

Corporate Governance Statement 2020

Group legal structure

Pharming Group N.V. (hereinafter: “the Company” or “Pharming”) is a limited liability and public company organized and existing under the laws of the Netherlands, with its headquarters and registered office at Darwinweg 24, 2333 CR Leiden, the Netherlands.

The Company is the ultimate parent company and owns 100% of all shares in the capital of the affiliated companies listed in Note 2.2 of the Financial Statements.

As a Dutch listed company, Pharming is obliged to clarify in its annual report the extent to which it complies with the regulations and the best practices provision of the Dutch Corporate Governance Code, applicable as of December 8, 2016 (the “Code”// www.mccg.nl) insofar as they affect the Board of Management and the Board of Supervisory Directors and, if they do not apply, to explain the reasons why that is the case. The Code provides that if a company’s General Meeting of Shareholders explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the best practice provisions, such company will be deemed to have applied the Code.

Pharming acknowledges the importance of good corporate governance. Pharming fully supports the principles of the Code and applies the relevant best practice provisions of the Code, subject to the exceptions set out on pages 4 and 5 of this Statement.

Articles of Association and amendment

The Articles of Association of the Company are posted on the Company’s website. The Articles of Association of the Company were most recently amended on August 7, 2019. A resolution of the General Meeting of Shareholders to amend the Articles of Association may only be adopted upon a proposal of the Board of Management, which has been approved by the Board of Supervisory Directors.

Authorized capital, shares, warrants and options

As of March 25, 2020, the Company’s authorized capital amounts to eight million Euros (€8,000,000). The authorized capital is divided into eight hundred million (800,000,000) ordinary shares with a nominal value of one Eurocent (€0.01) each. On 29 March 2020, the issued share capital of the Company amounted to €6,349,948 consisting of 634,994,764 shares of one Eurocent (€0.01) each. Currently the number of registered shares amount to less than 2% of all issued ordinary shares. There are no cumulative preference shares or depositary receipts of shares issued by the Company or issued with its knowledge by any of its shareholders. The Company has not vested or agreed to any pledges, usufruct, liens or other special voting rights with respect to any of the shares.

Further information with respect to the shares, option plans for the Board of Management, the Board of Supervisory Directors and for employees, options to and warrants on shares is provided in Notes 23 to 25 to the Financial Statements in the Annual Report 2019 dated 29 March 2020.

An application and resolution to increase the authorised share capital of the Company by 10% to eight million eight hundred thousand Euros (€8,800,000 or 880,000,000 shares) will be submitted for approval to the Annual General Meeting of May 20, 2020.

Issuance of shares or granting of warrants and options

The Board of Management has the authority to issue shares or grant rights to subscribe for shares (for example warrants and options) if and insofar as the Board of Management has been designated by the General Meeting of Shareholders as the authorized corporate body for this purpose and subject to the approval of the Board of Supervisory Directors, all in accordance with the Articles of Association and Dutch company law. Following resolutions of the Annual General Meeting of Shareholders (“Annual General Meeting”) of May 22, 2019, the Board of Management has been granted authority to issue such shares as approved for issuance under the Company’s share based incentive plans and, in addition, shares limited to 10% of the issued share capital at the moment of the resolution of the Board of Management to issue shares and/or grant rights to acquire shares. This authorization on the Board of Management applies for the period until 22 July 2020.

A revised authorization will be submitted for approval to the Annual General Meeting of May 20, 2020 to designate the Board of Management as the Company body authorized to:

- (i) issue shares;
- (ii) grant rights to acquire shares; and
- (iii) limit or exclude pre-emptive rights,

subject to the approval of the Board of Supervisory Directors and in each case and in the aggregate limited to (i) those numbers of shares as approved under the Company’s share based incentive plans and (ii) in addition, shares limited to 10% of the issued share capital, each time within the limitation of the authorized share capital as per the moment of the resolution of the Board of Management to issue shares and/or grant rights to acquire shares. The aforesaid authority will be proposed to become effective as of the date of the Annual General Meeting for a period ending on 20 July 2021.

