

Annual Report 2021

Table of contents

Business Report	4–24	Corporate Governance	63–74
Performance/Multi-year comparison	5	Introduction	64
Shareholder letter	10	1. Introductory remarks with respect to the specific structure of BB Biotech AG as an investment company	64
Portfolio Update Q4 2021	14	2. Group structure and shareholders	64
Portfolio at a glance	17	3. Capital structure	66
Outlook	18	4. Limitations on transferability	66
Top Story	23	5. Board of Directors	66
		6. Investment management	71
		7. Remuneration	71
		8. Shareholders' participation rights	72
		9. Change-of-control and defensive measures	72
		10. Audits	73
		11. Trading in own securities	74
		12. Information policy	74
		13. Trading blackout periods	74
Financial Report	25–62		
Consolidated financial statements	26		
Consolidated balance sheet as at December 31	26		
Consolidated statement of comprehensive income for the year ended December 31	27		
Consolidated statement of changes in equity for the year ended December 31	28		
Consolidated statement of cash flow for the year ended December 31	29		
Notes to the consolidated financial statements	30		
Report on the audit of the consolidated financial statements	48		
Financial statements BB Biotech AG	53		
Balance sheet as at December 31	53		
Statement of income for the year ended December 31	54		
Notes to the financial statements BB Biotech AG	55		
Report on the audit of the financial statements	60		

Table of contents (continued)

Remuneration Report	75–81	About us	107–124
Introduction	76	Company Profile	108
1. Responsibilities and authorities with respect to remuneration	76	Investment strategy	109
2. Remuneration of the members of the Board of Directors	77	Investment process	111
3. Remuneration of related parties at non-market conditions (audited)	79	Board of Directors	113
4. Remuneration of former members of the corporate bodies (audited)	79	Investment Manager	116
5. Loans and credits to the members of the Board of Directors (audited)	79	Shareholder information	120
6. Contractual terms at retirement from BB Biotech AG	79	Facts & figures	121
7. Management contracts	79	Corporate calendar	122
Report on the audit of the Remuneration report	80	Contact	123
ESG	82–106		
Foreword	83		
Materiality analysis	85		
Sustainability at Board of Directors level	87		
Sustainability at Investment Manager level	89		
Sustainability at BB Biotech AG's portfolio level	102		

Business report

Business Report	4–24
Performance/Multi-year comparison	5
Shareholder letter	10
Portfolio Update Q4 2021	14
Portfolio at a glance	17
Outlook	18
Top Story	23

Performance/Multi-year comparison

Indexed performance since launch

BB Biotech AG (SIX)-CHF



Annual performance

31.12.2021

	SHARE	NAV	NBITR
2021	8.3%	(11.5%)	3.0%
2020	19.3%	24.3%	15.8%
2019	18.5%	23.4%	23.0%
2018	(5.2%)	(14.5%)	(8.0%)
2017	22.9%	23.4%	16.4%

Cumulated performance

31.12.2021

	SHARE	NAV	NBITR
1 year	8.3%	(11.5%)	3.0%
3 years	53.3%	35.7%	46.7%
5 years	78.6%	43.3%	57.1%
since inception ¹⁾	3 095%	2 278%	1 397%

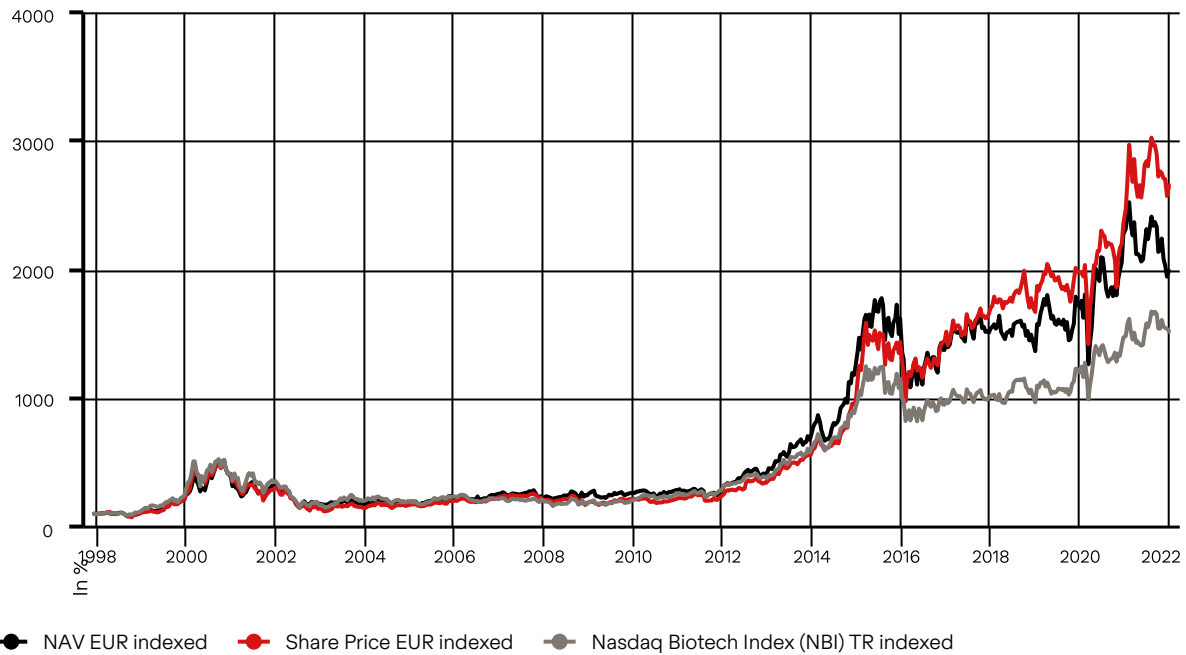
¹ 09.11.1993

Annualized performance

31.12.2021

	SHARE	NAV	NBITR
1 year	8.3%	(11.5%)	3.0%
3 years	15.3%	10.7%	13.6%
5 years	12.3%	7.4%	9.4%
since inception ¹⁾	13.1%	11.9%	10.1%

¹ 09.11.1993

BB BIOTECH AG (XETRA)-EUR

Annual performance

31.12.2021

	SHARE	NAV	NBITR
2021	13.3%	(7.8%)	7.4%
2020	18.1%	24.8%	16.1%
2019	23.4%	28.1%	27.6%
2018	(2.2%)	(11.1%)	(4.3%)
2017	12.9%	12.5%	6.7%

Cumulated performance

31.12.2021

	SHARE	NAV	NBITR
1 year	13.3%	(7.8%)	7.4%
3 years	65.4%	47.4%	59.1%
5 years	82.4%	47.3%	65.5%
since inception ¹⁾	2 556%	1 889%	1 416%

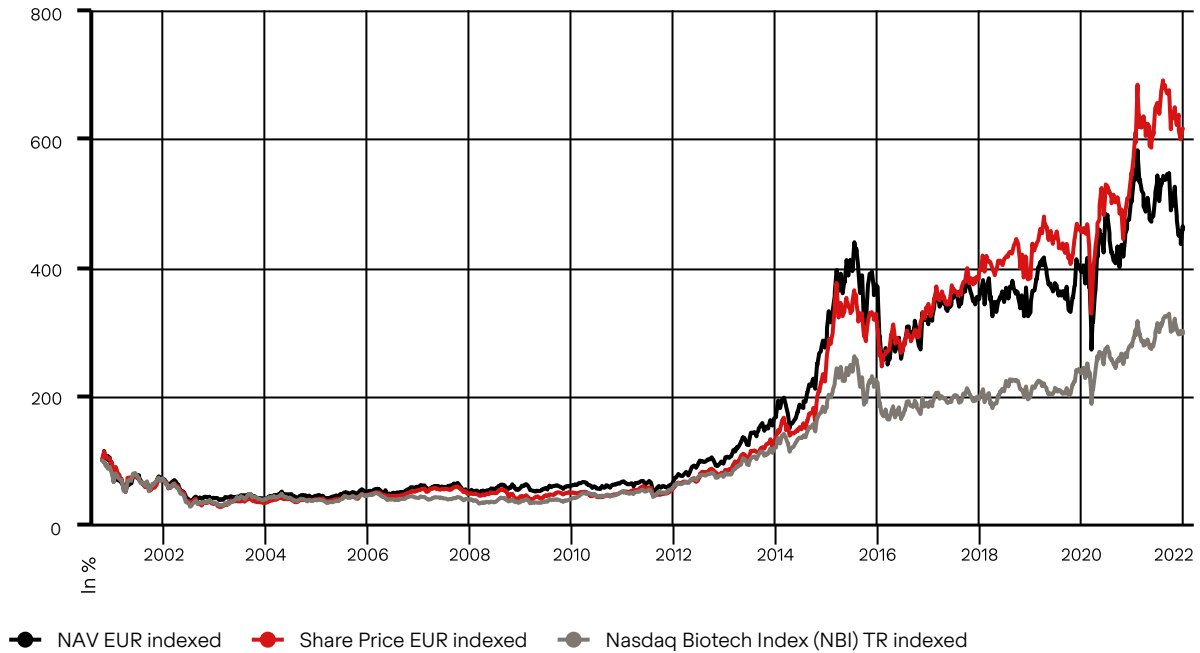
¹ 10.12.1997
Annualized performance

31.12.2021

	SHARE	NAV	NBITR
1 year	13.3%	(7.8%)	7.4%
3 years	18.2%	13.8%	16.7%
5 years	12.8%	8.1%	10.2%
since inception ¹⁾	14.6%	13.2%	12.0%

¹ 10.12.1997

BB BIOTECH AG (MILAN)-EUR



Annual performance

31.12.2021

	SHARE	NAV	NBITR
2021	13.0%	(7.8%)	7.4%
2020	19.7%	24.8%	16.1%
2019	22.6%	28.1%	27.6%
2018	(1.3%)	(11.1%)	(4.3%)
2017	12.2%	12.5%	6.7%

Cumulated performance

31.12.2021

	SHARE	NAV	NBITR
1 year	13.0%	(7.8%)	7.4%
3 years	65.9%	47.4%	59.1%
5 years	83.7%	47.3%	62.5%
since inception ¹⁾	516%	359%	197%

¹⁾ 19.10.2000

Annualized performance

31.12.2021

	SHARE	NAV	NBITR
1 year	13.0%	(7.8%)	7.4%
3 years	18.4%	13.8%	16.7%
5 years	12.9%	8.1%	10.2%
since inception ¹⁾	8.9%	7.4%	5.3%

¹⁾ 19.10.2000

Multi-year comparison

	2021	2020	2019	2018	2017
Market capitalization at the end of the period (in CHF mn)	4 274.1	4 107.9	3 670.3	3 235.4	3 576.1
Net Asset Value at the end of the period (in CHF mn)	3 283.5	3 887.5	3 393.0	2 884.5	3 538.7
Number of shares (in mn)	55.4	55.4	55.4	55.4	55.4
Trading volume (in CHF mn)	2 101.0	2 315.6	2 004.2	2 610.7	2 864.7
Profit/(loss) (in CHF mn)	(404.8)	691.2	677.4	(471.3)	687.5
Closing price at the end of the period in CHF	77.15	74.15	66.25	58.40	64.55
Closing price (G) at the end of the period in EUR	74.05	68.00	61.40	52.00	55.68
Closing price (I) at the end of the period in EUR	74.40	68.50	61.00	52.00	55.20
Stock performance (incl. distributions) ¹⁾	8.3%	19.3%	18.5%	(5.2%)	22.9%
High/low share price in CHF	92.20/73.40	74.70/45.44	73.20/59.35	74.10/56.10	67.80/52.10
High/low share price in EUR	86.20/67.80	69.00/43.04	64.70/52.10	64.80/48.60	59.10/48.42
Premium/(discount) (annual average)	19.5%	9.2%	11.8%	9.7%	(2.5%)
Cash distribution / dividend in CHF (*proposal)	3.85*	3.60	3.40	3.05	3.30
Degree of investment (quarterly figures)	108.6%	106.8%	109.1%	108.4%	103.1%
Total Expense Ratio (TER) p.a. ²⁾	1.22%	1.25%	1.26%	1.25%	1.27%

¹⁾ All figures in CHF %, total return-methodology

²⁾ Based on market capitalization

Shareholder letter

The year 2021 was a volatile market environment for all involved in biotechnology investing, including BB Biotech. The biotech and pharmaceutical sector adapted to the SARS-CoV-2 virus pandemic cycling through Delta and now Omicron variants with offers of booster vaccines, therapeutic antibodies and most recently new antiviral drugs. For human health overall, new modalities such as genetic medicines, cell-based therapies and RNA-based drugs continue to make positive strides and are expected to improve the prognosis of severe and chronic diseases in the coming years.

Dear Shareholders

During the last quarter of the year major global equity indices extended their 2021 gains. Many markets achieved new all-time highs even though SARS-CoV-2 infection rates reaccelerated in the last weeks of 2021 due to the rapid spread of the Omicron variant. The Dow Jones (+21.0% in USD), the Dax (+15.8% in EUR), and the SPI (+23.4% in CHF) indices all showed gains for the year in line with the technology dominated Nasdaq Composite (+22.2% in USD). The Nasdaq Biotech Index (NBI) traded flat for the year (0.0% in USD), lagging the broader markets.

Although the SARS-CoV-2 pandemic remained a dominant topic for healthcare authorities in 2021, an impressive array of drug approvals was reported by the US FDA – total drug approvals comprised 50 NDAs and 10 BLAs (vaccines, blood and cell products) for the year. Additionally, multiple SARS-CoV-2 diagnostic tests, vaccines and drugs were granted emergency use authorization (EUA) by the FDA during 2021.

For 2021, BB Biotech's total share return of +8.3% in CHF and +13.3% in EUR trended like European equity indices, better than the biotech indices and deviating from the underlying portfolio performance. Strengthening of the USD versus the CHF and EUR throughout the year created modest support for CHF and EUR-denominated performance. The portfolio Net Asset Value (NAV) declined 11.5% in CHF, 7.8% in EUR and 14.2% in USD for 2021.

For the fourth quarter, BB Biotech's share price declined 8.3% in CHF and 4.7% in EUR. BB Biotech shares proved more resilient than the smaller and mid cap driven correction in the portfolio. BB Biotech's Net Asset Value (NAV) decreased 14.2% in CHF, 10.9% in EUR and 12.5% in USD, while the NBI index decline of 6.9% in USD for the same period.

The consolidated fourth quarter 2021 data for BB Biotech indicates a net loss of CHF 546 mn versus the 2020 fourth quarter net gain of CHF 665 mn. The consolidated full year 2021 data showed a net loss of CHF 405 mn compared to a net gain of CHF 691 mn for 2020.

Proposed expansion of the Board of Directors of BB Biotech

On the background of an increasingly challenging environment for the biotechnology industry BB Biotech is extremely happy to nominate Dr. Pearl Huang, CEO of Cygnal Therapeutics, and Dr. Laura Hamill, former Executive Vice President Worldwide Commercial Operations for Gilead, for election to the Board of Directors of BB Biotech AG. At the scheduled upcoming annual general assembly, all four existing board members will stand for re-election by the shareholders on March 17, 2022. Thus, the Board of Directors of BB Biotech is proposed to be enlarged to six members.

Dividend 2022

CHF 3.85

(Proposed)

A proposed dividend of CHF 3.85 per share

The Board of Directors will propose a regular dividend of CHF 3.85 per share at the AGM on March 17, 2022. Applied to the average share price of December 2021 and consistent with the dividend policy introduced in 2013, and corresponding to a 5% dividend yield.

Portfolio adjustments in the fourth quarter 2021

During the fourth quarter, the investment team made no new investments but focused on careful adjustments of existing portfolio positions. Smaller additions to existing portfolio positions were undertaken in the fourth quarter in oncology-focused companies including Relay Therapeutics, MacroGenics and Fate Therapeutics. Similarly, further shares were acquired in commercial (Neurocrine and Myovant) and in genetic medicines companies (Wave Life Sciences, Generation Bio and Ionis). Some share profits were taken in Intra-Cellular with the FDA's approval for Caplyta to treat bipolar disorder patients. Moderna's valuation experienced significant volatility in the last quarter 2021, as investors analyzed different scenarios for the Omicron variant. The investment team took advantage of these swings with short-term trading activity, realizing further profits. Altogether, additional investments combined with a declining equity base led to an increase in the BB Biotech investment level by around 4% compared to the third quarter, ending 2021 at 111%.

During the fourth quarter, the investment team made no new investments but focused on careful adjustments of existing portfolio positions.


Fourth-quarter portfolio update

The fourth quarter 2021 provided multiple major milestones for our portfolio holdings such as clinical results, regulatory decisions and licensing deals. With the Omicron variant being highly transmissible but less harmful than previous SARS-CoV-2 variants, and the mRNA vaccine boosters providing good protection against Omicron, the focus for investors regarding pipeline updates has shifted back towards chronic and severe diseases.




Outlook for 2022 with exciting sector fundamentals and anticipated M&A activities

We believe that 2022 will include the continued global vaccination strategies to fight the spread of SARS-CoV-2 variants, including Omicron. Expectations that Omicron could be the «final» severe variant may prove to be premature. With the vaccine and drug industry able to adapt quickly, companies such as Moderna are expected to remain responsive to current and future variants, while at the same time widening their focus on longer term pipeline strategies beyond COVID-19.



We continue to strive for a balanced portfolio between more established mid cap companies and technology leading earlier stage companies.



We continue to strive for a balanced portfolio between more established mid cap companies and technology leading earlier stage companies. It anticipates that the industry will continue to deliver significant progress for both. Product launches such as Vyvgart from Argenx for the treatment of gMG patients or Caplyta from Intra-Cellular for the treatment of bipolar disorder patients will be yardsticks not only for these companies but for the sector as a whole. For development stage companies, managing the vast number of clinical trials will continue to be a challenge in the current COVID-19-restricted environment. BB Biotech's exposure to oncology development stage companies will be geared towards many clinical trial read-outs during 2022.

With smaller and mid cap company valuations substantially lower than one year ago, we see compelling re-entry opportunities. Similarly, the more established mid cap portfolio companies such as Neurocrine, Incyte and Ionis own attractive assets and technology, which can trigger renewed interest from new investors – or from strategic partners as M&A targets.

Clinical candidates based on new technologies such as genetic medicines are making progress. Crispr Therapeutics together with its development partner Vertex are planning a regulatory submission by late 2022 for CTX001 to treat beta thalassemia and sickle cell patients. Thus, an ex vivo gene editing product could become available as early as 2023 – reviving investors' interest in the field. Other RNA targeting medicines will be launched in the next 12 to 24 months including products from Alnylam and Ionis. As always, investors will weigh potential implications from US government policymakers associated with midterm elections in late 2022.

Our long-term horizon and structure enables careful investment that does not follow broad market opinions. The highly specialized investment team at BB Biotech believes that the growth case for biotechnology and valuations for portfolio companies are both compelling. We anticipate that following two years dominated by SARS-CoV-2 headlines, 2022 will include advance of the industry to the severe and chronic diseases that continue to demand perennial progress and looks forward to more exciting news flow from our portfolio companies.

We thank you for the trust you have placed in the Company.

The Board of Directors of BB Biotech AG



Dr. Erich Hunziker
Chairman



Dr. Clive Meanwell



Prof. Dr. Mads Krosgaard Thomsen



Dr. Thomas von Planta

Portfolio Update Q4 2021

The fourth quarter 2021 provided multiple major milestones for our portfolio holdings such as clinical results, regulatory decisions and licensing deals. With the Omicron variant being highly transmissible but less harmful than previous SARS-CoV-2 variants, and the mRNA vaccine boosters providing good protection against Omicron, the focus for investors regarding pipeline updates has shifted back towards chronic and severe diseases. The clinical results for the biotechnology industry and our portfolio saw a mixed picture in the last quarter. The negative environment exaggerated market news, with positive updates not necessarily leading to higher valuations.

Many milestones including clinical trial data

Late stage trial read-outs were mixed in the last quarter of 2021. [Sage Therapeutics](#) reported further positive data for Zuranolone in the ongoing shoreline study in patients with major depression disorder (MDD). At 50 mg treatment and measured at day 15 following the initial two week treatment, 75% of patients achieved a response (at least 50% reduction from baseline) and 40% achieved a remission. Importantly, the large majority of patients treated for 14 days at 50 mg per day required either no or maximum one additional 14 day course of therapy to maintain an improved status. Sage and its development partner [Biogen](#) are planning to file Zuranolone for MDD in the US in late 2022, allowing for a potential market launch in late 2023.

[Biogen](#) reported results from its pivotal Phase III VALOR study of tofersen (BIIB067), an investigational antisense drug being evaluated for people with superoxide dismutase 1 (SOD1) amyotrophic lateral sclerosis (ALS). Tofersen did not meet the primary endpoint of change from baseline to week 28 in the Revised Amyotrophic Lateral Sclerosis Functional Rating Scale (ALSFRS-R). Due to trends favoring tofersen across multiple secondary and exploratory measures of biologic activity and clinical function, Biogen announced to invest in the clinical study called ATLAS testing tofersen in pre-symptomatic individuals with a SOD1 genetic mutation and to broaden early access to ALS patients in expanded access program.

[Radius Health](#) reported on three Phase III studies in the fourth quarter of 2021. The ATOM study met its primary endpoint – the percentage change in lumbar spine (LS) bone mineral density (BMD) compared to placebo – demonstrating statistical significance after 12 months in male osteoporosis patients. The more important wearable study did not meet its primary endpoint of non-inferiority for the transdermal delivered abaloparatide 300 micrograms versus the subcutaneous delivered and approved Tymlos 80 micrograms in the percent change from baseline in lumbar spine (LS) bone mineral density (BMD) at 12 months. The patch demonstrated a 7.1% increase in lumbar spine bone mineral density versus subcutaneous Tymlos achieving 10.9%. Thus the patch, albeit its anabolic activity, missed the non-inferiority margin of 2.0%.

[Radius](#) partner Menarini for the company's oncology asset elacestrant reported positive results for the EMERALD study. Both primary endpoints, showing statistically significant PFS

in the overall population and ESR1 mutation subgroup were met. The safety profile of elacestrant exhibited in EMERALD was similar to that of the previous clinical trial. Given these results, Menarini and Radius plan on proceeding with regulatory submissions in both the US and in EU in 2022.

Promising proof-of concept data was reported by [Relay Therapeutics](#) and by [Fate Therapeutics](#). Relay Therapeutics announced interim clinical data for RLY-4008, a highly selective irreversible and oral small molecule inhibitor of FGFR2, in a first-in-human trial in patients with FGFR2-altered cholangiocarcinoma and multiple other solid tumors. The data suggests that RLY-4008 is the first investigational therapy designed to selectively bind to FGFR2, and importantly, avoiding off-isoform toxicities for the treatment of patients with FGFR2-altered tumors. In pan-FGFRi treatment-naïve cholangiocarcinoma patients, RLY-4008 demonstrated tumor shrinkage in all six patients, with three achieving confirmed partial responses. Three of these six patients remain on study and a fourth patient went on to surgery with curative intent. Further data from dose expansion cohorts can be expected during 2022.

[Fate Therapeutics](#), another of our oncology portfolio companies, presented promising interim dose-escalation clinical data from its FT596 program in relapsed refractory B-cell lymphoma. The data presented demonstrates that off-the-shelf, iPSC-derived CAR NK cells can bring substantial therapeutic benefit to heavily pre-treated patients in urgent need of therapy. Over half of the patients treated with a higher single dose of FT596 in combination with rituximab achieved a complete response with a favorable safety profile that is clearly differentiated from CAR T-cell therapy. The company is expected to provide data for patients treated at yet a higher dose and for patients earlier in care, most importantly data on duration of response in 2022.

[Moderna](#) disclosed important updates for its mRNA vaccine candidates. Most importantly, the company presented reassuring data for its SARS-CoV-2 authorized booster, with the 50 microgram dose of mRNA-1273 increased Omicron specific neutralizing antibody levels by approximately 37 fold, versus the 100 microgram dose increasing the neutralizing antibody levels by 83 fold. Thus, the company plans to use mRNA-1273 as first line of defense against Omicron but at the same time develop an Omicron-specific variant vaccine (mRNA-1273.529), which has entered the clinic in January 2022. Next to the pandemic vaccine efforts, Moderna updated investors on its quadrivalent influenza vaccine (mRNA-1010) effectively boosted titers against all four strains in older and younger adults, with no significant safety concerns observed. The quadrivalent mRNA-1010 encodes for the hemagglutinin (HA) protein from four seasonal influenza viruses based on the recommendations of the World Health Organization (WHO), including seasonal influenza A/H1N1, A/H3N2 and influenza B/ Yamagata- and B/Victoria-lineages. Importantly, Moderna is expected to present data in 2022 for mRNA-1011 that includes one additional hemagglutinin (HA) antigen and mRNA-1012 with two additional HA antigens. Separately, the company is also developing two next-generation flu candidates that incorporate neuraminidase antigens to broaden immunity beyond hemagglutinin (mRNA-1020, mRNA-1030), all being part of the company's strategy to ultimately develop a pan-respiratory annual booster vaccine.

