercial company holds, including as a pledgee, user or based on agreements with other persons. The demand for information should be filed in writing (Article 6 § 4 and 6 of the CCC).

7.6.4 General Meetings of the Company in 2023

In 2023, one General Meeting of the Company Mabion S.A. was held.

On 11 May 2023, the Management Board of Mabion S.A. convened the Company's Ordinary General Meeting for 7 June 2023. The Ordinary General Meeting on 7 June 2023 reviewed the Directors' Report for the financial year 2022, the Company's financial statements for the financial year 2022, the Management Board's proposal on the distribution of profit for the financial year 2022, the Supervisory Board's Report for the financial year 2022, and adopted resolutions on:

1) approval of the Directors' Report for the financial year 2022,

2) approval of the Company's Financial Statements for the financial year 2022,

3) approval of the Report of the Company's Supervisory Board for 2022,

4) discharge of all the Members of the Company's Management Board of their duties in the financial year 2022,

5) discharge of all the Members of the Company's Supervisory Board of their duties in the financial year 2022,

6) on the positive opinion on the Remuneration Report concerning the Management Board Members and Supervisory Board Members of Mabion S.A. for 2022,

7) repeal of Resolution No. 3/XI/2019 of the Extraordinary General Meeting of Mabion S.A. of 29 November 2019, on the conditional increase of the Company's share capital through the issue of ordinary bearer T Series shares with the simultaneous full exclusion of the pre-emptive right of the existing shareholders of the Company, on the issue of C series subscription warrants with the simultaneous full exclusion of the pre-emptive right of the existing shareholders of the Company, and on amendments to the Company's Articles of Association – as described in more detail in sections 7.3.1 and 7.7 of this Report,

8) amendments to the Articles of Association of the Company – as further described in section 7.7 of this Report,

9) repeal of the Policy on Remuneration of the Members of the Management and Supervisory Boards of Mabion S.A. in its existing wording and adoption of a new wording of the Remuneration Policy for Members of the Management and Supervisory Boards of Mabion S.A. – as described in more detail in section 8.1 of this Report.

10) defining the remuneration of the Members of the Company's Supervisory Board – as further described in section 7.5.3 of this Report,

11) on the authorisation of the Supervisory Board to draw up the consolidated text of the Company's Articles of Association,

12) appointing the Members of the Company's Supervisory Board for a third joint term of office – as further described in section 7.5.1 of this Report.

As a result of a shareholder's request submitted during the Company's Ordinary General Meeting to amend the draft resolution on the distribution of profit for the financial year 2022 so that the net profit would be transferred in full to the Company's supplementary capital rather than covering losses from previous years (as provided for in the draft resolution presented by the Management Board), the Company's Ordinary General Meeting adopted a resolution on adjourning the meeting until 13 June 2023. Upon resumption, on 13 June 2023 the Company's Ordinary General Meeting adopted a resolution on the distribution of profit for the financial year 2022, according to which the final net profit for the financial year 2022 in the amount of PLN 23,191,774.31 was allocated in full to the supplementary capital.

At the Ordinary General Meeting of the Company on 7 June 2023 and 13 June 2023, the Company's shareholders were present representing respectively 39.67% and 39.38% of the share capital and 36.15% and 35.89% of the total number of votes in the Company.

The shareholders holding at least 5% of the votes at the Ordinary General Meeting of the Company included: Twiti Investments Limited (with share in the voting rights on 7 June 2023 and on 13 June 2023 as follows: 37.98% and 38.21%, respectively), Polfarmex S.A. (24.52% and 24.67%), Celon Pharma S.A.* (13.95% and 14.03%), Glatton Sp. z o.o.* (13.74% and 13.83%) and Nationale-Nederlanden Otwarty Fundusz Emerytalny (8.63% and 8.68%).

Information relating to the Company's Ordinary General Meeting was provided by the Company in Current Reports nos. 9/2023 of 11 May 2023, 12/2023 of 24 May 2023, 13/2023 of 31 May 2023, 14/2023 and 16/2023 of 7 June 2023, and 17/2023 and 18/2023 of 13 June 2023.

7.7 Principles for amending the Company's Articles of Association

The principles for amending the Company's Articles of Association are regulated by the Code of Commercial Companies. Amendments to the Articles of Association require a resolution of the General Meeting and entry into the National Court Register. The General Meeting may authorise the Supervisory Board to set the consolidated text of the Company's amended Articles of Association or to make other editorial changes as specified in the resolution of the Meeting.

Amendments to the Articles of Association of Mabion S.A. in 2023:

On 7 June 2023, the Company's Ordinary General Meeting adopted Resolution No. 19/VI/2023 on amending the Company's Articles of Association, pursuant to which the provisions of the Company's Articles of Association regarding the share capital and the term of office and powers of the Company's bodies were amended. The changes to the share capital resulted from the clarification of the provisions as a result of the increase in the Company's share capital effected under the Incentive Scheme for 2018-2021 and the repeal of the resolution on the conditional increase of the Company's share capital as a result of the expiry of the finance agreement and the warrant agreement entered into with the European Investment Bank. The other amendments to the Company's Articles of Association resulted from the amendments to the Code of Commercial Companies, which came into force on 13 October 2022, and were aimed at ensuring that the provisions of the Company's Articles of Association are consistent with the wording of the Code of Commercial Companies. The amendments to the Company's Articles of Association became effective upon their entry into the Register of Entrepreneurs of the National Court Register, which occurred on 17 August 2023.

The list of amendments to the Company's Articles of Association was published in Current Report no. 21/2023 of 18 August 2023.

The current consolidated text of the Articles of Association of Mabion S.A. is available on the Company's website at: https://www.mabion.eu/pl/dokumenty-korporacyjne/.

7.8 Internal control and risk management systems for the process of drawing up the financial statements

The Company does not have an institutionalised, formalized, overarching internal control system or a financial risk management system. As regards the internal control and risk management systems in place in relation to the process of drawing up the financial statements, the data for the financial statements and the statements themselves are prepared by the Company's Finance Department. The process is supervised by the Chief Financial Officer.

* 100% of the share capital of Glatton Sp. z o.o. and indirectly, through Glatton Sp. z o.o., 58.81% of the share capital of Celon Pharma S.A. and 68.17% of the total number of votes in Celon Pharma S.A., is held by Mr. Maciej Wieczorek.

The process of drawing up the financial statements is governed by:

1. the International Financial Reporting Standards and the Accounting Act of 29 September 1994,
2. the Articles of Association of Mabion S.A.,
3. the Accounting Principles applicable to Mabion S.A. and the internal accounting records procedures.

The Company's internal control system in force constitutes a continuous process implemented in response to identified risks. The overriding objective is to ensure that tasks are carried out effectively, safely, and in compliance with applicable legislation and internal regulations.

Currently, the internal control process is implemented through:

- day-to-day activities with particular focus on the control function exercised by all employees within the scope of their assigned duties,
- entrusted functional control carried out by persons in managerial positions over subordinate departments or divisions as part of their supervisory duties.

In the area of the management of risk related to the drawing up of the statements, the Company monitors, on an ongoing basis, changes in external laws and regulations related to this process, and prepares to implement these changes with the help of external advisors with appropriate reputation, and conducts dedicated training sessions for employees. The internal regulations (with particular emphasis on the accounting policy) are updated on an ongoing basis to adapt them to the changing landscape, scope of business activities, and regulations.

For the Company's compliance with the obligation to apply internal and external regulations in the area of financial reporting, the Company's Finance Department is responsible. There is a dedicated team in charge of preparing the data necessary for the financial statements. The Chief Accountant is responsible for drawing up the statements under the substantive supervision and coordination of the Chief Financial Officer. The Company's accounts are maintained using computer technology with relevant mechanisms incorporated into the systems to ensure protection against destruction, modification, or concealment of records. Checks are made at the stage of entering accounting entries. In addition, independent procedures are carried out to verify the correctness of financial and accounting processes.

The correctness of the financial statements is verified by an independent Auditor in the periods resulting from the reporting obligations of companies listed on the GPW. The semi-annual statements are reviewed by the Auditor, while the annual statements are subject to a full audit.

The Company's Management Board and Members of the Supervisory Board are required to ensure that the financial statements and the Directors' Report meet the requirements stipulated in the applicable regulations. The body that controls the financial reporting process at Mabion S.A. is the Audit Committee. In accordance with its competences, the Audit Committee monitors the financial reporting process, the auditing activities, and the independence of the Auditor. The Auditor is selected by the Supervisory Board from among a group of reputable audit firms, upon recommendation of the Audit Committee. The latter additionally monitors the effectiveness of the internal control systems.

In the Company's opinion, the distribution of tasks related to the drawing up of the financial statements in the Company, the control of the drawn up statements by the Auditor, as well as the monitoring of the drawing up and verification of the statements by the Audit Committee and the assessment of the statements by the Supervisory Board, ensure the reliability and correctness of the information presented in the financial statements.

8. SUPPLEMENTARY INFORMATION

8.1 Remuneration policy

In the financial year 2023, there was a Policy on Remuneration of the Members of the Management and Supervisory Boards of Mabion S.A. ("Remuneration Policy") in place at the Company, as adopted:

- by resolution no. 22/VI/2021 of the Company's Ordinary General Meeting of 22 June 2021, and subsequently
- by Resolution No. 20/VI/2023 of the Ordinary General Meeting of the Company of 7 June 2023 on the repeal of the Policy on Remuneration of the Members of the Management and Supervisory Boards of Mabion S.A. in its existing wording and adoption of a new wording of the Remuneration Policy for Members of the Management and Supervisory Boards of Mabion S.A.

In 2023, the Remuneration Policy was amended, among other things, for the purposes of:

- simplification of the Remuneration Policy in a manner that allows it to be flexibly adjusted to the Company's ongoing financial situation and market conditions – its certain provisions have been made more specific by the Supervisory Board;
- mandate of the Supervisory Board, pursuant to Article 90d (7) of the Act, to specify, within the limits of the Remuneration Policy, the elements of the Remuneration Policy indicated in §11 (3) of the Policy, including in particular a description of the components of fixed remuneration and variable remuneration, bonuses, and other monetary and non-monetary benefits that may be awarded to Management Board Members, as well as financial and non-financial performance criteria for the award of variable remuneration to Management Board Members;
- introduction of the maximum ratio of the variable remuneration granted to the Management Board members in a financial year to their fixed remuneration due for the same financial year.

The current Remuneration Policy is available on the Company's website at: https://www.mabion.eu/dokumenty-korporacyjne/.

The Remuneration Policy contains the framework and general principles for the remuneration of the Management Board and the Supervisory Board Members, to be followed by the Supervisory Board and the General Meeting when determining the remuneration of individual members of the company's bodies in accordance with statutory requirements. The objective of these principles is to lay the foundations for the implementation of the Company's strategy and its stable development, to ensure effective and smooth management of the Company, to increase the long-term value for investors, to ensure the Management Board's loyalty to investors, to build motivation of members of the Management Board to take actions conducive to long-term development of the Company and innovation, without taking excessive risk, to create a framework to manage potential conflicts of interest and to take into account the interests of employees and respect for the environment.

The terms and conditions, and amounts of remuneration for 2023 separately for individual Members of the Company's Management Board, and non-financial elements of remuneration for which they are eligible in 2020 are presented in sections 7.4.3 and 7.5.3 of this Report.

8.2 Liabilities under pensions and similar obligations

In 2023, the Company did not have any liabilities for pensions or similar benefits towards former members of its managing or supervisory bodies, or any liabilities incurred in connection with such pensions.

8.3 Information on judicial, administrative, and arbitration proceedings

In 2023, the Company was not a party to any proceedings before a court, an arbitration authority or a public administration authority which in the opinion of the Management Board of the Company could have a material adverse effect on the financial situation, operations or cash flows of the Company.

8.4 Information about the audit firm

The audit of the Company's financial statements for 2023 and the review of the Company's condensed interim financial statements for the period from 1 January 2023 to 30 June 2023 were conducted by PricewaterhouseCoopers Polska Sp. z o.o. Audyt sp. k. with its registered office in Warsaw, at ul. Polna 11, entered on the list of audit firms kept by the Polish Agency for Audit Oversight with no. 144 ("PwC"). The audit firm was selected by the Company's Supervisory Board. The agreement with PwC was entered into on 1 September 2022 (with a subsequent annex signed on 21 August 2023) for a period of 3 years and includes the audit of interim financial statements and the audit of annual financial statements for 2022, 2023, and 2024. The total remuneration for the performance of the aforementioned services covered by the agreement was set at PLN 933,000 net.

In previous years, Mabion S.A. used the services of PwC in the following scope:

- audit of the annual financial statements for the different years in the period 2015–2022, review of the interim condensed financial statements for the period from 1 January to 30 June of the different years in the period 2015–2022, and assessment of the reports on the remuneration of the Company's Management Board and Supervisory Board Members for 2019–2022;

- services related to the planned issue of the Company's shares on a stock exchange outside the territory of the Republic of Poland (on the territory of Europe or the United States), i.e. support for the Company in the preparation for the conversion of the financial statements for 2016 and 2015 prepared in accordance with PAS into IFRS-compliant statements, audit of the Company's financial statements for 2016 and 2015 prepared in accordance with the IFRS, preparation of comfort letters in connection with the planned listing of the Company's shares on the aforementioned stock exchange, support and other services related to the preparation of issue documents necessary for the implementation of the share issue on the aforementioned stock exchange;

Remuneration due to PwC for services provided in 2023 and 2022 is presented in the table below.

Table 15. Remuneration due to PwC for services provided in 2023 and 2022 is presented in the table below.

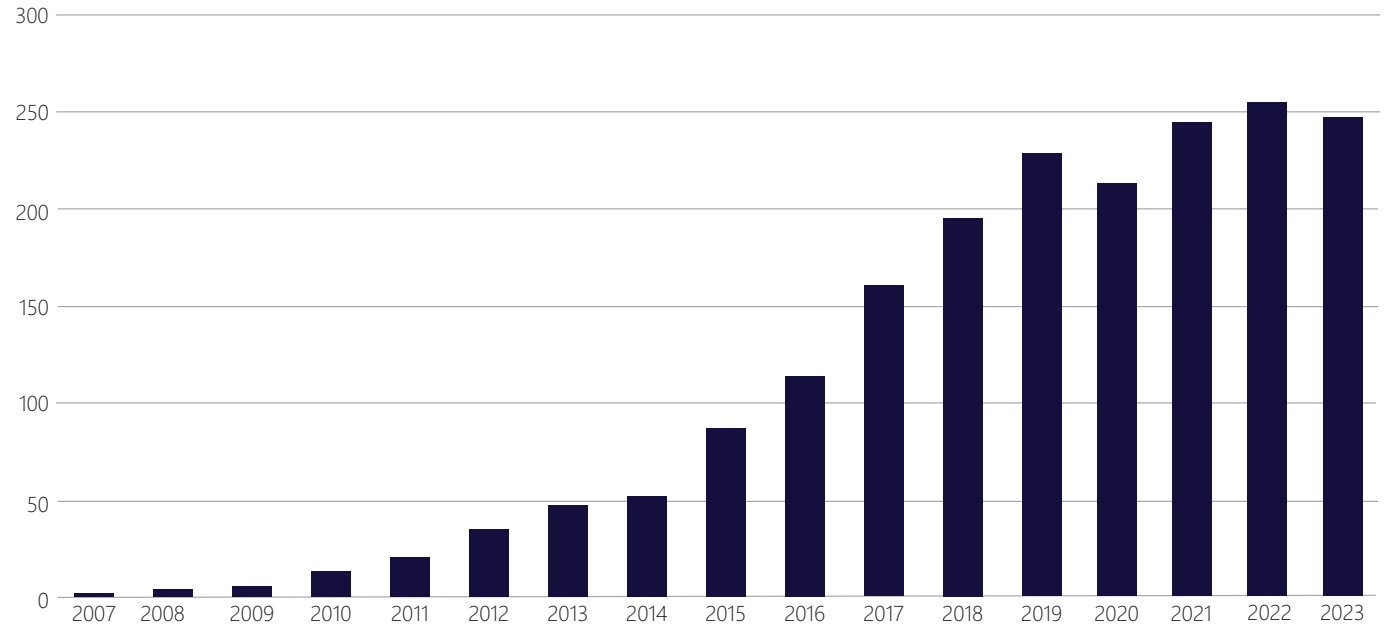
PLN thousand	2023	2022
Audit of the annual financial statements	224	200
Other attestation services, including the review of interim financial statements and a service relating to the assessment of the remuneration report	117	122
Tax consultancy services	0	0
Other services	0	0

Source: Own study of the Company

8.5 Employment

As at 31 December 2023, the Company employed 247 people on the employment contract basis, while the average employment in 2023 was 247.03 full-time equivalents.

Table 16. Employment at Mabion S.A. in 2007–2023.



Source: Own study of the Company

8.6 Major research and development achievements

The Company's experience in the research and development area and its assets enabled it to deliver on an order from Novavax Inc. as part of which a vaccine antigen manufacturing process was successfully transferred to the Company's laboratories and the process was subsequently scaled up to its intended commercial level. The Company showcased its skills as part of its first CDMO order from Novavax, where a vaccine antigen manufacturing process was successfully transferred to the Mabion's laboratories and the process was subsequently scaled up to its intended commercial level.

Concurrently, the Company has undertaken and implemented a series of activities aimed at increasing its competitiveness in the CDMO market, such as, among others, the development of platform solutions to optimise upstream and downstream processes and the verification of its analytical panel for the possibility of analysing various types of therapeutic protein-based products.

As a fully integrated CDMO, the Company will offer a full range of services such as process and analytics development, preclinical and clinical analytics, manufacturing for the clinical stage and commercial manufacturing – DS and DP, characterisation of medicinal products and batch release, regulatory consulting. The development and manufacturing services will be able to accommodate a wide spectrum of biological products such as: monoclonal antibodies, monoclonal antibody-based products, protein vaccines, other recombinant protein-based products.

The Company has the ability to implement projects at various stages of development.

> **Manufacturing for clinical trials and commercial manufacturing**

The Company implements state-of-the-art technology, building on many years of experience in the production of macromolecular medicinal products. It specialises in the production of sterile biotechnology products at its facility in Konstantynów Łódzki, which meets Good Manufacturing Practice (GMP) requirements. The Company's objective is to optimally translate scientific assumptions into technological solutions for the production of biological substances and medicinal products based on recombinant proteins, including mAb, ADCs, BsAbs, and vaccines. This is achieved through the implementation of recombinant protein processes whereby proteins are obtained using different expression systems and purification techniques, up to the final sterile end product, which is accompanied by full process control exercised by a dedicated department and individuals qualified in analytical, microbiological, and documentation areas. The aforementioned processes are conducted in line with the highest regulatory standards (e.g. EMA, FDA).

> **Production of finished products**

Mabion offers GMP-compliant glass vial sterilisation services, aseptic automated sterile vial filling, as well as labelling and packaging, for a wide range of biological products for both small-scale clinical supply and large-scale commercial production. The Company has its own warehouse and fleet of delivery vehicles, which makes it independent of external suppliers.

> **Process development**

Mabion's Upstream and Downstream Process Development and Analytics Development team comprises experienced experts in the field of upstream and downstream processes and the analytics required to characterise a protein-based therapeutic at the development stages of the manufacturing process and the finished product. The Company's approach to process and product development is founded on an understanding of the process variables that affect product quality. To ensure this understanding, Mabion uses its strength in the form advanced analytics, both biological, as well as physicochemical and structural. Owing to extensive experience in commercial scale manufacturing, the Company uses technologies and methodologies enabling it to scale up and transfer processes from a small laboratory setting to a GMP-compliant environment. Since the Research and Development, Manufacturing, and Quality Control teams closely collaborate, the production of the very first clinical batches, supported by analyses, is a smooth continuation of the development work. Additionally, the Company is able to support clients in the characterisation of processes with the use of the DoE (design of experiment) approach.

> **Preclinical and clinical analytics**

The Company has expertise in the development, transfer, and validation of bioanalytical methods for the evaluation of the pharmacokinetics, pharmacodynamics, and immunogenicity of biological medicines in accordance with the relevant guidelines of the ICH and the main regulatory agencies (EMA and FDA). In line with the GCP and GLP standards, Mabion has created a panel of biological methods to analyse samples from preclinical and clinical trials.

> **Characterisation of medicinal products and batch release**

From the initial stages of development to batch release and stability testing of clinical and commercial material, Mabion has the ability to carry out comprehensive research leading to full characterisation of therapeutic protein products. The research can be used as part of, among other things, release/stability testing of the manufactured DS/DP, characterisation of the drug product, QTPP (quality target product profile), determination of biosimilarity and bioequivalence, all with full life-cycle support of analytical tools, including method development, qualification/validation carried out in compliance with the GMP.

In addition to the analytical tests, which are of key importance for the manufacturing process, the Company can conduct more advanced structural characterisation services, which include mass spectrometry, PTM analysis (including a glycosylation profile), receptor binding assays (SPR, ELISA), and bioactivity assays.

> **Regulatory advice**

By maintaining an ongoing dialogue with Regulatory Authorities, Mabion can offer support in setting a strategy for the development of biological products and help ensure compliance with the requirements of regulatory agencies, including EMA, FDA. In order to ensure compliance with expectations and regulatory requirements, Mabion can oversee product and process development activities and comprehensively support the documentation development process needed for the initiation and conduct of clinical trials, followed by product registration with a specific regulatory agency, and market launch. The Company has been operating in a GMP- and GLP-compliant environment for many years and is in a position to provide consultative support for the development of analytical processes and methods, in line with European quality system requirements.

8.7 Environment protection

Issues related to environmental protection, but also to ensuring safe working conditions and improving energy efficiency are a very important aspect of the Company's operations, which, acting on the basis of current regulations in these areas, pursues the Company's strategic objectives guided by the principle of sustainable development.

Considering the above, the Company has made every effort to implement and maintain an Integrated Management System (hereinafter: "IMS") in accordance with ISO 14001:2015, 45001:2018 and 50001:2018 standards, which contributes to the improvement of its operations in the management of the EP, OHS, and energy areas.

In November 2023, the Company completed a re-certification process, which was conducted by independent auditors from an accredited certification body. The scope of the certification covered the revised scope of the system, i.e. the primary and ancillary processes that account for the provision of contract manufacturing services (CDMO) consisting in the development, transfer, and optimisation of processes, analytics and manufacturing of biological medicines and vaccines, as well as product characterisation, batch release, sterile filling, packaging and serialisation, logistics services and regulatory consulting.

The audit team confirmed that the organisation had established and maintained its management system in line with the requirements of the standards and demonstrates the ability to meet in a systematic manner the agreed requirements for products and services in accordance with the organisation's scope of certification, objectives, and policy.

The certificates obtained confirm the successful implementation and certification of IMS, which are valid for the period of three years.

