



Key elements of Basilea's ESG strategy

“By focusing our business on the research and development of novel anti-infectives we contribute to addressing global health priorities – with expertise, care and persistence.”

Materiality analysis

The materiality analysis helps us to understand, which environmental, social, governance (ESG) and economic topics matter most in the context of Basilea's business model. These material topics form the basis of our ESG strategy. They will be key for the setting of goals and become the core of our future ESG-related reporting. Our goal is to be able to operate successfully in the long term while minimizing negative external effects of our activities and contributing to our mission of being a leading provider of innovative medicines for the benefit of patients.

Concept of "double materiality"

In order to meet the expectations of our stakeholders, the requirements of EU and Swiss regulations, and the GRI standards (2021), we will publish a regularly updated materiality matrix in our annual sustainability report. In accordance with best practice, we look at each material topic from two different perspectives, using the concept of "double materiality":

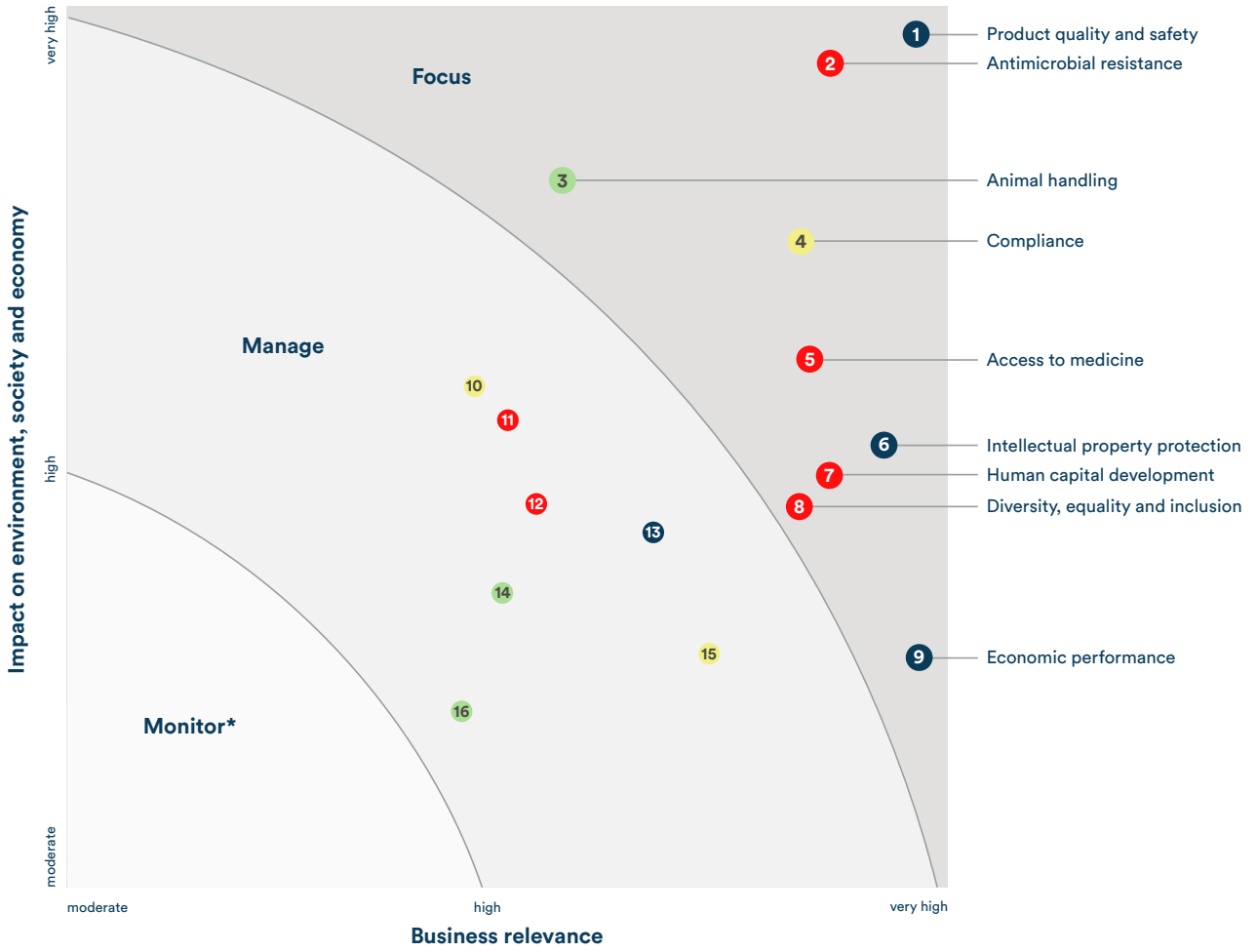
1. The "outside-in" perspective: How relevant is a topic for our long-term (business) success?
2. The "inside-out" perspective: What is the impact of our business activities in this area??