One of our pre-clinical companies, [Generation Bio](#), is developing gene therapies devoid of viral packaging and viral vector biology. The company unfortunately updated investors in the fourth quarter that the latest generation of LNPs in combination with ceDNA plasmids did not maintain and translate expression levels from mice to nonhuman primate models. Thus, the company is back to the drawing board to develop functional LNP/ceDNA combinations that will translate into higher expression levels in NHPs and only then will move into human clinical trials. Strategically, this could lead to the ophthalmology programs jumping ahead of the liver targeting application, with further updates regarding the pre-clinical progress expected for 2022.

Numerous milestones with regard of regulatory decisions

BB Biotech's portfolio holdings updated on multiple regulatory decisions in the fourth quarter 2021 such as

- Vyvgart (efgartigimod alfa-fcab) from [Argenx](#) was approved by the FDA for the treatment of generalized myasthenia gravis (gMG) in adult patients who are anti-acetylcholine receptor (AChR) antibody positive.
- Caplyta (lumateperone) from [Intra-Cellular](#) was approved by FDA to treat depressive episodes associated with bipolar I or II disorder (bipolar depression) in adults as monotherapy and as adjunctive therapy with lithium or valproate.
- Leqvio (inclisiran) from Novartis/[Alynlam](#) was approved by FDA an adjunct to diet and maximally tolerated statin therapy for the treatment of adults with heterozygous familial hypercholesterolemia (HeFH) or clinical atherosclerotic cardiovascular disease (ASCVD), who require additional lowering of lowdensity lipoprotein cholesterol (LDL-C).

Beneficial collaboration in the last quarter of 2021

With M&A activity close to a standstill and no deals within the industry and our portfolio holdings, business development activities were of interest. AstraZeneca has entered into a new global development and commercialization agreement with [Ionis Pharmaceuticals](#) for eplontersen, formerly known as IONIS-TTR-LRX. Eplontersen is a ligand-conjugated antisense (LICA) investigational medicine currently in Phase III clinical trials for amyloid transthyretin cardiomyopathy (ATTR-CM) and amyloid transthyretin polyneuropathy (ATTR-PN). It is designed to reduce the production of transthyretin (TTR protein) to treat both hereditary and non-hereditary forms of TTR amyloidosis (ATTR). The companies will jointly develop and commercialize eplontersen in the US, while AstraZeneca will develop and commercialize it in the rest of the world, except in Latin America. Ionis will receive an upfront payment of USD 200 mn and additional conditional payments of up to USD 485 mn following regulatory approvals and up to USD 2.9 bn of sales-related milestones based on sales thresholds between USD 500 mn and USD 6 bn, plus royalties in the range of low double-digit to mid-twenties percentage depending on the region.

Portfolio at a glance

Securities as at December 31, 2021

Company	Number of securities	Change since 31.12.2020	Local currency	Share price	Market value in CHF mn	In % of securities	In % of shareholders' equity	In % of company
Moderna	1 663 349	(1 191 614)	USD	253.98	385.7	10.6%	11.7%	0.4%
Argenx SE	970 538	49 206	USD	350.19	310.3	8.5%	9.5%	1.9%
Ionis Pharmaceuticals	10 232 973	2 012 973	USD	30.43	284.3	7.8%	8.7%	7.2%
Neurocrine Biosciences	3 015 400	(19 600)	USD	85.17	234.5	6.4%	7.1%	3.2%
Vertex Pharmaceuticals	1 030 000	130 000	USD	219.60	206.5	5.7%	6.3%	0.4%
Fate Therapeutics	3 701 336	1 671 336	USD	58.51	197.7	5.4%	6.0%	3.9%
Incyte	2 897 000	(3 000)	USD	73.40	194.1	5.3%	5.9%	1.3%
Alnylam Pharmaceuticals	1 110 000	(45 000)	USD	169.58	171.8	4.7%	5.2%	0.9%
Intra-Cellular Therapies	3 538 419	-	USD	52.34	169.1	4.6%	5.1%	4.3%
Arvinas	2 176 903	-	USD	82.14	163.2	4.5%	5.0%	4.1%
Agios Pharmaceuticals	4 312 292	153 390	USD	32.87	129.4	3.6%	3.9%	7.9%
Sage Therapeutics	3 170 104	1 630 000	USD	42.54	123.1	3.4%	3.7%	5.4%
Relay Therapeutics	4 085 962	2 676 605	USD	30.71	114.6	3.1%	3.5%	3.8%
Biogen	500 000	(37 000)	USD	239.92	109.5	3.0%	3.3%	0.3%
Macrogenics	7 275 564	2 460 000	USD	16.05	106.6	2.9%	3.2%	11.9%
Myovant Sciences	6 122 039	1 365 000	USD	15.57	87.0	2.4%	2.6%	6.6%
Revolution Medicines	3 421 462	3 421 462	USD	25.17	78.6	2.2%	2.4%	4.6%
Kezar Life Sciences	4 918 148	385 000	USD	16.72	75.1	2.1%	2.3%	9.2%
Crispr Therapeutics	949 584	48 700	USD	75.78	65.7	1.8%	2.0%	1.2%
Essa Pharma	5 015 814	5 015 814	USD	14.20	65.0	1.8%	2.0%	11.4%
Scholar Rock Holding	2 275 125	19 474	USD	24.84	51.6	1.4%	1.6%	6.5%
Radius Health	7 705 714	250 000	USD	6.92	48.7	1.3%	1.5%	16.3%
Exelixis	2 835 000	-	USD	18.28	47.3	1.3%	1.4%	0.9%
Beam Therapeutics	606 821	210 000	USD	79.69	44.1	1.2%	1.3%	0.9%
Molecular Templates	10 792 003	4 411 672	USD	3.92	38.6	1.1%	1.2%	19.2%
Nektar Therapeutics	2 620 676	-	USD	13.51	32.3	0.9%	1.0%	1.4%
Generation Bio Co.	3 853 180	1 520 000	USD	7.08	24.9	0.7%	0.8%	6.8%
Mersana Therapeutics	4 135 000	2 250 000	USD	6.22	23.5	0.6%	0.7%	5.8%
Esperion Therapeutics	4 477 964	530 000	USD	5.00	20.4	0.6%	0.6%	7.1%
Black Diamond Therapeutics	3 440 000	2 050 000	USD	5.33	16.7	0.5%	0.5%	9.5%
Wave Life Sciences	4 602 858	2 000 000	USD	3.14	13.2	0.4%	0.4%	7.8%
Homology Medicines	1 737 122	-	USD	3.64	5.8	0.2%	0.2%	3.0%
Alder Biopharmaceuticals – Contingent Value Right	2 766 008	-	USD	0.88	2.2	0.1%	0.1%	
Total securities					3 641.1	100.0%	110.9%	
Other assets					3.0		0.1%	
Other payables					(360.6)		(11.0%)	
Net asset value					3 283.5		100.0%	

Exchange rate as at 31.12.2021: USD/CHF: 0.9129

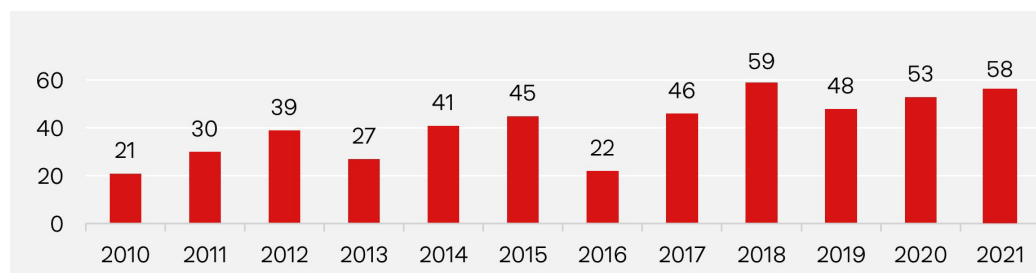
The focus is shifting

Biotech companies often specialize in rare disease treatments but, as a result of the pandemic, they have displayed a greater interest in applying their cutting-edge technologies to treat disease indications that are significantly more prevalent. Meanwhile chronic and serious diseases are attracting more investor attention again. SARS-CoV2 vaccines and drugs are fading away from the spotlight. The biotech industry is sure to regain its momentum from past years and chances are that investors will start showing greater interest in the sector as well.

Positive momentum to continue

The momentum of the biotech industry will likely remain strong, but we expect a shift away from SARS-CoV-2 vaccines and therapeutics back towards the high unmet medical needs of patients with chronic and severe disorders. Prevalent diseases have gained recognition due to the pandemic, and we observe an increased willingness of the biotechnology industry to dare to tackle these disorders. Major technological advancements, focusing mostly on rare diseases, are expected to make many more inroads into broader indications than in the past. Overall, a growing number of products have been approved. Approvals have dramatically increased from the 20s range per year in the early 2000s, to 30 to 40 products approved per year in the last decade to around 50 in recent years. Despite the pandemic's effects on the industry and regulatory authorities, 50 approvals were awarded in 2021 by FDA's CDER division in addition to 10 products by FDA's CBER division (vaccines and cell-based products). 2022 should be no exception to this trend, as regulatory authorities balance their COVID-19 response while supporting innovative technology progress, surveying clinical projects and reviewing important registration filings. Following regulatory approval, access to healthcare systems remains another core hurdle for success. The recent controversial approval of Aduhelm by the FDA was challenged by CMS with their draft coverage guidance restricting its reimbursement for the product. In an unusual move and disputably not within their usual mandate, CMS is asking [Biogen](#) to run further clinical trials to prove the efficacy of the product. Although the critical stance towards Aduhelm is not a real surprise, many investors worry that this CMS decision can set precedence and have far-reaching consequences for the drug industry.

Number of FDA drug approvals



Source: FDA, Evaluate Pharma February 2022

Overall, as a pure quantitative measure, the number of trials and patients enrolled in clinical trials is now well ahead of pre-pandemic levels. Many disease areas will have a flurry of trial readouts throughout 2022. Examples of important readouts for our portfolio throughout 2022 are Moderna's updates regarding its Omicron specific booster and for its influenza vaccine mRNA-1010 with pending Phase II readout in the first half of 2022. This trial is directly controlled by a trial arm of standard conventional flu shot and aiming for non-inferiority on immunogenicity, tolerability and safety. The next generations of Moderna's influenza vaccines are aiming for superiority on immunogenicity as well as consequentially vaccine efficacy and effectiveness by incorporating additional antigens (mRNA-1020/1030) or additional strains beyond the four selected by the WHO (mRNA-1011/1012) on a faster and shorter timeline than the currently used seasonal influenza protocol. Ultimately, Moderna's vision entails combination vaccines with a single annual injection covering multiple respiratory pathogens (e.g. SARS-CoV-2, influenza, RSV, hMPV, PIV3, etc.; depending on regional and geographic risks) for high risk populations such as elderly and pediatrics.

Overall, as a pure quantitative measure, the number of trials and patients enrolled in clinical trials is now well ahead of pre-pandemic levels.

Other RNA based or RNA targeting drugs in development of importance for 2022 include the TTR lowering agents from Alnylam and Ionis. Alnylam will report highly anticipated P3 results for Onpattro to treat TTR amyloidosis patients with cardiomyopathy, while Ionis together with its development and commercial partner AstraZeneca will report data for the TTR-LICA drug eplontersen for TTR amyloidosis patients with polyneuropathy.

In oncology, a highly anticipated clinical result is expected from Nektar Therapeutics for bempegaldesleukin, a pegylated interleukin 2, in metastatic melanoma patients. The company will report on its cytokine drug in combination with today's standard of care, a PD1 antibody. If positive, we expect more focus on the cytokine class in general and for many other combination trials to become a bigger focus for the oncology field. In addition to the continued efforts around immune oncology and cytokines, many targeted oncology pipeline candidates will report proof of concept studies throughout 2022, such as our portfolio companies Relay Therapeutics and Revolution Medicines.

New technologies are expected to prove their disruptive potential

Progress for the newest generation of drug technologies will continue to be a focal point for biotech investors in 2022 and beyond. Important data points have been presented throughout the past year and further proof of concept for different approaches of gene editing, next generation gene therapy and cell therapy are expected. A recent example of a groundbreaking breakthrough is the ex vivo gene editing treatment CTX001 by Crispr Therapeutics and Vertex to treat sickle cell disease (SCD) and transfusion-dependent beta thalassemia (TDT). Designed as a one-time treatment that incorporates the fairly invasive procedure of bone marrow transplantation, CTX001 has so far resulted in functional cures for all treated patients. Crispr Therapeutics and Vertex have guided that the registrational data will be filed in the second half of 2022 implying a potential launch in 2023. This represents the first approval and major product launch of a gene-editing product.

The manifold of challenges posed by high doses of viral vector delivered gene therapies have offered a key point of differentiation for *non-viral gene therapies* and our investment

hypotheses on Generation Bio. The company's technology utilizes cell-targeting lipid nanoparticles (ctLNP) to encapsulate closed-ended DNA (ceDNA) as cargo, which typically encodes for the respective protein of interest or need. During preclinical experimentation between different species, this approach unfortunately did not translate with sufficient expression levels from mice to non-human primates, with the latter providing the most important proximity to human physiology and clinical studies. Generation Bio now has to redesign this liver targeting construct, reduce the inter-subject variability and improve the inter-species translatability before moving into human clinical trials. An update on progress on the next generation is expected in 2022. Many biotechnology companies are working to solve the challenge of organ or tissue-specific delivery of genetic material. We believe that Moderna as one of our largest holdings is at the forefront of such endeavors developing LNPs with tropism for muscle and lymphatic tissue as deployed for their SpikeVax SARS-CoV-2 vaccine and further LNP formulations for one-time or repeat delivery to the liver, lung or hematopoietic compartment.

In the cell-based therapies space, our portfolio company Fate Therapeutics is developing induced pluripotent stem cell products. The company's pipeline candidates FT516 and FT596 targeting CD20 and CD19/CD20 with different mechanisms of action are making continuous progress. Promising early results demonstrating robust anti-tumor efficacy have been disclosed in hematological cancers. For 2022, we expect further demonstration of efficacy in patients treated at even higher doses, and most importantly to gain insight regarding the durability of these responses. Vertex announced an early but intriguing result for VX-880, an investigational allogeneic human stem cell-derived islet cell therapy evaluated for patients with type 1 diabetes with impaired hypoglycemic awareness and severe hypoglycemia. Although these infused functional islet cells require co-concomitant immunosuppressive therapy, the results for the first patient at the low dose indicate a transformative potential. The patient was able to substantially reduce exogenous insulin and simultaneously achieved rapid improvement in glycemic control. More patients are being treated with this approach as well as progress on the next generation free of immunosuppression and instead including a protective device for the cell graft will be presented in 2022.

RNA-based medicines, such as siRNA and ASO, are making substantial progress in moving from rare and specialty to more prevalent diseases. In mid-2022, Alnylam is expected to announce results for its clinical study APOLLO-B, treating ATTR Amyloidosis patients with cardiomyopathy with Onpattro (patisiran). If successful, it could expand Onpattro's market potential substantially, with the current approved indication targeting hereditary TTR amyloidosis patients with polyneuropathy from around 50–000 patients globally to the 200 000 to 300 000 patients with wild type or hereditary TTR cardiomyopathy. Additionally, Novartis – Alnylam's development and commercialization partner for Leqvio (inclisiran) – is targeting the large hypocholesteremia market and has launched commercial efforts for the product in the US in early 2022.

BB Biotech Investment Strategy

BB Biotech's long standing investment strategy is to invest capital in promising technology platforms and promising early clinical assets, follow these companies through their clinical development, regulatory approval, commercial launches, sustainable revenue and profit growth to ultimately become more mature companies. Upon such a long term cycle, BB Biotech would divest and reinvest into the next promising candidates. The same trend will continue to make smaller and mid cap companies attractive licensing partners for large pharmaceutical and large cap biotech companies, either signing attractive business development deals or ultimately through consolidation.



Computational capabilities influencing the drug industry

Computational power and the digital transformation of the biotechnology industry are becoming a focus on all levels of the drug development industry. Advanced analytics, artificial intelligence (AI) and machine learning (ML) approaches are being applied from target identification over drug discovery and candidate selection all the way to better trial design and patient selection. There are many early stage companies applying such methodologies, but the clinical proof of concept is still sparse and will require more time to be proven. Relay Therapeutics has proven in a first instance with its FGFR2 specific inhibitor RLY-4008 that its Dynamo platform approach to modelling and studying protein motion in order to dynamically understand drug-target interactions at highest fidelity in early clinical trials can result in superior drug candidate properties. Most companies are working towards this goal, with a few select projects in clinical development. Established drug companies are increasingly investing in such internal capabilities as well as in external collaborations to learn from AI/ML frontrunners. Most of these technology companies are still privately held, so we expect more IPOs and market listings in the coming years. This will increase both visibility and scrutiny regarding the promise of developing drugs faster, cheaper and with a higher success rate.

Ownership of assets will matter, at some point

The biotechnology business model has radically changed over the last decade, moving away from an innovation provider for large pharma and large biotech companies as more and more companies become fully integrated biopharmaceutical companies. Retaining assets through clinical development, regulatory approvals up to commercialization, even globally, is more capital intense but leads to higher ROICs (return on invested capital) for companies that are successful in clinical trial development and once commercial launches are capital efficient and successful. This requires a better understanding of a product's profile, pricing power, and value proposition for all healthcare stakeholders in order to grasp the long-term prospects of a product in the context of the established standard of care as well as future competition.

Important product launches in biotechnology are rare, thus investors monitor early launch metrics and project the prescription ramp to peak sales assumptions and cumulative cash flows that can be generated by individual products. A negative example in 2021 was Aduhelm (aducanumab) with a highly disappointing launch driven by controversial product data, a cost-ineffective pricing strategy and barred access to the US Medicare population. This has cast a shadow not just on Biogen but on the whole industry. As a hopefully positive counterexample, the ongoing global launch of Argenx' Vyvgart for the treatment of myasthenia gravis patients will be of utmost importance for our portfolio and the industry in general. Further, the US roll-out of Intra-Cellular's Caplyta will be in focus now that its label has been expanded to bipolar patients as a second indication after its approval in schizophrenia.

We expect that the broad investor base will regain appetite for the biotech sector as soon as successful drug launches can prove that the fully integrated biotech business model still can provide positive and competitive returns on invested capital, a measure that seems to have fallen by the wayside during times of low interest rates and excess capital.

Politics and healthcare reform – US midterm elections

The Biden Administration has proposed Robert Califf as new FDA commissioner. The Senate committee has advanced the nomination, but a full Senate vote and confirmation is still pending. We expect Califf to replace Janet Woodcock and maintain FDA's innovation mindset.

Of high importance to the US healthcare system are the midterm elections in November of 2022. A substantial focus will be potential shifts in congressional majorities. If Republicans win control of both houses of Congress, this would deal a significant blow to the Democrats' agenda of pushing for the individual mandate implying limits to the cost of healthcare insurance all the way to the lowering of prescription drug prices by changing laws currently banning Medicare from negotiating lower drug prices with manufacturers.

With the biotechnology industry dominated by the US, China is making great strides due to a rapidly evolving regulatory landscape and a maturing biotech industry. The high growth of Chinese firms in contract research, development and manufacturing is fostering a move away from the former focus on generics towards innovation in general.


Artificial intelligence

Artificial intelligence (AI) is not a new theme, but it has gained considerable momentum during the past decade. AI has already led to groundbreaking success, two examples of which are speech recognition (Siri) and text analysis (Google Translate). The dynamic pace of change in the field of IT and innovation in the field of machine learning have fueled this strong momentum. Using AI in the healthcare industry for drug research and development purposes is particularly interesting and AI-driven projects are underway throughout the drug development process, from preclinical toxicology and pharmacology to clinical trial design and the regulatory approval process, and even in post-approval product launch campaigns.

Artificial intelligence can be used, for example, to identify the most suitable development candidates more quickly and at less cost. Collaborative interaction between humans and machines is vital here, and a balance must be found between in silico experimentation and in vitro experiments. The objective is to support the efforts of scientists through the use of AI.



The two promising AI players in BB Biotech's portfolio are Relay Therapeutics and Black Diamond Therapeutics.



Companies large and small are trying to establish a foothold in this business and there is a risk of them rushing into the field without careful forethought. It would be quite sobering, also for investors, if early wins don't materialize. An additional hurdle big corporations face is that AI is not one of their core business areas, so relatively few resources are allocated to it. Consequently, the top talent in these hybrid areas where computer science and life sciences overlap often elect to work for innovation leaders who are entirely focused on AI and for whom tech expertise is just as important as sound knowledge of biology and medicine. Developing a drug for human use is a complex and highly regulated process, which is why even giant tech companies such as Apple, IBM and Amazon have difficulties entering the fields of digital health and AI in healthcare. When screening investment candidates, BB Biotech AG is mostly interested in companies offering solutions that can alleviate or even completely cure a patient's ailments; the approach or method used to achieve that is of less importance. BB Biotech is most likely to find such innovation in the US, but China and Europe, the latter led by the UK, have also produced some innovation leaders.

There are two promising AI players in BB Biotech's portfolio. One is Relay Therapeutics, which has access to the world's fastest computer. Researchers use it to run dynamic simulations of known protein structures and identify the smallest of differences. The technology is being used for drug discovery purposes. Black Diamond Therapeutics is the other AI player in BB Biotech's portfolio. It uses machine learning to understand and classify the effects of various mutations on a protein relevant in oncology and then selectively block those mutations with a single agent. BB Biotech itself uses AI in its investment process. «Advanced analytics» plays an important role in its investment decisions. Large sets of data such as EHRs (electronic health records) or health insurance data are mined to provide a better understanding of specific markets from a medical as well as commercial point of view. Tools that help BB Biotech track and process new data inputs and news reports have also been developed to give it a broad and solid understanding of complex topics.

Financial Report

Financial Report	25–62
Consolidated financial statements	26
Consolidated balance sheet as at December 31	26
Consolidated statement of comprehensive income for the year ended December 31	27
Consolidated statement of changes in equity for the year ended December 31	28
Consolidated statement of cash flow for the year ended December 31	29
Notes to the consolidated financial statements	30
Report on the audit of the consolidated financial statements	48
Financial statements BB Biotech AG	53
Balance sheet as at December 31	53
Statement of income for the year ended December 31	54
Notes to the financial statements BB Biotech AG	55
Report on the audit of the financial statements	60

Consolidated balance sheet as at December 31

in CHF 1 000	Notes	2021	2020
Current assets			
Cash and cash equivalents		2 835	6 816
Receivables from brokers		–	1 521
Securities	4	3 641 112	3 954 659
Other assets		135	139
		3 644 082	3 963 135
Total assets		3 644 082	3 963 135
Current liabilities			
Short-term borrowings from banks	5	355 000	63 000
Payables to brokers		–	6 576
Other short-term liabilities	6	5 431	5 709
Tax liabilities		158	303
		360 589	75 588
Total liabilities		360 589	75 588
Shareholders' equity			
Share capital	7	11 080	11 080
Treasury shares	7	(9 205)	(8 241)
Retained earnings	7	3 281 618	3 884 708
		3 283 493	3 887 547
Total liabilities and shareholders' equity		3 644 082	3 963 135
Net asset value per share in CHF		59.40	70.30

The notes are an integral part of the consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors of BB Biotech AG on February 15, 2022.

