



Invitation to the Annual General Meeting

Date: April 21, 2021, 2:30 p.m. CEST

Place: Grenzacherstrasse 487, 4058 Basel, Switzerland

Basel, March 31, 2021

Important information regarding COVID-19

Dear Shareholders,

Unfortunately, the current situation regarding the coronavirus (COVID-19) does not allow us to hold the Annual General Meeting in the conventional way.

In accordance with the Ordinance issued by the Swiss Federal Council (COVID-19 Ordinance 3, extended until December 31, 2021) and the protective measures against the coronavirus that currently apply, the Board of Directors of Basilea Pharmaceutica Ltd. has decided to hold the 2021 Annual General Meeting without the physical presence of shareholders.

The Board of Directors has taken this decision with great regret, but it is necessary to protect the health of everyone involved in the Annual General Meeting and to strictly comply with the measures against the coronavirus.

Accordingly, shareholders can only exercise their shareholder rights via the Independent Proxy. Detailed information as to how to give voting instructions to the Independent Proxy (in writing or electronically through the e-voting platform) can be found in the "Organizational Notes" included in this invitation.

On behalf of the of the Board of Directors, I thank you for your understanding. I hope that I will be able to welcome you at the Annual General Meeting in 2022, under normal circumstances.

Sincerely,

Domenico Scala, Chairman
Basilea Pharmaceutica Ltd.

Agenda and proposals of the Board of Directors

1. Annual Report, Financial Statements, and Consolidated Financial Statements for 2020

Proposal:

Approval of the annual report, financial statements, and consolidated financial statements for 2020.

For further information, please refer to the Appendix.

2. Appropriation of the results

Proposal:

Carry forward of the accumulated deficit of CHF 20,999,664.

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 2020.

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 Election of Dr. Nicole Onetto
- 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 2021 to the AGM 2022.

For further information, please refer to the Appendix.

6b Maximum aggregate amount of compensation for the Management Committee

Proposal:

Approval of the amount of CHF 6,280,000 as the maximum aggregate amount of total compensation (fixed and variable) for the Management Committee for the financial year 2022.

For further information, please refer to the Appendix.

6c Non-binding advisory vote on the 2020 Compensation Report

Proposal:

Endorsement of the 2020 Compensation Report in a non-binding advisory vote.

For further information, please refer to the Appendix.

7. Amendment to the Articles of Association relating to authorized capital

Proposal:

Amendment of Article 3b par. 1 of the Articles of Association to renew the existing authorization of the Board of Directors to increase the share capital until April 2023.

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

8. 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.

9. Election of the Auditors

Proposal:

Re-election of PricewaterhouseCoopers Ltd., Basel, as auditors for the consolidated financial statements and the standalone financial statements of Basilea Pharmaceutica Ltd. for the financial year 2021.



Organizational Notes

Shareholders who are recorded in the share register with voting rights as per **April 13, 2021** at 5:00 p.m. CEST are entitled to participate and exercise their voting rights at the 2021 Annual General Meeting (AGM). The registration of shareholders for voting purposes does not affect the possibility to trade in Basilea shares.

Representation:

In accordance with the COVID-19 Ordinance 3 issued by the Swiss Federal Council and the measures against the coronavirus that currently apply, the Board of Directors of Basilea Pharmaceutica AG has decided to hold the 2021 AGM without the physical presence of shareholders.

Accordingly, shareholders can only exercise their shareholder rights at the AGM via the Independent Proxy, Dr Caroline Cron, Attorney-at-law, Lenz Caemmerer, Elisabethenstrasse 15, P.O. Box 430, 4010 Basel, Switzerland.

The voting instructions to the Independent Proxy can be issued in two ways:

- 1) In writing with the enclosed form
or
- 2) Electronically on www.gvote.ch. The electronic instructions can be amended at any time until April 19, 2021, 11:59 p.m. CEST. For further information, please refer to the enclosed e-voting fact sheet.

If you have any questions relating to the AGM in this special situation, please send an e-mail to us at the following address: AGM-Information@basilea.com.

Annual Report 2020: The Annual Report 2020 is available on the internet at www.basilea.com/financial-reports. The full Annual Report is available in English and a short version is available in German. Hard copies can be ordered by using the enclosed form. From March 31, 2021, the full Annual Report and the reports of the Statutory Auditors will be available for inspection by shareholders at our Basel offices.

