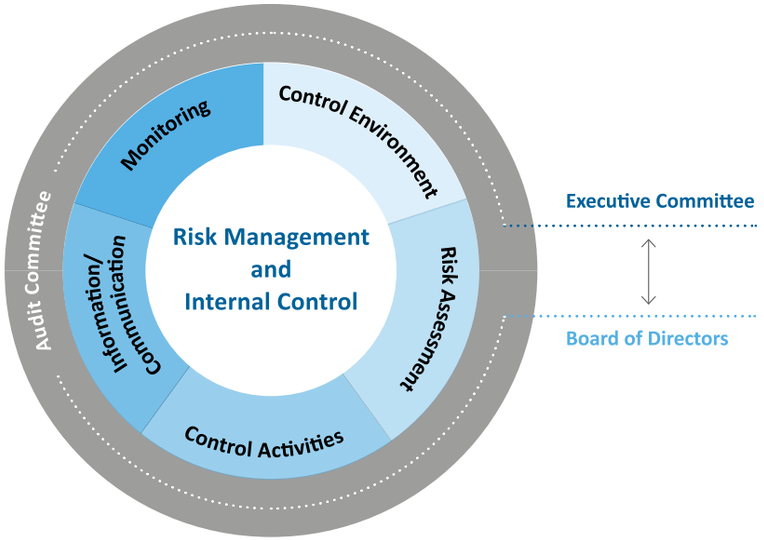
Risk Management

Risk management and internal control

Risk management is integral to Pharming's strategy and to the achievement of Pharming's long-term goals. Pharming's Executive Committee is responsible for designing, implementing, and operating the Company's risk management and internal control systems. The Executive Committee is aware of the importance of a comprehensive approach to risk management and has developed a risk management and internal control framework, incorporating Pharming's strategy and the Five Components of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. COSO was selected because it provides a structured and scalable approach that fits the Company's strategy, risk profile, organizational context and regulatory environment.



Our risk management and internal control systems make use of various measures including:

- **Annual evaluation** by the Board of Directors on the goal and objectives achieved;
- **Periodical updates to the Board of Directors** reviewing accomplishments relating to operations, finance, commercial development, research and development, business development, clinical development, compliance matter, risk management, internal audits and investor relations;
  Quarterly reporting and review of the financial position and projections by the Executive Committee to the Board of Directors;
- **Periodic review meetings** by the Executive Committee with relevant managers and key stakeholders;
- **Annual, quarterly and monthly meetings and control testing,** incorporating financial and operational objectives, cash flow forecasts and the evaluation of business process activities;
- According to the **Company's whistleblower policy,** each employee and any third-party may file a complaint regarding actual or alleged irregularities of a general, operational, fraud, ethical and financial nature in relation to the Company and its subsidiaries, including deviations from the Code of Conduct. Pharming has a Code of Conduct that addresses the key risks related to potential breaches of ethical standards, which has been communicated to all employees and published on the Company's website; and
- **Regular meetings** with the Audit Committee, the Board of Directors and the Independent Auditor to discuss the financial results, internal controls and procedures.

The Company maintains records and procedures designed to:

- **Accurately and fairly** reflect the transactions and disposition of the assets of the Company;
- **Provide reasonable assurance** that transactions, receipts, and expenditures are recorded accurately, completely and made by authorized employees in accordance with IFRS accounting principles; and
- **Provide reasonable assurance** of the prevention or timely detection of unauthorized transactions, or use and disposition of the Company's assets that could have a material effect on the financial statements.

Internal Controls

As of December 31, 2025, we have effectively remediated the two material weaknesses previously disclosed in our prior year Annual Report, related to corporate income tax and accounting for complex, non-routine transactions. As such, we no longer have material weaknesses in our internal controls over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

"I liken my immune specialist to like a quarterback and then all my other doctors are just different positions on the field."

