

**Regulations of the  
Board of Management of  
Pharming Group N.V.**

## INTRODUCTION

The Board of Management of Pharming Group N.V. deems it useful that its tasks and responsibilities be further regulated by Regulations.

These Regulations supplement that which is provided for in the law and the Company's Articles of Association concerning the duties, composition, procedures and decision-making of the Board of Management Directors and its relation with the Board of Supervisory Directors.

These Regulations were approved by the Board of Supervisory Directors meeting of October 14, 2004 and adopted in the Board of Management meeting of April 22, 2005 by an unanimous vote of all members of the Board of Management.

Capitalised terms used herein have the meaning set forth in the List of Definitions attached as Annex 1.

## CHAPTER I. DUTIES AND RESPONSIBILITIES BOARD OF MANAGEMENT

### Article 1. Duties and Responsibilities

- 1.1 The role of the BOM is to manage the Company, which means, among other things, that it is responsible for achieving the Company's aims, strategy and policy, and results. The BOM shall perform its activities under the supervision of the BOSD. The BOM is accountable for this to the BOSD and to the General Meeting of Shareholders.
- 1.2 In discharging its role, the BOM shall be guided by the interests of the Company and its affiliated enterprises, taking into consideration the interests of the Company's stakeholders.
- 1.3 The BOM and the BOSD are responsible for the corporate governance structure of the Company and compliance with the Corporate Governance Code as well as compliance with other (foreign) applicable laws and regulations.
- 1.4 The BOM shall provide the BOSD in good time with all information necessary for the exercise of the duties of the BOSD.
- 1.5 The BOM is responsible for complying with all relevant legislation and regulations, for managing the risks associated with the Company's activities and for financing the Company.
- 1.6 The BOM shall report related developments to and shall discuss the internal risk management and control systems with the BOSD and its Audit Committee.
- 1.6 The BOM shall ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature in the Company to the Chairperson of the BOM or to an official designated by him, without jeopardising their legal position. Alleged irregularities concerning the functioning of members of the BOM shall be reported to the Chairperson of the BOSD. The arrangements for whistleblowers shall in any event be posted on the Company's website.

- 1.7 All transactions between the Company and legal persons or individuals who hold at least 10% of the shares in the Company shall be agreed on terms that are customary in the sector concerned. Decisions to enter into transactions in which there are conflicts of interest with such persons that are of material significance to the Company and/or to such persons require the approval of the BOSD and shall be published in the Annual Report, together with a declaration that this Article 1.7 has been observed.

#### **Article 2. Corporate Strategy and Risks**

- 2.1 The BOM shall be responsible for ensuring that the Company has internal risk management and control systems that are suitable for the Company. The BOM shall in any event employ as instruments of the internal risk management and control systems:
- (a) risk analyses of the operational and financial objectives of the Company;
  - (b) guides for the layout of the financial reports and the procedures to be followed in drawing up the reports; and
  - (c) a system of monitoring and reporting.

### **CHAPTER II. COMPOSITION. CEO AND CFO**

#### **Article 3. Composition and Division of Tasks**

- 3.1 The members of the BOM are appointed by the General Meeting of Shareholders in accordance with the relevant provisions of Dutch law and the Articles of Association.
- 3.2 Members of the BOM shall be appointed for a maximum period of four years. A member of the BOM may be reappointed for a term of not more than four years.
- 3.3 The BOM consists of one or more members, as determined in accordance with the Articles of Association.
- 3.4 The BOM may determine the duties with which each member of the BOM will be charged in particular. The allocation of duties shall require the approval of the BOSD. The current division of duties between the members of the BOM is set out in Annex 2.

#### **Article 4. CEO. CFO**

- 4.1 In the event that more than one member of the BOM is in office the General Meeting of Shareholders may attribute the title of "CEO" to one of them.
- 4.2 The BOM shall appoint one of its members as "CFO", subject to the prior approval of the BOSD.
- 4.3 It shall primarily be the responsibility of the CEO to see to it that the BOM acts as a coherent team. In all cases the CEO shall strive for unanimity being achieved within the BOM with regard to the resolutions to be passed.
- 4.4 Each member of the BOM who is entrusted with a specific duty shall be empowered to make decisions in that respect, such within limits to be determined by the BOM.