Pre-emptive rights

Under the Articles of Association, each holder of shares generally has a pre-emptive right to subscribe to its *pro rata* portion of any issue of shares or grant of options to subscribe for shares, except for certain issuances to employees and issuances for non-cash consideration. The Board of Management has the authority to restrict or exclude the rights of pre-emption for a period not exceeding five years, if and insofar as the Board of Management has been designated by the General Meeting of Shareholders as the authorized corporate body for this purpose and subject to the approval of the Board of Supervisory Directors. As per resolution of the Annual General Meeting of May 22, 2019, the Board of Management has been granted such authorization for a period ending on July 22, 2020. A renewal of this authorization for a period ending on July 20, 2021 will be submitted for approval to the Annual General Meeting of May 20, 2020.

Insider trading of shares

As at 5 March 2018, the Board of Management adopted insider trading regulations which were last amended by Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the Market Abuse Regulation, or MAR). It is the Company’s policy that all employees and consultants must adhere to these regulations. The enforcement and compliance of such regulations is monitored electronically and is under the shared responsibility of the Board of Management and executed by the Company’s Compliance Officer and the Company Secretary. These policies were updated to reflect changes in the Market Abuse Regulations and adopted by the Board of Management in the first half of 2018.

Change of control

On 14 January 2020, the Company has entered into a Subscription agreement under which the Company issued €125 million of convertible bonds due 2025 (the “Bonds”) to investors in the EU.

Under this agreement the conditions of the Bonds specify that in the event of a change of control of the Company, the conversion price of the Bonds at which they may be converted into Pharming shares may change, depending on the time elapsed between initiation of the Bonds and the date of the change of control relative to the normal repayment date of the Bonds in 2025. Such a provision is standard for bond instruments of this kind.

This Subscription agreement is the only agreement currently in place that includes arrangements that will come into effect as consequence of a change of control of the Company.

For the sake of completeness it is noted that the Loan agreement with Orbimed Advisors, which was in place throughout 2019 and provided an option for Orbimed to require repayment of the outstanding amount of the loan and any accrued interest in the event of a change of control, was terminated on 23 January 2020 following full repayment by the Company of all outstanding amounts and was not replaced.

Board of Management and Board of Supervisory Directors

The management of the Company is entrusted to the Board of Management, under the governance supervision of the Board of Supervisory Directors. The Board of Management, as well as any two members of the Board of Management jointly, are authorized to bind the Company towards third parties.

During the year 2019, the composition of the Board of Management was as follows:

- S. de Vries, Chief Executive Officer, appointed as of October 13, 2008 (appointed up to and including the Annual General Meeting in 2021);
- B.M.L. Giannetti, Chief Operations Officer, appointed as of December 1, 2006 (appointed up to and including the Annual General Meeting in 2021);
- R. Wright, Chief Financial Officer, appointed as of October 28, 2015 (appointed up to and including the Annual General Meeting in 2020). Mr Wright has indicated he will not stand for reappointment by the Annual General Meeting in May 2020.

During the year 2019, the composition of the Board of Supervisory Directors was as follows:

- P. Sekhri, Member, date of initial appointment: April 30, 2015, and Chairman as of 25 May 2016 (appointed up to and including the Annual General Meeting in 2023);
- J.H.L. Ernst, Vice Chairman, date of initial appointment: April 15, 2009 (appointed up to and including the Annual General Meeting in 2021);
- J.B. Ward, Member, date of initial appointment: May 23, 2007 (appointed up to and including the Annual General Meeting in 2021);
- A. de Winter, Member, date of initial appointment: April 15, 2009 (appointed up to and including the Annual General Meeting in 2021);
- J. Egberts, Member, date of initial appointment: April 30, 2015 (appointed up to and including the Annual General Meeting in 2019, resigned prior to the Annual General Meeting in 2019)
- D.A. Jorn, Member, date of initial appointment: May 22, 2019 (appointed up to and including the Annual General Meeting in 2023).

