



Invitation to the 2020 Annual General Meeting

Basel, March 18, 2020

Dear Shareholder,

We kindly invite you to the **Annual General Meeting** (“AGM”) of Basilea Pharmaceutica Ltd. (“Basilea” or “Company”) to be held on Wednesday, **April 8, 2020** at 2:00 p.m. at the Congress Center Basel, Messeplatz 21, 4058 Basel, Switzerland. The doors will open at 1:00 p.m.

Agenda and proposals of the Board of Directors

1. Annual Report, Financial Statements, and Consolidated Financial Statements for 2019

Proposal:

Approval of the annual report, financial statements, and consolidated financial statements for 2019.

For further information, please refer to the Appendix.

2. Appropriation of the results

Proposal:

Carry forward of the accumulated deficit of CHF 18,675,204.

For further information, please refer to the Appendix.

3. Discharge of the members of the Board of Directors and of the Management Committee

Proposal:

Discharge of the members of the Board of Directors and of the Management Committee for the financial year 2019.

4. Election of the Chairman and the members of the Board of Directors

Proposals:

- 4a Re-election of Mr. Domenico Scala as Chairman
- 4b Re-election of Dr. Martin Nicklasson
- 4c Re-election of Dr. Nicole Onetto
- 4d Re-election of Mr. Ronald Scott
- 4e Re-election of Mr. Steven D. Skolsky
- 4f Re-election of Dr. Thomas Werner

For further information, please refer to the Appendix.

5. Election of the members of the Compensation Committee

Proposals:

- 5a Re-election of Dr. Martin Nicklasson
- 5b Re-election of Mr. Steven D. Skolsky
- 5c Re-election of Dr. Thomas Werner

For further information, please refer to the Appendix.

6. Compensation for the Board of Directors and the Management Committee

6a Maximum aggregate amount of compensation for the Board of Directors

Proposal:

Approval of the amount of CHF 1,430,000 as the maximum aggregate amount of compensation for the Board of Directors for the period from the AGM 2020 to the AGM 2021.

For further information, please refer to the Appendix.

6b Maximum aggregate amount of fixed compensation for the Management Committee

Proposal:

Approval of the amount of CHF 2,760,000 as the maximum aggregate amount of fixed compensation for the Management Committee for the period from July 1, 2020 to June 30, 2021.

For further information, please refer to the Appendix.

6c Maximum aggregate amount of variable compensation for the Management Committee

Proposal:

Approval of the amount of CHF 3,450,000 as the maximum aggregate amount of variable compensation for the Management Committee for the period from January 1, 2020 to December 31, 2020.

For further information, please refer to the Appendix.

6d Non-binding advisory vote on the 2019 Compensation Report

Proposal:

Endorsement of the 2019 Compensation Report in a non-binding advisory vote.

For further information, please refer to the Appendix.

7. Amendments to the Articles of Association relating to compensation

7a Long-term incentive plan

Proposal:

Amendment of Article 3a par. 1, first sentence, of the Articles of Association to allow for the grant of performance/restricted share units under Basilea's long-term incentive plan.

For further information and the wording of the proposed amendment to the Articles of Association, please refer to the Appendix.

7b Budget period for the Management Committee compensation

Proposal:

Amendment of Article 6 par. 2 clause 6 and clause 7 of the Articles of Association to harmonise the budget period for the fixed and the variable Management Committee compensation and to align it with the financial year.

For further information and the wording of the proposed amendment to the Articles of Association, please refer to the Appendix.

7c Non-binding advisory vote on the Compensation Report

Proposal:

Amendment of Article 6 par. 2 clause 10 of the Articles of Association to introduce a non-binding advisory vote on the Compensation Report.

For further information and the wording of the proposed amendment to the Articles of Association, please refer to the Appendix.

8. Compensation for the Management Committee according to the amended Article 6 par. 2 clause 6 of the Articles of Association (see agenda item 7b)

Proposal:

Approval of the amount of CHF 6,280,000 as the maximum aggregate amount of total compensation (fixed plus variable compensation combined) for the Management Committee for the financial year 2021 (subject to shareholder approval of the motion under agenda item 7b).

For further information, please refer to the Appendix.

9. Amendment to the Articles of Association relating to conditional capital

Proposal:

Amendment of Article 3a par. 2 of the Articles of Association to create increased flexibility for optimizing Basilea's convertible bond financing strategy.

For further information and the wording of the proposed amendment to the Articles of Association, please refer to the Appendix.

10. Amendment to the Articles of Association relating to the maximum number of Board members

Proposal:

Amendment of Article 13 par. 1 of the Articles of Association to reduce the maximum number of Board members from 11 to 9.

For further information and the wording of the proposed amendment to the Articles of Association, please refer to the Appendix.

11. Election of the Independent Proxy

Proposal:

Re-election of Dr. Caroline Cron, Attorney-at-law, Lenz Caemmerer, as Independent Proxy for a term until the end of the next AGM.

12. Election of the Auditors

Proposal:

Re-election of PricewaterhouseCoopers Ltd, Basel as auditors for the consolidated financial statements and the standalone financial statements of the Company for the financial year 2020.



