

ESG


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Foreword


Dear reader,

Over the past year we have seen an increasing instability of the geopolitical situation, effects of climate change and rapidly changing economic pressures. In tumultuous times like these, sustainable investment decisions are becoming increasingly important. We, the Board of Directors of BB Biotech AG, are confident that investing in the biotechnology sector, as it is one of the most important innovation areas of the 21st century, will achieve long-term success.

As an active investor, BB Biotech invests in a concentrated, high-conviction biotech portfolio. The portfolio companies' products address areas of significant unmet medical needs and thus have not only above-average sales and profit-growth potential but also a significant positive impact on society. Our long-standing experience along with our robust and frequent engagement with senior management of our portfolio companies, combined with our structured investment process provide for long-term and sustainable value for our shareholders. The focus on long-term sustainability is embedded across our business behavior.




The basic aim of biotechnology is to meet human needs or demands in order to improve quality of life.




Investors might be drawn to familiar green industries like electric vehicles or solar panel manufacturers, or explicitly socially conscious brands. However, many of the most valuable ESG investments are in more fundamental sectors like biotech. The basic aim of biotechnology is to meet human needs or demands in order to improve quality of life. It ranks among the most attractive of all fast growing industries with an average annual growth in revenue of more than 10% from 2016 to 2021, with total revenues in 2016 of USD 139.4 billion to USD 216.7 billion in 2021¹.

BB Biotech AG strives to be in the leading group of companies with respect to sustainability. That's why we have made sustainability a priority for the Board of Directors and I was appointed as Chairwoman of the «Sustainability and Governance Committee» to lead our efforts on sustainability in close collaboration with the delegated Investment Manager.



BB Biotech AG strives to be in the leading group of companies with respect to sustainability.



In 2022, BB Biotech AG put more emphasis on sustainability than ever before. We have contracted the ESG rating agency Sustainalytics to assess BB Biotech independently. Our operational model was rated «Medium risk» (23.7 points). We scored positively high in the areas of Board Management Quality & Integrity, Board Structure and Diversity, Ownership & shareholder risk, Audit and Financial Governance as well as Impact on Climate/ Environmental impact. A relative comparison to peers is not yet meaningful as the rating agency has not enough reliable ESG data for investment companies or trusts. In 2023 we're focusing on further formalizing our ESG governance and policies.

We continue providing as much information and transparency on our processes and results as possible to give investors the information they need to succeed.



**Chairwoman of the Sustainability and
Governance Committee**

Laura Hamill

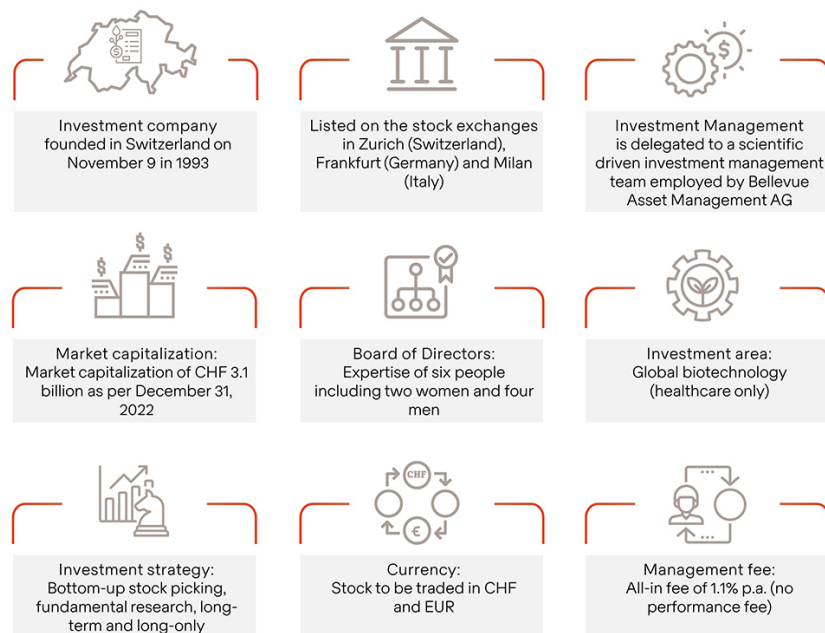
¹ Ernst & Young Report: Beyond Borders

About BB Biotech AG






BB Biotech AG («the company») invests through its subsidiaries (together «the Group» or also «BB Biotech») in companies in the fast growing market of biotechnology and is one of the world's largest investors in this sector with almost 30 years of experience. The shares of BB Biotech AG are listed on the SIX Swiss Exchange, the Frankfurt Stock Exchange and the Stock Exchange in Milan. Its investments are focused primarily on listed companies that are developing and commercializing novel drugs and therapies that offer sound value for the healthcare system.

Bellevue Asset Management AG is 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.


Facts and Figures














Board of Directors

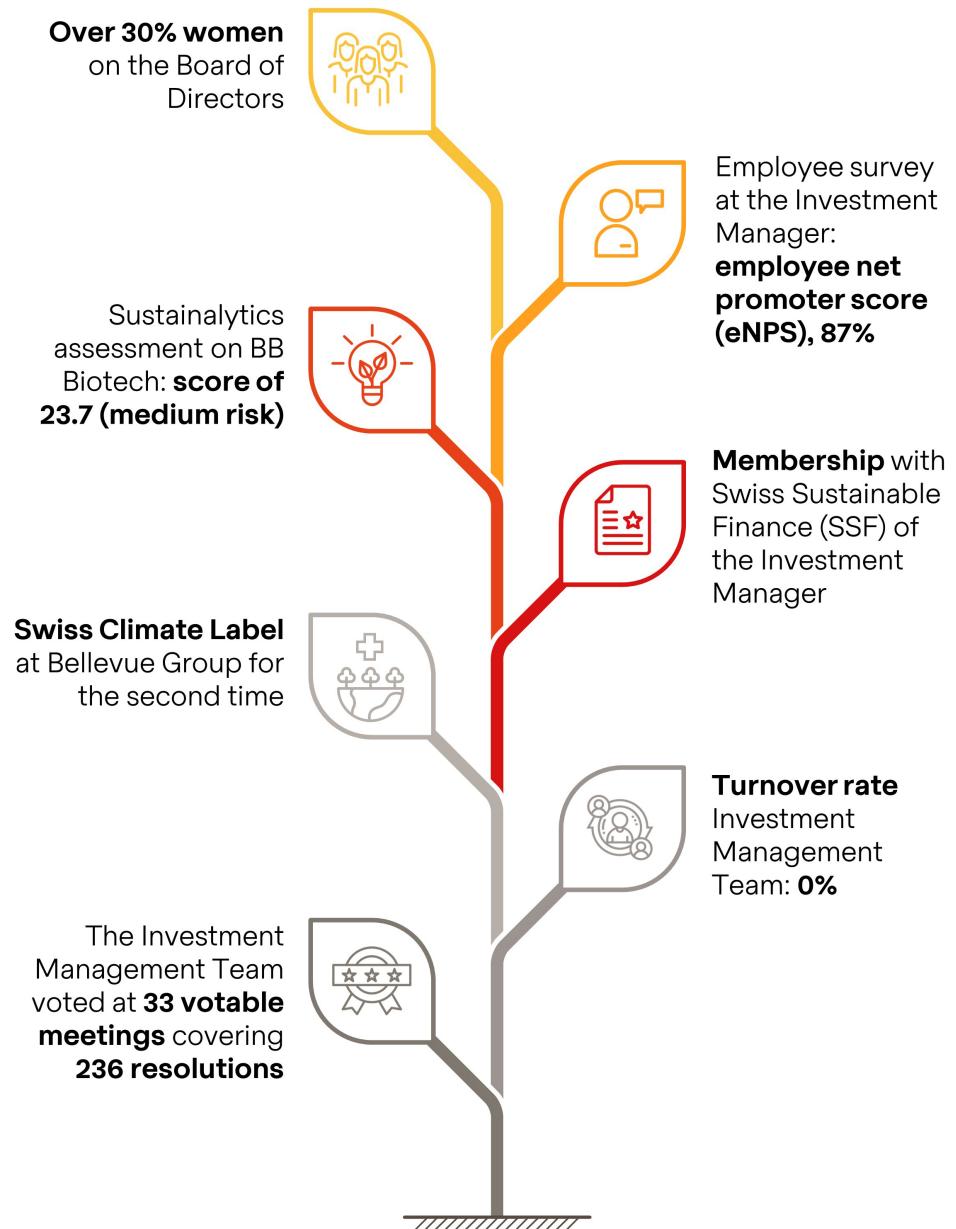
					
Dr. Erich Hunziker	Dr. Clive Meanwell	Laura Hamill	Dr. Pearl Huang	Prof. Dr. Mads Krogsgaard Thomsen	Dr. Thomas von Planta
Chairman of the Board since 2011	Vice-Chairman since 2004	Member of the Board since 2022	Member of the Board since 2022	Member of the Board since 2020	Member of the Board since 2019
<p><i>Current:</i></p> <ul style="list-style-type: none"> Chairman of Light Chain Biosciences (Novimmune) Chairman of Entsia International Chairman and board member of discoveric companies and LamKap Bio alpha, LamKap Bio beta and LamKap Bio gamma <p><i>Former:</i></p> <ul style="list-style-type: none"> CFO at Roche Group CEO at Diethelm-Keller Group 	<p><i>Current:</i></p> <ul style="list-style-type: none"> Executive Chairman of Population Health Partners Board member of EQRx, Fractyl Health, Comanche Biopharma and Saama Technologies <p><i>Former:</i></p> <ul style="list-style-type: none"> Founder of and various leadership positions at the Medicines Company (Novartis) Founding Partner of MPM Capital (Venture Capital) 	<p><i>Current:</i></p> <ul style="list-style-type: none"> Board member of AnaptysBio, Y-mAbs Therapeutics, Pardes Biosciences, Unchained Labs and Scilex Pharmaceuticals Advisory Committee member of Launch Therapeutics <p><i>Former:</i></p> <ul style="list-style-type: none"> Executive Vice President worldwide commercial operations at Gilead Head of US Commercial Operations at Amgen 	<p><i>Current:</i></p> <ul style="list-style-type: none"> CEO of Dunad Therapeutics Board member of Waters Corporation Member of the MIT Corporations <p><i>Former:</i></p> <ul style="list-style-type: none"> CEO of Cygnal Therapeutics SVP and Head of Therapeutic Modalities at Roche 	<p><i>Current:</i></p> <ul style="list-style-type: none"> CEO of the Novo Nordisk Foundation <p><i>Former:</i></p> <ul style="list-style-type: none"> Novo Nordisk, Executive Vice President, Head of R&D and Chief Scientific Officer Chairman of University of Copenhagen President of Denmark's Academy of Technical Sciences 	<p><i>Current:</i></p> <ul style="list-style-type: none"> Chairman of Baloise Holding Board member of Harald Quandt Industriebeteiligungen GmbH <p><i>Former:</i></p> <ul style="list-style-type: none"> Chairman of Bellevue Group Vontobel, Corporate Finance Goldman Sachs, Equity Capital Markets