Board of Management

All members of the Board of Management are statutory directors of the Company, appointed by the

General Meeting of Shareholders. Remuneration and other employment conditions of the members of the Board of Management are proposed by the Remuneration Committee and approved by the Board of Supervisory Directors. The remuneration of members of the Board of Management is in accordance with the current remuneration policy set by the Board of Supervisory Directors and approved by the General Meeting of Shareholders. The Company believes that its future success will depend in large part on the continued services of its members of the Board of Management and key employees. The Company believes it is essential that it can offer internationally competitive remuneration packages to qualified members of the Board of Management. In line with the recommendations of the Remuneration Committee and in line with industry practice, the options granted to members of the Board of Management to acquire shares in the capital of the Company will be a conditional remuneration component which becomes unconditional when a member of the Board of Management is still in the service of the Company at the start of the following year. However, in line with the Dutch Corporate Governance Code, the current members of the Board of Management are not allowed to exercise any of the options, as granted under the share option plan that is proposed for approval to the Annual General Meeting on 20 May 2020, within 36 months of the date of the grant. In addition, as is normal in such option schemes in the Netherlands, in the event of a change of control of the Company becoming irrevocable, all granted but unvested options will vest immediately. In case of such an event resulting in a change of control or in case of the announcement of a (contemplated) public offer for all shares in the Company, the Board of Supervisory Directors can decide that the Company shall settle the options for the Board of Management in cash upon launch of such offer. The remuneration policy for members of the Board of Management has been updated to meet the requirements of the revised European Union Shareholder Rights Directive (SRD II) as transposed into Dutch law and will be submitted for adoption to the Annual General Meeting on 20 May 2020.

Throughout 2019 Mr. De Vries was the Chairman of the Board of Management and had primary responsibility for the overall short term and long-term strategy, commercialization and external affairs, as well as a supervisory role over all other departments. Mr. Giannetti was responsible for manufacturing and manufacturing development activities until 1 May 2019 and for research, pre-clinical and clinical development, drug safety, medical information and regulatory affairs during the entire year. Mr. Wright was responsible for finance and administration, legal affairs, communications and investor relations. Mr. Wright and Mr. De Vries jointly oversaw business development. Mr. Wright has indicated that he will step down from the Board of Management and not seek re-appointment at the Annual General Meeting on 20 May 2020.

Board of Supervisory Directors

The members of the Board of Supervisory Directors are nominated by the Board of Supervisory Directors and appointed by the General Meeting of Shareholders. In accordance with the requirements of the revised European Union Shareholder Rights Directive (SRD II) as transposed into Dutch law, the remuneration policy for the members of the Board of Supervisory Directors will be submitted for adoption to the Annual General Meeting on 20 May 2020.

In 2019 the Board of Supervisory Directors consisted of Mr. Sekhri (Chairman as of May 25, 2016), Mr. Ward, Mr. Ernst (Vice Chairman), Mr. De Winter, Mr. Egberts and Ms Jorn (appointed as of May 22, 2019). Mr Egberts stepped down prior to the Annual General Meeting on May 22, 2019.

In 2005, the Board of Supervisory Directors approved, and the Board of Management subsequently adopted, the Board of Management Regulations, which provide for certain duties, composition, procedures and decision making of the Board of Management and which are posted on the Company's website, and amended from time to time. The Board of Supervisory Directors Regulations, adopted at the same time, as amended from time to time, are posted on the Company's website as well.

Certain important types of decisions proposed by the Board of Management, which are listed in the Articles of Association, require the prior approval of the Board of Supervisory Directors. The Board of Management has delegated certain of its powers to designated senior head of functions within the

Company, as described in the Company's internal Chart of Authority in force and last amended as of October 2019.

