

## Statement of Compliance with the Quoted Companies Alliance Corporate Governance Code

### Introduction

In March 2018 the London Stock Exchange made several changes to the AIM Rules which, *inter alia*, require AIM companies to adopt a recognised corporate governance code and provide appropriate disclosures of how the company complies with the recognised corporate governance code that they have adopted, and, if applicable, provide details and the rationale for areas of non-compliance. The Board of IXICO plc (**IXICO, Company, we or us**) has adopted the Quoted Companies Alliance (**QCA**) Corporate Governance Code (**Code**) and this statement sets out in broad terms how we comply with the Code at the date of this statement. We intend to provide annual updates about our compliance with the Code.

At IXICO, our four core values reflect technical and scientific **Expertise** which has been developed over the last 14 years, our **Innovative** and talented people, driving **Quality** in business operations and conducting our business relationships with **Integrity** as a trusted partner of choice. The Board believes that these values and principles are a fundamental part of a sustainable, growing business and the Company's culture.

The Board is responsible for ensuring that IXICO is managed for the long-term benefit of all shareholders, through effective and efficient decision-making. Corporate governance is an important part of the Board's role by providing oversight and control to manage risk and build long-term value, and, as Chairman, I assume principal responsibility for IXICO's corporate governance environment.



Charles Spicer

Chairman

### The QCA Code

The Code comprises ten principles, which companies use to explain their application of such principles and their corporate governance arrangements. IXICO's application of the Code reflects the needs of a growing company pursuing a commercially led growth strategy to promote long-term shareholder value.

A full copy of the QCA Code is available from the QCA's website: [www.theqca.com](http://www.theqca.com)

### Principle 1: Establish a strategy and business model which promote long-term value for shareholders

IXICO is a technology enabled services provider to the biopharmaceutical industry. We deliver insights to biopharmaceutical companies who are developing new drugs to address neurological disorders, which is an area of high unmet medical need. To achieve our business goals we are:

- Building scale and market presence for our technology solutions and
- Developing and commercialising new products and services

to accelerate our growth and the path to profitability which will promote long-term value for shareholders.

## **Principle 2: Seek to understand and meet shareholder needs and expectations**

We are committed to communicating openly with shareholders to ensure that our strategy, business model and performance are clearly understood.

All Board members routinely attend the AGM and are available to answer questions raised by shareholders. After the conclusion of the formal business of the AGM the Company provide an opportunity for shareholders to speak or raise questions with the Board on a more informal basis. The AGM is usually held in the morning and the results of the AGM are announced to the market on RNS and published on the Company's corporate website that day.

The Chief Executive Officer and Chief Financial Officer present to institutional shareholders and analysts each year following the release of the full-year and half-year results. The Non-Executive Chairman is also available to meet with major shareholders if required, to discuss matters of importance or interest to them.

The Chief Financial Officer provides the Board with views or points raised during shareholder and analyst meetings. Investment reports or feedback received from analysts are also circulated to the Board.

## **Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success**

### *Employee engagement*

Our talented employees are an important stakeholder group. We hold regular Town Hall meetings where different members of the Leadership Team present and discuss wide ranging topics such as business strategy, quality-led initiatives or performance against key company targets. These meetings are also used to present feedback arising from our company employee surveys. We also host Lunch and Learn sessions which represent an opportunity to provide informal training or build awareness of the business.

This year we launched an employee newsletter, IXICOmms which informs employees about what is going on in the business and helps them to maximise their contribution to changes as the company grows.

### *Business partners and scientific communities*

We participate in multi-year European grant funded projects which include pharmaceutical, academic and SME partners. We ensure that our investment and active participation in these projects represents a useful engagement with commercial and academic leaders who are working on innovative technologies for clinical development. IXICO's engagement is led by a dedicated project manager who is responsible for co-ordinating our contribution and directly interacting with other participants. This includes attendance at regular project team meetings (both face to face and by telephone) and a clear understanding of roles and responsibilities.

### *Suppliers*

We seek to pay our suppliers within agreed payment terms and in accordance with fair market value industry practice. We work closely with our suppliers and perform external quality audit checks on critical suppliers.

We engage the services of external consultants, including key opinion leaders, through master consultancy agreements either on an individual basis or via an academic institution or clinical centre. We interact with suppliers in different ways; discussions about the procurement and delivery of services or goods rests with the Operations team, the Quality team co-ordinate the audit of critical suppliers and any follow up actions are mutually agreed and actioned.

### *Anti-Bribery and Corruption*

We are committed to conducting our business in an honest and ethical manner. Our Anti Bribery and Corruption policy is part of our employee training and awareness processes. We also include appropriate provisions in our supplier contracts and consultancy agreements.

As an international business we are committed to acting professionally, fairly and with integrity in our business dealings and relationships.

