

ESG

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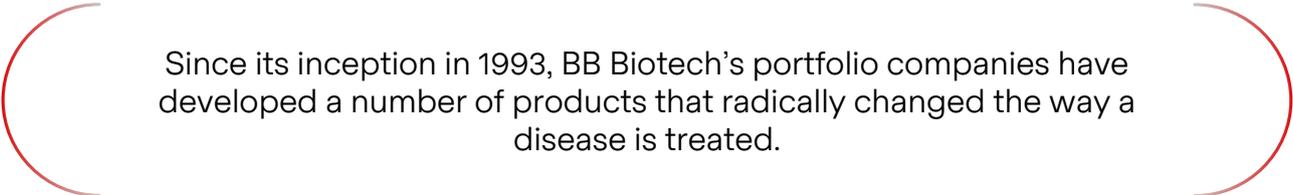
Foreword

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

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

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

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



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

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

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



Dr. Erich Hunziker
Chairman of the Board

Materiality analysis

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

Methodology

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

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

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

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

BB Biotech AG’s materiality topics 2021

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

	Material topic	Relevance*	Stakeholders	Definition and scope
Investment Manager Level	Company culture and values		Shareholders, employees of Bellevue Asset Management	Corporate culture / values / company purpose / reputation / trust
	Corporate Governance and Risk Management		Shareholders, employees of Bellevue Asset Management	Operational structure / governance framework / management team / compliance with regulations / prevention of market abuse / prevention of conflicts of interest / anti-corruption and anti-bribery / anti-money laundering and terrorist financing / tax compliance
	Working culture and compensation		Shareholders, employees of Bellevue Asset Management	Diversity and inclusion / non-discrimination / health and safety / work-life balance / responsible approach to compensation
	Talent and human capital		Shareholders, employees of Bellevue Asset Management	Training and skills management / attracting and retaining talent / health and safety / work-life balance
	Financial performance		Shareholders, employees of Bellevue Asset Management	Sustainable investment performance / sustainable financial returns
	Climate action		Shareholders, employees of Bellevue Asset Management	Reducing the carbon footprint of own operations / climate-related disclosure
	Digitalization & cybersecurity		Shareholders, employees of Bellevue Asset Management	Digitalization of the working environment, automation of repetitive and error-prone tasks, big data analysis / data protection
Portfolio Level	Responsible investment		Shareholders, portfolio companies, stakeholders of the healthcare system	Integration of environmental, social and governance (ESG) factors throughout the investment process / ESG risk mitigation and value creation / ESG engagement
	Engagement and stewardship		Shareholders, portfolio companies, stakeholders of the healthcare system	Direct dialogue and involvement with portfolio companies / proxy voting
	Digitalization / AI		Shareholders, portfolio companies, stakeholders of the healthcare system	Artificial intelligence / machine learning / new technologies
	Talent and human capital		Shareholders, portfolio companies, stakeholders of the healthcare system	Talent management at portfolio companies

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

Sustainability at Board of Directors level

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

Good business practice & Governance

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

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

Diversity and inclusion

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

Human rights

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

Investment strategy

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

Outlook

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

Sustainability at Investment Manager level

Independent – entrepreneurial – committed

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

Bellevue Group AG publicly reports as follows:

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

Independent

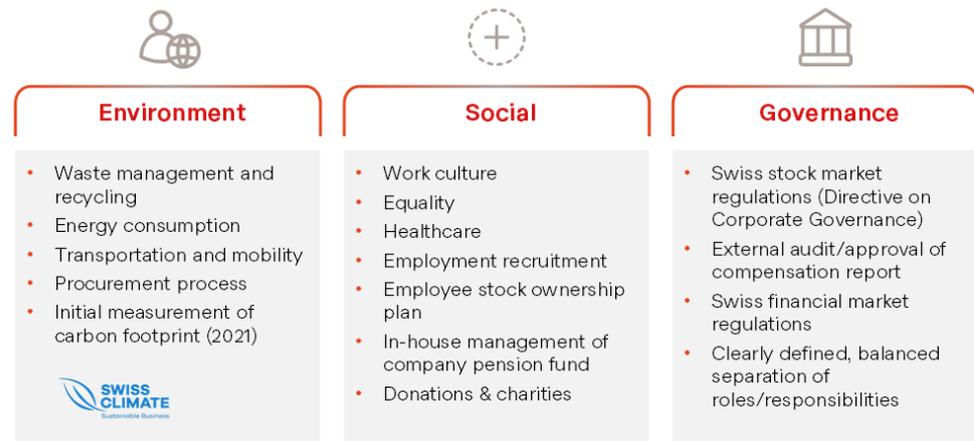
Our most important asset is our experts with top know-how. We work in small, agile teams that are characterized by a high degree of personal responsibility and short decision-making paths. The portfolio management teams are given as much freedom as possible to develop their vision and assume a high degree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

