

ROYALTY PHARMA

Last Updated: April 2023

Responsible Investment Policy

Overview

Royalty Pharma believes that the thoughtful management of environmental, social and governance (ESG), regulatory, geopolitical and reputational issues make Royalty Pharma better able to be a leading funder of innovation across the biopharmaceutical industry. ESG provides an important lens to help us identify opportunities to deliver for partners, patients and society.

We are committed to driving continuous improvement in our approach and application of ESG integration across our strategies and investments. Royalty Pharma seeks to reduce risk and enhance value by building a proactive focus on ESG matters. Our ability to influence ESG factors may be limited because our ownership rights are generally passive in nature and our access to data may be limited. We believe that our focus on ESG, and the stakeholder risks and opportunities attendant to ESG matters, better positions us to adapt to the changing patient needs, evolving norms and increased regulation that are expected to pose greater challenges and opportunities for Royalty Pharma.

This policy articulates Royalty Pharma's approach to integrating the ESG risks and opportunities into its investment processes.

Commitment

Royalty Pharma is committed to responsible investment through:

- Incorporating material ESG, regulatory, geopolitical and reputational considerations, including access to health and medicine, research and development, ethical clinical trials, therapeutic area profile, ethical conduct and product quality and safety, into Royalty Pharma's investment decision-making and management practices. This includes considering key risks and opportunities during the due diligence process and, where we believe we can have a material impact, engaging on these matters with our partners;
- Leveraging the expertise of Royalty Pharma's management team and third-party experts and advisors to assess ESG-driven risks and identify ESG-driven opportunities;
- Advancing consistent and thoughtful responsible investment processes in the biopharmaceutical industry by collaborating with key stakeholders;
- Accountability for Royalty Pharma's responsible investment approach, progress and goals through transparency to the public, investors and other stakeholders. This includes periodic reports on our ESG performance, including public ESG reporting and disclosure; and
- Maintaining Royalty Pharma's governance and culture to ensure that Royalty Pharma acts as a good citizen in the community.

Scope

This Responsible Investment Policy is intended to provide a broad framework for our approach to ESG integration across Royalty Pharma's business and articulates the approaches that Royalty Pharma believes are broadly relevant for each investment. Royalty Pharma seeks to work with partners to appropriately integrate material ESG considerations into business processes. Royalty Pharma's influence and control of companies in which we invest is often limited due to the passive nature of

many of our investments. Because of our commitment to ESG, we will incorporate the applicable elements of this Responsible Investment Policy, as appropriate, even when our passive nature limits our ability to assess, set or monitor ESG-related goals.

For the purposes of this policy, “material” ESG matters are defined as those matters that Royalty Pharma determines have - or have the potential to have - a substantial impact on Royalty Pharma’s ability to create, preserve or erode economic value, as well as environmental and social value for Royalty Pharma and its stakeholders.

For each investment, an analysis of relevant ESG matters for the specific transaction is included in the materials evaluating the investment. This also provides an opportunity to include discussions of ESG- or impact-related value creation opportunities for Royalty Pharma and our partners.

Roles and Responsibilities

Royalty Pharma’s executive leadership provides ultimate oversight of its responsible investment efforts. Accountability for this work extends throughout the organization, supported by subject matter experts, collaborating to achieve strong outcomes.

Royalty Pharma's ESG team, an internal team of subject matter experts, represents the core of the ESG-related expertise at Royalty Pharma. Our ESG team is comprised of members of Royalty Pharma's research and investment team, legal and compliance team, finance and accounting team, investor relations team and human capital team. The ESG team was formed to serve as a cross-functional resource to Royalty Pharma, Royalty Pharma’s employees and Royalty Pharma’s partners.

Where applicable, research and investment and legal and compliance team members oversee ESG matters that are material to an investment when deciding to invest. Our research and investment and legal and compliance team members have monitoring and management roles with respect to material ESG issues that have been identified in the investment process.

Data

Data is a critical component to effectively integrating, improving, and monitoring material ESG matters across our investments. We aim to collect data that has specific use cases and applications. We follow a tailored, materiality-based approach to help use identify risks and opportunities. Data is also useful for communicating with our investors and broader stakeholders.

Transparency

Royalty Pharma will seek to be transparent in its approach to incorporating ESG considerations in its investment decisions by reporting at least annually on its progress and outcomes. The format of this reporting may vary between written public reports, verbal updates or information on our website.

ESG Integration Processes

The table below describes Royalty Pharma’s process across investments.

Evaluate Potential “Exclusionary Issues”	Conduct Due Diligence on Deal-Specific Relevant Issues	Document and Review Findings
When: Pre-Screening	When: Commercial and Legal/Compliance Due Diligence	When: Investment Evaluation
What: <ul style="list-style-type: none"> • Review “Exclusionary Issues” to determine whether there are any critical ESG or reputational concerns with regards to a potential investment and partners 	What: <ul style="list-style-type: none"> • Evaluate material ESG risks and opportunities with regards to investments or partners, including access to healthcare and medicine, research and development, ethical clinical trials, therapeutic area profile, ethical conduct and product quality and safety 	What: <ul style="list-style-type: none"> • Include key risks and opportunities in the discussions and investment decisions as they relate to the investment and partners • Track relevant findings, even when no additional actions are needed

In addition, where relevant and appropriate, Royalty Pharma will engage with management teams of its partners to provide guidance and support on ESG risks and opportunities.

This policy is subject to change and will be reviewed at least annually.