Patient living with APDS

Remediation of Prior Year Material Weaknesses

During the fiscal year ended December 31, 2025, we implemented a comprehensive remediation program which further strengthened our overall control environment. We actively took steps to execute our remediation plan using the following measures, amongst others:

- We completed a root-cause analysis to assess the true reasons for prior failures, while proactively working with all stakeholders to address each issue at the core.
- Using our risk assessment procedures, we identified areas requiring additional attention, and accordingly, we provided targeted focus and support to redesign the controls in these areas.
- The control owners and preparers for the areas which caused prior year's material weaknesses were re-trained and as a result, there were enhanced control procedures and better-quality documentation.
- All assumptions provided by external specialists and which were included in our position papers to address the accounting for complex, non-routine transactions and the calculation of corporate income tax provisions, were thoroughly reviewed by all control preparers and control owners, prior to subsequent discussions with our external auditors.
- Throughout the year, we coordinated and increased the number of cross-functional meetings with various stakeholders, including external consultants, to proactively help identify and address issues or errors.

We believe that the above remediation measures, including a now more stabilized internal control environment, have contributed to our current success.

Looking Ahead

While we have been successful in fully remediating our material weaknesses from the prior year, we remain on the quest to continue improving our overall internal control environment. We believe this can be achieved by employing and retaining competent personnel, providing relevant and necessary training, further simplifying our business processes and leveraging automation, including AI, where feasible.

Risk factors

In 2021, our Enterprise Risk Management framework was implemented and formal annual assessments began. We ensured that the risk owners and the leadership team understood the importance of timely risk identification, thorough assessment, and effective risk management, through a variety of trainings.

During 2025, we continued to improve our Enterprise Risk Management assessment processes, as the risk landscapes evolved. We have built on the foundations obtained through the engagement of external advisors in 2022, and held interview sessions with various Executive Committee members and their teams to further identify, define, and assess Pharming's risk landscape and overall risk appetite. Once the risks have been defined and discussed, they are then scored for likelihood of occurrence and impact should the risks occur, while factoring in ongoing mitigation actions and future mitigation plans. The final risk scores and rankings are then shared with the Executive Committee and the Board of Directors.

To determine if a risk is acceptable, the Board of Directors, as well as the Executive Committee, further discuss the nature of the various risks to the business and the level of risks the Company deems acceptable, with or without mitigation activity. Overall, the risk assessments are based on our strategic goals, our business principles, our policies and procedures, and taking into consideration the highly regulated markets in which we operate.

Our risk appetite and approach to risk management differs by risk type and have been taken into consideration based on what's presented below. In general, each risk type is assessed an inherent score, which is further reduced by the score which we assign to the respective mitigation plans. Mitigation plans reduce the likelihood that a risk will occur or if the risk does occur, the mitigation plan could help alert us that it has occurred. The risks as stated below, should be assessed in the context of our mitigation plans or what is being done to address them.

Risk Type	Strategic risks	Operational risks	Compliance and reputational risks	Financial and fraud risks
	We aim to deliver on our strategic ambitions and priorities and are willing to accept reasonable risks to achieve these.	We face operational challenges that may require management attention. Our objective is to avoid risks that could negatively impact our goal in achieving operational efficiency, while ensuring our quality standards are unaffected.	We strive to be fully compliant with our Code of Conduct as well as national and international laws and regulations of the countries in which we operate.	Our financial strategy is focused on a strong financial position and creating long-term value for our shareholders.
Risks	The following risks are assessed in more detail in this Report: • Changes in pricing regulations by local governments • Limited or no product approvals by regulatory authorities • Inaccurate planning and sales forecasts	The following risks are assessed in more detail in this Report: • Product quality issues • Inadequate IT portfolio and information security • Disruption in the end-to-end supply chain	The following risks are assessed in more detail in this Report: • Non-compliance with national and international laws and regulations • Non-compliance with pharmaceutical industry rules and regulations • Non-compliance with SOX Regulations	The following risks are assessed in more detail in this Report: • Enterprise value not recognized by investors • Inaccurate or fraudulent financial reporting • Insufficient liquidity • Fluctuations in FX rates
Residual Risk	●●●●●	●●●●●	●●●●●	●●●●●

Strategic risks

Executive Committee members, as part of the Enterprise Risk Management process, performed risk assessments over strategic risks and highlighted the most critical risks in this report.

