

ESG

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Foreword

Dear reader,

Despite a challenging year on many fronts we are confident that investing in the biotechnology sector will achieve long-term success.

As an active investor, BB Biotech invests in a concentrated, high-conviction portfolio of biotech companies. The biotech companies' products address areas of unmet medical needs and have high profit-growth potential as well as a significant positive impact on society. BB Biotech has a business-driven approach to sustainability. BB Biotech has a more than 30-year history of acting as an engaged and responsible investment company and are focusing on delivering long-term value to investors and society as a whole.

Over our more than 30 years of existence we have constantly developed our approach to responsible investing, and we are well aware that we still have much to learn and that this is a dynamic process. Engaging with portfolio companies on ESG is a journey and a constant learning process for all parties. By initiative from our Sustainability and Governance Committee we are gradually introducing new and meaningful ESG initiatives. Most recently we have implemented new policies regarding diversity, human rights, data privacy, political involvement, responsible marketing, anti-bribery and corruption, tax, health and safety and anti-money laundering. These policies and other relevant information are accessible on www.bbbiotech.ch.

In 2023 BB Biotech was selected by the Swiss Stock Exchange to be included in the SPI ESG Index. The index measures the development of Swiss equities based on an ESG rating metric provided by the rating agency Inrate.

In 2023 BB Biotech was selected by the Swiss Stock Exchange to be included in the SPI ESG Index.

We strive to keep all board members updated on recent developments regarding ESG and with this in mind we had an ESG training session conducted by Deloitte at our board meeting in November 2023.

The basic aim of biotechnology is to meet human needs or demands in order to improve quality of life and the sector ranks among the fastest growing industries. Among BB Biotech's portfolio companies we saw several new approvals in 2023:

Company	Product	Treatment of
Incyte & Macrogenics	Zynyz	Merkel Cell Carcinoma
Ionis	Qalsody	SOD1 Amyotrophy Lateral Sclerosis
Argenx	Vyvgart Hytrulo	Generalized Myasthenia Gravis
Sage	Zuranolone	Post Partum Depression
Neurocrine	Valbenazine	Chorea Huntington
Crispr & Vertex	Casgevy	Sickle Cell Disease
Ionis	Wainua	Polyneuropathy of Hereditary Transthyretin-mediated Amyloidosis

Also in the future we are expecting the portfolio companies to contribute with several new drug approvals. Currently BB Biotech's portfolio companies have a large number of product candidates in clinical development.

BB Biotech AG strives to be in the leading group of companies with respect to sustainability. That's why sustainability is a priority for the Board of Directors.

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**

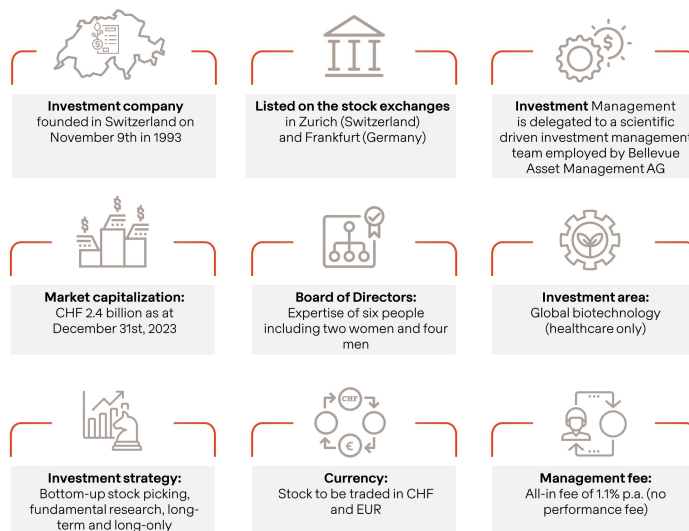
Laura Hamill

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 more than 30 years of experience. The shares of BB Biotech AG are listed on the SIX Swiss Exchange and the Frankfurt Stock Exchange. 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