Consolidated statement of comprehensive income for the year ended December 31

in CHF 1 000	Notes	2021	2020
Operating income			
Net gains from securities	4	–	741 511
Interest income		–	7
Dividend income		–	243
Other income		4	23
		4	741 784
Operating expenses			
Net losses from securities	4	(343 595)	–
Finance expenses		(986)	(883)
Foreign exchange losses		(962)	(1 857)
Administrative expenses	8	(52 595)	(41 755)
Other expenses	9	(6 607)	(6 040)
		(404 745)	(50 535)
Profit/(loss) before tax	12	(404 741)	691 249
Income taxes	10	(67)	(75)
Profit/(loss) for the period		(404 808)	691 174
Total comprehensive profit/(loss) for the period		(404 808)	691 174
Earnings/(loss) per share in CHF	11	(7.31)	12.48
Diluted earnings/(loss) per share in CHF	11	(7.31)	12.48

The notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended December 31

in CHF 1 000	Share capital	Treasury shares	Retained earnings	Total
Balances at January 1, 2020	11 080	–	3 381 893	3 392 973
Dividend	–	–	(188 360)	(188 360)
Trade with treasury shares (incl. change in balance)	–	(8 241)	1	(8 240)
Total comprehensive income for the year	–	–	691 174	691 174
Balances at December 31, 2020	11 080	(8 241)	3 884 708	3 887 547
Balances at January 1, 2021	11 080	(8 241)	3 884 708	3 887 547
Dividend	–	–	(199 440)	(199 440)
Trade with treasury shares (incl. change in balance)	–	(964)	1 158	194
Total comprehensive income for the year	–	–	(404 808)	(404 808)
Balances at December 31, 2021	11 080	(9 205)	3 281 618	3 283 493

The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flow for the year ended December 31

in CHF 1 000	Notes	2021	2020
Cash flows from operating activities			
Proceeds from sales of securities	4	926 988	1 008 571
Purchase of securities	4	(962 091)	(699 354)
Dividend receipts		–	243
Interest receipts		–	7
Payments for services		(59 545)	(46 973)
Income taxes paid		(139)	(45)
Total cash flows from operating activities		(94 787)	262 449
Cash flows from financing activities			
Dividend		(199 440)	(188 360)
Proceeds from sales of treasury shares	7	9 653	20
Purchase of treasury shares	7	(9 459)	(8 260)
Borrowing/(repayment) of bank loans	5	292 000	(87 000)
Interest payments		(986)	(883)
Total cash flows from financing activities		91 768	(284 483)
Foreign exchange difference		(962)	(1 857)
Change in cash and cash equivalents		(3 981)	(23 891)
Cash and cash equivalents at the beginning of the year		6 816	30 707
Cash and cash equivalents at the end of the year		2 835	6 816

The notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1. The Company and its principal activity

BB Biotech AG (the Company) is listed on the SIX Swiss Exchange, in the «Prime Standard Segment» of the German Exchange as well as in the «Star Segment» of the Italian Exchange and has its registered office in Schaffhausen, Schwertstrasse 6. Its principal activity is to invest in companies active in the biotechnology industry for the purpose of capital appreciation. The investments are held through its wholly owned subsidiaries.

Company	Capital in CHF 1 000	Capital and voting interest in %
Biotech Focus N.V., Curaçao	11	100
Biotech Growth N.V., Curaçao	11	100
Biotech Invest N.V., Curaçao	11	100
Biotech Target N.V., Curaçao	11	100

2. Accounting policies

General

The consolidated financial statements of the Company and its subsidiary companies (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS), as well as the provisions of the rules of the SIX Swiss Exchange for Investment Companies for the period January 1, 2021, until December 31, 2021. The consolidation is prepared from the financial statements of the Group companies using uniform accounting principles. With the exception of financial assets and liabilities (incl. derivative instruments), which are held at fair value through profit or loss, the financial statements are prepared under the historical cost convention. This requires management to make assumptions and estimates that have an impact on the balance sheet values and items of the income statement in the current financial year. In certain circumstances, the actual values may differ from these estimates.

No new standards, interpretations and amendments to published standards, which are applicable to the Group and valid since January 1, 2021, have been applied in these consolidated financial statements.

The following amended standards were approved, but will only be applicable for the Group prospectively and were not early adopted in these annual consolidated financial statements:

- IAS 1 (amended, effective January 1, 2022) – Classification of Liabilities as Current or Non-current
- IFRS 3 (amended, effective January 1, 2022) – Reference to the Conceptual Framework
- IAS 37 (amended, effective January 1, 2022) – Onerous Contracts – Cost of fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 (effective January 1, 2022) – IFRS 9, IFRS 16

The Group assessed the potential impact of the above-mentioned amended standards. Based on the analysis, the Group concludes that these amended standards have no material impact on the Group's accounting policies and overall results and financial position.

Basis of consolidation

The consolidated financial statements include the Company and the subsidiary companies which are controlled by it. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases. The consolidation is performed using the acquisition method. All intercompany transactions and balances with companies included in the consolidation are eliminated. All Group companies have a December 31 year-end.

Foreign currency translation

Based on the economic environment (primary listing, investors, costs and performance measurement) in which the Company and its subsidiaries operate, the consolidated financial statements of the Group are presented in Swiss francs, which is the Company's and its subsidiaries functional currency. Transactions in foreign currencies are converted at exchange rates as at transaction dates. Assets and liabilities in foreign currencies at year-end are translated at rates of exchange prevailing as at the balance sheet date. Exchange differences are reflected in the statement of income. Translation differences on marketable securities held at fair value through profit or loss are reported as part of the net gains/ (losses) from securities.

The following exchange rates have been used for the preparation of these consolidated financial statements:

Currency	31.12.2021	31.12.2020
USD	0.91290	0.88520
ANG	0.51287	0.49730
EUR	1.03740	1.08134

Financial assets

The Group classifies its financial assets in the following categories:

- Financial assets at amortized cost
- Financial assets at fair value through profit or loss

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are generally financial assets held as part of a business model to collect contractual cash flows that are solely payments of interest and principal on the principal outstanding. They are included in current assets, except when they have maturities of greater than twelve months after the balance sheet date. Otherwise they are classified as non-current assets.

Cash and cash equivalents

Cash and cash equivalents comprise current accounts and call money at banks which have a maturity of three months or less.

Receivables from brokers

Receivables from brokers result from security transactions and do not bear any interest.

These amounts are recognized initially at fair value and subsequently measured at amortized cost. At each reporting date, the Group shall measure the loss allowance on amounts due from broker at an amount equal to the Lifetime Expected Credit Loss («ECL») if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Group shall measure the loss allowance at an amount equal to 12-month ECLs. A significant increase in credit risk is defined as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired. For receivables from brokers which settle within 10 business days the ECL estimate is nil.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise marketable and non-marketable securities which are classified as current assets.

Initially, securities and derivatives are measured at fair value and are subsequently remeasured at market values based on stock exchange prices or generally accepted valuation models that are based on market conditions existing at each balance sheet date, such as Black- Scholes, earnings multiple and discounted cash flow model. Purchases and sales of securities are accounted for at trade date. Realized gains and losses on security trading are recognized in the statement of comprehensive income as net gains/losses from securities at the day of the transaction. Changes in fair value of securities are also recognized as net gains/losses from securities in the statement of comprehensive income in the same period in which they arise. Securities are derecognized when the rights to receive cash flows from securities have expired or where the Group has transferred substantially all risks and rewards of ownership.

Transaction costs are costs to acquire financial assets at fair value through profit or loss. They include transfer taxes and duties as well as fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized as an expense.

Financial liabilities

Financial liabilities are generally classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities held for trading and derivatives.

Payables to brokers

Payables to brokers result from security transactions and do not bear any interest.

Short-term borrowings from banks

Short-term borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Income taxes

Current income taxes are calculated on the basis of the applicable tax laws in individual countries and recognized as an expense in the period in which the related profits are made.

Assets or liabilities related to current income taxes are reported in the balance sheet in the items «Current tax assets» or «Current tax liabilities ». Tax effects arising from temporary differences between the carrying amounts of assets and liabilities in the Group's balance sheet and their corresponding tax values are recognized, respectively, as «Deferred tax assets» and «Deferred tax liabilities». Deferred tax assets arising from temporary differences and from loss carry-forwards eligible for offset are capitalized if it is likely that sufficient taxable profits will be available against which those temporary differences or loss carry-forwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realized, or the tax liabilities settled.

Earnings per share

Basic earnings per share are calculated by dividing the net profit/loss attributable to shareholders by the weighted average number of registered shares in issue during the year, less treasury shares. For the diluted earnings per share, the weighted average number of registered shares in issue and the net profit is adjusted to assume conversion of all dilution potential registered shares.

Treasury shares

The company can buy and sell treasury shares in accordance with the Company's article of association, Swiss company law and in compliance with the listing rules of SIX Swiss Exchange.

Treasury shares are recorded as a deduction from the shareholders' equity at the amount of considerations paid («Total cost»). All gains and losses arising from trading in treasury shares are directly credited/debited to retained earnings. The FIFO (first in/first out) method is used for derecognition. The purchase price is booked gross with transaction costs. Treasury shares may be acquired and held by the Company or by other members of the consolidated Group.

Net asset value per share

The net asset value per share is calculated by dividing the shareholders' equity by the number of shares outstanding less treasury shares held at year end.

Dividend income

Dividends on securities are recognized in the income statement when the Group's right to receive payment is established.

Leasing contracts

The Group has two rental contracts for office space in Schaffhausen and Curacao. Due to the immateriality of a right-of-use-asset and a lease liability, no disclosure according to IFRS 16 are made within these consolidated financial statements.

Pension liability

BB Biotech AG maintains for its employee a defined benefit plan. There is no pension plan for employees of Group companies. Due to the immateriality of any potential pension liability or potential pension asset, no disclosures according to IAS 19 are made within these consolidated financial statements.

Segment reporting

IFRS 8 requires entities to define operating segments and segment performance in the financial statements based on information used by the chief operating decision-maker. The investment manager is considered to be the chief operating decision-maker. An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. The sole operating segment of the Group is investing in companies active in the biotechnology industry. The investment manager works as a team for the entire portfolio, asset allocation is based on a single, integrated investment strategy and the Group's performance is evaluated on an overall basis. Thus the results published in this report correspond to the sole operating segment of investing in companies active in the biotechnology industry.

Related party

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions.

Commitments, contingencies and other off-balance sheet transactions

The operations of the Group are affected by legislative, fiscal and regulatory developments for which provisions are made where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated.

Critical accounting estimates and judgments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group makes estimates and assumptions that are mainly based on market conditions to value these financial instruments. Since these financial instruments are not traded in an active market, inherent difficulties exist to value these financial instruments. These difficulties cannot be eliminated. The difference between the proceeds from sale of these financial instruments and the carrying amount may be material.

The Company has assessed whether it is appropriate under IFRS 10 to consolidate the Subsidiaries. IFRS 10 states that an investor controls the investee if, and only if, the investor has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns

The Company owns 100% of the capital and voting interest in all four subsidiaries as disclosed in [note 1](#). Therefore the Company has power over the organization and directs the investment activities and dividend policy of its subsidiaries. The scope of the investment management and administration agreement with the investment manager also includes all subsidiaries.

Further, IFRS 10 requires that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. The Company also made an assessment as to whether the Company's Subsidiaries meet the definition of an investment entity. IFRS 10 provides that an investment entity should have the following typical characteristics:

- It has more than one investment;
- It has more than one investor;
- It has investors that are not related parties of the entity; and
- It has ownership interests in the form of equity or similar interests.

An investment entity is still required to consolidate its subsidiaries if the subsidiary provides services that relate to the investment entity's investment activities.

The Company concluded that the Subsidiaries do not qualify as investment entities, but are effectively operating subsidiaries as they act as an extension of the Company. They provide requisite investment-related services to the Company and incur costs in doing so, thus the Company consolidates its subsidiaries. Fair value accounting would not have a material impact on the net income and equity of the Group.

3. Financial risk management

Within the framework of the law, articles of incorporation and regulations, the investment manager carries out currency and security forward transactions, buys, sells and makes use of options as well as fulfills all necessary obligations that result from these businesses.

Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amount in full when due. The Group measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Group considers both historical analysis and forward looking information in determining any expected credit loss.

The Group manages and controls its credit risk by maintaining business relations only with counterparties with an acceptable credit rating. All transactions in securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. The Group's credit positions, if any, are monitored on a daily basis by the investment manager and are reviewed on a regular basis by the Board of Directors.

As at December 31, 2021 and 2020, the ECL-impairment model did not have a material impact as (i) the majority of the financial assets are measured at fair value through profit or loss and the impairment requirements do not apply to such instruments; and (ii) the financial assets at amortized cost are short-term (no longer than 10 days). As a result, no loss allowance has been recognized.

Market risks

Risk associated with changing market prices

Due to its business activity and the resulting high portion of securities in relation to total assets, the Group is exposed to market price risk arising from uncertainties and fluctuations on the financial and foreign exchange markets.

The Group participates occasionally, but to a substantial extent, in the capital of its investments. In the case of sales of large parts of these investments, it may be able to influence the market price. The Group's securities positions are monitored on a daily basis by the investment manager and are reviewed on a regular basis by the Board of Directors.

The Group's business is to invest in biotechnology companies with the aim of asset growth. Consequently, it is exposed to market risks of this industry. The individual securities are disclosed in [note 4](#) and the valuation is made at fair value. Consequently, any price changes are reflected accordingly by the changes in fair value in the context of the subsequent valuation.

The annual volatility of registered shares BB Biotech AG (reference volatility for the marketable securities) for 2021 is 22.73% (2020: 33.78%). At December 31, 2021, had the value of listed securities increased or decreased by 22.73% (2020: 33.78%) with all other variables held constant, the increase or decrease respectively in net income/loss as well as shareholders' equity would amount to CHF 827.1 mn (2020: CHF 1 335.2 mn).

At December 31, 2021 and 2020 the Company holds no unlisted shares.

Interest risk

Interest rates on liquid funds are based on market rates. The funds are due on demand.

Short-term borrowings from banks are on current and short-term loan accounts with interest, based at market rates. Due to the high level of own funds, the effect of interest payable on the statement of income is insignificant. The majority of the Group's securities are non-interest bearing; as a result, the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The Group's interest sensitivity is monitored on a daily basis by the investment manager and reviewed on a regular basis by the Board of Directors.

Currency risk

The Group hold assets denominated in currencies other than the Swiss franc, the functional currency. They are therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. Depending on the market situation the Group could use foreign currency options and/or forward contracts to reduce the currency risk.

The following table summarizes the Group's exposure to currency risks:

2021	Net exposure 31.12. (in CHF 1 000)	Annual volatility (in %)	Potential impact (in CHF 1 000) ¹
USD	3 642 324	6.46	235 185
ANG	128	6.46	8
2020			
USD	3 952 760	7.41	292 741
ANG	7	7.41	1

¹ Potential impact on total comprehensive income as well as shareholders' equity with all other variables held constant

The Group's currency position is monitored on a daily basis by the investment manager and is reviewed on a regular basis by the Board of Directors.

Liquidity risk

The Group invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Group's treasury shares, with the exception of shares purchased under a share buy-back program, are considered readily realizable as they are listed on three stock exchanges. The Group can invest a minor part of its portfolio in securities, which are not traded on a stock exchange and may be illiquid. As a result, the Group may not be able to liquidate its investments in these instruments on short notice. In addition, the Group has access to a credit line (notes [5](#) and [13](#)).

The tables below analyze the Group's financial liabilities into relevant maturity groupings based on the period between the balance sheet date and the contractual maturity date (in CHF 1 000):

At December 31, 2021	Less than 1 month	1–3 months	More than 3 months / no stated maturity
Short-term borrowings from banks	355 000	–	–
Other short-term liabilities	4 737	694	–
Total liabilities	359 737	694	–
At December 31, 2020			
Short-term borrowings from banks	63 000	–	–
Payables to brokers	6 576	–	–
Other short-term liabilities	5 313	396	–
Total liabilities	74 889	396	–

The Group's liquidity position is monitored on a daily basis by the investment manager and is reviewed on a regular basis by the Board of Directors.

Diversification

The investment portfolio usually consists of 20 to 35 investments. This includes five to eight large core investments, defined as positions > 5%. These investments together will account for up to two-thirds of the portfolio. Companies without a stock market listing shall not exceed 10% of the portfolio.

As at December 31, 2021, the Group held seven core investments, representing 50% (2020: five core investments, 35%) of the portfolio. The portfolio is – in line with the strategy – concentrated on a limited number of investments. Risk diversification is therefore limited.

Fair values

The following table presents the Group's assets that are measured at fair value at December 31 (in CHF 1 000):

2021	Level 1	Level 2	Level 3	Total
Assets				
Securities				
– Shares	3 638 890	–	–	3 638 890
– Derivative instruments	–	–	2 222	2 222
Total assets	3 638 890	–	2 222	3 641 112
2020				
Assets				
Securities				
– Shares	3 952 504	–	–	3 952 504
– Derivative instruments	–	–	2 155	2 155
Total assets	3 952 504	–	2 155	3 954 659

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily

and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available. The options are valued on the basis of the Black-Scholes model which is based on market conditions existing at each balance sheet date. These instruments are included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The valuation of level 3 instruments is quarterly reviewed. As soon as new or adjusted parameters are available the valuation model (e.g. earnings multiple model) of unlisted shares is adjusted accordingly. As of December 31, 2021, the Company holds one level 3 instrument, allocated as part of a corporate action on October 24, 2019 (December 31, 2020: identical).

The table below summarizes the transactions in level 3 instruments (in CHF 1 000):

	2021	2020
Opening balance	2 155	2 355
Purchases/Sales/Reclassification	–	–
Gains/(losses) included in net gain/loss from securities	67	(201)
Closing balance	2 222	2 155
Gains/(losses) on level 3 instruments included in net gain/loss from securities	67	(201)

There have been no transfers between level 1, 2 and 3 during the reporting period. No sensitivity analysis has been disclosed due to the immaterial amount of level 3 instruments.

For assets and liabilities carried at amortized cost, their carrying values are a reasonable approximation of fair value.

4. Financial assets

Securities

The changes in value of securities by investment category are as follows (in CHF 1 000):

	Listed shares	Unlisted shares	Derivative instruments	Total
Opening balance as at 01.01.2020 at fair values	3 518 985	–	4 685	3 523 670
Purchases	699 570	–	–	699 570
Sales	(1 010 092)	–	–	(1 010 092)
Net gains/(losses) from securities	744 042	–	(2 531)	741 511
<i>Realized gains</i>	<i>364 618</i>	–	–	<i>364 618</i>
<i>Realized losses</i>	<i>(83 963)</i>	–	–	<i>(83 963)</i>
<i>Unrealized gains</i>	<i>882 536</i>	–	–	<i>882 536</i>
<i>Unrealized losses</i>	<i>(419 149)</i>	–	<i>(2 531)</i>	<i>(421 680)</i>
Closing balance as at 31.12.2020 at fair values	3 952 504	–	2 155	3 954 659
Opening balance as at 01.01.2021 at fair values	3 952 504	–	2 155	3 954 659
Purchases	955 515	–	–	955 515
Sales	(925 467)	–	–	(925 467)
Net gains/(losses) from securities	(343 662)	–	67	(343 595)
<i>Realized gains</i>	<i>312 779</i>	–	–	<i>312 779</i>
<i>Realized losses</i>	<i>(1 831)</i>	–	<i>(2 330)</i>	<i>(4 161)</i>
<i>Unrealized gains</i>	<i>437 584</i>	–	<i>67</i>	<i>437 651</i>
<i>Unrealized losses</i>	<i>(1 092 194)</i>	–	<i>2 330</i>	<i>(1 089 864)</i>
Closing balance as at 31.12.2021 at fair values	3 638 890	–	2 222	3 641 112

Securities comprise the following:

Company	Number 31.12.2020	Change	Number 31.12.2021	Market price in original currency 31.12.2021	Valuation CHF mn 31.12.2021	Valuation CHF mn 31.12.2020
Moderna	2 854 963	(1 191 614)	1 663 349	USD 253.98	385.7	264.0
Argenx SE	921 332	49 206	970 538	USD 350.19	310.3	239.8
Ionis Pharmaceuticals	8 220 000	2 012 973	10 232 973	USD 30.43	284.3	411.4
Neurocrine Biosciences	3 035 000	(19 600)	3 015 400	USD 85.17	234.5	257.5
Vertex Pharmaceuticals	900 000	130 000	1 030 000	USD 219.60	206.5	188.3
Fate Therapeutics	2 030 000	1 671 336	3 701 336	USD 58.51	197.7	163.4
Incyte	2 900 000	(3 000)	2 897 000	USD 73.40	194.1	223.3
Alnylam Pharmaceuticals	1 155 000	(45 000)	1 110 000	USD 169.58	171.8	132.9
Intra-Cellular Therapies	3 538 419	–	3 538 419	USD 52.34	169.1	99.6
Arvinas	2 176 903	–	2 176 903	USD 82.14	163.2	163.7
Agios Pharmaceuticals	4 158 902	153 390	4 312 292	USD 32.87	129.4	159.5
Sage Therapeutics	1 540 104	1 630 000	3 170 104	USD 42.54	123.1	117.9
Relay Therapeutics	1 409 357	2 676 605	4 085 962	USD 30.71	114.6	51.8
Biogen	537 000	(37 000)	500 000	USD 239.92	109.5	116.4
Macrogenics	4 815 564	2 460 000	7 275 564	USD 16.05	106.6	97.4
Myovant Sciences	4 757 039	1 365 000	6 122 039	USD 15.57	87.0	116.3
Revolution Medicines	–	3 421 462	3 421 462	USD 25.17	78.6	–

Kezar Life Sciences	4 533 148	385 000	4 918 148	USD	16.72	75.1	20.9
Crispr Therapeutics	900 884	48 700	949 584	USD	75.78	65.7	122.1
Essa Pharma	–	5 015 814	5 015 814	USD	14.20	65.0	–
Scholar Rock Holding	2 255 651	19 474	2 275 125	USD	24.84	51.6	96.9
Radius Health	7 455 714	250 000	7 705 714	USD	6.92	48.7	117.9
Exelixis	2 835 000	–	2 835 000	USD	18.28	47.3	50.4
Beam Therapeutics	396 821	210 000	606 821	USD	79.69	44.1	28.7
Molecular Templates	6 380 331	4 411 672	10 792 003	USD	3.92	38.6	53.0
Nektar Therapeutics	2 620 676	–	2 620 676	USD	13.51	32.3	39.4
Generation Bio Co.	2 333 180	1 520 000	3 853 180	USD	7.08	24.9	58.6
Mersana Therapeutics	1 885 000	2 250 000	4 135 000	USD	6.22	23.5	44.4
Esperion Therapeutics	3 947 964	530 000	4 477 964	USD	5.00	20.4	90.9
Black Diamond Therapeutics	1 390 000	2 050 000	3 440 000	USD	5.33	16.7	39.4
Wave Life Sciences	2 602 858	2 000 000	4 602 858	USD	3.14	13.2	18.1
Homology Medicines	1 737 122	–	1 737 122	USD	3.64	5.8	17.4
Alexion Pharmaceuticals	1 294 428	(1 294 428)	–	USD	n.a.	–	179.0
Halozyne Therapeutics	3 970 000	(3 970 000)	–	USD	n.a.	–	150.1
Voyager Therapeutics	2 680 283	(2 680 283)	–	USD	n.a.	–	17.0
Cidara Therapeutics	2 822 495	(2 822 495)	–	USD	n.a.	–	5.0
Total shares						3 638.9	3 952.5
Alder Biopharmaceuticals – Contingent Value Right	2 766 008	–	2 766 008	USD	0.88	2.2	2.2
Bristol-Myers Squibb – Contingent Value Right	800 000	(800 000)	–	USD	n.a.	–	–
Total derivative instruments						2.2	2.2
Total securities						3 641.1	3 954.7

Securities are deposited with Bank Julius Baer & Co. Ltd., Zurich.

5. Short-term borrowings from banks

At December 31, 2021, a CHF 355 mn short-term loan is outstanding, with interest payable at 0.40% p.a. (2020: CHF 63 mn at 0.40% p.a.).

6. Other short-term liabilities

Other short-term liabilities comprise the following:

in CHF 1 000	31.12.2021	31.12.2020
Payables to investment manager	3 966	3 715
Other liabilities	1 465	1 994
Total liabilities to third parties	5 431	5 709

7. Shareholders' equity

The share capital of the Company consists of 55.4 mn fully paid registered shares (2020: 55.4 mn registered shares) with a par value of CHF 0.20 each (2020: CHF 0.20). CHF 2.2 mn of the retained earnings (2020: CHF 2.2 mn) are undistributable.

in CHF 1 000	Share capital	Treasury shares	Retained earnings	Total
Balances at January 1, 2020	11 080	–	3 381 893	3 392 973
Dividend	–	–	(188 360)	(188 360)
Trade with treasury shares (incl. change in balance)	–	(8 241)	1	(8 240)
Total comprehensive income for the year	–	–	691 174	691 174
Balances at December 31, 2020	11 080	(8 241)	3 884 708	3 887 547
Balances at January 1, 2021	11 080	(8 241)	3 884 708	3 887 547
Dividend	–	–	(199 440)	(199 440)
Trade with treasury shares (incl. change in balance)	–	(964)	1 158	194
Total comprehensive income for the year	–	–	(404 808)	(404 808)
Balances at December 31, 2021	11 080	(9 205)	3 281 618	3 283 493

At December 31, 2021 and 2020, the Company has neither authorized nor conditional capital.

Treasury shares

The Company can buy and sell treasury shares in accordance with the Company's articles of association and Swiss company law and in compliance with the listing rules of the SIX Swiss Exchange. During the period from January 1, 2021, to December 31, 2021, the Company has purchased 110 336 treasury shares to the amount of TCHF 9 459 and 117 572 treasury shares to the amount of TCHF 9 653 were sold (01.01.–31.12.2020: Purchase of 114 998 treasury shares to the amount of TCHF 8 260 and 336 treasury shares to the amount of TCHF 20 were sold). As at December 31, 2021, the Company held in total 107 426 treasury shares (December 31, 2020: 114 662 shares). The treasury shares as at December 31, 2021, were treated as a deduction from the consolidated shareholders' equity using cost values of TCHF 9 205 (December 31, 2020: TCHF 8 240).