Investment Management Team



<p>New York Office</p> <p> Felicia Fianigan Investment Management Team Since 2004 dedicated to BB Biotech Immune Oncology, Infectious Diseases</p> <p> Dallas Webb Investment Management Team Since 2006 dedicated to BB Biotech Oncology, Antibiotics, Women's Health</p> <p> Dr. med. Stephen Taubenfeld Investment Management Team Since 2013 dedicated to BB Biotech Neurology, Psychiatry</p>		<p>Zurich Office</p> <p> Dr. Daniel Koller Head Investment Management Team BB Biotech (2010) Since 2004 dedicated to BB Biotech</p> <p> Dr. Christian Koch Investment Management Team Since 2014 dedicated to BB Biotech Cardiovascular Diseases, Targeted Oncology, Genetic Medicines</p> <p> Dr. Maurizio Bernasconi Investment Management Team Since 2017 dedicated to BB Biotech Inflammatory Diseases, Autoimmune Diseases</p> <p> Dr. Leonidas Georgiou Investment Management Team Since 2022 dedicated to BB Biotech Neurology, Psychiatry</p> <p> Dr. Silvia Siegfried-Schanz Investor Relations Since 2012 dedicated to BB Biotech</p>		<p>London Office</p> <p> Claude Mikkelsen Investor Relations Since 2012 dedicated to BB Biotech</p> <p> Dr. Samuel Croset Investment Management Team Since 2020 dedicated to BB Biotech Data science, machine learning</p> <p> Dr. Oliva Woolley Investment Management Team Since 2022 dedicated to BB Biotech Data science, machine learning</p> <p> Dr. Can Buldun Investment Management Team Since 2022 dedicated to BB Biotech Data science, machine learning</p> <p> Maria-Grazia Alderuccio Investor Relations Since 2007 dedicated to BB Biotech</p>	
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Sustainability achievements 2022



Sustainability Strategy

Sustainability is an important factor in BB Biotech's business strategy. It is a key component in ensuring our long-term success while creating added value for all our shareholders and other stakeholders. We seek to achieve growth while also taking into account the needs of the environment and society. As an investment company, we are in a position to promote sustainable development for the benefit of all our stakeholders.

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. Below are our four strategic focus areas.

Full integration of sustainability into business strategy

The importance of ESG and sustainable investing is now widely recognized. BB Biotech strives to continuously expand and integrate sustainability at the Board of Director, Investment Manager as well as at the portfolio level. They form the pillars for the sustainable, responsible and value-oriented corporate practices that we live by every day and that are the basic prerequisite for generating high value for our stakeholders. Based on these core values, we apply a clear and transparent ESG policy and investment guidelines that bindingly govern our standards and conduct with regard to environmental, social and governance aspects.

Maintaining CO₂ neutrality of business operations and initiating the Net-zero process

At the corporate level, the Investment Manager is committed to net zero by 2050 and therefore aims to reduce CO₂ emissions per employee (FTE) by 30% as part of the 2030 climate strategy. The carbon footprint was captured for the first time in 2021. Business travel, commuting, heating and electricity account for the majority of emissions. We have taken environmentally friendly measures in these areas. For example, we give priority to video conferencing, support the use of public transportation with financial incentives, and cool and heat the office in Küssnacht with natural lake water. Thanks to offsetting CO₂ emissions by supporting high-quality climate projects in Switzerland, the Investment Manager was certified as climate-neutral for the second time in 2022.

Increase gender diversity and promote inclusion

BB Biotech values the diversity of its Board of Directors and the Investment Manager's employees and uses this element for business success. Fundamental to this are mutual respect and a collaborative work culture across language, cultural and national boundaries. Different perspectives, approaches, experiences, ideas and skills lead to innovation and ensure BB Biotech's long-term success, also in the competition for qualified professionals. 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 the company and its 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. With currently two experienced women on the Board of Directors, gender diversity is appropriately reflected. A formal diversity policy – requiring each gender to make up at least 30% on the Board of Directors – will be implemented in 2023.

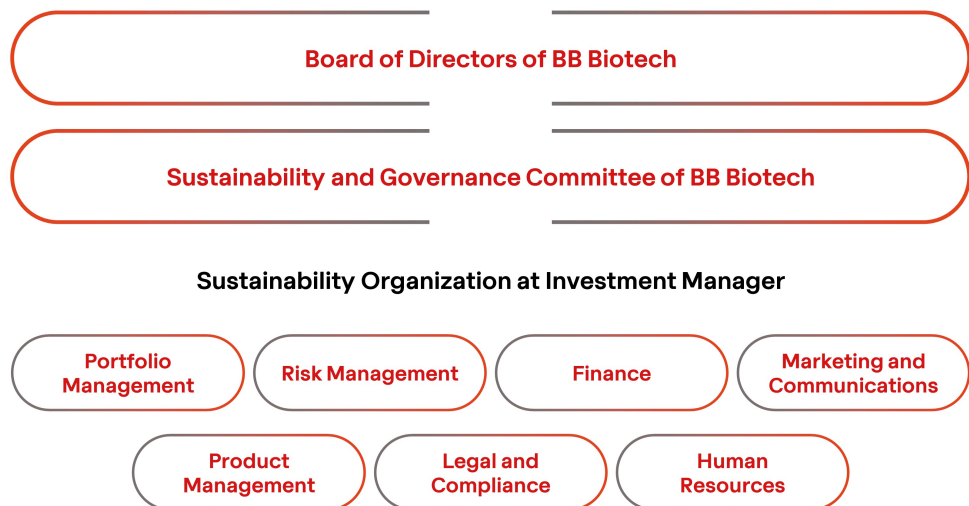
Anchoring sustainability in the investment process

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, environmental, social and governance factors are integrated into the fundamental analysis of every company through an ESG integration process at the Investment Manager. In this process, the ESG ratings of the leading ESG research provider MSCI ESG Research are taken into consideration. Our ESG investment guidelines tolerate an investment in an alleged «ESG laggard» provided that our rationale to do so is clearly explained and documented in detail.

Sustainability Governance

Sound sustainability governance is essential to ensure that we integrate sustainability into our business practices and the investment process, and identify potential opportunities and challenges at an early stage. This requires a regulatory framework for managing and monitoring sustainability issues. The Board of Directors as well as the delegated Investment Manager take an active role in ensuring sound sustainability governance. The Sustainability and Governance Committee at Board level in collaboration with the investment management team will ensure an appropriate and sound sustainability strategy and plan for BB Biotech. The Sustainability and Governance Committee holds at least 4 meetings per year.

ESG Governance structure



A sustainability working group at the Investment Manager is tasked with leading the implementation and integration of sustainability in all business areas. This working group consists of members from different business departments as shown in the chart above. It monitors current developments in the area of sustainability and anticipates their impact on the business model of BB Biotech. It supports the Board of Directors and the Sustainability and Governance Committee in the formulation and further development of the sustainability strategy. The sustainability working group is therefore also responsible for managing and implementing projects in the business units/functions and areas of activity.

Goal 2023: Formalize implementation and integration of sustainability in all relevant business areas.

Stakeholder Engagement and Material ESG Topics

The interaction and continuous dialogue with our stakeholders are a central component for the identification, analysis, planning, prioritization and implementation of our sustainability plans going forward.

The following stakeholders were considered in 2022:

- Shareholders
- Employees at the Investment Manager
- Analysts / Distribution partners
- Suppliers
- Portfolio companies
- Regulator
- Rating Agencies
- Media

Stakeholder	Engagement	Activities 2022	Topics
Shareholders	<ul style="list-style-type: none"> ● BB Biotech is in regular contact with its shareholders. ● Throughout the year, regular dialogue with investors is maintained. In accordance with the listing rules of SIX Exchange, XETRA and Borsa Italia Regulation, important business developments are published by means of press releases or ad hoc announcements. At the same time, these announcements are published on the Company's website. ● The notices to shareholders required by Swiss company law are published in the Swiss Official Gazette of Commerce SOGC. 	<ul style="list-style-type: none"> ● Annual general meeting ● Conferences and events ● Roadshows/ investor meetings ● Corporate website ● ad hoc publications ● Media releases ● Annual and interim reports 	<ul style="list-style-type: none"> ● Economic performance ● Portfolio companies ● Sector developments ● Macro developments ● Share performance- Sustainability
Employees at the Investment Manager	<ul style="list-style-type: none"> ● Employees are regularly informed about business developments, changes in the company and product updates. Communication takes place through various channels such as emails and townhall meetings. ● The Investment Manager also conducts company-wide surveys to monitor employee satisfaction 	<ul style="list-style-type: none"> ● Employee Survey ● Continuing education ● Talent attraction and retention 	<ul style="list-style-type: none"> ● Safety and health ● Sustainability ● Strategy ● Next Generation

and engagement and ensure employees understand the business. Employee feedback is forwarded to management, which uses it to drive specific actions.

