



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 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 comply with 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 steps

Context analysis

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.

Identifying potential materiality topics

Our next step was to develop a longlist of potential materiality topics. The initial longlist of topics took into account reporting standards such as the GRI or SASB, as well as existing ESG ratings and rankings. Based on this longlist, we created a shortlist of 24 potential relevant topics.

Assessing impacts

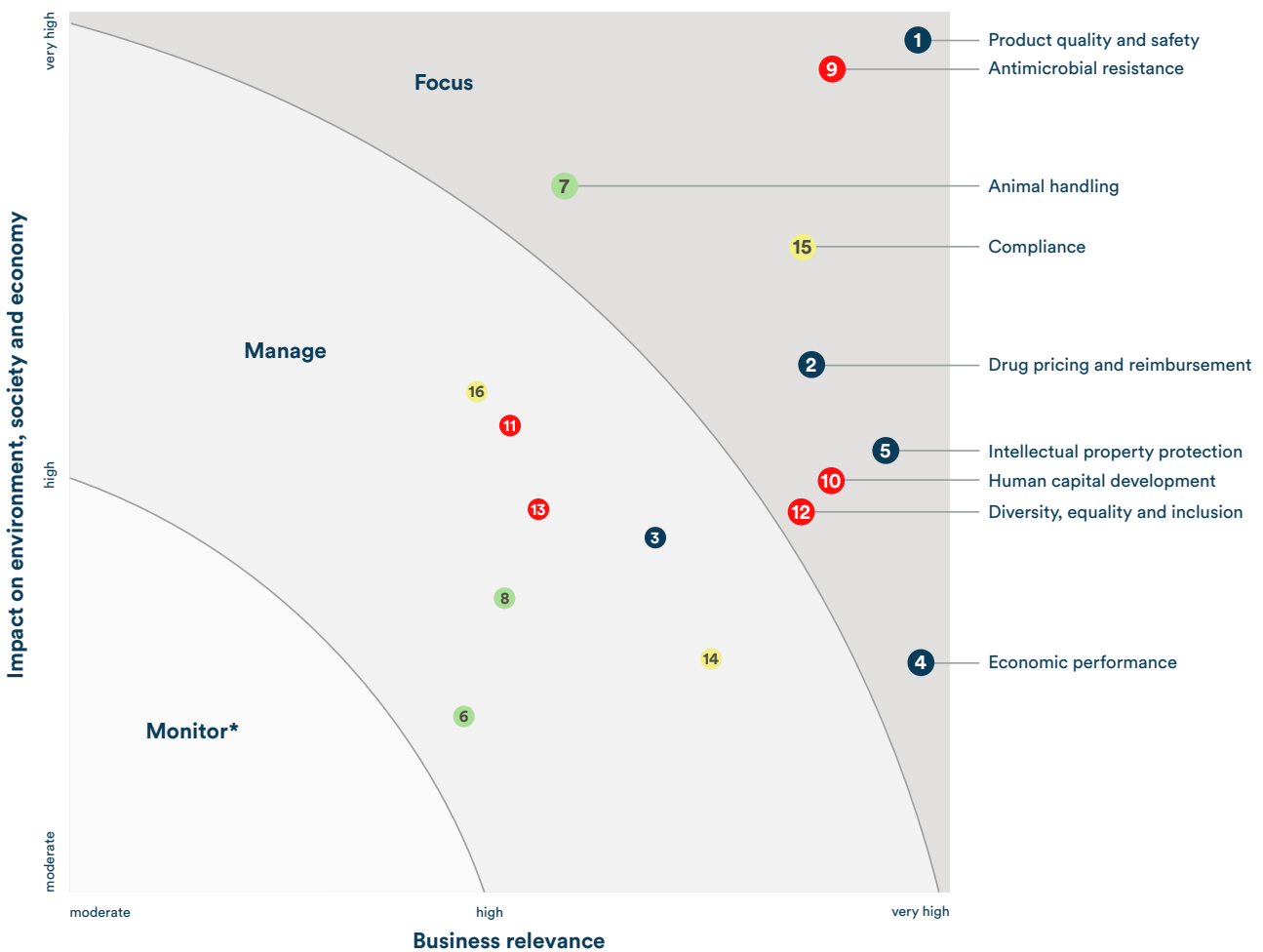
In a third step, we identified, described and assessed the potential impacts by and on Basilea for each of the 24 topics on this shortlist, i.e. we assessed them from an outside-in and inside-out perspective. This allowed us to consider potential and actual as well as positive and negative impacts along the value chain.

By means of an online survey we collected input from our employees, representing all our business functions. The employees rated the relevance of each topic from both perspectives (outside-in and inside-out). The results of this survey were then consolidated and presented to Basilea's management committee.

Validating materiality topics

To validate the materiality matrix, we held two workshops with the management committee to discuss, evaluate and agree on the final materiality matrix shown below. The most relevant topics are grouped in the "Focus" area.

Basilea's materiality matrix 2023



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

Further relevant topics:

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

* 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
- Access to medicine
- Human rights
- Public policy
- Anti-corruption and -bribery

Focus topics for Basilea's ESG strategy

Our materiality analysis has identified nine topics that are of particular importance either to Basilea's long-term success and/or to the environment in which we operate. We refer to these areas as focus topics. We pursue them strategically and aim to make measurable progress against them.

- Product quality and safety
- Antimicrobial resistance
- Animal handling
- Compliance
- Drug pricing and reimbursement
- Intellectual property protection
- Human capital development
- Diversity, equality and inclusion
- Economic performance

As part of our materiality analysis, we have also identified topics that we wish to monitor and, in some cases, actively manage. In the interest of full transparency, we will also disclose these topics in future sustainability reporting.

Economic aspects

“Economic performance allows us to generate value for our stakeholders, to invest in future innovation and to ensure highest quality standards.”

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.

Focus topic drug pricing and reimbursement



The antibiotics market is dominated by low-cost generics, which makes it more difficult to establish appropriate prices for novel, innovative drugs in order to generate the returns needed to cover the investment in new, innovative antibiotics and thereby addressing the global threat of antimicrobial resistance.

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.

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.

Further economic topics in Basilea's field of view:

- Reliable and responsible supply chain management
- Market regulation/incentives
- Ethical marketing

Environmental aspects

“We work in the constant awareness that medical research, development, and manufacturing must be carried out with careful use of resources and respect for all living beings.”

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 and responsible third party companies.

Further environmental topics in Basilea's field of view:

- Materials
- Waste and water
- Greenhouse gas emissions
- Biodiversity and natural resources

Governance aspects

“We aim to earn the trust of our stakeholders based on our professional expertise, integrity and ethical business conduct.”

Focus topic compliance



Basilea operates in a highly regulated industry and is subject to various specific laws, rules and regulations.

Further governance topics in Basilea's field of view:

- Data privacy and security
- Governance (responsible business conduct)
- Public policy
- Anti-corruption and -bribery

Social aspects

“We assess our performance by the service we provide in the interest of patients, and by the respectful treatment of all people involved in our value chain.”

Focus topic antimicrobial resistance



Antimicrobial resistance (AMR) is the ability of microorganisms to not, or no longer respond to drugs like antibiotics, making it harder to treat 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.

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.

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.

Further social topics in Basilea's field of view:

- Occupational health and safety
- Recruitment, retention and promotion
- Access to medicine
- Human rights

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