To answer these questions, we engaged a specialized consulting company to support us in the assessment process.

Process

First, we conducted a context analysis to identify the relevant factors influencing the materiality assessment. This included a review of our business model, which helped us to identify the key stakeholders along our value chain. Our next step was to develop a long list of potential materiality topics by reference to reporting standards such as the GRI or SASB, as well as existing ESG ratings and rankings. Based on this long list, we created a shortlist of 22 potentially relevant topics, which were assessed by internal and external stakeholders. This allowed us to consider potential and actual impacts along the value chain from an outside-in and inside-out perspective. As a result, a total of 16 topics were identified as material for Basilea, whereof the 9 most relevant topics are grouped in the "Focus" area. The resulting updated materiality matrix was approved by the board of directors.

Basilea's materiality matrix 2024



- Economic topics
- Environmental topics
- Social topics
- Governance topics

Further relevant topics:

- 10 Governance
- 11 Occupational health and safety
- 12 Recruitment, retention and promotion
- 13 Reliable and responsible supply chain management
- 14 Materials
- 15 Data privacy and security
- 16 Waste and water

* Less material topics in the context of Basilea's business model, hence not visualized here:

- Market regulation/incentives
- Ethical marketing
- Greenhouse gas emissions
- Biodiversity and natural resources
- Human rights
- Public policy

Development of Basilea's ESG strategy

Our first materiality matrix was published in August 2023. In 2024, we further developed our ESG strategy by defining KPIs. The process for identifying the main KPIs included a cross-benchmarking with relevant topics from reporting standards

(GRI standards, SASB standards) and a selection of peer companies. With the help of an external consulting firm, these KPIs were narrowed down and we identified for each focus topic a small number of KPIs based on which we want to measure our progress.

For each focus topic, we have analyzed the status quo for the defined KPI per the end of June 2024 (unless noted otherwise) and outline our approach to managing this going forward.

Approach to managing material topics:

▮ Economic aspects

Focus topic “product quality and safety”



Product quality and safety in biopharmaceutical research and development ensures the efficacy, safety and reliability of drugs. Quality refers to meeting manufacturing standards and product specifications. Safety involves identifying and minimizing risks and adverse effects to patients.

Our approach:

Basilea is committed to maintaining the highest quality standards, ensuring that our products comply with all health and safety regulations. Guided by Basilea's Quality Commitment, we act responsibly with uncompromising integrity, driven by honesty, mutual trust and respect for our patients, customers and each other. As a biopharmaceutical company, we are working in a highly regulated business environment. We not only comply with all applicable regulatory requirements, but our commitment to quality goes beyond compliance: Every employee drives a culture of learning and continuous improvement in all our activities through our culture, values and quality standards. We create value for our internal and external stakeholders through quality products, processes and services to achieve competitive advantages and delivering pioneering healthcare solutions.

Basilea has a Quality Management System (QMS) in place, complying with all applicable legal and regulatory requirements. The requirements for the QMS are defined in Basilea's Quality Manual. At Basilea, leaders at all levels are engaged in achieving our quality objectives: From the board of directors, who defines the key quality policy and its objective, via the CEO, who approves all QMS policies, to the Head of Quality Management, who is a member of the extended management committee and reports to the CEO, and his team, Basilea's Quality Unit. The Quality Unit is responsible for the implementation and maintenance of the QMS, the process performance and product quality system, the corrective action/preventive action (CAPA) system, as well as for deviation, change, knowledge and risk management as well as complaint handling.