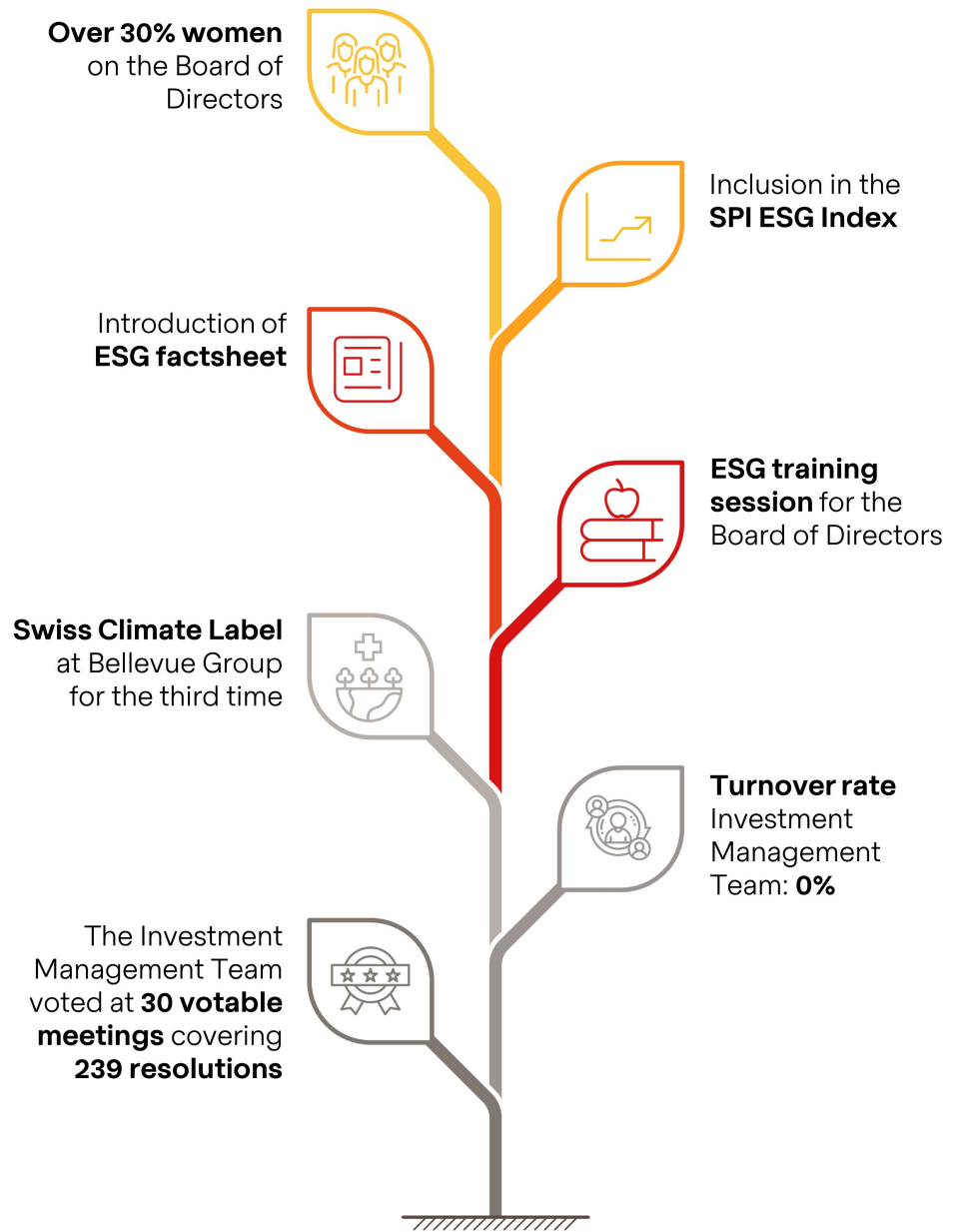
 Dr. Erich Hunziker	 Dr. Clive Meanwell	 Laura Hamill	 Dr. Pearl Huang	 Prof. Dr. Mads Krogsgaard Thomsen	 Dr. Thomas von Planta
<p>Chairman of the Board since 2011</p> <p><i>Current:</i></p> <ul style="list-style-type: none"> Chairman of Light Chain Biosciences (NovImmune) Chairman of Entsia International 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>Vice-Chairman since 2004</p> <p><i>Current:</i></p> <ul style="list-style-type: none"> Executive Chairman of Population Health Partners Board member of Fractyl Health, Invivyd, Saama Technologies and Hugo Health <p><i>Former:</i></p> <ul style="list-style-type: none"> Founder of and various leadership positions at the Medicines Company Founding Partner of MPM Capital (Venture Capital) 	<p>Member of the Board since 2022</p> <p><i>Current:</i></p> <ul style="list-style-type: none"> Board member of Y-mAbs Therapeutics and Unchained Labs 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>Member of the Board since 2022</p> <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>Member of the Board since 2020</p> <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>Member of the Board since 2019</p> <p><i>Current:</i></p> <ul style="list-style-type: none"> Chairman of Baloise Holding <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