- 4.5 The CEO shall primarily be responsible for:
- all resolutions (to be) adopted are in line with the Budget and Business Plan;
  - effectuation of resolutions adopted, or the supervision thereof, and, if necessary, further consultation about aspects of such effectuation;
  - ad hoc consultation with the separate members of the BOM in connection with the specific duties and responsibilities assigned to them.

### **CHAPTER III. FINANCIAL REPORTING. ANNUAL ACCOUNTS. EXTERNAL AUDITOR**

#### **Article 5. Financial Reporting.**

- 5.1 The BOM is responsible for the quality and completeness of publicly disclosed financial reports. The BOSD shall see to it that the BOM fulfils this responsibility.
- 5.2 The preparation and publication of the Annual Report, the Annual Accounts, the quarterly and/or half-yearly figures and ad hoc financial information require careful internal procedures. The BOSD shall supervise compliance with these procedures.
- 5.3 The Audit Committee shall determine how the External Auditor should be involved in the content and publication of financial reports other than the Annual Accounts.
- 5.4 The BOM is responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the BOM, so that the timeliness, completeness and correctness of the external financial reporting are assured. For this purpose, the BOM ensures that the financial information from business divisions and/or Subsidiaries is reported directly to it and that the integrity of the information is not compromised. The BOSD shall see to it that the internal procedures are established and maintained.
- 5.5 The BOM shall ensure that the items required by the Corporate Governance Code shall be included in the Annual Report.

#### **Article 6. External Auditor**

- 6.1 The BOM shall report its dealings with the External Auditor to the BOSD through the Audit Committee on an annual basis, including the External Auditor's independence in particular (for example, the desirability of rotating the responsible partners of the External Auditor in both auditing and non-audit work to the Company). The BOSD shall take this into account when deciding its nomination for the appointment of an External Auditor, which nomination shall be submitted to the General Meeting of Shareholders.

## **CHAPTER IV. RELATIONSHIPS AND COMMUNICATION**

### **Article 7. Relationship with the BOSD**

7.1 The BOM shall supply the BOSD in due time with the information required for the performance of its duties.

### **Article 8. Relationship with the Shareholders**

8.1 The BOM shall provide the General Meeting of Shareholders with all information that it requires for the exercise of its powers.

8.2 The BOM shall provide the General Meeting of Shareholders with all relevant information, unless this would be contrary to an overriding interest of the Company. If the BOM and the BOSD invoke an overriding interest, it must state its reasons.

8.3 If a right of approval is granted to the General Meeting of Shareholders by law or under the Articles of Association (e.g. in the case of option schemes, far-reaching decisions as referred to in draft article 2:107a Civil Code), or the BOM requests a delegation of powers (e.g. issue of shares or authorisation for the repurchase of shares), the BOM shall inform the General Meeting of Shareholders by means of a 'shareholders circular' of all facts and circumstances relevant to the approval, delegation or authorisation to be granted. The shareholders circular shall, in any event, be posted on the Company's website.

8.4 The BOM shall procure that each substantial change in the corporate governance structure of the Company and in the compliance of the Company with the Corporate Governance Code is submitted to the General Meeting of Shareholders for discussion under a separate agenda item.

8.5 The policy of the Company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend) shall be dealt with and explained as a separate agenda item at the General Meeting of Shareholders.

8.6 A resolution to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders.

8.7 The Company shall determine a registration date for the exercise of the voting rights and the rights relating to meetings.

8.8 If a serious private bid is made for a business unit or a participating interest and the value of the bid exceeds one-third of the amount of the assets according to the Company's last adopted consolidated balance sheet with explanatory notes, and such bid is made public, the BOM shall, at its earliest convenience, make public its position on the bid and the reasons for this position.

### **Article 9. Relationship with Analysts, Press and Investors**

9.1 The BOM shall provide all Shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price. The contacts between the BOM on the one hand and press and analysts on the other shall be carefully handled and structured, and the Company shall not engage in any acts that compromise the independence of analysts in relation to the Company and vice versa.