Participation and representation

Shareholders who are recorded in the share register with voting rights as per **March 31, 2020** at 5:00 p.m. CEST are entitled to participate and exercise their voting rights at the AGM 2020. The registration of shareholders for voting purposes does not affect the possibility to trade in Basilea shares.

Admission cards can be ordered from Computershare Schweiz AG, Basilea Pharmaceutica Ltd., P.O. Box, 4601 Olten, Switzerland, using the enclosed form or electronically on <https://ip.computershare.ch/basilea>.

Representation: If you do not wish to attend the AGM in person, you can be represented by:

- a) Any other person based on a power of attorney. The power of attorney and the voting instructions can be issued in writing with the enclosed form; or
- b) The Independent Proxy, Dr. Caroline Cron, Attorney-at-law, Lenz Caemmerer, Elisabethenstrasse 15, P.O. Box 430, 4010 Basel, Switzerland. The proxy can be granted and the voting instructions be issued in writing with the enclosed form. Instructions to the Independent Proxy can also be issued electronically on <https://ip.computershare.ch/basilea>. The electronic instructions can be amended at any time until April 5, 2020, 11:59 p.m. CEST. For further information, please refer to the enclosed e-voting fact sheet.

Annual Report 2019: A copy of the Annual Report 2019 is available on the internet at www.basilea.com/financial-reports. A hard copy of the Annual Report 2019 can be ordered by using the enclosed form. From March 18, 2020, the Annual Report and the reports of the Statutory Auditors will be available for inspection by shareholders at our Basel offices.

Yours sincerely

Basilea Pharmaceutica Ltd.
Board of Directors

Appendix

Explanations to Agenda Item 1:

Approval of the Annual Report, Financial Statements and Consolidated Financial Statements for 2019

Basilea made significant progress in 2019. Revenue contributions from the two marketed brands, Cresemba and Zevtera, increased by 39% year-on-year. At the same time, the Company continued to manage expenses, leading to a further reduction of the net cash consumption, and a 29% improvement of the operating result. Cresemba sales by Basilea's partners continued to grow significantly, both in established markets and new markets, which triggered two milestone payments based on sales in Europe. The Company's commercialization partners doubled the number of launched countries during 2019.

Total revenue increased to CHF 134.4 million. Operating expenses amounted to CHF 151.6 million. The net loss was CHF 22.4 million. As of year-end 2019, Basilea had CHF 161 million in cash, cash equivalents and financial investments, compared to CHF 223.9 million as of year-end 2018. Total shareholders' equity as per Swiss GAAP statutory financials amounted to CHF 408 million as of year-end 2019.

Basilea's US GAAP consolidated financial statements show a deficit in total shareholders' equity of CHF 93 million. The difference between this amount and the aforementioned CHF 408 million is largely driven by differences in accounting between US GAAP consolidated and Swiss GAAP statutory financials, specifically the deferral required by US GAAP of recognition of revenue from certain payments the Company received under its partnership agreements, including with Pfizer, Astellas, Asahi Kasei Pharma, as well as the different treatment of investments in subsidiaries.

Explanations to Agenda Item 2:

Carry forward of the accumulated deficit of CHF 18,675,204

Basilea Pharmaceutica Ltd. holds, directly or indirectly, 100% of the shares of all companies within the Basilea group of companies.

In its balance sheet as of December 31, 2018, Basilea Pharmaceutica Ltd. reported for those companies a total carrying value of CHF 79 million.

Each year as of the balance sheet date (December 31), the total carrying value needs to be reviewed in order to determine whether it is supportable in relation to the valuation of Basilea Pharmaceutica Ltd.

The valuation of Basilea Pharmaceutica Ltd. as of December 31, 2019 was estimated to be higher than the above mentioned total carrying value of CHF 79 million. As a consequence the impairment to the investments in subsidiaries of CHF 128.1 million in the balance sheet of Basilea Pharmaceutica Ltd. recorded in 2018 was reversed in 2019, leading to a respective income in the statements of operations for 2019. Due to this extraordinary reversal of the impairment and the corresponding positive operating income the accumulated deficit to be carried forward was reduced to CHF 18.7 million (2018: CHF 146.3 million).

Explanations to Agenda Item 4:

Election of the Chairman and of the members of the Board of Directors

Re-elections will be held individually for the Chairman and each Board member. The re-election of Mr. Domenico Scala as Board member and Chairman will be held in a single vote. By law, the term of each Board member and of the Chairman lasts until the end of the next AGM. The biographical data of all proposed candidates can be found on Basilea's website at www.basilea.com or in the Annual Report 2019 (www.basilea.com/financial-reports; see page 39 et seqq.).

Explanations to Agenda Item 5:

Election of the members of the Compensation Committee

Re-elections will be held individually for each member of the Compensation Committee. By law, the term of each Compensation Committee member lasts until the end of the next AGM.

Explanations to Agenda Item 6:

Compensation for the Board of Directors and the Management Committee

The AGM votes on the maximum aggregate amount of compensation for the Board of Directors and the Management Committee. The compensation periods are determined by the Articles of Association. Swiss law determines the term of office for Board members of publicly listed companies as the period from one AGM to the next. Therefore, the period for the Board compensation is set accordingly in the Articles of Association. For the Management Committee, the current version of the Articles of Association stipulates different periods for the fixed and for the variable compensation. The Board and Management Committee compensation periods in accordance with the current Articles of Association are illustrated in Figure 1 below.