Share buyback 2nd line (bought for cancellation)

The Board of Directors has approved the repurchase of a maximum of 5 540 000 own registered shares with a nominal value of CHF 0.20 each. The share buy-back program will run from April 12, 2019, until April 11, 2022, at the latest. Until December 31, 2021, no shares had been repurchased under this share buy-back program. A repurchase would take place via second trading line for the purpose of a subsequent capital reduction.

8. Administrative expenses

Administrative expenses comprise the following:

in CHF 1 000	2021	2020
Investment manager		
– Management fees (incl. VAT)	50 681	39 811
Personnel		
– Board of Directors remuneration	1 288	1 223
– Wages and salaries	525	593
– Social insurance contributions and duties	101	128
	52 595	41 755

The remuneration model of BB Biotech AG is determined by the Board of Directors.

Since 2014, the remuneration paid to the investment manager is based upon a 1.1% p.a. all-in fee on the average market capitalization without any additional fixed or performance-based elements of compensation, which is paid on a monthly basis. The compensation of the Board of Directors consists since 2014 of a fixed compensation.

9. Other expenses

Other expenses comprise the following:

in CHF 1 000	2021	2020
Bank charges	644	551
Marketing and financial reporting	1 293	1 613
Legal and consulting expenses	524	357
Transaction costs	2 772	2 433
Other expenses	1 374	1 086
	6 607	6 040

10. Taxes

in CHF 1 000	2021	2020
Operating income before tax	(404 741)	691 249
Expected tax rate (Direct federal, cantonal and communal tax)	14.3%	14.5%
Expected income tax	(57 878)	100 231
Difference between effective local tax rates and the expected Swiss tax rate	(57 945)	100 156
Total income tax	67	75

In the current year, the average effective income tax rate on a consolidated basis was less than 1% (2020: <1%). This low rate is mainly attributable to the fact that a large proportion of operating income was generated by companies located in Curaçao. As at December 31, 2021, there is no nettable loss carry forward (2020: none).

11. Earnings per share

	2021	2020
Total comprehensive profit/(loss) for the period (in CHF 1 000)	(404 808)	691 174
Weighted average number of shares in issue	55 363 670	55 391 180
Income per share in CHF	(7.31)	12.48
Income used to determine diluted income per share (in CHF 1 000)	(404 808)	691 174
Weighted average number of shares in issue following the dilution	55 363 670	55 391 180
Diluted income per share in CHF	(7.31)	12.48

12. Segment reporting

The sole operating segment of the Group reflects the internal management structure and is evaluated on an overall basis. Revenue is derived by investing in a portfolio of companies active in the biotechnology industry for the purpose of capital appreciation. The following results correspond to the sole operating segment of investing in companies active in the biotechnology industry.

The geographical analysis of the profit/(loss) before tax is as follows – all income from financial assets are attributed to a country based on the domiciliation of the issuer of the instrument:

Profit/(loss) before tax in CHF 1 000	2021	2020
Netherlands	60 946	100 499
Singapore	(13 003)	(2 039)
Canada	(29 966)	–
Great Britain	(54 533)	50 299
Curaçao	(54 726)	(43 634)
Switzerland	(61 874)	70 632
USA	(251 585)	515 492
	(404 741)	691 249

13. Assets pledged

At December 31, 2021, the securities in the amount of CHF 3 641.1 mn (2020: CHF 3 954.7 mn) are a collateral for a credit line of CHF 700 mn (2020: CHF 700 mn). At December 31, 2021, a CHF 355 mn short-term loan is outstanding (2020: CHF 63 mn).

14. Commitments, contingencies and other off-balance sheet transactions

The Group had no commitments or other off-balance sheet transactions open at December 31, 2021 (2020: none).

The operations of the Group are affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary. The Board of Directors concludes that as at December 31, 2021, no proceedings existed which could have any material effect on the financial position of the Group (2020: none).

15. Financial instruments by category

Financial assets and liabilities are allocated to categories as follows (in CHF 1 000):

At December 31, 2021	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total
Assets as per balance sheet			
Cash and cash equivalents	2 835	–	2 835
Securities	–	3 641 112	3 641 112
	2 835	3 641 112	3 643 947
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Liabilities as per balance sheet			
Short-term borrowings from banks	–	355 000	355 000
Other short-term liabilities	–	5 431	5 431
	–	360 431	360 431
At December 31, 2020	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total
Assets as per balance sheet			
Cash and cash equivalents	6 816	–	6 816
Receivables from brokers	1 521	–	1 521
Securities	–	3 954 659	3 954 659
	8 337	3 954 659	3 962 996
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Liabilities as per balance sheet			
Short-term borrowings from banks	–	63 000	63 000
Payables to brokers	–	6 576	6 576
Other short-term liabilities	–	5 709	5 709
	–	75 285	75 285

Profit and loss from financial assets and liabilities are allocated to categories as follows
(in CHF 1 000):

2021	Financial assets at amortized cost	Financial instruments at fair value through profit or loss	Financial liabilities at amortized cost	Total
Profit and loss from financial instruments				
Net losses from securities	-	(343 595)	-	(343 595)
Finance expenses	-	-	(986)	(986)
Foreign exchange losses	(962)	-	-	(962)
2020				
Profit and loss from financial instruments				
Net gains from securities	-	741 511	-	741 511
Interest income	7	-	-	7
Dividend income	-	243	-	243
Finance expenses	-	-	(883)	(883)
Foreign exchange losses	(1 857)	-	-	(1 857)

16. Transactions with the Investment Manager and related party transactions

The investment management and administration of the Company has been delegated to Bellevue Asset Management AG. Based on the 1.1% p.a. all-in fee model, no additional costs incurred at Bellevue Asset Management AG were charged to the BB Biotech Group (2020: none). The amounts outstanding at the balance sheet date are disclosed in [note 6](#), «Other short-term liabilities».

17. Significant shareholders

The Board of Directors is not aware of any major shareholder with a holding exceeding 3% of all votes as at December 31, 2021 and 2020.

18. Subsequent events

There have been no events subsequent to December 31, 2021, which would affect the 2021 consolidated financial statements.

Report on the audit of the consolidated financial statements

Report of the statutory auditor to the General Meeting of BB Biotech AG

Opinion

We have audited the consolidated financial statements of BB Biotech AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

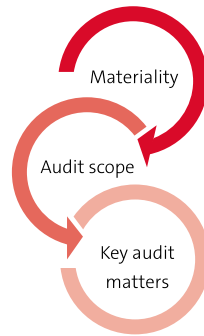
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with the provisions of article 14 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the «Auditor's responsibilities for the audit of the consolidated financial statements» section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach Overview



Overall Group materiality: CHF 32 834 930

We concluded full scope audit work at all of the Group entities, which are located in Switzerland and Curacao.

Our audit scope therefore addressed 100% of the Group's assets, liabilities, equity, income, expenses and cash flows.

As key audit matters, the following areas of focus were identified:

- Valuation of securities
- Ownership of securities

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality

CHF 32 834 930

How we determined it

1% of total consolidated shareholders' equity

Rationale for the materiality benchmark applied

We chose shareholders' consolidated equity as the benchmark because, in our view, it is the most relevant benchmark for investors, and it is a generally accepted benchmark for investment companies.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of securities

Key audit matter

The investment portfolio as of 31 December 2021 comprises investments in marketable and non-marketable securities (derivatives).

We consider this area to be a key audit matter because of the significant value of the securities in the consolidated financial statements.

As set out in [note 4](#) (Schedule of securities) securities amount to CHF 3 641 million or 99.9% of total assets.

The valuation of the securities is prepared by the Investment Manager using the valuation methods disclosed in [note 2](#) (Accounting policies). The Board of Directors approves the valuation of the investment portfolio.

How our audit addressed the key audit matter

We verified the design and implementation of the controls relating to the valuation of securities in order to determine whether the Investment Manager has appropriate controls in place. Further, we verified the adequacy of the applied valuation methods as well as the appropriateness of the resulting valuations by performing the following procedures:

We compared the valuation methods applied by the Investment Manager with generally accepted valuation methods. Further, we verified the quoted prices of marketable securities by comparing them with those from an independent source different from that used by the Investment Manager. Additionally, we verified that the valuation of the non-marketable securities is in line with the valuation policies of the Group.

We obtained sufficient audit evidence to conclude that the valuation methods were both appropriate and consistently applied by the Investment Manager.

Ownership of securities

Key audit matter

The securities are safeguarded by an independent custodian.

There is a risk that the Group may not have sufficient legal entitlement to the securities.

We consider this area to be a key audit matter because of the significant value of the securities in the consolidated financial statements.

How our audit addressed the key audit matter

We examined the ownership of the securities by requesting a confirmation of the securities portfolio directly from the custodian.

We obtained sufficient audit evidence to conclude that there is sufficient legal entitlement to the securities portfolio.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of BB Biotech AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, article 14 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Philippe Bingert

Audit expert

Auditor in charge

Roland Holl

Audit expert

Zurich, 16 February 2022

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Phone: +41 58 792 44 00, Fax: +41 58 792 44 10, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

Balance sheet as at December 31

in CHF	Notes	2021	2020
Current assets			
Cash and cash equivalents		146 964	25 022
Other current receivables		6 080 156	5 639 574
		6 227 120	5 664 596
Non-current assets			
Investments		1 177 069 500	1 177 069 500
		1 177 069 500	1 177 069 500
Total assets		1 183 296 620	1 182 734 096
Current liabilities			
Other current liabilities	2.1	403 102	381 190
Accrued expenses		610 326	440 145
		1 013 428	821 335
Total liabilities		1 013 428	821 335
Shareholders' equity			
Share capital	2.2	11 080 000	11 080 000
Legal capital reserves			
– Paid-in capital reserve ¹⁾		20 579 224	20 579 224
Legal profit reserves			
– General legal reserve		4 500 000	4 500 000
– Reserve for treasury shares ²⁾		9 205 288	8 241 195
Other reserves		217 622 468	218 586 561
Retained earnings	5/6	919 296 212	918 925 781
		1 182 283 192	1 181 912 761
Total liabilities and shareholders' equity		1 183 296 620	1 182 734 096

¹⁾ Of which CHF 20 441 000 not confirmed by the Swiss Tax Authorities due to present regulation

²⁾ For treasury shares held by subsidiaries

The financial statements were approved by the Board of Directors of BB Biotech AG on February 15, 2022.

Statement of income for the year ended December 31

in CHF	Notes	2021	2020
Operating income			
Income from investments		199 406 600	187 130 300
Other income	2.3	5 948 206	5 503 545
		205 354 806	192 633 845
Operating expenses			
Administrative expenses	2.4	(2 320 327)	(2 077 822)
Other expenses	2.5	(3 085 502)	(2 922 658)
		(5 405 829)	(5 000 480)
Operating income before finance income and taxes		199 948 977	187 633 365
Finance income		439	1 310
Finance expenses		(15 645)	(13 974)
Operating income before tax		199 933 771	187 620 701
Tax expenses	2.6	(123 340)	(112 437)
Net income for the year		199 810 431	187 508 264

Notes to the financial statements

BB Biotech AG

1. Accounting policies

General

The financial statements of BB Biotech AG (the Company) have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations. The financial statements have been prepared under the historical cost convention.

Cash and cash equivalents

Cash and cash equivalents includes current accounts at banks. These are stated at the notional amount.

Investments

The investments include the subsidiaries over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Initially and subsequently, investments are valued at historical cost. An impairment is recognized if the value in use is expected to permanently fall below the book value.

Income from investments is recognized in the income statement when the Company's right to receive the dividend payment is established.

Receivables/liabilities

Receivables/liabilities are classified as current assets/liabilities if maturity is expected to be within twelve month after the balance sheet date. Else, they are classified as long-term assets/liabilities. Receivables/liabilities are recognized at notional value. Receivables/liabilities against related parties include transactions with the Board of Directors as well as Group companies and affiliates. Receivables/liabilities against group companies result mainly from cash-pooling activities of the Group. The Group consists of BB Biotech AG and the mentioned subsidiaries under [3.3](#).

Treasury shares

Treasury shares are deducted from shareholders' equity. All profits and losses arising from trading in treasury shares are included in the income statement. A reserve for treasury shares is built for treasury shares held by subsidiaries, booked against other reserves. The reserve is based on cost prices.

2. Details and explanations to the financial statements

2.1 Other current liabilities

The other current liabilities comprise the following (in CHF):

	2021	2020
Third parties	325 557	308 546
Investment Manager	77 545	72 644
	403 102	381 190

2.2 Shareholders' equity

The share capital of the Company consists of 55.4 mn fully paid registered shares (2020: 55.4 mn registered shares) with a par value of CHF 0.20 each (2020: CHF 0.20).

The Board of Directors has approved the repurchase of a maximum of 5 540 000 own registered shares with a nominal value of CHF 0.20 each. The share buy-back program will run from April 12, 2019, until April 11, 2022, at the latest. Until December 31, 2021, no shares had been repurchased under this share buy-back program. A repurchase would take place via second trading line for the purpose of a subsequent capital reduction.

At December 31, 2021 and 2020, the Company has neither authorized nor conditional capital.

2.3 Other income

Other income comprises the following (in CHF):

	2021	2020
Income group services	5 945 000	5 500 500
Other income	3 206	3 045
	5 948 206	5 503 545

2.4 Administrative expenses

Administrative expenses comprise the following (in CHF):

	2021	2020
Board compensation	1 332 853	1 272 316
Investment manager compensation	921 468	723 837
Staff costs	66 007	81 669
	2 320 327	2 077 822

The remuneration report discloses further details to the Board of Directors compensation.

2.5 Other expenses

Other expenses comprise the following (in CHF):

	2021	2020
Marketing and financial reporting	1 293 068	1 612 762
Consulting and audit	524 201	356 501
Bank charges	1 039	1 078
Other expenses	1 267 194	952 317
	3 085 502	2 922 658

2.6 Tax expenses

Tax expenses comprise the following (in CHF):

	2021	2020
Income taxes	67 338	75 442
Capital taxes	56 002	36 995
	123 340	112 437

3. Other information required by law

3.1 Name, legal form and registered office

BB Biotech AG is a limited company according to the Swiss Code of Obligation and has its registered office at Schwertstrasse 6 in Schaffhausen.

3.2 Declaration of number of full-time equivalents

The number of full-time equivalents did not exceed 10 in the calendar year 2021 (2020: below 10).

3.3 Investments

Investments of BB Biotech AG comprise, in the business years 2021 and 2020, the following subsidiaries:

Company	Capital in CHF 1 000	Capital and voting interest in %
Biotech Focus N.V., Curaçao	11	100
Biotech Growth N.V., Curaçao	11	100
Biotech Invest N.V., Curaçao	11	100
Biotech Target N.V., Curaçao	11	100

3.4 Treasury shares (balances and change)

Treasury shares are held indirectly by its 100% subsidiary Biotech Target N.V.

	Biotech Target N.V.	Total
Balance at January 1, 2020	–	–
Purchases Biotech Target N.V. at an average price of CHF 71.83	114 998	114 998
Sales Biotech Target N.V. at an average price of CHF 60.18	(336)	(336)
Balance at December 31, 2020	114 662	114 662
Purchases Biotech Target N.V. at an average price of CHF 85.73	110 336	110 336
Sales Biotech Target N.V. at an average price of CHF 82.10	(117 572)	(117 572)
Balance at December 31, 2021	107 426	107 426

3.5 Audit fees

The audit fees comprise the following (in CHF):

	2021	2020
Audit fees	120 000	120 000
Audit-related fees	–	2 800
	120 000	122 800

3.6 Commitments and contingencies

The Company had no commitments or other off-balance sheet transactions open at December 31, 2021 (2020: none).

The operations of the Company are affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary. The Board of Directors concludes that as at December 31, 2021, no proceedings existed which could have any material effect on the financial position of the Company (2020: none).

3.7 Subsequent events

There have been no events subsequent to December 31, 2021, which would affect the 2021 financial statements.

4. Other information

4.1 Significant shareholders

The Board of Directors is not aware of any major shareholder with a holding exceeding 3% of all votes as at December 31, 2021 and 2020.

4.2 Statement of holdings of the Board of Directors

As at December 31, the Board of Directors held the following registered shares of BB Biotech AG:

	2021	2020
Dr. Erich Hunziker, Chairman	957 884	957 884
Dr. Clive Meanwell, Vice-Chairman	5 163	5 163
Prof. Dr. Mads Krosgaard Thomsen	–	–
Dr. Thomas von Planta	12 000	12 000

4.3 Management contracts

On behalf of the Company, the Board of Directors has entered into a management contract with Bellevue Asset Management AG (investment manager). In this contract, the investment manager commits to carry out management services relating to the investment activity and management of BB Biotech AG. Under this contract the Company paid in the business year 2021 CHF 921 468 (2020: CHF 723 837) to Bellevue Asset Management AG.

4.4 Annual report and cash flow statement

Due to the fact that BB Biotech AG prepares consolidated financial statements in accordance with a recognized international accounting standard (IFRS), the Company doesn't prepare, in line with the legal requirements, an annual report and cash flow statement.

5. Movements on retained earnings

in CHF	2021	2020
Retained earnings at the beginning of the year	918 925 781	919 777 517
Dividend	(199 440 000)	(188 360 000)
Net income for the year	199 810 431	187 508 264
Retained earnings at the end of the year	919 296 212	918 925 781

6. Proposal of the Board of Directors for the appropriation of retained earnings

in CHF	2021 Proposal of the Board	2020 Resolution passed at the AGM
Retained earnings at the disposal of the Annual General Meeting	919 296 212	918 925 781
Dividend	213 290 000	199 440 000
Carry forward to the next period	706 006 212	719 485 781
	919 296 212	918 925 781

Report on the audit of the financial statements

Report of the statutory auditor to the General Meeting of BB Biotech AG

Opinion

We have audited the financial statements of BB Biotech AG, which comprise the balance sheet as at 31 December 2021, statement of income and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the «Auditor's responsibilities for the audit of the financial statements» section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality

CHF 11 822 832

How we determined it

1% of total shareholders' equity

Rationale for the materiality benchmark applied

We chose shareholders' equity as the benchmark because, in our view, it is the most relevant benchmark for investors and it is a generally accepted benchmark for investment companies.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Philippe Bingert

Audit expert

Auditor in charge

Roland Holl

Audit expert

Zurich, 16 February 2022

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland

Phone: +41 58 792 44 00, Fax: +41 58 792 44 10, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

Corporate Governance

Corporate Governance	63–74
Introduction	64
1. Introductory remarks with respect to the specific structure of BB Biotech AG as an investment company	64
2. Group structure and shareholders	64
3. Capital structure	66
4. Limitations on transferability	66
5. Board of Directors	66
6. Investment management	71
7. Remuneration	71
8. Shareholders' participation rights	72
9. Change-of-control and defensive measures	72
10. Audits	73
11. Trading in own securities	74
12. Information policy	74
13. Trading blackout periods	74

Corporate Governance

Corporate governance is an integral component of the business of BB Biotech AG (the Company). The Board of Directors is committed to implement corporate governance policies which are aligned with the size and complexity of the Company's activities. We ensure transparency for our shareholders by disclosing the articles of incorporation, the organizational regulations as well as the Audit Committee Charter and the Remuneration and Nomination Committee Charter on our [homepage](#). This report is intended to supplement the annual report with respect to corporate governance policies and implementation of these policies in our business. As BB Biotech AG is listed on the Swiss, German, and Italian stock exchanges, the Company is required to comply with the rules and regulations that apply to each of these markets.

1. Introductory remarks with respect to the specific structure of BB Biotech AG as an investment company

BB Biotech AG is an investment company listed on a stock exchange according to article 2 paragraph 3 of the Swiss Federal Act on Collective Investment Schemes (CISA) in the form of a corporation limited by shares. As a corporation limited by shares which is listed on a stock exchange, BB Biotech AG is subject to the supervision and regulation by the SIX Swiss Exchange. Therefore, BB Biotech AG is exempted from the supervision of the Swiss Financial Market Supervisory Authority FINMA as well as from the regulation pursuant to the Financial Institutions Act (FinIA).

As an investment company, the sole purpose of BB Biotech AG is the management of its assets and investments. The BB Biotech Group does not pursue any commercial or operational activity other than investing in the biotech industry.

2. Group structure and shareholders

Please refer to [note 1 to the consolidated annual financial statements](#). In addition the Board of Directors is not aware of any cross-holdings with other companies exceeding a limit of 5% in terms of capital or the number of votes. Information on key shareholders is listed in [note 17 to the consolidated annual financial statements](#). The notifications which have been submitted to the Company and the disclosure office of the SIX Swiss Exchange during the fiscal year pursuant to article 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading and which have been published on the latter's electronic publication platform may be accessed via the search function [here](#).

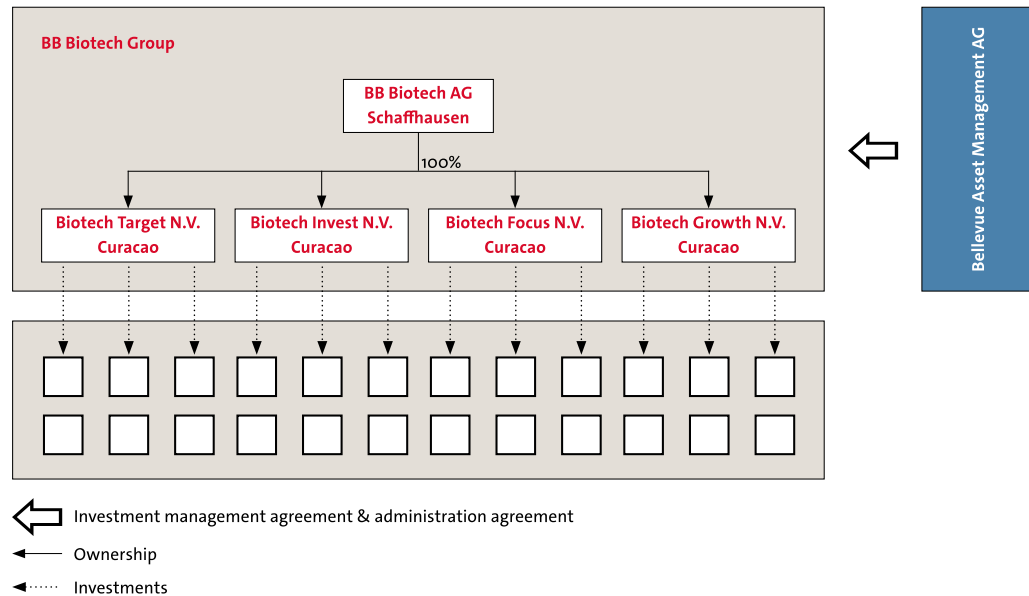
2.1 Group structure

BB Biotech AG (ISIN CH0038389992) has its registered office in Schwertstrasse 6, 8200 Schaffhausen, Switzerland. Its principal activity is to invest in companies in the biotechnology industry. These companies are active in the research, development and commercialization of therapies and drugs.

BB Biotech AG is listed on the SIX Swiss Exchange (BION), in the «Prime Standard Segment» of the German Exchange XETRA (BBZA) as well as in the «Star Segment» of the Italian Exchange (BB IM). Additional information on this can be found [here](#).

The investments are held through its four, fully owned subsidiaries:

Company name	Country	BB Biotech AG Interest %	Share Capital
Biotech Focus N.V.	Curaçao	100	CHF 10 778
Biotech Growth N.V.	Curaçao	100	CHF 10 778
Biotech Invest N.V.	Curaçao	100	CHF 10 778
Biotech Target N.V.	Curaçao	100	CHF 10 778



BB Biotech AG controls and is the ultimate parent company of its subsidiaries (Subsidiaries). Together they form the BB Biotech Group (Group). In this function, the Company performs tasks of management, organization as well as financing for itself and for its Subsidiaries. To the extent permitted by applicable law, the corporate bodies of the Company may therefore also promulgate guidelines and directives for the Subsidiaries. Notwithstanding these endeavors, the legal independence of the Subsidiaries and the provisions of applicable laws, rules and regulations relating to them must be observed to the extent legally required.

On behalf of the Company, the Board of Directors has entered into a management contract with Bellevue Asset Management AG, domiciled in Küsnacht, Switzerland. Under the management agreement, Bellevue Asset Management AG agreed to carry out management services relating to the investment activity and the management of the Group. Bellevue Asset Management AG is subject to supervision by the Swiss Financial Market Supervisory Authority FINMA and has a license as authorized manager for collective assets. Bellevue Asset Management AG is fully owned by Bellevue Group AG which is an independent Swiss financial boutique listed on the SIX Swiss Exchange.

2.2 Significant shareholders

The Board of Directors is not aware of any major shareholder with a holding exceeding 3% of all votes as of December 31, 2021. 100% of BB Biotech AG's share capital is free float.