KPI	2024 (Baseline)
Incidents of non-compliance concerning the health and safety impacts of products and services	
Number of incidents of non-compliance with regulations resulting in a fine or penalty	0
Number of incidents of non-compliance with regulations resulting in a warning	0

Focus topic “intellectual property protection”



Patent protection, data exclusivity and market exclusivity are key elements to safeguard innovation and recoup the substantial investments taken by pharmaceutical companies for the development of new drugs. Loss of patent protection or market exclusivity typically leads to generics entering the market.

Our approach:

In order to maintain its ability to invest into the development of novel drugs, Basilea needs to maximize the protection periods for its drugs. This is particularly important for new medicines in the area of bacterial and fungal infections, which are often held in reserve to address resistance issues and are priced at lower levels compared to other therapeutic areas. This special market situation for innovative anti-infectives is recognized by governments around the world, including the US and the EU, who provide specific incentives for companies addressing the global issue of antimicrobial resistance by developing new anti-infectives. These incentives include Orphan Drug status, QIDP designations, and exclusivity extensions based on completion of pediatric investigation programs. However, it has to be noted that Basilea only benefits from these designations and extensions if the newly developed medicines achieve the respective regulatory approvals, hence Basilea has to make significant investments into clinical development.

Basilea is managing its intellectual property through the Head of Intellectual Property, within its Legal department. With our focus on priority pathogens in high medical need disease areas, we are balancing the protection against generic competition by developing highly innovative drugs and making them broadly accessible for patients through commercialization partnerships all around the globe. Basilea strives to secure additional protection such as exclusivity extensions in its development programs and in 2024 established a new department, led by the Head of Global Affairs, who is a member of the extended management committee and directly reports to the CEO. The Global Affairs group engages with governments and regulatory bodies to support that relevant incentives for the development of innovative anti-infective medicines are preserved or even extended going forwards.

KPI	Baseline
Duration of (regulatory) exclusivity from launch	
Approved	
Cresemba®	12.5 years (USA) 12 years (EU)
Zevtera®	10 years (USA) 10 years (EU)
In development	
Fosmanogepix	12.5 years (USA)* 12 years (EU)**
BAL2062	12.5 years (USA)* 12 years (EU)**

* Assumes all indications receive QIDP and orphan status and that a pediatric study is completed as required

** Assumes no change to existing regulatory exclusivity regime and that all indications receive orphan status and that a pediatric study is completed as required

Focus topic “economic performance”



Key measures for Basilea’s economic performance are the commercial success of the drugs Cresemba® and Zevtera® and the ability to in-license or acquire additional drug candidates and progressing them through development to the market while managing the cash position and debt level of the company.

Our approach:

Financial strength is key for Basilea as it allows to progress our promising drug candidates and at the same time invest in our pipeline, which is the lifeblood of any biopharmaceutical company and the key for sustainable value creation. The Finance group is led by the CFO, who also, among others, oversees the Business Development and Licensing group, which is responsible for the in-licensing of new assets and closing commercial partnerships for Basilea’s drugs. Basilea Pharmaceutica Ltd, Allschwil, is a public company with its shares being listed at the SIX Swiss Exchange. Its full-year (FY) and half-year (H1) financial statements are prepared in accordance with US GAAP, and are audited and reviewed, respectively, by external auditors.

KPI	FY 2023 (Baseline)
Financial performance	
Royalty income (growth indicator)	CHF 78.9 million
Net financial debt (financial strength indicator)	CHF 46.6 million

Environmental aspects

Focus topic “animal handling”



Animal studies are mandatory in the research and development of pharmaceutical substances. At Basilea, these activities are conducted by directly contracted third-party companies.

Our approach:

Basilea has the goal to limit animal testing to the extent absolutely necessary and is also constantly looking into new technologies to replace tests with animals.

Already today, Basilea is exclusively working with animal testing service providers (Contract Research Organizations, CROs) who comply with internationally accepted animal welfare standards. Going forward, we plan to develop a Basilea Animal Welfare Code (BAWC), incorporating such international standards and engaging the CROs to at least comply with or even exceed the standards of the BAWC. This includes Basilea performing audits at our CROs.