 Dr. Daniel Koller Head Investment Management Team BB Biotech (2010) Since 2004 dedicated to BB Biotech	 Dr. Christian Koch Deputy Head Investment Management (2023-) Member Investment Management Team (2014-) Cardiovascular Diseases, Targeted Oncology, Genetic Medicines	 Dr. Maurizio Bernasconi Deputy Head Investment Management (2023-) Member Investment Management Team (2017-) Inflammatory Diseases, Autoimmune Diseases
 Felicia Flanigan Member Investment Management Team (2004-) Immune Oncology, Infectious Diseases	 Dallas Webb Member Investment Management Team (2006-) Oncology, Antibiotics, Women's Health	 Dr. Leonidas Georgiou Member Investment Management Team (2022-) Neurology, Psychiatry
 Dr. med. Stephen Taubenfeld Member Investment Management Team (2013-) Neurology, Psychiatry	 Dr. Samuel Croset Member Investment Management Team (2020-) Data science, machine learning	 Dr. Silvia Siegfried-Schanz Investor Relations (2012-) Switzerland, Germany, Europe
 Dr. Olivia Woolley Member Investment Management Team (2022-) Data science, machine learning	 Dr. Can Buldun-Gora Member Investment Management Team (2022-) Data science, machine learning	 Maria-Grazia Alderuccio Investor Relations (2007-) Switzerland, Italy, Europe
		 Claude Mikkelsen Investor Relations (2012-) UK, Scandinavia, Europe

Sustainability achievements 2023



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 third time in 2023.

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.

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 – has been implemented in 2023.

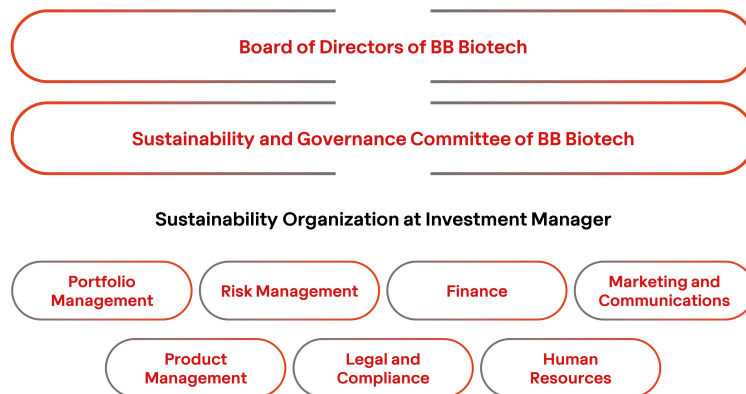
Anchoring sustainability in the investment process

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.

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 2023:

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

Stakeholder	Engagement	Activities 2023	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 and XETRA, 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 and engagement and ensure employees understand the business. Employee feedback is forwarded to management, which uses it to drive specific actions. 	<ul style="list-style-type: none"> ● Continuing education ● Talent attraction and retention 	<ul style="list-style-type: none"> ● Safety and health ● Sustainability ● Strategy ● Next Generation

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

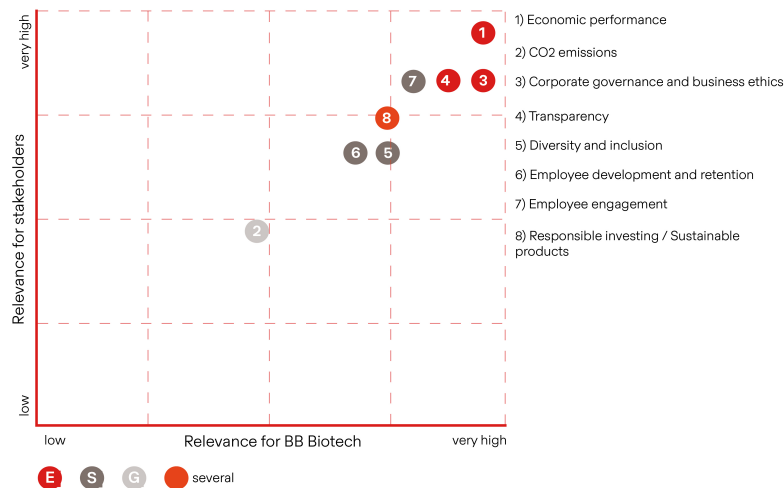
The materiality assessment supports the Board of Directors and the Investment Manager in identifying the material sustainability issues by taking into account the expectations and needs of external and internal stakeholders.

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.

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)

BB Biotech supports the integration of ESG into its portfolio companies’ business practices by being an engaged owner, supporting and engaging through dialogue with management teams and voting on topics at general meetings etc.

It is our belief that having an active dialogue with the management teams of our portfolio companies is essential from an ESG perspective. Engaging with our portfolio companies on ESG is a journey and a constant learning process for all parties involved.

For our listed portfolio companies we source data from public data platforms and distribute ESG questionnaires to our portfolio companies. Over more than 30 years of existence we have constantly developed our approach to responsible investing, and we are well aware that we still have much to learn and that this is a dynamic process. Responsible investing has been core to BB Biotech since its inception in 1993.

Through our expertise and investments in biotech companies we believe that we have an important role in contributing to improving people’s health. Investing in biotech companies that are developing new drugs for unmet medical needs is clearly in line with UN Sustainable Goal no 3 which aim to ensure healthy lives and promote well-being for all at all ages.

Biotech companies play a crucial role in advancing medical research, developing new treatments and improving healthcare overall. By investing in these companies BB Biotech contributes to the advancement of medical science and development of new treatments which will eventually improve global health and well-being.