In order to increase transparency and accountability, the Board of Directors proposes an amendment to the Articles of Association to harmonise the budget periods for both the fixed and the variable Management Compensation and to align it with the following financial year – see explanations to agenda item 7b.

Subject to shareholder approval of agenda item 7b, the Board proposes a maximum aggregate amount of total compensation, comprising both the fixed and variable compensation, for the Management Committee for the financial year 2021 – see explanations to agenda item 8. The proposed vote on total Management Committee compensation in accordance with the amended Articles of Association is also illustrated in Figure 1 below.

A positive shareholder vote on agenda item 8 will partially supersede the shareholder vote on agenda item 6b with respect to 2021 (period from January 1, 2021 to June 30, 2021); for the period from July 1, 2020 to December 31, 2020, the fixed Management Committee compensation would be limited to CHF 1,380,000.

Figure 1: Compensation periods for the Board of Directors and the Management Committee (“MC”) in accordance with the current Articles of Association and compensation period for the Management Committee in accordance with the amended Articles of Association (item 8)



Explanations to Agenda Item 6a:

Maximum aggregate amount of compensation for the Board of Directors

The proposed maximum aggregate amount of compensation for the Board of Directors for the period from the AGM 2020 to the AGM 2021 amounts to CHF 1,430,000.

Figure 2: Proposed maximum Board compensation compared to the previous period (aggregate amounts)



The Board compensation for 2019/2020 was lower than the proposed compensation for 2020/2021. Mr. Ronald Scott, former CEO, was recently elected as a Board member at the AGM 2018 but received no Board compensation as long as payments were made during the remaining term of his employment contract. Therefore, he only received a pro-rated Board compensation in relation to his Board membership in the period 2019/2020. For 2020/2021 Mr. Scott will not

receive any compensation under his previous employment contract and therefore he will receive the full Board compensation.

The level of all compensation elements for the Board of Directors have remained unchanged since 2014 and are listed in Figure 3 below.

Figure 3: Elements of Board compensation, per member

In CHF	AGM 2019 to AGM 2020	AGM 2020 to AGM 2021
Chairman of the Board of Directors		
Fixed compensation	238 363	238 363
Board meeting fee ¹	9 375	9 375
Committee membership fee ²	7 875	7 875
Members		
Fixed compensation	150 382	150 382
Board meeting fee ³	6 250	6 250
Committee membership fee ²	5 250	5 250

1 Fee per meeting attended with the maximum cumulative amount paid for meeting attendance limited to CHF 46,875 from AGM to AGM.

2 Fee per board committee membership.

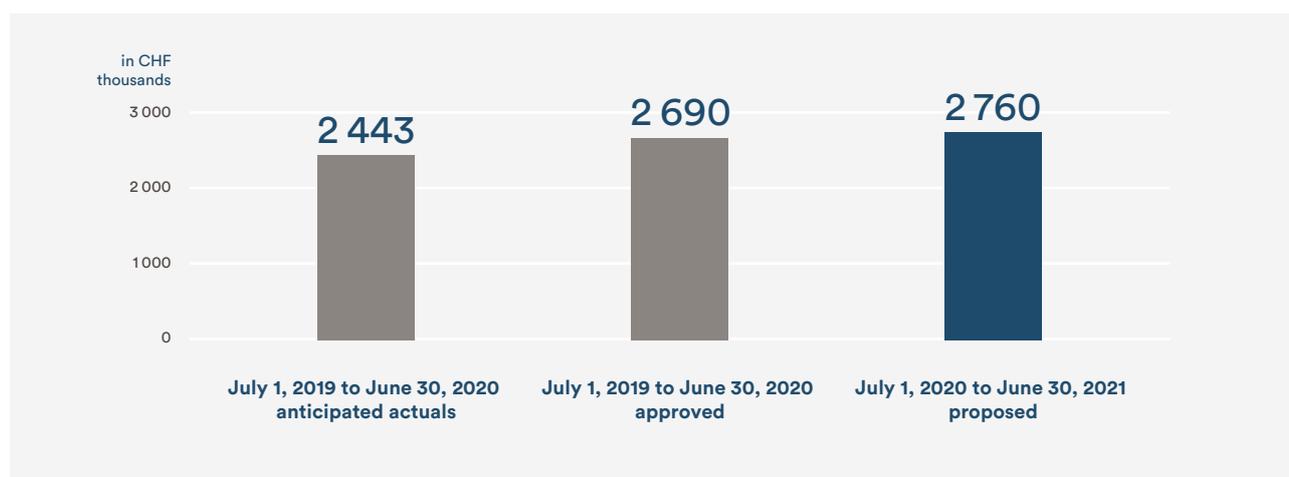
3 Fee for each board meeting attended with the maximum cumulative amount for meeting attendance limited to CHF 31,250 from AGM to AGM.