Representation of 30% women in the Board of Supervisory Directors and Board of Management

The statutory recommended minimum percentage of 30% representation of women in the Board of Supervisory Directors and the Board of Management has not been met. As of January 1, 2020, one woman sits on the Board of Supervisory Directors (20%) and none on the Board of Management. However, the Company continues to strive for a higher diversity within its Board of Supervisory Directors and Board of Management. The representation of women on the Management Team as a whole (which comprises the Board of Management and the Head of Operations, Head of Organisational Development and the General Manager of Pharming America) is 2 out of 6, or 33.3%.

Diversity Policy

Building on our core values, we aspire to sustain a diverse and inclusive culture where all Pharming stakeholders feel respected and valued, from our employees and shareholders to our customers and partners. We are committed to attracting, developing and retaining a diverse and talented workforce. Their variety of perspectives helps us to create strong connections wherever and however we do business. We foster diversity and inclusion through a wide range of programs and activities. These include company-wide talent plans to ensure our people are progressing irrespective of gender, ethnicity, disability or other differences. We also have employee and leadership awareness and development programs as well as mentoring initiatives, flexible working, and a network of resource groups. We continually look for new ways to improve our inclusive culture.

Related party transactions and conflict of interest

In 2019, no material transactions have taken place between members of the Board of Management, members of the Board of Supervisory Directors and the Company. The Company has no shareholders holding over 10% of the equity interest or voting power of the Company.

Mr. De Vries and Mr. Giannetti are under an employment contract by the Company. Mr. Wright is employed pursuant to a management agreement with the Company. As part of the terms of their contracts, each member of the Board of Management has undertaken not to compete with Company's activities. No conflicts of interest were reported between members of the Board of Management and the Company or its subsidiaries.

All members of the Board of Supervisory Directors are independent of the Company within the meaning of best practice provision in sections 2.1.7 – 2.1.9 of the Code. None of the members of the Board of Supervisory Directors is a member of the Board of Management of a listed company in the Netherlands. None are (or were in the past) employed by the Company and/or directly or indirectly represent a shareholder of the Company, or a supplier or customer of the Company. None of the members of the Board of Supervisory Directors provides any services to the Company outside their Board memberships or has any direct or indirect ties with the Company or any of its subsidiaries outside their Board of Supervisory Directors membership. The Board of Supervisory Directors' regulations contain provisions with regards to potential conflicts of interest.

Mandates with third parties

No member of the Board of Management is a member or chairman of the Board of Supervisory Directors of another listed company in the Netherlands. Acceptance of more than two mandates as a Board of Supervisory Directors member or of a mandate as chairman of the Board of Supervisory Directors of a listed company requires the prior approval of the Board of Supervisory Directors. Other appointments of material importance need to be notified to the Board of Supervisory Directors.

Loans or guarantees

As a matter of policy and as reflected in the Board of Management and Board of Supervisory Directors regulations posted on the Company's website, the Company does not extend any loans to, or provide any guarantees in favour of, any members of the Board of Management or any members of the Board of Supervisory Directors.

Risk management and control

Pharming has internal risk management and control systems in place that provide a reasonable assurance that the financial reporting does not contain any errors of material importance. The key characteristics of Pharming's internal risk management and control systems are further described in the chapter: "Statement of the Board of Management" in the Annual Report 2019. The complete internal risk management and control systems of the Company are regularly discussed by the Board of Management with the Board of Supervisory Directors and its Audit Committee and, in addition, procedures and controls are reviewed and areas requiring improvement are identified in audits from external parties. The Company also has a whistle-blowers procedure, which is published on the Company's website.

A Code of Conduct has been updated in the first half of 2019 and has been posted on the Company's website. The Code of Conduct is effective in governing management of the affairs of the Company. As at the date of this Statement, there are no matters in which the Company has deviated from its Code of Conduct, and the Company remains in complete compliance with this Code. The Company's risk assessment plan has been updated and approved by the Board of Supervisory Directors during a session which took place on 19 December 2019.