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

Through our expertise and investments in biotech companies we believe that we have an important role in contributing to improving people's health.

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.

Some companies we invest in that are developing new drugs contribute directly to UN Sustainable Goal no 3 which aim to ensure healthy lives and promote well-being for all at all ages. Biotech companies play a crucial role in advancing medical research, developing new treatments and improving healthcare overall. By investing in these companies BB Biotech contributes to the advancement of medical science and development of new treatments which will eventually improve global health and well-being.

In 2023 we saw several approvals of new drugs from BB Biotech's portfolio companies including Qalsody developed by Ionis for the treatment of SOD1 Amyotrophy Lateral Sclerosis, Vyvgart Hytrulo developed by Argenx for the treatment of Generalized Myasthenia Gravis, Casgevy developed by Crispr and Vertex for the treatment of Sickle Cell Disease and Wainua developed by Ionis for the treatment of Polyneuropathy of Hereditary Transthyretin-mediated Amyloidosis. The continuous approvals of new drugs from BB Biotech's portfolio companies are a testament to that our investments do in fact result in improving peoples' life. Also in the future we are expecting the portfolio companies to contribute with several new drug approvals.

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:

Portfolio level relates to the portfolio companies that BB Biotech are invested in. 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, 2023, BB Biotech AG exhibits a share of 76.5% in sustainable investments. Thereby, the portfolio contributes to the following six UN SDGs that are marked in colour:



Source: MSCI ESG Inc. United Nations

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), **No. 10** (Reduced Inequalities) as well as **No. 13** (Climate Action). 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.3: Alnylam Pharmaceuticals, Agios Pharmaceuticals, Esperion Therapeutics, Exelixis, Incyte, Ionis Pharmaceuticals, Vertex Pharmaceuticals and Argenx.

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 10.4% as at December 31, 2023.

BB BIOTECH (SIX)

CHF 42.75

31.12.2023

Share Price Performance YTD	-18.1%
Market capitalisation	CHF 2.4 bn
Net Asset Value (NAV)	CHF 42.35

BB BIOTECH (XETRA)

EUR 45.50

31.12.2023

Share Price Performance YTD	-15.2%
Market capitalisation	EUR 2.5 bn
Net Asset Value (NAV)	EUR 45.60

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 and German, 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, equal opportunities and non-discrimination

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. An updated policy on these aspects is accessible on www.bbbiotech.ch.

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. Based on our continuous progress the ESG Impact Rating for BB Biotech AG conducted by the independent ESG rating Inrate was upgraded in the course of 2023, which has led to the inclusion into the SPI ESG Index in Switzerland. This index inclusion has further increased BB Biotech's visibility among investors.

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.

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.

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 third time in 2023 (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. 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 third time in 2023 on the basis of the 2021 financial year. 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*	2023	2022	2021
CO ₂ -emissions scope 1 ¹⁾	32	10	21	27
CO ₂ -emissions scope 2 ²⁾	44	23	20	28
CO ₂ -emissions scope 3 ³⁾	725	575	576	193
Total CO ₂ -emissions	801	608	617	248
CO ₂ -emissions/full-time position	8.2	6.1	6.2	2.7

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

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

Source: CO₂ Report for Bellevue Group AG issued by Swiss Climate AG (2021, 2022, 2023)

As Bellevue is active in the financial sector, its Scope 1 and Scope 2 emissions are rather low. Areas of focus are heating, electricity and business travel with company cars. Most of its CO₂ emissions relate to Scope 3 emissions and are mainly attributed to business travel and commuting. In 2020 and 2021, action to prevent the spread of the coronavirus led to a sharp reduction in business air travel (air travel) and commuting travel. From 2022 on, CO₂ emissions in these two areas has increased significantly, but are still below pre-pandemic levels.

Total emissions at a glance

Total emissions (in t CO ₂)	Base year*	2023	2022	2021
CO ₂ -emissions scope 1 ¹⁾	32	10	21	27
Heating	27	7	15	23
Business trips	5	3	6	4
CO ₂ -emissions scope 2 ²⁾	44	23	20	28
Electricity	26	15	12	16
Heating	18	8	8	12
CO ₂ -emissions scope 3 ³⁾	725	575	576	193
Energy supply	20	10	14	15
Business trips	499	468	396	98
Commuting	186	90	152	57
IT equipment	14	2	7	18
other	6	5	7	5
Total emissions	801	608	617	248
Emissions Total / FTE (t CO ₂ /FTE)	8.2	6.1	6.2	2.7

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

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

Source: CO₂ Report for Bellevue Group AG issued by [Swiss Climate AG](#) (2021, 2022, 2023)

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.

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.

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 2023 Bellevue Group was awarded the Swiss Climate Label «CO₂ neutral» for the third 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, 2023

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.