Analysts and Distribution partners	<ul style="list-style-type: none"> • Our distribution partners are supported by a dedicated Investor Relations and Sales team. Analysts and distribution partners have regular personal contact with their key account managers and receive regular newsletters with product and business information. • You can sign up for the free email distribution list. 	<ul style="list-style-type: none"> • Key Account Manager Relationships • One-on-one meetings • Conferences and events • Complaint handling • Survey 	<ul style="list-style-type: none"> • Products • Sustainable products • Customer relationship and satisfaction
Suppliers	<ul style="list-style-type: none"> • BB Biotech and the Investment Manager are in constant contact with their suppliers and service providers. If possible, local suppliers and service providers are preferred. Each supplier or service provider undergoes pre-qualification to ensure compliance and correspondence is maintained throughout the business relationship to verify requirements, make payments and negotiate contracts. 	<ul style="list-style-type: none"> • Direct dialogue 	<ul style="list-style-type: none"> • Responsible procurement • Traceability
Portfolio companies	<ul style="list-style-type: none"> • In the interest of our shareholders, we engage with management as a professional investor. • Activities: Meetings with company representatives on all levels (top management, Board of Directors, IR, etc.) 	<ul style="list-style-type: none"> • Management meetings (senior management, Board of Directors, IR) • Voting at general meetings • Exchange of experience 	<ul style="list-style-type: none"> • Sustainability • Innovation • Cost structure • Capital Structure • Corporate Governance
ESG rating agencies	<ul style="list-style-type: none"> • We engage with rating agencies and provide transparency in order to be fairly assessed. 	<ul style="list-style-type: none"> • Meetings • Participation in survey • Training of employees based on feedback 	<ul style="list-style-type: none"> • Small vs. large caps • Coverage • Rating Methodology
Regulator	<ul style="list-style-type: none"> • BB Biotech regularly reports to regulators as part of its business and complies with rules and regulations. 	<ul style="list-style-type: none"> • Exchange of experience • Events • Annual and interim reports 	<ul style="list-style-type: none"> • All ESG-related topics • Reporting standards
Media	<ul style="list-style-type: none"> • Media office at the Investment Manager conducts active media relations with a high level of service. For balanced reputation management, the topic of sustainability has a high priority. 	<ul style="list-style-type: none"> • Key Account Manager Relations • One-on-One meetings • Unofficial media roundtables 	<ul style="list-style-type: none"> • All ESG-related topics • Company developments • Product and sector updates

Material ESG topics identified

The materiality assessment supports the Board of Directors and the Investment Manager in identifying the material sustainability issues by taking into account the expectations and needs of external and internal stakeholders.

The results of the analysis are used to continuously improve sustainability management by sharpening the understanding of stakeholders' needs and changes in the sustainability issues which they consider to be material. The materiality matrix forms the basis for managing corporate processes and helps to identify potential opportunities and risks and initiate appropriate measures.

Goal 2023: The sustainability working group will improve and refine the stakeholder engagement process and the results of this initiative to be disclosed in the 2023 sustainability report.

Materiality matrix

BB Biotech derives eight central topics from the materiality matrix, which are taken into consideration as part of sustainability management and the strategy.

1. **Economic performance**

Financial solidity and delivering long-term total returns to shareholders ensure that BB Biotech AG is and remains a reliable and value-adding partner for all its stakeholders.

2. **CO₂ emissions**

By 2030, the Investment Manager aims to reduce the CO₂ emissions of its business operations per employee (FTE) by 30%.

3. **Corporate governance and business ethics**

BB Biotech recognizes that sound corporate governance and a clear management structure with defined roles and responsibilities are critical to the long-term success of the company.

4. **Transparency**

BB Biotech's corporate governance complies with internationally recognized standards. We disclose transparent information about our governance. This enables our stakeholders to verify the quality of the company and supports investors in their investment decisions.

5. **Diversity and inclusion**

Diversity and equal opportunities are part of the corporate culture practiced by BB Biotech and the delegated investment manager. Accordingly, we promote potential as well as skills and competencies equally among all employees across all age groups.

6. **Employee development and retention**

Our corporate culture is based on mutual respect and trusting cooperation. Regular feedback and development meetings, as well as recognition and appreciation of performance, are important prerequisites for the company's success.

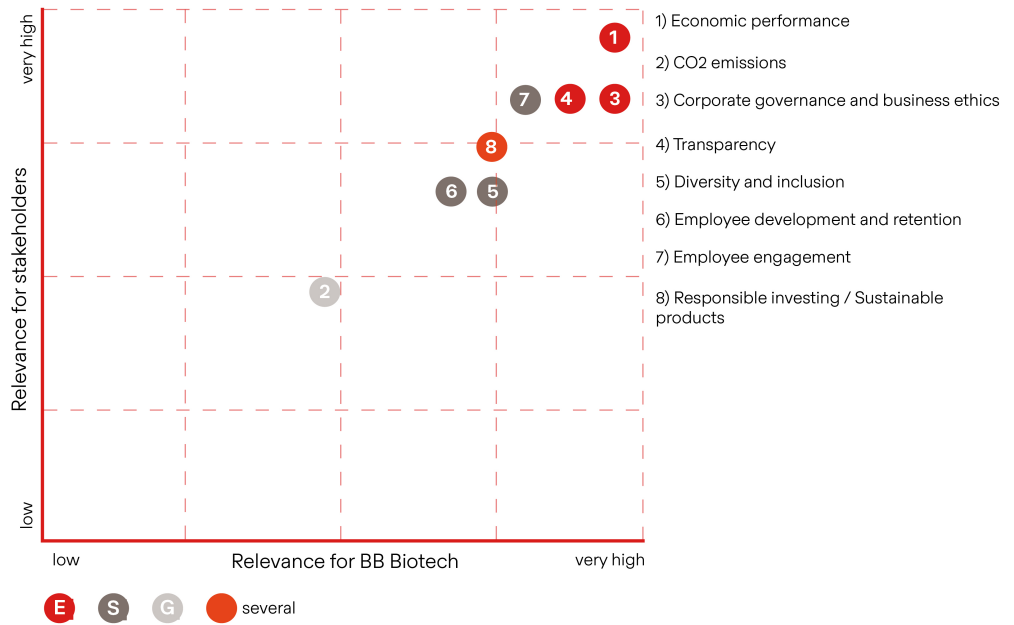
7. **Employee engagement**

The Investment Manager commits to conduct a Group-wide employee engagement survey every three years to assess employee satisfaction and the need for improvement.

8. **Responsible investing / Sustainable products**

Our investment process implements formal ESG investment guidelines and therewith all investments are systematically reviewed for sustainability risks and breaches of elementary human rights. Besides upholding strict exclusion criteria, environmental, social and governance factors are integrated into the fundamental analysis of every

company through an ESG integration process. ESG ratings compiled by the global leading ESG research provider MSCI ESG Research are incorporated in this process.



Further details on the management of material ESG topics follows in the chapters after we introduce the relevant SDGs .

Sustainable Development Goals (SDG)

The UN Sustainable Development Goals are at the heart of the Agenda 2030 adopted by the United Nations in fall 2015. They define the social, economic and environmental milestones that are to be jointly achieved worldwide by 2030. Companies can make a decisive contribution to the 2030 Agenda. BB Biotech is facing up to its responsibility and is aligning its sustainability management and core business with the SDG.

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

SDGs at Board of Directors of BB Biotech AG and the Investment Manager level:

Based on the operating model as an investment company, the following four SDGs are most relevant for BB Biotech on Board of Director and Investment Manager level: good health and well-being (3), quality education (4), gender equality (5), decent work and economic growth (8) and climate action (13). This is where BB Biotech can have the most significant impact.



Source: MSCI ESG Inc.

Goal 3: Ensure healthy lives and promote well-being for all at all ages

Good health and well-being is an integrated part of BB Biotech's investment strategy. Providing companies with capital, engagement and support for the development of new drugs is at the core for the Board of Directors and the Investment Manager. Therapies that address unmet medical needs, for example patients suffering from rare disorders, cancer, neurological diseases and chronic and metabolic disorders, are some of the key selection criterion when the Investment Manager makes investment decisions. The goal is to improve the patients' quality of life, ideally curing the disease, with the treatment making an important positive difference to patients and society as a whole.

Goal 4: Ensure inclusive, equitable and quality education and promote lifelong learning opportunities for all

BB Biotech encourages continuing education for all employees and promotes life-long learning.

Goal 5: Achieve gender equality and empower all women and girls

BB Biotech fosters a culture of gender equality and promote a balanced mix of gender and age across all hierarchical levels and functions of the company.

Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all

BB Biotech and its delegated Investment Manager offer attractive, family-friendly working condition, promotes diversity, has a competitive salary policy with equal pay for women and men, and is committed to the training and development of its employees.

Goal 13: Take urgent action to combat climate change and its impacts

BB Biotech and its delegated Investment Manager ensure that responsible operational ecology contributes to CO₂ reduction. What cannot be further reduced is compensated for by purchasing CO₂ emission certificates in the amount of the greenhouse gas emissions emitted each year ensuring our CO₂ neutrality commitment.

SDGs at portfolio level:

At the portfolio level UN SDG's are considered in order to derive the proportion of «sustainable investments» (c.f. also chapter «[Proportion of ESG investments](#)»). The concept of «Sustainable investments» introduces a positive contribution to an environmental and/or a social objective while not significantly harming any of these objectives. Furthermore, the portfolio companies must apply practices of good corporate governance.

ESG research provider MSCI ESG measures the target contribution of companies to each of the SDGs and categorizes them as «strongly aligned», «aligned», «neutral», «misaligned» and «strongly misaligned». A positive contribution to an environmental or social objective hence requires a company to exhibit a positive alignment with at least one of the 17 UN SDGs and at the same time not negatively influence any other SDG.

As at December 31, 2022, BB Biotech AG exhibits a share of 48% in sustainable investments. Thereby, the portfolio contributes to the following five UN SDGs that are marked in colour:



Source: MSCI ESG Inc.

