

## Pharmakon's ESG Policy

The purpose of this policy is to set out Pharmakon's approach to integrating the consideration of environmental, social, and governance ("ESG") risks and value creation opportunities into investments made through our credit facility and within our own business operations.

### INTRODUCTION

Founded in 2009, Pharmakon Advisors, LP is the investment manager of the BioPharma Credit funds, investment funds that provide debt capital to companies in the life sciences. We are proud that a large portion of our investments help to fund clinical trials and research that benefit patients suffering from a wide variety of serious diseases, including various forms of cancer and orphan diseases including but not limited to Pompe, Fabry, Cushings, Duchenne Muscular Dystrophy, and Sickle Cell. We help increase the number of life sciences products available to patients globally.

Based in New York, Pharmakon has a small but diverse and highly specialized team of eight professionals focused on responsibly investing and safeguarding the capital of our clients. As debt investors we believe that consideration of the material ESG factors applicable to our industry is critical to our credit underwriting process. Systematic integration of these considerations combined with our engagement activities helps us reduce the overall credit risk of our portfolios and enhances our analysis. We provide competitively priced capital to a growing number of emerging life sciences companies on the forefront of developing lifesaving and lifechanging therapies to improve human health.

Pharmakon further recognizes that ESG issues may affect performance of portfolio investments and, furthermore, that the effective management of ESG issues may contribute positively to returns through alignment of interests of fund investors, the general partner, portfolio company management teams, employees, and other key stakeholders.

Pharmakon strives to consider material ESG issues during its due diligence and in the monitoring of portfolio investments to the extent reasonably practical under the circumstances. It does this subject to the provisions of the credit agreements, and to the duty

# \$2.6 Bn

assets under management  
as at 30 June 2023

# \$7.0 Bn

committed since 2009  
as at 30 June 2023

# 101

clinical trials being funded  
by our partners  
as at 30 June 2023

# 35%

of the portfolio backed  
by treatments for orphan diseases  
as at 30 June 2023

# \$1.7 Bn

in R&D invested by our  
current partners during 2022

of Pharmakon to seek to maximize the returns on investment for BioPharma Credit funds.

#### SCOPE (WHAT DOES ESG MEAN TO PHARMAKON?)

For the purposes of this policy, "material" ESG issues are defined as those issues that Pharmakon, in its sole discretion, determines have or have the potential to have a direct substantial impact on an organization's ability to create, preserve, or enhance economic value, as well as environmental and social value for itself and its stakeholders.

The policy is intended to reflect our general framework for managing ESG issues through the lifecycle of an investment across Pharmakon's investment management business. As a debt investor Pharmakon is generally limited in its ability to influence its portfolio companies. In cases where Pharmakon determines it has limited ability to conduct diligence or to influence and control the consideration of ESG issues in connection with an investment, Pharmakon will only apply those elements of this policy that it determines to be practicable.

Examples of material issues are those that involve violations of human rights, irresponsible treatment of the natural environment or other non-ethical business conduct. More specifically, and as of the date of approval of this policy, Pharmakon currently focuses on the following factors within our definition of ESG:

- Environmental
  - GHG Emissions
  - Green Building Standards
  - Handling Hazardous Materials
  - Waste Creation & Management
  - Responsible Vendor Management
- Social
  - Labour Practices
  - Cyber Security
  - Employee Engagement
  - Diversity
  - Job Growth and Turnover
  - Supporting Communities and Research
- Governance
  - Risk Management
  - IP Protection
  - Compliance with Regulatory Standards (i.e., FDA)
  - Board
  - Purpose & Affiliations

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*Our ESG strategy, policies and practices will create sustainable long-term value for our company, employees, investors and other stakeholders, while also helping us reduce risk and identify new opportunities.*

Pharmakon's approach to ESG will be adjusted according to the needs and expectations of its stakeholders. Although we currently align ourselves with certain environmental and social concerns we will modify and improve upon our focus to maximise the needs and expectations of our stakeholders with the aim of creating long-term stakeholder value and drive toward impactful results. Pharmakon is conscious that the ultimate success of our ESG initiative will depend on periodic reviews to ensure adherence and seek ways to continuously make improvements. We believe that all employees are stakeholders in the success of Pharmakon's ESG initiative and should be actively engaged in its design and compliance.

We are grateful to the Principals for Responsible Investing (PRI) and the United Nations Department of Economic and Social Affairs. Our policies and operational ESG strategy have been developed with their principles in mind and continues to be influenced by their guidance.

- PRI's Six Core Principles
- 17 SDGs (Sustainable Development Goals)—United Nations Department of Economic and Social Affairs

In addition, Pharmakon is a signatory to the New Commitment to Patients signed in January 2020 by 215 Biopharma CEOs and industry leaders who recognize that (a) “we have a moral obligation to develop the best medicines and ensure that every person who may benefit has access to them” and (b) “that we need to ensure that we act with the highest integrity and corporate responsibility—always putting the interests of patients first”. The full text can be found at:

<https://www.statnews.com/2020/01/08/new-biotechnology-pharmaceutical-industry-commitment-patients-public/>



We believe that our environmental, social and governance strategy, policies and practices will create sustainable long-term value for our Company, our employees, our investors and other stakeholders, while also helping us reduce risk and identify new opportunities.