3. Capital structure

As of December 31, 2021, the Company's nominal value of the share capital of CHF 11 080 000 consisted of 55 400 000 fully paid up registered shares with a par value of CHF 0.20 each. There is only one share class. Each registered share has one voting right. Voting rights may be exercised only after a shareholder has been registered in the share register of the Company as a shareholder with the right to vote. Each registered share is entitled to dividend payment. No shares certificates are issued. There is no authorized capital or conditional capital outstanding. There are no participation certificates or profit-sharing certificates. The Company has also not issued any options or convertible bonds.

The capital structure has not changed in the period over the last three years (financial years 2019, 2020, 2021).

4. Limitations on transferability

BB Biotech AG may decline a registration as shareholder with voting rights if a shareholder does not expressly declare that it has acquired the shares in its own name and for its own account. If the shareholder refuses to make such declaration, the shareholder will be registered as a shareholder without voting rights.

A person failing to expressly declare in its registration/application that it holds the shares for its own account (a nominee), will be entered in the share register with voting rights, only if such nominee has entered into an agreement with BB Biotech AG concerning its status.

5. Board of Directors

5.1 Members, background, nationality, and stock holdings

Dr. Erich Hunziker

Chairman of the Board of Directors since 2013. Member of the Board since 2011. Swiss national.

Dr. Hunziker is the Chairman of Light Chain Biosciences (NovImmune SA). He previously served as CFO of Roche from 2001 to 2010. From 1983 to 2001 he held various executive positions at Corange, Boehringer Mannheim and, before joining Roche, at Diethelm-Keller-Group, where he ultimately served as CEO. Dr. Hunziker has a Ph.D. in Industrial Engineering from the Swiss Federal Institute of Technology in Zurich, Switzerland.

Shareholding in BB Biotech AG as at December 31, 2021: 957 884 registered shares (2020: 957 884 registered shares).

Other directorships: Dr. Hunziker is Chairman of the Board of Directors of Light Chain Biosciences (NovImmune SA), Entsia International AG and the following discoveric companies (all under common control): discoveric ag, discoveric bio alpha ag, discoveric bio beta ag, discoveric bio gamma ag, discoveric marina ag and discoveric marketplace ag. He is a member of the Board of Directors of LamKap Bio alpha AG, LamKap Bio beta AG and LamKap Bio gamma AG. Furthermore he is a member of the foundation board of the Swiss Arts Institute Foundation.

Dr. Clive Meanwell

Vice-Chairman of the Board of Directors since 2011. Member of the Board of Directors since 2004. Chairman of the remuneration and nomination committee. Member of the audit committee. British national.

Dr. Meanwell founded and is the Executive Chairman of Population Health Partners LLC, an investment firm, and Chief Executive Officer of Population Health Investment Corporation, a special purpose acquisition company. Previously, Dr. Meanwell founded The Medicines Company in 1996 and from then until January 6, 2020, he was a member of the Board of Directors and held a range of leadership positions including Chairman, Executive Chairman, Chief Executive and Chief Innovation Officer at The Medicines Company. From 1995 until 1996, he was a founding partner and managing director of MPM Capital L.P. Earlier in his career, Dr. Meanwell held various positions at Hoffmann-La Roche in Basel and Palo Alto, California. Dr. Meanwell received his MD and PhD from the University of Birmingham in the UK where he also trained in medical oncology.

Shareholding in BB Biotech AG as at December 31, 2021: 5 163 registered shares (2020: 5 163 registered shares).

Other directorships: Dr. Meanwell is Chairman of the Board of Directors of Population Health Partners LLC. Furthermore he is a member of the Board of Directors of Population Health Investment Corporation, EQRx Inc., Fractyl Health Inc., Comanche Biopharma and Saama Technologies, Inc.

Prof. Dr. Mads Krogsgaard Thomsen

Member of the Board of Directors since 2020. Member of the remuneration and nomination committee. Danish national.

Prof. Dr. Krogsgaard Thomsen has been with Novo Nordisk since 1991. He has held several executive roles in the company's growth hormone and diabetes research operations, and currently serves as Executive Vice President, Head of R&D and Chief Science Officer. Prof. Dr. Krogsgaard Thomsen has chaired Danish Research Council programs within endocrinology and he is a former president of Denmark's National Academy of Technical Sciences. Until 2019 he chaired the governing board of the University of Copenhagen. Prof. Dr. Krogsgaard Thomsen holds a PhD and DSc of the Faculty of Health and Medical Sciences of the University of Copenhagen, Denmark.

Shareholding in BB Biotech AG as at December 31, 2021: 0 registered shares (2020: 0 registered shares).

Other directorships: Prof. Dr. Krogsgaard Thomsen is member of the Board of Directors of Felix Pharmaceuticals.

Dr. Thomas von Planta

Member of the Board of Directors since 2019. Chairman of the Audit Committee. Swiss national.

Since 2006, Dr. von Planta is owner of CorFinAd AG – Corporate Finance Advisory (advisory for M&A transactions and capital market financings). He chaired the Bellevue Group from March 2015 to March 2019. Previously he worked for Vontobel Group from 2002 until 2006 as interim Head Investment Banking/Head of Corporate Finance and member of the extended executive board. Prior to that he was with Goldman Sachs from 1992 until 2002, lastly in London in the Equity Capital Markets Group/Investment Banking Division. Dr. von Planta holds a degree in law from the Universities of Basel and Geneva (Dr. iur.) and is also attorney at law.

Shareholding in BB Biotech AG as at December 31, 2021: 12 000 registered shares (2020: 12 000 registered shares).

Other directorships: Dr. von Planta is the Chairman of the Board of Directors of Bâloise Holding AG and a member of the advisory board of Harald Quandt Industriebeteiligungen GmbH.

Susan Galbraith

Susan Galbraith has been asked by her employer to step down as a member of the Board of Directors and the Remuneration and Nomination Committee of BB Biotech AG due to her new role. The Board of Directors acknowledged that Susan Galbraith stepped down on July 2, 2021, with immediate effect.

5.2 Independence

All members of the Board of Directors are independent and have no executive functions, neither today nor in the last three years. Moreover, no business relations are in place between the Board members and BB Biotech AG or a subsidiary. More detailed résumés are available on our website in the section «[about us](#)».

5.3 Number of permissible external mandates

No member of the Board of Directors can have more than ten additional mandates, thereof no more than four in listed entities.

The detailed rule with respect to the number of permissible external mandates of members of the Board of Directors is defined in article 23 of the articles of incorporation of the Company. The articles of incorporation are available for download [here](#).

5.4 Election and term of office

The Board of Directors is elected by a simple quorum for a term of office of one year. There are no limitations to the board members' tenure. The members of the Board of Directors have first been elected at the following General Meetings:

Dr. Erich Hunziker: 2011 (Chairman since 2013)

Dr. Clive Meanwell: 2004 (Vice-Chairman since 2011)

Prof. Dr. Mads Krogsgaard Thomsen: 2020

Dr. Thomas von Planta: 2019

5.5 Internal organization

The Board of Directors consists of a Chairman, Vice-Chairman and two members. The Board of Directors can appoint a secretary who needs not be a member of the Board of Directors. The Board has two committees: Audit Committee, Remuneration and Nomination Committee. The members of the Remuneration and Nomination Committee are elected by the General Meeting. The Chairman of the Remuneration and Nomination Committee is appointed by the committee members. The Chairman and members of the Audit Committee are appointed by the Board of Directors. The members of the Board of Directors serve in the following committees:

Dr. Clive Meanwell, Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee

Prof. Dr. Mads Krogsgaard Thomsen, Member of the Remuneration and Nomination Committee

Dr. Thomas von Planta, Chairman of the Audit Committee

The Board of Directors has extensive experience in all relevant areas, especially from the healthcare and financial industry. With this experience, the members of the Board of Directors are well suited to supervise the Company's activities.

The Chairman and members of the Board of Directors are elected by the shareholders at the Company's General Meeting. If the position as Chairman is vacant, the Board of Directors will nominate one of its members to serve as Chairman until the end of the next General Meeting.

Board meetings are normally convened by the Chairman or, in his absence, the Vice-Chairman. The individual board members can also require that the Chairman calls for a board meeting. The Board of Directors receives comprehensive information regarding each of the agenda items at the board meetings. The Board of Directors generally meets once per month via video or telephone conference. In addition, two three-day strategy meetings take place each year. The board meetings are also attended by representatives of Bellevue Asset Management AG as investment manager and administrator. In its board meetings, the Board of Directors regularly examines the compliance with the investment guidelines. In addition, the representatives entrusted with the asset management present the respective investment and divestiture decisions. The latter examines the individual investment decisions with respect to the compliance with the investment strategy as well as the investment process. On a yearly basis, the Board of Directors performs and approves a comprehensive risk assessment. Financial risk management is disclosed in [note 3 to the consolidated annual financial statements](#). Performance of relevant service providers as well as the auditor are evaluated at least on a yearly basis.

The following table provides an overview of the strategy meetings and conference calls of the Board of Directors in 2021.

	Strategy Meeting online	Strategy Meeting in person	Conference calls
Total	1	1	8
Average duration (in hours)	16:00	23:30	2:04
Participation:			
Erich Hunziker, Chairman	1	1	8
Clive Meanwell, Vice-Chairman	1	1	7
Mads Krogsgaard Thomsen	1	1	7
Thomas von Planta	1	1	8
Susan Galbraith ¹⁾	1	–	3

¹⁾ Resigned from the Board of Directors as of July 2, 2021.

The Board of Directors passes its resolutions by a majority of the votes and the Chairman has the casting votes in case of a tie. The Board of Directors is quorate when the majority of its members are present at the board meetings.

Audit Committee

The Audit Committee examines whether all systems created to monitor compliance with legal and statutory provisions are appropriate and whether they are being applied properly. It reports to the Board of Directors and makes recommendations to the same.

The Audit Committee also monitors and evaluates the integrity of the financial reports, internal controls, the effectiveness of the external auditor as well as risk management and

compliance, taking into consideration the risk profile of the Group. It maintains board level contact with the external auditors and monitors their performance and independence as well as their collaboration with the investment manager and administrator.

All members of the Audit Committee are independent. The Audit Committee meets at least once a quarter.

The following table provides an overview of the meetings and circular resolutions of the Audit Committee in 2021.

	Meetings	Circular resolutions
Total	4	-
Average duration (in hours)	1:00	-
Participation:		
Thomas von Planta, Chairman	4	-
Clive Meanwell	4	-

Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee are appointed by the shareholders. The Remuneration and Nomination Committee supports the Board of Directors in the following areas: Composition of the Board of Directors and nomination of new board members, compensation policy and guidelines, performance targets and preparation of proposals regarding compensation to the Board of Directors.

The following table provides an overview of the meetings and circular resolutions of the Remuneration and Nomination Committee in 2021.

	Meetings	Circular resolutions
Total	2	-
Average duration (in hours)	1:00	-
Participation:		
Clive Meanwell, Chairman	2	-
Mads Krogsgaard Thomsen ¹⁾	1	-
Susan Galbraith ¹⁾	-	-
Thomas von Planta ²⁾	1	-

¹⁾ Member since March 2021, Susan Galbraith until July 2, 2021

²⁾ Member until March 2021

5.6 Directors' dealings

BB Biotech AG publishes each purchase/sale of BB Biotech AG stocks by members of the Board of Directors as well as by first-degree relatives of such persons within three trading days. This information is made available for 30 days on the website in the section «[Corporate Governance/Directors' dealings](#)».

6. Investment management

BB Biotech AG does not have an internal management. The Board of Directors of BB Biotech AG has – as it is customary for investment companies – delegated the investment management based on the investment management agreement to Bellevue Asset Management AG, domiciled in Küsnacht, Switzerland. Bellevue Asset Management AG offers a select range of active equity strategies in fast-growing markets, the healthcare sector and in other special themes such as owner-managed companies, as well as holistic investment strategies across all traditional asset classes.

The supervision of Bellevue Asset Management AG acting as external investment manager and its adherence to the investment policy remains with the Board of Directors of BB Biotech AG as a non-transferable duty. The investment management contract is valid for an indefinite period and can be terminated by either party with a notice period of twelve months with effect as per the end of the following calendar year. Bellevue Asset Management AG has a team of dedicated experts and analysts to fulfill the duties of the investment management contract. The [investment strategy](#) is disclosed in the annual report.

Since January 1, 2014, the remuneration paid to the investment manager has been based upon a 1.1% p.a. all-in fee on the average market capitalization without any additional fixed or performance-based elements of compensation, which is paid on a monthly basis. The amount is disclosed in [note 8 to the consolidated financial statements](#).

The Board of Directors approves on a yearly basis that an adequate portion of the fees shall be used for incentives and remuneration of those people at Bellevue Asset Management AG who are assigned with tasks under the investment management and administrative agreements.

In order to align the interests between shareholders of BB Biotech AG and these assigned people at Bellevue Asset Management AG, a long-term incentive plan is in place. Pay-out after three years depends on the performance of the share price of BB Biotech AG vs. performance criteria (absolute return, local benchmark, industry benchmark) and can vary between 0% and 100%.

7. Remuneration

See [note 8 to the consolidated financial statements](#) as well as the [remuneration report](#) hereinafter for details relating to the remuneration of the Board of Directors and the process of determining its remuneration.

The rules governing the approval by the General Meeting of the remuneration of the members of the Board of Directors as well as the principles governing the remuneration of the members of the Board of Directors can be found in articles 19–21 of the articles of incorporation of the Company. The articles of incorporation do not contain any provision with respect to loans, credits and pension benefits to the members of the Board of Directors. The articles of incorporation are available for download [here](#).

8. Shareholders' participation rights

8.1 Limitations to voting rights; voting by proxy

There are no limitations to voting rights and no internal rules that deviate from the statutory provisions concerning attendance of a General Meeting. The articles of incorporation do not contain any provision with respect to the issuance of directives to the independent voting rights representative or to the electronic participation at a General Meeting. Shareholders may be represented by the independent voting rights representative, their legal representative or, with written proxy, another shareholder of BB Biotech AG.

8.2 General Meeting

The articles of incorporation of the Company do not stipulate any majority requirements for the General Meeting that differ from the requirements set out by Swiss corporate law. The rules for the convention of a General Meeting by the shareholders stipulated by [article 6](#) of the articles of incorporation of the Company do not differ from the rules set out by Swiss corporate law. Shareholders, who alone or together with other shareholders represent BB Biotech AG shares with a nominal value of at least CHF 1 million or at least 10% of the share capital of BB Biotech AG may request that an item be put on the agenda by indicating the matter and the motion(s). Such requests must be made in writing within 45 days prior to the General Meeting (see [article 7](#) of the articles of incorporation of the Company).

8.3 Registration in the share register

The share register is closed approximately five working days before the date of the General Meeting for administrative reasons. The Board of Directors will communicate the exact date in the invitation to the relevant General Meeting. Shareholders and beneficiaries who are registered in the share register before such date are entitled to vote at the General Meeting (if registered with voting rights). The BB Biotech AG shares can be traded at any time and are not blocked.

8.4 Dividend policy

Since 2013, BB Biotech AG has a structured payout policy in place designed to give shareholders a return of up to 10% p.a. It consists of the following elements:

BB Biotech AG intends to continue to propose dividend payments that correspond to a 5% return on the volume weighted average price of its shares in December of the respective fiscal year. The dividend is normally paid out in one installment after the annual General Meeting in March each year. Besides the attractive dividend yield, BB Biotech AG is also conducting continuous share buybacks between 0 and up to 5% of share capital p.a. Share repurchases will be conducted within defined parameters.

9. Change-of-control and defensive measures

9.1 Obligatory offer for sale

An opting-out rule is in place.

9.2 Change-of-control clauses

No change-of-control clauses are in place in favor of the Board of Directors.

10. Audits

10.1 Duration of mandate and term of office of the lead auditor

Since the fiscal year 1994, PricewaterhouseCoopers AG has been the auditor of BB Biotech AG. As required by Swiss law, lead auditor rotation applies after maximal seven years. The current lead auditor, Philippe Bingert, has been responsible for the audit of the Company's books since the fiscal year 2021.

10.2 Fees

The following fees for professional services in the fiscal year ended December 31, 2021, were agreed and paid:

- Fees for the annual audit and quarterly review of the financial statements: CHF 120 000

10.3 Instruments of information of the external audit

The Audit Committee prepares proposals to the Board of Directors for the appointment and removal of the auditors. The Audit Committee is also responsible for supervising the auditors to ensure their qualifications, independence and performance. The investment manager and the auditors are at least quarterly in contact with each other. The auditor performs reviews on quarterly consolidated financial statements and issues respective opinions.

The auditors attend at least two Audit Committee meetings per year. Written reporting of the auditor consists of an annual audit plan as well as a comprehensive report to the Board of Directors on the result of the audit of the financial statements.

10.4 Rotation of the auditors

In July 2021, a call for tender was issued for BB Biotech's AG audit engagement. Since incorporation of the Company, PricewaterhouseCoopers AG has been the auditor of BB Biotech AG. The audit tender was triggered by corporate governance considerations and was not related to the performance of the current auditors.

All important aspects of the tender, including the selection of audit firms invited to bid, the nature and extent of the information exchange with participating firms, as well as the evaluation criteria and the evaluation process, were determined by the Audit Committee. The entire process was subject to the supervision of the Audit Committee during the execution of the tender.

In advance of the request for proposal, the Audit Committee conducted a review to ensure the impartiality of all persons who would be involved in the process. In assessing the bids of the participating audit firms, a structured approach was adopted based on an objective set of criteria, which was communicated to the participating audit firms at the beginning of the tender process in order to create transparency regarding the evaluation and assessment process.

Upon completion of the assessment, the Audit Committee recommended to the Board of Directors, which approved this recommendation, that Deloitte AG be proposed as the new auditors at the Annual General Meeting in March 2022. The appointment is to take effect for the fiscal year ending December 31, 2022, and is subject to the approval of the General Meeting.

11. Trading in own securities

BB Biotech AG operates, in line with legal and internal regulations, as an active purchaser/seller of own securities on the market, securing additional liquidity in the process.

12. Information policy

BB Biotech AG is committed to communicate with its shareholders and the capital markets in a transparent, consistent and timely manner. Official notices of BB Biotech AG are published in the Swiss Official Gazette of Commerce («Schweizerisches Handelsamtsblatt»). Invitations to General Meetings of BB Biotech AG and communications to shareholders of BB Biotech AG are sent by mail to the address recorded in the shareholders' register.

BB Biotech AG provides information on its quarterly and annual results in the form of quarterly and annual reports (in printed and/or electronic form) and through media events and media releases. The latest publication dates are available on the [website](#) of BB Biotech AG in German, English and Italian. In addition, BB Biotech AG informs on key company news during the financial year whenever relevant for the shareholders and the capital markets and publishes price-sensitive information timely and in accordance with the applicable ad hoc publicity rules of the SIX Swiss Exchange. All announcements, official notices, reports, investor updates, presentations, media releases, media articles, and other documents published dating back to the last three years are available on the [website](#) of BB Biotech AG or can be ordered by e-mail at info@bbbiotech.ch. Interested parties may subscribe for the automatic alerting service [here](#).

The contact address of Investor Relations is:

BB Biotech AG
Schwertstrasse 6
8200 Schaffhausen/Switzerland
Phone: +41 52 624 08 45
E-mail: info@bbbiotech.ch

Further information and details of contact persons are available on the website of BB Biotech AG at www.bbbiotech.ch. Please refer also to «[Shareholder information](#)».

13. Trading blackout periods

BB Biotech AG has defined recurring trading blackout periods, during which BB Biotech AG, the members of its Board of Directors, employees of Bellevue Asset Management AG to whom BB Biotech AG has delegated the investment management as well as related parties are prohibited from trading in securities of BB Biotech AG and/or related financial instruments, subject to exemptions provided by Swiss law (e.g., for share buyback programs). The recurring trading blackout periods begin at least 30 days before the publication of the annual or interim financial statements and end on the day of their publication. The exact dates are communicated by Bellevue Asset Management AG's Legal & Compliance team on behalf of BB Biotech AG to all persons involved. BB Biotech AG may impose additional (ad hoc) trading blackout periods at any time for any reason.

Remuneration Report

Remuneration Report	75–81
Introduction	76
1. Responsibilities and authorities with respect to remuneration	76
2. Remuneration of the members of the Board of Directors	77
3. Remuneration of related parties at non-market conditions (audited)	79
4. Remuneration of former members of the corporate bodies (audited)	79
5. Loans and credits to the members of the Board of Directors (audited)	79
6. Contractual terms at retirement from BB Biotech AG	79
7. Management contracts	79
Report on the audit of the Remuneration report	80

Remuneration Report

This remuneration report for the fiscal year 2021 outlines the remuneration system as well as the remuneration of the members of the Board of Directors of BB Biotech AG. The content and scope of the information contained in this report is in accordance with the provisions of the Ordinance Against Excessive Compensation in Public Corporations (the Ordinance) and with the Directive on Information relating to Corporate Governance (DCG) of the SIX Swiss Exchange.

1. Responsibilities and authorities with respect to remuneration

1.1 Introductory remarks relating to the specific structure of BB Biotech AG as an investment company

The Board of Directors of BB Biotech AG has not made use of its competence to delegate the executive management of all or part of the Company's business pursuant to article 716b CO and therefore manages the business of the Company itself, to the extent it has not been delegated to Bellevue Asset Management AG as investment manager and administrator within the framework of the management contract. Accordingly, BB Biotech AG does not have an executive management pursuant to article 716b CO or the Ordinance.

For details, please refer to [note 7](#).

1.2 Responsibilities and authorities with respect to the remuneration

The Remuneration and Nomination Committee is responsible for ensuring that the process relating to the determination of the remuneration is held on a fair and transparent basis and that such process is controlled effectively. The adopted remuneration process shall serve as a basis for an adequate decision with respect to services rendered as well as an appropriate incentive to the individual members of the Board of Directors, taking into account the long-term interests of the shareholders and the Company's success. In addition, the Remuneration and Nomination Committee assists the Board of Directors in determining the principles of the remuneration strategy of BB Biotech AG.

The Remuneration and Nomination Committee submits proposals to the Board of Directors for resolution in the following areas:

- Amount and composition of the aggregate remuneration of the Board of Directors;
- Amount and composition of the remuneration of the Chairman of the Board of Directors;
- Amount and composition of the remuneration of the Vice-Chairman as well as the other members of the Board of Directors;
- Amount and composition of the additional remuneration of the members of a Board of Directors Committee.

Furthermore, the Remuneration and Nomination Committee assists the Board of Directors in resolving on conclusion, termination, or amendment of contracts entered into with external asset managers and thus in particular on the amount of the compensation to be paid under the respective contracts.

2. Remuneration of the members of the Board of Directors

2.1 Principles

The remuneration of the members of the Board of Directors is based on the scope of activity and responsibility of the individual members (Chairman of the Board of Directors, Vice-Chairman of the Board of Directors, member of the Board of Directors; involvement in committees: chairmanship of a committee, member of a committee).

The remuneration of the Board of Directors consists of the following elements:

- Fixed remuneration (disbursement by cash compensation);
- Social insurance contributions and duties.

The limitation to a fixed remuneration ensures that the focus of the Board of Directors lies on the long-term success of BB Biotech AG. Its amount takes account of the workload and responsibility of the individual members of the Board of Directors. Therefore, the remuneration of the Board of Directors has been separated from the compensation of the investment manager; thus, the Board of Directors does not have an incentive to take excessively high risks.

Upon request of the Remuneration and Nomination Committee, the entire Board of Directors resolves once a year on the amount of the remuneration of the members of the Board of Directors and the committees.

The Board of Directors had determined the fixed remuneration of its members (as a member of the Board of Directors or a committee) as follows:

Function/Responsibility	2021 in CHF	2020 in CHF
Chairman	360 000	360 000
Vice-Chairman	250 000	250 000
Members	625 000	562 500
Chairman of the Remuneration and Nomination Committee	15 000	15 000
Member of the Remuneration and Nomination Committee	12 500	10 000
Chairman of the Audit Committee	15 000	15 000
Member of the Audit Committee	10 000	10 000
	1 287 500	1 222 500

2.2 Remuneration of the individual members of the Board of Directors in the reporting year (audited)

In the reporting year 2021, the five members of the Board of Directors received a total remuneration of CHF 1 332 853 (2020: CHF 1 272 316). From this amount, CHF 1 287 500 (2020: CHF 1 222 500) have been paid in the form of a fixed remuneration for the work on the Board of Directors and on the committees of the Board of Directors. The social insurance contributions and the duties amounted to a total of CHF 45 353 (2020: CHF 49 816).