In addition, the newly formed Sustainability Working Group is entrusted with managing the implementation and integration of sustainability across all areas of the business. The working group comprises members from various functions, such as Risk Management, Product Management or Legal and Compliance. The group monitors the latest developments on the sustainability front and anticipates their impact on the business model. It supports the Bellevue Executive Board with formulating and developing the sustainability strategy. The Sustainability Working Group is therefore additionally responsible for managing and implementing projects within the business areas/functions and areas of activity.

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 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.

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.

The Investment Manager Bellevue recruited a total of 10 employees in 2023 across all locations and had a total of 94.3 FTE as at December 31, 2023. The Investment Management Team for BB Biotech did not recruit new employees in 2023 (12.2 FTE as at December 31, 2023).

Number of new hires	2023	2022	2021
Switzerland	6	13	7
- thereof men	3	10	7
- thereof women	3	3	–
Europe	4	2	1
- thereof men	3	2	1
- thereof women	1	–	–
Other	–	–	–
- thereof men	–	–	–
- thereof women	–	–	–
Total	10	15	8
- thereof men	6	12	8
- thereof women	4	3	–
By age groups			
>50	2	1	–
30-50	7	11	7
<30	1	3	1
Total	10	15	8
Recruitment rate ¹⁾	9.8%	14.8%	7.8%
- thereof men	5.9%	11.8%	7.8%
- thereof women	3.9%	3.0%	0.0%

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.

Training and education was provided as follows in 2023:

- Cyber security: All Bellevue employees are required to complete online cyber security courses.
- Sustainability: Employees received training on CO₂ emissions, through presentations by external experts (Swiss Climate) and other means.
- Compliance: The following internal compliance training courses were organized for employees: Code of Conduct (portfolio managers), Cross Border Sales (Sales Switzerland), new Swiss Data Protection Act (all employees in Switzerland), creation of marketing documents (Sales, Marketing and Product Management) as well as general compliance/ internal directives training (all new employees).
- External training: Five employees of the Private Markets unit attended a refresher course to renew their registration as consultants in the Register of Advisors. Two employees have started or completed training to become CFA.
- Executive career path: In 2023, 7 people attended a management training program consisting of various modules and individual coaching inputs.

Employee engagement

In 2022, Bellevue carried out a group-wide employee survey in collaboration with an independent research institute iCommit. 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 following topics were addressed in 2023:

Employee information channels

In order to address employees' increased need for internal information updates, a total of 4 quarterly employee information events were held in 2023. Besides the latest operating results, information is given about specific products, new developments, the projects being developed and pursued by individual teams and so on. The presentations are prepared in collaboration with the directly involved employees, which gives them an opportunity to present their specific tasks and related challenges in their own words.

Employee development

Due to Bellevue's flat organizational hierarchy, employee development activities focus more on advancement as an expert and less on the executive career path. In addition to the annual review, employees have opportunities during the year to suggest and pursue suitable training and education initiatives (see «Training and education» for further details).

Collaboration between executive management teams

Due to its historically and geographically diverse structure, Bellevue operates with multiple executive management teams. A level of merging and consolidation has now taken place, and interaction has been stepped up through regular meetings.

For further information on the 2022 employee survey, please consult the 2022 sustainability report.

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

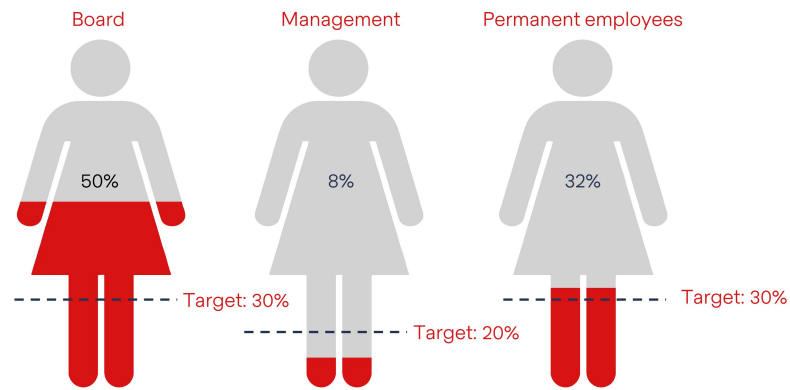
The Investment Manager provides equal employment and advancement opportunities to all individuals regardless of age, race, ethnicity, gender, sexuality, disability, religion or other characteristics. That's why we benefit from a diverse workforce, creating a competitive advantage.

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 (every 2 years) for unjustified differences and adjusted if necessary.

Both genders should be represented on the Group Executive Board and on the Board of Directors. Discriminatory behavior will not be tolerated and improper conduct will be punished by line managers. To that end, a whistleblowing policy was approved and an internal reporting system created in 2022.

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.