The idea underlying the environmental management system is to implement environmentally friendly projects with active participation of employees. The events organised in 2023 were educational and raised the awareness of the Company's employees and their families about important environmental issues. They included:

- "No Foil Packaging Day" – education to promote the use of reusable packaging, a gift to employees in the form of reusable bags for fruit and vegetables to encourage good practices during daily shopping;
- "Battery Day" - information about alkaline batteries, their composition and harmful effects of improper waste management on human health and the environment, and the need for selective waste collection;
- "World Water Day" - education on good practices in the workplace and at home to encourage water savings;
- "Day for Biological Diversity" – an information campaign on the basic principles helping to protect animal and plant species, as well as the Company's actions to protect biodiversity.
- "World Bee Day" – an information campaign on the role of bees in the ecosystem, with an arts competition for children of the Company's employees, undertaking cooperation with RoiSię, as a result of which Mabion became the keeper of approximately 60,000 bees;
- "European Sustainable Transport Week" - a competition promoting emission-free modes of transport, with the winning team donating the cash prize to Fundacja Dla Przyrody [Foundation for Nature], which supports the protection of biodiversity;
- "30th Clean Up the World Campaign" - cleaning up the surrounding forests in cooperation with "Our Earth" Foundation and the Grotniki Forestry Authority;
- educational campaign on the principles of correct municipal waste segregation.
- The Company cooperates with the Recal Foundation on an ongoing basis, by participating in the "Every Can Counts" project.

In 2023, steps were also been taken to mobilise employees to improve working conditions, the energy outcome, or to implement solutions that minimise the Company's impact on the environment:

- organisation of a competition entitled "Be active and take a prize home" to encourage people to submit their own initiatives in the area of environmental protection, energy efficiency, or occupational health and safety, and to promote the rules of an integrated management system,
- launching a mailbox for anonymous reporting of OHS incidents, as well as hazards and any ideas for improving the environmental, OHS, and energy management system.

Some of the campaigns organised by the Company have also had a social dimension, involving employees in active assistance to organisations supporting animals. In 2023, a food collection was organised for the Medor animal shelter in Zgierz.

The Company has complied with the formal regulations for obtaining administrative decisions and holds the permits and notifications listed below:

1. Decision of the Marshal of the Łódź Region of 29.07.2016 on the integrated permit (reference: RŚVI.7222.190.2015.KK) – for the location of the Company in Konstantynów Łódzki.

2. Decision of the State Water Management Company (Państwowe Gospodarstwo Wodne Wody Polskie) of 05.07.2022 on the water-legal permit covering the special use of waters consisting in the injection of industrial sewage coming from the premises of the MABION S.A. facility and containing substances particularly harmful to the aquatic environment into the sewage systems owned by Zakład Wodociągów i Kanalizacji Sp. Z o.o. in Łódź (reference: PO.RUZ.4210.1212022.JP.5) – for the Company's location in Konstantynów Łódzki.

3. Notification of the fuel combustion installation to the District Office in Pabianice (reference: OŚ.6221.2.2018) – for the Company's location in Konstantynów Łódzki.

4. Decision No. 65/Op/15 of the Mayor of Łódź of 28 April 2015 on the award of a waste generation permit (reference: DSS-OŚR-IV.6221.5.2015)) – for the Company's location in Łódź.

5. Decision of the President of the City of Łódź of 14.04.2022 on the issue of a permit for the production of waste in connection with the operation of an installation for the manufacture of basic pharmaceutical products, using chemical or biological processes for the test production of a protein antigen with the working name of Nuvaxoid – a COVID-19 vaccine candidate.

6. Notification to the Marshal of Łódź Region of 30.09.2021 on the receipt of a notification of emissions of gases and dust into the air in relation to the operation of a test installation for the manufacture of medicinal products or pharmaceutical raw materials (Ref: ŚRIV.7223.1.2.2021.MO).

7. Certificate issued by the County Governor's Office in Pabianice on 16.10.2023 on receipt of notification of emissions as a result of operation of the installation – battery charging station (reference: OŚ.6221.12.2023).

8. Decision no. 49/2022 of 06.06.2022 issued by the Minister of Climate and Environment authorising to operate a facility for genetic engineering in which the closed use of genetically modified microorganisms classified as hazard category I is to be carried out (reference: DOP-GMO.601.37.2022.jryb) – for the Company's location in Konstantynów Łódzki

9. Decision no. 108 of 09.06.2017 issued by the Minister of the Environment authorising to operate a facility for genetic engineering in which the closed use of genetically modified microorganisms classified as hazard category II is to be carried out (reference: DOP-GMO.431.97.2017) – for the Company's location in Konstantynów Łódzki

10. Decision no. 90/2021 of 18.06.2021 issued by the Minister of Climate and Environment authorising to operate a facility for genetic engineering in which the closed use of genetically modified microorganisms classified as hazard category II is to be carried out (reference: DOP-4.601.109.2021.jryb) - for the Company's location in Łódź

The Company also has internal system documents (procedures and instructions of a Good Laboratory Practice and a Good Manufacturing Practice system), regulating issues related to the conduct of rational, environmentally safe waste management at the plant, in accordance with the provisions of law.

The Company's waste management complies with legal requirements – the Company transfers waste to authorised parties on the basis of written agreements in force in 2023 i.e:

- agreement no. 37/JN/2018 of 15.05.2018 entered into with ECO-ABC Sp. z o. o. for the collection and disposal of solid medical waste, together with the most recent annex, no. 01/2021, updating the financial terms and conditions effective from 01.11.2021, and the annex of 31.08.2022.

- agreement of 20.06.2022 with FUH EKO-UTIL Monika PUC for the collection, transport, and disposal of liquid medical waste,

- agreement of 20.07.2020 signed with REMONDIS Sp. z o. o. for the collection and management of mixed and sorted municipal waste, with the most recent revision of the terms of cooperation dated 17.11.2023,

- agreement of 15.06.2021 with REMONDIS Sp. z o. o. for the collection and management of industrial - production waste (secondary raw materials), together with annex no. 1 of 03.10.2022 amending the financial terms and conditions of cooperation, and annex no. 2 of 22.12.2022 and annex no. 3 of 29.12.2022 regarding the collection and management of the remaining industrial - production waste for the locations of Konstantynów Łódzki and Łódź.

In fulfilment of its obligations under the Act on Packaging and Packaging Waste Management of 13 June 2013, the Company entered into:

- agreement no. UM/2024/3229 on assuming and implementing the obligations of an entrepreneur with regard to ensuring recycling of packaging waste and conducting educational campaigns of 25.09.2023 with INTERZERO Organizacja Odzysku Opakowań S.A.,

- an agreement to join the REKARTON voluntary agreement entered into on 20.12.2023 with the Polish Chamber of Food and Packaging Industry with regard to the assumption of the obligation to achieve appropriate levels of recovery and recycling for the different types of packaging waste generated after marketing packaged hazardous substances and products in multi-material packaging.

The Company has complied with all obligations relating to environmental reporting, which includes the collection and processing of data and the production of reports reflecting the

environmental performance of the plant. Reports have been submitted to the relevant environmental authorities, on official forms in force. The Company has submitted the following reports:

- List containing a summary of information on the use of the environment and the amount of fees due for the introduction of gases and dusts into the air.
- The report of the National Centre for Pollution Control and Balancing (KOBiZE) containing information on the amount of greenhouse gas emissions to the atmosphere.
- Summary data on the types and quantities of waste, the ways in which it is managed and the facilities and installations for its recovery and disposal.
- Annual report containing information necessary for the establishment of the National Pollutant Release and Transfer Register (PRTR) for the transfer of hazardous waste across the country.
- Annual information on the types and quantities of category 2 drug precursors used at the Mabion's facility.
- preparing and submitting an annual report on packaging and packaging waste management to the competent public administration,

Pursuant to Article 28 of the Environmental Protection Law, entities using the environment are obliged by law and by virtue of decisions held by them to measure the level of substances or energy in the environment and the amount of emissions. Such measurements shall be carried out in a periodically repeatable manner. The results of the monitoring shall be recorded and reported or made available for inspection to the relevant environmental protection authorities. The Company fulfils this obligation by carrying out:

- measurements of industrial noise emissions from installations and forwarding test results to the relevant environmental authorities;
- quality tests of industrial wastewater and mixed industrial and household wastewater, and providing the results to the relevant environmental authorities;
- quantitative monitoring of: water intake, industrial wastewater discharge, electricity consumption, network heat consumption, fuel use;
- control of the technical condition and operational inspection of the oil-derivative separator.

In order to monitor the amount of waste generated, the Company keeps full records of generated waste using documents specified in waste management regulations for that purpose and makes entries in the Database on Products, Packaging, and Waste Management. In addition, the Company keeps records of packaged products placed by it on the Polish market in order to report and guarantee appropriate levels of recycling of packaging waste.

Fulfilling the obligations specified in the Integrated Permit, the Company also carries out ongoing technological monitoring, which includes measurements of parameters characterising specific technological processes, i.e. consumption of materials, substances, products, and production volume.

8.8 Promotional and charitable activities

In 2023, the Company incurred expenditure to support charitable institutions, social, and environmental organisations.

As part of its charitable activities, in 2023 the Company supported the Home for Young Children in Lodz and the Joanna Radziwiłł Foundation "Caring Wings" as part of the ALL4Kids Christmas Gifts campaign. In total, these expenses amounted to approximately PLN 11.39 thousand. Furthermore, the Company participated in the competition organised as part of the European Sustainable Transport Week, and donated funds to the DLA PRZYRODY ("FOR NATURE") foundation, which promotes the protection of biodiversity. Expenditure for these purposes amounted to more than PLN 1,253.

8.9 Investor relations

In 2023, as in previous years, the Company carried out proactive and regular communication activities, reaching out to a wide audience of stakeholders, including institutional investors, including institutional and individual investors, brokerage house analysts, and representatives of financing institutions. The investor relations activities were conducted both online and in a stationary format.

Communication activities with the Company's stakeholders, including in the area of investor relations, included:

- participation in numerous national and international fairs and conferences (J.P. Morgan Healthcare, DCAT Week, CEBioForum 2023, BIO International Convention 2023, Life Sciences Baltics, CPHI Frankfurt 2023, BIO-Europe 2023, to name just a few);
- developing and publishing, in April 2023, a long-term Strategy for the development of Mabion as a fully integrated CDMO focused on biologics, providing a full spectrum of services for small and medium-sized projects;
- meetings (mainly online) with institutional and individual investors, analysts from brokerage houses, and the media;
- participation in investor conferences addressed primarily to Polish institutional investors (in a stationary format and online);
- participation in the 14th edition of the #GPWInnovationDay conference with the main theme: "Brave New World Economy | Opportunities" organised by the Warsaw Stock Exchange and cc group (a consulting company);
- educational activities among investors and the media;

- preparation and distribution of information and press materials for, among others, the media, institutional and individual investors, and analysts at brokerage houses;
- developing a communication strategy and significantly increasing the Company's activity on business social media (LinkedIn) to enhance the Company's communication reach, as well as to build the image of a socially responsible company that creates an attractive working environment for its people;
- expert statements and comments of the Company's officials in Polish and international media (news media, media from capital market related sectors and specialised industry media dedicated to biotechnology), online interviews and videoconferences with the Company's Management Board, which are available on the Company's official YouTube profile;
- answering direct enquiries from individual investors addressed to the investor relations department on matters relating to the Company's everyday operations and its environment;
- Company's involvement in the operation of the Union of Biotechnology Companies to develop the innovative biotechnology industry in Poland, through, among other things, consultation in shaping laws, building awareness and knowledge of representatives of public authorities on the role and importance of the biotechnology industry, and mutual support in the process of registration, production of biotechnology products in the European Union;
- developing the ESG Strategy 2024-2027 and its adoption by the Company's Management Board in January 2024 and publication in February 2024, following a favourable opinion issued by the Supervisory Board. The Strategy sets objectives in the environmental, social, and governance areas. It defines Mabion's approach and objectives, among others things, in terms of green transformation, environmental impact reduction, as well as working conditions, interaction with local communities, and responsible management, to name but a few.

The purpose of Mabion's investor relations activities is to create value for the Company's Shareholders. The key objective is to have an regular, effective, two-way communication channel with the investors, and to ensure the Company's transparency through full compliance with disclosure obligations and corporate governance principles contained in the Best Practice of WSE Listed Companies 2021.

The Company communicates with investors via its website which contains a separate section for investors and another separate one – for the media, with the materials available in Polish and English. The website complies with the requirements and recommendations specified in the Best Practice for Listed Companies 2021 and the Guidance Notes to the DPSN 2021.

The Company regularly informs about the most important events through current reports published via the ESPI system, as well as through press releases in key economic media: the press, online financial and business portals, and in the form of posts in social media. The Management Board representatives give interviews to key media covering biotechnology and finance. The Company responds to enquiries from investors, shareholders, and other stakeholders on an ongoing basis.

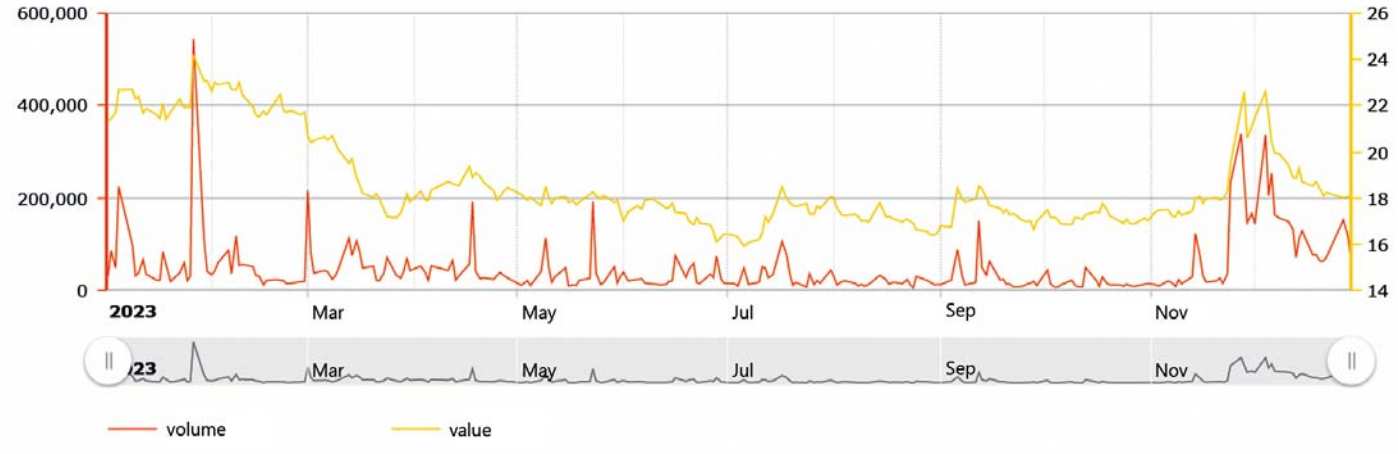
The main topics communicated by the Company in 2023 were:

- adopting and publishing, in April 2023, Mabion's long-term Strategy for 2023–2027, aimed at completely transforming the company into a fully integrated CDMO focused on biologics and building its position as a recognised actor in the global contract manufacturing and development market. The Strategy includes, among other things, Mabion's financial objectives and investment plans;
- abandonment of further independent development of the MabionCD20 project and, as a result, a number of actions accompanying this decision (including, among others, termination of the agreement with Parexel);
- pursuing the Company's strategic intentions, including information on key investments for the CDMO development within the current facility in Konstantynów Łódzki, with the upgrade of the facility and increase of its manufacturing capacity, technological diversification, and extension of the service chain;
- continuing to diversify Mabion's sources of funding – entering into an investment loan agreement with the EBRD for USD 15 million, supporting Mabion's investment agenda;
- development of cooperation with Novavax in the field of production of the antigen for further variants of the COVID-19 vaccine and provision of a wide array of additional services, e.g. analytical and logistic services;
- Business Development (BD) activities including:
  - consistently increased participation in trade fairs and industry conferences, where the Company's CDMO offer is presented,
  - development of sales channels to include a new platform, intensification of marketing activities and training,
  - continuing to develop the structures of the Business Development Department, including the strengthening of the team in early 2024 with the addition of an experienced manager, Marty Henehan, as Business Development Director for North America, including the crucial US market,
- expanding the Management Board with the appointment of Dr. Julita Balcerek and changes in functions within the new Management Board.

Contact for investors: relacjeinwestorskie@mabion.eu.

8.10 The Company's stock performance on the Warsaw Stock Exchange

Table 17. Mabion S.A. stock quotes on the Warsaw Stock Exchange (02.01.2023 – 29.12.2023) – chart.



Source: https://www.gpw.pl/spolka?isin=PLMBION00016

Table 18. Mabion S.A. stock quotes on the Warsaw Stock Exchange (02.01.2023 – 29.12.2023) – a summary.

Start date:	2023-01-02
End date:	2023-12-29
Reference price:	PLN 21.00 (2022-12-30)
End price:	PLN 18.15 (2023-12-29)
Change:	- 13.57%
Change:	- PLN 2.85
Minimum:	PLN 15.80 (23-07-06)
Maximum:	PLN 24.90 (23-01-27)
Average:	PLN 18.60
Trading volume:	12,221,906 pcs.
Average volume:	48,888 pcs.
Turnover:	241.058 million
Average turnover:	0.964 million

Source: https://www.bankier.pl/inwestowanie/profile/quote.html?symbol=MABION

9. STATEMENT ON NON-FINANCIAL INFORMATION

9.1 Non-financial reporting of Mabion S.A.

[GRI 2-2, GRI 2-3, GRI 2-4, GRI 2-5, GRI 2-14]

This Statement on Non-financial Information (hereinafter - "Statement"), which forms a separate part of the Directors' Report of Mabion S.A. (hereinafter "Directors' Report") for 2023, is the second Statement published by the Company. On 18 April 2023, the Company published its first Statement, forming part of the Directors' Report for 2022.

As at the date of this Directors' Report for 2023, the Company is not subject to the legal obligation under Article 49b(1) of the Accounting Act, which implements Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (NFBR) into the Polish legal system. However, to respond to the global challenges in the field of sustainable development and the expectations of stakeholders and, as well as to prepare the Company for the implementation of the regulations arising from Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting (CSRD), Mabion continues to raise its standards in the environmental, social, and governance areas with the publication of the subsequent Statement on Non-Financial Information.

The content of the Statement has been developed based on selected indicators of the 2021 Global Reporting Initiative reporting standards (GRI Standards).

The Report includes data for the period from 1 January 2023 to 31 December 2023, while both the Statement and the entire Directors' Report cover events that occurred after the balance-sheet date, up to the date of the Report. The Company will report non-financial information on an annual basis.

The Company does not have a capital group and therefore this Statement covers only the issuer.

The Statement on Non-Financial Information is approved by the Company's Management Board and is also reviewed by its Supervisory Board.

Information adjustment

In this Statement, the gender pay indicator for 2022 has been revised. The ratio of the average monthly total remuneration for women to men in 2023 relative to 2022 (adjusted) in Mabion S.A. is shown in Table no. 44.

Verification of the Statement

The Statement on non-financial information for 2023 has not been externally verified.

9.2 Basic information about the Company

[GRI 2-1, GRI 2-6]

9.2.1 Location and details of the Company

[GRI 2-1]

Mabion S.A. (hereinafter "Mabion" or Company") is a Polish biopharmaceutical company that provides contractual services in the scope of development, analytics, and manufacturing of biologic medicines (as a Contract Development and Manufacturing Organization, CDMO).

Mabion S.A. was established on 30 May 2007 as a limited liability company with its registered office in Kutno. The legal form of the Company changed on 29 October 2009 as a result of the transformation into a joint-stock company. In 2016, the Company's registered office was moved to Konstantynów Łódzki.

The Company carries out all of its activities in the Republic of Poland.

Company details

Company name:	Mabion Spółka Akcyjna
Registered office:	Konstantynów Łódzki
Address:	ul. gen. Mariana Langiewicza 60, 95-050 Konstantynów Łódzki

The Company has no isolated branches within the meaning of the Accounting Act, whereas it currently has two facilities:

- The Research and Development Centre for Biotechnological Medicinal Products (Centrum Badawczo-Rozwojowe Biotechnologicznych Produktów Leczniczych) located at ul. Fabryczna 17 in Łódź, dedicated to analytical services for biological products, including clinical analytics, and meeting the international Good Laboratory Practice (hereinafter: GLP) standard Good Laboratory Practice.

and

- the Scientific-Industrial Complex for Medical Biotechnology (Kompleks Naukowo-Przemysłowy Biotechnologii Medycznej) in Konstantynów Łódzki, ul. gen. Mariana Langiewicza 60, which is also the registered office of the Company. It has three functions: R&D, quality control, and manufacturing. It is one of the most advanced biotech medicine manufacturing

facilities in Poland. In accordance with the business strategy adopted in 2023, the facility underwent an upgrade and was retrofitted with new equipment, which provided new technological capabilities. In previous years, the Company operated exclusively using orbital shaking technology and, from 2023 onwards, has increased its flexibility in developing and optimising its manufacturing process with the installation of new bioreactors based on the classic cell culture stirring technology[20]. The Company has increased its capacity and strengthened its position as a CDMO providing comprehensive and end-to-end support to its clients – from the onset of medicine development to the implementation of the finished product into commercial-scale production. The medicines are manufactured in accordance with the principles of Good Manufacturing Practice (hereinafter GMP), under the Manufacturing and Importation Authorisation (MIA) held by the Company and issued by the Chief Pharmaceutical Inspectorate (hereinafter GIF).

9.2.2 Company's object of activity

[GRI 2-6]

Mabion is an integrated biopharmaceutical company with expertise in the field of therapeutic product development and manufacturing, including medicine development, analytics, transfer of technology, upscaling, manufacture of therapeutic substances and finished medicinal products. The Company has long term experience in the area of animal cell cultures and, in particular, in the production and characterisation of recombinant protein biopharmaceuticals, including monoclonal antibodies (mAbs), and vaccine antigens.

With its more than 16 years of experience, Mabion offers end-to-end solutions, covering all stages of biologic medicine development: from early clone selection and small-scale production, through process scale-up, quality control, up to sterile filling, packaging, and serialisation, bioanalytics, as well as regulatory support.

