

## **PROTEOME SCIENCES PLC CORPORATE GOVERNANCE STATEMENT**

### **Compliance with the Quoted Companies Alliance Corporate Governance code**

The Quoted Companies Alliance has published a corporate governance code for small and mid-sized quoted companies, which includes a standard of minimum best practice for AIM companies, and recommendations for reporting corporate governance matters (the “QCA Code”). The Directors of Proteome Sciences plc comply with the QCA Code to the extent they consider it appropriate and with regard to the size and resources of the Company.

The QCA Code sets out 10 principles which should be applied. These are listed below together with a short explanation of how the Company applies each of the principles. Where the Company does not fully comply with a principle an explanation as to why not has also been provided.

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

Proteome Sciences plc is a contract research organisation specializing in the analysis of proteins by mass spectrometry, providing both discovery and targeted proteomics services and proprietary biomarker assays to biopharmaceutical and diagnostic companies engaged in the discovery and development of precision medicines.

Proteomics is an enabling biotechnology platform for an increasing number of companies invested in the identification of targeted therapeutics for the future provision of healthcare. Offering a service to such companies, in addition to the synthesis of specialty chemical tags for mass spectrometry, is an essential part of the strategy to deliver shareholder value in the medium to long-term.

### **2. Seek to understand and meet shareholder needs and expectations**

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders on a regular basis.

All shareholders are encouraged to attend the Company’s Annual General Meeting and any other General Meetings that are held throughout the year. Investors also have access to current information on the Company through its website, <https://proteomics.com>. Requests from institutional and retail shareholders are addressed directly whenever possible by members of the Executive team.

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

The Board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Company, its subsidiaries, contractors, suppliers and regulators, and upon relationships with customers and licencees. Feedback from all these stakeholders is shared with, and reviewed by, the Executive team on a regular basis and, where appropriate, actions are documented. The Executive team, led by the CEO, is also responsible for identifying the resources and relationships necessary for developing the business, and sharing these needs with the Board.

An agreed procedure exists for Directors in the furtherance of their duties to take independent professional advice. With the prior approval of the Chairman, all Directors have the right to seek independent legal and other professional advice at the Company’s expense concerning any aspect of the Company’s operations or undertakings in order to fulfil their duties and responsibilities as Directors. If the Chairman is unable or unwilling to give approval, Board approval will be sufficient. Newly appointed Directors are made aware of their responsibilities through the Company Secretary.

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

#### *Risk management*

The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and ongoing review of business risks that could affect the Company. Duties in relation to risk management that are conducted by the Directors include, but are not limited to:

- Initiate action to prevent or reduce the adverse effects of risk
- Control further treatment of risks until the level of risk becomes acceptable
- Identify and record any problems relating to the management of risk
- Initiate, recommend or provide solutions through designated channels
- Verify the implementation of solutions
- Communicate and consult internally and externally as appropriate
- Inform investors of material changes to the company's risk profile.

#### *Conflicts of interest*

The Board has instituted a process for reporting and managing any conflicts of interest held by Directors. Under the Company's Articles of Association, the Board has the authority to approve such conflicts.

#### *Company materiality threshold*

The Board acknowledges that assessment on materiality and subsequent appropriate thresholds are subjective and open to change. As well as the applicable laws and recommendations, the Board has considered quantitative, qualitative and cumulative factors when determining the materiality of specific relationships of Directors.

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

The Board recognises that the Company needs to deliver growth in long-term shareholder value and that this requires an efficient, effective and dynamic management framework. This should be accompanied by good communication which helps to promote confidence and trust.

The Board currently comprises three Executive Directors (Richard Dennis, Dr Jeremy Haigh (Chief Executive Officer) and Dr Ian Pike) and four Non-Executive Directors (Martin Diggle, Roger McDowell, Dr Ursula Ney and Christopher Pearce (Chairman)). Details of the qualifications, background and responsibilities of each director are provided on the Company's website

<https://proteomics.com/leadership>.

The board is supported by Audit and Remuneration Committee, details of which are summarised under Principle 9 below.

- The Board considers Roger McDowell and Dr Ursula Ney to be independent.
- Martin Diggle, a director of Vulpes (the largest shareholder in the Company) is not remunerated for his role on the Board and is not a member of any Board sub-committee.

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

All members of the Board bring relevant experience. The Board believes that its blend of experience, skills, personal qualities and capabilities is suitable to ensure it successfully executes its strategy. Following the retirement of a non-executive director with a pharmaceutical background, Dr Ursula Ney

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was appointed in August 2017 bringing with her considerable scientific and management experience in the biotechnology industry to the Board. The existing spectrum of differing entrepreneurial skills continues to be represented on the Board together with considerable knowledge and expertise from scientific research and the pharmaceutical industry.