Some of BB Biotech's portfolio companies positively contribute to UN SDG **No.1** (No Poverty), **No.3** (Good Health & Well-Being), **No.5** (Gender Equality), **No.8** (Decent Work and Economic Growth) as well as **No. 10** (Reduced Inequalities). Innovative biotech companies play a key role in contributing to the underlying objectives of «Good Health and Well-Being». To ensure healthy lives and promote well-being for all at all ages, UN SDG target **No. 3.4.1** (mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease) is particularly important.

According to MSCI ESG's SDG alignment methodology, the following core portfolio holdings are positively aligned with the narrowly defined goals under UN SDG No.3²: Ionis, Vertex, Incyte and Alnylam.

² <https://sdgs.un.org/goals/goal3>

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 delegated Investment Manager Bellevue Asset Management AG. BB Biotech AG's Board of Directors considers good business practices to be a binding policy for the delegated Investment Manager.

Economic performance

The economic performance is essential for creating long-term value for our stakeholders with a portfolio of diversified biotech companies.

In terms of portfolio size and market capitalization, BB Biotech is one of the largest biotech investors globally. The annual average performance of BB Biotech's shares since inception in 1993 is 13.4%.³

BB BIOTECH (SIX)	BB BIOTECH (XETRA)	BB BIOTECH (STAR)
CHF 55.20	EUR 56.70	EUR 56.50
31.12.2022	31.12.2022	31.12.2022
Share Price Performance YTD -24.3%	Share Price Performance YTD -19.0%	Share Price Performance YTD -19.6%
Market capitalisation CHF 3.1 bn	Market capitalisation EUR 3.1 bn	Market capitalisation EUR 3.1 bn
Net Asset Value (NAV) CHF 49.00	Net Asset Value (NAV) EUR 49.50	Net Asset Value (NAV) EUR 49.50

³ December 31, 2022

Corporate Governance and business ethics

It is of significant importance to BB Biotech that the internal processes of the company itself as well as those delegated to the Investment Manager drive good business practices with respect to compliance with laws and regulations, data protection as well as distribution and interaction with stakeholders. The Board of Directors 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 of the business of BB Biotech. 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, the Audit & Risk Committee Charter as well as the 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. In terms of Sustainability Governance, the Board of Directors introduced a «Sustainability and Governance Committee» in 2022. Roles and responsibilities as well as the constitution were defined in March 2022. A Committee Charter has been made public.

Diversity and inclusion

We are of the belief that diversity and inclusion, and people with different backgrounds, competencies and perspectives are key components to long-term success. BB Biotech's focus is on having a diverse Board of Directors whilst ensuring that they also have the relevant experience to oversee investments in the field of biotechnology. The Board of Directors is well diversified in terms of age, gender, expertise and geographical location. The Board of Directors conducts periodically salary benchmarks to ensure competitive and equal compensation.

Transparency

BB Biotech's environment, social and governance (ESG) performance is reviewed on a regular basis by independent ESG rating agencies. Whereas we welcome the feedback from and collaboration with these important stakeholders it is also a learning process for both parties as investment companies structurally do not fit into the rating agencies' current measures.

The ratings and feedback provided by various ESG rating agencies are one of the factors that are taken into consideration when continuously aiming at improving BB Biotech's ESG performance – and there is a commitment by the Board of Directors to further improve going forward.

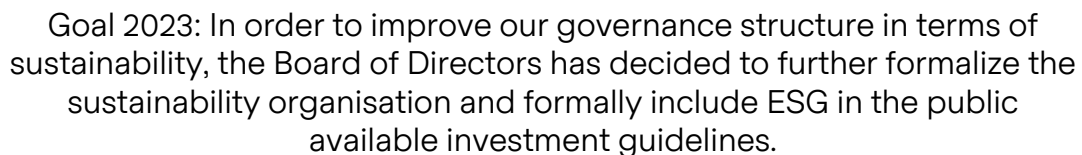
Sustainalytics ESG rating of BB Biotech AG

In 2022 BB Biotech initiated an independent ESG assessment from Sustainalytics as a leading ESG rating agency. We were interested in their views on BB Biotech's ESG performance and transparency in order to improve further. Another goal was to learn more about how rating agencies assess investment companies as well as to learn more about ways to improve our ESG rating as a consequence.

In summary Sustainalytics have rated BB Biotech at a score of 23.7 and concluded that the company is «Medium risk» (Medium risk range is 20–30). This represents a significant improvement from 2021 when BB Biotech's score was 33.9 and ranked as «High risk» based on a unsolicited assessment. One of the challenges is that there is no single subcategory that matches BB Biotech's structure as an investment company. BB Biotech is now ranked in the 17th percentile in the subindustry «Asset Management and Custody Services». It should be noted, that there is no subcategory fully matching BB Biotech's structure and setup. With further improvements and dialogue regarding the structural challenges of rating an investment company like BB Biotech, we are hopeful to be compared to ESG ratings of peers in the future.

Responsible investing

The competent Board of Directors of BB Biotech with its long-standing experience sets the investment strategy and guidelines for the Investment Manager. It thereby considers all ESG dimensions in the definition of the investment guidelines. Investment decisions are taken by the experienced investment management team at Bellevue Asset Management AG based on their extensive investment research.



Goal 2023: In order to improve our governance structure in terms of sustainability, the Board of Directors has decided to further formalize the sustainability organisation and formally include ESG in the public available investment guidelines.

Sustainability at Investment Manager level

Independent – entrepreneurial – committed

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

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:

CO₂ emissions

Bellevue Group was certified as a climate-neutral company by the independent specialist «Swiss Climate AG» for the second time in 2022 (based on 2021 values). By purchasing CO₂ emission certificates in the amount of the greenhouse gas emissions emitted each year, we support projects that save the same amount of emissions. Bellevue has selected a project focusing on «Climate protection and sustainable management in the Swiss forest» for climate neutrality in 2021 and 2022. 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.

Target 2030: As part of the certification process, 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.

Measurement of environmental indicators

The environmental indicators were calculated for the second time in 2022 on the basis of the 2021 financial year. The updated values will be published in the following year.

Total emissions (in t CO ₂)	2020	2021	Change in %
CO ₂ -emissions scope 1 ¹⁾	32	27	(15.6)
CO ₂ -emissions scope 2 ²⁾	44	28	(36.4)
Co ₂ -emissions scope 3 ³⁾	212	193	(9)
Total CO ₂ -emissions	288	248	(13.9)
CO ₂ -emissions/full-time position	2.7	3.0 ⁴⁾	11.1

¹⁾ Scope 1: Direct greenhouse gas emissions

²⁾ Scope 2: Indirect energy-related greenhouse gas emissions

³⁾ 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

⁴⁾ Benchmark: Swiss Banks (SC): 2 t CO₂/FTE

Source: CO₂ Report for Bellevue Group AG issued by Swiss Climate AG (2021, 2022)

Total emissions at a glance

The 2020 balance with normalized data in the categories commuting 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 verify improvements in the CO₂ balance.

Total emissions (in t CO ₂)	Base year*	2020	2021	Change in % 2020/2021
Business trips	505	99	102	3
Heating	58	58	45	(22.4)
Commuting	130	55	57	3.6
Electricity	32	32	21	34.4
IT equipment (computers, laptops, monitors, cell phones, phones, tablets)	14	14	18	28.6
Waste	2.5	2.5	2.7	8
Water	1.5	1.5	0.9	(40)
Paper and printing	0.9	1.2	1.8	50
Total emissions	801	288	248	(13.9)
Emissions Total / FTE (t CO ₂ /FTE)	8.2	3	2.7	(10)

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

Source: CO₂ Report for Bellevue Group AG issued by Swiss Climate AG (2021, 2022)

Bellevue Group's business 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 proliferation are particularly evident in business travel. Air travel and commuting account for over 85% of CO₂ emissions in a normalized year. Since air travel has been limited since March 2020 and the home office recommendation/mandatory massively reduced commuting, CO₂ emissions in 2020 decreased by about 65% due to COVID-19. From 2022, significantly more business travel is expected again.

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

Energy consumption

At Bellevue Group's headquarters in Küsnacht, where the vast majority of the Investment Management Team of BB Biotech is based, the building is heated and cooled with natural lake water.

When procuring electricity-operated equipment such as personal computers, monitors, printers, etc., we pay attention to the use of energy-efficient devices. Where possible, energy consumption controls are programmed to automatically switch IT components to standby mode, either individually or in groups, according to predefined time patterns. The buildings are only lit when they are in use. We use additional energy consumers such as air conditioners or radiators only when necessary and switch them off again immediately after use.

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 to all employees. 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 office 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 all employees.

Goal 2023: Further reduce CO₂ emissions by car and plane to meet the overall CO₂ target by 2030.

Procurement process

When procuring materials, furniture, food, etc., we consider local suppliers and local products whenever possible. Likewise, when selecting suppliers and service providers, their environmental practices are taken into account. In the procurement of furniture and other office materials, attention is paid to durability.

Goal 2023: In 2023, as part of the stakeholder engagement process, a survey will be carried out with external suppliers and service providers, among others, in order to increase our understanding of their procurement processes and assess the adequacy of their sustainability management.

Waste management and recycling

Systems are in place at all office locations 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.

Key climate-relevant memberships

In 2022 Bellevue Group was awarded the Swiss Climate Label «CO₂ neutral» for the second consecutive time. In addition, Bellevue Asset Management entered into a partnership with Swiss Sustainable Finance (SSF) to support its mission to strengthen Switzerland's position as a leading voice and player in the field of sustainable finance and thus contribute to a sustainable and prosperous economy.



TCFD

The recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) introduce uniform and transparent rules for disclosing the financial climate risks of economic actors.

We are currently working to identify and assess climate-related risks that may impact our business activities. In the coming years we are planning to revise and expand our reporting on climate-related factors.

The recommendations are structured around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, and metrics and targets.