Mabion's primary focus is on collaboration with entities from the EU and North American markets. It is with partners from these regions that the Company has collaborated most extensively, while it is also working to establish relationships and collaborations with entities from other markets, including Asia or South America. Mabion's portfolio includes services related to the development of biological medicines, such as:

- Manufacture of therapeutic products based on recombinant proteins for clinical and commercial use.
  The main GMP- and ISO-compliant manufacturing facility is equipped with bioreactor lines capable of producing biologic medicines and vaccine antigens on both clinical and commercial scale.
- Transfer, development, and/or process optimisation.
  QbD-based approach with advanced analytics from early stages of process development, its scale-up, and transfer.
- Characterisation of medicines and their release for clinical or commercial purposes.
  Development, validation, and qualification of analytical methods according to the requirements of Ph. Eur. and the USP. A broad range of analytical tests including early in vitro evaluation, comprehensive characterisation of molecules, QTPP and biosimilarity studies, as well as DS or DP release/stability tests.
- Fill and finish.
  GMP-compliant aseptic filling of finished product into vials, as well as secondary packaging and serialisation services for a wide range of biological medicinal products.
- Regulatory and consulting services (including regulatory interactions and support for MAAs).
  Setting strategies for non-clinical and clinical product development, support in scientific meetings with the EMA and the FDA, oversight of the development process to ensure regulatory compliance, drawing up regulatory dossiers and supporting the marketing authorisation process.
- Preclinical and clinical bioanalytics.
  The development, transfer, and validation of bioanalytical methods for the assessment of the pharmacokinetics, pharmacodynamics, and immunogenicity of biological medicines according to EU/US ICH guidelines and in a GLP-certified environment. Analysis of samples from preclinical and clinical trials.

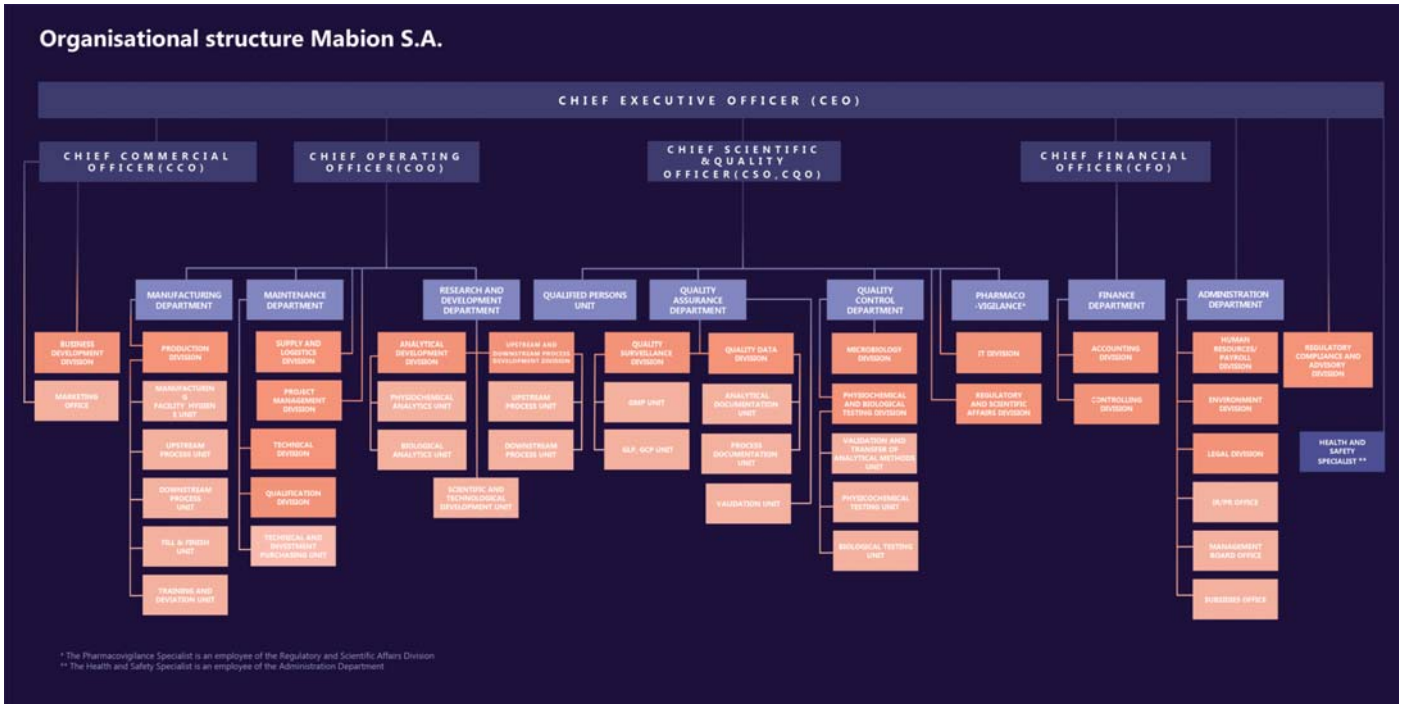
9.2.3 Organisational structure of Mabion S.A.

The Company's organisational structure includes the following departments and operational divisions: Research and Development, Regulatory Compliance and Consultancy, Regulatory and Scientific Affairs, Manufacturing, Quality Control, Quality Assurance, Administration, Finance, IT, Operation Maintenance, Business Development, Project Management, Procurement and Logistics, Marketing Office and supporting units: OSH, independent Qualified Persons and Pharmacovigilance.

[20] Both bioreactor types are based on disposables (sterile, single-use materials).

Below, an organisational chart of Mabion S.A. adopted by resolution of the Company's Management Board S.A on 30 November 2023 effective as at the date of publication of this Statement is presented.

Figure 1. Organisational chart of Mabion S.A.



Source: Own study of the Company

9.3 Company's business model and development strategy

[GRI 2-22, GRI 2-23, GRI 2-24]

On 18 April 2023, the Management Board adopted the Company's Strategy for 2023–2027 ("Strategy for 2023–2027"). In line with the Strategy in place, the Management Board intends to continue the Company's development towards a fully CDMO with a biological profile. As a target, the Company will provide the full range of services typical of an integrated CDMO to clients who need support at various stages of their product development and commercialisation (from early-stage projects to commercial-scale manufacturing). Detailed information on the Strategy for 2023–2027 can be found in section 2.2 of this Report.

The Company's current business model follows the profile of a service company.

The prospects for the development of Mabion's business are described in section 2.4 of the Report .

9.3.1 Company's Business Strategy for 2023–2027

The Strategy for 2023–2027 is based on the expertise and resources accumulated over the years, enabling the Company to seize the market opportunity and begin, in 2021, its transformation into a CDMO. The Strategy for 2023–2027 provides for the continuation of the commenced transformation and further investment in the skills and assets related to the CDMO business.

Company's strategic vision

As a fully integrated CDMO focused on biologics, Mabion provides a full spectrum of services for medium-sized and smaller projects, from early development to commercial manufacturing phase, for clients whose products are at various stages of development.

CDMO

The decision to proceed with Mabion's transformation from a company focusing on the development and launch of its own products to a company concentrating on contract manufacturing, analytics and development (CDMO) services followed an in-depth

analysis of Mabion's competencies and resources, combined with an analysis of market trends and an assessment of the attractiveness of business consisting in the independent launch of Company's own products.

Extended and detailed information on the Company's Strategy for 2023–2027 can be found in section 2.2. of this Directors' Report, entitled Development strategy of Mabion S.A.

The implementation of the Strategy for 2023–2027 in the financial year 2023 is described in section 2.3. of this Directors' Report.

9.3.2 Mabion S.A.'s ESG strategy for 2024–2027

In response to the most important market and regulatory challenges of the present day, while at the same time meeting the expectations of its Stakeholders, the Company has taken steps to incorporate ESG factors into its strategic management. In order to systematise and structure these activities, in 2023 the Company started to develop the ESG Strategy for 2024-2027 (hereinafter – "ESG Strategy"), which was adopted by the Company's Management Board on 19 January 2024. Following a positive opinion from the Supervisory Board, the ESG Strategy was published in February 2024.

The ESG Strategy provides real support for the Company's business operations. This is particularly important against the backdrop of Mabion's ongoing transformation into a fully integrated CDMO focused on biological medicines, and necessary for building a position as a recognisable actor on the global contract development and manufacturing market.

The ESG Strategy was developed with participation of employees, experts, and stakeholders from the Company's environment. Based on an analysis of business objectives and trends, legal environment, the identification of areas of influence and stakeholder analysis and mapping. The Company's ESG Strategy was divided into three pillars corresponding to the environmental, social, and corporate governance areas.

The result of the work on the ESG Strategy is the Mission and Vision of Mabion S.A. in the ESG area, which complement the Company's business vision.

Vision of Mabion S.A. in the ESG area

Our ambition is to be the best business partner in the biotechnology industry, one that manages its environmental and social impacts in a conscious manner, provides a safe, friendly, and development -enabling workplace, and upholds the highest management standards.

Mission of Mabion S.A. in the ESG area

We provide top-quality services with a focus on sustainable development and meeting the needs of our key Stakeholders.

9.3.2.1 Pillars of the ESG Strategy and its strategic objectives for 2024–2027

The Mabion's ESG Strategy for 2024–2027 is structured around 3 pillars – environmental, social, and corporate governance. As part of these pillars, the Company has developed eight strategic objectives consisting of twenty-three operational objectives and specific objectives that will enable Mabion to monitor the progress of the ESG Strategy implementation (KPIs).

The table below presents the 3 pillars of the ESG Strategy and their division into operational objectives.

Table 19. Pillars of the ESG Strategy and its strategic objectives for 2024–2027

E – ENVIRONMENT	S – SOCIETY	G – GOVERNANCE
E.1. We will pursue the green transition	**S.1. We will continue our efforts to create a safe, friendly workplace open to diversity**	**G.1. We will continue to comply with the highest management standards**
E.2. We will minimise our impact on the environment	**S.2. We will promote Mabion as an attractive workplace**	**G.2. We will promote responsible corporate practices throughout the value chain**
	S.3. We will contribute to local communities	**G.3. We will raise awareness of ESG activities among our stakeholders /business partners**

Source: Own study of the Company

9.3.2.2 Operational objectives of the ESG Strategy 2024–2027

The work on the ESG Strategy included the adoption of 23 operational objectives and specific objectives to monitor progress (KPIs), as outlined below.

Pillar E – Environment

The main focus of the Company is to minimise its environmental footprint throughout the value chain. Mabion ensures that growth of the Company involves compliance with the highest standards of environmental management, so that the Company not only reduces costs, but also contributes to the global green transition. The Company is committed to being a trustworthy business partner for whom environmental responsibility is among the highest priorities.

- E.1.1. We will endeavour to reduce emissions in our own operations and to contribute to the green transition and development.
- E.1.2. We will endeavour to reduce emissions in the value chain.
- E.1.3. We will invest in the environmental education of our employees and raise their awareness in this field.
- E.2.1. We will analyse, monitor, and reduce the environmental impact of the Company (current and planned manufacturing facility).

Pillar S – Society

The Company is striving to create a safe, friendly, and diverse workplace, as nurturing a competitive employment environment is conducive to building a competent workforce and supporting its development. Mabion makes every endeavour to ensure that its organisational culture forms the basis for relationships with its employees as well as the local community.

- S.1.1. Ensuring the well-being of our employees and their work-life balance.
- S.1.2. Reducing employee turnover.
- S.1.3. Aiming for the highest possible level of employee satisfaction.
- S.1.4. Improvement of internal communication.
- S.1.5. Building a more inclusive workplace.
- S.1.6. Investing in the competence development of our staff.
- S.1.7. Elimination of hazards and reduction of risk of injury and health problems.
- S.2.1. Improving the workplace through participation in partnership projects and external certifications.
- S.2.2. Developing relationships with universities – building partnerships and joint initiatives
- S.3.1. Developing social commitment activities

Pillar G – Governance

The Company's distinctive characteristics are its activities at the interface of science, innovation, and business. The Company plans to develop as a responsible business partner for clients and suppliers, while maintaining high standards of sustainability, business ethics, and transparency.

- G.1.1. Using the ESG guidelines as one of the criteria for investment decisions.
- G.1.2. Building a responsible and ethical organisational culture
- G.1.3. Countering mobbing, corruption, and abuse.
- G.1.4. Improvement of internal control processes.
- G.1.5. Operating an Integrated Management System in accordance with ISO 14001 series standards: 2015, 45001: 2018, 50001: 2018.
- G.1.6. Implementation of the ESG strategy.
- G.2.1. Building responsible relationships with suppliers
- G.3.1. ESG reporting in accordance with best market standards.
- G.3.2. Building international credibility and recognition through ESG activities.

9.3.2.3 Links between the objectives of the Business Strategy and the objectives of the ESG Strategy

The ESG Strategy in place is closely linked to the Business Strategy. In the table below, the ESG activities that support the implementation of the Business Strategy and the ESG strategic objectives corresponding to them are presented..

Table 20. How our commitments as part of the business strategy are supported by the ESG Strategy objectives – Phase I of the Business Strategy implementation.

	Strategic objectives Phase I 2023–2024		ESG activities supporting the implementation of the business strategy	Objectives of the ESG strategy
1.	**Business model**	A shift from product to service model	Adapting to the future requirements of the prospective clients' supply chain. Optimising operations to reduce emissions – drawing up a decarbonisation plan.	> We will pursue the green transition (E). > We will promote responsible corporate practices throughout the value chain (G).
2.	**Transformation**	Completing the transformation started in 2021.	Supporting employees in the transformation process – ensuring their wellbeing and development, focusing on diversity to attract and retain talent.	> We will continue our efforts to create a safe, friendly workplace open to diversity (S). > We will promote Mabion as an attractive workplace (S).
3.	**Upgrade**	Adapting the existing manufacturing facility to the CDMO profile, technological diversification, plan for Mabion II.	Implementing solutions to reduce energy consumption at the current manufacturing facility, drawing up a decarbonisation plan, aligning the new facility plans with pro-environmental changes.	> We will pursue the green transition (E).
4.	**Recognisability**	Building a track record in the selected client segment.	Leveraging ESG to build image among prospective clients from Europe, Asia, and America, ESG commercialisation and building of an ESG-based competitive advantage, participation in ratings, competitions, positioning the Company as a good employer.	> We will continue to comply with the highest management standards (G). > We will promote responsible corporate practices throughout the value chain (G). > We will raise awareness of ESG activities among our stakeholders/business partners (G).
5.	**Finance**	Self-financing entity.	Readiness for ESG-based financing, optimisation of costs in the field of, for example, insurance, increasing the likelihood of finding a foreign strategic investor, ratings management, transparency of operations, and communication with stakeholders on ESG issues – ESG report, policies, and procedures available on the website.	> We will pursue the green transition (E). > We will continue to comply with the highest management standards (G). > We will raise awareness of ESG activities among our stakeholders/business partners (G).

Source: Own study of the Company

Table 21. How our commitments as part of the business strategy are supported by the ESG Strategy objectives – Phase II of the Business Strategy implementation.

	Strategic objectives Phase II 2025–2027		ESG activities supporting the implementation of the business strategy	Objectives of the ESG strategy
1.	**Positioning**	Mabion S.A. as a recognisable actor on the global market.	Participation in ratings, competitions, international ESG initiatives e.g. UN Global Compact.	> We will continue to comply with the highest management standards (G). > We will raise awareness of ESG activities among our stakeholders/business partners (G).
2.	**Diversification**	Diversified business in terms of services and clients.	Readiness to meet criteria in the supply chain for the different clients, preparing the organisation for new regulations.	> We will promote responsible corporate practices throughout the value chain (G).
3.	**MABION II**	Construction of the new manufacturing facility.	Optimisation of the planned manufacturing facility to reduce its emissions and environmental impact.	> We will pursue the green transition (E). > We will minimise our impact on the environment (E).
4.	**Scale-up**	Readiness to scale up and prepare for commissioning of Mabion II.	Investment oversight with social and environmental factors in mind – environmental handling, identification of potential schemes to offset the investment's impacts.	> We will minimise our impact on the environment (S). > We will contribute to local communities (S).

Source: Own study of the Company

9.3.2.4 Links between the ESG Strategy and the UN Sustainable Development Goals

The Company has linked its ESG strategic objectives to selected UN Sustainable Development Goals.

The Sustainable Development Goals (SDGs) are 17 headline goals and 169 targets that member countries have committed to pursue. The SDGs outline a vision of a world free from poverty, hunger, and disease. Biotech leaders also refer to the SDGs as guiding rules in their ESG strategies and initiatives.

Through its operations, Mabion supports the following global Sustainable Development Goals:

SUSTAINABLE DEVELOPMENT GOALS

9.3.3 ESG management

[GRI 2-12, GRI 2-13, GRI 2-14]

In response to the current market and regulatory challenges related to sustainability, as well as the expectations of stakeholders to integrate ESG factors into the Company strategic management, including to develop and implement a Strategy and report on ESG issues, the Company has initiated a process to systematise the management of this area.

The process requires a remodelled management system and additional functions to be created, as well as the assignment of scopes of action and duties to the employees involved.

The Company's planned activities with regard to Mabion's environmental, social and governance impacts are set out in particular in the ESG Strategy of Mabion S.A. for 2024–2027, adopted by the Management Board by way of a resolution of 19 January 2024. The responsibility for managing this impacts lies ultimately with the Company's Management Board, while the Head for Environmental Protection and Systems (IMS, ESG) is in charge of coordinating and organising the Company's effort in this area.

Distribution of roles and responsibilities in the ESG area

1. Supervisory Board:

On 16 January 2024, the Company's Supervisory Board adopted a resolution delegating a member of the Supervisory Board to independently carry out supervisory activities in the ESG area, including:

- supervision of the implementation of the Company's ESG Strategy;
- supervision of the Management Board's ESG objectives and duties;
- taking activities for the Supervisory Board to include ESG criteria in the non-financial objectives set as part of the remuneration system for the Management Board Members;
- issuing opinions on the Company's strategic multi-year plans.

The delegation was granted for a fixed period of time, i.e. until the expiry of the third joint term of office of the Supervisory Board Members. In addition, it was agreed that the delegated Supervisory Board Member should inform the Supervisory Board on a quarterly basis in each financial year on the supervisory activities undertaken by them and their results.

2. Management Board:

- supervision of the implementation of the ESG Strategy, the achievement of strategic and operational objectives;
- reporting to the Supervisory Board on the implementation of the strategy objectives and policies related to the Company's operations;
- developing, approving, and updating the objectives, strategies, missions and policies related to the Company's activities, including those related to sustainable development;
- approving stakeholder communication plans;
- communication with key external stakeholders (webinars).

3. Head for Environmental Protection and Systems (ESG, IMS):

- coordination of the implementation of the ESG Strategy and the implementation of strategic and operational objectives;
- coordination of the non-financial reporting process;
- coordination of ESG activities and information collection process;
- verification of the expectations of stakeholders;
- external and internal communication of ESG issues;
- reporting to the Management Board on the status of the ESG Strategy implementation and the achievement of the expected indicators.

4. ESG team:

- participation in the processes related to the implementation of operational activities resulting from the ESG Strategy;
- participation in the non-financial reporting process;
- participation in external and internal communication on the ESG area;
- participation in defining the expectations of stakeholders.

Tasks in the area of environmental, social and governance impact management are delegated to lower-level employees who are members of the ESG Team, employed in various organisational units. These tasks are carried out by them in particular on an ongoing basis as part of their responsibilities. They are also taken into account when setting bonus objectives for employees.

The achievement of the objectives and tasks is monitored and accounted for by line managers, both on an ongoing basis and in annual cycles (during the annual assessment of employees). With the same frequency, supervisors report on the implementation of these activities to senior managers.

9.3.4 Education in the field of sustainable development

[GRI 2-17]

In 2023, training on ESG and sustainability basics was organised at the Company, which was attended by Management Board Members and the Supervisory Board Member who was subsequently delegated to exercise ESG supervisory functions independently.

The training agenda included in particular:

- legal regulations defining the Company's sustainability reporting framework (Accounting Act, CSRD, Taxonomy Regulation) and explanation of key terms: e.g. sustainability, CSR, ESG, CSRD, minimum assurance, compliance, taxonomy, etc.,
- key national and EU objectives and measures having an impact on business obligations relating to environmental, social and governance issues (e.g. Fit for 55, SRD II, etc.),
- European Sustainability Reporting Standards – general requirements and thematic guidance on corporate sustainability disclosure for ESG areas,
- Planning and implementation of sustainability duties in a company (e.g. audit, carbon footprint, strategy, procedures, taxonomic disclosures, etc.).

The training was also attended by managers and representatives of the ESG Team. Members of the Team also participate in internal ESG training.

In addition, the Head for Environmental Protection and Systems (IMS, ESG), as the person coordinating ESG activities in the Company, improves their competence by participating in training courses and webinars on broadly understood ESG topics.

9.4 Relations with stakeholders

[GRI 2-29]

9.4.1 Stakeholder analysis

During the development of the ESG Strategy 2024–2027, Mabion took steps to accurately identify key stakeholder groups. For the purpose of the analysis, workshop meetings were held with managers and executives to analyse and identify the type of Company's impact on a given area and the opportunities and risks associated with the impact in question.

As part of a stakeholder dialogue, the Company also carried out a survey covering both internal and external stakeholders to obtain responses on important sustainability topics. The results of the survey were taken into account during the development of the ESG Strategy . The questions reflected the EU approach to sustainability and took into account the latest ESRS (European Sustainability Reporting Standards) guidelines.

Through the analysis and consultation, **the most important stakeholder groups**, i.e. the entities and units affected by the company, were identified. They include:

- Employees;
- Clients;
- Contractual partner;
- Industry organisations;
- Non-governmental organisations;
- Scientific community and universities;
- Shareholders and investors;
- Product and service providers;
- Subcontractors;
- Competition;
- Local community;
- Environment.

Recipients of sustainability information have also been identified. They include:

- Stock exchanges;
- Banks and financial institutions;
- Certification bodies;
- Public administration units and control institutions in the field of environmental protection and occupational health and safety;
- Government agencies in the area of authorisation of medicines.

9.4.2 Communication with stakeholders in the area of ESG

The Company pays great attention to maintaining an ongoing dialogue with its stakeholders, using various forms of communication. For internal stakeholders, Mabion uses the following communication forms:

- direct discussions and meetings;
- periodic webinars with employees;
- intranet;
- employee satisfaction surveys.

With regard to external stakeholders, the Company uses the following communication forms:

- reporting of non-financial information (periodic reports);
- participation in national and international trade fairs and conferences;
- publication of the Company's Business Strategy and ESG Strategy;
- meetings (online) with investors, brokerage analysts, and the media;
- participation in investor conferences;
- publication of press releases;
- social media articles and posts;
- information published on the Company's website (a separate section devoted to investors, a separate one to the media, and a separate one to sustainability).

9.5 Matters relating to the area of G – Governance

[GRI 2-23, GRI 2-24, GRI 406-1, GRI 2-9, GRI 2-10, GRI 2-11]

9.5.1 Management structure of Mabion S.A.

9.5.1.1 Governance and composition of the governance bodies

Mabion is a joint-stock company. Pursuant to the Code of Commercial Companies, the bodies of a joint-stock company are: General Meeting, Management Board, and Supervisory Board.

The highest governance bodies as defined by the Global Reporting Initiative (GRI Standards) are: Management Board and Supervisory Board.