The diversity and equity highlights of 2023 are as follows:

- With the election of Barbara Angehrn Pavik as a new member of the board, the female proportion of the Board of Directors rose to 50%.
- In August, an analysis was carried out using the Swiss government's standard salary analysis tool («Logib»). No gender pay gap was identified.
- To date, no complaints or reports of discrimination have been submitted through the aforementioned whistleblowing or internal reporting system.

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 investment¹.

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.

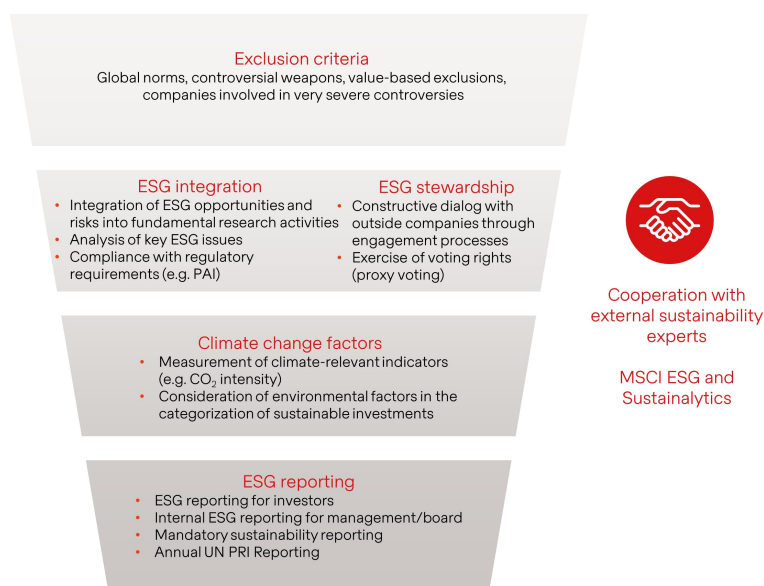
100% of BB Biotech's and more than 85% of Bellevue Asset Management AG's assets under management as at December 31, 2023, are invested in the healthcare sector, which is characterized by lower levels of carbon emissions than the manufacturing, commodities or energy sectors and the broadly diversified global equity indices. Focus on healthcare therefore reduces the sustainability risks.

¹ 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

Exclusion criteria



Source: Bellevue Asset Management, as at December 31, 2023

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.

Bellevue Asset Management maintains an exclusion list, which is updated on a quarterly basis. Currently, this list comprises close to 900 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. Their relevance and consequently weighting can vary significantly depending on the industry affiliation.

Over the past year, it has again 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. MSCI ESG Research regularly conduct client surveys to address these issues and implement potential methodology improvements.

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 partner 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. At Bellevue you will not find any overarching investment committees or a CIO. Working independently in their own product areas, the relevant investment specialist teams are all committed to personal responsibility, respect, and the

strength of their own vision. As well as being investment experts, our employees are simultaneously entrepreneurs who participate in the success of clients through their own investments. Active management also stands for constructing high-conviction portfolios based on a bottom-up oriented investment process, which inherently includes not only the decision to allocate a security, but also in many instances to exclude a security for various reasons. The latter is often a result of an in-depth interaction with company representatives, which we would certainly also describe as a type of engagement.

This commitment to active investment management also highlights the importance of engagement as a key element in our ESG framework. Portfolio managers are engaged in an active and constructive dialog with the executives and other relevant stakeholders of portfolio companies on environmental, social and governance issues. All our engagements are conducted along (but not limited to) our predefined list of key ESG issues, which are reviewed periodically and may change in terms of priority as a result of changing dynamics in the field of ESG.

Written records of ESG engagement activities are maintained as part of the regular documentation of conversations with company representatives. In addition, every relevant company interaction is systematically recorded in our proprietary ESG Engagement Tool and as such accessible to all investment team and ESG product management members.

Bellevue Asset Management's ESG Investment Guideline, particularly its section on Stewardship, has been updated in 2023 and can be found [here](#).

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 the newly launched quarterly ESG factsheet, the ESG section of the Bellevue and BB Biotech websites, Bellevue Asset Management's UN PRI Report as well as regulatory portfolio related ESG reporting.

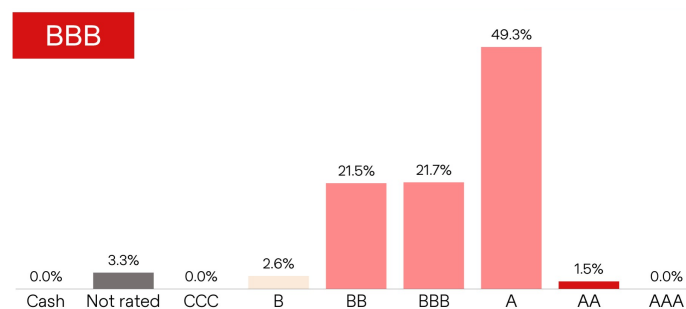
Sustainability at BB Biotech AG's portfolio level