- 9.2 Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the Company's website and by means of press releases. After the meetings, the presentations shall be posted on the Company's website. General updates and presentations not containing material new information will not be announced.
- 9.3 Analysts' reports and valuations shall not be assessed, commented upon or corrected other than factually, by the Company in advance.
- 9.4 The Company shall not pay any fee(s) to parties for the carrying out of research for analysts' reports or for the production or publication of analysts' reports on the Company, with the exception of credit rating agencies.
- 9.5 Analysts meetings, presentations to institutional or other investors and direct discussions with investors shall not take place shortly before the publication of the regular financial information (quarterly, half-yearly or annual reports).

## **CHAPTER V. MEETINGS OF THE BOARD OF MANAGEMENT**

### **Article 10. Meetings of the Board of Management**

- 10.1 The BOM shall hold at least one meeting per month and whenever one or more of its members have requested a meeting. The meetings shall generally be held at the office of the Company, but may also take place elsewhere.
- 10.2 The meetings of the BOM shall be presided over by the CEO. The CEO shall determine the agenda of the meetings and prepare these meetings. This shall include providing adequate and timely information in connection with the resolutions to be passed to all members of the BOM.
- 10.3 Meetings of the BOM may be held by means of an assembly of its members in person at a formal meeting or by conference call, video conference or by any other means of communication, provided that all members of the BOM participating in such meeting are able to communicate with each other simultaneously. Participation in a meeting held in any of the above ways shall constitute presence at such meeting.
- 10.4 Resolutions of the BOM may also be adopted outside a formal meeting, in writing or otherwise, provided that the proposal concerned is submitted to all members of the BOM then in office and none of them objects to the proposed manner of adopting resolutions. A report with respect to a resolution adopted other than in writing shall be prepared by a member of the BOM. The report shall be signed by such member of the BOM and presented to the BOM for its information in the next meeting of the BOM . Adoption of resolutions in writing shall be effected by written statements from all members of the BOM then in office.
- 10.5 At the request of a member of the BOM and with the agreement of the majority of other members of the BOM, urgent matters may be discussed immediately or in an additional meeting.

- 10.6 The members of the BOM must attend the meetings of the BOM. Where they are unable to attend and the minutes require explanation, the CEO, as chairperson of the meeting, shall inform them about the resolutions passed and the discussions held in the meeting in question.

## **CHAPTER IV. OTHER PROVISIONS**

### **Article 11. Remuneration of Members of the Board of Management**

- 11.1 The remuneration and contractual terms and conditions of employment of the members of the BOM shall be determined by the BOSD in accordance with Article 11 of the Regulations of the BOSD, within the scope of the remuneration policy adopted by the General Meeting of Shareholders.
- 11.2 Options to acquire shares in the Company by BOM members are a conditional remuneration component, and become unconditional only when the members of the BOM have fulfilled predetermined performance criteria.
- 11.3 Shares in the Company granted to members of the BOM without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. The number of shares in the Company to be granted shall be dependent on the achievement of clearly quantifiable and challenging targets specified beforehand.
- 11.4 The option exercise price shall not be fixed at a level lower than a verifiable price or a verifiable price average in accordance with the official listing on one or more predetermined days during a period of not more than five trading days prior to and including the day on which BOSD agrees to the option proposal to the General Meeting of Shareholders.
- 11.5 Neither the exercise price nor the other conditions regarding the granted options shall be modified during the term of the options, except in so far as prompted by structural changes relating to the shares in the Company or the Company in accordance with established market practice.
- 11.6 The Company shall not grant its members of the BOM any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the BOSD. No remission of loans shall be granted.
- 11.7 The most important elements of the contract of a member of the BOM shall be made public immediately after it is concluded. These elements shall in any event include the amount of the fixed salary, the structure and amount of the variable remuneration component, any redundancy scheme, pension arrangements and performance criteria.

## **Article 12. Conflicts of Interests of members of the Board of Management**

12.1 A member of the BOM shall:

- (a) not enter into competition with the Company;
- (b) not demand or accept (substantial) gifts from the Company for himself or for his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree;
- (c) not provide unjustified advantages to third parties to the detriment of the Company;
- (d) not take advantage of business opportunities to which the Company is entitled for himself or for his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.