Chairperson of the highest governance body:

- The President of the Company's Management Board serves on the basis of appointment and a management contract covering the provision of services as President of the Company's Management Board. During 2023 and until the publication of this Report, the President of the Management Board does not concurrently hold any senior management position in the Company.
- The Chairman of the Supervisory Board serves on the basis of an appointment. In 2023 and until the date of this Report, the Chairman of the Supervisory Board does not concurrently hold any senior management position in the Company.

9.5.1.1.1 Management Board of the Company

Powers of the Management Board and description of its activities

The Management Board exercises all rights to manage the Company with the exception of rights reserved by law or the Company's Articles of Association for decisions of the General Meeting and the Supervisory Board (§ 27 of the Company's Articles of Association). The right to take a decision on the issue or purchase of shares is vested in the General Assembly (§ 17 of the Company's Articles of Association). Two Members of the Management Board acting jointly or one Member of the Management Board acting together with a proxy are authorised to make declarations of will on behalf of the Company. The Management Board is obliged to conduct the Company's affairs and manage its assets with due diligence required in business transactions, observe the law, provisions of the Company's Articles of Association and resolutions adopted by the General Meeting and the Supervisory Board.

Appointment and election of Management Board Members

In accordance with the Company's Articles of Association (§ 26) Management Board Members are appointed and dismissed by resolution of the Supervisory Board, which also elects, by resolution, the President of the Management Board from among them. Each of the Management Board Members may be suspended in their duties and dismissed by the Supervisory Board or the General Meeting.
The Appointment and Remuneration Committee is responsible for preparing assessments of candidates for Management Board Members and defining the rules and amount of remuneration of the Management Board Members § 25(1).
Pursuant to the Code of Commercial Companies, a Management Board Member may only be a natural person with full legal capacity who has not been convicted by a final judgement of an offence specified in Articles 587–587[2], 590, and 591 of the Act and Articles 228–231 and Chapters XXXIII–XXXVII of the Criminal Code (CC), i.e. in particular for offences against protection of information (Article 265–296 of the CC), against credibility of documents (Article 270–277 of the CC), against property (Article 278–295 of the CC), against economic turnover (Article 296–309 of the CC), against trading in money and securities (Article 310–316 of the CC), as well as offences involving the publication of false data or the presentation of such data to company bodies, state authorities, or auditors (Article 587 of the CCC), the offence of issuing false certificates on depositing shares entitling to vote or lending to another person a share that do not entitle them to vote (Article 590 of the CCC), when voting at a general meeting or exercising minority rights (Article 591 of the CCC).

Personal composition

The Management Board of Mabion S.A. may consist of three to seven members. Members of the Management Board are appointed by the Supervisory Board for a joint term of office of 5 years. The term of office shall be calculated in full financial years and shall expire at the end of a financial year. Each Member of the Management Board may be suspended or dismissed by the Supervisory Board or the General Meeting.

In the financial year 2023 and up to the date of this Report, the Company's Management Board is composed of five following members (four men and one woman):

1) Mr. Krzysztof Kaczmarczyk – President of the Management Board;
2) Ms. Julita Balcerek – Member of the Management Board (as of 8 November 2023),
3) Mr. Sławomir Jaros – Member of the Management Board
4) Mr. Grzegorz Grabowicz – Member of the Management Board.
5) Mr. Adam Pietruszkiewicz – Member of the Management Board.

Experience, competence, scope of responsibility, and term of office of the Management Board Members

The distribution of key areas/tasks and responsibilities within the Company at the Management Board is presented in section 1.3 of MABION S.A. Directors' Report for the year 2023, entitled Company's management rules.

Description of the Management Board Members' experience, scope of responsibility, and term of office is presented in section 7.4.1 entitled: Composition of the Management Board and rules of its appointment.

9.5.1.1.2 Supervisory Board of the Company

Powers of the Supervisory Board and description of its activities

The competences of the Supervisory Board of Mabion S.A. comprise actions reserved for it in the Commercial Companies Code and those indicated in §22(1) of the Company's Articles of Association.

A detailed description of the scope of the Supervisory Board's powers and description of its activities is presented in section 7.5.2. of this Directors' Report, entitled: Powers of the Supervisory Board and description of its operations in 2023.

Appointment and election of Members

Pursuant to the Company's Articles of Association (§ 21), the Supervisory Board shall be appointed and dismissed by the General Meeting.
At least two members of the Supervisory Board shall be independent from the Company within the meaning of the provisions of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight, as well as having no real and significant links with a shareholder holding at least 5% of the total number of votes in the Company.
At least one Member of the Company's Supervisory Board should have knowledge and skills in accounting or auditing of financial statements.
At least one Member of the Company's Supervisory Board should have knowledge and skills in the industry in which the Company operates.
A candidate to the Supervisory Board shall submit to the Company a written statement on fulfilling the conditions relating to the independence as well as knowledge and skills, and immediately inform the Company should that situation change during the term of office.

Personal composition

The Supervisory Board of Mabion S.A. may consist of five to nine members. Members of the Supervisory Board are elected for a joint term of office, which lasts 3 years. The term of office shall be calculated in full financial years and shall expire at the end of a financial year.

In the financial year 2023 and up to the date of this Report, the Company's Supervisory Board was composed of six Members (five men and one woman), as presented below:

1. Robert Koński – Chairman of the Supervisory Board (Independent Member),
2. Sławomir Kościak – Independent Member of the Supervisory Board (until 16 June 2023 Deputy Chairman),
3. Józef Banach – Independent Member of the Supervisory Board (from 23 June 2023 Deputy Chairman),
4. David John James – Independent Member of the Supervisory Board;
5. Wojciech Wośko – Member of the Supervisory Board;
6. Zofia Szewczuk – Independent Member of the Supervisory Board.

A description of the experience and competence, together with the responsibilities of the Company's Supervisory Board Members, is presented in section no. 7.5.2. entitled Composition of the Supervisory Board and rules of its appointment of this Report.

9.5.1.1.3 Committees of the Supervisory Board

The Company has an Audit Committee and an Appointment and Remuneration Committee of the Supervisory Board.

A detailed description regarding the Audit Committee and the Appointment and Remuneration Committee as well as the scope of their activities is included in section 7.5.2. of this Directors' Report.

9.5.2 Conflicts of interest

[GRI 2-15]

Management Board

Pursuant to Article 377 of the Code of Commercial Companies and § 10 (7) of the Rules of Procedure of the Management Board, in the event of a conflict of interest between the Company and a Management Board Member, their spouse, relatives or affinities up to the second degree and persons with whom they are lined personally, the Management Board Member should disclose the conflict of interest and refrain from participating in the resolution of such matters, and may request that this be recorded in the minutes.

Furthermore, pursuant to § 4(3) of the Management Board's Rules of Procedure, a Member of the Management Board shall immediately inform the Management Board and the Chairman of the Supervisory Board of any actual or potential conflict of interest in connection with that Member's function and shall refrain from taking part in discussions and from voting on any resolution on the matter in which the conflict of interest has arisen.

Each candidate for Management Board member shall make a declaration regarding, inter alia, any involvement in activities for entities other than the Company and, if appointed to the Management Board, shall promptly update any information in this regard.

Supervisory Board

Pursuant to Article 388 § 5 in conjunction with Article 388 of the Code of Commercial Companies, in the event of a conflict of interest between the Company and a Supervisory Board Member, their spouse, relatives or affinities up to the second degree and persons with whom they are lined personally, the Supervisory Board Member should disclose the conflict of interest and refrain from participating in the resolution of such matters, and may request that this be recorded in the minutes.

At least two Members of the Supervisory Board should be members independent of the Company within the meaning of the provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Act on Statutory Auditors)

and have no real or significant relationship with any shareholder holding at least 5% of the total number of votes in the Company.

A candidate to the Supervisory Board shall submit to the Company a written statement on fulfilling the conditions relating to the independence as well as knowledge and skills, and immediately inform the Company should that situation change during the term of office.

Conflicts of interest are also prevented by restrictions on the election of Supervisory Board Members. Indeed, the following persons cannot become a Member of the Company's Supervisory Board:

- Member of the Company's Management Board,
- Company's proxy,
- head of a branch or facility of the Company,
- Company's liquidator,
- chief accountant, legal counsel, lawyer employed by the Company,
- any other person who reports directly to a Management Board Member or to the Company's liquidator,
- member of the management board of a subsidiary or its liquidator.

9.5.3 Communication of critical concerns

[GRI 2-16]

The critical concerns regarding the Company's operations are reported to line managers and the Management Board on an ongoing basis and at regular meetings. Depending on their nature and degree of materiality, they may be subject to notification to the Supervisory Board under Article 3801 of the Code of Commercial Companies.

The obligation of immediate notification (immediately after the occurrence of certain events or circumstances) applies to:

- information on transactions and other events or circumstances that materially affect or may affect the Company's asset position, including its viability or liquidity;
- changes to information previously provided to the Supervisory Board, where such changes materially affect or may affect the Company's position.

The obligation of notification at each meeting of the Supervisory Board (unless the Supervisory Board decides otherwise) applies to:

- information on resolutions adopted by the Management Board and their subject matter;
- information on the Company's situation, including its assets, as well as significant circumstances concerning the conduct of the Company's affairs, in particular in the operational, investment, and HR areas,
- information on the progress in the implementation of the directions for the development of the Company's business, with indication of any deviations from the directions previously set and justification thereof.

These notifications are not subject to any specific formal requirements. The information may be provided to the Supervisory Board in documentary form, unless the Supervisory Board decides otherwise

9.5.4 Remuneration policy

[GRI 2-19, GRI 2-20, GRU 2-21]

9.5.4.1 Purpose of the Remuneration Policy

The Policy on Remuneration of the Members of the Management and Supervisory Boards of Mabion S.A. ("Remuneration Policy") was adopted by Resolution 27/2020 of the Ordinary General Meeting of 15 June 2020. Subsequently, the Ordinary General Meeting, by Resolution No. 20/VI/2023 of 7 June 2023, repealed the existing Remuneration Policy and adopted a new Remuneration Policy in the wording defined in the appendix to the aforementioned resolution.

The Remuneration Policy has been drawn up on the basis of Article 90d of the Act on Public Offerings and Directive 2017/828 of the European Parliament and of the Council (EU) of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

The Remuneration Policy is available at:

https://www.mabion.eu/wp-content/uploads/2023/07/Zalacznik-do-uchwaly-Walnego-Zgromadzenia-nr-20_VI_2023_Polityka-Wynagrodzen.pdf

The Remuneration Policy forms part of the Company's comprehensive employment and remuneration policy for Management Board and Supervisory Board Members. The objective of the Remuneration Policy is to create the conditions to attract, retain, and motivate people with skills and experience necessary for the Company's continued robust growth.

The Company pays remuneration to Management Board and Supervisory Board Members exclusively in line with the rules described in the Remuneration Policy. The Remuneration Policy, insofar as regulated herein, overrides any other documents governing the remuneration of Management Board and Supervisory Board Members, in force in the Company. Without prejudice to the Remuneration Policy, the Management Board and Supervisory Board Members shall also be bound by the provisions of the relevant agreements and other documents governing remuneration that apply to the Company.

9.5.4.2 Links between remuneration and objectives and performance

The Remuneration Policy shall contribute to the Company's growth strategy, its long-term interests, and its stability ("**Strategy**"). In line with the directions set out in the Strategy, short-, medium- and long-term development objectives are defined for the Company's business, including market, performance, or loyalty objectives ("**Objectives**"), whose achievement may affect the level of remuneration of the Members of the Management Board and the Supervisory Board.

The Strategy and Objectives should also be understood to include the ESG Strategy and the management of the organisation's economic, environmental, and social impacts.

On 16 January 2024, the Company's Supervisory Board delegated a Member of the Supervisory Board, Mr. Robert Koński, to independently carry out supervisory activities in the ESG area, including: taking activities for the Supervisory Board to include ESG criteria in the non-financial objectives set as part of the remuneration system for the Management Board Members.

The rules of remuneration provided for in the Remuneration Policy shall contribute to the implementation of the Strategy and Objectives by ensuring:

- the full commitment of the Management Board and Supervisory Board Members to the performance of their functions in the Company;
- the motivation of Management Board and Supervisory Board Members to implement the Strategy and Objectives;
- a permanent relationship of Management Board and Supervisory Board Members with the Company;
- an amount of the Management Board and Supervisory Board Members' remuneration that is aligned with the Company's financial and business performance;
- attitudes that preclude undue risk-taking by Management Board and Supervisory Board Members in their capacity.

When determining the remuneration of Management Board and Supervisory Board Members, objective criteria are taken into account, including:

- the scope of the responsibilities in the position in question and the skills and experience of the Management Board and Supervisory Board Members;
- market standards for the remuneration structure of a particular position or group of positions.

The Remuneration Policy shall address the terms and conditions of employment and remuneration of the Company's employees other than Management Board and Supervisory Board Members by ensuring that the terms and conditions of the Management Board and Supervisory Board Members' remuneration are justified by the responsibilities involved in the position of the person in question with the Company. In particular, the Remuneration Policy shall ensure that remuneration is determined with due regard to the increased risks associated with holding a position in the Company and the effects on the Company and the Members of the Management Board and the Supervisory Board that may result from the materialisation of such risks.

9.5.4.3 Avoidance of conflicts of interest

To avoid conflicts of interest related to the Remuneration Policy, the powers related to the adoption, application, and review of the Remuneration Policy shall be distributed among the different bodies of the Company. The Management Board and Supervisory Board Members must notify the Company if a conflict of their interests and those of the Company has arisen or is likely to arise. Members of the Management Board or Supervisory Board shall refrain from taking the floor in discussions and from voting on resolutions on matters related to the Remuneration Policy in relation to which such a conflict of interest has arisen or may arise. A conflict of interest arises when a particular decision of Management Board and Supervisory Board Members may, at least potentially, materially affect the situation of the Company and a Member of the Management Board or the Supervisory Board, where such impact is divergent, i.e. an improvement in the situation of the Company is associated with a deterioration in the situation of the Management Board and Supervisory Board Member or vice versa. A conflict of interest arises in particular where:

- A Management Board or Supervisory Board Member may obtain a benefit or avoid a loss in respect of their remuneration as a result of a loss to the Company; or
- Management Board and Supervisory Board Member's financial interest as expressed in the amount of remuneration or the terms and conditions under which the remuneration is granted is divergent from the interests of the Company.

The notice of conflict of interest shall be forwarded to: (i) the President of the Management Board – in the case of Supervisory Board Members; or (ii) the Chairman of the Supervisory Board – in the case of Management Board Members.

9.5.4.4 Remuneration policy development

The Company's financial capability and systematic identification of employees' needs and expectations carried out on the basis of, inter alia, the employment structure are important aspects shaping the Company's remuneration policy. A properly formulated remuneration policy will therefore be consistent with the Company's HR strategy, i.e. it will contribute to retaining and motivating specialists, but also attracting the most desirable candidates.

For an effective remuneration strategy it was also necessary to create a uniform and consistent table of job grades, based on the scopes of duties, responsibility, complexity of tasks, or impact on the Company's results. When determining the range of remuneration for the different positions, the Company's

objective was to develop fair, transparent conditions of remuneration. Indeed, remuneration as a key element of the employment contract should be determined in such a way that it corresponds in particular to the type of work, the qualifications required for its performance, as well as reflect the quantity and quality of work provided. The document is updated several times annually.

The annual process of remuneration increases in the Company comprises several stages and is distributed over time in order to meet the requirements of applicable legislation. Firstly, the Company carries out annual assessments of employees and other aspects that are taken into account when determining remuneration, such as the level of employee substitutability, an internal benchmark and the labour market situation, or the level of employee commitment. This analysis is carried out by senior managers and, in relation to them, by Management Board Members. Each of these components is analysed separately so as to ultimately arrive at guidelines to be followed by the Company in determining the level of remuneration. The amount of increases must each time remain within the range shown in the job level table mentioned above. These principles are also taken into account with regard to new hires. The Company always upholds the principle of equal gender pay. The Company is committed to ensuring that the level of remuneration it offers is not only commensurate with the position, skills, and experience of the candidate, but also that the remuneration is competitive with what is offered by other companies in the industry.

9.5.4.5 Remuneration setting process

Rules for the adoption and application of the Remuneration Policy

The Remuneration Policy shall be adopted by the General Meeting at least once every four years.

Should the Remuneration Policy be amended, the new wording of the Remuneration Policy shall include a description of the material changes made to the Remuneration Policy and a description of how the contents of the resolution containing the opinion on the Report have been incorporated into the Policy.

Where the General Meeting has authorised the Supervisory Board to specify elements of the Remuneration Policy pursuant to the provisions of the Act, such elements shall be amended by the Supervisory Board, or otherwise the changes shall be reserved to the competence of the General Meeting.

Management Board:

- be responsible for the implementation of the Remuneration Policy and related documents, including the Incentive Scheme for key staff members of the Company;
- provide the Supervisory Board with the information it needs to verify the Remuneration Policy and its application, in particular in respect of the data covered by the Report, in sufficient advance for the Report to be drawn up in line with the rules described in the Remuneration Policy.

The tasks of the Supervisory Board as part of the establishment and implementation of the Remuneration Policy shall include:

- submitting recommendations to the General Meeting on the effectiveness of the provisions of the Remuneration Policy and any amendments thereto;
- developing elements of the Remuneration Policy within the limits of the authorisation granted by the General Meeting.

The Remuneration Policy and its application shall be reviewed by the Supervisory Board, which shall comprehensively examine the Policy at least once a year and assess the functioning of the Remuneration Policy in terms of the achievement of its objectives and the implementation of its provisions. After reviewing the Remuneration Policy, the Supervisory Board shall make recommendations, if any, to the General Meeting as to the application or amendment of the Policy.

Remuneration setting

When determining the remuneration of Management Board and Supervisory Board Members, objective criteria are taken into account, including:

- the scope of the responsibilities in the position in question and the skills and experience of the Management Board and Supervisory Board Members;
- market standards for the remuneration structure of a particular position or group of positions.

The Remuneration Policy shall address the terms and conditions of employment and remuneration of the Company's employees other than Management Board and Supervisory Board Members by ensuring that the terms and conditions of the Management Board and Supervisory Board Members' remuneration are justified by the responsibilities involved in the position of the person in question with the Company. In particular, the Remuneration Policy shall ensure that remuneration is determined with due regard to the increased risks associated with holding a position in the Company and the effects on the Company and the Members of the Management Board and the Supervisory Board that may result from the materialisation of such risks.

The Supervisory Board has appointed an Appointment and Remuneration Committee responsible for preparing assessments of candidates for Management Board members and defining the rules and amount of remuneration of the Management Board members. The Committee is an advisory body to the Supervisory Board.

9.5.5 Corporate governance principles

Mabion endeavours to conduct its business in a manner consistent with the accepted practices in the area of corporate governance and, as an entity listed on the Warsaw Stock Exchange, applies the principles of corporate governance as set out in "Best Practice for GPW Listed Companies". Simultaneously, the Company makes efforts to apply these principles as widely as possible.

On 29 March 2021, the WSE Board, by Resolution No. 13/1834/2021, adopted corporate governance principles for companies listed on the WSE Main Market - "Best Practice for GPW Listed Companies 2021". Best Practices 2021 came into force on 1 July 2021.

As a result, as of 1 July 2021, the Company is subject to the principles of corporate governance set out in the "Best Practices of GPW Listed Companies 2021" (the document is available on the Warsaw Stock Exchange's website dedicated to corporate governance matters at: https://www.gpw.pl/dobre-praktyki2021).

Pursuant to the requirements of DPSN 2021, on 30 July 2021 the Company published a document containing "Information on the Company's application of the Best Practice for GPW Listed Companies 2021". The document is posted on the Company's website at: https://www.mabion.eu/wp-content/uploads/2022/05/GPW_dobre_praktyki_MABION.pdf

Then, on 15 May 2022, 16 November 2023, and 6 March 2024, the Company published updates of the document containing "Information on the Company's application of the Best Practice for GPW Listed Companies 2021". The current version of the document is posted on the Company's website at: https://www.mabion.eu/wp-content/uploads/2024/03/Informacja-na-temat-stanu-stosowania-przez-spolke-zasad-zawartych-w-zbiorze-Dobre-Praktyki-Spolek-Notowanych-na-GPW-2021-r._-raport-biezacy-EBI-nr-1_2024.pdf

Chapter 7 of the Directors' Report provides details of the Company's corporate governance practices.

9.5.6 Company's values and ethics

The Company conducts its business in conformity with ethical principles, respecting human rights and applicable legislation. Each employee of the Company may learn about his/her rights and obligations and values embedded in our corporate culture, which translates into clarity and transparency of mutual expectations and rules of conduct in everyday work. Mabion aspires to creating a work environment based on respect and mutual trust. Every person working for the Company is subject to the following rules:

- knows his or her duties;
- may engage in an open and constructive dialogue about his or her work performance;
- may count on professional development assistance;
- is recognised and rewarded based on merit (basic pay system, plus performance bonuses and motivational trips);
- may talk openly and improve the performance of the whole team;
- is treated fairly and respectfully;
- is not discriminated against;
- feels supported in pursuing his or her personal priorities.

9.5.7 Compliance

The control systems in the Company cover both areas related to the operation of a listed company and those resulting from regulations for the pharmaceutical sector related to the compliance with the GMP (Good Manufacturing Practice) and GLP (Good Laboratory Practice) standards. The internal audit system enables the monitoring of processes and procedures, instructions, and records to confirm that the operations comply with the applicable regulations.

The Audit Committee of the Supervisory Board works directly with representatives of the Audit Firm to hear their observations on the operation of the Company's reporting systems. The Company makes management accounting entries for the Management Board and the Supervisory Board, for information purposes.

As regards legal competence, the Company employs in-house lawyers qualified to practise as legal advisers and uses a law firm based in Łódź, experienced in providing legal services to listed companies, which responds to the ongoing needs resulting from the Company's operations. At the same time, for the analysis of distribution agreements with potential partners, the Company uses services of a law firm specialising in the "life science" industry.

There is no isolated unit responsible for risk management, internal audit and compliance in the Company's structure. Risk management at the Company is the responsibility of its Management Board. At present, the Company does not have a separate risk management system. Risk analysis and strategic decisions are ongoing tasks of the Management Board, carried out in consultation with the Supervisory Board in respect of applicable regulations and the evolving market situation. Moreover, the Company's internal control system, which is exercised by the Management Board, is supported on an ongoing basis by the management and other employees as part of their duties. Control activities are carried out in the Company on a continuous basis, as well as when the management checks that tasks are being carried out correctly and controls its subordinates, paying particular attention to ensuring that appropriate control mechanisms are in place. Any possible irregularities are corrected promptly by authorised staff. In view of the above, the Company's bodies have not yet recognised the need to appoint an internal auditor within the Company's organisational structure.

In the ESG Strategy for 2024–2027, the Company highlighted its intention to further pursue the highest management standards, including in terms of improving internal control processes. As part of the objectives for 2024, it is planned to create a Compliance Officer position, implement an internal control system, and analyse the organisation's capacity to deploy a due diligence procedure.