The Investment Management Team of 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 distribution (portfolio)



Note: Rating based on 97% MSCI ESG Research coverage. For more information: www.bbbiotech.ch
Source: MSCI ESG Research, Bellevue Asset Management, Data as of December 31, 2023

Sustainability at BB Biotech AG's portfolio level

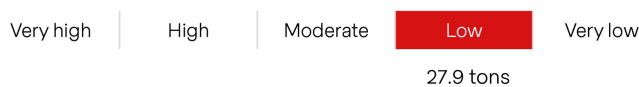
Name	MSCI ESG Rating 2022	MSCI ESG Rating 2023	CO2 Intensity ¹⁾ (T/USDm Sales) 2022	CO2 Intensity ¹⁾ (T/USDm Sales) 2023	Portfolioweight as at 31.12.2023
Ionis Pharmaceuticals	B	BB	33.4	5.7	15.7%
Neurocrine Biosciences	BBB	A	53	53	11.5%
Argenx SE	BBB	A	29.4	44.6	11.4%
Vertex Pharmaceuticals	A	A	2.6	2.6	9.4%
Intra-Cellular Therapies	A	BBB	52.9	52.9	7.9%
Moderna	BBB	BBB	33.4	0.9	6.8%
Alnylam Pharmaceuticals	A	A	23.2	15.4	6.0%
Revolution Medicines	BB	BB	21.8	37.2	5.2%
Incyte	BBB	A	2.9	2.5	4.9%
Arvinas	A	AA	44.5	52.9	3.7%
Celldex Therapeutics	BB	A	21.8	37	3.5%
Macrogenics	BBB	BBB	21.9	37.2	3.5%
Agios Pharmaceuticals	BBB	BBB	21.9	33.43	3.2%
Sage Therapeutics	B	B	33.3	33.3	2.8%
Immunocore	n.a.	n.a.	–	–	2.4%
Relay Therapeutics	B	BBB	21.9	37	2.4%
Crispr Therapeutics	BB	BBB	20.8	37.2	2.0%
Essa Pharma	BBB	BBB	21.9	33.43	1.9%
Exelixis	B	BB	53	53	1.7%
Biohaven	AA	AA	–	–	1.7%
Scholar Rock	BBB	A	21.8	37.2	1.5%
Black Diamond Therapeutics	n.a.	n.a.	21.9	33.43	0.9%
Wave Life Sciences	n.a.	n.a.	44.5	52.9	0.8%
Beam Therapeutics	BBB	BBB	n.a.	37.2	0.7%
Fate Therapeutics	BB	BBB	21.8	37.2	0.7%
Rivus Pharmaceuticals	n.a.	n.a.	–	–	0.6%
Esperion Therapeutics	n.a.	n.a.	44.6	53	0.5%
Generation Bio Co.	n.a.	n.a.	21.9	33.43	0.2%
Molecular Templates	n.a.	n.a.	21.9	37.2	0.1%
Portfolio of BB Biotech	BB	BBB	28.3	27.8	113.4%

¹⁾ Scope 1+2, based on 100% portfolio exposure

Core portfolio positions such as Ionis Pharmaceutical, Argenx and Neurocrine Biosciences managed to improve their MSCI ESG rating, which led to an overall ESG rating increase of the BB Biotech portfolio from BB to BBB. Additionally, MSCI ESG Research initiated coverage for the new position Biohaven at AA (ESG leader).

Carbon intensity is measured at the portfolio level at least on a quarterly basis. With a carbon risk of 27.9 tons of CO₂ per million USD revenues BB Biotech's overall carbon intensity remains at the low end and virtually unchanged versus the previous year (28.3 tons). For a 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%).

CO₂-intensity (T CO₂E/USD mn Revenue)



Source: MSCI ESG Research, Bellevue Asset Management, Data as of December 31, 2023

Stewardship through engagement and active voting

a) Engagement

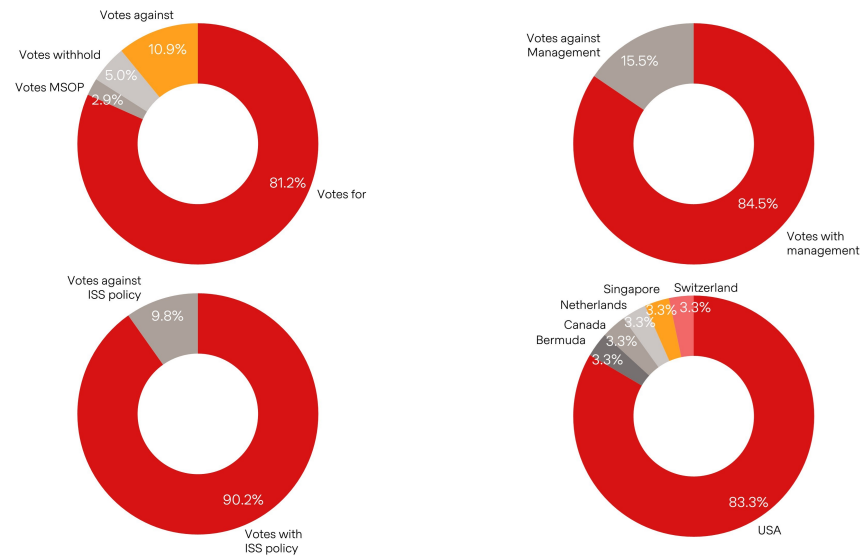
Our stewardship duties encompass an active and constructive dialogue with our portfolio companies on environmental, social and governance issues. In case of indications of substantial controversies in the area of ESG, these are raised constructively within the framework of the corporate dialogue and 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 three formal ESG engagements in 2023, one of which concerns board tenure and compensation («G») and other address issues around human capital («S»), access to healthcare («S») and toxic emission and waste («E»).