Governance	Strategy	Risk Management	Metrics & Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Source: TCFD, 2022

Governance

Climate-related opportunities and risks could potentially influence all areas of BB Biotech and its business – both in terms of our own business activities and the portfolio companies. Therefore the ultimate responsibility for this topic lies with BB Biotech's Board of Directors and its dedicated Sustainability and Governance Committee (SGC).

The Investment Management Team is responsible for the implementation of the investment strategy with a focus on sustainability topics as well as overarching principles and policies.

Strategy

BB Biotech recognizes that a contribution towards the realization of the objectives set out in the Paris Agreement is required. This can be achieved through the way in which we structure our portfolio. We analyse and manage climate-related risks and show how they influence our investment decisions. As a biotech investor, we naturally apply sector exclusions for controversial industries (e.g. fracking/oil sands, etc.), engage in an active dialogue with the companies or other stakeholders regarding their climate strategy, and exercise our voting rights.

At an operational level, we disclose the emissions resulting from our own business activities in our Sustainability Report. We are planning to develop our climate strategy and implement TCFD recommendations in the future. BB Biotech considers sustainability risks to be a critical element of its risk management practices.

Climate Risk Management

Risks arising from disruptions and shifts that indirectly affect BB Biotech, e.g. through the introduction of climate policy measures involving a transition to a low-carbon economy (e.g. CO₂ levies, emissions or energy efficiency standards, or restrictions on «unsustainable» industries such as coal or oil), securely changing consumer sentiment or disruptive technological breakthroughs.

Metrics and targets

BB Biotech and the Investment Manager 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.

Bellevue has been purchasing electricity from renewable sources for its Swiss locations – either directly or otherwise indirectly through regional Guarantees of Origin and is further formalizing the net-zero climate strategy. Goal is to reduce greenhouse gas emissions from our business operations to net zero by 2050.

Social practices

Employees are the most important asset for the long-term success of BB Biotech and the Investment Manager. We foster a strong entrepreneurial culture with flat hierarchies, a high level of personal responsibility and flexibility in terms of working hours, workload and location.

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.

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. At our headquarters in Switzerland we offer an annual subscription to a professional medical gym and other subsidized sport activities. Every year, employees are also offered free vaccination such as against influenza or against tick borne encephalitis.

Bellevue Group	2022	2021	2020
Average length of service of employees	6.7 years	6.4 years	5.7 years
Average age	45.1 years	45 years	44.5 years
Part-time employees	19%	22%	23%
Employee turnover	3.9%	2.9%	2.6%
Investment Management Team	2022	2021	2020
Average length of service of employees	8.3 years	9.8 years	8.8 years
Average age	43.9 years	45.5 years	44.5 years
Part-time employees	15%	20%	20%
Employee turnover	0%	0%	0%

The added value that BB Biotech generates for its investors is inextricably linked to the professional competence, motivation and high level of identification of the Investment Management Team. 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 such as the ability to work in a team 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, origin and gender must not lead to discrimination.

Bellevue recruited a total of 15 employees and 6 interns in 2022 across all locations and had a total of 96.9 FTE as at December 31, 2022. The Investment Management Team for BB Biotech recruited 3 individuals in 2022 (12.2 FTE as at December 31, 2022).

Employee development and retention

The development of our employees is of central importance and an integral part of the Sustainability Plan 2030. Lifelong learning is becoming increasingly important. The company organization is designed to enable employees to develop and use their respective professional talents in the best interests of the company's stakeholders, the company and the employee, always taking into account the family and personal environment (e.g. part-time work, IT setup for home office, support for training and development).

Under the supervision of the HR department, employees are offered a wide range of professional development opportunities as well as career and succession planning as part of Bellevue's onboarding and induction process and education and talent management program. The regular institutionalized employee appraisals provide a framework for assessing personal performance and planning further development.

All Bellevue employees are regularly required to complete e-learning modules in the area of cyber security. In addition, employees will receive further training on the topic of sustainability, including presentations by external experts.

15 employees completed external training in 2022.

Employee engagement

Bellevue conducted a Group-wide employee survey for the first time in 2022. This was carried out in collaboration with an independent research institute⁵. The aim was to survey employee satisfaction and identify the need for improvement.

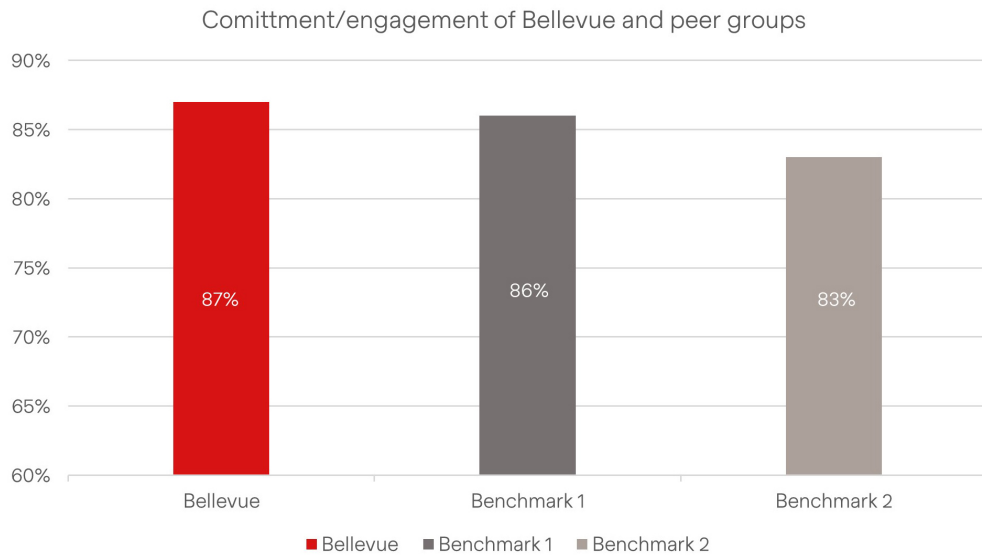
The results were discussed in the executive management board as well as at the Board of Directors and shared with employees. As a next step, areas of action to be worked on to achieve improvements are being defined.

The response rate was 73% which is in line with industry expectations.

Target for next employee survey, which will be conducted in 2025: Bellevue has set itself the goal of increasing the response rate to 80% and maintaining the commitment/engagement value at the current high level.

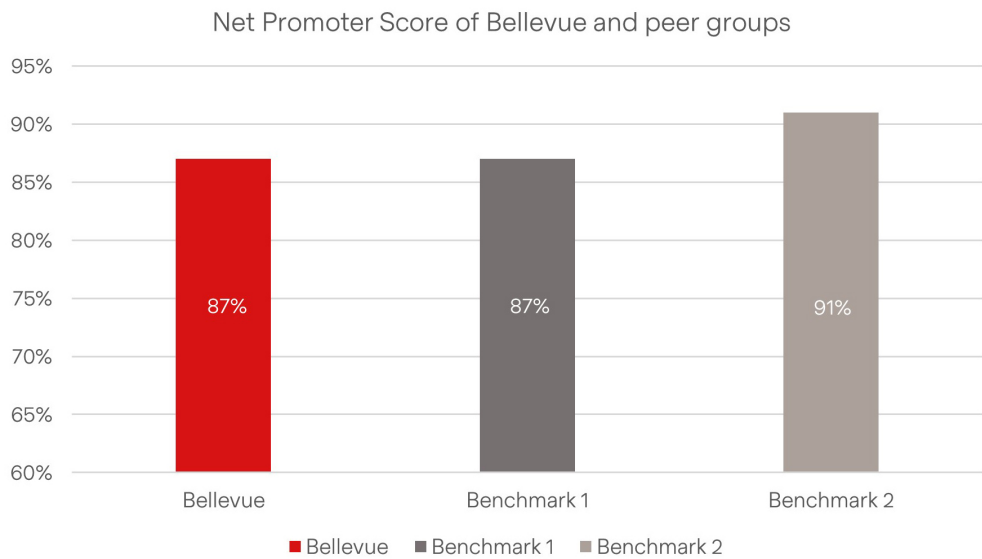
The extent to which employees are willing to go the extra mile for Bellevue is shown by the commitment/engagement score, which is shown in the following diagram.

⁵ iCommit 2022



Benchmark 1: Comparable Swiss financial institutions (with a total of 5264 respondents); benchmark 2: companies in the Swiss Employer Award presented in Switzerland in 2021/22

The Net Promoter Score is a metric used to measure and track employee loyalty and is therefore of great importance to the success of organisations.



Benchmark 1: Comparable Swiss financial institutions (with a total of 5264 respondents); Benchmark 2: Companies in the Swiss Employer Award presented in Switzerland in 2021/22

Remuneration policy

Within Bellevue, the following overarching principles apply to all compensation:

Compensation is transparent, comprehensible, fair and appropriate for members of the Board of Directors and Group Executive Management as well as for all employees. All compensation must take balanced account of operational and strategic responsibility, the quality of the work and the workload of the respective function. Compensation shall be commensurate with the function and shall be influenced to a significant extent by the individual achievement of quantitative as well as qualitative targets and by the results of Bellevue. When determining compensation, it must be ensured that it is proportionate and competitive compared to companies in the same labour market and economic sector, and that it is sustainable regardless of the course of business. Serious breaches of internal or external regulations (incl. ESG/sustainability) will lead to a reduction or forfeiture of variable compensation.

Further details and numbers are publicly disclosed in the audited compensation report of Bellevue Group AG as part of the annual report.

Employee profit participation

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 employer.

For the Investment Management Team of BB Biotech there is a compensation system in place with three components:

1. Competitive fixed salaries in line with asset management industry standards,
2. An allocation of the management fee paid by BB Biotech AG reflecting mid- and long-term success,
3. A long-term incentive plan, fully aligned with shareholders' interests with multi-year performance hurdles, resulting in payments between 0% and 100%.

Furthermore, Bellevue 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 employees is designed to motivate all employees to perform very well. This approach promotes a long-term performance culture.

Diversity and Inclusion

The Investment Manager 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, creating a competitive advantage.