Changes in pricing regulations by local governments and payors

Pharming's ability to achieve acceptable levels of coverage and reimbursement for our products, might be hindered by new or changing global policies and regulations, such as Most Favored Nations and Tariffs in the United States (U.S.), which could cause a material and adverse effect on our business activities and financial performance.

What are we doing to manage the risk?

Pharming continues to monitor changes in pricing regulations by local and federal governments, including new or changing pricing regulations such as those in the U.S. related to Most Favored Nations, Tariffs or other changes in the drug reimbursement processes.

We continue to work directly with the respective government and private insurers to facilitate patient access to our current and future product offerings at prices that are acceptable to them and that allows Pharming to meet its financial obligations.

As a backup plan, the Operations team is actively evaluating the potential use of U.S. based vendors to process Drug Substance, Drug Product, packing and labeling activities, for products where this is possible.

Limited or no approval by product regulatory authorities

Our products require independent reviews and approvals from regulatory agencies such as the U.S. Food & Drug Administration (FDA) or the European Medicines Agency (EMA), prior to licensing and marketing.

The regulatory agencies may not approve our product candidates on a timely basis, or at all, which could delay or prevent commercialization, thus negatively impacting our revenue growth.

What are we doing to manage the risk?

- We continue to have regular communications with key stakeholders to ensure that strategic goals are on track.
- Pharming has processes in place to verify the quality of our research data and we actively monitor clinical study results. This is supported by pharmacovigilance (internal) and independent data monitoring committee (external) to ensure the safety of those who participate in our clinical trials.
- Since various aspects of the clinical research is outsourced to Contract Research Organizations (CROs), we ensure the quality of the work they perform meets Good Clinical Practices (GCP), as well as applicable legal and regulatory standards.

Inaccurate planning and sales forecast data for new products

The sales forecast data for new products is based on assumptions and predictions about the future, which may not materialize as planned. As such, strategic decisions regarding new products could be based on data that, over time, may not align with progressive insights or reality.

Consequently, we may not meet revenue and margin expectations for new products, due to limited data and information at the time of forecasting.

What are we doing to manage the risk?

To mitigate this risk structurally, we have implemented the following processes:

- Throughout the forecasting process for new products, management reviews various scenarios offered and considers the accuracy of the current forecasts versus the costs to acquire additional data to possibly improve forecast outcomes.
- We align and strive to understand the completeness of the various data points that contribute to a more integrated business plan and forecast, while agreeing on the ownership of various forecasting procedures, the frequency of reporting and overall data quality.
- As is customary in this industry, the Market Access teams are monitoring and developing evidence and campaigns that will be used to maximize the value story with payors and optimize the price and patient access to all of Pharming's clinical offerings.

Operational risks

Operational or operating risks in this case refers to third-party risks. These include production and manufacturing risks, information security risk, and personnel risk. Management, as part of the Enterprise Risk Management process, performed a risk assessment of operational risks and highlighted the most critical risks in this report.

Product quality issues

The quality of a product is determined by systems (quality and IT related), people, and the manufacturing process. Inadequate performance and deviations in one or more of these areas can lead to product quality issues and yield products that are not approved by regulatory authorities.

What are we doing to manage the risk?

The following procedures are in place at Pharming to ensure the proper production and delivery of quality products:

- The QA systems and processes internally as well as externally are audited on a regular basis and we use qualified CXOs.
- Our GXP critical IT systems and manufacturing processes are qualified and validated.
- Our materials are sourced from qualified suppliers.
- Our clinical and commercial products are tested according to specification.
- Qualified people are hired and are continuously trained.
- Standardized procedures are being used.
- Development of formal processes for budgeting and forecasting to ensure adequate resources are made available to facilitate the development of quality products.

The improvement areas that have been identified are GAP assessments, monitoring of critical suppliers/CXOs using KPIs, and having a better understanding of local requirements (e.g., Japan, Brazil).