Explanations to Agenda Item 6b:

Maximum aggregate amount of fixed compensation for the Management Committee

The proposed maximum aggregate amount of fixed compensation for the Management Committee for the period from July 1, 2020 to June 30, 2021 amounts to CHF 2,760,000. This amount includes base salaries, employer social security contributions, pension contributions and certain indirect benefits.

Figure 4: Proposed Management Committee maximum fixed compensation compared to the previous period



The proposed maximum aggregate amount of fixed compensation for the Management Committee for the period from July 1, 2020 to June 30, 2021 for the CEO and four Management Committee members is slightly higher than the approved maximum compensation for the previous period primarily due to a base salary benchmark adjustment, the increased mandatory contributions to pension plans based on age, and a minor adjustment for inflation.

Figure 5: Proposed Management Committee maximum fixed compensation compared to the previous period (amounts by cost elements)

In CHF	Fixed cash compensa- tion	Social security and pension contribu- tions + other fringe benefits	Total fixed com- pensation
July 1, 2019 to June 30, 2020 anticipated actuals	2 003 748	439 342	2 443 090
July 1, 2019 to June 30, 2020 approved	2 099 000	591 000	2 690 000
July 1, 2020 to June 30, 2021 proposed	2 150 000	610 000	2 760 000

Explanations to Agenda Item 6c:

Maximum aggregate amount of variable compensation for the Management Committee

The proposed maximum aggregate amount of variable compensation for the Management Committee for the period from January 1, 2020 to December 31, 2020 amounts to CHF 3,450,000. This is comprised of:

- Maximum performance-based cash bonus: CHF 1,388,000
- Maximum fair value of stock options: CHF 1,780,000
- Maximum social security contributions: CHF 282,000

The proposed maximum aggregate amount for the variable compensation for the CEO and four Management Committee members is calculated based on a set of prudent assumptions consistently applied, such as the maximum possible achievement of the Company and individual goals and the resulting maximum amount of performance-related cash bonuses as well as the fair value and the number of stock options to be granted. The actual value of the stock options to be granted in 2020 will be driven by the Basilea share price and the corresponding fair value at the time of grant.

As shown in Figure 6 and Figure 7 below, the proposed maximum aggregate amount of variable compensation of CHF 3,450,000 is comparable to the amount of CHF 3,460,000 approved for the previous period.

The actual amount of Management Committee variable compensation of CHF 2,395,538 for the previous period is below the amount of CHF 3,460,000 approved by the AGM 2019. This is primarily related to the lower than assumed fair value of the stock options granted in 2019 and lower social security contributions as no stock options were exercised in 2019. It is also due to the fact that the cash bonus is determined based on the actual achievement of the corporate goals. The cash bonus for 2019 was based on a corporate goal achievement level of 114.5%, which was below the maximum possible level.

Figure 6: Proposed Management Committee maximum variable compensation compared to the previous period (total amounts)

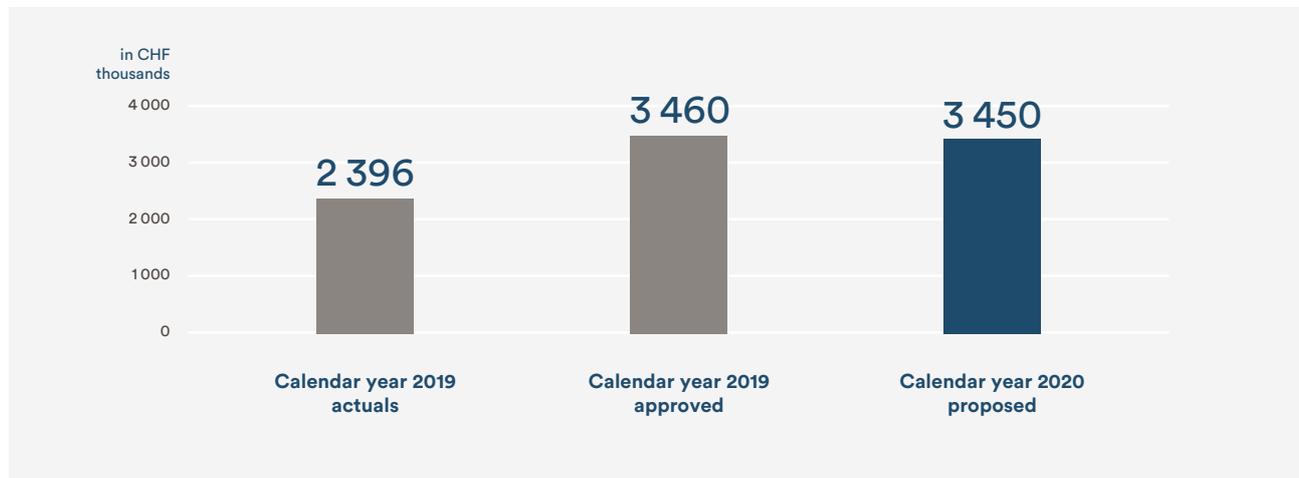


Figure 7: Proposed Management Committee maximum variable compensation compared to the previous period (amounts by cost elements)