The individual members of the Board of Directors were paid the following remuneration:

Fiscal year 2021

Name/Function	RNC ¹⁾	AC ²⁾	Period	Fixed remuneration	Committee remuneration	Social insurance contributions and duties	Total
Hunziker Erich, Chairman			01.01.2021 – 31.12.2021	360 000	–	24 086	384 086
Meanwell Clive, Vice-Chairman	X	X	01.01.2021 – 31.12.2021	250 000	25 000	–	275 000
Galbraith Susan, Member	X		01.01.2021 – 02.07.2021	125 000	2 500	–	127 500
Krogsgaard Thomsen Mads, Member	X		01.01.2021 – 31.12.2021	250 000	7 500	–	257 500
von Planta Thomas, Member	X	X	01.01.2021 – 31.12.2021	250 000	17 500	21 267	288 767

¹ RNC = Remuneration and Nomination Committee (Thomas von Planta until March 18, 2021, Susan Galbraith from March 18, 2021 until July 2, 2021, Mads Krogsgaard Thomsen from March 18, 2021)

² AC = Audit Committee

Fiscal year 2020

Name/Function	RNC ¹⁾	AC ²⁾	Period	Fixed remuneration	Committee remuneration	Social insurance contributions and duties	Total
Hunziker Erich, Chairman			01.01.2020 – 31.12.2020	360 000	–	23 995	383 995
Meanwell Clive, Vice-Chairman	X	X	01.01.2020 – 31.12.2020	250 000	25 000	–	275 000
Galbraith Susan, Member			01.10.2020 – 31.12.2020	62 500	–	–	62 500
Krogsgaard Thomsen Mads, Member			19.03.2020 – 31.12.2020	187 500	–	–	187 500
Strein Klaus, Member	X		01.01.2020 – 19.03.2020	62 500	2 500	4 251	69 251
von Planta Thomas, Member	X	X	01.01.2020 – 31.12.2020	250 000	22 500	21 570	294 070

¹ RNC = Remuneration and Nomination Committee (Klaus Strein until March 19, 2020, Thomas von Planta from March 19, 2020)

² AC = Audit Committee

3. Remuneration of related parties at non-market conditions (audited)

In the reporting year 2021, no remuneration which was not at arm's length terms was paid to related parties (2020: none).

4. Remuneration of former members of the corporate bodies (audited)

In the reporting year 2021, no remuneration was paid to former members of the corporate bodies (2020: none).

5. Loans and credits to the members of the Board of Directors (audited)

The articles of incorporation of BB Biotech AG do not provide that loans and credits may be granted to the members of the Board of Directors. Accordingly, no loans or credits which BB Biotech AG has granted to current or former members of the Board of Directors or to related parties were outstanding as of December 31, 2021 (December 31, 2020: none).

6. Contractual terms at retirement from BB Biotech AG

No member of the Board of Directors has a contract with BB Biotech AG providing for a severance payment in the event of leaving BB Biotech AG.

7. Management contracts

On behalf of the Company, the Board of Directors has entered into a management contract with Bellevue Asset Management AG (investment manager). In this contract, the investment manager commits to carry out management services relating to the investment activity and management of BB Biotech AG. The management contract is valid for an indefinite period and can be terminated by either party with a notice period of twelve months with effect as per the end of the following calendar year. The remuneration of the investment manager is determined by the respective contract and corresponds to a fixed fee of 1.1% p.a. on the average market capitalization without any additional fixed or performance-based elements.

Report on the audit of the Remuneration report

Report of the statutory auditor to the General Meeting of BB Biotech AG

We have audited the remuneration report of BB Biotech AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in notes 2.2, 3, 4 and 5 of the remuneration report.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

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

PricewaterhouseCoopers AG

Philippe Bingert

Audit expert
Auditor in charge

Roland Holl

Audit expert

Zurich, 16 February 2022

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Phone: +41 58 792 44 00, Fax: +41 58 792 44 10, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

ESG

ESG	82–106
Foreword	83
Materiality analysis	85
Sustainability at Board of Directors level	87
Sustainability at Investment Manager level	89
Sustainability at BB Biotech AG's portfolio level	102


Foreword

BB Biotech's focus has always been, and will remain, on investments in the biotechnology sector. These investments are actively managed to create long-term sustainable performance for BB Biotech's shareholders.


Taking environmental, social and governance («ESG») factors into consideration is an integral part of BB Biotech's investment approach. The investment process evaluates ESG in the context of risk and opportunities as a core part of the due diligence procedure that underpins every investment decision. To our mind, the most important ESG aspect of the medical development process is the potential positive impact novel therapeutics can have on society: the aspiration of the biotech companies in which we invest is to develop drugs that address unmet medical needs.

With all of BB Biotech's investments focusing on biotechnology as a subsector of the healthcare industry, the UN's Sustainable Development Goal number 3: «Good Health and Well-being», is at the core of BB Biotech's investment strategy and our portfolio companies. Providing companies with capital and engagement as long-term shareholder, in order to allow for drug development to ensure and improve healthy lives and promote well-being is at the core of BB Biotech. Therapies that address unmet medical needs, for example of patients suffering from rare disorders, cancer, neurological diseases and chronic cardiovascular and metabolic disorders, are a key investment selection criterion. Investing in development stage companies with innovative products and leading technology often means an initial limited access followed by a broad and equitable access over time.

The goal is to improve the patient's quality of life, ideally curing the disease, with the treatment making a substantial and important positive difference to patients and being a relief to healthcare systems more generally. Since its inception in 1993, BB Biotech's portfolio companies have developed a number of products that radically changed the way a disease is treated. Drug development is one of the most heavily regulated industries in the world. In order to become a successful biotech company, high governance standards are key at all levels, from pre-clinical research, developing, managing and advancing clinical development programs, manufacturing drugs and making drugs accessible to the healthcare system and patients.



Since its inception in 1993, BB Biotech's portfolio companies have developed a number of products that radically changed the way a disease is treated.



The Board of Directors of BB Biotech AG is aware that our activities inevitably have direct or indirect consequences on environmental, social and corporate governance issues and that these consequences are our responsibility. In order to improve our governance structure in terms of sustainability, the Board of Directors has decided to introduce a 'Sustainability and Governance Committee'. Engagement with both the portfolio companies as well as the

investment manager (Bellevue Asset Management AG) have always been an integral part of the board of director's responsibilities. Bellevue Asset Management is committed to the assessment and management of ESG factors as a core principle. It is a signatory to the UN PRI and, as such, is committed to report publicly its ESG strategy and results. It has a clear and transparent ESG policy in place that all employees must adhere to and which defines corporate practices for environmental, social and governance subjects at all levels of the organization. This publicly available ESG policy also sets standards in regard to equality and the promotion of employee well-being and includes our guiding principles for employee incentive plans. Bellevue Asset Management reviews all of BB Biotech's investments systematically for sustainability risks and breaches of elementary human rights (as defined, for example, by UN Global Compact principles). The investment process thereby encompasses clearly defined ESG investment guidelines which are compliant with Art. 8 EU SFDR 2019/2088 rules as well as recommendations of Asset Management Association Switzerland (AMAS) and Swiss Sustainable Finance (SSF).



Dr. Erich Hunziker
Chairman of the Board

Materiality analysis

The materiality analysis supports the Board of Directors of BB Biotech AG to identify key sustainability issues by considering the expectations and needs of external and internal stakeholders. Results are used to continuously improve the sustainability management. The materiality matrix forms the basis for managing corporate processes and helps to identify and manage potential opportunities and risks.

Methodology

In order to develop the materiality assessment, BB Biotech considers the needs and expectations of the following stakeholders:

- Shareholders (professional and retail investors)
- Portfolio companies
- Employees of Bellevue Asset Management
- Stakeholders of the healthcare systems

The ESG analysis team at the investment manager, has mapped out the firm’s direct stakeholders and the channels through which the firm engages with each group and feedback about sustainability issues was collected from each stakeholder group. Based on this information, topics for the materiality assessment have been identified. In addition, the topics to the degree to which the Board of Directors of BB Biotech AG and Bellevue Asset Management has control over have been evaluated.

The materiality assessment was performed for BB Biotech AG (Board of Director level), the investment manager Bellevue Asset Management AG and at BB Biotech’s portfolio level.

BB Biotech AG’s materiality topics 2021

	Material issues	Relevance*	Stakeholders	Definition and scope
Board of Directors Level	Good business practices and Governance		Shareholders, employees of Bellevue Asset Management	Operational structure / governance framework / clear expectations towards the investment manager and administrator with respect to their corporate culture / values / company purpose / reputation
	Diversity and inclusion		Shareholders	Strategy committed to gender diversity; inclusive meeting culture in the Board of Directors
	Human rights		Shareholders, portfolio companies	Fair working conditions; no child labor, no forced labor / human rights aspects in supply chain and business relations
	Investment strategy		portfolio companies	Consideration of all ESG dimensions in the definition of the investment guidelines

	Material topic	Relevance*	Stakeholders	Definition and scope
Investment Manager Level	Company culture and values		Shareholders, employees of Bellevue Asset Management	Corporate culture / values / company purpose / reputation / trust
	Corporate Governance and Risk Management		Shareholders, employees of Bellevue Asset Management	Operational structure / governance framework / management team / compliance with regulations / prevention of market abuse / prevention of conflicts of interest / anti-corruption and anti-bribery / anti-money laundering and terrorist financing / tax compliance
	Working culture and compensation		Shareholders, employees of Bellevue Asset Management	Diversity and inclusion / non-discrimination / health and safety / work-life balance / responsible approach to compensation
	Talent and human capital		Shareholders, employees of Bellevue Asset Management	Training and skills management / attracting and retaining talent / health and safety / work-life balance
	Financial performance		Shareholders, employees of Bellevue Asset Management	Sustainable investment performance / sustainable financial returns
	Climate action		Shareholders, employees of Bellevue Asset Management	Reducing the carbon footprint of own operations / climate-related disclosure
	Digitalization & cybersecurity		Shareholders, employees of Bellevue Asset Management	Digitalization of the working environment, automation of repetitive and error-prone tasks, big data analysis / data protection

	Material topic	Relevance*	Stakeholders	Definition and scope
Portfolio Level	Responsible Investment		Shareholders, portfolio companies, stakeholders of the healthcare system	Integration of environmental, social and governance (ESG) factors throughout the investment process / ESG risk mitigation and value creation / ESG engagement
	Engagement and stewardship		Shareholders, portfolio companies, stakeholders of the healthcare system	Direct dialogue and involvement with portfolio companies / proxy voting
	Digitalization / AI		Shareholders, portfolio companies, stakeholders of the healthcare system	Artificial intelligence / machine learning / new technologies
	Talent and human capital		Shareholders, portfolio companies, stakeholders of the healthcare system	Talent management at portfolio companies

* Relevance: on a scale from 1–10; 1 being the least relevant and 10 the most relevant

Sustainability at Board of Directors level

BB Biotech AG is a listed investment company and thus subject to supervision and regulation by the SIX Swiss Exchange. As an investment company, its sole purpose is to manage the company's assets on behalf of its investors. Sustainability at the Board of Directors level focuses primarily on the investment strategy, the organization of the group and the guidelines and instructions to the investment manager. BB Biotech AG's Board of Directors considers good business practices, a binding policy for the investment company and social issues to be indispensable success factors.

Good business practice & Governance

It is of significant importance to BB Biotech that the internal processes of the company itself as well as those delegated to Bellevue Asset Management drive good business practices with respect to compliance with laws and regulations, data protection as well as distribution and interaction with stakeholders. The Board is aware that activities will inevitably have direct or indirect consequences on environmental, social and corporate governance issues and that these consequences are their responsibility.

Corporate governance is an integral component to the business of BB Biotech AG (the Company). The Board of Directors is committed to implement corporate governance policies which are aligned with the size and complexity of the Company's activities. We ensure transparency for our shareholders by disclosing the articles of incorporation, the organizational regulations as well as Audit Committee Charter and Remuneration and Nomination Committee Charter on our website. The Corporate Governance report is intended to supplement the annual report with regards to corporate governance policies and implementation of these policies in our business. As BB Biotech AG is listed on the Swiss, German, and Italian stock exchanges, the Company is required to comply with the rules and regulations that apply to each of these markets.

Diversity and inclusion

BB Biotech's focus on having a diverse Board of Directors is key to attract members with a wide range of backgrounds, working experiences and networks, whilst ensuring that they also have the relevant experience to oversee investments in such a technical and highly regulated field as biotechnology. This diversity together with an inclusive meeting environment secures the definition of investment guidelines and monitoring of those in line with the long-term strategy of the company in the interest of the shareholders.

Human rights

BB Biotech is well aware that the Company itself and the portfolio companies it is invested in have and follow a strong human rights protection framework. All of BB Biotech's investments are systematically reviewed for sustainability risks and breaches of elementary human rights on the basis of MSCI ESG data. In case of possible flags, discussions would be immediately taken up with the portfolio companies and, if necessary, the investment reconsidered.

Investment strategy

During the investment selection process BB Biotech relies on the well-established experience of its Board of Directors and the fundamental analyses by the experienced management team of Bellevue Asset Management, with access to a network of physicians and specialists for the sectors in question. The Board of Directors considers all ESG dimensions in the definition of the investment guidelines.

Outlook

In order to improve our governance structure in terms of sustainability, the Board of Directors has decided to introduce a «Sustainability and Governance Committee». Roles and responsibilities as well as the constitution will be defined after the annual general meeting. Committee members together with a committee charter will be made public in 2022.

Sustainability at Investment Manager level

Independent – entrepreneurial – committed

This is what distinguishes Bellevue Asset Management, the delegated investment manager and administrator of BB Biotech AG. As an authorized manager of collective assets regulated by the Swiss Financial Market Supervisory Authority FINMA, Bellevue Asset Management AG is fully owned by Bellevue Group AG, an independent financial boutique listed on the SIX Swiss Exchange.

Bellevue Group AG publicly reports as follows:

We act responsibly. Strong corporate governance is just as central to this as sustainability aspects, whether at the Investment Manager level or as an integral part of portfolio management.

Independent

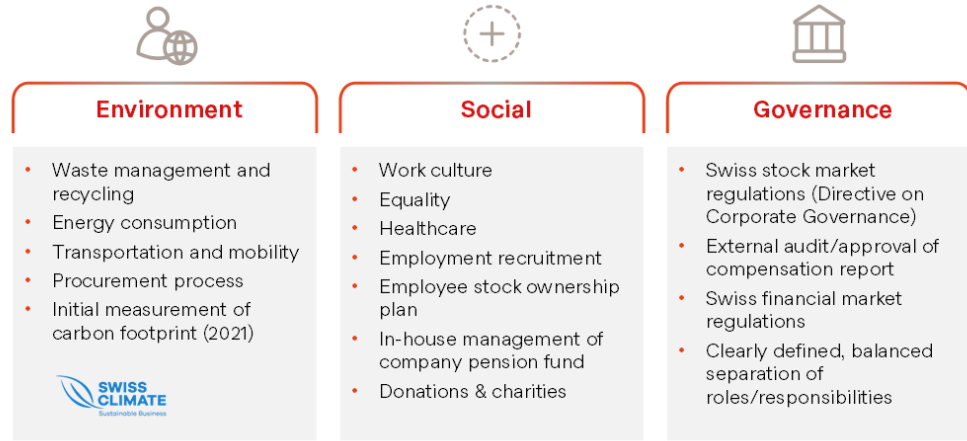
Our most important asset is our experts with top know-how. We work in small, agile teams that are characterized by a high degree of personal responsibility and short decision-making paths. The portfolio management teams are given as much freedom as possible to develop their vision and assume a high degree of personal responsibility. This autonomy enables them to act optimally and respond flexibly to customer needs. What they have in common is a set of rules anchored throughout the company with regard to sustainable corporate and investment practices.

Entrepreneurial

Full of conviction, we also actively participate in investments ourselves – and thus in the success of our customers: «We eat our own cooking.» The equality of interests with the investors promotes discipline as well as entrepreneurial thinking and acting.

Committed

We are performance-driven and passionate about pursuing common goals and believe in the power of respectful collaboration. We bring our expertise and competence to important social issues and act responsibly.



We consider good corporate practices, a binding framework for our organization, and social considerations to be indispensable success factors.

Core values

Based on our core values («independent», «entrepreneurial», «committed»), we maintain a binding framework for our organization and our employees regarding ethical, responsible and sustainable business practices. The ESG policy governs standards and behaviors related to environmental, social and governance aspects.

Environmental practices

Within the framework of our work processes, we attach importance to environmentally friendly practices and ensure this in particular with the following measures:

Energy consumption

At Bellevue Asset Management’s headquarter in Küsnacht/ZH, the building as well as the premises of our data centers are heated and cooled with natural lake water, already for almost two decades. Besides automatic control of awnings, further improvements such as energy-efficient window glass to reduce energy consumption were added a few years ago to improve the workplace’s climate regulation and energy efficiency.

When procuring power-operated equipment such as PCs, monitors, printers, etc., we make sure to use energy-efficient equipment. Increased awareness for all employees to optimize energy consumption and automatic controls switching IT components to standby mode, either individually or in groups, according to predefined time patterns are further measures to reduce energy consumption. The buildings are only lit when they are in use. We use additional energy consumers such as air conditioners or radiators only for extreme external weather conditions.

Over the weekends, the company premises are only heated to minimum levels.

Transportation and mobility

Our locations are very easy to reach by public transport. Employees are motivated to travel by public transport. The company supports this through financial support by providing a

half-fare Travelcard of Swiss public transport free of charge. Parking spaces are not subsidized and are charged at full market rates.

Due to our global investment strategies and distribution activities with employees at different locations, international contacts are important. All locations have a video conferencing infrastructure. Most of the meetings are through telephone and video conferencing as a substitute for physical meetings to limit travel. Where possible and appropriate, we substitute air travel with public transportation such as train travel and coordinate joint site visits.

The executive management board is regularly informed about the travel activities of the employees.

Procurement process

When procuring materials, furniture, food, etc., we consider local suppliers and local products wherever possible in order to reduce the environmental impact. Likewise, when selecting suppliers and service providers, their environmental practices are taken into account. When procuring furniture and other office materials, we pay attention to durability.

CO₂ neutrality

Bellevue Group was certified as a climate-neutral company by Swiss Climate in 2021. By purchasing CO₂ emission certificates in the amount of the greenhouse gas emissions emitted annually (263t), we support projects that save the same amount of emissions. Bellevue Group has selected a project focusing on «Climate protection and sustainable management in the Swiss forest» for climate neutrality in 2021. The project ensures CO₂ storage and sustainable management of 7 279 hectares of forest in the canton of Schwyz. This protects the climate, preserves biodiversity in the Swiss forest and enables the production of energy wood for renewable energy production. As part of the certification, Bellevue Group has set a reduction target of 30% of emissions per FTE by 2030. The CO₂ emissions in 2020 adjusted for COVID-19 effects serve as a basis.

Waste management and recycling

Systems are in place at all sites to collect and recycle a wide range of materials, including cardboard, PET, glass, paper, batteries and IT equipment. We separate waste and dispose of it properly. We take care at the procurement stage to avoid excessive waste or other unnecessary environmental impact (e.g. use of washable dishes instead of disposable cups/plates). In addition, water filtering devices are installed to reduce PET bottle consumption. Paper consumption is a significant resource for a service company. We take appropriate measures to ensure that paper consumption is constantly reduced and can be replaced by other means (e.g. customer presentations on notebooks/tablets instead of printed handouts, video calls for customer meetings, annual reports printed on FSC paper, shipping only on request). Print programs are initialized so that printouts are two-page and black and white by default.

Environmental indicators

The environmental indicators were determined for the first time in 2021 for the 2020 financial year. In the future, the updated values will be published with the semi-annual financial statements for the following year.

Emissions

Total emissions (in t CO ₂)	2020
CO ₂ -emissions scope 1	32.3
CO ₂ -emissions scope 2	44.3
Co ₂ -emissions scope 3	186.4
Total CO ₂ -emissions	262.9
CO ₂ -emissions/full-time position	2.7
Scope 1: Direct greenhouse gas emissions	
Scope 2: Indirect energy-related greenhouse gas emissions	
Scope 3: Energy supply (energy-related emissions not received in scope 1 or 2); business travel (external vehicles), commuting, IT equipment, paper, print jobs, waste, water	

Total emissions at a glance

In the future, the 2020 balance with normalized data in the categories commuter trips and business flights will be used as a reference balance to assess the efficiency of the measures implemented as part of the climate policy and to show improvements in the CO₂ balance.

Total emissions (in t CO ₂)	Base year*	2020
Business trips	505	99
Heating	58	58
Commuting	130	55
Electricity	32	32
IT equipment (computers, laptops, monitors, cell phones, phones, tablets)	14	14
Waste	2.5	2.5
Water	1.5	1.5
Paper and printing	0.9	1.2
Total emissions	744	263
Emissions Total / FTE (t CO ₂ /FTE)	7.7	2.7

* Base year: 2020 adjusted for COVID-19 effects (travel / home office).

Source: CO₂ Report for Bellevue Group AG issued by Swiss Climate AG (November 2021)

Bellevue Group's operations include four focus areas related to CO₂ emissions: Business travel, commuting, heating and electricity. These account for 93% of emissions. The effects of the measures against COVID-19 dispersion are particularly evident in business travel. Air travel and commuting account for over 85% of CO₂ emissions in a normalized year. Since air travel was limited since March 2020 and home office recommendation or duty massively reduced commuting, CO₂ emissions in 2020 are reduced by about 65% due to COVID-19. Post the pandemic, significantly more business travel is expected again.

Social practices

Employee selection

For a service company like Bellevue Asset Management, employees are the most important asset for the company's long-term success. The added value that Bellevue Asset

Management generates for its investors in managed companies and investment funds is inextricably linked to the expertise, motivation and high level of identification of its employees with the company. Accordingly, we place great emphasis on the careful selection of suitable talent. The suitability of a candidate is usually assessed over several selection stages and assessments. In addition to professional competence, soft skills, team spirit and compatibility with corporate values are also assessed. From the employees' point of view, the manageable size of the company and the resulting personal contacts are a key success factor. Criteria such as age, religion, origin and gender must not lead to discrimination.

Work culture

We maintain a strong entrepreneurial culture with flat hierarchies, a high degree of self-responsibility and flexibility with regard to working hours, workload and work location. The company organization is designed to enable employees to develop and use their respective professional talents in the best interest of the company's stakeholders, always taking into account the family and personal environment (e.g. part-time work, IT setup for home office, support for training and further education).

The respectful and responsible attitude towards employees is reflected both in the daily mutual exchange and in regular institutionalized employee appraisals. These provide the framework for personal assessment and planning of further development. We support targeted training and further education both ideally and materially, thus enabling employees to benefit from a conducive and stimulating learning environment.

Health

The health and safety of our employees and all people affected by our business activities is our top priority. As an employer, we can have a significant impact on the health of our employees through various measures and support them in remaining healthy and motivated in the long term.

We promote motivation and health through various measures. These include access to healthy food/snacks, an annual subscription to a professional medical gym and other subsidized sport activities.

All workplaces are also equipped with height-adjustable desks and sufficient natural daylight.

Every year, employees are also offered free vaccination such as against influenza or against tick borne encephalitis.

The «Bellevue Team Spirit» is promoted and strengthened by regular social events such as joint lunchtime barbecues, summer parties and skiing events in winter.

Analyzing and investing in healthcare companies is an important part of Bellevue Asset Management. Our experts regularly lecture both internally and externally on current health topics. Discussions on relevant issues (e.g. increases in diabetes due to poor diet and lack of exercise, liver diseases, etc.) stimulate awareness of health among employees.

Equality (diversity, equal opportunities and non-discrimination)

Bellevue Group provides equal employment and advancement opportunities to all individuals regardless of age, race, ethnicity, gender, sexuality, disability, religion or other characteristics. That's why we benefit from a diverse workforce: With their different perspectives and approaches, experiences, ideas and skills, employees inspire each other and learn from each other. As a result, the company gains creativity, innovation and vision to remain future-proof and agile.

We foster a culture of gender equality and promote a balanced mix of gender and age across all hierarchical levels and functions of the company. Employee compensation is periodically reviewed for unjustified differences and adjusted if necessary. The last analysis was carried out in August 2021 using the standard federal analysis tool («Logib»). No gender effect was identified.

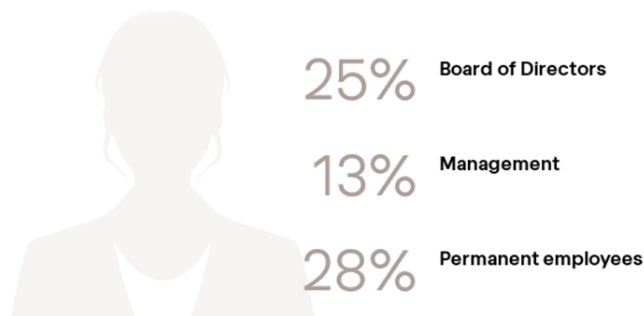
Both genders should be represented in the executive management board and on the Board of Directors. Discriminatory behavior will not be tolerated; incorrect behavior will be punished by superiors.