The Company has a Compliance Officer and Company Secretary. The key risk factors applicable to the Company were addressed at several of the Board of Supervisory Directors meetings and most of the Board of Management meetings in 2019. The Board of Management and the Board of Supervisory Directors have committed themselves to update and improve the internal management and control systems on a regular basis. Further information concerning risk factors is provided in the section "Management report" under "Corporate Governance and Risk Management" in the Annual Report 2019.

Appointment of the external auditor

At the Annual General Meeting held on 22 May 2019, Deloitte Accountants B.V. was appointed as the Company's external auditor for the financial year 2019. It is the intention to nominate and propose to the Annual General Meeting to be held on 20 May 2020, the re-appointment of Deloitte Accountants B.V. as the Company's external auditor for the financial year 2020.

Responsibility statement

The Company's Responsibility Statement is made by means of the Statement of the Board of Management on page 40 of the Annual Report 2019.

Deviations from the Corporate Governance Code

The practices where the Company deviates from the Code are the following:

1. Regulations governing ownership of and transactions in securities, other than issued by the Company, by the Management Board or the Board of Supervisory Directors Members (section 2.7.2 of the Code)

The Company believes that the members of the Board of Management and Board of Supervisory Directors should not be further limited by regulations in addition to commitments which are already applicable pursuant to Dutch law and regulations.

2. Shares for the Supervisory Board of Directors (section 3.3.2 of the Code)

To continue to be able to attract and retain top talent in a competitive and global environment and to focus the Supervisory Board of Directors on creation of sustainable added value, the Company believes it is in line with international standards to offer its Board of Supervisory Directors a chance to participate in the Company's long term success. Until 2019, this was done through participation in the long-term incentive plan (LTIP). The LTIP is further described in the Annual Report 2019. Going forward, however, it is proposed that members of the Board of Supervisory Directors should participate by means of restricted shares instead, and a proposal to that effect will be made to the shareholders at the Annual General Meeting on 20 May 2020.

3. Follow all the meetings in real time (section 4.2.3 of the Code)

Considering the Company's size, it would create an excessive burden to provide facilities that enable shareholders to follow in real time all the meetings with analysts, presentations to analysts, presentations to investors referred to in the best practice provision. However, the Company ensures that presentations are posted on the website immediately after the meetings in question and is exploring ways to make some meetings (such as the Annual General Meeting) accessible in real time at least in Audio format. The Company also holds both pre-recorded and live webinars at which key events such as quarterly financial statements or large corporate actions can be discussed. Meetings discussing financial results and other significant news will be announced and conducted in accordance with this provision.

4. Independent third party to hold proxies (section 4.3.2 of the Code)

Given its size, the Company does not believe it is appropriate at this time to appoint an independent third party to hold proxies. The Company does make provision for shareholders to appoint their own independent third party proxies.

5. Outline policy on bilateral contacts with the shareholders (section 4.2.2 of the Code)

The Company values interactions with its shareholders and is prudent in maintaining bilateral contacts.

6. Internal Auditor (sections 1.3 - 1.7 of the Code)

Due to the size of the Company, Pharming has not created a specific position for an internal auditor, but it has provided for the assessment and testing of the risk management and control systems to be supported by the Finance Manager. As a result of the Company operating in the highly regulated field of development and worldwide commercialisation of human medicines, the Company has a fully-staffed Quality Assurance department which is responsible, inter alia, for maintaining an extensive system of Standard Operating Procedures throughout the Company and for the execution of audits on all (major) suppliers, subcontractors, licensees and internal departments of the Company including the Finance department, although this is not the same as an internal auditor. The Audit Committee has reviewed the need for an internal auditor on 25 March 2020. Based on this review, the Supervisory Board has recommended to the Management Board that due to the size of the company, no internal auditor is

needed at this point in time. The Audit Committee reconsiders this position at least annually. The growth of the Company at present may cause a different determination at some point in the foreseeable future. This recommendation is included in the Report of the Supervisory Board in the Annual Report 2019.