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 2023 we voted at 30 votable meetings covering 239 resolutions (vs. 33 votable meetings and 236 resolutions in 2022). In 202 cases we thereby voted in line with management recommendations (vs. 173 votes in 2022) and for 37 resolutions voted against management recommendation (vs. 63 votes in 2022).



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.

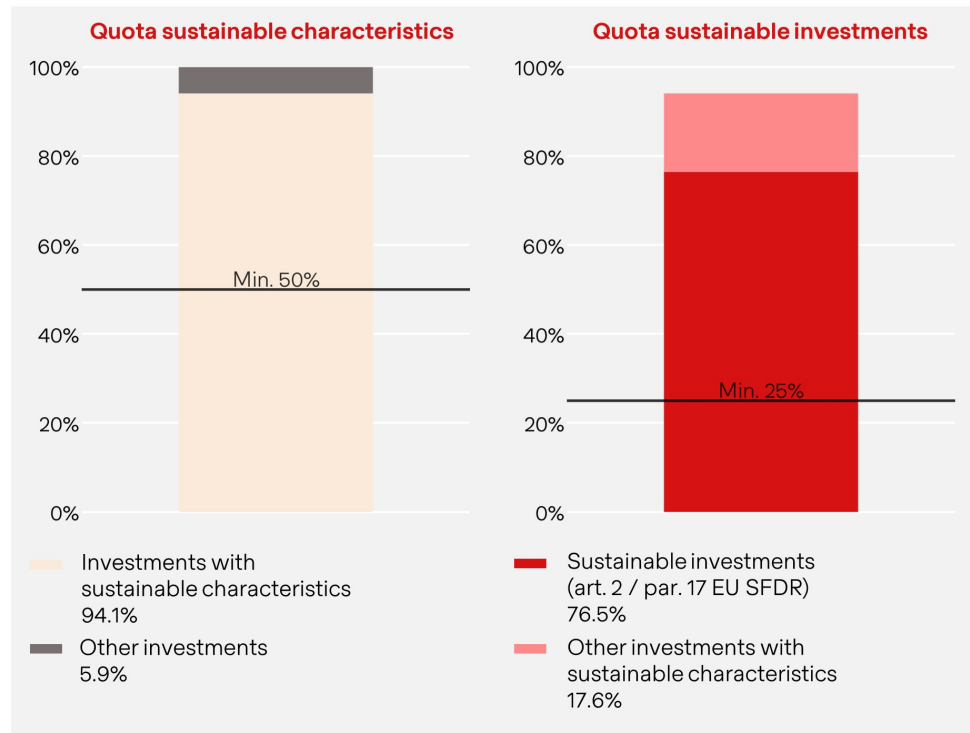
As already elaborated above (chapter UN SDG) ESG research provider MSCI ESG measures the degree of alignment with each of the SDGs. A positive contribution to an environmental or social objective hence requires a company to exhibit a positive alignment with at least one of the 17 UN SDGs while not affecting 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 addition, the most important adverse sustainability impact indicators (PAI) are explicitly or implicitly considered in this process. In the case of explicit consideration, thresholds are determined for each PAI criterion (where possible), which define the point at which a particular PAI criterion has a «material adverse impact» on a sustainability factor. If a «material adverse impact» is measured for an issuer, the issuer concerned cannot be classified as a sustainable investment, regardless of whether the issuer makes positive contributions to one of the 17 UN sustainability goals or not. The threshold values are derived empirically from empirical values and formally approved by the Bellevue ESG Working Group. In the case of implicit consideration, characteristics of the relevant PAI criteria are included in the MSCI ESG rating process and thus lead to indirect consideration by determining minimum ratings, which are used to calculate the minimum quotas.

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, 2023 is summarized below:

Proportion of sustainable investments



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 01.01.2023 – 31.12.2023 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
2-29 Approach to stakeholder engagement	Stakeholder Engagement and Material ESG Topics	
GRI 3: Material Topics 2021	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	Financial report
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