### *Modern Day Slavery*

Our external audit quality checks include onsite audits of our suppliers' facilities. We try to ensure that we are doing all that is reasonably practicable to ensure that modern day slavery and human trafficking does not form part of our supply chain.

Notwithstanding this and that the Company falls under the threshold to report in accordance with the Modern Slavery Act 2015, we expect that anyone who has suspicions of modern slavery in our business or our supply chain would raise their concerns so that the Company can take appropriate action.

### **Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board has ultimate responsibility for the Company's system of internal control and for reviewing its effectiveness. Any such system of internal financial and operational controls can provide reasonable, but not absolute assurance, against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, stage of development, complexity and risk profile of the Company. The Company's internal control system is split into the following two areas.

#### *Financial controls*

The Company has an established framework of policies and procedures to maintain a system of internal financial and operational control. The effectiveness of such control is monitored and reviewed by the Leadership Team, Executive Directors the Audit Committee and the Board.

- Company policies, accounting and administrative procedures cover significant areas of the business and key systems. This includes formal authorisation procedures for treasury management, operating and capital expenditure. Major expenditure or commitment requires Board approval.
- The Board is responsible for reviewing and approving Company strategy, annual budgets and determining the financial structure of the Company.
- The Audit Committee assist the Board in discharging its duties in respect of the annual and interim financial statements, accounting policies and the maintenance of internal financial controls.
- There are comprehensive procedures for monitoring and reporting to the Board the Company's performance against budgets and forecasts. Such reports include profit and loss statements, cash flows, capital expenditure and balance sheets. Results are compared with the prior year and include expected performance over the remainder of the financial period.

#### *Non-financial controls*

The Board recognises that maintaining sound controls and vigilance is an important part of managing risk. The non-financial controls that have been established to date include:

- Close management of the day-to-day activities of the Company by the Executive Directors
- A Leadership Team that operates within an organisational structure that has defined levels of responsibility
- Carrying out business operations in accordance with ISO 9001:2008 and ISO 13485: 2016.
- Appropriate standards and codes of conduct that are set out in written policies and part of mandatory training for employees. These are wide ranging and include policies such as dealing fairly with stakeholders and one another, privacy, handling confidential information, conflict of interest, anti-bribery and corruption.
- The VP of Quality, Compliance and Regulatory Affairs works closely with the Leadership Team to oversee the Standard Operating Procedures used to perform services for our clients and Company policies and procedures.
- All material contracts are reviewed and signed by an Executive Director.
- A risk register is maintained which details potential risks and mitigating actions for all client projects. Such risks are reviewed by members of the operational leadership and discussed at Leadership Team meetings. Material risks or uncertainties, together with potential mitigating actions, are communicated to the Board.

Principal risks and uncertainties that may affect the business are set out in the Company's annual report and accounts, a copy of which can be downloaded from <https://ixico.com/investors/company-documents/>.

### **Principle 5: Maintain the board as a well-functioning, balanced team led by the chair**

The Board comprises the Non-Executive Chairman, two Executive Directors and three Non-Executive Directors, one of which acts as Senior Independent Director.

#### *Executive Directors*

Giulio Cerroni, Chief Executive Officer

Susan Lowther, Chief Financial Officer and Company Secretary

#### *Non-Executive Directors*

Charles Spicer, Independent Non-Executive Chairman

John Bradshaw, Independent Non-Executive Director

Tim Sharpington, Senior Independent Non-Executive Director

Mark Warne, Non-Executive Director

The Board feels that it has an appropriate balance between independence and knowledge of the Company and its target markets which allow it to discharge its duties and responsibilities effectively. The Board deems that Charles Spicer, John Bradshaw and Tim Sharpington are independent directors in accordance with the QCA guidelines.

Tim Sharpington is the Senior Independent Director (SID) and acts as an independent sounding board and intermediary for the Chairman or other board members as necessary. Tim is available to shareholders or directors who may have a concern that cannot be raised through the normal Board processes.

The Board believes that Mark Warne brings relevant skills and experience of the digital healthcare market to the Company, which is important at its current stage of development. Until 29<sup>th</sup> June 2018 Mark was a Partner in the Life Sciences team at IP Group and was therefore associated with a major shareholder.

The Directors use their independent judgement and challenge matters affecting the business whether strategic or operational. The Non-Executive Directors are in regular contact with the Executive Directors and the Chairman has regular one to one meetings with the Chief Executive Officer.

The Board meets regularly and at least six times in each financial year for formal board meetings. Additional board meetings are held by telephone to discuss key strategic priorities including for example financial results and capital raises.

#### *Conflicts of interest*

The Company has effective procedures in place to monitor and deal with a situation in which a Director has, or may have a conflict of interest. The Board is aware of other commitments and interests as they are disclosed by each Board member. If there are changes to these commitments or interests, Directors are required to advise the Chairman and appropriate action is agreed by the rest of the Board.