#### Highlights of our ESG efforts

- ESG-informed investment processes
- Contributions to multiple Sustainable Development Goals (SDGs)
- Focus on human capital and Diversity, Equity and Inclusion (DEI)
- Commitment to philanthropy
- Independent board and fund advisory committee
- Plans to reduce environmental footprint

#### Delivering for partners, patients, and society

By delivering value for our partners and their patients, we contribute positively to multiple SDGs, including those that focus on expanding health access and opportunity. While our work touches many SDGs, we focus on those where we can have the greatest impact based on our business, strategy and expertise. More specifically, those are SDG-3 on Good Health and Well-Being; SDG-9 on Industry, Innovation, and Infrastructure; SDG-10 on Reduced Inequality; and SDG-17 on Partnerships for the Goals.

#### PHARMAKON'S COMMITMENT TO ESG

Pharmakon on behalf of itself and its clients, is committed to the consideration of ESG issues in connection with its investment activities.

#### The role ESG plays in Pharmakon's own operations

##### Environment

Pharmakon is focused on reducing its environmental footprint. Though the majority of Pharmakon's direct impact on the environment comes from daily office-based activities, we are dedicated to protecting the planet. Pharmakon supports sustainable business practices, and we hope to build an internal sustainability program as we prioritise our own local footprint.

Pharmakon aims to engage all of its employees in managing the environmental impact of our business. Employees will regularly be encouraged to participate in environmental awareness, training and initiatives, including unrestricted access to this ESG policy.

Environmental considerations are also incorporated across our partner network. For investment, environmental criteria are reviewed in the due diligence process when appropriate. Pharmakon

**Pharmakon Advisors’ ESG Policy** continued

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**Social**

The people and culture of Pharmakon are the primary factor in our success. We strive to continually support the health, well-being, and growth of our employees. To build a high-performing, diverse team, we seek to foster an inclusive environment that stays true to our core values – even as we continue to grow. Pharmakon strives to maintain and strengthen our social and human capital policies and practices. This includes attracting, retaining, and developing top talent and fostering a highly engaged, team-oriented culture with an owner operator mindset. Our commitment to social responsibility also includes promoting diversity, equity, and inclusion, as well as engaging and developing our employees. Pharmakon will strive to maintain and adhere to our Diversity & Inclusion Policy, Employee Handbook, and Human Rights Statement. Additionally, Pharmakon aims to transform patient lives globally through supporting various communities. We support our communities through philanthropy by engaging on critical health and social needs to promote access to health care and health equity because we believe everyone should have the opportunity to attain their highest level of health. Pharmakon also supports the development of young students by providing internships and mentorship to college age individuals who are interested in learning about investing in the life sciences.

**Governance**

Risk management, compliance and high ethical standards are foundational to our culture. One of Pharmakon’s most valuable assets is our reputation for integrity, professionalism, fairness and good stewardship. Our strong corporate governance program, from board and advisory committee oversight to robust management practices, aligns the interests of our stakeholders and underpins our market-leading position and the high esteem with which we are held in the life sciences industry.

**Governance Highlights**

- BioPharma Credit PLC has a 100% independent board
- Executive-level oversight of ESG
- CEO led ESG committee responsible for ESG strategy and disclosure
- ESG committee meets on no less than a quarterly basis

- 100% of employees participate in ESG related strategy and implementation
- Robust governance policies and practices
- Culture of compliance and accountability
- Additional ethical safeguards include our whistleblower policy
- 100% of employees receive and are expected to sign the Employee Handbook
- 100% of employees participate in compliance and ethics training, and cybersecurity training
- 100% of employees and investors have access to grievance channels

Pharmakon will make commercially reasonable efforts to remain reasonably informed on ESG best practices and the development of ESG. Pharmakon will aim to review the ESG policy on an annual basis.

**DIVERSITY AND INCLUSION**

We believe that we will only succeed in our goals if we are able to attract and retain individuals of diverse backgrounds. Our success relies on creating an inclusive environment where all of our employees can do their best work, and where each can play a vital role in achieving our collective goals. Pharmakon is committed to working to continuously develop an organization that is diverse, equitable and inclusive. Our goal is to provide every team member with the ability to achieve success within an equitable work environment and to encourage our teams to leverage diversity to drive innovation and performance. The current makeup of our employee base is representative of our commitment to diversity:

Current employees:	8
Any other ethnic group	37.5%
White	37.5%
Asian or Asian British	25.0%
% Male	75.0%
% Female	25.0%
Average tenure	4 years
12-month turnover	13%

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