In CHF	Cash compensation variable	Stock options estimated fair value	Social security contributions on total variable compensation	Total variable compensation
January 1, 2019 to December 31, 2019 actuals	1 052 970	1 281 759	60 809	2 395 538
January 1, 2019 to December 31, 2019 approved	1 420 000	1 780 000	260 000	3 460 000
January 1, 2020 to December 31, 2020 proposed	1 388 000	1 780 000	282 000	3 450 000

Stock option program

The fair value of stock options is a calculated value for accounting purposes, which is determined at the time of grant in accordance with accepted valuation methods. The cash value of the options granted at the time of grant is actually zero. Stock options do not vest upon grant; they only vest and may be exercised several years after grant: 50% three years after grant and 50% four years after grant. Once vested, options only have a cash value if the Basilea share price increases over the strike price with the strike price being equal to the Basilea share price at the time of grant of the options. Therefore, the value appreciation is only available to the Management Committee members once options have vested and in the event the share price after vesting exceeds the share price at the grant date.

In 2018, the Board of Directors amended the stock option plan to allow for net share settlement of stock options in order to significantly reduce potential dilution. The net share settlement of stock options ensures that the maximum potential dilution related to all granted options remains below 10% of the share capital on a fully diluted basis. The Board of Directors also formalized the performance allocation criteria for the total annual option grant size, and the overall number of stock options for an annual grant is linked to the achievement of the Company goals of the previous year.

More detailed information about Basilea’s performance evaluation system and KPIs can be found in the Annual Report 2019 (published on www.basilea.com/financial-reports).

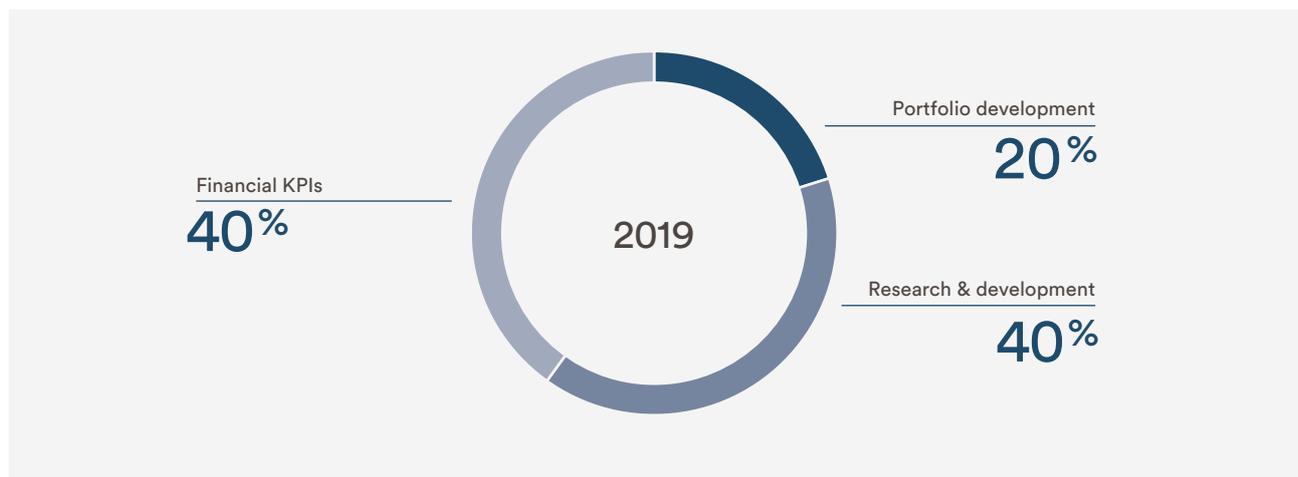
Explanations to Agenda Item 6d:

Non-binding advisory vote on the 2019 Compensation Report

The purpose of the Compensation Report is to inform shareholders about Basilea’s compensation systems, policies and practices for the Board of Directors and the Management Committee and to disclose the corresponding compensation. The 2019 Compensation Report can be downloaded from the Company’s website: www.basilea.com/financial-reports.

Basilea remains committed to provide performance-based compensation in order to align the interests of shareholders and employees. The Company performance goals for 2019 were largely focused on research & development and financial performance, with both R&D performance and financial metrics weighted 40% and portfolio development weighted 20%, as shown in Figure 8 below.

Figure 8: Company performance goals 2019



Achievement of 2019 company goals

KPI	Allocation	Achievement*
Financial KPIs	40%	43.0%
Portfolio development	20%	15.0%
Research & development	40%	56.5%
Total	100%	114.5%

*Capped at 140% for CEO, 130% for all other employees

The advisory vote on the Compensation Report gives shareholders the opportunity to express their views on Basilea’s compensation programs as well as on the annual compensation disclosures.

Under agenda item 7c, the Board of Directors proposes to amend the Articles of Association to explicitly include the submission by the Board of Directors of the Compensation Report to the AGM for a non-binding advisory vote.



Explanations to Agenda Item 7:

Amendments to the Articles of Association relating to compensation

The Board of Directors proposes amendments to the Articles of Association in order to address three compensation topics:

- To allow for the grant of performance/restricted share units under Basilea's long-term incentive plan
- The harmonisation of the budgeting periods for the fixed and variable Management Compensation and alignment with the financial year
- The submission by the Board of Directors of the Compensation Report to the AGM for a non-binding advisory vote

The proposals are made to update Basilea's compensation programs, to increase transparency and accountability and to give shareholders the opportunity to express their views on Basilea's annual compensation disclosures.

