

CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE

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 homepage (<https://www.bbbiotech.ch/en/bb-biotech/corporate-governance/corporate-governance-report>). 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 the assets of its investors. 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 of the consolidated annual financial statements. In addition hereto, we wish to advise that 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 AG 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 viewed via the search function on <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/>.

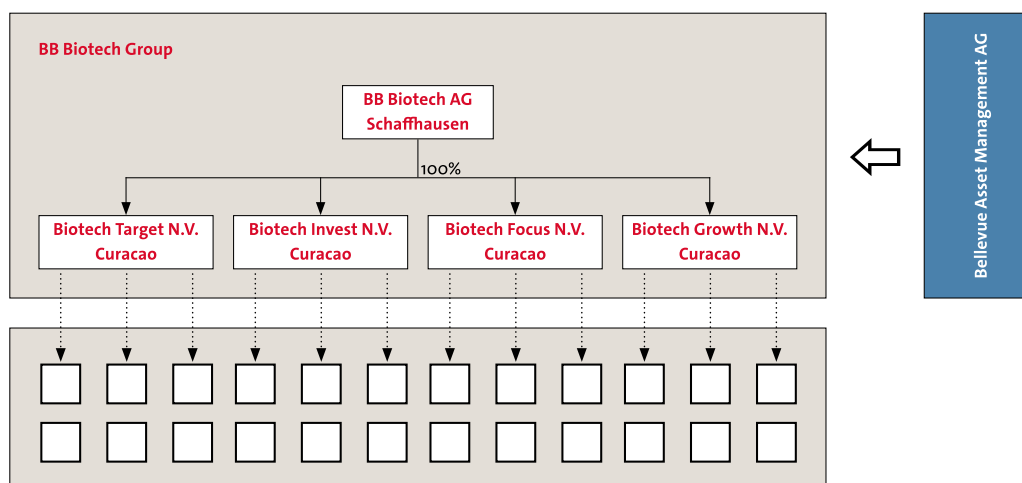
2.1 Group structure

BB Biotech AG (ISIN CH0038389992) has its registered office in Schwertstrasse 6, Schaffhausen in 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, in the «Prime Standard Segment» of the German Exchange as well as in the «Star Segment» of the Italian Exchange. Additional information on this can be found on: <https://www.bbbiotech.ch/en/bb-biotech/investor-relations/facts-figures>.

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



- ← Investment management agreement & administration agreement
- ← Ownership
- ←..... Investments

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, Küsnacht (Switzerland). In this contract, the investment manager commits to carry out management services relating to the investment activity and management of BB Biotech AG. 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 at the balance sheet date. 100% of BB Biotech AG’s share capital is free float.

3. Capital structure

As of December 31, 2020, 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. To each registered share corresponds a 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 dividend-right certificates.

The capital structure has not changed in the period over the last three years (financial years 2018, 2019, 2020).

4. Limitations on transferability

BB Biotech AG may decline a registration with voting rights if a shareholder does not declare that it has acquired the shares in its own name and for its own account. If the shareholder refuses to make such declaration, it 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, provided that 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 2001–2010. From 1983–2001 he held various executive positions at Corange, Boehringer Mannheim and, before joining Roche, at Diethelm-Keller-Gruppe, where he ultimately served as CEO. Erich Hunziker earned a PhD in Industrial Engineering from the Swiss Federal Institute of Technology in Zurich, Switzerland.

Shareholding in BB Biotech AG as at December 31, 2020: 957 884 registered shares (2019: 1 457 884 registered shares).

Other directorships: Dr. Hunziker is Chairman of the Board of Directors of Light Chain Biosciences (NovImmune SA), Entsia International AG, discoveric ag, discoveric marina ag, discoveric bio alpha ag and discoveric bio beta ag. Furthermore he is a member of the Board of Directors of LamKap Bio alpha AG, LamKap Bio beta AG and LamKap Bio gamma AG.

Dr. Clive Meanwell

Vice-Chairman of the Board of Directors since 2011. Member of the Board of Directors since 2004. British national.

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. He is also a member of the Board of Directors of EQRx Incorporated and private biotechnology 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. From 1995–1996, 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, 2020: 5 163 registered shares (2019: 5 163 registered shares).

Other directorships: Dr. Meanwell is Chairman of the Board of Directors of Population Health Partners LLC and member of the Board of Directors of Population Health Investment Corporation and EQRx.

Dr. Susan Galbraith

Member of the Board of Directors since 2020. British national.

She joined AstraZeneca in 2010 where she is Head of Oncology Research and Early Development. She oversaw the successful development of several cancer drugs that have been approved in countries around the world. She also co-leads the Cambridge Cancer Center Onco-Innovation Group. Susan Galbraith is a member of the Scientific advisory board of the ICR Cancer Research Center of Excellence and she sits on the AACR Finance Committee as well as the AACR 2020/21 Annual Meeting Scientific Program Committee. Dr. Galbraith is a UK trained Clinical Oncologist & PhD with 20 years' experience of cancer drug development in the pharmaceutical industry.