Inadequate IT portfolio, IT recovery and information security

There is a risk that the IT portfolio and IT infrastructure may not be able to support Pharming's growth strategy. In addition, we may not be able to respond timely to or recover from IT incidents, which may compromise the confidentiality, integrity, and availability of sensitive data, including the personal data of employees, contractors, patients and other stakeholders.

What are we doing to manage the risk?

Pharming's IT governance has been strengthened with the Strategic IT Committee and sound IT Strategy, including a comprehensive IT/Cybersecurity Roadmap 2024-25. IT is professionalizing to become a business partner and to become compliant with the NIS2 directive and Sarbanes-Oxley Act (SOX 404). The implementation of a full Information Technology Infrastructure Library (ITIL) and process will help to ensure that IT incidents are identified, formally documented, evaluated and that all follow-up actions are defined and executed on a timely basis. In addition, there will be increased monitoring of IT applications using automated tools and proper governance.

Disruptions in the end-to-end supply chain

Pharming may experience disruptions in the end-to-end supply chain which may impact the timely delivery of products to patients in existing and new markets or countries.

What are we doing to manage the risk?

To be able to act on potential disruptions in demand, internal alignment between all relevant stakeholders and oversight during execution of the plans are critical.

A critical part of our commercialization process is to maintain the right level of safety stock, considering both regulatory and financial requirements. Pharming continues to maintain an adequate safety stock based on our projections and estimates. Furthermore, our Enterprise Resource Planning (ERP) system helps us improve our inventory planning process. We proactively monitor stocks of materials on hand with each Contract Manufacturing Organizations (CMOs) that we work with. Safety stocks of intermediate and finished products are being maintained to bridge a potential gap in our product manufacturing and release process. The latter is part of our S&OP process which is continuously being reviewed for improvement.

As it relates to newly developed or approved products, our Operations team starts a timely search for qualified CMOs who can handle in an agile manner, changes in our demand forecast. This allows us to build a network of preferred CMOs, while carefully evaluating global supply chains as we develop and bring new products to market. As part of our continuous improvement process, alternative sources of materials are being evaluated as part of our product development and manufacturing.

This may include a second supplier for drug substance, filters, disposable bags, or moving from disposable materials to stainless steel.

Compliance and reputational risks

Management, as part of the Enterprise Risk Management process, performed risk assessments over compliance and reputational risks and highlighted the most critical risks in this report. However, other risks are also continuously being managed and monitored by the business. These include breaches of ethical standards; data privacy; bribery and corruption; contractual obligations; negative public opinion and increased regulatory scrutiny.

Pharming has issued a revised Code of Conduct that addresses key risks related to potential breaches of ethical standards. In 2021, Pharming created a Disclosure Committee, made up of disparate departments within the business, who actively monitor the disclosure of Inside Information. Pharming has also created an Antitrust policy and a Promotional Compliance policy, for which a comprehensive compliance training program is now provided across the company during Compliance Day.

Non-compliance with national and international laws and regulations

Pharming may face legal, financial, or reputational consequences for non-compliance with external laws, internal policies, including our Governance Standards. This includes risks related to dual listing requirements (AFM/SEC), fair trade practices, the handling of inside information, trade sanctions, data privacy laws, export control laws, and social media activity. Additionally, we are exposed to risks regarding the proper reporting of transfers of value to Healthcare Professionals and overall GxP compliance. Certain risks may arise in particular, due to expansions into new markets or withdrawals from certain markets. Failure to meet these obligations may result in fines, regulatory actions, reputational damage, or even business disruption in key markets.

What are we doing to manage the risk?

Pharming works with various second line of defense teams such as Quality, Legal, Business Integrity/Compliance, Corporate Secretary, and Internal Audit, to monitor compliance with applicable laws and regulations including compliance with both Dutch and U.S. SEC Corporate Governance codes and filing requirements.

Pharming is enhancing its policies, processes, internal controls, and documentation related to key processes. We have a global Business Integrity program. The resource model for Business Integrity and Compliance has been strengthened. An annual review of the Enterprise Risk Management (ERM) top 20 risks has been held with the Executive Committee and risk mitigations plans and mitigation actions have been agreed to and are in process. In 2026, the ERM process will become more robust and enhanced.