In order to support the Company in ensuring that the processing of personal data complies with applicable legislation and that the risk of breaching the provisions of the GDPR is minimised, a Personal Data Protection Officer was appointed in the Company as of 2 January 2024.

The internal control systems, risk management, compliance, and internal audit function are assessed each year by the Company's Supervisory Board, and the results of this assessment form one of the elements of the Supervisory Board's report subject to approval by the Company's Ordinary General Meeting.

9.5.8 Counteracting discrimination and mobbingi

9.5.8.1 Description of the measures taken by the Company to counteract discrimination, mobbing and ensure respect for human rights

The Company recognises diversity and efforts to address any discrimination as important issues in its business operations. The Company places great value on openness and tolerance and is aware that, in this time, diversity is a driving force for economic development, not only for the Company itself but for the society as a whole. Therefore, fair treatment of all employees and associates is one of the Company's priorities.

The Company accepts no violations of employee rights, including mobbing, and therefore, in December 2022 an Anti-mobbing Procedure was adopted and a Spokesperson for counteracting mobbing and a Deputy Spokesperson responsible for counteracting mobbing were appointed.

The Anti-mobbing Procedure is aimed at preventing such phenomena and, in the event of their occurrence, enabling the Company to respond immediately by implementing the steps set out in the document.

In line with the Anti-mobbing Procedure, the Company's employees must comply with the prohibition of mobbing against their co-workers, while the Company is required to take all measures permitted by applicable legislation, in order to, in particular: promote desirable attitudes and behaviours consistent with the principles of social co-existence in interactions between employees, disseminate knowledge on mobbing, its prevention, and consequences, take action in the event of suspected mobbing against the Company's employees, provide assistance to mobbing victims, monitor employee relations in the Company, in particular through the analysis of complaints and through anonymous surveys.

The abovementioned tasks were entrusted to the Spokesperson responsible for counteracting mobbing and their Deputy, who are also responsible, inter alia, for initiating an investigation when a complaint is received or when the spokesperson becomes aware of mobbing of an employee, and for supervising the proper and efficient conduct of the investigation. The Spokesperson and the Deputy Spokesperson are also responsible for keeping a register of complaints and the results of the related investigations.

The Spokesperson and the Deputy Spokesperson are objective and independent in their activities and are obliged to keep confidential the information obtained in connection with the performance of their function.

The Spokesperson and the Deputy Spokesperson submit an annual report to the Company on the mobbing prevention activities undertaken and the results of the monitoring carried out by them by the end of the first quarter of the year following the year covered by the report. In order to prevent mobbing, the Spokesperson or the Deputy Spokesperson may request the Employer's consent to conduct training or workshop meetings with specialists, in particular in the field of psychology or sociology.

Any employee of the Company who considers that they have been subjected to mobbing or has credible information about the mobbing of another employee may file a written complaint with the Employer, which may be submitted in written or documentary form by e-mail or by placing it in a sealed box located in the Company's office premises.

Upon receiving a complaint or becoming aware of possible mobbing of an employee, the Spokesperson or Deputy Spokesperson initiates an investigation, which is conducted by the Complaints Committee whose work is directed towards establishing the facts and issuing a recommendation to the Company. Based on the results of the work of the Complaints Committee, the Employer decides on the complaint. The Anti-mobbing Procedure also regulates the course of the appeal procedure conducted by the Appeals Committee, which re-examines the documentation and evidence gathered and, if necessary, conducts supplementary evidence proceedings. The work of the Appeals Committee results in a recommendation on the merits of the appeal, based on which the Company takes its final decision. If the complaint is found to be justified, the Company may apply sanctions against the perpetrator.

Pursuant to the Anti-mobbing Procedure, no employee will suffer negative consequences of filing a legitimate complaint or giving truthful testimony in the investigation, and such a person will be subject to a special protection regime, inter alia with regard to the protection of personal data, the prevention of retaliation by others, or discrimination and unequal or unfair treatment, or other retaliatory actions, including threats or attempts thereof.

9.5.8.2 Cases of discrimination and corrective action taken

In 2023, the Company did not record any cases of discrimination.

9.5.9 Information security, including security of the IT environment

At Mabion S.A., personal data are processed in line with the generally applicable legislation. The information security principles and policies adopted by Mabion S.A. include, first of all, the Procedure for the Protection of Personal Data at Mabion S.A., established in order to fulfil the obligations arising from applicable legislation, in particular Regulation (EU) 2016/679 of

the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC ("GDPR"). The documentation referred to above has been put in place to ensure adequate protection of personal data held by Mabion S.A., appropriate, in particular, to the risks and scope of personal data subject to processing.

It is a requirement for the security of the processing of personal data that the controller implements and maintains documentation of the data processing, as well as ensures data confidentiality, integrity, availability and accountability, by implementing and operating the necessary mechanisms and procedures for this purpose.

The principles of data security and data processing apply to all data processed by Mabion S.A., whether in electronic format or on paper. The documentation referred to above relates to the processing of data by employees of Mabion S.A., as well as by other persons with the assistance of whom the Company implements its activities requiring access to personal data.

In addition, Mabion S.A. has a system of technical and organisational measures in place to secure the processing of personal data. An important organisational change in this area is the appointment of a Data Protection Officer, who, in accordance with the GDPR, supervises the regularity and legality of business processes involving the processing of personal data.

It should be pointed out that the analysis and evaluation of current changes in processes as well as their standardisation and improvement are always carried out on the basis of personal data security rules with regard to both employees and contractors of Mabion S.A. In this way, the Company achieves business credibility and ensures an appropriate level of confidentiality protection with regard to personal data entrusted to it and its business secrets.

As part of its safety policy, Mabion S.A. relies on market standards such as risk analysis, GMP, and MITRE ATT&CK. The tasks of IT department include the regular risk analyses in order to define an action plan, with account taken of the specific nature of the Company's activities regulated by GMP requirements. In its security policy, the IT department has relied on best practices and is implementing selected risk minimisation techniques identified by MITRE.

It is vital to remember that the Company's dynamic and, above all, effective growth cannot be achieved without improving internal processes and transforming the IT area, using modern IT technologies such as cloud computing or continuous testing mechanisms. Mabion S.A. has invested in technological improvements to support business growth, improve IT security and to boost the implementation of new solutions. This fundamental change in the technologies used at Mabion will enable business scale-up, and rapid and cost-effective scalability is the foundation of modern business.

9.6 Risk management in the area of sustainable development

[GRI 201-2]

Risk management is an integral part of the Company's management activities.

The Management Board of the Company manages risk on a constant basis in all significant areas of the Company's operations. Due to the dynamic situation on the pharmaceutical market, the Company's Management Board monitors, audits and updates potential risks on an ongoing basis, through:

- anticipating and identifying risk groups, in-depth understanding of the risk type to enable its active prevention;
- constant monitoring and controlling of existing risks;
- avoiding risks – abandoning activities which expose the Company to high risk;
- taking preventive actions – developing operating plans and appropriate procedures which may be immediately implemented in the event of a potential risk occurrence;
- maintaining risk within predetermined limits or implementing plans to minimize the risks;
- reporting on the risks identified and their nature.

Moreover, the Company has a risk management system in place in accordance with generally accepted standards (ISO:31000), including detailed guidelines on risk management in a pharmaceutical quality system (in accordance with ICH Q9). During project implementation and with regard to the Company's processes, risks are identified and analysed, and then assessed. Where the results exceed the acceptance threshold, mitigating measures are implemented. Risk assessments are reviewed on a regular basis. Both area specialists and managers are involved in the risk management process.

Each year, the Company draws up a document entitled Management Board report on the assessment of internal control, risk management, compliance and the internal audit function of Mabion S.A. The report presents, among other things, an analysis of risks in the areas of: finance and accounting, information technology, product technology, and manufacturing.

Below, an analysis of the risks in relation to the areas of environmental, social and corporate governance (ESG) is presented.

9.6.1 Description of key risks

9.6.1.1 Risks of violation of workers' rights

Risk characterisation and mitigation:

The risk of failure to respect workers' rights, in the form of unequal treatment, discrimination, mobbing, to name just a few, is

present in any organisation employing staff. The Company endeavours to minimise this risk by complying with the provisions of the Labour Code and the internal regulations applicable at the Company.

To mitigate the risk, each new employee is obliged to read the internal regulations, including the Rules of Employment and the Remuneration Regulations, and undergo onboarding training. Moreover, in December 2022 the Company introduced the Anti-mobbing Procedure and appointed a Spokesperson responsible for counteracting mobbing and a Deputy spokesperson responsible for counteracting mobbing. Also training has been organised in this field, both among the general workforce and among managers.

In a satisfaction survey conducted in November 2023 among 134 of the Company's employees, 99% of the respondents declared that they were aware of the existence of an anti-mobbing procedure and knew to whom and how they could report a mobbing problem or behaviour.

In line with the aforementioned Procedure, in order to counteract mobbing, the Company is required to take all measures permitted by applicable legislation, in order to, in particular: promote desirable attitudes and behaviours consistent with the principles of social co-existence in interactions between employees, disseminate knowledge on mobbing, its prevention, and consequences, take action in the event of suspected mobbing against the Company's employees, provide assistance to mobbing victims, monitor employee relations in the Company, in particular through the analysis of complaints and through anonymous surveys. The abovementioned tasks were entrusted to the Spokesperson responsible for counteracting mobbing and their Deputy.

Risk materiality level: medium.

9.6.1.2 Employment level risk

Risk characterisation and mitigation:

Every organisation has to account for the risk of insufficient staff resources, in both qualitative and quantitative terms, particularly in the form of vacancies in key business areas. The Company's business is based on the knowledge and experience of its highly skilled managers and scientific and research personnel. However, there is a risk that key employees may leave the Company in the future, which could adversely affect the quality of its products. The Company may also be unable to attract or retain qualified personnel due to strong competition for such personnel among biotechnology, pharmaceutical and other companies. If the Company is unable to attract, retain and motivate the necessary staff to achieve its business objectives, it may face constraints that will make it significantly more difficult to achieve the objectives of the Company's business strategy. The Company's performance will also depend, in part, on the future employment level, and on the Company's ability to successfully integrate newly hired executive officers into its management team and the Company's ability to develop an effective working relationship among senior management. Some skills are not easily available on the labour market, so in the case such an employee is lost, it could be difficult to find a successor, especially in the case of positions requiring a narrow specialisation.

In order to counteract the above risk, the Company's Management Board pursues an active HR policy aimed at employing and retaining the most valuable specialists in the company and supporting their development. The success of the Company depends, among other things, on the continuous ability to attract, maintain and motivate highly qualified management and scientific staff. The Company's Management Board systematically monitors trends on the remuneration market, including the subject of non-wage benefits, implementing new solutions at the Company. The Company undertakes activities aimed at motivating employees and enabling them to improve their competences through both internal training as well as training organised by external providers, or support to undertake doctoral studies. In addition, a paid employee referral scheme was introduced. The Company also offers monetary and non-monetary benefits to its employees. In addition, the Company participates in job fairs and other events to promote the Company as an employer, and actively engages with the external environment and internally. The Company holds periodic meetings, in the form of webinars attended by employees and the Management Board, to address queries from employees and provide information on current and planned activities in the organisation. Moreover, employee satisfaction surveys are carried out to determine directions for further development in terms of HR and payroll policies. The last employee satisfaction survey was carried out by the Company in November 2023 and 134 respondents took part in it. The questions contained in the survey covered the following areas: remuneration, general information, job stability, work atmosphere, company credibility, stress and health, access to appropriate resources, health expectations and information, communication, work organisation, use and development of competence, freedom of action and decision-making, relationship with line manager, and Management Board. The eNPS for 2023 for the Company was 18 % (the eNPS for the national job satisfaction survey for 2023 was -10 %).

The Company offers training under the Company's inhouse Development Programme called "Leadership Academy". The programme is dedicated to people who start their journey in the role of a Team Leader and fulfils the need to acquire and organise knowledge and skills in the field of team management and effective organisation of the work of a subordinate team.

The programme develops the skills of building the authority as a line manager, effective communication, or stress management. It prepares participants for the challenges of change management, teaches a project-based approach, and equips them with knowledge of the basics of labour law or occupational health and safety. The aim of the Programme is to develop and enhance the professional skills of Leaders, as well as equip them with tools necessary for them to perform this role effectively in the Company. The idea behind the Programme is to ensure a high and consistent standard of employee preparation for the role of Leaders, contributing to the professional satisfaction of subordinate employees, and building a positive brand of the Company as an employer.

All these activities are aimed at preserving work satisfaction and high motivation among Employees, and counteracting staff turnover.

Excused absences of employees from work, including those related to sick leaves, also contribute to the employment level risk. Such situations disrupt the rhythm of team work, often resulting in the need to suddenly and quickly assign a replacement, which is difficult in practice. To counteract this risk, the Company has extended the possibility for employees to work remotely, thus avoiding the spread of infections among its staff. The aim of these measures is, inter alia, to ensure the continuity of the Company's operations and to maintain safe working conditions and, in the event of a state of epidemic, to introduce and ensure compliance with an appropriate sanitary regime.

Risk materiality level: medium.

9.6.1.3 Risk analysis for non-compliance with legal requirements, standards, internal regulations, including environmental and occupational health and safety requirements

Risk characterisation and mitigation:

The Company conducts its business in a volatile regulatory environment, which clearly creates a risk of non-compliance with the broadly understood legal requirements. The verification and implementation of legal obligations require expertise and constant monitoring of changes. The Company endeavours to counteract this risk by employing in-house lawyers, regulatory specialists, and specialists in specific areas to monitor regulatory developments, and it also uses advisory, legal and regulatory services. The Company needs to constantly adapt to the evolving legal environment, in tax, organisational, and technological terms, which results in operating costs that may increase or decrease depending on the scope of such changes.

The Company is subject to a range of legal requirements in the area of environmental protection and occupational health and safety. Unawareness of the applicable legal requirements can cause severe consequences for the environment and, in the case of occupational health and safety legislation, for the health and life of the employees. Failure to comply with applicable legislation can also result in fines and, in extreme cases, the need to interrupt the manufacturing facility's operations. In order to minimise the risks arising from dynamic changes in legal regulations in the area of environmental protection and occupational health and safety, the Company has established an environmental protection department and a Senior Occupational Health and Safety Officer, who specialise in the area of legal obligations and the adaptation of the organisation's procedures to the guidelines. They monitor the status of applicable legislation on a continuous basis and identify the need of any changes to be implemented in the Company. In addition, the organisation has an integrated management system in place that complies with legal and standard requirements in accordance with ISO 45001:2018, ISO 14001:2015, ISO 50001:2018. As part of the integrated management system, the Company conducts a periodic assessment of compliance with legal requirements, with the support of external specialists.

The investment and transformation processes towards a fully integrated CDMO are characterised by significant risks in terms of compliance with legal requirements in the area of environmental protection. The implementation of new services and processes that may cause emissions of pollutants, wastewater or waste with parameters different from those permitted to date may constitute a risk in terms of failure to meet the applicable standards resulting from the decisions and permits held by the Company. In order to prevent this risk, Mabion evaluates the planned changes with the active participation of the Environmental Protection Department in order to assess the scope of the changes and the need to carry out relevant analyses and/or obtain new environmental permits. Risk materiality level: high.

9.6.1.4 Risk related to uncontrolled discharge of industrial wastewater

Risk characterisation and mitigation:

By means of a decision issued by Państwowe Gospodarstwo Wodne Wody Polskie (National Water Management Authority) and on the basis of an agreement with the wastewater recipient, the Company is obliged to ensure an appropriate level of quality of the wastewater discharged to the collective sewerage system. Wastewater which exceeds permissible substance parameters may impede the operation of the treatment plant or the effectiveness of the treatment process whose final product is water discharged into watercourses. The hazard to the aquatic environment, the aquatic fauna and flora, is indeed high.

In its location in Konstantynów Łódzki, the Company has its own wastewater sub-treatment plant to which industrial wastewater from technological processes is directed. Industrial wastewater is pre-treated there, using chemical and physical methods, to acceptable parameters. The wastewater treatment process, the quantity and quality of the wastewater produced and the maintenance of adequate levels in the liquid waste tanks are constantly monitored by the Operation Maintenance Department, which minimises the risk of discharging untreated wastewater to an external receiving body. Furthermore, due to the fact that industrial wastewater is not generated in a continuous system, the employees of process departments are required to provide the representatives of the Operation Maintenance Department and the Environmental Protection Department with information on the planned discharge of wastewater, which facilitates the management of pretreatment plant operations. The Company also conducts periodic monitoring of the discharge quality by commissioning accredited laboratories to carry out tests twice a year. The results are presented to the recipient of the wastewater and to the institution issuing the water permit. Each time there is a significant change in the manufacturing process, the possible composition of the industrial wastewater is analysed and tests are carried out to verify the need to adapt treatment methods or obtain new approvals/permits.

Risk level: medium

9.6.1.5 Risks associated with inadequate waste management (incorrect classification, labelling, initial storage at the point of production)

Risk characterisation and mitigation:

The environment protection requirements focus also on the obligation of entrepreneurs to manage waste in a transparent manner, in compliance with the applicable legislation and administrative decisions. Improper waste management, especially of hazardous waste, involves severe environmental consequences. Inappropriate collection at source and pre-storage of waste can result in harmful emissions of gases and dust into the atmosphere or leakage into the soil, leading to permanent contamination of land and groundwater. Considering the scale of the environmental impact, the Company complies with legal requirements in the area of waste management.

The Company is entered in the Product and Packaging and Waste Management Database register. The registration number identifying the Company as a waste producer is placed on all company documents. An authorised employee maintains ongoing waste records, and monitors the correctness of waste separation, labelling, pre-storage duration and permitted waste volumes set by administrative decisions. Waste is forwarded to authorised parties on the basis of written agreements and managed in accordance with legal requirements.

The waste management procedure at Mabion guarantees correct waste handling, thereby minimising the risk of environmental impact. The waste management principles are included in the scope of induction and periodic training for all Company's employees, and their effectiveness is assessed by ongoing monitoring, by the Waste Officer, of correct waste collection.

At Mabion, waste is managed transparently and the waste management results are reported annually to the Office of the Marshal of the Lodzkie Region.

Risk level: medium

9.6.1.6 Risks related to the possibility of accidents in the workplace

Risk characterisation and mitigation:

Every job bears occupational risks whose magnitude varies depending on the processes implemented, the working environment and the risk applied minimisation measures. Notwithstanding careful analysis carried out prior to the commencement of work in a particular position, there can still be unforeseen factors that may contribute to an accident scenario, e.g. the human factor. The risk of an accident at work is therefore present in every position in the Company. Depending on the circumstances and consequences of the event, an accident at work can result in health loss and, in extreme cases, death of workers. Depending on the severity of the incident, an accident at work can also affect the Company's image as an employer responsible for the health and life of its personnel. Any work incapacity caused by an accident at work entails a financial loss due to the absence of the injured person and hiring a replacement worker.

As an employer responsible for health and life of its employees, the Company undertakes a number of measures to minimise the risk of accidents at work. Every newly hired employee attends an initial health and safety training course, which includes a general briefing on the Company's basic health and safety rules, and on-the-job training covering the principles of implementing the duties in a specific position. During the period of employment, periodic training in the area of occupational health and safety is also provided. Due to cyclical occupational health and safety inspections, internal and external audits related to the occupational health and safety management system in place, as well as the possibility to report hazards or near misses anonymously, it is possible to continuously improve work safety conditions.

Risk level: medium

9.6.1.7 Risk of occupational diseases

Risk characterisation and mitigation:

Each employer is legally obliged to identify harmful factors in the working environment and then take measures to minimise the risk involved with the consequences of these factors. The Company identifies areas where work may pose health risks to employees. The employer, with the participation of staff representatives, maps the risks for each work position, assessing where action is needed to minimise the risk severity. The risk assessment is communicated to all employees. The employer takes actions to reduce the risk of harmful factors in the working environment and thus prevents the occurrence of occupational diseases.

The employer monitors working environment conditions on a continuous basis by commissioning tests to accredited laboratories. Preventive measures are applied in the form of procedures, training, technical and organisational solutions, and personal protective equipment to protect workers from the negative effects induced by their work and the environment in which it is performed. Nevertheless, prolonged repetitive activities accompanied by unchanging factors may entail a risk of occupational disease. The severity of occupational diseases may vary depending on the type of activities and the process environment.

Apart from the obvious negative health consequences for employees, cases of occupational illness can affect the Company's reputation as an employer. Moreover, the procedures associated with the diagnosis of an occupational disease entail a risk of financial loss.

Risk level: medium

9.6.1.8 Risk of technical emergencies posing a threat to the health or life of employees

Risk characterisation and mitigation:

To address the negative consequences of emergency situations, the Company takes proactive measures, defining the possibility of occurrence and the type of emergency events that may translate into employee safety. The manner of conduct in the different emergency situations on the Company's premises is indicated in a written procedure.

The facility is equipped with a fire protection system – a voice alarm system, fire extinguishers, hydrants, and generally available fire safety instructions. The Company monitors presence at the facility on the basis of attendance registers and an electronic system, designates and trains persons authorised to fight fires and organise evacuations, which facilitates evacuation in cases requiring immediate departure from the building. At least once every two years, the Company organises evacuation drills and at least once a year – simulations of other emergency events. There is an efficient first aid system in place in the event of a situation threatening the health or life of employees. A defibrillator and first aid kits are available in the facility, with a list of people who are regularly trained in first aid shown right next to the kits. Thus, the Company undertakes measures to reduce the risk of emergencies and their possible consequences.

Risk level: medium

9.7 Matters relating to the area of E – Environment

9.7.1 Environmental management

[GRI 2-23]

As a biopharmaceutical company providing contract development, analytical and manufacturing services for biological medicines (Contract Development and Manufacturing Organisation, CDMO), Mabion has an impact on the environment through its operations.

To minimise the negative environmental effects, the Company focuses on ensuring that all processes at the facility are carried out in line with current environmental regulations and standards.

At Mabion, the basis for management of, inter alia, the environmental area is the Integrated Management System (hereinafter – "IMS"), compliant with ISO 14001:2015, 45001:2018, I50001:2018 standards. While the IMS certification covers the Company's registered office, good practices derived from the standards and the Company's internal documents are implemented at Mabion's second location in Łódź at ul. Fabryczna 17.

In November 2023, the Company underwent a recertification process, which covered the revised scope of the system, i.e. the core and ancillary processes that make up the provision of Contract Development and Manufacturing Organisation services in the areas of process development, transfer and optimisation, analytics and manufacturing of biological medicines and vaccines, as well as product characterisation, batch release, sterile filling, packaging and serialisation, logistics services, and regulatory consulting.