Entrepreneurial

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

Committed

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



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

Core values

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

Environmental practices

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

Energy consumption

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

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

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

Transportation and mobility

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

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

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

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

Procurement process

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

CO₂ neutrality

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

Waste management and recycling

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

Environmental indicators

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

Emissions

Total emissions (in t CO₂)	2020
CO ₂ -emissions scope 1	32.3
CO ₂ -emissions scope 2	44.3
Co ₂ -emissions scope 3	186.4
Total CO ₂ -emissions	262.9
CO ₂ -emissions/full-time position	2.7
Scope 1: Direct greenhouse gas emissions	
Scope 2: Indirect energy-related greenhouse gas emissions	
Scope 3: Energy supply (energy-related emissions not received in scope 1 or 2); business travel (external vehicles), commuting, IT equipment, paper, print jobs, waste, water	

Total emissions at a glance

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

Total emissions (in t CO₂)	Base year*	2020
Business trips	505	99
Heating	58	58
Commuting	130	55
Electricity	32	32
IT equipment (computers, laptops, monitors, cell phones, phones, tablets)	14	14
Waste	2.5	2.5
Water	1.5	1.5
Paper and printing	0.9	1.2
Total emissions	744	263
Emissions Total / FTE (t CO ₂ /FTE)	7.7	2.7

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

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

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

Social practices

Employee selection

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

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

Work culture

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

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

Health

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

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

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

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

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

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

Equality (diversity, equal opportunities and non-discrimination)

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

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

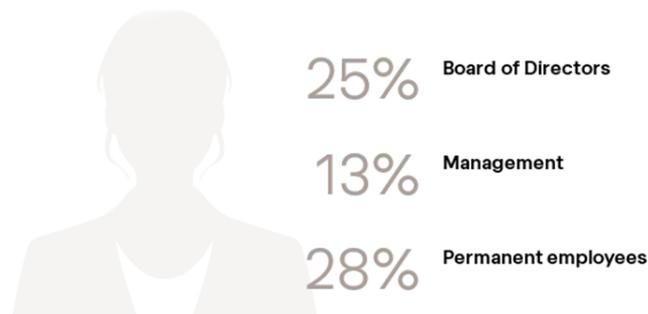
Both genders should be represented in the executive management board and on the Board of Directors. Discriminatory behavior will not be tolerated; incorrect behavior will be punished by superiors.