People indicators	2021	2020
Average length of service of employees	6.4 years	5.7 years
Average age	45 years	44.5 years
Part-time employees	22%	23%
Employee turnover	2.90%	2.60%

Source: Bellevue Group AG, as at December 31, 2021

Diversity indicators 2021

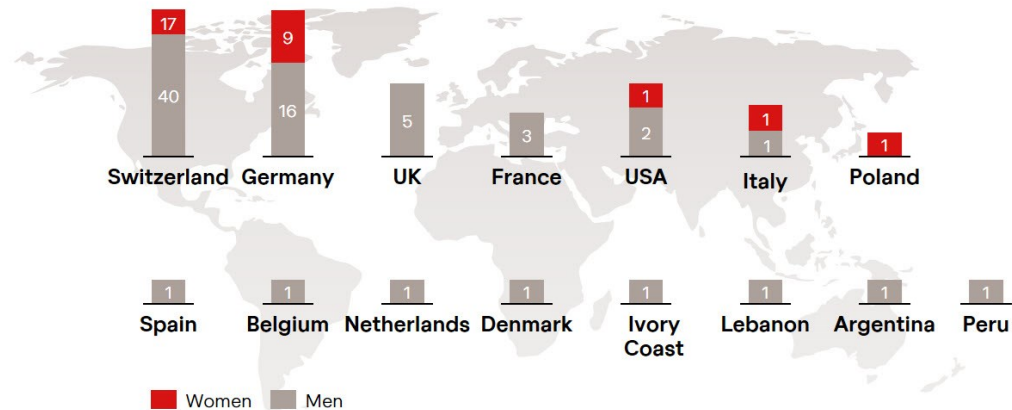
Proportion of women



Source: Bellevue Group AG, as at December 31, 2021

Gender diversity: Bellevue Group has set the goal of continuously increasing the proportion of women at all levels, particularly at senior management levels, in the company by promoting the development and retention of women.

15 nationalities



Source: Bellevue Group AG; 15 nationalities incl. dual citizenships, as at December 31, 2021

Compensation policy

In the spirit of identification with the company and the entrepreneurial activities of each employee at his or her level, we give employees across all hierarchical levels a share in the success of their own company.

Part of the variable salary components (profit-sharing) are distributed in the form of treasury shares or fund units and remain blocked for a predefined period. In this way, the interests of employees are to a large extent aligned with the interests of investors, shareholders and other stakeholders.

Furthermore, Bellevue Asset Management periodically offers an employee share ownership program under which rights to purchase Bellevue Group shares are offered at a discounted purchase price.

The compensation of Bellevue Asset Management employees is designed to motivate employees in all units to perform very well. This is «entrepreneurial compensation with commitment» – a meritocratic model. An attractive entrepreneurial profit-sharing bonus is available as variable compensation. This profit-sharing is directly linked to the operational financial performance of Bellevue Group. In addition, part of this variable profit-sharing is paid out in the form of blocked shares and commitments in managed products (credo: «We eat our own cooking»). This approach promotes a long-term performance culture. Further details and numbers are publicly disclosed in the audited annual compensation report of Bellevue Group AG.

Education and training

Lifelong learning is becoming increasingly important. We attach great importance to encouraging employees to take responsibility for their own professional development. Bellevue Group supports its employees in external training courses where this makes sense. These mainly include business-specific qualifications such as CFA, CAIA, etc. as well as language courses. Depending on the educational objective, we also participate in external training courses by releasing working hours and/or providing financial support. The cost of individual one-day seminars is covered in full by the employer. All Bellevue Group employees are regularly required to complete e-learning modules in the area of cyber security.

In the financial year 2022, ESG related KPI's and personal goals are part of the annual performance assessment for every portfolio manager.

Self-management of the pension fund

Employees' pension assets are held in a separate pension fund, managed by Bellevue Asset Management AG. Employer contributions are above the legally required minimum. Funds of the pension foundation are also invested in companies and investment funds that we manage. In this way, we underline our own convictions, which we represent to our clients and investors.

In order to succeed, we believe that our employees need to be agile and connected: Employees who depend on the use of a tablet and/or a cell phone for business purposes can, with the approval of their superiors, claim a pro-rata reimbursement for the purchase of a tablet and/or a cell phone every two years. The communication and data subscription is ordered centrally by Bellevue Asset Management. The corresponding costs are borne by the employer with a minor contribution of the employees in accordance with the expense regulations approved by the cantonal tax office.

Home office

Bellevue Asset Management, as a modern employer, allows its employees to work from home. Employees appreciate the flexibility and the fact that there is less commuting burden as well as an improved work-life balance.

Digitalization

To meet the constantly changing demands of customers and employees, internal processes are optimized and the use of new technologies is promoted. The digital transformation leads to new forms of communication, promotes transparency and efficiency, and is intended to make the entire company more agile in order to ensure its long-term competitiveness.

In the course of this, several projects and initiatives were launched: a new integrative portfolio management system offering consistent data management, reporting and risk management on one platform, a dedicated tool for the Private Market team, and the introduction of company-wide communication and working tools.

Donations and charity

Bellevue Asset Management selectively supports a number of organizations in the areas of charity, sports, culture, scientific recognition/education and society. We do this out of conviction and therefore refrain from naming most of them publicly.

Corporate practices

We see good corporate practices as a key success factor and an indispensable prerequisite for achieving strategic corporate goals and creating sustainable value for stakeholders such as customers, employees, shareholders, the interested public, the environment and society. We recognize that business activities inevitably have a direct or indirect impact on the environment, social affairs and governance, and that we are responsible for this.

As a listed company, Bellevue Group AG reports transparently on governance topics in the annual report as part of our compliance with the Corporate Governance Directive (DCG). An independently audited compensation report provides information on compensation paid to the Board of Directors and Group Management. The four-member Board of Directors is international and interdisciplinary in its composition and has in-depth expertise in various areas. An important element of corporate governance is the clearly defined, balanced distribution of responsibilities between the Board of Directors and the Group Executive

Board. The country-specific requirements of each location are taken into account. Find out more in Bellevue Group's Annual Report.

In the following, our management approach of sustainability risks and ESG integration approach are described in detail:

Transparency

In accordance with Regulation (EU) 2019/2088 of the European Parliament and the Council of the European Union of November 27, 2019 on sustainability-related disclosures in the financial services sector, Bellevue Asset Management is committed to transparency with respect to:

- Policy for managing sustainability risks,
- Adverse sustainability impacts at entity level
- Compensation policies in relation to the integration of sustainability risks
- Adverse sustainability impacts at financial portfolio level
- Promotion of environmental or social characteristics in pre-contractual disclosures,
- Sustainable investments in pre-contractual disclosures,
- Promotion of environmental or social characteristics and of sustainable investments on websites
- Promotion of environmental or social characteristics and of sustainable investments in periodic reports

Sustainability risks

«Sustainability risks» is defined in Regulation (EU) 2019/2088 of the European Parliament and of the Council of the European Union of November 27, 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation, SFDR) as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Bellevue Asset Management AG and its subsidiaries have integrated sustainability risks into the investment decision-making processes of all their actively managed strategies and associated funds with the aim of identifying, assessing and, if possible and appropriate, mitigating such risks.

While every investment strategy can be exposed to such sustainability risks to varying degrees, the projected impact of sustainability risks on the returns of the investment strategies will depend on the specific investment strategy.

More than 80% of our assets under management (as at December 31, 2021) are invested in the healthcare sector, which is characterized by lower levels of carbon emissions than the manufacturing, commodities or energy sectors and the broadly diversified global equity indices. Our focus on healthcare therefore reduces the sustainability risks.

The results of this integration and evaluation are summarized as follows:

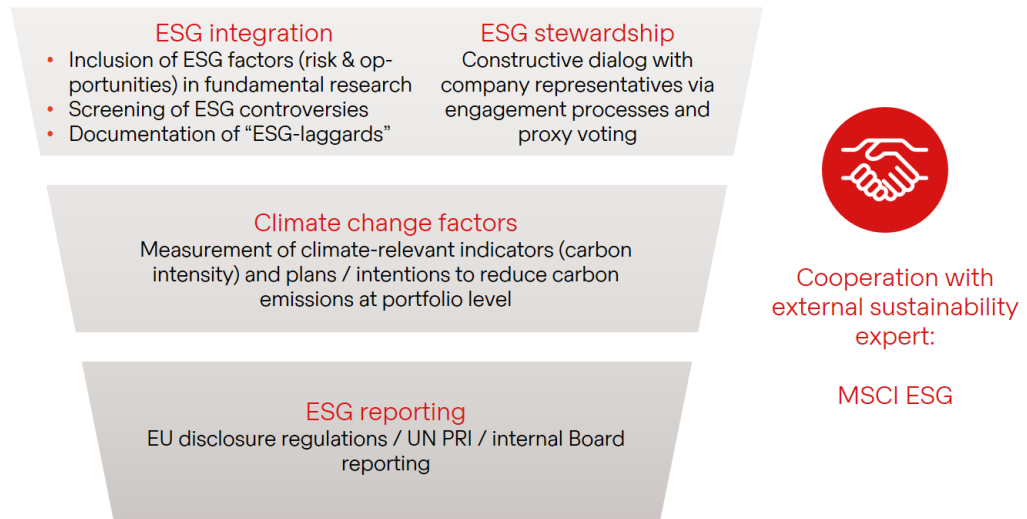
For those investment strategies that promote environmental or social characteristics in the sense of SFDR, the projected negative impact on financial returns is lower compared to «non-ESG» investment strategies. This is attributed to the risk-mitigating ESG investment strategies, their future-oriented investment approach, their emphasis on sustainable financial frameworks, their activism in dealings with companies/issuers as well as their avoidance of non-compliant companies/issuers.

All investment strategies may invest in accordance with international environmental, social and corporate governance standards (hereinafter referred to as «ESG»). The investments or

securities selected in accordance with such criteria can entail a significant subjective element. ESG factors that are integrated into the investment process may differ with respect to investment themes, investment categories, investment philosophy and the subjective application of ESG indicators that determine portfolio design and the underlying assets. Accordingly, no guarantee is made that every investment by an investment strategy will meet all of the ESG criteria.

ESG investment policy

ESG framework in portfolio management



Source: Bellevue Asset Management AG, as at December 31, 2021

The ESG investment policy of Bellevue Asset Management encompasses following key elements:

Exclusion of breaches against global norms

Bellevue Asset Management is committed to adhering to internationally recognized norms and excludes companies with serious violations of human rights, environment, labor norms and involvement in corruption. No investments may be made in companies that are implicated in serious environmental, human rights and business ethics issues. Compliance with the principles and guidelines of the UN Global Compact and the UN Guiding Principles on Business and Human Rights and with the standards and rights of the International Labor Organization serves as an indicator in such cases. Bellevue Asset Management AG also systematically excludes investments in companies associated with controversial weapons.

Value-based exclusions

In contrast to exclusions based on violations of global principles and standards, norms-based exclusions are based on social, ethical or moral values. Companies with business activities in areas that are considered controversial according to prevailing social views will be excluded from Bellevue Asset Management’s investment universe. With respect to ethically and morally controversial business areas, no investments will be made in companies whose sales in such areas exceed the following thresholds relative to total revenues, which have been defined in accordance with generally recognized tolerance levels.

Business area	Revenue threshold
Controversial weapons	0%
Conventional weapons	10%
Thermal coal	5%
Fracking/oil sands	5%
Production of tobacco	5%
Sale of tobacco	20%
Pornography	5%
Gambling	5%
Palm oil	5%

Company affiliations with animal experiments, medical genetic engineering and embryonic stem cell research may also fall into this category. As a healthcare investment specialist, Bellevue Asset Management applies a nuanced approach in this respect. Their healthcare strategies accommodate generally recognized principles where possible. They categorically rule out investments in companies associated with illegal activities, an example of which would be intervention in the human genome for cloning purposes. However, nowhere in the world can medical products be approved without animal testing, even today. Their healthcare experts prioritize compliance with humane animal research principles in line with the principle of the 3Rs: Replace, Reduce and Refine.

ESG integration

Bellevue Asset Management's investment process also entails – in addition to its conventional investment research – an «ESG integration approach», which refers to the sub-categories Environment («E»), Social («S») and Governance («G»). The Environment sub-category focused on aspects such as whether a company systematically measures its carbon footprint and discloses the related data. The Social sub-category covers aspects such as product quality, data privacy policies and human capital development. Examples of Governance issues are board independence, board compensation and corporate ethics.

Based on the premise that sustainability risks can have a negative impact on returns, the aim of ESG integration is to identify and address such risks within the scope of the investment process. The data gained through ESG screening is also used by the asset manager to anticipate new developments with respect to sustainability and to incorporate these findings into its investment decisions.

A system of ESG ratings forms the basis by which sustainability criteria are integrated into the asset manager's investment decision process. Every issuer of securities in its investment universe is assigned an ESG rating based on various sub-scores. These sub-scores are based on data from MSCI ESG, if available. Any data gaps or objective misjudgments resulting from shortcomings in the ESG rating methodology are addressed to the best of the asset manager's knowledge and ability through in-house evaluations based on fundamental research or by referencing other data sources (e.g. Bloomberg).

Subsequently, the relevant ESG factors for an industry or individual company, examples of which are product quality, data privacy, human capital development and corporate ethics, are qualitatively integrated into the regular fundamental research process, in which metrics such as valuation multiples, sales growth rates, profit margins and competitive positions are examined, and thus help the asset manager to make sound security selection and portfolio weighting decisions.

Most ESG rating methods are based on a predefined systematic approach, although this does not always result in an objective or «fair» assessment of a company's ESG risks. In fact, such methods often systematically disadvantage start-ups and small-cap companies relative

to large-cap companies. A lack of manpower and experience in handling ESG issues can result in a company being underrated, and the rating methodology used might not be equally applicable to every company in a given sector. In the biotech industry, for instance, early stage companies still in the drug research and development stage may be systematically underrated because they are not yet generating (much) revenue from the sale of medicines, which naturally puts them at a disadvantage versus established healthcare giants in the highly weighted «access to healthcare» criterion. It is also not unusual for a newly listed company to have a weaker ESG rating, simply because the ESG data available is still insufficient. That is why Bellevue Asset Management's portfolio managers always take a closer look at ostensible «ESG laggards» and reach out to the ESG specialists at its external ESG research providers and at the companies with lagging ESG ratings.

Bellevue Asset Management does not apply a «best-in-class» approach for the reasons mentioned above, unless otherwise dictated by a specific investment strategy.

ESG stewardship

Portfolio managers are engaged in an active and constructive dialog with the executives and other relevant stakeholders of portfolio companies on environmental, social and governance issues. If there are any indications of a significant controversy related to ESG issues before a company representative is contacted, the portfolio managers constructively discuss the issue with the company and document subsequent developments (e.g., change in strategy or processes, improvement of ESG rating) over time. Engagement will be undertaken taking into account materiality and proportionality considerations. The level of engagement can vary depending on the size of the position held by an investment strategy, the market capitalization of the company, the stage of corporate development an entity is in and other factors. Written records of ESG engagement activities are maintained as part of the regular documentation of conversations with company representatives. Individual case studies may be suitable for external publication and thus for distribution to a wider audience.

Bellevue Asset Management also protects the long-term interests of its investors by making active use of its voting rights at the general meetings of shareholders of the companies in its portfolios via proxy voting. Voting guidelines issued by third parties, for example by independent sustainability and voting rights organizations, can be taken into consideration. Bellevue Asset Management is under no obligation to take such guidelines or recommendations into consideration. It may go against the voting recommendations of third parties if it determines that these are not in the best interests of the investors.

Bellevue Asset Management actively exercises its voting rights as a rule.

It generally votes in line with the recommendations of company boards regarding agenda items that will not have a material impact on the long-term development of the company in question. Agenda items that we believe could have a material impact on the long-term development of the company will be examined in detail before deciding how to vote. Below are typical examples of such items:

- Mergers and acquisitions
- Divestment of business units
- Changes in capital structure or outstanding voting rights
- Corporate governance matters (acquisitions, restructuring projects, etc.)
- Compensation and incentive schemes
- Board composition

The responsible portfolio managers will conduct this analysis. The analysis is based on the currently available information from various sources, for example, analyst reports or media releases and other reports published by the company itself.

Voting rights can be exercised directly through active participation in a general meeting; via an online voting platform (e.g., Broadridge or ISS) or through one or several representatives/proxy advisory firms.

Climate change factors

Bellevue Asset Management endorses the goals of the Paris climate agreement adopted in December 2015 and supports measures to mitigate global warming. Considerable importance is attached to green investment portfolios which can help to achieve the climate goals of the Paris Agreement. Carbon intensity (tons of carbon emitted per USD 1 mn of revenues) is measured regularly at portfolio level and scored based on the relevant investment universe or fund benchmark. It should also be noted that more than 80% of our assets under management (as at December 31, 2021) are invested in the healthcare sector, which is characterized by lower levels of carbon emissions than the manufacturing, commodities or energy sectors and the broadly diversified global equity indices.

UN PRI Signatory and sustainability labels

Our commitment to sustainability is reflected in Bellevue Asset Management AG's status as a signatory of the UN Principles for Responsible Investment (UN PRI) as of August 2019. As a responsible institutional investor, we have always been bound to act in the best interests of our stakeholders over the long run. In this role, we believe that environmental, social and corporate governance (ESG) topics will have a growing impact on the risk-return profiles of investment portfolios and on their performance. We acknowledge that adherence to these basic ESG principles will lead to a better alignment between investor interests and the broader aims and interests of society.

Bellevue Asset Management has also been awarded the Austrian Ecolabel for its Bellevue Sustainable Healthcare (Lux) Fund every year since 2018 and was awarded an FNG label for its Bellevue Sustainable Entrepreneur Europe (Lux) Fund in 2021. Both funds are also signatories to the Eurosif Transparency Code for sustainable investment products, which reflects the asset manager's strong commitment to high levels of transparency with respect to sustainability within the investment process.

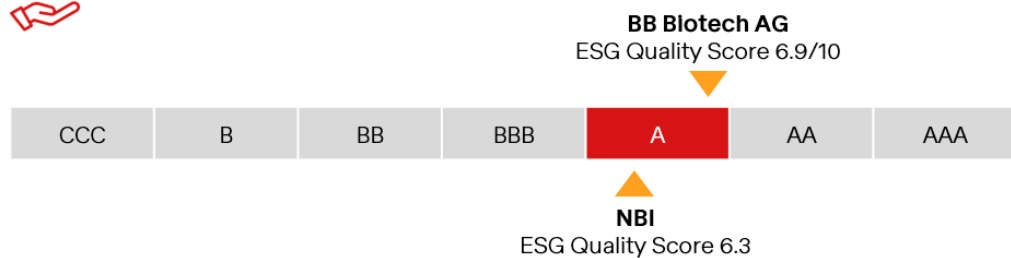
Sustainability at BB Biotech AG's portfolio level

Dr. Daniel Koller, Head of Investment Team BB Biotech and member of the executive management board at Bellevue Asset Management AG comments as follows:

Our investment process fully implements Bellevue Asset Management's formal ESG investment guidelines and therewith all BB Biotech investments are systematically reviewed for sustainability risks and breaches of elementary human rights (as defined, for example, by UN Global Compact principles). Besides upholding strict exclusion criteria – such as serious controversies that violate universal norms regarding the environment, human rights or good corporate governance – environmental, social and governance factors are integrated into the fundamental analysis of every company through an ESG integration process in which the associated financial risks or opportunities are evaluated with respect to future price development. ESG ratings compiled by the global leading ESG research provider MSCI ESG Research are referenced in this process, all the while exercising the necessary prudence and, in some cases, questioning the ESG score.

BB Biotech's overall ESG score is higher than its benchmark.

MSCI ESG Rating (CCC – AAA)



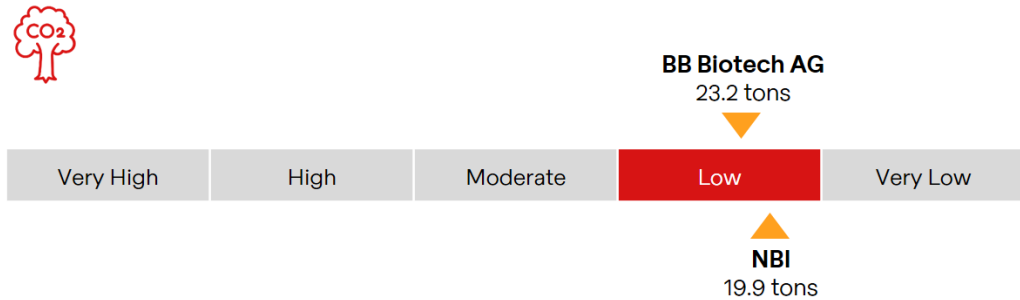
Source: MSCI ESG Research, Bellevue Asset Management, Data as at December 31, 2021 (ESG Quality Score based on 96% MSCI ESG Research coverage, Nasdaq Biotech Index (NBI) based on 91% coverage.)

MSCI ESG Rating ranges from «leaders» (AAA-AA), «average» (A, BBB, BB) to «laggards» (B, CCC). Note: in certain cases the ESG rating methodology may lead to a systematic discrimination of companies or industries, the investment manager may have good reasons to invest in supposed «laggards».

Bellevue Asset Management endorses the goals of the Paris climate agreement adopted in December 2015 and supports measures to mitigate global warming. Carbon intensity is measured at the portfolio level at least on a quarterly basis and these readings are compared with the relevant investment universe or the respective fund's benchmark.

BB Biotech AG's overall carbon risk is low:

Carbon risk (t CO₂E/USD mn sales)



Source: MSCI ESG Research, Bellevue Asset Management, Data as at December 31, 2021 (ESG Quality Score based on 96% MSCI ESG Research coverage, Nasdaq Biotech Index (NBI) based on 91% coverage.)

Name	MSCI ESG Rating	CO ₂ Intensity (T/USDm Sales)	Portfolio weight
Moderna	BB	22.2	10.6%
Argenx SE	A	23	8.5%
Ionis Pharmaceuticals	BB	21.9	7.8%
Neurocrine Biosciences	BBB	40.5	6.4%
Vertex Pharmaceuticals	A	2.6	5.7%
Fate Therapeutics	BB	22.9	5.4%
Incyte	BBB	4.3	5.3%
Alnylam Pharmaceuticals	BBB	22.2	4.7%
Intra-Cellular Therapies	A	44.5	4.6%
Arvinas	A	36.4	4.5%
Agios Pharmaceuticals	BBB	23	3.6%
Sage Therapeutics	B	22.2	3.4%
Relay Therapeutics	B	21.9	3.1%
Biogen	AA	7	3.0%
Macrogenics	BBB	23	2.9%
Myovant Sciences	BBB	23	2.4%
Revolution Medicines	BB	23	2.2%
Kezar Life Sciences	n.a.	n.a.	2.1%
Crispr Therapeutics	BB	23	1.8%
Essa Pharma	A	23	1.8%
Scholar Rock Holding	BBB	23	1.4%
Radius Health	BB	44.6	1.3%
Exelixis	B	40.5	1.3%
Beam Therapeutics	BBB	-	1.2%
Molecular Templates	n.a.	n.a.	1.1%
Nektar Therapeutics	BBB	40.5	0.9%
Generation Bio Co.	BB	23	0.7%

Mersana Therapeutics	BBB	23	0.6%
Esperion Therapeutics	n.a.	n.a.	0.6%
Black Diamond Therapeutics	n.a.	n.a.	0.5%
Wave Life Sciences	n.a.	n.a.	0.4%
Homology Medicines	A	21	0.2%
Portfolio of BB Biotech	A	23.2	100%

Our portfolio managers are engaged in an active and constructive dialog with the executives and other relevant stakeholders of portfolio companies on environmental, social and governance issues (engagement). Voting rights at annual general meetings of shareholders are actively exercised through proxy voting.

Value-based exclusions

Due to the industry-focused investment strategy of BB Biotech, no investments in companies with business activities in areas that are considered controversial according to prevailing social views are made:

Business area	Revenue threshold (according to policy)	BB Biotech (as of Dec 31, 2021)
Controversial weapons	0%	0%
Conventional weapons	10%	0%
Thermal coal	5%	0%
Fracking/oil sands	5%	0%
Production of tobacco	5%	0%
Sale of tobacco	20%	0%
Pornography	5%	0%
Gambling	5%	0%
Palm oil	5%	0%

Engagement and responsible stewardship

Our portfolio managers are engaged in an active and constructive dialog with the executives and other relevant stakeholders of portfolio companies on environmental, social and governance issues (engagement). Voting rights at annual general meetings of shareholders are actively exercised through proxy voting.

Responsible investing does not end with the due diligence process and selection of the investee companies; the importance of ongoing engagement with management teams cannot be overstated. Active fund management arguably derives a material proportion of its alpha generation opportunities through the ability to proactively consider and debate potential issues with company management teams and we are pleased to note that the pandemic has not adversely impacted the availability of management teams for regular or ad hoc meetings to discuss such topics.

Bellevue Asset Management and BB Biotech AG's board of directors take our voting obligations very seriously and there are multiple structures in place to ensure that we vote in all shareholder meetings.