An independent certifying body confirmed that the organisation had established and maintained its management system in line with the requirements of the standards and demonstrates the ability to meet in a systematic manner the agreed requirements for products and services in accordance with the organisation's scope of certification, objectives, and policy.

Environmental policy

To effectively manage, among other things, the area of environmental protection, the Company's Management Board adopted on 1 February 2024 an updated Integrated Management System Policy (hereinafter – "IMS Policy") with regard to the area of environment, occupational health and safety, and energy management. With the updated policy, the Company remains in compliance with the applicable regulations and undertakes additional activities to protect the environment and its components, and reduce energy consumption. The basic assumption of the IMS Policy is to raise the awareness of the employees with regard to the systems in force, which translates into the effective implementation of the Policy, as well as to build a sense of responsibility for its implementation with regard to:

- the provision by Senior Management of safe and healthy working conditions;
- the commitment of Senior Management to the promotion of IMS;
- continuous improvement in the areas of environmental protection, occupational health and safety, and energy efficiency;
- elimination of hazards and mitigation of risks;
- prevention of injuries and health problems;
- environmental protection and pollution prevention;
- environmental and other activities, raising awareness in the areas of environmental protection, occupational health and safety, efficient energy management and the impact of the Company's activities on the protection of biodiversity;
- water management, minimising water consumption for technological and everyday purposes;
- managing emissions and monitoring the organisation's carbon footprint;
- climate change risk prevention and opportunity management;
- effective waste management;

- improving energy performance;
- compliance with the requirements of PN-EN ISO 45001:2018, PN-EN ISO 14001:2015, PN-EN ISO 50001:2018 standards, and with legal and other requirements in the area of environmental protection, occupational health and safety and energy use and consumption, binding upon the Company;
- consultation and participation of employees in building an effective system;
- the availability of information and resources necessary to achieve the objectives and targets;
- taking into account environmental, occupational health and safety, and energy efficiency issues in investment processes and procurement plans;
- monitoring of the processes related to environmental protection, energy consumption, and occupational safety via the selected ESG indicators.

Environmental objectives

Table 22. Environmental objectives

Purpose	Tasks carried out to achieve the objective	Results towards the objective
Increase environmental awareness among employees and the public	Education on the necessity to report environmental incidents, inclusion of this topic in the induction and periodic IMS training.	Induction and periodic training on the rules of the integrated management system was carried out on the basis of a programme covering the essence of the subject of environmental incidents. This ensures that every employee, regardless of their position, is aware of the possibility of environmental incidents, the magnitude of their impact, and the required course of action. In 2023, 10 events were held, improving the awareness of staff of the need to protect the environment and to follow good practices and habits. Financial support was provided to the "For Nature" Foundation towards the objective of biodiversity protection. 60,000 bees have also been covered by patronage.
	Planning and implementation of actions to raise awareness among staff in the following areas: ecology, environmental care, safe and healthy working conditions, social dimension.	
	Biodiversity preservation activities – support of a selected foundation, awareness raising and involvement of employees in biodiversity preservation activities	
Fulfilment of legal obligations concerning the hazardous waste management (ADR)	Completion of a course in ADR-compliant transport to gain competence as an ADR adviser.	The objective was partially achieved. Due to organisational circumstances, the Senior Occupational Health and Safety Officer did not take the ADR adviser certification exam. The implementation of the planned activities will continue in 2024.
	Analysing the characteristics of medical waste in terms of its ADR classification.	
	Verifying the market and purchase ADR compliant bags and labelling.	
Increase the level of correct classification and segregation of waste to 88%.	Monitoring the correct classification and waste segregation, reporting on results, and verifying the causes of errors.	Ongoing monitoring of the correctness of waste segregation, conducted in 2023, has shown that the expected results have been achieved (an average result of 95%).
	Induction and periodic training on waste management covering the main causes of errors recorded as part of the monitoring process.	
Increase energy efficiency by at least 3% compared to the energy baseline.	Actions for automatic air conditioning settings and chiller management during periods of higher demand.	In 2023, a reduction in the energy use rate of 3 % (based on the chosen calculation criteria) was recorded. The efficiency of the technical solutions deployed will be able to be assessed at a later date.
	Replacement of lighting with LEDs and installation of motion sensors in upgraded areas.	
	A ventilation redesign introducing new partitioning for air exchanges. Education on the basic energy saving rules.	

Source: Own study of the Company

9.7.2 Energy

[GRI 302-1, GRI 302-4]

9.7.2.1 Energy consumption within the organisation

Identification of energy carriers

The Company is provided with energy, which is supplied to the Konstantynów Łódzki facility by external suppliers, based on the terms and conditions set out in the respective agreements.

The facility uses:

- **electricity** – the facility is supplied with 15 kV electricity via a single cable line. The main sources are two transformers of voltage and power, respectively, of 15 kV/0.4, 1 MVA and 15kV/0.4, 630 kVA. Electricity is distributed through an LV switchgear, which supplies power to the manufacturing and warehouse building with an office and laboratory area, and technical infrastructure. To ensure that the appropriate environmental conditions are maintained in the manufacturing area to allow operation in the event of a power outage, the Company has 1 generator with a capacity of 1,584 kW;

- **heat** – the facility is supplied with hot water at a temperature of 70oC. A metering and billing system owned by a heat energy distributor is installed on the supply pipeline. The water is supplied to the central heating and process heat installations through a forced circulation heating substation;
- **natural gas** – the facility is supplied with high-methane natural gas GZ 50 (G20) at a pressure of 360 kPa. A distributor-owned primary metering system is installed on the supply pipeline. The gas is reduced at the station, where the pressure is lowered to 20 kPa;
- **fuels, i.e. diesel, petrol** – used in company cars, passenger cars, vans and for the generator.

Energy consumption, by type

As part of its operations, the Company is supplied with energy. The energy consumption for 2023 and a comparison to 2022 by type is presented in the table below.

Table 23. Energy consumption within the organisation*

Energy consumption, by type	Quantity of energy consumed		Unit	Change compared to 2022 [%]
	2022	2023		
Electricity (total):	13,545.35	10,905.64	GJ	-19.50
> electricity from non-renewable sources	11,379.45	10,900.19	GJ	-4.20
> electricity from renewable sources	2,165.90	5.45	GJ	-99.70
Heat (total):	4,556.40	6,041.20	GJ	32.60
> heat (technical heat)	3,933.40	5,419.40	GJ	37.80
> heat (district heating)	623.00	621.80	GJ	-0.20
Natural gas	724.77	532.47	GJ	-26.50
Petrol	3.08	4.22	GJ	37.00
Diesel	6.82	5,71	GJ	-16.40
Total electricity, heat, cooling energy and steam generated but not consumed	0.00	0.00	GJ	0.00
Electricity, heat, cooling energy and steam sold	0.00	0.00	GJ	0.00
Total energy consumption	**18,836.43**	**17,489.24**	**GJ**	**-7.20**

* Negative value means a reduction in consumption. The consumption of energy from non-renewable and renewable sources was calculated on the basis of the structure of fuels used to generate energy, published by the supplier, PGE Obrót S.A. Data was compiled on the basis of consumption monitoring from meter readings, fuel and volume analysis.

Source: Own study of the Company

9.7.2.2 Reduction of energy consumption

The total reduction of energy consumption of 7.2% with a breakdown by energy type is presented in Table no. 22 in section 9.7.2.1. 2022 has been taken into account as the baseline year with the unification of comparative units to GJ. There was a significant decrease in renewable energy consumption (99.7%) due to the change in the fuel mix of the electricity supplier.

The Company has an Integrated Management System in place applied, among others, in the area of energy management. As part of the activities carried out for efficient energy management, an analysis of energy efficiency, use and consumption is conducted based on up-to-date data and information in order to detect significant consumption points and identify opportunities for energy efficiency improvements.

The Company carries out an energy review on an annual basis, in accordance with the methodology set out in the procedure for preparing the energy review and energy target monitoring. During the energy review, variables affecting energy consumption are analysed. In the course of the aforementioned activities, the baseline energy for electricity is also determined, and adjusted in the event of changes significantly affecting the energy result or changes in the determined energy consumption rate. A summary of the measures implemented in this area can be found in the document entitled "Energy Review Report".

9.7.3 Water and wastewater management

[GRI 303-1, GRI 303-2, GRI 303-3, GRI 303-4, GRI 303-5]

9.7.3.1 Water intake

The facility does not have its own water intake; its water is supplied from an external supply system, under an agreement. Water is used both for social and everyday needs and for the technological processes.The supplied water meets the requirements of the Regulation of the Minister of Health of 7 December 2017 on the quality of water for human consumption (Polish Journal of Laws 2017, item 2294).

As part of the Company's manufacturing process, water is used in many stages, so its share in utility consumption is indeed high. The table below presents water consumption for 2022 and 2023 by source. 2022 has been taken into account as the baseline year with the unification of comparative units to Ml.

Table 24. Water intake by source – unit [Ml]*

Water intake by source	Water type	Water consumption		Unit	Change compared to 2022 [%]
		2022	2023		
Water intake by source:		0	0	Ml	0
> Surface water		0	0	Ml	0
> Groundwater		0	0	Ml	0
> Rainwater		0	0	Ml	0
> Sea water		0	0	Ml	0
> Water produced		0	0	Ml	0
> Mains water	Fresh water	40 188,00	24 957,15	Ml	- 37.90
Total water intake	**Fresh water**	**40 188,00**	**24 957,15**	**Ml**	**- 37.90**
Recovered water		0	0	Ml	0
Recovered water		0	0	%	0

* Data disclosed refers to the registered office of the Company located in Konstantynów Łódzki. The quantity of water intake equals the quantity of water consumed. The data is derived from monthly water meter readings. Negative values mean a reduction in consumption.

Source: Own study of the Company

The Company does not draw water from shortage areas.

In 2023, a reduction of less than 38% in water consumption was recorded as a result of the facility downtime due to the upgrade of the manufacturing area.

9.7.3.2 Waste water discharge

Due to water consumption for both production and social purposes, the organisation generates both industrial wastewater and municipal sewage.

Considering the nature of the processes at the Company, industrial wastewater contains substances classified as particularly harmful to the aquatic environment (total phosphorus, nitrite nitrogen, ammoniacal nitrogen). The organisation operates its own physico-chemical sub-treatment plant, whereby industrial wastewater is pre-treated to meet the required parameters.

The direct receiving system for wastewater from the facility (a mixed stream of everyday and household wastewater and pre-treated industrial wastewater) is the municipal sanitary sewer system, to which wastewater is discharged under an agreement.

Wastewater discharged from the site will not cause any negative impact on the direct receiving system and the municipal wastewater treatment plant, due to the pre-treatment of industrial wastewater at the facility. Wastewater discharged from the facility will therefore not adversely affect the purity of surface and groundwater. Consequently, the amount of wastewater discharged will not have a significant impact on the water flow in the Ner River, which is the final receiving body of wastewater from the Łódź agglomeration, nor on the condition of the river. Wastewater from the facility represents only a fraction of a percentage of the flow in the overall balance of wastewater flowing into the treatment plant on a daily basis.

Under the applicable legislation, the Company holds a water permit for the specific use of water consisting in the discharge, into the sewerage system owned by Zakład Wodociągów i Kanalizacji Sp. z o. o. in Łódź, of industrial wastewater containing substances particularly harmful to the aquatic environment, issued by way of a decision of Państwowe Gospodarstwo Wodne Wody Polskie (National Water Management Authority).

Under the agreement with the wastewater recipient and the aforementioned decision, the Company conducts periodic tests of the quality of the discharged wastewater (twice a year) to ensure that standards are met and the water environment is safe. The tests are carried out by an accredited laboratory and the results are made available to the wastewater recipient and to the body issuing the water-legal permit – the relevant Regional

Water Management Authority of Państwowe Gospodarstwo Wodne Wody Polskie (PGW WP RZGW). No discharges of water/wastewater with exceeded permissible parameters have been recorded.

Rainwater or snowmelt water from paved areas, i.e. access roads - is treated in a settling tank and oil product separator before being discharged into the urban rainwater system. Rainwater from roof slopes, as 'conventionally clean' water, is discharged to the receiving body without pretreatment.

The table below presents the quantities of industrial wastewater generated at the facility in Konstantynów Łódzki in 2023, with a comparison with the data for 2022. A significant decrease in the amount of industrial wastewater discharged has been recorded, due to the suspension of manufacturing operations for the duration of the manufacturing area upgrade.

Table 25. Quantity of industrial wastewater generated

Wastewater type	Quantity of industrial wastewater generated		Unit	Change compared to 2022 [%]
	2022	2023		
Industrial wastewater	30087,7091	19192,09	m^3	-19.50

* Negative value means a reduction in the amount of industrial wastewater generated in comparison to the base year. The data was compiled on the basis of monthly readings from flow meters installed at the on-site wastewater treatment unit.

Source: Own study of the Company

9.7.4 Greenhouse gas emissions

[GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4,]

9.7.4.1 Calculation and organisational boundaries

In line with the methodology set out in the GHG Protocol, as audit boundaries, the boundaries of the operational audit were adopted. A focus on operational control makes it possible to prioritise those areas where, through the use of operational control mechanisms, direct reductions in greenhouse gas emissions can be achieved.

For the calculations, the available data for the two locations over which the Company has financial and operational control, was taken into account, i.e.:

- the Scientific and Industrial Complex for Medical Biotechnology in Konstantynów Łódzki,
- the Research and Development Centre for Biotechnological Medicinal Products Łódź.

The Company verifies its carbon footprint in Scope 1, 2 and 3. To determine indirect emissions, all Scope 3 categories have been subjected to a materiality assessment. Based on the sum of Scope 1 and 2 emissions, a threshold of 30 tCO2e (1% of total emissions) was set. On this basis, it was determined that the following categories would be material:

- 2 - capital goods,
- 3 - fuel and energy related activities (not included in Scope 1 or Scope 2),
- 5 - waste generated in operations,
- 6 - business travel,
- 7 - employee commuting.

Categories that are below the materiality threshold but included in Scope 3 emissions include:.

- 1 - goods and services purchased,
- 4 - upstream transport and distribution.

Following the full transformation of the Company and the provision of CDMO services in future years, the following categories will require a reassessment for materiality:

- 1 - goods and services purchased,
- 4 - upstream transport and distribution,
- 9 - downstream transport and distribution,
- 10 - processing of sold products,
- 11 - use of sold products,
- 12 - end-of-life treatment of sold products.

Due to the lack of activities resulting in emissions in some areas, the following categories were excluded from the calculation:

- 8 - upstream leased assets,
- 13 - downstream leased assets,
- 14 - franchises,
- 15 - investments.

Due to the highly specialised production and the relatively small mass of products sold, category 4 was considered to be immaterial, requiring ongoing assessment in the following years in the event of a significant increase in the amount of raw materials consumed or the construction of new infrastructure.

Given the calculation methodology adopted and the data chosen, including significant differences in the Scope 3 categories considered in this account, no comparison is made with 2022 in the area of greenhouse gas emissions, and 2023 is regarded as the baseline year.

9.7.4.2 Greenhouse gas emissions – Scope 1, 2 and 3.

The tables below present summaries for the Company's carbon footprint emissions for Scopes 1, 2 and 3.

Table 26. Emissions by Scope 1, 2, 3

Emissions	Total	CO_2	CH_4	N_2O	HFC	PFC	SF6
conversion unit	[tCO_2e]	[t]	[t]	[t]	[t]	[t]	[t]
Scope I	368,978	367,674	0,02	0,003	0	0	0
Scope 2 (market)	3269,749	3269,749	0	0	0	0	0
Scope 2 (location):	2669,692	2669,692	0	0	0	0	0
Scope 3	3303,4	-	-	-	-	-	-
Total	**9611,819**	**6307,115**	**0,02**	**0,003**	**0**	**0**	**0**
Direct CO2 emissions from biomass combustion	5.59	-	-	-	-	-	-

Source: Company's own study based on Mabion's Carbon Footprint Calculation Report for Scopes 1, 2 and 3, by Tailors Group.

Table 27. Emissions by source type in Scope 1, 2 and 3

Emissions by source type	tCO_2e
Scope I: Direct emissions from sources owned or controlled	**368,98**
Direct emissions from stationary combustion sources	301,49
> natural gas combustion (steam generator)	30,1,49
Direct emissions from mobile combustion sources	67,48
> diesel vehicles	38,01
> petrol vehicles	27,67
> diesel generator unit	1,8
Scope 2: Indirect emissions from purchased electricity, steam, heat, and cooling (market)	**3269,75**
Indirect emissions from purchased/acquired electricity	2624,6
Indirect emissions from purchased/acquired heat	645,14
Scope 2: Indirect emissions from purchased electricity, steam, heat, and cooling (location)	**2669,69**
Indirect emissions from purchased/acquired electricity	2024,55
Indirect emissions from purchased/acquired heat	645,14
Scope 3: Upstream emissions	**3303,4**
Category 1: Goods and services purchased	18,6
Category 2: Capital goods	221,01
Category 3: Fuel and energy relatedactivities (not included in Scope 1 or Scope 2)	735,91
Category 4: Upstream transportand distribution	11,91
Category 5: Waste generatedin operations	104,71
Category 6: Business travel	52,24
Category 7: Employee commuting	2159,02

Source: Company's own study based on Mabion's Carbon Footprint Calculation Report for Scopes 1, 2 and 3, by Tailors Group

Table 28. Emissions by location

Location	Scope 1 [tCO_2e]	Scope 2 (market) [tCO_2e]	Scope 2 (location)[
Scientific and Industrial Complexfor Medical Biotechnology in Konstantynów Łódzki	368,98	3 206,80	2612,48
Research and Development Centrefor Biotechnological Medicinal Products inŁódź	0,00	62,95	57,22
Total	**368,98**	**3269,75**	**2669,70**

Source: Company's own study based on Mabion's Carbon Footprint Calculation Report for Scopes 1, 2 and 3, by Tailors Group.

9.6.4.2 Emission intensity ratios

The emission intensity was calculated on the basis of the emissions in each scope in relation to the square metre of area used.

Table 29. Emission intensity ratios

Emission scope	Emission volume	Unit	Emission intensity ratio
Scope I	368,978	tCO_2e	17.47
Scope 2 (market)	3269,749	tCO_2e	1.97
Scope 2 (location):	2669,692	tCO_2e	2.41
Scope 3	3303,4	tCO_2e	1.95

Quantity of square metres of area used [m^2]* 6,446.7 m^2

* includes laboratories at the CBR in Łódź

Source: Company's own study based on Mabion's Carbon Footprint Calculation Report for Scopes 1, 2 and 3, by Tailors Group

9.8 Waste management

[GRI 306-1, GRI 306-2, GRI 306-3, GRI 306-4, GRI 306-5]

9.8.1 Significant waste-related impacts of the organisation

As part of its activities, the Company generates industrial waste (hazardous and non-hazardous) and municipal waste. The source of the industrial waste generated is the use of the different materials, raw materials and process substances, as well as the operation of the installations and the maintenance of the premises.

The scale of the Company's waste-related impacts can be assessed on the basis of the amount of waste generated and the measures taken to reduce it and to manage it appropriately and safely for the environment.

The Company's main waste-related impacts concern its internal processes. Therefore, the organisation has a structured waste management system in place including: employee education, reduction of waste generation at source, waste segregation, selective pre-storage of generated waste with the required safety measures for human health and the environment.

9.8.2 Managing the organisation's significant waste-related impacts

Actions, including circular measures, taken to prevent waste generation in the organisation's activities

Due to the need to maintain a highly sterile production, the Company has limited possibilities to apply solutions to reduce the amount of waste generated or to introduce circularity. Nonetheless, the aspect of efficiency, consumption of raw materials and thus minimisation of waste generation is taken into account when investing in new equipment and installations.

As a waste generator, the Company implements measures to reduce generated waste volumes or allowing the amount of waste to be kept as low as possible. These measures are also aimed at reducing the negative environmental impact of the waste or risk to human life or health. They include, but are not limited to:

- rational management of raw materials;
- adherence to technological process parameters;

- implementing a routine for employees on separate waste collection and waste minimisation;
- awareness-raising campaigns for employees on the environmental impact of waste;
- training for employees on selective waste collection;
- use of reusable packaging (as far as possible);
- monitoring the volume of produced waste;
- selective storage of waste taking into account waste properties (hazardous and non-hazardous waste), with pre-separation of recyclable waste, and a prohibition on mixing, in appropriate containers, in conditions that prevent negative impacts on the ground and water environment;
- storage of waste in designated areas, equipped with devices that enable the quick elimination of the consequences of spills or leaks.

Measures aimed at reducing the burden of waste management include:

- proper storage of waste generated at the facility, in a selective manner, for a period not longer than necessary, on premises secured against weather conditions and unauthorised access;
- transport of waste in a way that complies with the currently applicable legislation on road traffic and the provisions of the Waste Act;
- absolute compliance with the sanitary and epidemiological conditions to which the premises and equipment in use should adhere.

Processes used to determine whether third parties manage waste in accordance with legal regulations and contractual obligations

The waste generated is transferred only to specialised enterprises holding the relevant permits and administrative decisions to carry out the selected waste management processes. This cooperation also includes registered waste transport with the safety measures required for the hazard class. The agreements for waste collection and management regulate the waste management methods in accordance with the applicable legal requirements.

Processes used to collect and monitor waste data

The Company holds administrative decisions authorising the generation of waste. In accordance with the permits and legal requirements in force, current wast record is kept in an electronic system - the Database of Products, Packaging, and Waste Management (BDO). The Company also meets its reporting obligations regarding the amount and types of waste generated, including packaging waste. The principles of waste recording, its proper labelling and storage, as well as monitoring of correct segregation are defined by the Company's internal procedures.

9.8.3 Waste generated

The table below presents a summary of the generated volumes of industrial waste, taking into account a breakdown between hazardous and non-hazardous waste. The data refers to the quantities generated in 2023 with a comparison of the waste mass for 2022.

Table 30. Mass of generated industrial waste*

Waste type	Generated waste volume		Unit	Change compared to 2022 [%]
	2022	2023		
Industrial waste (total mass)	122,012	75,361	Mg	-38.2
> non-hazardous waste	106,996	63,251	Mg	-40.9
> hazardous waste	15,016	12,110	Mg	-19.4

* Negative values mean a reduction in the quantity of waste generated. The data presented comes from waste record maintained in an electronic system – the Database of Products, Packaging, and Waste Management (BDO). The figures shown represent a summary of waste from both of the Company's locations.

Source: Own study of the Company

In 2023, there was a 38.2% reduction in waste generation compared to 2022 due to the downtime of the manufacturing area caused by its upgrade.

Below, a summary of the quantity of municipal waste generated is presented.

