

# Remuneration Report

This remuneration report for the fiscal year 2018 outlines the remuneration system as well as the remuneration of the members of the Board of Directors of BB Biotech AG. The content and scope of the information contained in this report is in accordance with the provisions of the Ordinance Against Excessive Compensation in Public Corporations (the Ordinance) and with the Directive on Information relating to Corporate Governance (DCG) of the SIX Swiss Exchange.

## **1. Responsibilities and authorities with respect to remuneration**

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

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

For details, please refer to note 7.

### **1.2 Responsibilities and authorities with respect to the remuneration**

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

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

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

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

## **2. Remuneration of the members of the Board of Directors**

### **2.1 Principles**

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

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

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

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

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

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

	2018 in CHF	2017 in CHF
<b>Function/Responsibility</b>		
Chairman	360 000	360 000
Vice-Chairman	250 000	250 000
Member	250 000	250 000
Chairman of the Remuneration and Nomination Committee	15 000	15 000
Member of the Remuneration and Nomination Committee	10 000	10 000
Chairman of the Audit Committee	15 000	15 000
Member of the Audit Committee	10 000	10 000
	<b>910 000</b>	<b>910 000</b>

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

In the reporting year 2018, the three members of the Board of Directors received a total remuneration of CHF 954 033 (2017: CHF 954 033). From this amount, CHF 910 000 (2017: CHF 910 000) have been paid in the form of a fixed remuneration for the work on the Board of Directors and on the committees of the Board of Directors. The social insurance contributions and the duties amounted to a total of CHF 44 033 (2017: CHF 44 033).

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

### Fiscal year 2018

Name/Function	RNC <sup>1)</sup>	AC <sup>2)</sup>	Period	Fixed remuneration	Committee remuneration	Social insurance contributions and duties	Total
Hunziker Erich, Chairman		X	01.01.2018 – 31.12.2018	360 000	15 000	27 903	402 903
Meanwell Clive, Vice-Chairman	X	X	01.01.2018 – 31.12.2018	250 000	25 000	–	275 000
Strein Klaus, Member	X		01.01.2018 – 31.12.2018	250 000	10 000	16 130	276 130

<sup>1)</sup> RNC = Remuneration and Nomination Committee

<sup>2)</sup> AC = Audit Committee

### Fiscal year 2017

Name/Function	RNC <sup>1)</sup>	AC <sup>2)</sup>	Period	Fixed remuneration	Committee remuneration	Social insurance contributions and duties	Total
Hunziker Erich, Chairman		X	01.01.2017 – 31.12.2017	360 000	15 000	27 903	402 903
Meanwell Clive, Vice-Chairman	X	X	01.01.2017 – 31.12.2017	250 000	25 000	–	275 000
Strein Klaus, Member	X		01.01.2017 – 31.12.2017	250 000	10 000	16 130	276 130

<sup>1)</sup> RNC = Remuneration and Nomination Committee

<sup>2)</sup> AC = Audit Committee

## 3. Remuneration of related parties at non-market conditions

In the reporting year 2018, no remuneration which was not at arm's length terms was paid to related parties (2017: none).

## 4. Remuneration of former members of the corporate bodies

In the reporting year 2018, no remuneration was paid to former members of the corporate bodies (2017: none).

#### **5. Loans and credits to the members of the Board of Directors**

The articles of incorporation of BB Biotech AG do not provide that loans and credits may be granted to the members of the Board of Directors. Accordingly, no loans or credits which BB Biotech AG has granted to current or former members of the Board of Directors or to related parties were outstanding as of December 31, 2018 (December 31, 2017: none).

#### **6. Contractual terms at retirement from BB Biotech AG**

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

#### **7. Management contracts**

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



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

### **Report of the statutory auditor on the remuneration report**

We have audited the remuneration report of BB Biotech AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled ‘audited’ on pages 81 to 82 of the remuneration report.

#### *Board of Directors’ responsibility*

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

#### *Auditor’s responsibility*

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

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

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

#### *Opinion*

In our opinion, the remuneration report of BB Biotech AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Daniel Pajer  
Audit expert  
Auditor in charge

Stephanie Zaugg  
Audit expert

Zurich, 14 February 2019

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