Explanations to Agenda Item 7a:

Long-term incentive plan

Basilea's current long-term incentive plan is based on the granting of employee stock options. During 2019, Basilea's Compensation Committee carefully evaluated Basilea's long-term incentive plan against industry best practices and explored the possibility of introducing a plan based on share units (performance share units/restricted share units). The Board of Directors decided that it is in the best interest of the Company and shareholders to allow for the grant of performance/restricted share units under Basilea's long-term incentive plan. The first grant of such share units is scheduled to be made in 2021.

Under the plan, members of Basilea's Management Committee as well as employees in key positions within the organization would be granted Performance Share Units (PSUs) in order to incentivize future share price growth and the achievement of significant milestones in the area of Research & Development. The final allocation of shares on the vesting date, three years after the grant of the PSUs, is dependent on the achievement of specific performance criteria and ranges from 0% to 200% of target, resulting in an allocation of between 0 and 2 Basilea shares per PSU, followed by a mandatory one-year sales restriction period in order to strengthen the alignment between shareholder and executive interests. The vesting of PSUs is also contingent on participants meeting the condition of continuous employment during the vesting period, subject to certain exceptions for good leavers. All shares and share units are furthermore subject to a malus/clawback provision.

Instead of PSUs, Restricted Share Units (RSUs) will be granted to management-level employees who are not in a position to directly make the decisions that underlie the achievement of the performance criteria linked to the vesting of the PSUs, but whose specialized knowledge and skillset is crucial in the execution of Basilea's key priorities and where the retention of these employees is of importance to the company. RSU grant amounts are fixed per management level to reflect the differing degrees of responsibility for each role, with vesting of these units contingent on continuous employment during the three-year vesting period, subject to certain exceptions for good leavers. Upon vesting, one Basilea share will be issued for each RSU.

A termination of the employment relationship by the employer for cause or by the participant will generally lead to forfeiture of all unvested PSUs or RSUs.



Further details on the parameters of the new plan will be published in Basilea's future Compensation Reports.

In order to allow for the introduction of the new long-term incentive plan, the following amendment to the Articles of Association is proposed:

Article 3a par. 1, first sentence Contingent share capital

Current version

1 The company's share capital shall be increased by a maximum of CHF 1'878'196.-- by issuing a maximum of 1'878'196 registered shares having a nominal value of CHF 1.00 each, to be fully paid up, by means of the exercising of option rights granted to certain employees and/or members of the board of directors in accordance with the company's stock option plan or the stock option plan of one of its group companies. [...]

Proposed version

1 The company's share capital shall be increased by a maximum of CHF 1,878,196.-- by issuing a maximum of 1'878'196 registered shares having a nominal value of CHF 1.00 each, to be fully paid up, by means of the exercising of rights to subscribe for new shares within the meaning of Article 653 para. 1 SCO granted to employees of the company or of group companies and/or members of the board of directors of the company. [...]

Explanations to Agenda Item 7b:

Budget period for the Management Committee compensation

The Board of Directors proposes to harmonise the budget period for the fixed and the variable Management Committee compensation and to align the budget period for the total Management Committee compensation with the financial year. The proposed amendment supports transparency and accountability of management compensation. The same level of detail with regard to the compensation components (fixed/variable compensation) will be provided.

In order to allow for the introduction of a harmonised and aligned budget period for the total Management Compensation, the following amendment to the Articles of Association is proposed:

Article 6 par. 2 clause 6 and clause 7

Current version

6. The approval of the maximum aggregate amount of fixed compensation for the management committee for the period from July 1 of the current year to June 30 of the next year;
7. The approval of the maximum aggregate amount of variable compensation for the management committee for the period from January 1 to December 31 of the current year;

Proposed version

6. The approval of the maximum aggregate amount of compensation for the management committee for the following financial year;
- ~~7. The approval of the maximum aggregate amount of variable compensation for the management committee for the period from January 1 to December 31 of the current year;~~

(Article 6 par. 2 clause 7 will be deleted and the following clauses will be renumbered accordingly, whereby the existing clauses 8 to 10 will be renumbered 7 to 9.)

Explanations to Agenda Item 7c:

Non-binding advisory vote on the Compensation Report

In order to give shareholders the opportunity to express their views on Basilea's annual compensation disclosures, the Board of Directors proposes to explicitly include in the Articles of Association the submission by the Board of Directors of the Compensation Report to the AGM for a non-binding advisory vote.

The following amendment of the Articles of Association is proposed:

Article 6 par. 2 clause 10

Current version

10. To pass resolutions regarding issues which are reserved to the general meeting by law or by the articles of association or which are presented to it by the board of directors.

Proposed version

10. To pass resolutions regarding issues which are reserved to the general meeting by law or by the articles of association or which are presented to it by the board of directors. The board of directors submits the compensation report to the general meeting for a non-binding advisory vote.

(Subject to approval of agenda item 7b, Article 6 par. 2 clause 10 will be renumbered to clause 9.)