With their different perspectives and approaches, experiences, ideas and skills, employees inspire and learn from each other. As a result, the company gains in creativity, innovation and success.

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 corresponding unjustified differences and adjusted if necessary. The last analysis across the Bellevue Group was carried out in August 2021 using the standard analysis tool of the Swiss Confederation («Logib»). No gender effect was identified.

Goal 2023: The next salary analysis will be conducted in 2023.

Both gender are to be represented in the executive management boards as well as on the Board of Directors. Discriminatory and other incorrect behaviour will not be tolerated. In 2022, a whistleblowing directive was adopted for this purpose, among other things together with an external reporting system.

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.

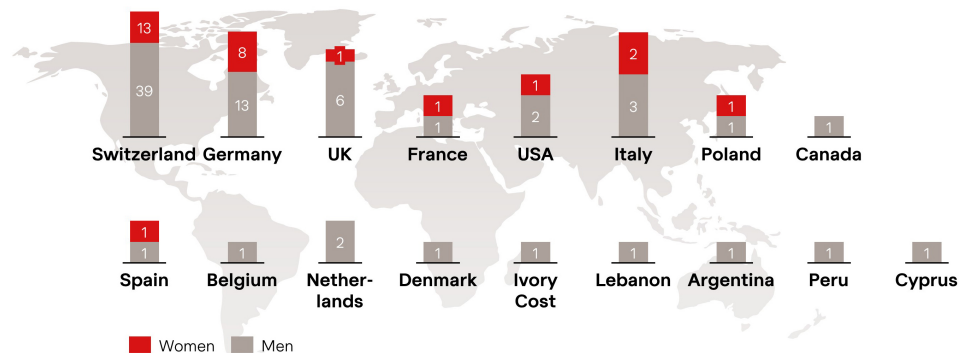


Annual comparison of full time employees

Women		Men	
2021	2022	2021	2021
28%	27%	72%	73%

The Board of Directors of Bellevue Group has set itself the goal of continuously increasing the proportion of women at all levels, especially at senior management level (Board of Directors and executive management). Furthermore, the Board of Directors is promoting the development and retention of women in the company. In addition, the company aims to fill vacant positions with women through targeted talent attraction measures.

17 nationalities



Governance practices

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

Policy

Sustainability risks

«Sustainability risks» is defined 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 investment⁶.

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.

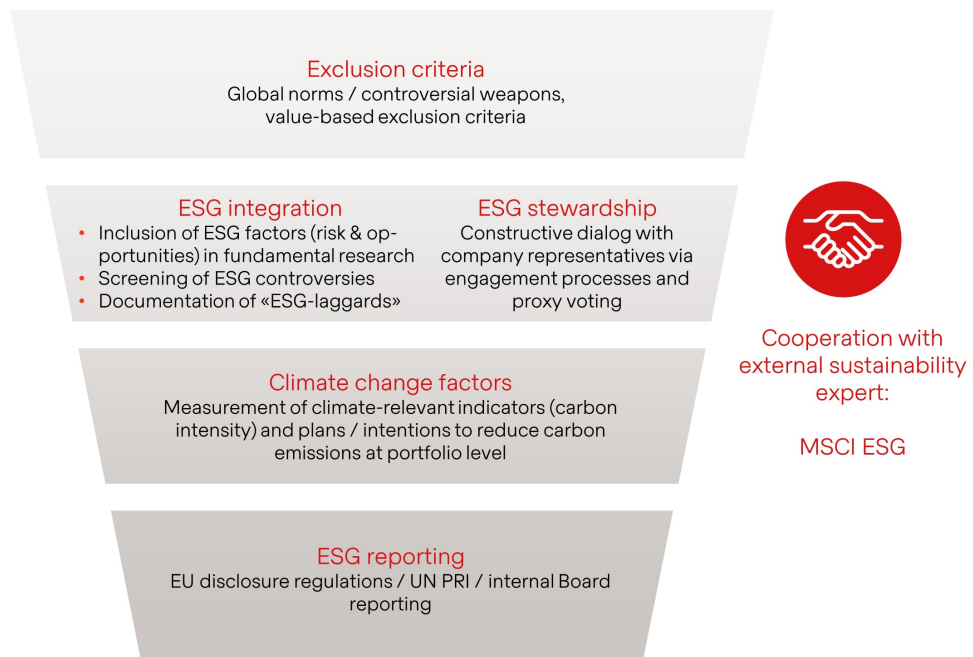
While every investment strategy can be exposed to such sustainability risks to varying degrees, the projected impact of sustainability risks on the returns of the investment strategies will depend on the specific investment strategy.

100% of BB Biotech's and more than 80% of Bellevue Asset Management AG's assets under management as at December 31, 2022, 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. Focus on healthcare therefore reduces the sustainability risks.

⁶ 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)

ESG investment policy

ESG framework in portfolio management



Source: Bellevue Asset Management AG, as at December 31, 2022

Exclusion criteria

Bellevue Asset Management is committed to complying with internationally recognized standards and consistently exclude companies with serious violations of human rights, the environment, labour standards and involvement in corruption from the investment portfolios it manages. No investments may be made in companies that seriously violate the environment, human rights and business ethics. This is measured by compliance with the principles of the UN Global Compact Compliance, UN Guiding Principles for Business and Human Rights, and standards of the International Labour Organization.

In contrast to exclusions based on violations of global standards, values-based exclusions are based on social, ethical and moral views. Percentages of sales per business segment are defined, that a company may not exceed in ESG-critical business segments such as conventional weapons, thermal coal or tobacco production. Issuers whose annual sales exceed the generally accepted tolerance limits defined below are excluded. For BB Biotech and the biotech industry in general, these thresholds are in practice not relevant.

Business area	Revenue threshold	BB Biotech
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%
Adult entertainment	5%	0%
Gambling	5%	0%
Palm oil	5%	0%

The defined turnover limits are based on empirical values with institutional investors and industry experts. For individual strategies with a dedicated sustainability focus, more extensive and/or stricter exclusion criteria may be applied.

Bellevue Asset Management maintains an exclusion list, which is updated quarterly. Currently, this list comprises more than 850 issuers that are excluded from all investment universes in the context of direct investments.

ESG Integration

Environmental, social and governance factors are incorporated into the fundamental assessment of a company and evaluated in terms of their financial risks or opportunities for future share price performance. This gives our portfolio managers a holistic picture of a company.

The environmental area includes, for example, whether a company systematically measures and discloses its environmental footprint. The area of society includes, for example, product quality, data security and employee development. Good governance includes, for example, independence and compensation of the board of directors or business ethics.

As a basis for the integration of sustainable business criteria in the investment decision process, the Investment Manager uses an ESG rating per issuer, which is composed of various sub-scores. The scores are based on data from the independent third-party providers MSCI ESG Research and Sustainalytics. Their relevance and consequently weighting can vary significantly depending on the industry affiliation.

Over the past year, it has also proven important to interpret aggregated ESG ratings with caution and to critically scrutinize them. Most ESG rating methodologies are based on predefined systematics that do not lead to an objective or «fair» risk assessment in all cases. Especially small-capitalized and young companies, such as those still in the start-up phase, are typically systematically disadvantaged compared to large companies. A lack of human resources and experience in dealing with ESG issues can lead to a poorer sustainability rating. Our portfolio managers and analysts stand in close contact with our portfolio companies and in many cases may have a more profound fundamental understanding of certain processes with the company than an external ESG rating agency. Accordingly, our portfolio managers take a critical look at potential or alleged «ESG laggards» (rating CCC, B) and repeatedly seek personal discussions with the ESG specialists of our cooperation partners and the companies concerned. Our ESG investment guidelines tolerate an investment in an alleged «ESG laggard» provided that our rationale to do so is clearly explained and documented in detail. Nonetheless, an investment in a so-called «ESG laggard» does under no circumstances qualify as an investment with «sustainable characteristics» nor as a «sustainable investment» with regards to the calculation of our regulatory ESG investment proportions. (c.f. also chapter Proportion of ESG Investments).

ESG stewardship

As a responsible investor with a long-term focus, BB Biotech supports all measures and initiatives that increase the value of the companies invested in over the long term in the interests of shareholders and investors. This includes engagement activities as well as the exercise of voting and election rights on the occasion of general and shareholders' meetings.

Engagement

Active management means investing with conviction. We know what we are investing in and pursue this with great discipline. We have neither overarching investment committees nor a CIO. In independently operating product areas, the respective teams of experts are equally committed to a high level of self-responsibility, respect and their own vision. Our employees are also not only investment experts, but at the same time entrepreneurs and participate in the success of our investors.

This commitment to active investment management also highlights the importance of engagement as a key element in our ESG framework. Portfolio managers generally engage in an active and constructive dialogue with the management and other relevant representatives of the invested companies regarding environmental, social and governance aspects. If there are indications of substantial controversies in the area of ESG, these are constructively raised in the company dialog and progress (e.g. strategy, process adjustments, improvement of ESG rating) is documented over time. Engagement activities must also be placed in the context of materiality and proportionality. Engagement activities can take place to varying degrees depending on the size of the investment strategies involved, the capitalization of the company, the stage of development of the company, and other factors.

ESG engagement activities are recorded as part of the regular documentation for the company meetings. In addition, in 2022 we established a proprietary tool in which ESG engagement activities are systematically recorded and progress is documented over time.

Climate Change Factors

In accordance with the Paris Climate Agreement of December 2015, Bellevue Asset Management is committed to climate goals and supports measures to reduce global warming. We emphasize climate-friendly portfolios that can contribute to achieving the goals of the Paris Climate Agreement. CO₂ intensity (tons of CO₂ per USD 1 million of sales) is regularly measured at portfolio level and assessed against the relevant investment universe or benchmark.

100% of BB Biotech's and more than 80% of Bellevue Asset Management AG's assets under management as at December 31, 2022), are invested in the healthcare sector, which by its nature is exposed to much lower CO₂ emissions than industrial, commodity or energy sectors or broadly diversified global equity indices.