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 2020

Basilea made significant progress in 2020. Non-deferred revenue contributions from the two marketed brands, Cresemba and Zevtera, increased by almost 14% year-on-year to CHF 78 million. At the same time, Basilea continued to diligently manage expenses, leading to a 15% improvement in the operating cash flow. The operating result improved by 52% year-on-year based both on a strong operational performance and a one-off positive impact from the sale of the headquarters property. Cresemba sales by Basilea's partners continued to grow significantly, in both established markets and new markets. Basilea's commercialization partners launched Cresemba and Zevtera in new markets and continued to make significant regulatory progress. The progress made by Basilea's partners triggered commercial and regulatory milestone payments of approximately CHF 9 million in 2020.

Total revenue was CHF 127.6 million. Operating expenses amounted to CHF 150.9 million. The net loss was CHF 14.7 million. As of year-end 2020, Basilea had CHF 167 million in cash, cash equivalents and financial investments, compared to CHF 161 million as of year-end 2019. Total shareholders' equity as per Swiss GAAP statutory financials amounted to CHF 411 million as of year-end 2020.

Basilea's US GAAP consolidated financial statements show a deficit in total shareholders' equity of CHF 102 million. The difference between this amount and the aforementioned CHF 411 million is largely driven by differences in accounting between US GAAP consolidated financial statements and Swiss GAAP statutory financials, specifically the deferral required by US GAAP of recognition of revenue from certain payments Basilea 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 4:

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

Elections will be held individually for the Chairman and each Board member. The 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 2020 (www.basilea.com/financial-reports; see page 51 et seqq.).

Explanations to Agenda Item 5:

Election of the members of the Compensation Committee

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 separately votes on the maximum aggregate amount of compensation for the Board of Directors and for the Management Committee. The budget period for the Board of Directors is aligned with the term of office, which is the period from one AGM to the next. For the Management Committee, the budget period for the maximum aggregate amount of total compensation, comprising both fixed and variable compensation, is aligned with the following financial year.

Figure 1: Compensation periods for the Board of Directors and the Management Committee (“MC”) in accordance with the Articles of Association



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 2021 to the AGM 2022 amounts to CHF 1,430,000.

Figure 2: Proposed maximum board compensation compared with the previous period (aggregate amounts)





The proposed maximum aggregate board compensation for 2021/2022 is identical to the approved compensation for 2020/2021. However, a number of changes have been made to simplify the board compensation and to better align with shareholder interest.

Firstly, the pay structure will be simplified by including meeting attendance fees in the annual retainer.

Secondly, board members will be paid in both equity and cash as of this term of office - as opposed to cash only previously. While the total board compensation remains unchanged, it will be paid 75% in cash and 25% in Restricted Share Units (RSUs) going forward. The RSUs contain no performance element and will vest into Basilea shares following a one-year vesting period on a one-to-one basis. Any board members who cease their membership prior to the end of their term of office will receive a prorated number of RSUs.

Thirdly, the addition of a separate remuneration level for the board's Vice-Chairman to reflect the increased importance of this role.

Figure 3: Board compensation

Fees in CHF – 75% in cash / 25% in RSUs	AGM 2021 to AGM 2022
Chairman	285 238
Vice-Chairman	193 632
Board member	181 632
Committee membership:	
Chairman	7 875
Vice-Chairman and other board members	5 250

Explanations to Agenda Item 6b:

Maximum aggregate amount of compensation for the Management Committee

The proposed maximum aggregate amount of total compensation (fixed and variable) for the Management Committee for the financial year amounts to CHF 6,280,000. This is the same amount as for 2021, which was approved by shareholders at last year's AGM.

Figure 4: Proposed Management Committee maximum compensation for 2022 compared with the approved maximum compensation for 2021



Figure 5: Proposed Management Committee compensation elements

In CHF	Fixed compensation	Performance-related cash bonus	Long-term incentive plan	Social security & fringe benefits	Total compensation
January 1, 2021 to December 31, 2021 approved	2 160 000	1 400 000	1 780 000	940 000	6 280 000
January 1, 2022 to December 31, 2022 proposed	2 165 000	1 370 000	1 780 000	965 000	6 280 000

Performance-related cash bonus

As of 2021, the performance-related cash bonus for MC members no longer considers a 60% individual performance component. Instead of having individual goals, each MC member will be measured fully against the corporate goals. The different areas of responsibility of the individual MC members will be reflected in corresponding weightings of the corporate goals.

Long-term incentive plan

Prior to 2021, the long-term incentive plan was based on the grant of stock options. Under the new long-term incentive plan, the MC members are granted Performance Share Units (PSUs) in order to incentivize future positive share price performance and sustainable revenue growth.