We have an "Insider Trading Code" in place which complies with the Market Abuse Regulation (MAR) and other prevailing laws and regulations. We also maintain and monitor a "Restricted Persons" register.

Our Disclosure Committee actively monitors the timely disclosure of Inside Information and compliance with the disclosure requirements applicable to Pharming. Lastly, Pharming is developing a set of regional standard operating procedures (SOPs) and policies, as well as a compliance network to assist with the compliance of local rules and regulations.

Non-compliance with pharmaceutical industry rules and regulations

Off-label and Disguised Promotion

Communicating product data beyond approved indications or sharing scientific information in non-promotional contexts, such as through Advisory Boards or digital media, may be misinterpreted as off-label or disguised promotion. This poses reputational and regulatory risks if perceived as sales-driven.

What are we doing to manage the risk?

Policies, processes, and experienced subject matter personnel provide the guidance and oversight to help mitigate the risk of off-label and disguised promotions. These personnel utilize the policies and processes to review, evaluate and reject or approve these forms of communications. We utilize our Code of Conduct, Advisory Board Policy, Promotional Compliance Policy, U.S. Field Manual, Non-Promotional Satellite Symposia Policy, Promotional Review Policy, Medical Review procedure, and others to establish requirements and help enforce compliance with applicable laws, regulations, and codes.

Training is conducted for individuals responsible for sales activities to re-enforce the requirements and standards, while providing education on key compliance requirements. Targeted monitoring and auditing are conducted to evaluate compliance with established requirements.

Pharmacovigilance
Pharming conducts a comprehensive pharmacovigilance (PV) program. However, the PV laws and requirements are very strict and a finding of non-compliance could cause Pharming to suffer reputational damage, incur monetary fines, and force us to halt business activities.

Pharming may be required to perform studies of additional indications and dosing strengths in case of frequent off-label usage. The handling of off-label cases incurs additional costs. Despite its efforts, Pharming may not meet its requirement to adequately train employees to properly identify and report PV incidents.

What are we doing to manage the risk?
The following actions are in place to help prevent a possible non-compliance with pharmacovigilance requirements:

- We actively monitor key performance indicators related to expedited and periodic reporting.
- Pharmacovigilance audits are performed by our internal Quality Assurance team and independent auditors and may include reviews of our business partners, such as specialty pharmacies, license partners and vendors. Action plans are implemented based on the outcome of the audits.
- There are regular reviews and updates of the pharmacovigilance procedures and continuous training of the related staff.

“ [Our life with APDS] is a rollercoaster of emotions, highs and lows, never knowing… one minute you're okay, the next you’re not… trying to be strong for her, trying not to fall apart for her."

Caregiver to a patient living with APDS

Financial and fraud risks

Management, as part of the Enterprise Risk Management process, performed a risk assessment over financial and fraud risks and highlighted the most critical risks in this report.

Inaccurate or fraudulent financial reporting

The risk that Pharming's financial statements contain a material misstatement and/or that the company is not SOX compliant or not adhering to other AFM/SEC financial reporting requirements or timelines, due to lack of awareness of GAAP, IFRS, AFM, SEC rules, internal policies, processes and procedures, or intentional misbehavior (fraud) caused by internal or external pressures, resulting in a loss of confidence in the accounts by key external stakeholders and internal users, reputational damage and personal liability exposure for Directors.

Fraud risk can be unexpected financial, material, or reputational loss as the result of fraudulent action(s) of persons internal or external to the organization. The risk of inaccurate financial reporting includes poor operational decisions, reputational damage, economic loss, penalties, fines, legal action, claims from shareholders, and even bankruptcy.

Pharming can ensure accurate financial reporting by employing a network of internal controls, fortified by financial software which helps prevent and detect errors.

What are we doing to manage the risk?