KPI	Baseline
Supplier engagement regarding animal handling	
Percentage of suppliers that have been instructed on Basilea's expectation concerning (responsible) animal handling	Since Basilea is planning to develop the BAWC in 2024/2025, the baseline will be established in 2025
Vendor audits	
Number of vendor audits regarding animal handling	(will be established)

Governance aspects

Focus topic “compliance”



Basilea operates in a highly regulated industry and is subject to various specific laws and regulations. Compliance with laws and regulations is essential to avoid endangering patients and the environment.

Our approach:

Basilea aims to foster a culture of integrity, trust and mutual respect for the benefit of patients, employees, business partners and society. Compliance with laws and regulations is a necessity in our highly regulated industry. It is not just a process that can be done once, but it is an integral part of the way Basilea operates. The topic requires constant vigilance since changing and new regulations must be analyzed and policies and procedures require updating.

Compliance touches on most aspects of our operations, from research (e.g. good laboratory practice, animal handling) to development (good clinical practice), to manufacturing (good manufacturing practice, environmental laws) or to ensure the continuing safety of our commercialized products (pharmacovigilance). Some compliance topics do cover all aspects of our operations, e.g. data privacy. Compliance with specific functional laws and regulations is the responsibility of the respective function heads, which are members of the management committee or the extended management committee and report directly to the CEO. In addition, the General Counsel in his role as Global Compliance Officer has the responsibility to oversee the effectiveness of compliance in the company and to keep the organization informed about changing or new laws and regulations. He also reports regularly to the corporate governance committee of the board of directors. Basilea's compliance management system is based on its Code of Conduct and supplemented by numerous function- or topic-specific guidelines, policies and standard operating procedures, which are integrated into the company's QMS to ensure currentness and documentation of regular training of all employees. In 2024, a Whistleblower Helpline has been integrated into Basilea's existing Human Resources platform to facilitate the anonymous communication between employees and the company.

KPI	2023 (Baseline)
Incidents	
Confirmed incidents of corruption and actions taken	0
Training on compliance-relevant policies	
Percentage of those employees who were required to take training on the Prevention of Insider Trading Policy who completed it by year-end	97.5%
Percentage of those employees who were required to take training on the Global Anti-Corruption Policy who completed it by year-end	93.8%
Percentage of those employees who were required to take training on the Global Data Protection Policy who completed it by year-end	92.6%

Social aspects

Focus topic “access to medicine”



Access to medicine is a global problem, affecting, among others, low- and middle-income countries and vulnerable populations. Challenges include high prices, limited resources, inadequate infrastructure, and healthcare disparities. During emergencies, access becomes even more critical. Collaborative efforts are needed to improve availability, infrastructure, supply chains, and promote equitable access.

Our approach:

Basilea has no commercial organization of its own. Our medicines are commercialized through a number of commercial partners. When choosing partners, we do not limit ourselves to the commercially most attractive markets but aim for broad availability of our drugs in as many countries as possible. We have established license and distribution agreements covering more than 100 countries around the globe. Through these commercial partnerships, we make sure that not only patients in Europe or the US but also, for instance, patients in Latin America, Asia Pacific, China, and the Middle East and North Africa region are getting access to our life-saving medicines. Aiming at supporting the research, development and commercialization of new anti-infectives, so-called Push and Pull Incentives have been established in several countries. This includes non-dilutive funding, for example in the form of partial reimbursements of development expenses by BARDA (part of US Government) or reimbursement of a majority of the research and development expenses by the Combating Antibiotic-Resistant Bacteria Biopharmaceutical Accelerator, CARB-X (a global non-profit partnership), as well as extended market exclusivity rewarding the approval of medicines against high priority pathogens (Qualified Infectious Disease Product, QIDP, designation in the US). Basilea strives to qualify for such benefits in its development programs.

While we are not commercializing our medicines ourselves, we have established an internal “commercial” group for the active management and expansion of our partnerships and alliances to ensure access to patients around the globe. The group is led by the Head of Global Commercial, who is a member of the extended management committee and reports to the CEO. In addition, our Business Development and Licensing group is proactively searching for partnering opportunities with the aim to further expand global access to our medicines. Our Development group strives to

establish expanded access programs for patients for all our development projects.