Table 31. Mass of generated municipal waste*

Waste type	Generated waste volume		Unit	Change compared to 2022 [%]
	2022	2023		
Total waste generated	**80,55**	**73,71**	**m³**	**-8.5**
> mixed waste	63,8	57,2	m³	-10.3
> paper and cardboard	3,19	2,86	m³	-10.3
> metals and plastics	3,96	4,29	m³	8.3
> glass	3,12	3,12	m³	0.0
> biodegradable waste	6,48	6,24	m³	-3.7

* Negative values mean a reduction in the quantity of waste generated. The figures relate to municipal waste generated at the facility in Konstantynów Łódzki on the basis of an agreement with the waste recipient.

Source: Own study of the Company

9.8.4 Waste directed to recovery and disposal

The table below presents quantitative data on the management of the industrial waste generated at Mabion and transferred to an external recipient for management.

Table 32. Mass of hazardous waste generated by management method*

Waste management process	Volume of non-hazardous waste		Unit	Change compared to 2022 [%]
	2022	2023		
Disposal	86,679	40,636	Mg	-53.1
> D9**	1,029	0	Mg	-100.0
> D10***	85,65	40,636	Mg	-52.6
Recovery	20,317	22,615	Mg	11.3
> R11****	20,317	22,615	Mg	11.3

Source: Own study of the Company

Table 33. Mass of non-hazardous waste generated by management method*

Waste management process	Volume of hazardous waste		Unit	Change compared to 2022 [%]
	2022	2023		
Disposal	11,873	8,863	Mg	-25.3
> D9**	2,41	0	Mg	-100.0
> D10***	9,463	8,863	Mg	-6.3
Recovery	3,143	3,247	Mg	3.3
> R11****	3,143	3,247	Mg	3.3

* Negative values mean a reduction in the share of the management process in question. The figures presented were compiled on the basis of the waste recipient's declaration on the waste management method applied. The figures shown represent a summary of waste from both of the Company's locations.

** D9 – Physico-chemical treatment not specified elsewhere in this item of the Annex to the Waste Act which results in final compounds or mixtures which are discarded by means of any of the operations numbered D1–D12 (e.g. evaporation, drying, calcination2, etc.)

*** D10 – Incineration on land.

**** R11 – Use of waste obtained from any of the operations numbered R1–R10.

Source: Own study of the Company

In 2023, the Company generated in total approximately 38% less waste than in 2022. The decrease was due to the absence of manufacturing processes for the duration of the upgrading work on the manufacturing area. Considering the significant difference in the total amount of generated waste, it is not meaningful to compare the amount of waste subjected to disposal and recovery processes. Nevertheless, as of 2023, the Company has started cooperation with a new recipient of industrial waste, which carries out, in the case of 12 types (codes) of waste, the recovery process as a substitute for the disposal process carried out by the previous recipient. In subsequent years, during standard operation of the facility, it will therefore be possible to verify the actual differences in the share of individual waste management processes..

9.9 Matters relating to the area of S – Society

9.9.1 Company's policy on personnel matters

[GRI 2-23, GRI 2-24]

9.9.1.2 Human resources policy

The human resources policy implemented at Mabion is an important element forming part of the Company's overall management system.

To meet the needs and expectations of its employees, the Company is building an organisational culture based on values shared by all.a culture based on values common to everybody. Key values supporting the implementation of the Company's strategy include: orientation on quality and effect of work, work culture, responsibility, communication, and cooperation.

The HR policy is a collection of interconnected elements, such as the appropriate selection of employees for positions, the induction process, the employee development i.e. promotion and availability of training, as well as remuneration, performance summary and employee management.

Mabion strives to ensure that the objectives of the HR policy and the Company's mission and strategy are closely and inseparably linked.

The main goals of the policy are, above all, to identify quantitative and qualitative needs in the area of labour resources, to recruit and select employees skilfully, to manage the competences of managers and employees, to staff individual vacancies, to create and develop teams, to monitor the company's performance and to analyse the employees' needs.

Employees create value for the organisation and are its key development driver. The skills, knowledge, and experience of qualified personnel represent strong human capital. Thus, it is so important at Mabion to manage its human resources efficiently and properly.

A skilled selection of employees, their proper positioning within the Company, creation of favourable conditions for development and a fair system of remuneration are among numerous factors that provide Mabion with an advantage on the competitive labour market.

Employee matters are regulated by the following Mabion's internal regulations and procedures, which are known and available to all employees of the Company.

- Rules of Employment of Mabion S.A.;
- Remuneration Regulations;
- Employee Bonus Rules;
- Remote Work Rules;
- Promotion Procedure;
- Procedure for professional upskilling;
- Procedure for the creation of works subject to copyright and associated rights;
- Procedure for the Mabion Ambassador loyalty programme;
- Rules of the Leadership Academy Programme;
- Performance Summary Performance;
- Paid employee referral scheme of Mabion S.A.;
- Employment at Mabion S.A.

9.9.1.3. Equal opportunities policy

Mabion pursues a policy of equal opportunities for all employees, in terms of:

- gender;
- race;
- ethnic origin;
- religion;
- views;
- disability;
- age;
- sexual orientation.

Both the scope of responsibilities and the level of remuneration are not differentiated depending on any of the above factors.

The Company employs people of all ages from the age of majority. Religion does not affect employment either, as religious issues are not discussed during the recruitment process or employment. Mabion has been pursuing an equal employment opportunity policy on the various dimensions of its operation since its incorporation. The Company's policy is rooted in the European Union's Directives (including, among other things, Council Regulation (EC) No. 1083/2006).

9.9.2 Employment structure – information on employees

[GRI 2-7, GRI 2-8, GRI 401-1, 401-2, 401-3, GRI 404-1, GRI 404-2, 404-3, 405-2]

As at 31 December 2023, Mabion had 247 employees under employment contract, a decrease of eight employees (approximately 3.3 %) compared to the previous year.

In total, regardless of the employment basis, there were 263 employees employed by the Company as at 31 December 2023.

In tables below, detailed data presenting the Company's employment status, broken down by gender, employment contract type, and employment type, is presented.

Table 34. Employment level by gender, all agreement types

Overall employment level, irrespective of employment contract type	Number of employees		Change compared to 2022 [%]
	2022	2023	
Total number of employed persons	268	263	-1.9
Number of women employed	177	172	-2.8
Number of men employed	91	91	0

Source: Own study of the Company

Table 35. Employment level by type of employment contract

Number of employees by type of employment contract		Number of employees		Change compared to 2022 [%]
		2022	2023	
Total number of staff employed under employment contract	Women	171	164	-4.1
	Men	84	83	-1.2
	Total	**255**	**247**	**-3.1**
Number of permanent employees	Women	139	141	1.4
	Men	62	67	8.1
	Total	**201**	**208**	**3.5**
Number of temporary employees	Women	32	23	-28.1
	Men	22	16	-27.3
	Total	**54**	**39**	**-27.8**

Source: Own study of the Company

Table 36. Employment level by employment type

Number of employees by employment type		Number of employees		Change compared to 2022 [%]
		2022	2023	
Total number of staff employed under employment contract	Women	171	164	-4.1
	Men	84	83	-1.2
	Total	**255**	**247**	**-3.1**
Number of full-time employees	Women	165	159	-3.6
	Men	83	82	-1.2
	Total	**248**	**241**	**-2.8**
Number of part-time employees	Women	6	5	-16.7
	Men	1	1	0%
	Total	**7**	**6**	**-14.3**

Source: Own study of the Company

9.9.3 New employee hires and employee turnover

To counteract the risk of losing employees, the Company's Management Board conducts an active HR policy. The activities pursued as part of this policy are described in this chapter.

The table below presents figures showing the total number and rate of new hires by gender and age.

Table 37. Number and rate of new hires

Gender	Age	Number of employees in 2022	New hires in 2022	Number of employees in 2023	New hires in 2023
Women	below 30	24	37%	4	16%
	between 30 and 50	22	22%	8	32%
	above 50	1	17%	0	0%
Men	below 30	6	36%	2	8%
	between 30 and 50	18	30%	11	44%
	above 50	1	14%	0	0%

Source: Own study of the Company

The tables below present figures showing the total number of employee departures and the staff turnover rate by age group and gender, and type of departure.

Table 38. Number of employee departures by type of departure and gender*

Number of employee departures	Gender	Number of departures		Change compared to 2022 [%]
		2022	2023	
Total number of departures	**In general**	**57**	**39**	**-31.6**
	Women	41	22	-46.3
	Men	16	17	6,3
Number of voluntary departures	**In general**	**38**	**32**	**-15.8**
	Women	29	18	-37.9
	Men	9	14	55.6
Number of non-voluntary departures	**In general**	**19**	**7**	**-63.2**
	Women	12	4	-66.7
	Men	7	3	-57.1

* negative values mean a reduction in the number of employee departures

Source: Own study of the Company

Table 39. Number of employee departures by gender and age*

Number of employee departures – gender	Age	Number of voluntary departures		Change compared to 2022 [%]	Number of non-voluntary departures		Change compared to 2022 [%]
		2022	2023		2022	2023	
Women	below 30	11	8	-27.3	6	1	-83.3
	between 30 and 50	17	10	-41.2	5	3	-40.0
	above 50	1	0	-100.0	1	0	-100.0
Men	below 30	4	3	-25.0	3	0	-100.0
	between 30 and 50	4	10	150.0	3	3	0.0
	above 50	1	1	0.0	1	0	-100.0

* negative values mean a reduction in the number of employee departures

Source: Own study of the Company

Table 40. Staff turnover broken down into voluntary and non-voluntary turnover*

Staff turnover	Gender	Staff turnover rate		Change compared to 2022 [%]
		2022	2023	
Overall staff turnover	**In general**	**21%**	**19%**	**-2.00%**
	Women	23%	11%	-12.00%
	Men	18%	8%	-10.00%
*Voluntary staff turnover	**In general**	**14%**	**15%**	**1.00%**
	Women	16%	9%	-7.00%
	Men	10%	7%	-3.00%
Non-voluntary staff turnover	**In general**	**7%**	**3%**	**-4.00%**
	Women	7%	2%	-5.00%
	Men	8%	11%	3.00%

* negative values mean a decrease in staff turnover

Source: Own study of the Company

Table 41. Number of voluntary and non-voluntary employee departures by gender and age*

Number of employee departures – gender	Age	Number of voluntary departures		Change compared to 2022 [%]	Number of non-voluntary departures		Change compared to 2022 [%]
		2022	2023		2022	2023	
Women	below 30	11	8	-27.3	6	1	-83.3
	between 30 and 50	17	10	-41.2	5	3	-40.0
	above 50	1	0	-100.0	1	0	-100.0
Men	below 30	4	3	-25.0	3	0	-100.0
	between 30 and 50	4	10	150.0	3	3	0.0
	above 50	1	1	0.0	1	0	-100.0

* negative values mean a reduction in the percentage of employee departures

Source: Own study of the Company

Table 42. Number of employee departures and turnover rate, number of new hires and hiring rate by gender and age groups in 2023

Gender	Age	Number of employee departures*	Staff turnover rate	Number of new hires	Employment
Women	below 30	9	17%	4	7%
	between 30 and 50	13	12%	8	7%
	above 50	0	0%	0	0%
Men	below 30	3	21%	2	14%
	between 30 and 50	13	21%	11	18%
	above 50	1	16%	0	0%

* Number of employee departures in the category by gender/average of all employees in the category as at 31.12.2023

Source: Own study of the Company

9.9.3.1 Measures implemented in the Company to counteract staff turnover

9.9.3.1.1 Recruitment of employees

Company's recruitment rules ensure equal opportunities for all those interested in getting a job with the Company. The recruitment process is carried out with particular respect for the following rules:

- equal treatment - the same procedures and criteria apply to all candidates;
- unchanging requirements for candidates – before the recruitment process begins, the requirements and criteria for candidates are defined which do not change during the recruitment and selection process;
- impartiality – each Mabion representative participating in the recruitment process acts in a way that eliminates any form of favouritism or discrimination against candidates;
- professionalism – people who take part in a recruitment process are properly prepared for it and keep the official tone of the conversation;
- transparency – the recruitment process is clear and documented, allowing candidates to receive reliable feedback on their application;
- respect for privacy – interviewers avoid questions about candidates' private life, family status and plans to start a family;
- respect for individuality – interviewers tolerate that candidates show other attitudes, behaviour, physical and mental characteristics than their own;
- easy access to job offers – advertisements are published in several ways (industry portals, Mabion website, recruitment portals, social media, and through presence at universities and cooperation with research clubs) allowing a wider group of candidates to apply for a position of their choice.

The recruitment process at the Company is based on the recruitment plan developed for the year. As part of it, candidates with the required competences described in the job advertisement are sought. The Company does not exclude candidates on the basis of gender or age.
The recruitment process is divided into a number of stages:

- verification of submitted CVs;
- an initial interview by phone;
- job interview(s);
- employment.

9.9.3.1.2 Induction of newly recruited employees

The Company makes every effort to ensure professional onboarding, which is the first step in building a lasting relationship between the employee and the Company, allowing the employee to effectively utilise their potential in the Company's areas of operation.

All new employees of the Company undergo a series of compulsory and additional training courses, aimed at their best possible introduction to the team and preparation for their job and position.

During the raining carried out place during the first days of work, employees are provided with knowledge of the Company concerning, inter alia, the following areas:

- HR – as part of HR training, employees receive key information on how the Company operates, including its structure, benefits for employees and development opportunities.
- Human Resources and Legal Area – as a listed Company, Mabion educates employees about confidential information and information circulation and about the agreements to which it is a party.
- Occupational Health and Safety – during the general briefing, employees are introduced to relevant OHS issues.
- Environmental Protection and Integrated Management System in accordance with ISO 14001: 2015, 45001: 2018, 50001: 2018 standards – as part of the training, employees become aware of, among other things, the most important IMS principles and documents and the Company's waste management principles.
- Quality Assurance – this training covers the principles of working in compliance with GMP (Good Manufacturing Practice), GLP (Good Laboratory Practice) and GCP (Good Clinical Practice) standards.
- Induction to work in the area in question – Meeting with the Head of Department and line manager/leader.

Each new employee, before commencing work, reads the Rules of Employment which set out the basic obligations of the employee and the employer, the rights of employees, and contain provisions concerning the organisation of work.

9.9.3.1.3 Internal Employer Branding

The Company carries out a broad range of activities directed at all Mabion S.A. employees and aimed at increasing employee satisfaction and reducing staff turnover levels.

As part of the internal Employer Branding, the Company:

- conducts regular employee satisfaction surveys (satisfaction survey);
- ensures the possibility of ongoing communication with the Management Board (webinars), including the possibility of anonymous reporting of needs and requests;
- supports the development of employees by providing them with the opportunity to participate in training courses and conferences, enabling them to improve their skills (language courses, industry-specific technical and soft skills training, postgraduate studies and implementation doctorates, in-house Leadership Academy Programme);
- ensures access to promotion;
- supports women returning from maternity leave by aligning salaries with market levels, providing support in reonboarding, and organising working time (return to part-time work, hybrid work for positions allowing this);
- offers its employees an opportunity to participate in the Ambassador Programme;
- organises a number of activities to integrate the Company's community (charitable, environmental, social actions, competitions, etc.).

9.9.3.1.4 External Employer Branding

Cooperation with universities in Poland to activate students on the labour market

As part of external Employer Branding, Mabion carries out a number of activities aimed at enabling students to learn about the practical aspects of working in the sector of biotechnology, as well as showcasing the Company itself as a possible future employer. The company maintains close cooperation with the academic environment, in particular with the Faculty of Biology and Environmental Protection of the University of Łódź and the Faculty of Biotechnology and Food Sciences at the Łódź University of Technology. In addition, the Company systematically cooperates with the Lodz City Council with regard to:

- teaching;
- student internships;
- apprenticeships;
- mentoring programmes (e.g. "Młodzi w Łodzi").

The cooperation with the Faculty of Biotechnology and Food Sciences of the Lodz University of Technology and the Medical University of Lodz consists in enhancing the teaching of students through the participation of company representatives in seminars, exercises (e.g. Genetic Engineering) and lectures (e.g. GCP/GMP Basics in Business Practice; Development of Biotech Medicines), as well as joint diploma or doctoral courses (conducted by Mabion's Management Board Members, management staff and doctoral students).

Owing to these programmes, students can learn about the special nature of research projects, benefit from the experience of Mabion's specialists, and work on best-in-class professional laboratory equipment.

The Company aims to network with the academia and is actively present in many research and teaching centres in Poland. Among other things, cooperation is developed with the University of Wrocław, where representatives of Mabion delivered lectures for students of the Faculty of Biotechnology and took part in meetings with MSc students as part of the event "Biotechnology Company – knowledge, idea, and management". An agreement was also signed on cooperation with the Faculty of Biochemistry, Biophysics and Biotechnology at Jagiellonian University.

The Company cooperates on an extensive basis with academic career centres (mainly the Lodz University of Technology, Medical University of Lodz), which provides the opportunity to prepare a number of young professionals for further cooperation in scientific and commercial projects implemented by the Company.

By means of students' visits to the Company's laboratories, lectures at universities, close cooperation with academic authorities, and job fairs, the Company is able to promote achievements and invite graduates for long-term cooperation.

As part of the Employer Branding in 2023, the Company has organised the following events:

- Lectures for Medical University students;
- "Młodzi w Łodzi" open day for students;
- Webinars and scientific publications;
- Participation in the Academic Job Fair.

9.9.3.1.5 Work-life balance

Mabion believes that acquisition and retention of good employees requires more than just competitive remuneration and a stimulating work environment. The Company also focuses on work-life balance aspects. Therefore, the Company promises to be fully open to employees' work-life balance initiatives.

Convenience solutions introduced in day-to-day work in this scope support professional efficiency, but are above all important for the work-life balance and mental wellbeing of employees.

9.9.3.1.6 Communication at Mabion S.A.

The Company's Management Board attaches great importance to communication within the organisation, ensuring on a daily basis that employees are aware not only of the Company's strategic objectives but also, well in advance, of short-term goals. Accordingly, the Company has implemented tools that enable employees to familiarise themselves with the Management Board's plans, as well as provide a broader context for a better understanding of its decisions. In addition, a culture of feedback is fostered at the Company, so periodically the Management Board and the managers seek the opinions of employees on the solutions implemented at Mabion. Communication activities within the Company are implemented through, *inter alia*

- Management Board's webinars;
- operating meetings and other forms of ongoing communication;
- surveys (after onboarding, after the probationary period, end of employment survey, an annual employee satisfaction survey);
- integration and building a sense of belonging through joint undertakings.

9.9.4 Employee benefits

The Company pays constant attention to its employees and their level of job satisfaction and remuneration. The Company has introduced the following benefits to the organisation:

- private medical care co-financed by the Employer;
- co-financed meals;
- a benefits cafeteria system;
- professional upskilling;
- language courses (English course);
- integration events.

Benefits provided to full-time employees are hardly different to those provided to part-time employees. The only difference concerns proportionality, which means that the benefit in question is limited to the FTE proportion (meal benefit). In 2023, the Company did not employ any temporary workers.

9.9.5 Parental leave

Due to the birth/adoption of a child, the employees are entitled to the following leaves: maternity leave, parental leave and childcare leave.

The table below presents data concerning the number of employees who have taken maternity/parental/childcare leave in 2023, data on the number of employees who have returned from the above-mentioned leave, and the rate of return to work and retention of employment after returning from the above-mentioned leave.

Table 43. Parental leave data

Parental leave data	Gender	2022	2023	Change compared to 2022 [%]
Number of employees on childcare leave	*Women*	4	8	100
	Men	0	0	0
Number of employees on parental leave	*Women*	21	22	4,8
	Men	0	0	0
Number of employees who returned in 2023 after parental leave	*Women*	14	5	-64
	Men	0	0	0
Number of employees who returned to work after parental leave, and who were still employed 12 months after returning to work	*Women*	14	5	-64
	Men	0	0	0
Return to work and job retention rates of employees who have taken parental leave	*Women*	100%	100%	0%
	Men	0	0	0

Source: Own study of the Company

9.8.5.1 Activation policy and support for women returning from maternity/parental leave

Mabion is an employer open to hiring parents, in particular young mothers, whom we view as an effective and motivated resource for the Company.

Mabion has introduced the following arrangements in the facility to ensure convenient working conditions for women returning from maternity/parental leave:

- setting up a room for breastfeeding mothers;
- possibility of working in a hybrid system[21];
- flexible working hours[22];
- a possibility of delegating women who are pregnant, have recently given birth to a child or who are breastfeeding to another positions which do not pose risks to their health.

We also draw attention to the fact that the Company respects parental rights of female and male employees alike, i.e. the right to additional childcare leave (Article 188 of the Labour Code).

9.9.6 Staff upskilling programme, including training

9.9.6.1 Employee training

The Company's activities in the aspect of human capital development are visible in the increasing amounts of training investments dedicated to our employees. The Company is constantly seeking to upskill its employees.

All employees at Mabion are subject to training. The competences of the staff are developed through general and on-the-job training, both internally and externally. General training is intended to ensure that employees have adequate knowledge of, among other things, the requirements of Good Manufacturing Practice, the Pharmaceutical Quality System, the Integrated Management System in accordance with ISO 14001:2015, 45001:2018 and 50001:2018, Occupational Health and Safety, ESG matters, as well as other legal requirements applicable to the Company. The training is conducted according to the agreed schedule.

The aim of on-the-job training is to introduce employees to the requirements of the position by enabling them to systematically acquire and improve the knowledge and skills necessary to perform their tasks. All training is documented in employee training sheets.

[21] Work and childcare roles of women and men in Poland
[22] applies to professions where the nature of the work makes it possible

In addition to professional competence development, the Company provides employees with access to meetings and development workshops in the areas of personal development, personal resources management, or own brand building.

The Company also conducts specialist training and a series of development training sessions for the managerial staff.

9.9.6.2 Staff remuneration costs

The Company ensures opportunities to continuously improve professional qualifications for its employees. The above policy of the Company is being continually developed as the Company's Management Board uses its best efforts for Mabion to remain an attractive and competitive employer. For this purpose, a Procedure for Professional Upskilling of Mabion S.A. Employees has been implemented, to provide transparent rules for professional employee upskilling through a system of external and internal training.

Development schemes implemented at Mabion:

- The Mabion's Ambassador Programme for Company employees – its aim is to support the soft and hard competencies, and to recognise the best employees whose work and attitude contribute to the development of the Company;
- Leadership Academy – the aim of this programme is to make it possible for future leaders to acquire soft skills necessary to manage a team and in building a professional image,
- Industrial PhD programme - its aim is to create conditions for cooperation between higher education and science institutions and the business environment, conducted as part of doctoral schools and involving education of doctoral students.

9.9.7 Evaluation of work performance

The summary of work results is a manifestation of caring for the smooth functioning of the organization and contributes to shaping good interpersonal relations. Mutual feedback serves to build the organisational culture and cooperation of all employees. The summary of work performance has implications for the personal and professional development of employees and for the functioning of the organisation as a whole.