Agenda items that we believe could have a material impact on the long-term development of the company (e.g. compensation and incentive schemes, Board composition) will be examined in detail before deciding how to vote. Prior to potential votes against proposed agenda items, we interact with management teams and board or committee members to discuss such topics, assuring our understanding as well as communicating in advance what drives such decisions. Understanding topics such as compensation structures and measures often highlight core strategic views of both board of directors and management team and are important decision metrics to identify alignment between the portfolio companies and BB Biotech's values and views.

Over the last year, we took part at 28 votable meetings (covering 179 resolutions). In general we voted in line with management recommendations with the exception of 8 votes against it. 26 of those meetings were for companies in the USA, one in the Netherlands and one in UK.

Digitalization/artificial intelligence

Groundbreaking successes have already been achieved with artificial intelligence (AI). Both the dynamic changes in the field of informatics and innovations in the field of machine learning (ML) played a role. Of particular interest to BB Biotech are computational/AI supported drug development approaches. Targeted applications span the entire drug development process from preclinical toxicology, pharmacology, clinical trial design to the approval process or even commercialization. Artificial intelligence can be used, for example, to identify more suitable development candidates more quickly and at lower cost.

Case examples being Relay Therapeutics and Moderna:

Relay Therapeutics was built upon unparalleled insights into protein motion and how this dynamic behavior relates to protein function. These insights are driven by the company's Dynamo platform, which integrates an array of leading-edge experimental and computational approaches and enables Relay to effectively drug protein targets that have previously been intractable or inadequately addressed. Two drug candidates are now in clinical trials developed for cancer patients.

Moderna was set out to create an mRNA technology platform that functions very much like an operating system on a computer. It is designed so that it can plug and play interchangeably with different programs. In Moderna's case, the «program» or «app» is the mRNA drug – the unique mRNA sequence that codes for a protein.

Significant efforts from a large dedicated team of scientists and engineers solely focused on advancing the company's platform technology. They are organized around key disciplines and work in an integrated fashion to advance knowledge surrounding mRNA science and solve for challenges that are unique to mRNA drug development. Some of these disciplines include mRNA biology, chemistry, formulation & delivery, bioinformatics and protein engineering. Most importantly, this approach has allowed to develop a highly effective and safe vaccine against SARS-CoV-2, developed in record time being less than one year with hundreds of millions of people vaccinated.

The amount of published data from research and development continues to grow by leaps and bounds. In order to process this analytically as a team, we need better tools and processes on how to deal with the publicly available information and effectively incorporate it into the investment process. In addition, the number of companies using computational processes to develop new, potentially better drugs, as well as more efficient clinical projects and development, is growing rapidly. Here, the know-how helps us to evaluate the processes and capabilities of these potential investment candidates in the best possible way so that they can be increasingly reflected in the portfolio in the future.

Talent and human capital

It is key to us that the companies we are invested in have a strong setup and track record in terms of attracting, developing and keeping talent. In the drug development industry, it is crucial to have the right employees onboard and motivated – and this is an important criterion when we make new investments as well as monitor current investments. In general, our portfolio companies' human capital requirements and talent pool evolves along the different development stages for this industry. Early stage companies often focus more on re-search scientists, followed by building regulatory and clinical development teams as well as manufacturing and quality control expertise over time. Drug development and building out of novel platform technologies, require highly skilled and educated employees that are key to sustain the long investment cycles within this industry. Thus, growth in the talent pool is a positive sign, with higher turnover often a warning signal for investors.

About us

About us	107–124
Company Profile	108
Investment strategy	109
Investment process	111
Board of Directors	113
Investment Manager	116
Shareholder information	120
Facts & figures	121
Corporate calendar	122
Contact	123

Company Profile

Excellence in Biotech Investments

The access to fast growing biotechnology companies

BB Biotech invests in companies in the fast growing market of biotechnology and is one of the world's largest investors in this sector with around 30 years of experience. The shares of BB Biotech are listed on the SIX Swiss Exchange, the Frankfurt Stock Exchange and the Stock Exchange in Milan. Its investments are focused on listed companies that are developing and commercializing novel drugs that offer sound value for the healthcare system.

BB Biotech relies on the long-standing experience of its distinguished Board of Directors and the investment research skills of the experienced investment management team of Bellevue Asset Management AG when making its investment decisions.

Biotechnology is one of the most attractive of any sector today with estimated annual growth in the double-digits. Mega trends such as increasing life expectancy and a Westernized diet and lifestyle are powerful growth drivers. These mega trends have led to a tremendous increase in healthcare costs, which, in turn, only amplifies the need for more efficient and effective drugs.

Investment strategy


BB Biotech invests in fast-growing biotechnology companies that are developing and marketing innovative drugs. It focuses on biotech companies whose products address areas of significant unmet medical needs and thus have above-average sales and profit-growth potential.

Besides profitable large cap companies, BB Biotech is building up its investments in promising small and mid cap companies.


Diversified portfolio with focus on small and mid-cap biotech companies

The team of investment experts is concentrating not only on established target areas such as oncology, orphan diseases and neurological indications, but also on the technologies of tomorrow that could lead to novel treatment methods with attractive therapeutic profiles and substantial economic rewards. These future technologies include RNA platforms and cell and gene therapies. A total return of 15% p.a. over a medium- to longer-term investment horizon is targeted.

The asset classes available to BB Biotech are direct investments in the shares of listed companies, equity interests in unlisted companies, corporate bonds, and options on a range of underlying assets. BB Biotech invests almost exclusively in stocks for liquidity and risk/return reasons. At least 90% of its shareholdings must be in listed companies, while always holding more than 50% of its assets in equity investments. Corporate bonds are an alternative primarily when stock market trends are negative. Options on the stocks of portfolio companies can be bought and sold at opportune times and as a means of hedging currency exposure.



We are focussing on the technologies of tomorrow.



Multi-stage due diligence process based on bottom-up fundamental analysis



Exhaustive, multi-stage due diligence precedes the selection of individual investments. We must have a thorough understanding of every company we invest in. Before an investment is made, the team analyzes a company's financial statements in detail and assesses its competitive environment, R&D pipeline, and patent portfolio as well as its customers' perceptions of its products and services.

Close contact with company executives is of high importance to us in this due diligence process, but also afterwards, as we believe that it takes strong leaders to achieve strong results.

BB Biotech relies on the long-standing experience of its distinguished Board of Directors and on the fundamental analysis of the experienced Investment Management Team of Bellevue Asset Management AG when making its investment decisions. It can also turn to an extensive

international network of physicians and specialists in individual sub-segments of the biotech industry for further support and advice.

The Investment Management Team creates detailed financial models for all portfolio holdings and they must provide compelling arguments that these holdings have the potential to double in value over a four-year time frame. The team is guided by its convictions, not by benchmark considerations. Upside potential is driven in most cases by the power of innovation, the launch of new products for serious or significant illnesses, and successful company management. Each investment case is constantly monitored and evaluated within the scope of our stringent and disciplined risk management process and corrective action will be taken if and when necessary.



We follow our own conviction,
not a benchmark.

High conviction portfolio consisting of a maximum of 35 positions

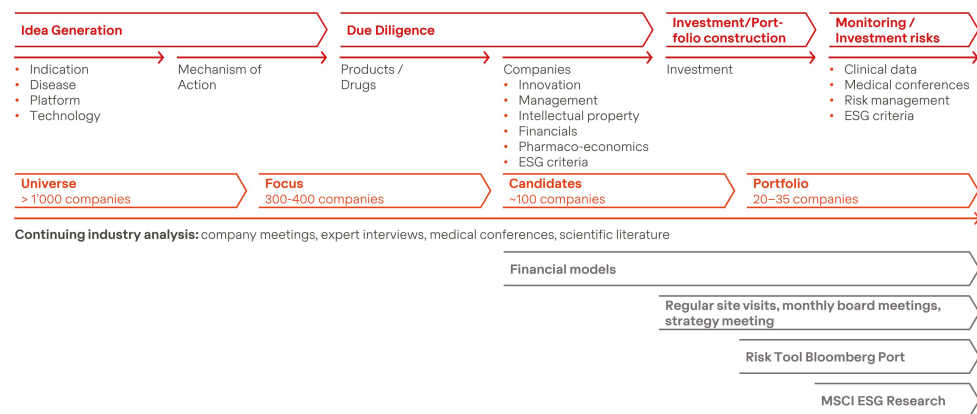
BB Biotech's investment portfolio will usually consist of between 20 to 35 biotechnology companies. There are established large cap companies as well as small and mid cap companies in the portfolio. Smaller positions will be taken in innovative biotech companies with promising R&D pipelines. From a regional perspective, the US biotech sector has displayed a high level of innovation and so this regional bias is also reflected in BB Biotech's portfolio. The predominance of the US biotech industry can be traced to the country's stellar research clusters, industry-friendly regulatory frameworks and myriad financing options, among other factors.

New investments in small and mid-cap companies will have a weighting of between 0.5% and a maximum of 4% to ensure that both upside potential and R&D risks are adequately addressed. Because it is a holding company, BB Biotech has the flexibility to increase portfolio weightings considerably over time as a position increases in value. Smaller positions may become a top holding as their business develops and milestones such as positive Phase III outcomes, drug approvals, the successful marketing of products, and a sustainable flow of profits are achieved. All positions and their valuations are continually monitored, taking into account their growth potential and other aspects, and will be reduced if and when appropriate.

Investment process

During the investment selection process, BB Biotech relies on the well established experience of its Board of Directors and the fundamental analyses by the experienced management team of Bellevue Asset Management AG, with access to a network of physicians and specialists for the sectors in question.

Investment process



Source: Bellevue Asset Management

Using a multi-stage process, the universe of around 1000 companies is systematically analyzed and evaluated. A detailed financial model is created for each investment, which must convincingly demonstrate the potential to double in value over a four-year period. This potential to double in value is based on innovative strength, new products for serious diseases and outstanding management. Each investment is systematically reviewed for sustainability risks and breaches of elementary human rights. Bellevue Asset Management AG is a signatory of UN Principles for Responsible Investment. Besides upholding strict exclusion criteria – such as serious controversies that violate universal norms regarding the environment, human rights or good corporate governance – environmental, social and governance factors are integrated into the fundamental analysis of every company through an ESG integration process in which the associated financial risks or opportunities are evaluated with respect to future stock market performance. The Investment Management Team strive to have an active and constructive dialogue with the management or other relevant stakeholders of the portfolio companies regarding environmental, social and governance aspects – and via proxy voting we use our voting rights actively at the general meetings.

All investments of BB Biotech AG are aligned with UN's Sustainable Development Goal number 3: «Good Health and Well-being. Ensure healthy lives and promote well-being for all at all ages». The investments of BB Biotech AG provide companies with capital in order to allow for drug development to ensure and improve healthy lives and well-being. Therapies to address high unmet medical needs such as for patients suffering from rare disorders, cancer, neurological diseases and chronic cardiovascular and metabolic disorders etc. are key investment selection criteria.

Sustainability at portfolio level

Our investment process fully implements Bellevue Asset Management's formal ESG investment guidelines and therewith all BB Biotech investments are systematically reviewed for sustainability risks and breaches of elementary human rights (as defined, for example, by UN Global Compact principles). Besides upholding strict exclusion criteria – such as serious controversies that violate universal norms regarding the environment, human rights or good corporate governance – environmental, social and governance factors are integrated into the fundamental analysis of every company through an ESG integration process in which the associated financial risks or opportunities are evaluated with respect to future price development. ESG ratings compiled by the global leading ESG research provider MSCI ESG Research are referenced in this process, all the while exercising the necessary prudence and, in some cases, questioning the ESG score.



Before making a positive investment decision, intensive contact is established with the target company's management, since we are convinced that a superior performance can only be achieved with well managed companies.

After being incorporated into BB Biotech's portfolio, intense personal contact is maintained with members of the management of the relevant holdings. This closely knit monitoring of the portfolio companies enables BB Biotech to utilize all strategic options on a timely basis, including the early disposal of an equity interest should the fundamental situation significantly deteriorate.

Board of Directors

The renowned Board of Directors of BB Biotech AG has many years of industrial and scientific experience.



Chairman

Dr. Erich Hunziker

Dr. Erich Hunziker has been on the Board of Directors of BB Biotech AG since 2011 and has been elected chairman in 2013. Dr. Hunziker previously served as CFO of Roche from 2001 until 2010. From 1983 until 2001 Dr. Hunziker held various executive positions at Corange, Boehringer Mannheim and, before joining Roche, at Diethelm-Keller-Gruppe, where he ultimately served as CEO. Dr. Hunziker earned a PhD in Industrial Engineering from the Swiss Federal Institute of Technology in Zurich. Dr. Hunziker is Chairman of the Board of Directors of Light Chain Biosciences (NovImmune SA), Entsia International AG and the following discoveric companies (all under common control): discoveric ag, discoveric bio alpha ag, discoveric bio beta ag, discoveric bio gamma ag, discoveric marina ag and discoveric marketplace ag. He is a member of the Board of Directors of LamKap Bio alpha AG, LamKap Bio beta AG and LamKap Bio gamma AG. Furthermore he is a member of the foundation board of the Swiss Arts Institute Foundation.

Vice-Chairman**Dr. Clive Meanwell**

Dr. Clive Meanwell is Vice-Chairman and has been a member of the Board of Directors of BB Biotech AG since 2004. He founded and is the Executive Chairman of Population Health Partners LLC, an investment firm, and Chief Executive Officer of Population Health Investment Corporation, a special purpose acquisition company. Dr. Meanwell is Chairman of the Board of Directors of Population Health Partners LLC. Furthermore he is a member of the Board of Directors of Population Health Investment Corporation, EQRx Inc., Fractyl Health Inc., Comanche Biopharma and Saama Technologies, Inc. Previously, Dr. Clive Meanwell founded The Medicines Company in 1996 and from then until January 2020 he was a member of the board of directors and held a range of leadership positions including Chairman, Executive Chairman, Chief Executive and Chief Innovation Officer at The Medicines Company. From 1995 until 1996, he was a founding partner and managing director of MPM Capital L.P. Earlier in his career, Dr. Clive Meanwell held various positions at Hoffmann-La Roche in Basel and Palo Alto, California. Dr. Clive Meanwell received his MD and PhD from the University of Birmingham in the UK where he also trained in medical oncology.





Member

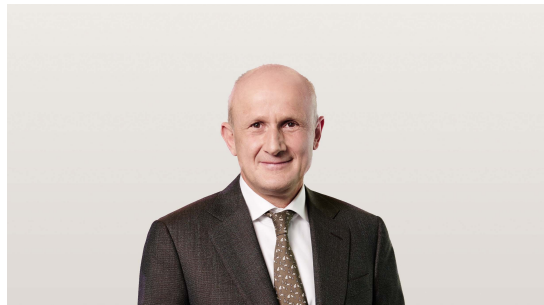
Prof. Dr. Mads Krogsgaard Thomsen

Prof. Dr. Mads Krogsgaard Thomsen has been on the Board of Directors of BB Biotech since 2020. In 2021 Prof. Dr. Krogsgaard Thomsen became CEO of the Novo Nordisk Foundation. Prof. Dr. Krogsgaard Thomsen was previously with Novo Nordisk where he served as Executive Vice President, Head of R&D and Chief Science Officer. Prof. Dr. Krogsgaard Thomsen has chaired Danish Research Council programs within endocrinology and he is a former president of Denmark's National Academy of Technical Sciences. Until 2019 Prof. Dr. Krogsgaard Thomsen chaired the governing board of the University of Copenhagen.

Member

Dr. Thomas von Planta

Dr. Thomas von Planta has been elected Board member of BB Biotech AG in March 2019. Since 2006, he is owner of CorFinAd AG – Corporate Finance Advisory (advisory for M&A transactions and capital market financings). He chaired the Bellevue Group from March 2015 until March 2019. Previously he worked for Vontobel Group from 2002 until 2006 as interim Head Investment Banking/Head of Corporate Finance and member of the extended executive board. Prior to that he was with Goldman Sachs from 1992 until 2002, lastly in London in the Equity Capital Markets Group/Investment Banking Division. Dr. von Planta holds a degree in law from the Universities of Basel and Geneva (Dr. iur.) and is also attorney at law. Dr. von Planta is the Chairman of the Board of Directors of Bâloise Holding AG and a member of the advisory board of Harald Quandt Industriebeteiligungen GmbH.



Investment Manager

Bellevue Asset Management AG

BB Biotech's Investment Manager is Bellevue Asset Management AG. Bellevue Asset Management AG is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA) and it has been issued a license as an authorized manager of collective investment schemes. Bellevue Asset Management AG is wholly owned by Bellevue Group AG, an independent Swiss financial boutique listed on the SIX Swiss Exchange. Bellevue Asset Management provides administrative services in connection with the investment activities and organizational operations of BB Biotech AG. This basically comprises the following services:

- Portfolio Management
- Investor Relations
- Marketing & Communications
- Finance
- Administration

Investment Management Team

Bellevue Asset Management AG has a team of proven biotech specialists with a successful track record who manage the investments in the biotech sector's most attractive players. The team's academic expertise and extensive experience, its long history of collaboration and interest in all fields of medicine as well as in biochemistry and business fundamentals ensure an inspiring and constructive interdisciplinary dialog within the team and with the Board of Directors as well as with external experts such as physicians and analysts.



Head Investment Management Team

Dr. Daniel Koller

Dr. Daniel Koller joined Bellevue Asset Management in 2004 as Portfolio Manager in the biotechnology segment specialized in cardiovascular diseases. Since 2010 he is head investment management team of the listed investment company BB Biotech AG. Before joining the company he spent four years in the financial sector, initially as an equity analyst at UBS Warburg and then as a private equity investor at equity4life. Dr. Daniel Koller studied biochemistry at the Swiss Federal Institute of Technology and earned a doctorate in biotechnology while working at Cytos Biotechnology.

Portfolio Manager

Felicia Flanigan

Felicia Flanigan is a Portfolio Manager at Bellevue Asset Management and expert in infectious diseases and oncology. Before joining the team in 2004 she worked as a research analyst with Adams, Harkness & Hill. Previously she worked at SG Cowen in healthcare research. Felicia Flanigan received her MBA from Suffolk University, Boston, and her BA in communications from Boston College.

**Portfolio Manager**

Dallas Webb

Dallas Webb has been a Portfolio Manager at Bellevue Asset Management since 2006. Previously, he worked as an equity analyst first at Sterling Financial Investment Group for 2 years and then at Stanford Group from 2004 onwards. His first stop as a biotechnology analyst was at Adams, Harkness & Hill, Boston. Dallas Webb holds an MBA from Texas Christian University of Fort Worth and a BA in Microbiotechnology and Zoology from Louisiana State University, Baton Rouge/Los Angeles.

Portfolio Manager

Dr. Christian Koch

Dr. Christian Koch has been a Portfolio Manager at Bellevue Asset Management since 2014. From 2013–2014 he was a sell-side Pharma & Biotech equity analyst at Bank am Bellevue in Küsnacht and from 2010–2013 a Research Associate at the Institute of Pharmaceutical Sciences at ETH Zurich. He holds a PhD in Chemoinformatics & Computational Drug Design from ETH Zurich and a Master in Bioinformatics from Goethe University Frankfurt.



Portfolio Manager

Dr. Stephen Taubenfeld

Dr. Stephen Taubenfeld has been with Bellevue Asset Management as a Portfolio Manager since 2013. From 2009 to 2013 he was senior analyst at Iguana Healthcare Partners, of which he was a founding partner. From 2008 to 2009 he was a consultant with Merlin BioMed Group and from 2004 to 2008 he was M.D./Ph.D. Fellow in Neuroscience at Mount Sinai Hospital, New York. He holds an M.D. and Ph.D. in Neuroscience from Brown University School of Medicine.

Portfolio Manager

Dr. Maurizio Bernasconi

Dr. Maurizio Bernasconi joined Bellevue Asset Management as Portfolio Manager in 2017. Prior he was a sell-side equity analyst in the Pharma & Biotech department of Bank am Bellevue. Maurizio Bernasconi has a master's degree in chemistry at Swiss Federal Institute of Technology (ETH), Zurich, and has PhD in organic chemistry at the University of Basel.



Portfolio Manager

Dr. Samuel Croset

Samuel Croset joined Bellevue Asset Management as Portfolio Manager and Digital Transformation Lead in 2020. He previously worked for Roivant Sciences from 2018–2020 as data scientist supporting investment decisions in drug projects as well as leading a team focused on the analysis of real-world data. Prior to that, he started his professional career at Roche as data scientist in the research department (2014–2018). Samuel holds a Ph.D. in Bioinformatics from the University of Cambridge, a MS in Bioinformatics and a MS in Biochemistry from the University of Geneva.

Shareholder information

The Company publishes its Net Asset Value daily via the major stock market information services and on its website www.bbbiotech.com. The portfolio composition is published at least every three months within quarterly reports.

Official listing and share structure as at December 31, 2021

Foundation:	November 9, 1993; Schaffhausen, Switzerland
Issue price adj. November 15, 1993:	CHF 4.75
Official listing:	December 27, 1993, in Switzerland; December 10, 1997, in Germany; October 19, 2000, in Italy
Share structure:	CHF 11.08 mn nominal, 55 400 000 registered shares with a par value of CHF 0.20 each
Shareholders, free float:	Institutional and private investors, 100.0% free float
Security number Switzerland:	3 838 999
Security number in Germany and Italy:	A0NFN3
ISIN:	CH0038389992

Quotes and reports

Quotes and reports

NAV:	in CHF	– Datastream: S:BINA	in EUR	– Datastream: D:BBNA
		– Reuters: BABB		– Reuters: BABB
		– Telekurs: BIO resp. 85, BB1		
		– (Investdata)		
		– Finanz & Wirtschaft (CH)		
Stock price:	in CHF	– Bloomberg: BION SW Equity	in EUR	– Bloomberg: BBZA GY Equity
	(SIX)	– Datastream: S:BIO	(Xetra)	– Datastream: D:BBZ
		– Reuters: BION.S		– Reuters: BION.DE
		– Telekurs: BIO	in EUR	– Bloomberg: BB IM Equity
		– Finanz & Wirtschaft (CH)	(STAR)	– Datastream: I:BBB
		– Neue Zürcher Zeitung (CH)		– Reuters: BB.MI

Facts & figures

BB Biotech

Facts & Figures	
Foundation	November 9, 1993, Schaffhausen, Switzerland
Issue price adj. 15.11.1993	4.75
Official Listing	Switzerland: December 27, 1993 Germany: December 10, 1997 Italy: October 19, 2000
Share structure	CHF 11.08 mn nominal, 55 400 000 registered shares with a par value of CHF 0.20 each
Shareholders, free float as at 31.12.2021	Institutional and private investors 100% Free Float
Security number Switzerland	3 838 999
Security number Germany and Italy	A0NFN3
ISIN	CH0038389992
Ticker Bloomberg	Switzerland: BION SW Germany: BBZA GY Italy: BB IM
Ticker Reuters	Switzerland: BION.S Germany: BION.DE Italy: BIO.MI
Type / asset class	Investment company / equity
Investment style	Long only, long term
Index membership	Star Index, SMIM Index, SPI Index, SPI Select Dividend 20 Index
Benchmark	Nasdaq Biotech Index (NBI)
Management Fee	All-in-Fee: 1.1% p.a.

Analyst coverage

Institute	Analyst
Baader Helvea	Leonildo Delgado
Edison	Sarah Godfrey, Mel Jenner
Intesa Sanpaolo	Bruno Permutti
Kepler Cheuvreux	Arsene Guekam
Marten & Co	Matthew Read
Oddo BHF	Oussame Denguir
Pareto Securities	Dennis Berzhanin
Peel Hunt	Anthony Leatham
SEB	Carsten Lonborg Madsen

Corporate calendar

Annual General Meeting 2022	March 17, 2022
Interim Report as at March 31, 2022	April 22, 2022, 7.00 AM CET
Interim Report as at June 30, 2022	July 22, 2022, 7.00 AM CET
Interim Report as at September 30, 2022	October 21, 2022, 7.00 AM CET

The BB Biotech annual report is published in English. A translated German and Italian version is also available. In case of any deviations the English shall prevail over the German and Italian text.

Contact

Investor Relations



Dr. Silvia Siegfried-Schanz

Phone +41 44 267 72 66
E-Mail ssc@bellevue.ch

Claude Mikkelsen

Phone +44 755 704 85 77
E-Mail cmi@bellevue.ch



Maria-Grazia Iten-
Alderuccio

Phone +41 44 267 67 14
E-Mail mga@bellevue.ch



Media Relations



Tanja Chicherio

Phone +41 44 267 67 07

E-Mail tch@bellevue.ch

BB Biotech AG

Schwertstrasse 6
CH-8200 Schaffhausen
Phone +41 52 624 08 45
E-Mail info@bbbiotech.com
www.bbbiotech.com

Bellevue Asset Management AG

Seestrasse 16/Postfach
CH-8700 Küsnacht
Phone +41 44 267 67 00
E-Mail info@bellevue.ch
www.bellevue.ch

BB Biotech Newsletter

Would you like to receive regular information about BB Biotech in the future? Register here for our newsletter.