### **Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**

The Board considers that it has an effective and appropriate balance of skills and experience and is mindful of the need to continuously review the needs of the business to ensure that this remains true, so that the Company can drive performance as well as comply with regulations. The Board members are of sufficient calibre to bring independent judgement to bear on business decisions related to strategy, expected standards of business performance and conduct which are an important part of the Company's future growth and success.

The Non-Executive Directors serve on other boards which gives a broad range of skills and capabilities. They also receive updates from professional advisors at board meetings and external meetings or seminars.

Further details of each of the Board's skills and experience can be found at: <https://ixico.com/about-us/>

### *Independent advice*

The Board has access to professional advisors and is able to take independent advice in the performance of their duties, at the Company's expense. Details of external advisers can be found at:

<https://ixico.com/investors/contacts-advisers/>

### *Appointment and re-election*

The Company's Articles of Association require that all Directors must stand for re-election every three years and that any new Directors appointed during the year must stand for election at the AGM following their appointment.

### **Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

Whilst the Company does not currently have a formal appraisal process for Directors, the Chairman assesses the Directors to ensure that their individual contribution is relevant and effective and that they are committed members of the Board.

Furthermore, at the end of each Board meeting the Chairman and Non-Executive Directors meet to identify areas to provide constructive feedback to the Executive Directors as part of continuous improvement. This process of evaluation will be kept under review and the Board will consider whether formal evaluations are appropriate in the future.

### **Principle 8: Promote a corporate culture that is based on ethical values and behaviours**

The Company operates in a highly regulated environment in accordance with ISO 9001:2008 and ISO 13484:2016 which is subject to third party audit. We are focused on a therapeutic area which has a high unmet medical need and our employees are motivated to support our customers in their quest to develop and provide safe, effective treatments for people living with neurodegenerative diseases.

We use the word **Integrity** as one of our four key values to demonstrate our corporate culture. Our Company policies and procedures represent a code of conduct, including for example our Whistleblowing Policy or our Use of Confidential Information Policy, which set out the standards of conduct expected of IXICO employees. Such policies form part of our read and understand approach to ensure that ethical values and standards of behaviour are adopted.

### **Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**

The Board is collectively responsible for the long-term success of the Company. Its principal function is to provide the Company with a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board considers the Leadership Team's strategic proposals and, following a rigorous review, determines strategy and ensures that the necessary resources are in place for the Leadership Team to execute against that strategy.

The Chairman provides leadership to the Board and is responsible for agreeing the agenda for Board meetings, and ensuring (with the Company Secretary) that the Directors receive the information that they need to participate in Board meetings. The Chairman also ensures that the Board has sufficient time to discuss items on the agenda.

The Chief Executive Officer is responsible for the day to day leadership of the Company, the Leadership Team and employees. The Chief Executive Officer is responsible, together with the Leadership Team, for the execution of the Company's strategy approved by the Board and the implementation of decisions made by the Board.

### *Board meetings*

The Board meets at least six times per year in accordance with a scheduled meeting calendar. Prior to the start of each financial year a schedule of dates for the Board meetings is prepared to align, where reasonably practicable, with the Company's financial calendar whilst ensuring an appropriate spread of meetings during the financial year. These meetings are supplemented by additional face to face meetings or calls as required.

The Board and its Committees receive appropriate and timely information prior to each meeting including a formal agenda. Any Director may challenge Company proposals. Decisions are taken democratically after appropriate

discussion. Specific actions arising from Board meetings are agreed by the Board or relevant Committee and are then followed up by the Executive Directors.

#### *Board committees*

The Board is supported by the Audit and Remuneration Committees. A committee discharges its functions on behalf of the Board of Directors and is entitled, at the Company's expense, to such internal or external professional advice as it sees fit in the furtherance of its duties

A committee is also authorised by the Board to seek any information it requires from any employee of the Company, in order to perform its duties.

The Audit Committee is chaired by John Bradshaw and the Remuneration Committee is chaired by Tim Sharpington. Such Committee meetings usually occur twice per year.

The terms of reference of each committee are available at <https://ixico.com/investors/governance/>

### **Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Company communicates with shareholders through:

- the Annual Report and accounts,
- full-year and half-year announcements
- the Annual General Meeting (AGM)
- one to one meetings with shareholders as required
- issuing regular and appropriate RNS and RNS Reach announcements

The above and a range of corporate information, including Company presentations, is also available on our website at: <https://ixico.com/investors/>

The Board receives regular updates on the views of shareholders through briefings and reports provided by the Chief Executive Officer, Chief Financial Officer and the Company's brokers. The Company communicates with institutional investors through briefings with management and analyst notes are reviewed to understand the external view of the Company.

We plan to introduce new functionality to our website in the next few months which will include an Investor centre and feedback as part of continually improving the information provided to our stakeholders.