An Anti-Fraud Framework was established encompassing fraud assessments. A quarterly fraud disclosure questionnaire must be completed by managers and process owners with the purpose of identifying changes in controls, which could allude to possible (indications of) fraud.

In addition, an Anti-Fraud Policy and Alert Reporting Investigation Procedure were developed, and fraud awareness trainings were given and/or made available to all employees. The Company has implemented controls to establish a fraud governance process, to create a sound anti-fraud culture, to implement and maintain clear preventive and detective fraud controls.

Pharming continues to develop sound internal controls and formalize best practices processes, to prevent balance sheet and P&L risks by periodically reviewing balance sheet and P&L accounts and as well as reviewing financial transactions for completeness and accuracy. Now that we have become fully SOX compliant, as mentioned above, we will continue to improve our internal controls over financial reporting and strive to remain SOX compliant each year.

Insufficient liquidity

The risk that Pharming has insufficient cash to fund its operations and meet its financial obligations, due to adverse capital, credit market conditions and/or an inability to generate sufficient cash, resulting in a weaker financial position could have an adverse impact on business continuity.

Adverse capital and credit market conditions may significantly affect the ability to meet liquidity needs, cause limitations in accessing capital or face an increase in the cost of capital. The same concern is valid for access to our cash, which could become restricted at banks that experience financial difficulties.

Prolonged exposure to liquidity risk or inability to generate enough income for the projects in scope could lead to the inability to meet financial obligations, which could increase the risk of insolvency.

What are we doing to manage the risk?

Pharming is working on improving cash flow forecasting models to provide a more accurate view of liquidity. A Company financial forecasting model has been made, which forms the basis for this information for the medium- and long-term horizon (15 years forward). Any new business development project needs to be included in this model to understand the impact on cash flow and liquidity.

“ [The joint pain is] like the Tin Man from The Wizard of Oz. He gets stiffer and stiffer and stiffer and he has to use the oil can. And I'm like, can I just get an oil can?"

Patient living with APDS

Funding (both equity and debt) will be adjusted to the liquidity needs of the Company. In addition, we have recently hired a head of Treasury to further assist us in our liquidity forecasting endeavors, as well as furthering efforts to automate the centralization of excess cash.

Pharming diversifies its cash holdings across several banks and across short term investment instruments including bank deposits, government treasury certificates and money market funds to increase diversification and reduce counterparty risk.

Fluctuations in Foreign Exchange market rates

Due to the international scope of our operations, fluctuations in exchange rates, particularly between the Euro and the U.S. dollar, may create an adverse impact. While the Company is headquartered in the Netherlands, we source materials, products, and services from several countries outside the EU which are paid in local currencies.

In addition to the U.S. commercialization of RUCONEST® and Joenja®, the projected commercialization of Joenja® in the European Union, as well as the commercialization of Joenja® in additional geographies, we expect to receive payments and generate costs in US dollars, euro, the British pound, as well as additional currencies.

Fluctuations in foreign exchange rates between the euro and the U.S. dollar, as well as other currencies may impact our result.

As the intercompany balance payable by Pharming Healthcare Inc. to Pharming Technologies B.V. is in euros and the books of Pharming Healthcare Inc. are in US dollars (functional currency Pharming Healthcare Inc. is US dollars) a rate fluctuation may impact the balance payable of Pharming Healthcare Inc. to Pharming Technologies B.V. and is reflected in the income statement.

Since the majority of Pharming's sales are invoiced and paid in US dollars, and most of its costs and liabilities are valued in euros, any change in the relevant exchange rate means a corresponding change in the euro value of sales and a corresponding change in the loan balance in euros.

What are we doing to manage the risk?

Foreign exchange results is partly remediated by having Pharming Healthcare Inc. repaying its net payable balance to Pharming Technologies B.V., Pharming Group N.V. or Pharming Americas B.V. promptly using its cash balances. We aim to book and pay all intercompany charges and intercompany invoices on receipt of invoice as soon as possible, thereby reducing the intercompany balances. Pharming entities manage foreign exchange result risk on their cash by holding the cash balances in its own functional currency.


Rilyn living with APDS