To the extent that a stock contributes 10% or more to the overall portfolio intensity, or a stock's carbon intensity is 10% or higher than the comparable industry average, we initiate special consideration as part of our consideration of principle adverse impacts on sustainability factors (PAIs), which may result in, for example, an engagement.

We are in an extended transition phase to a lower-carbon society and this requires a clear picture of which companies are more affected or limited by this transition, and which companies might even emerge as beneficiaries from this transition phase.

ESG-Reporting

Since 2019, Bellevue Asset Management AG has been a signatory of the United Nations Principles for Responsible Investment (UN PRI). PRI reporting is the world's largest responsible investment reporting project. It was developed with investors for investors. Reporting on our sustainability activities and progress is one of the six principles of the UN PRI. Bellevue Asset Management is also a member of Swiss Sustainable Finance Association (SFF). We fulfil our responsibility in ESG reporting through monthly factsheets, Bellevue and BB Biotech websites, UN PRI Responsible Investment (RI) Report and internal ESG reporting.

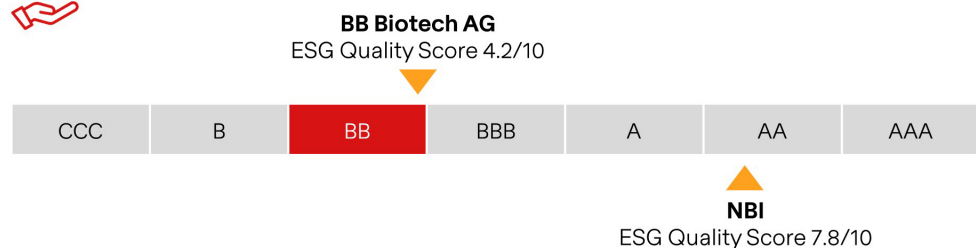
Sustainability at BB Biotech AG's portfolio level

Dr. Daniel Koller, Head of Investment Management 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 very severe 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 share 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.

Responsible Investing

MSCI ESG Rating (CCC – AAA)



Note: ESG Quality Score based on 97% MSCI ESG Research coverage, Nasdaq Biotech Index (NBI) is based on 95% coverage. For more information: <https://www.bbbiotech.ch/all-en/all/esg/sustainability>
Source: MSCI ESG Research, Bellevue Asset Management, Data as of December 31, 2022

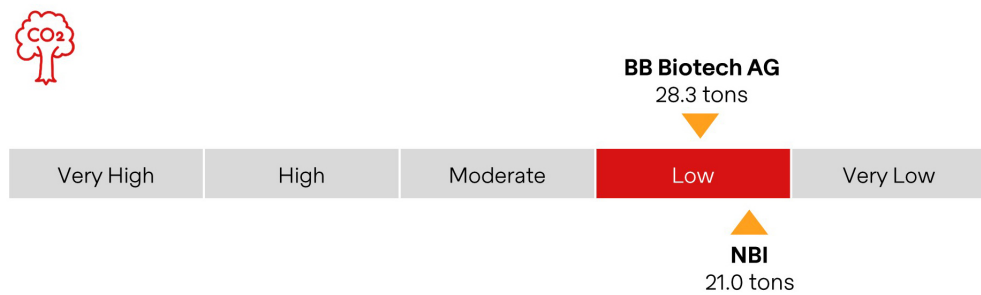
Sustainability at BB Biotech AG's portfolio level

Name	MSCI ESG Rating 2021	MSCI ESG Rating 2022	CO2 Intensity (T/USDm Sales) 2021	CO2 Intensity (T/USDm Sales) 2022	Portfolioweight
Ionis Pharmaceuticals	BB	B	21.9	33.4	11.0%
Argenx SE	A	BBB	23	29.4	10.2%
Neurocrine Biosciences	BBB	BBB	40.5	53	9.9%
Moderna	BB	BBB	22.2	33.4	8.2%
Vertex Pharmaceuticals	A	A	2.6	2.6	8.1%
Incyte	BBB	BBB	4.3	2.9	7.0%
Alnylam Pharmaceuticals	BBB	A	22.2	23.2	6.4%
Intra-Cellular Therapies	A	A	44.5	52.9	5.3%
Myovant Sciences	BBB	BBB	23	21.8	4.8%
Revolution Medicines	BB	BB	23	21.8	3.4%
Agios Pharmaceuticals	BBB	BBB	23	21.9	3.4%
Sage Therapeutics	B	B	22.2	33.3	3.4%
Celldex Therapeutics (new)		BB		21.8	2.4%
Arvinas	A	A	36.4	44.5	2.2%
Relay Therapeutics	B	B	21.9	21.9	1.9%
Macrogenics	BBB	BBB	23	21.9	1.8%
Fate Therapeutics	BB	BB	22.9	21.8	1.5%
Exelixis	B	B	40.5	53	1.3%
Crispr Therapeutics	BB	BB	23	20.8	1.1%
Wave Life Sciences	n.a.	n.a.	n.a.	44.5	1.0%
Beam Therapeutics	BBB	BBB	-	-	0.8%
Esperion Therapeutics	n.a.	n.a.	n.a.	44.6	0.8%
Mersana Therapeutics	BBB	BBB	23	20.5	0.7%
Kezar Life Sciences	n.a.	A	n.a.	21.9	0.6%
Essa Pharma	A	BBB	23	21.9	0.6%
Scholar Rock Holding	BBB	BBB	23	21.8	0.6%
Rivus Pharmaceuticals (new)		n.a.		n.a.	0.5%
Generation Bio Co.	BB	BBB	23	21.9	0.4%
Black Diamond Therapeutics	n.a.	n.a.	n.a.	21.9	0.3%
Molecular Templates	n.a.	n.a.	n.a.	21.9	0.1%
Homology Medicines	A	A	21	21.5	0.1%
Biogen	AA	n.a.	7	n.a.	Exit
Radius Health	BB	n.a.	44.6	n.a.	Exit
Nektar Therapeutics	BBB	n.a.	40.5	n.a.	Exit
Portfolio of BB Biotech	A	BB	23.2	28.3	

Relative to the previous year, the overall MSCI ESG rating was mostly dragged lower by a single company rating downgrade of Ionis Pharmaceutical, which represents one of our current top holdings. MSCI ESG Research downgraded the company to ‘B’ from ‘BB’ due to their removing of a company-specific component based on the size of operations which caused an increase in Ionis’ overall risk exposure, contributing to the downgrade. Moreover, MSCI ESG noticed weaknesses in talent management and shareholder discontent due to 10% negative votes for three directors.

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 benchmark. With a carbon risk of 28.3 tons of CO₂ per million USD sales BB Biotech’s overall carbon intensity remains at the low end and virtually unchanged versus the previous year (23.2 tons). No portfolio company contributes more than 10% to the overall portfolio carbon intensity. Again, for a very low carbon industry such as biotechnology, carbon reduction is not the predominant objective with regards to long-term sustainability goals, which is also reflected in the MSCI ESG rating for the biotechnology sector where the weights for the individual categories are distributed as follows: Environment (10%), Social (55%), Governance (35%).

Carbon risk (t CO₂E/USD mn sales)



As at December 31, 2022, BB Biotech AG's single position exhibit following MSCI ESG ratings:

Name	MSCI ESG Rating	CO2 Intensity (T/USDm Sales)	Portfolio weight
Ionis Pharmaceuticals	B	33.4	11.0%
Argenx SE	BBB	29.4	10.2%
Neurocrine Biosciences	BBB	53	9.9%
Moderna	BBB	33.4	8.2%
Vertex Pharmaceuticals	A	2.6	8.1%
Incyte	BBB	2.9	7.0%
Alnylam Pharmaceuticals	A	23.2	6.4%
Intra-Cellular Therapies	A	52.9	5.3%
Myovant Sciences	BBB	21.8	4.8%
Revolution Medicines	BB	21.8	3.4%
Agios Pharmaceuticals	BBB	21.9	3.4%
Sage Therapeutics	B	33.3	3.4%
Celldex Therapeutics (new)	BB	21.8	2.4%
Arvinas	A	44.5	2.2%
Relay Therapeutics	B	21.9	1.9%
Macrogenics	BBB	21.9	1.8%
Fate Therapeutics	BB	21.8	1.5%
Exelixis	B	53	1.3%
Crispr Therapeutics	BB	20.8	1.1%
Wave Life Sciences	n.a.	44.5	1.0%
Beam Therapeutics	BBB	-	0.8%
Esperion Therapeutics	n.a.	44.6	0.8%
Mersana Therapeutics	BBB	20.5	0.7%
Kezar Life Sciences	A	21.9	0.6%
Essa Pharma	BBB	21.9	0.6%
Scholar Rock Holding	BBB	21.8	0.6%
Rivus Pharmaceuticals (new)	n.a.	n.a.	0.5%
Generation Bio Co.	BBB	21.9	0.4%
Black Diamond Therapeutics	n.a.	21.9	0.3%
Molecular Templates	n.a.	21.9	0.1%
Homology Medicines	A	21.5	0.1%

Stewardship through engagement and active voting

a) Engagement

Our stewardship duties encompass an active and constructive dialogue with our portfolio companies on environmental, social and governance issues. In case of indications of substantial controversies in the area of ESG, these are raised constructively within the framework of the corporate dialogue and progress (e.g. strategy and process adjustments, improvement of ESG rating) is documented over time. Engagement activities must also be placed in the context of materiality and proportionality. Engagement activities can take place to varying degrees depending on the size of the investment strategies involved, the capitalization of the company, the stage of development of the company, and other factors. Accordingly, in addition to our regular interactions with company executives and other stakeholders, we initiated two formal ESG engagements in 2022, one of which concerns