At Mabion, there is a Procedure on the Summary of the Performance and the Assessment and Professional Development of Employees in place in order to direct employees' development, recognise their achievements and identify areas for improvement. The exchange of information is intended to build culture and communication within the organisation. The summary of performance also offers a basis for promotion decisions, the responsibilities entrusted to the employee, the form of employment, and remuneration, or other forms of material reward or non-material recognition.

The table below presents percentage data on employees receiving regular performance appraisals.

Table 44. Percentage of employees receiving regular performance appraisals

% of employees receiving regular performance appraisals	
Total number of employees, including	99%
Women	99%
Men	99%

Source: Own study of the Company

9.9.8 Ratio of basic salary and remuneration of women to men

9.9.8.1 Gender pay indicator

Each year, the Company reviews the gender pay indicator and publishes it on its website. The value of this indicator shows that there is a balance between the salaries of both genders in the Company. During recruitment and employment, the competences and experience of the employee are crucial for the employer. It is the criterion that determines the employee's remuneration arrangements and their place in the Company's structure.

The table below presents the ratio of average monthly total remuneration of women to men at Mabion S.A.

Table 45. Ratio of average monthly total remuneration of women to men at Mabion S.A. in 2023 relative to the reference year 2022.

Ratio of average monthly remuneration of women to men	Remuneration ratio		Change compared to 2022 [%]
	2022	2023	
*All employees**	99%	94%	-5.1 %
Top Management	100%	90%	-10.00 %
Senior staff	92%	95%	+3.20 %
Mid-level staff	85%	92%	+7.60 %
Other employees of the Company	88%	89%	+2.00 %

* without remuneration of the Management Board Members

Source: Own study of the Company

In 2023, the Company continued its efforts to close the pay gap between men and women.

To minimise the gap, the Company:

- ensures, in line with the procedures in place, equal access to promotion for women and men, in line with the procedures in place, and thus equal, gender-independent pay;
- offers salary rates for new employees based solely on their qualifications and work experience;
- monitors salaries on an ongoing basis and pursues a pay policy based on fair, consistent, equal rules for all;
- ensures equal access to training and upskilling for all employees regardless of gender.
- ensures equal access to benefits for all employees regardless of gender.

9.9.8.2 Ratios of standard entry level wage by gender compared to local minimum wage

As at 31 December 2023, only 2 of the Company's employees were paid the minimum salary in 2023, i.e. PLN 3,600 gross. This represents less than 1% of the number of employees. The average remuneration in the Company resulting from an employment contract is PLN 7773,41 and is similar to the remuneration according to the Statistics Poland in the Lodzkie Region in the enterprise sector, i.e. PLN 7567,00 gross.

9.9.9 Defined benefit plan obligations and other retirement plans

The Company does not have a separate fund to cover its pension obligations (due to the low average age of the Company's employees (35 years). Following the adoption of the Act on Employee Capital Plans by the Polish legislator in 2018, the Company was required to enter into an agreement on the management and operation of the ECPs with a financial institution. The ECP Act opened up new opportunities for employees to raise funds for their future retirement, with the support of the Employer and the State. Employees who are participants of the programme are paid a monthly contribution of 2 per cent of their gross remuneration, while the employer, for its part, contributes another 1.5 per cent of this base amount. As of 31.12.2023, 98 people were registered in the programme, which represents 40% of the Company's workforce. Each time an employee is hired, the Company explains the programme and its benefits and encourages them to join the ECP.

9.10 Occupational health and safety management system

[GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-9, GRI 403-10]

9.10.1 Management of the occupational health and safety

At Mabion, the basis for the management of the occupational health and safety (hereinafter – "OHS") area is an Integrated Management System compliant with ISO 14001:2015, 45001:2018,

I50001:2018 standards. While the IMS certification covers the Company's registered office, good practices derived from the standards and the Company's internal documents are implemented at Mabion's second location in Łódź at ul. Fabryczna 17.

In November 2023, the Company underwent a recertification process, which covered the revised scope of the system, i.e. the core and ancillary processes that make up the provision of Contract Development and Manufacturing Organisation services in the areas of process development, transfer and optimisation, analytics and manufacturing of biological medicines and vaccines, as well as product characterisation, batch release, sterile filling, packaging and serialisation, logistics services, and regulatory consulting.

The ISO 45001:2018 standard imposes obligations to meet legal guidelines in the OHS area. The Company identifies and implements legal requirements relating to employer, employee, and broad occupational health and safety obligations.

In respect of these requirements, the organisation conducts conformity assessment audits, based on which it verifies the degree of compliance with applicable legislation. This is but one element that improves the effectiveness of the OHS management system. The organisation systematically plans processes, objectives, and tasks, implements them according to the established schedule, verifies the level of performance of the activities, and, based on the conclusions drawn from the assessment, undertakes improvement activities. Continuous improvement of the OHS management system is possible through multi-stage verification - internal audits, a legal audit, an audit by the certification body, and a management review. As a result of the audits and the incident reporting procedure, the organisation identifies areas for improvement, and possible non-conformities. The observations, incidents, and non-conformities are analysed and followed up with:

- improvement measures – concerning observations where erroneous habits can be corrected, improving the functioning of areas where repeated observations could turn into non-conformities in the future;
- adjustment measures – which remove the effect of a non-conformity or incident that has occurred;
- corrective measures – relating directly to the cause of the incident or non-conformity, making its recurrence impossible.

Any corrective action and the evaluation of its effectiveness are of particular importance as they contribute to the improvement of the occupational health and safety management system.

For the effectiveness of the occupational health and safety management system, the top management is ultimately responsible. The Company employs a Senior Occupational Health and Safety Officer who monitors occupational health and safety conditions, trains personnel, participates in occupational risk assessments and accident or incident investigations, conducts periodic OHS inspections and reports the results to the Management Board.

Occupational Health and Safety Policy

To effectively manage the area of, inter alia, occupational health and safety, the Management Board adopted, on 1 February 2024, an updated Integrated Management System Policy.

The IMS Policy guides the organisation's activities towards achieving the intended OHS outcomes. The Policy provides a framework for specific actions whose effects are conducive to improving safety, eliminating hazards and reducing risks, or preventing injuries and health problems.

The IMS Policy is an overarching document known to all employees and has been made available to the parties concerned.

OHS objectives

In line with the process approach, occupational health and safety management is based on planning, implementation, verification and improvement. Accordingly, in 2023 the Company has set viable and measurable annual targets. The table below shows the OHS objectives set for 2023, together with the tasks implemented to achieve them and their outcome towards the objective.

Table 46. OHS objectives for 2023

Purpose	Tasks carried out to achieve the objective	Results towards the objective
Prevention of work accidents and their possible consequences	Increase the recognisability of the employee representative (increase the effectiveness of their function) – information at the initial and periodic training.	The tasks carried out contribute to work safety in the Company. With the measures taken, it has been possible to identify sources of risks to the health and life of employees, thereby eliminating the risk of an accident at work. In 2023, 1 occupational accident was registered. The accident severity indicator, calculated on the basis of the formula: number of days of work incapacity/ number of accidents, was 0.
	Supervision of safety data sheets for hazardous substances using the Enova system.	
	Increasing the level of security in departmental warehouses by purchasing and applying stops to the shelves on which glass items are stored (QCD, R&DD).	
	Organising meetings with leaders and then communicating more broadly with employees on the state of occupational health and safety.	
	Systemising the measures to ensure safe use of live equipment – developing a procedure for the frequency and extent of equipment inspection.	
	Providing a mailbox for anonymous reporting of hazards and near misses.	
	Organisation of an OHS competition involving a simulation of a near miss situation.	

Source: Own study of the Company

9.10.2 Hazard identification, risk assessment, investigation of incidents

9.10.2.1 Processes used to identify work-related hazards and assess risks

For every work position in the Company, a written occupational risk analysis is in place. The occupational risk assessment is based on the knowledge of the Senior Occupational Health and Safety Officer and the occupational physician, the responsibility of the employer and the managers of the employees and, above all, the experience of the staff in the positions in question, or their representative. By means of a multi-stage consultation, it is possible to identify the risks occurring during specific activities in the different work positions. Based on the magnitude of the identified risk, the employer can take action to reduce the impact or probability of hazards. Each time the working environment or process changes, the risk assessment is updated.

In order to ensure safe and healthy working conditions, the Company additionally runs a number of planned processes:

- defining safe working practices in the form of rules, internal regulations, instructions, and processes;
- periodic OHS inspections in departments;
- annual OHS analyses presenting OHS performance to the management;
- meetings of the Occupational Health and Safety Committee with Employee Representatives and the OHS physician in charge of preventive health care for the facility's workers;
- conducting Occupational Risk Assessments and Analyses at the workstations of Employees and non-employees of the Company;
- reporting directly to line managers, the Senior Occupational Health and Safety Officer and the Employee Representative on any hazards and dangerous situations observed;
- enabling the reporting of potentially hazardous situations and OSH improvements through tan anonymous OSH reporting mailbox;
- internal audits as part of the Integrated Management System;
- ongoing consultation of the Occupational Health and Safety Service and the Employee Representative with employees;
- assessing compliance with legal requirements in the field of OHS;
- audit by a certification body for compliance with the requirements of the ISO 45001 standard.

An overarching role in the occupational health and safety management system is played by the Senior Occupational Health and Safety Officer, who has a degree in this field and undergoes periodic training for the OHS service. The Integrated Management System maintenance team attends training on legal requirements and ISO standards, auditing techniques, thereby acquiring the competences necessary to effectively conduct the internal audit process. The employer provides external or internal training in this respect, conducted by the IMS Coordinator, who is certified as a lead auditor of the OHS management system according to ISO 45001.

The results and recommendations of periodic OHS inspections, annual OHS analyses, employee consultations, internal, legal, and certification audits are implemented as OHS improvement and corrective measures.

9.10.2.2 Description of processes for employee reporting of work-related hazards and dangerous situations

The Integrated Management System Policy points out to the Company's activities with regard to safe and hygienic working conditions, including the elimination of hazards, prevention of injuries and health conditions, and opportunities for employee participation in the establishment of an effective occupational health and safety management system. The Company ensures the possibility of occupational health and safety consultation for employees at all levels. An Employee Representative has been appointed to whom members of staff can raise any concerns about working conditions or identify areas for improvement, with the aim of eliminating hazards that could lead to future work accidents. The company also employs a Senior Occupational Health and Safety Officer who inspects the working environment, consults with leadership, provides training and raises awareness of the need to report near misses. As part of the OHS management system, there is a procedure for reporting and investigating incidents related to this area. The identification of hazards, causes of their occurrence, and the implementation of corrective measures is one of the most effective courses of action within the OHS management system.

To improve the opportunity to report, among other things, any unsafe situations, a mailbox has been set up at Mabion for anonymous reporting of near misses, suggestions for improvements, and observations in the area of OHS, among others things.

9.10.2.3 Description of processes used to investigate work-related incidents, including processes for identifying hazards and assessing incident risks, determining corrective measures using a control hierarchy

Pursuant to Article 210 of the Labour Code, any employee has the right to refrain from the implementation of work when working conditions do not comply with occupational health and safety legislation and pose a direct threat to the health or life of the employee or other persons. The employee is then entitled to refrain from work by notifying the line manager immediately.

While applying the legal requirements, the Company puts emphasis on raising awareness among employees of their rights, pointing out that in emergencies, health and life take priority. The possibility of refraining from activities that pose a risk of injury or damage to health is part of the initial and periodic OHS training programme.

Moreover, Employees have the possibility to report at any time any comments or requests regarding OHS conditions directly to their line managers, the OHS service or the Employee Representative using direct forms of communication or anonymous reporting. Accident situations and near misses are reported in accordance with procedure BHP/K/018/1.

9.10.3 Occupational medicine

Concern for the health of employees is at the core of the occupational health and safety management system. The employer provides health care for employees and continuous supervision by an occupational physician who is a member of the OHS committee and actively participates in consultations with employees.

The Company has procedures in place to check the health condition prior to undertaking the duties in a particular position. The employer identifies the hazards of each position, working conditions, particularly dangerous factors and then directs employees to initial health checks, without which it is not possible to start work. Based on the result of the checks, the occupational physician determines the frequency of periodic checks. As part of an agreement with LUX MED, the Company's employees have access to a number of preventive healthcare specialists.

9.10.4 Worker participation, consultation, and communication on occupational health and safety

The key to the success of an effective occupational health and safety management system is the involvement of all the Company's employees. The principles of the system, contribution to objectives and targets are an integral part of the induction and periodic training on the IMS and OHS. With the importance of participation in the creation and improvement of the OHS management system emphasised, employees are open to dialogue, identifying risks, and areas for improvement. Each employee can raise OHS concerns individually directly with the line manager, the Occupational Health and Safety Officer, or the Employee Representative. The Occupational Health and Safety Officer holds periodic meetings with leaders to discuss current issues in the area of safe working conditions. The IMS Team, made up of representatives from all areas of the Company, plays an important role in consultations with employees. Members of the team carry out processes in the represented departments on a daily basis. Owing to their extensive knowledge of the principles of the OHS management system and their daily communication with co-workers, they identify areas that require consultation or clarification. These topics are then conveyed to the Senior Occupational Health and Safety Officer or discussed at the monthly team meetings. The Company also carries out multi-level communication activities relating to the OHS management

system, including the results of the working environment survey, applicable procedures and instructions.

An Employee Representative has been appointed in the Company. This function is intended to increase access to unrestricted feedback and consultation on the state of OHS by employees at any level. The main duties of the Employee Representative are to participate and contribute to:

- providing opinions on changes in the organisation of work and the furnishing of workstations, e.g. participation in the development of OHS instructions;
- providing opinions on the introduction of new technological processes and chemical substances and mixtures if they may pose a risk to the health or life of employees;
- analysing and developing occupational risk assessments for specific tasks;
- designating employees to provide first aid, establishing a first aid system, and conducting fire fighting and evacuation activities;
- allocating workers with personal protective equipment, clothing, and work footwear;
- organising OHS training for employees;
- investigating the circumstances of accidents and near misses;
- consulting on matters related to the functioning, monitoring, and improvement of the IMS, in particular in the area concerning OHS management in compliance with the ISO 45001:2018 standard.

The Employee Representative also attends meetings of the Occupational Health and Safety Committee, constituted by them with the Occupational Health and Safety Officer, the Senior Occupational Health and Safety Officer (as the employer's representative) and an additional member – a designated employee. During quarterly OHS committee meetings, the current needs of employees and opportunities for improving OHS conditions are discussed. The main tasks of the OHS Committee include:

- review of working conditions;
- periodic evaluation of the OHS situation;
- providing opinions on measures taken by the employer to prevent accidents at work and occupational diseases;
- formulating conclusions on the improvement of working conditions;
- cooperating with the employer in the fulfilment of its OHS obligations.

9.10.5 Employee OSH training

All employees of the Company undergo periodic training on occupational health and safety requirements.

New employees undergo, in accordance with the applicable regulations, induction OHS training in line with a defined training programme. All employees also undergo on-the-job training related to their specific jobs.

Staff already employed by the Company undergo periodic OHS training, also in line with a defined programme.

9.10.6 Promoting and supporting employee health

9.10.6.1 Work-related injuries

The Company has identified hazards which may occur at the facility in connection with the work, causing serious consequences. The hazards were identified as a result of consultations with employees, periodic OHS inspections, and the analysis and assessment of occupational risks in work positions.

Hazards with serious consequences include:

- fire or explosion;
- fall from height;
- exposure to hazardous substances (corrosive or toxic).

In 2023, there were no work accidents at the Company caused by these hazards.

To eliminate or reduce hazards, the Company carries out the activities listed below:

- periodic OHS inspections of work positions, internal and external audits;
- consultation with employees and the Employee Representative;
- updating Fire Safety Instructions;
- updating procedures for particularly hazardous work and OHS instructions;
- inspections of fire equipment, periodic check of the quantities and types of stored substances posing an explosion hazard, and inspections of fire zones and of the whole building carried out by the Fire Protection Officer;
- trial evacuations from the building should a fire and other emergency occur;
- supervision, proper labelling and storage of hazardous substances;

- constant supervision of Personal Protective Equipment (PPE) consisting in inspections and replacements;
- periodic OHS training and on-the-job training to draw employees' attention to the main hazards that may occur at their workstation.

To protect employees and prevent accidents and injuries in the work establishment, a list of actions and procedures undertaken by the Company has been developed to address the following matters:

- hazardous work, including the types of work and activities occurring in the work establishment;
- information for employees of external companies about possible risks in the implementation of their work;
- fire prevention and response;
- conduct in cases of production and industrial accidents;
- storage of hazardous materials and storage of non-hazardous materials;
- in-house and manual transport;
- inspection of ladders and racks;
- conduct in the event of work accidents and near misses;
- inspection of power tools;
- occupational risk assessment.

The tables below present figures detailing the number of work accidents, involved employees of the Company and subcontractors in 2023.

Table 47. Number of work accidents among Mabion S.A. employees

Number of work accidents among the Company's employees	2022		2023	
	Women	Men	Women	Men
Number of total accidents at work	1*	1*	2	0
Number of fatal accidents	0	0	0	0
Total number of days of work incapacity due to work accidents	0	0	27	0
Number of diagnosed occupational diseases	0	0	0	0

* minor accident not causing work incapacity
Source: Own study of the Company

Table 48. Number of work accidents among Mabion S.A. subcontractors

Number of work accidents among the Company's subcontractors	2022		2023	
	Women	Men	Women	Men
Number of total accidents at work	1*	1*	0	1
Number of fatal accidents	0	0	0	0
Total number of days of work incapacity due to work accidents	0	0	0	14
Number of diagnosed occupational diseases	0	0	0	0

* minor accident not causing work incapacity
Source: Own study of the Company

Main types of work-related injuries:

- sprain and tear of the (fibular) (tibial) collateral ligament;
- thermal burn to the cornea and conjunctival sac of the right eye.

9.10.7 Occupational diseases

The Company takes actions to guarantee the safe working environment and to minimise the negative impact of the related factors on employees' health. Focusing on the health of employees and in order to limit exposure to harmful factors during processes, the Company ensures:

- periodic audits of the working environment, covering particularly harmful factors,
- availability of personal protective equipment limiting the negative impact of the identified factors on health,
- replacement of personal protective equipment to ensure a higher class of protection, introduction of organisational and technical changes in situations where permissible concentrations of harmful agents are exceeded,
- training to raise awareness among the employees concerning the organisation of work and the need to comply with specific procedures and instructions.

No incidence of occupational diseases confirms the effectiveness of the above measures.

Table of non-financial performance indicators

The table below presents a summary of selected indicators based on the GRI Standards on the basis of which the Company has presented the non-financial information disclosed in this document.

Table 49. Table of non-financial performance indicators used in the Statement

Indicator number	Indicator name
GRI 2-1	Name of the organisation
GRI 2-2	Entities included in the sustainability reporting
GRI 2-3	Reporting period, frequency
GRI 2-4	Restatements of information
GRI 2-5	Internal assurance
GRI 2-6	Activities, value chain and other business relationships
GRI 2-7	Employees
GRI 2-8	Workers who are not employees
GRI 2-9	Governance structure and composition
GRI 2-10	Nomination and selection of the highest governance body
GRI 2-11	Chair of the highest governance body
GRI 2-12	Role of the highest governance body in overseeing the management of impacts
GRI 2-13	Delegation of responsibility for managing impacts
GRI 2-14	Role of the highest governance body in sustainability reporting
GRI 2-15	Conflicts of interest
GRI 2-16	Communication of critical concerns
GRI 2-17	Collective knowledge of the highest governance body
GRI 2-19	Remuneration policy
GRI 2-20	Process to determine remuneration
GRI 2-21	Annual total compensation ratio
GRI 2-22	Statement on sustainable development strategy
GRI 2-23	Policy commitments
GRI 2-24	Embedding policy commitments
GRI 2-29	Stakeholder engagement
GRI201-2	Financial implications and other risks and opportunities due to climate change
GRI 201-3	Defined benefit plan obligations and other retirement plans
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage
GRI 302-1	Energy consumption within the organisation
GRI 302-4	Reduction of energy consumption
GRI 303-1	Interactions with water as a shared resource
GRI 303-2	Management of water discharge-related impacts
GRI 303-3	Water withdrawal
GRI 303-4	Water discharge
GRI 303-5	Water consumption
GRI 305-1	Direct (Scope 1) GHG emissions
GRI 305-2	Energy indirect (Scope 2) GHG emissions
GRI 305-3	Other indirect (Scope 3) GHG emissions
GRI 305-4	GHG emissions intensity
GRI 305-5	Reduction of GHG emissions
GRI 306-1	Waste generation and significant waste-related impacts
GRI 306-2	Management of significant waste-related impacts
GRI 306-3	Waste generated
GRI 306-4	Waste diverted from disposal
GRI 306-5	Waste directed to disposal
GRI 401-1	New employee hires and employee turnover
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees
GRI 401-3	Parental leave
GRI 403-1	Occupational health and safety management system
GRI 403-2	Hazard identification, risk assessment, and incident investigation
GRI 403-3	Occupational health services
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety
GRI 403-5	Worker training on occupational health and safety
GRI 403-6	Promotion of worker health
GRI 403-8	Workers covered by an occupational health and safety management system
GRI 403-9	Work-related injuries
GRI 403-10	Occupational diseases
GRI 404-1	Average hours of training per year per employee
GRI 404-2	Programs for upgrading employee skills and transition assistance programs
GRI 404-3	Percentage of employees receiving regular performance and career development reviews
GRI 405-1	Diversity of governance bodies and employees
GRI 405-2	Ratio of basic salary and remuneration of women to men

Source: Own study of the Company

Contact details

1. Scientific and Industrial Complex for Medical Biotechnology
   ul. gen. Mariana Langiewicza 60
   95-050 Konstantynów Łódzki
   Telephone number: +48 42 207 78 90

2. Research and Development Centre
   ul. Fabryczna 17
   90-344 Łódź
   Telephone number: +48 42 290 82 10

3. Contact point for questions regarding the Statement on the Company's Non-Financial Information
   Paulina Konderak, Head for Environmental Protection and Systems (IMS, ESG).
   e-mail: p.konderak@mabion.eu

Management Board

Krzysztof Kaczmarczyk

President of the Management Board

Julita Balcerek	Grzegorz Grabowicz	Sławomir Jaros	Adam Pietruszkiewicz
Member of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board

Konstantynów Łódzki, 16 April 2024

MABION

SCIENTIFIC AND INDUSTRIAL COMPLEX OF MEDICAL BIOTECHNOLOGY

Gen. Mariana Langiewicza 60
95-050 Konstantynów Łódzki
Poland

Phones:
Reception: **+48 42 207 78 90**
Pharmacovigilance: **+48 506 809 249**

RESEARCH AND DEVELOPMENT CENTER FOR BIOTECHNOLOGICAL MEDICINAL PRODUCTS

Fabryczna 17
90-344 Łódź
Poland

Phone:
+48 42 290 82 10

www.mabion.eu