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

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

Diversity indicators 2021

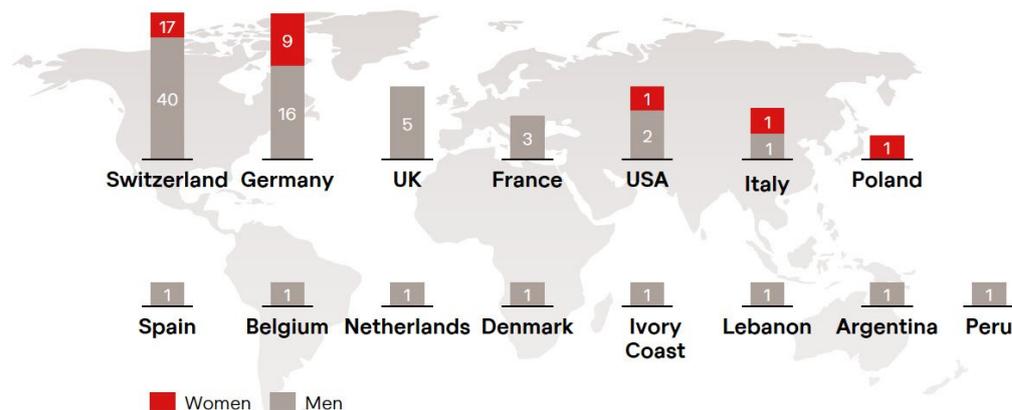
Proportion of women



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

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

15 nationalities



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

Compensation policy

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

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

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

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

Education and training

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

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

Self-management of the pension fund

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

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

Home office

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

Digitalization

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

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

Donations and charity

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

Corporate practices

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

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

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

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

Transparency

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

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

Sustainability risks

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

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

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

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

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

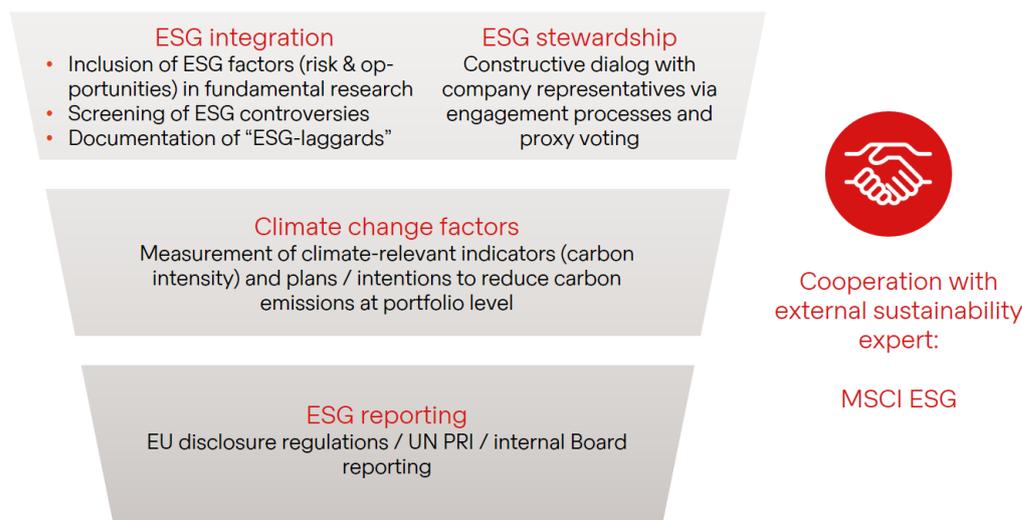
For those investment strategies that promote environmental or social characteristics in the sense of SFDR, the projected negative impact on financial returns is lower compared to «non-ESG» investment strategies. This is attributed to the risk-mitigating ESG investment strategies, their future-oriented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

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

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

ESG investment policy

ESG framework in portfolio management



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

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

Exclusion of breaches against global norms

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

Value-based exclusions

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

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

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

ESG integration

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

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

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

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

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

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

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

ESG stewardship

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

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

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

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

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

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

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

Climate change factors

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

UN PRI Signatory and sustainability labels

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

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

Sustainability at BB Biotech AG's portfolio level

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

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

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

MSCI ESG Rating (CCC – AAA)



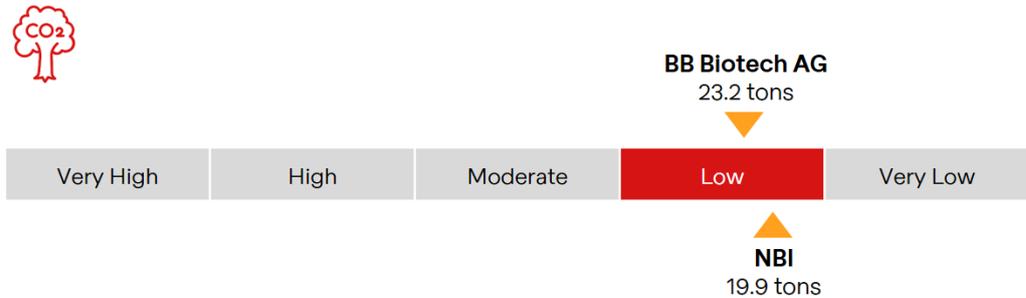
Source: MSCI ESG Research, Bellevue Asset Management, Data as at December 31, 2021 (ESG Quality Score based on 96% MSCI ESG Research coverage, Nasdaq Biotech Index (NBI) based on 91% coverage.)

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

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

BB Biotech AG's overall carbon risk is low:

Carbon risk (t CO₂E/USD mn sales)



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

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

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

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

Value-based exclusions

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

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

Engagement and responsible stewardship

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

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

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

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

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

Digitalization/artificial intelligence

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

Case examples being Relay Therapeutics and Moderna:

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

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

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

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

Talent and human capital

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