The CHF 1,780,000 shown in figure 5 represent the target value of the PSUs at grant date, and is based on 100% of base salary for the CEO and 75% of base salaries for other MC members. To calculate the number of granted PSUs, this target value is divided by a) the higher of the fair value of a PSU as of the AGM date or b) CHF 35. The minimum share price of CHF 35 serves to protect shareholders



from potentially high dilution in the event of market fluctuations resulting in an extraordinarily low share price on the AGM date. Social security contributions by Basilea are included in the proposed budget. PSUs will vest into Basilea shares following the completion of a three-year performance period and based on key performance indicators (KPIs). The number of shares delivered for each vesting PSU depends on the achievement level of two equally weighted KPIs. If the targets for both KPIs are achieved at 100% (target value), each PSU vests into one Basilea share. If the targets for both KPIs are overachieved and reach or exceed a predefined maximum cap, each PSU vests into two Basilea shares. If the targets for the KPIs are underachieved and are below or at a predefined threshold, the PSUs will expire with no value and will not vest into any Basilea shares.

In case of an achievement level between the performance target and the maximum cap, or between the performance target and the performance threshold, respectively, the actual ratio for converting PSUs into Basilea shares will be calculated on a linear basis.

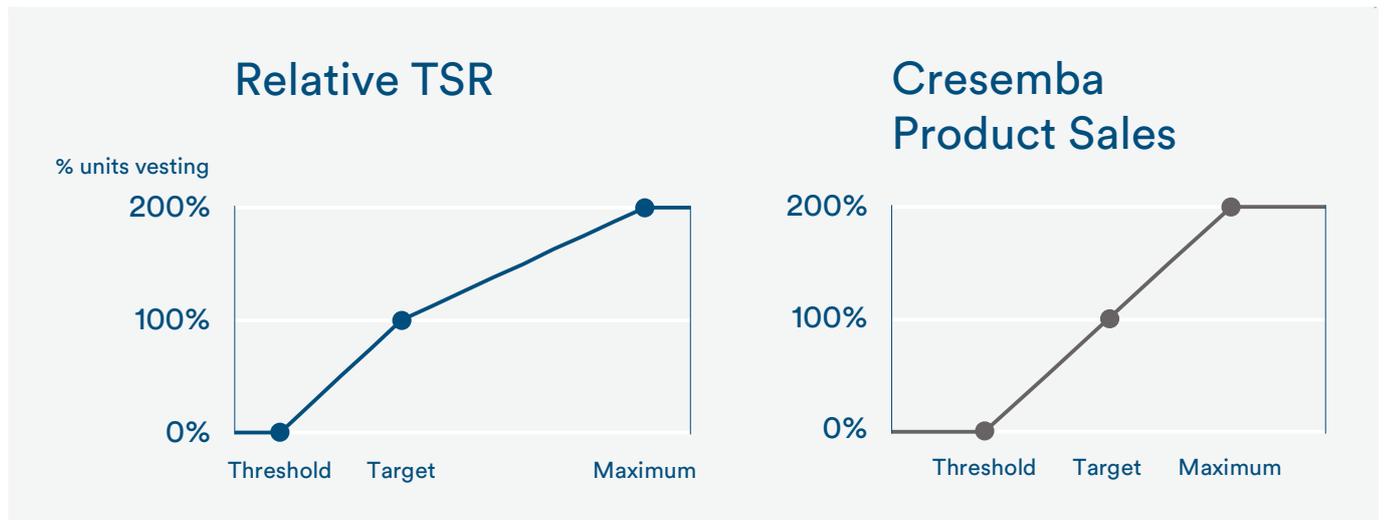
The shares delivered upon vesting after the three-year-performance period are subject to an additional one-year holding period.

The KPIs of the PSUs to be granted in 2021 are relative Total Shareholder Return ("rTSR") against the Swiss Performance Index Extra ("SPI Extra") and Cresemba product sales. Both KPIs are weighted equally.

The rTSR KPI was chosen as an incentive for creating long-term shareholder value. This measure serves as an indicator of company performance. Taking into consideration its correlation to the Basilea share price and the beta coefficient, the SPI Extra was chosen as a benchmark for the rTSR. Other indices and peer groups of biotech companies were also considered but were found to be less well suited. The rTSR calculation compares Basilea's share price with that of the SPI Extra at the start and at the end of the three-year performance period, and factors in any dividends paid. The starting price for the Basilea share and the SPI Extra is their average closing price of the last sixty trading days of the year preceding the start of the performance period. The ending price is their average closing price of the last sixty trading days of the final year of the performance period.