KPI	2024 (Baseline)
Access to drugs	
Number of countries where Cresemba and/or Zevtera are marketed	73
Number of middle-income countries where Cresemba and/or Zevtera are marketed	24
Number of low-income countries where Cresemba and/or Zevtera are marketed	0
Number of expanded access programs in place for our drugs (number of countries included)	1 (9)
Push/Pull incentives	
Number of programs supported by non-dilutive funding	2
Drugs in development with QIDP designation	2

Focus topic “antimicrobial resistance”



Antimicrobial resistance (AMR) is the ability of microorganisms to no longer respond to drugs like antibiotics, making it harder to treat microbial infections. It poses a global health threat, compromising the effectiveness of current treatments and requiring immediate action in AMR surveillance and prevention, and the development of strategies to incentivize R&D for novel anti-infectives.

Our approach:

Developing novel anti-infectives for patients in need is at the core of Basilea’s corporate strategy. We are committed to discovering, developing and commercializing innovative drugs for the treatment of severe bacterial and fungal infections, which are often caused by pathogens which are resistant against other currently available drugs. Our corporate strategy is set and overseen by our board of directors and implemented by the management committee, supported by the whole organization.

Basilea is focusing on high-priority pathogens, i.e. those that are posing the greatest risk for patients and healthcare systems around the globe. To quantify this approach, Basilea compares the coverage of its marketed products and clinical pipeline drugs against the lists of priority bacterial and fungal pathogens, published by the US Centers for Disease Control (CDC) and the World Health Organization (WHO). The aim is to have at least 50% of the compounds in our publicly disclosed clinical stage pipeline of antifungals or antibacterials address a pathogen listed at WHO as “critical” or “high” priority.

KPI	2024 (Baseline)
Activity against critical pathogens	
Percentage of the compounds in our publicly disclosed clinical stage pipeline of antifungals or antibacterials addressing a pathogen listed at WHO as "critical" or "high" priority ("urgent" or "serious" threat at CDC)*	100%
Participation in AMR-focused organizations	
Board positions in such organizations	2**

* WHO fungal priority pathogens list to guide research, development and public health action, WHO 2022 (<https://www.who.int/publications/i/item/9789240060241>); WHO Bacterial Priority Pathogens List, 2024. Bacterial pathogens of public health importance to guide research, development and strategies to prevent and control antimicrobial resistance, WHO 2024 (<https://www.who.int/publications/i/item/9789240093461>); Antibiotic resistance threats in the United States 2019, US Department of Health and Human Services, Centers for Disease Control and Prevention, Dec 2019 (<https://ndc.services.cdc.gov/wp-content/uploads/Antibiotic-Resistance-Threats-in-the-United-States-2019.pdf>)

** BEAM Alliance (Biotech companies from Europe innovating in anti-microbial resistance research), Swiss RTA (Swiss Roundtable Antibiotics)

Focus topic "human capital development"



Human capital development refers to increasing employees' commitment, motivation, and involvement in their work and organization e.g. through education, training or an improved work culture. It leads to higher productivity, innovation, and employee satisfaction, while reducing turnover.

Our approach:

Basilea values our employees very highly. We strongly believe that every employee can make an impact: it is a key part of what we offer to and what we expect from our employees. Rewarding work is typically challenging, and working at Basilea is no different. Our projects are fast-paced, complex and diverse. To meet those challenges head on, it takes people that strive to perform on the highest level and are able to develop novel, out-of-the-box solutions to any issues met. We strive towards making a difference to patients, and that starts with a commitment to our own people: our employees. Basilea aims to remain an attractive employer with the ability to engage and retain highly skilled and motivated professionals.

Human capital development is an important task of Basilea's Human Resources group, which is led by Head of Global Human Resources, who is a member of the extended management committee and reports directly to the CEO. In addition to competitive remuneration, our employees receive a variety of different benefits ranging from an attractive pension plan to personalized training courses. In addition, Basilea aims to foster the health and well-being of its employees. Since 2023, the company is cooperating with a local gym, offering special rates for Basilea employees, and since 2024 conducts frequent in-office Fit@Work classes. Moreover, Basilea sponsors participation in the annual B2Run company run event, which regularly involves more than one fifth of the company.