12.2 A member of the BOM shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the Company and/or to him, to the Chairperson and to the other members of the BOM and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage upon the second degree. The BOSD shall decide without the member of the BOM concerned being present, whether there is a conflict of interest.

12.3 A conflict of interest exists, in any event, if the Company intends to enter into a transaction with a legal entity (i) in which a member of the BOM personally has a material financial interest; (ii) which has a management board member which has a relationship under family law with a member of the BOM; or (iii) in which a member of the BOM has a management or supervisory position.

12.4 A member of the BOM shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company.

12.5 All transactions in which there are conflicts of interest with members of the BOM shall be agreed on terms that are customary for arm's-length transactions in the branch of business in which the Company and its Subsidiaries operate. Decisions to enter into transactions in which there are conflicts of interest with members of the BOM that are of material significance to the Company and/or the relevant members of the BOM require the approval of the BOSD. Such transactions shall be published in the Annual Report, together with a statement of the conflict of interest and a declaration that the provisions of Articles 12.2 up to and including 12.5 of these Regulations have been complied with.

## **Article 13. Outside Positions**

13.1 The acceptance by a member of the BOM of membership of the supervisory board of a listed company requires the approval of the BOSD. Other important positions held by a member of the BOM shall be notified to the BOSD.

## **Article 14. Non-Compliance, Amendment**

14.1 The BOM may occasionally decide at its sole discretion not to comply with and adhere to these rules pursuant to a resolution of the BOM to that effect. Such resolutions shall reported to the BOSD and be explained in the Annual Report.

14.2 These Regulations may only be amended after approval of the BOSD.

## ANNEX 1 LIST OF DEFINITIONS

1. In the Regulations of the BOM, the following terms have the following meanings:
  - “Annual Accounts”**  
means the annual accounts of the Company as referred to in Section 2:101 of the Civil Code;
  - “Annual Report”**  
means the annual report of the Company, drawn up by the BOM, as referred to in Section 2:101 of the Civil Code;
  - “Annual BOSD Report”**  
means the annual report of the BOSD which is added to the Annual Report;
  - “Articles of Association”**  
means the articles of association of the Company;
  - “Audit Committee”**  
means the committee of the BOSD referred to as such in Article 7 of the Regulations of the BOSD;
  - “Board of Management”, “BOM”**  
means the Board of Management of the Company;
  - “BOSD”**  
means the board of supervisory directors of the Company;
  - “Budget and Business Plan”**  
budget and business plan of the Company, as adopted by the BOM;
  - “CEO”**  
means the chief executive officer of the Company;
  - “CFO”**  
means the chief financial officer of the Company;
  - “Chairperson”**  
means the chairperson of the BOSD;
  - “Civil Code”**  
means the Dutch Civil Code;
  - “Corporate Governance Code”**  
means the Dutch corporate governance code, established on 9 December 2003;
  - “Company”**  
means Pharming Group N.V.;
  - “External Auditor”**  
means the auditor of the Company as referred to in Section 2:393 of the Civil Code;
  - “General Meeting of Shareholders”**  
means the general meeting of shareholders of the Company;
  - “Regulations”**  
means the regulations of the BOM, or the Regulations of the BOSD, as appears from the context;

**“Subsidiary”**

means a subsidiary of the Company within the meaning of Section 2:24a of the Dutch Civil Code;

**“Strategic Plan”**

means the strategic policy and business plan of the Company;

**“written” or “in writing”**

means by letter, by telecopier, by e-mail, or by message which is transmitted via any other current means of communication and which can be received in written form.

## ANNEX 2 - Current division of duties between members of BOM

<b>Name</b>	<b>Date first appointment</b>	<b>Term expires</b>	<b>Duties</b>
Dr. S. de Vries	13 October 2008	AGM 2017	<ul style="list-style-type: none"><li>▪ Finance</li><li>▪ Investor Relations</li><li>▪ Business Development</li><li>▪ Human Resources</li></ul>
Dr. B.M. Giannetti	1 December 2006	AGM 2015	<ul style="list-style-type: none"><li>▪ Research</li><li>▪ Development</li><li>▪ Regulatory</li><li>▪ Manufacturing</li></ul>