Explanations to Agenda Item 8:

Compensation for the Management Committee according to the amended Article 6 par. 2 clause 6 of the Articles of Association (see agenda item 7b)

Subject to shareholder approval of the motion under agenda item 7b, the Board of Directors proposes a maximum aggregate amount of total compensation (fixed and variable combined) for the Management Committee for the financial year 2021 of CHF 6,280,000. This is comprised of:

- Maximum fixed compensation: CHF 2,780,000
- Maximum variable compensation: CHF 3,500,000

This proposal is at a comparable level as the proposed maximum compensation amounts under agenda items 6b and 6c.

Additional information as to which individual cost elements are included in the aforementioned amounts as well as how these elements compare to the maximum compensation amounts proposed under agenda items 6b and 6c are shown in Figures 9 to 11.

Figure 9: Proposed Management Committee maximum fixed and variable compensation for the financial year 2021 compared to the proposed maximum compensation under agenda items 6b and 6c

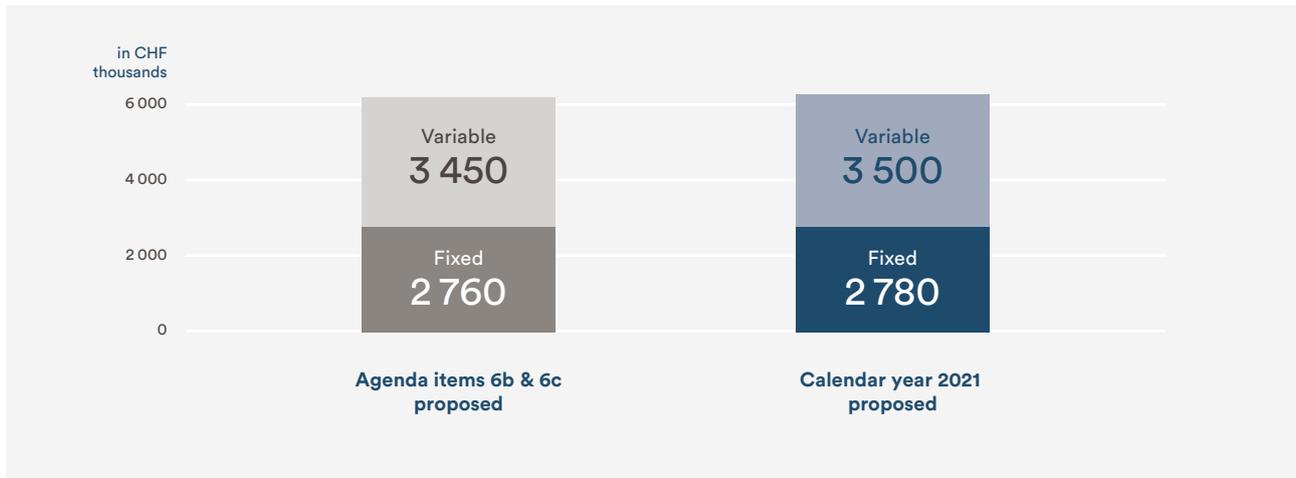


Figure 10: Proposed Management Committee maximum fixed compensation compared to the proposed maximum compensation under agenda item 6b

In CHF	Fixed cash compensation	Social security and pension contributions + other fringe benefits	Total fixed compensation
July 1, 2020 to June 30, 2021 proposed	2 150 000	610 000	2 760 000
January 1, 2021 to December 31, 2021 proposed	2 160 000	620 000	2 780 000

Figure 11: Proposed Management Committee maximum variable compensation compared to the proposed maximum compensation under agenda item 6c

In CHF	Cash compensation variable	Long-term incentives: estimated fair value (options) / grant value (PSUs)	Social security contributions on total variable compensation	Total variable compensation
January 1, 2020 to December 31, 2020 proposed	1 388 000	1 780 000	282 000	3 450 000
January 1, 2021 to December 31, 2021 proposed	1 400 000	1 780 000	320 000	3 500 000

New long-term incentive plan

Subject to shareholder approval of the motion under agenda item 7a, Basilea plans to allow for the grant of performance/restricted share units under Basilea's new long-term incentive plan. The first grant of such share units is scheduled to be made in 2021.

The PSUs to be granted to the Management Committee for 2021 would be based on a fixed CHF value, equal to 105% of the base salary for the CEO and 80% of the base salary on average for the other Management Committee members. The number of PSUs to be granted to each member of the Management Committee is calculated by dividing the corresponding fixed CHF value by the grant value of the PSUs as used for accounting purposes. Such grant value is calculated at the time of grant in accordance with accepted valuation methods and based on target achievement of performance criteria.

The total value of the planned PSU grant to the Management Committee for 2021 is CHF 1,780,000, based on an assumed 100% performance achievement. The performance criteria for this grant will be relative total shareholder return compared to the Swiss Performance Index Extra and the achievement of important long-term milestones related to the Research & Development portfolio. The final allocation of shares on the vesting date, three years after the grant of the PSUs, is dependent on the achievement against those performance criteria and ranges from 0% to 200% of target, resulting in an allocation of between 0 and 2 Basilea shares per PSU.