The Cresemba product sales KPI measures the Compounded Annual Growth Rate ("CAGR") of Cresemba in-market sales measured as patient days over the same three-year performance period. A patient day in this context is defined as the equivalent of a 200 mg daily maintenance dose of isavuconazole. By using patient days, progress in providing global access to this important drug plays an important role in determining the performance. At the same time this limits the influence of factors that are unrelated to performance, such as exchange rate fluctuations. The calculation of the KPI is based on the comparison of the patient days recorded in the twelve months prior to the start of the performance period with the patient days recorded in the last twelve months of the performance period. The long-term volume growth of Cresemba was selected as KPI for the PSUs due to its critical importance for the long-term financial success of the company.

Figure 6: KPIs of the 2021 grant of PSUs



KPI	Relative TSR	Product Sales
Threshold	- 10% against SPI Extra	+ 10% CAGR
Target	On par with SPI Extra	+ 15% CAGR
Maximum	+ 20% against SPI Extra	+ 20% CAGR

The target and threshold for rTSR are based on historical data and for Cresemba product sales on internal forecasts and financial analyst expectations, taking into consideration typical vesting curves.

PSUs only vest if an MC member is in continuous employment on the vesting date, subject to certain exceptions detailed below.

In the event of a termination due to restructuring or redundancy, or upon retirement, PSUs that have not yet vested on the date of termination are prorated to reflect the shortened service period. These PSUs will continue to vest pursuant to the plan and convert into shares upon vesting based on calculated performance. The remainder of the PSUs will forfeit as of the date of termination.

In the event of death or disability, all unvested PSUs shall vest immediately as per the date of death or disability at target level (100%, irrespective of actual achievement).

In case of a change of control, any unvested PSUs shall either be converted into comparable awards that will vest into shares of the acquiring entity or vest immediately on a pro-rated basis using the actual performance at the date of the change of control, unless otherwise determined by the board.

All shares and PSUs are furthermore subject to a malus/clawback provision. Under this provision, the board reserves the right to cancel some or all outstanding PSUs if an MC member is found to have engaged in behavior such as acts of fraud, gross negligence or willful misconduct. In addition, during the additional one-year holding period, the board may require that the MC members make a cash payment in respect of some or all shares delivered under the plan or to transfer such converted shares back to the company.



Explanations to Agenda Item 6c:

Non-binding advisory vote on the 2020 compensation report

The purpose of the compensation report is to inform shareholders about Basilea's compensation systems for the Board of Directors and the Management Committee and to disclose the corresponding compensation. The 2020 compensation report can be downloaded from the company's website:

www.basilea.com/financial-reports.

In 2020, Basilea made several changes to its compensation system, both for members of the Board of Directors (see explanations to agenda item 6a) as well as for the Management Committee (see explanations to agenda item 6b) effective as of 2021. These changes bring Basilea's compensation system closer to the practices observed in many Swiss listed companies and support long-term shareholder value creation.

Basilea remains committed to provide performance-based compensation centered on the attainment of goals that are vital to the long-term success of the company. The company performance goals for the 2020 performance-related cash bonus largely focused on research & development and financial performance, with both R&D performance and financial metrics weighted 45% and portfolio development weighted 10%, as shown in Figure 7.

Figure 7: Company performance goals 2020

Achievement of 2020 company goals

KPI	Weighting	Achievement
Financial KPIs	45%	66.9%
Portfolio development	10%	5.0%
Research & development	45%	66.0%
Total	100%	137.9%*

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

Basilea has not received nor requested any coronavirus pandemic-related subsidies, relief funding or compensation payments and there were no restructurings, layoffs or wage reductions for employees.



Explanations to Agenda Item 7:

Amendments to the Articles of Association relating to authorized capital

Basilea's shareholders have previously approved the creation of authorized share capital to provide Basilea with the flexibility to quickly respond to strategic opportunities such as partnerships, business or product acquisitions, to expand the shareholder constituency in certain investor markets or in connection with the listing of the shares on a foreign stock exchange.

The previously approved authorized share capital will expire in April 2021. The Board of Directors proposes to renew the authorization of the Board of Directors in relation to the authorized share capital for a period of two years until April 2023. The amount of authorized capital remains at a maximum of CHF 1,000,000.

Therefore, the following amendment to the Articles of Association is proposed (changes highlighted):

Article 3b par. 1 Authorized Share Capital

Current version

- 1 The Board of Directors is authorized, for a period until **April 10, 2021**, to increase the share capital, all at once or in portion, by a maximum of CHF 1'000'000.-- by issuing a maximum of 1'000'000 registered shares having a nominal value of CHF 1.-- each. The new shares have to be fully paid up.

New version

- 1 The Board of Directors is authorized, for a period until **April 21, 2023**, to increase the share capital, all at once or in portion, by a maximum of CHF 1'000'000.-- by issuing a maximum of 1'000'000 registered shares having a nominal value of CHF 1.-- each. The new shares have to be fully paid up.