Shareholding in BB Biotech AG as at December 31, 2020: 0 registered shares (2019: 0 registered shares).

Other directorships: Dr. Galbraith is member of the advisory board of ICR Cancer Research Center of Excellence.

Prof. Dr. Mads Krosgaard Thomsen

Member of the Board of Directors since 2020. Danish national.

He 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. Professor 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. Krosgaard 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, 2020: 0 registered shares (2019: 0 registered shares).

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

Dr. Thomas von Planta

Member of the Board of Directors since 2019. Swiss national.

Since 2006, he is owner of CorFinAd AG – Corporate Finance Advisory (advisory for M&A transactions and capital market financings). Previously he worked for Vontobel Group from 2002–2006 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 1992–2002, lastly in London in the Equity Capital Markets Group / Investment Banking Division. He 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, 2020: 12 000 registered shares (2019: 12 000 registered shares).

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

The members of the Board of Directors 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. More detailed résumés are available on our website in the section «about us» (<https://www.bbbiotech.ch/en/bb-biotech/about-us/board-of-directors/>).

5.2 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 under the following link: www.bbbiotech.ch/bylaws.

5.3 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 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)

Dr. Susan Galbraith: 2020

Prof. Dr. Mads Krogsgaard Thomsen: 2020

Dr. Thomas von Planta: 2019

5.4 Internal organization

The Board of Directors consists of a Chairman, Vice-Chairman and three members. The Board has two committees; Audit Committee, Remuneration and Nomination Committee. The members of the Board of Directors are appointed in the following committees:

Dr. Erich Hunziker, Chairman

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

Dr. Thomas von Planta, Member: Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee

The Board of Directors has extensive experience in all relevant areas, especially from the healthcare and financial industry. With this experience the board members are well suited to monitor 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 meetings are also attended by representatives of the investment manager respectively administrator. In its 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 in the consolidated financial statements](#). Performance of relevant service providers as well as the auditor are evaluated at least on a yearly basis.

During the fiscal year 2020, eight ordinary board meetings (duration of one hour on average) and two strategy meetings took place (two day summer strategy meeting, three day fall strategy meeting). Due to travel restrictions in certain countries caused by COVID-19 the format of the board meetings and strategy meetings (duration of 24 hours in total) was changed to video calls. One Member was excused for one board meeting. All other board and strategy meetings were attended by all members in 2020.

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 members of the Audit Committee are appointed by the Board of Directors. The Audit Committee supports the Board of Directors in the following areas: financial reporting, auditing/controlling, compliance and corporate governance.

The members of the Audit Committee hold quarterly meetings. During 2020, four ordinary meetings of the Audit Committee took place (duration of one hour on average). All members of the Committee participated in all meetings.

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 Board and nomination of new board members, compensation policy and guidelines, performance targets and preparation of proposals regarding compensation to the Board of Directors.

The Remuneration and Nomination Committee holds at least one meeting a year. During 2020, two ordinary meetings of the Remuneration and Nomination Committee took place (duration of one hour on average). All members of the Committee participated in all meetings.

5.5 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» (<https://www.bbbiotech.ch/en/bb-biotech/corporate-governance/directors-dealings/>).

6. Investment management

BB Biotech AG as an investment company listed on a stock exchange does not have a management of its own within the meaning of article 716b CO, respectively the Ordinance Against Excessive Compensation in Public Corporations. The Board of Directors of BB Biotech AG has – as it is customary for investment companies – delegated the investment management based on the management contract to a specialized third party, namely to Bellevue Asset Management AG, Küsnacht (ZH). 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 of 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 interest between shareholders of BB Biotech AG and these 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 of 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 under the following link: www.bbbiotech.ch/bylaws.

8. Stockholders' rights of cooperation

8.1 Limitations to voting rights; voting by proxy

There are no limitations to voting rights and no internal rules at variance 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.

8.2 General Meeting

There are no statutory rules relating to the presence of a majority quorum which differ from the statutory provisions. The convening of a General Meeting as well as the request that items be included in the agenda are governed by article 7 of the articles of incorporation of the Company (www.bbbiotech.ch/bylaws) as well as the statutory provisions of law.

8.3 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 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 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, Daniel Pajer, has been responsible for the audit of the Company's books since the fiscal year 2017.

10.2 Fees

The following fees for professional services in the fiscal year ended December 31, 2020, were agreed and paid:

- Fees for the annual audit and quarterly review of the financial statements: CHF 120 000
- Fees for audit-related services (Audit of AML procedures as required by law): CHF 2 800

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.

11. Information policy/diary of Company events

Please refer to [«Shareholder information»](#).

12. Trading in own stocks

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