A positive shareholder vote on agenda item 8 will partially supersede the shareholder vote on agenda item 6b with respect to 2021 (period from January 1, 2021 to June 30, 2021); for the period from July 1, 2020 to December 31, 2020, the fixed Management Committee compensation would be limited to CHF 1,380,000.

Explanations to Agenda Item 9:

Amendment to the Articles of Association relating to conditional capital

In December 2015, Basilea placed a CHF 200 million convertible bond due December 23, 2022. The bond carries a coupon of 2.75% per annum and has a conversion price of CHF 126.1020. As of December 31, 2019, the principal nominal amount of CHF 200 million was outstanding. The bond is listed on the SIX Swiss Exchange (security number: 30.539.814; ISIN: CH0305398148); further information can be found in Basilea's 2019 Annual Report (www.basilea.com/financial-reports; page 37 et seq.).

Upon execution of the conversion right, the bond is convertible into a total number of 1,586,017 shares. In order to back the convertible bond, Basilea has 1,000,000 treasury shares available and a maximum of 640,000 shares which can be issued from conditional capital in accordance with Article 3a par. 2 of the Articles of Association.

The expiry date of the existing convertible bond is more than two and a half years away and the convertible bond is currently out of the money, i.e. the conversion price is significantly above the current share price. At current share price levels, it would hence not be possible to restructure or refinance the existing convertible bond with another equity linked instrument without further increasing the number of shares that could be issued under the conditional capital. The Board of Directors believes that it is important for the financial management and in the best interest of the Company to proactively and timely strengthen Basilea's

negotiation position in highly volatile financial markets. The aim is to create conditions allowing the Company to potentially seize favourable financial market conditions to optimize its financing structure. The Board of Directors therefore proposes instead of 640,000 shares a maximum of up to 2,000,000 shares, which can be issued from conditional capital to back convertible bonds. The use of the 2,000,000 shares which could be issued under the conditional capital is limited solely to the Company's convertible bond financing. The aggregate principal amount of the existing and any new convertible bonds backed by the conditional capital shall not exceed CHF 250 million and new convertible bonds shall not be issued later than December 22, 2022.

The following amendment to the Articles of Association is proposed, whereby the current conditional capital in the amount of up to CHF 640,000 (corresponding to up to 640,000 registered shares with a par value of CHF 1.00 each) forms part of the below amended conditional capital:

Article 3a par. 2 Contingent share capital

Current version

- 2 The company's share capital shall be increased by a maximum of CHF 640,000.00 by issuing a maximum of 640,000 registered shares having a par value of CHF 1.00 each, to be fully paid up, by means of the exercising of option or conversion rights granted to holders of option or convertible bonds in conjunction with new option or conversion rights of the company or one of its group companies. The terms and conditions applicable to such bonds, as well as to the option and conversion rights, shall be determined by the board of directors whereby the issue price of the shares, irrespective of any capital reduction, shall be at least CHF 75.00 per registered share. The subscription rights of shareholders are excluded. The preferential subscription rights of shareholders shall be suspended if the issue is held in connection with preparations for a stock-exchange listing of the company; in all other cases, preferential subscription rights shall be granted and the exercise period restricted to three working days. In the case of option and convertible bonds for which preferential subscription rights have been suspended, option rights may be exercised for a maximum period of seven years and conversion rights for a maximum of 10 years.

Proposed version

- 2 The company's share capital shall be increased up to a maximum of CHF 2,000,000 by issuing a maximum of 2,000,000 registered shares with respect to the exercise of conversion rights granted to holders of existing convertible bonds (to the extent they were backed so far by treasury shares) or new convertible bonds issued by the company or one of its group companies. The shares to be issued shall have a par value of CHF 1.00 each, to be fully paid-in. The terms and conditions applicable to such convertible bonds shall be determined by the board of directors. The aggregate principal amount of the convertible bonds backed by conditional capital set out hereunder and/or treasury shares shall not exceed CHF 250,000,000, and any convertible bonds issued and backed by the conditional capital hereunder shall not be issued later than December 22, 2022. The subscription rights for the shares issued upon exercise of the conversion rights are excluded. The then-current owners of the convertible bonds shall become shareholders of new shares issued upon conversion. The pre-subscription rights of shareholders with respect to the convertible bonds may be excluded by the Board of Directors if the issuance occurs in national or international capital markets whether as a public or a



private placement. If the pre-subscription rights are or, at the time of issuance, have been excluded, the convertible bonds must meet the following requirements, in each case as per the time of issuance: a) they shall be issued at market conditions; b) the conversion price shall be set with reference to the market conditions prevailing; and c) the conversion period shall not be longer than 10 years from the date of the issuance.

Explanations to Agenda Item 10:

Amendment to the Articles of Association relating to the maximum number of Board members

Basilea's current Articles of Association provide for a maximum of 11 Board members. Taking into account best practices in corporate governance as well as the complexity and size of Basilea's business, the Board of Directors proposes to reduce the maximum number of Board members from 11 to 9.

The following amendment of the Articles of Association is proposed:

Article 13 par. 1

Current version

- 1 The board of directors consists of one or several but of a maximum of 11 members.

Proposed version

- 1 The board of directors consists of one or several but of a maximum of 9 members.