Basilea is planning an employee engagement survey to determine the percentage of employees who feel a sense of belonging to the company and would recommend Basilea as a great place to work.

KPI	2024 (Baseline)
Employee engagement score	
Percentage of employees who feel a sense of belonging/percentage of employees that would recommend Basilea as a great place to work	Basilea is developing the employee engagement survey, hence the baseline will be established in 2025.

Focus topic "diversity, equality and inclusion"



Diversity refers to the differences and similarities between people or groups. It can be considered at individual, institutional and structural levels and concerns all people, not just particular groups. The terms 'diversity' and 'inclusion' are inextricably linked and (to put it simply) stand for the widest possible social inclusion and respectful treatment of each other. Equal opportunities include gender equality and equal pay.

Our approach:

Basilea values diversity and offers equal employment opportunities regardless of race, color, religion, gender, sexual orientation or other classification protected by applicable law. Our employees, currently comprising 19 nationalities and 47% women, come from various backgrounds and bring unique experience and knowledge to Basilea. Basilea believes that a prerequisite for securing our long-term success as a company is a diverse workforce and gender equality.

Diversity, equality and inclusion are important topics of Basilea's Human Resources group, which is led by Head of Global Human Resources, who is a member of the extended management committee and reports directly to the CEO. Basilea's commitment to diversity and inclusion is reflected in the Code of Conduct.

Since 2020, Basilea has performed an annual gender pay gap analysis, which showed that the gap between men and women was consistently below the 5% threshold set by the Swiss government. For 2023, the analysis even showed that women at Basilea earned 0.6% more than men, when accounting for differences due to personal qualification and workplace characteristics. Basilea remains committed to reviewing pay practices on a regular basis and to ensuring adequate representation at all levels of the organization – both representing key focus areas for Basilea.

KPI	2023 (Baseline)
Gender pay gap	
Difference in earnings of women compared to men	+0.6%
Historical data: 2020: -3.8%; 2021: -0.4%; 2022: -3.1%	

KPI	2024 (Baseline)
Diversity of governance bodies and employees	
Percentage of individuals within the organization's governance bodies per gender / age group / other indicators of diversity	See table below
Percentage of employees per employee category per gender / age group / other indicators of diversity	See table below

	Female (abs)	Female (%)	Male (abs)	Male (%)	Other (abs)	Other (%)	Not disclosed (abs)	Not disclosed (%)	Total (abs)	Total (%)
Board of directors	2	33%	4	67%	–	–	–	–	6	
under 30	–	0%	–	0%	–	0%	–	0%	–	0%
30–50	–	0%	–	0%	–	0%	–	0%	–	0%
over 50	2	100%	4	100%	–	0%	–	0%	6	100%
Management committee	–	0%	5	50%	–	–	–	–	5	
under 30	–	0%	–	0%	–	0%	–	0%	–	0%
30–50	–	0%	1	20%	–	0%	–	0%	1	20%
over 50	–	0%	4	80%	–	0%	–	0%	4	80%
Extended management committee	1	33%	2	67%	–	–	–	–	3	
under 30	–	0%	–	0%	–	0%	–	0%	–	0%
30–50	–	0%	–	0%	–	0%	–	0%	–	0%
over 50	1	100%	2	100%	–	0%	–	0%	3	100%
Management	17	31%	37	69%	–	–	–	–	54	
under 30	–	0%	–	0%	–	0%	–	0%	–	0%
30–50	8	47%	16	43%	–	0%	–	0%	24	44%
over 50	9	53%	21	57%	–	0%	–	0%	30	56%
Non-management	53	58%	38	42%	–	–	1	100%	92	
under 30	3	6%	2	5%	–	0%	–	0%	5	5%
30–50	36	68%	20	53%	–	0%	1	100%	57	62%
over 50	14	26%	16	42%	–	0%	–	0%	30	33%

Absolute number (abs) given as headcount

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