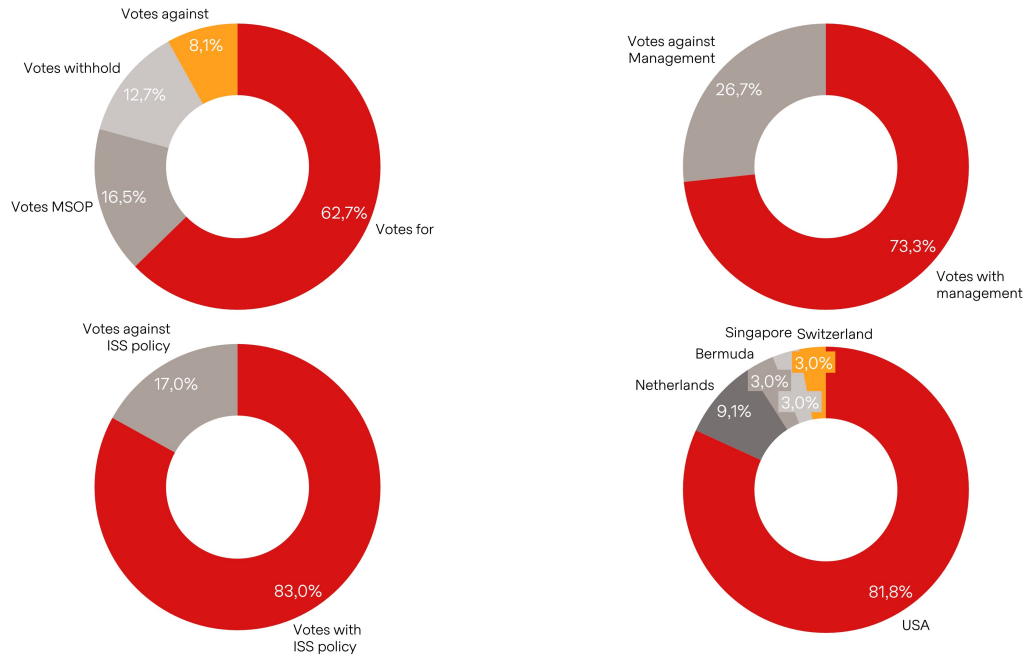
executive pay («G») and the second addresses early drug access in established markets and expansion to frontier markets («S»).

b) Proxy voting

The second stewardship element concerns our actively exercising our voting rights at AGM's through proxy voting. In order to extract long-term investor value added through active portfolio management we keep a constant dialogue also on sustainability matters with companies senior management which is eventually reflected in our voting decisions. Bellevue Asset Management's and BB Biotech AG's Board of Directors take our voting obligations very seriously and respective structures are in place to ensure that we vote in all shareholder meetings.

Material voting items on the AGM agenda such as board composition, compensation or incentive schemes are evaluated on a case-by-case-basis, supported by research data of Institutional Shareholder Services group (ISS). The Investment Management Team receives voting recommendations and research material from ISS. ISS brings more than 30 years of experience and global resources to serve approximately 1 500 institutional clients globally. ISS makes sure to maintain market leading stewardship practices. Should we vote against a proposed agenda item, we would usually have a prior discussion and elaboration of our rationale and understanding with members of the company management or the Board of Directors.

During 2022 we voted at 33 votable meetings covering 236 resolutions (vs. 28 AGM and 179 resolutions in 2021). In 173 cases we thereby voted in line with management recommendations and for 63 resolutions voted against management recommendation (vs. 8 votes in 2021).



*ISS policy

Proportion of ESG investments

Sustainable investing constantly evolves on the back of methodological progress, improving corporate ESG reporting and fast moving regulatory requirements. In 2022, EU SFDR 2019/2088 Regulatory Product Disclosures (Art. 10)/Commission Delegated Regulation (EU) 2021/1253 to MiFID II – Sustainability Preferences (Art. 9) introduced frameworks to measure the degree of sustainability of an investment. Thereby, EU SFDR addresses the concepts of «Investments with sustainable characteristics» as well as the concept of «Sustainable investments». While both concepts share similarities, Art. 2 No. 17 of the Disclosure Regulation 2088/2019 defines a «Sustainable investment» as an investment in an economic activity that contributes to the achievement of an environmental and/or a social objective whereas «investments with sustainable characteristics» exhibit certain ESG qualities (such as e.g. minimum ESG rating, compliance with norm and/or values-based exclusions etc.) but need not necessarily contribute to an environmental or social objective.

a) Share of investments with sustainable characteristics

In accordance with EU SFDR 2019/2088, Bellevue Asset Management introduced the following set of ESG criteria that must be met by a minimum portfolio proportion of 50% for BB Biotech:

- Compliance with global norms – i.e. no severe violations against standards and principles of the UN Global Compact, the UN Guiding Principles for Business and Human Rights, and Conventions 1 and 2 of the International Labour Organization (ILO).
- Investments in ethically or morally controversial business areas are limited by considering predefined revenue thresholds (in practice not relevant for the biotech industry, those thresholds are nevertheless formally monitored).
- Minimum ESG Rating of BB or higher to assure adequate level of «Good governance» on E, S and G
- Stewardship through constructive corporate dialogue (engagement) and the exercise of voting rights (proxy voting)

In principle, we aim to invest all assets of BB Biotech in investments with «Sustainable characteristics» but there is not always a sufficient amount of ESG-data available in any market cap segment, particularly in the field of small and mid-cap companies. Additionally, some companies may not have an ESG rating yet or the current rating does not correspond with our view on the most relevant sustainability aspects.

b) Share of sustainable investments

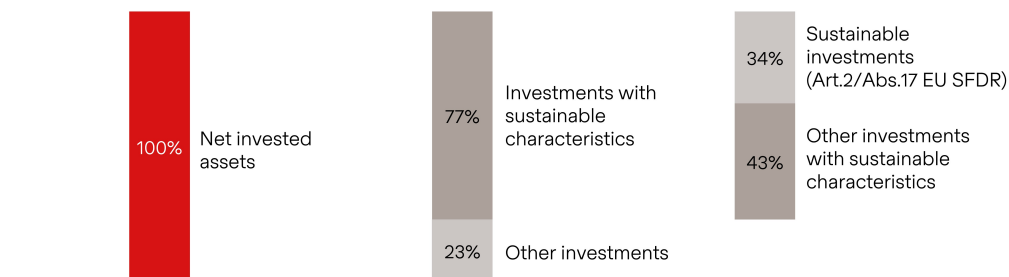
The concept of «Sustainable investments» imposes more stringent restrictions on above ESG characteristics by introducing a positive contribution to an environmental and/or a social objective while do not significant harm any of these objectives («DNSH»). Furthermore, the invested portfolio companies must apply practices of good corporate governance. For an investment to qualify as a «sustainable investment», the Investment Manager applies the 17 UN Sustainable Development Goals (SDGs). These sustainable development goals are general, universal goals for all UN member states, which were adopted in September 2015 as the successor to the Millennium Goals. The entire world population should be able to live in a fairer, more prosperous and more peaceful society by 2030.

As already elaborated above (chapter UN SDG) ESG research provider MSCI ESG measures the degree of alignment with each of the SDGs. A positive contribution to an environmental or social objective hence requires a company to exhibit a positive alignment with at least one of the 17 UN SDGs while not affecting any other SDG negatively.

Investments are assigned to the «sustainable investment» proportion if, on the one hand, they exhibit a positive target contribution as described above and, on the other hand, they meet the criteria for «investments with sustainable characteristics» described above, which also ensures that good governance practices are applied.

In accordance with European MiFID regulation, a corresponding minimum proportion of sustainable investments has been defined and set at 25% for BB Biotech AG.

The overall regulatory ESG breakdown for the BB Biotech AG portfolio as at December 31, 2022 is summarized below:



Source: Bellevue Asset Management, MSCI ESG Inc.

Annex

GRI content index with reference

GRI content index		
Statement of use	BB Biotech AG has reported the information cited in this GRI content index for the period 01.01.2022 – 31.12.2022 with reference to the GRI Standards.	
GRI used	GRI 1: Foundation 2021	
GRI Standard	Disclosure	Location in Annual Report
GRI 2: General Disclosures 2021	2-1 Organizational details	About us
	2-2 Entities included in the organization's sustainability reporting	Sustainability Governance
	2-3 Reporting period, frequency and contact point	About us: Corporate calendar / Contact
	2-6 Activities, value chain and other business relationships	About us
	2-7 Employees	Social Practices
	2-9 Governance structure and composition	Corporate Governance
	2-10 Nomination and selection of the highest governance body	Corporate Governance: Board of Directors
	2-11 Chair of the highest governance body	Corporate Governance: Board of Directors
	2-19 Remuneration policies	Remuneration Report: Remuneration of the members of the Board of Directors
	2-20 Process to determine remuneration	Remuneration Report: Remuneration of the members of the Board of Directors
	2-22 Statement on sustainable development strategy	Sustainability Strategy
	2-25 Processes to remediate negative impacts	Environmental practices
	2-26 Mechanisms for seeking advice and raising concerns	Social Practices: Diversity and Inclusion
	2-28 Membership associations	Environmental practices: Key climate-relevant memberships
GRI 3: Material Topics 2021	2-29 Approach to stakeholder engagement	Stakeholder Engagement and Material ESG Topics
	3-1 Process to determine material topics	Stakeholder Engagement and Material ESG Topics
	3-2 List of material topics	Stakeholder Engagement and Material ESG Topics: Material ESG topics identified
	3-3 Management of material topics	Stakeholder Engagement and Material ESG Topics: Material ESG topics identified
	GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Environmental Practices: Energy consumption
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Environmental Practices: Measurement of environmental indicators

	305-2 Energy indirect (Scope 2) GHG emissions	Environmental Practices: Measurement of environmental indicators
	305-3 Other indirect (Scope 3) GHG emissions	Environmental Practices: Measurement of environmental indicators
	305-4 GHG emissions intensity	Environmental Practices: Total emissions at a glance
	305-5 Reduction of GHG emissions	Environmental Practices: CO2 emissions
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Environmental Practices: Waste management and recycling
	306-2 Management of significant waste-related impacts	Environmental Practices: Waste management and recycling
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Social Practices
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social Practices: Employee development and retention
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Board of Director level: Diversity and inclusion; Social Practices: Diversity and inclusion