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

The Board considers that it is appropriate to evaluate the performance of the Board and its Committees annually. The 2018 evaluation is detailed below. This is intended to make sure that the Board remains effective, well-informed and able to make high quality and timely decisions for the benefit of all stakeholders in the Company with regular meetings to discuss the strategic direction and the terms of reference for the Committees. Areas covered include Board structure, Board arrangements, frequency and time, content of Board meetings, Board culture and succession planning. It is recognised that there continues to be more regulation about which Directors need to be informed and aware. The Board will continue to ensure that Directors receive appropriate support and training as required to keep them up to date with current practices.

The Chairman led an annual performance assessment of the Board and its Committees at the end of 2018. The performance effectiveness process included each Director completing a performance evaluation questionnaire, the results and feedback from which were collated into a summary and discussed by the Board.

The Chairman's summary of the Board Evaluation concluded that the Board is well balanced and performs an excellent function in overseeing corporate goals and activities. Management is free to operate within the Board-defined goals and receives appropriate support, oversight and challenge where required. The Board agreed that an appropriate framework should be established for succession planning.

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

As part of the Board's commitment to the highest standard of conduct, the Company adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibilities to shareholders
- compliance with laws and regulations
- relations with customers and suppliers
- ethical responsibilities
- employment practices
- responsibility to the environment and the community.

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

#### *Chairman*

The current Chairman of the Company is Christopher Pearce who has been a director of the Company since July 1994. The responsibilities of the Chairman are to:

- Lead the Board, ensuring its effectiveness on all aspects of its role
- Ensure that the directors receive accurate, timely and clear information
- Ensure effective communication with shareholders

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- Facilitate the effective contribution of non-executive directors
- Act on the results of board performance evaluation

### *Chief Executive Officer*

The current Chief Executive of the Company is Dr Jeremy Haigh who has been a director of the Company since June 2016. The responsibilities of the Chief Executive Officer are to:

- Provide leadership and day to day management of the business within the authorities delegated by the Board.

### *Board meetings*

The Board meets on average 8 times a year by way of both face to face and teleconference meetings. Decisions concerning the direction and control of the business are made by the Board, and a formal schedule of matters specifically reserved for the Board is in place. Matters reserved for the Board include:

- Approval of overall strategy and strategic objectives;
- Oversight of operations (including accounting, planning and internal control systems);
- Compliance with legal and regulatory requirements;
- Management/operational performance review;
- Changes in corporate or capital structure;
- Approval of the risk appetite of the company;
- Approval of the half-year and annual report and accounts;
- Declaration of any interim dividend and recommendation of a final dividend;
- Approval of formal communications with shareholders;
- Approval of major contracts and investments; and
- Approval of policies on matters such as health and safety, corporate social responsibility (CSR) and the environment.

Generally, the powers and obligations of the Board are governed by the Companies Act 2006, and the other laws of the jurisdictions in which the Company operates. The Board is responsible, *inter alia*, for setting and monitoring Group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the shareholders.

### *Board committees*

There are two board committees:

- Audit Committee - members are Roger McDowell (Chair), and Dr Ursula Ney. This committee met three times during 2018.
- Remuneration Committee - members are Dr Ursula Ney (Chair) and Roger McDowell. This committee met twice in 2018.

### Audit committee

The Committee provides a forum for reporting by the Company's external auditors. Meetings are held on average three times a year and are attended, by invitation, by the Executive Directors.

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual and half year results, financial statements and accompanying reports before their submission to the

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Board and monitoring the controls which ensure the integrity of the financial information reported to the shareholders. Audit Committee Terms of Reference are provided on the Company's website.

### Remuneration committee

The Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The Remuneration Committee determines the contract terms, remuneration and other benefits for the Executive Directors, including performance related bonus schemes, compensation payments and option schemes. The Board itself determines the remuneration of the Non-Executive Directors. Remuneration Committee Terms of Reference are provided on the Company's website.

### Nominations committee and internal audit

The directors consider that the Company is not currently of a size to warrant the need for a separate Nominations Committee or internal audit function although the Board has put in place internal financial control procedures as summarised below.

### Internal financial control

The Board is responsible for establishing and maintaining the Group's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by their very nature can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors are conscious of the need to keep effective internal financial control, particularly in view of the cash resources of the Group. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they remain appropriate to the nature and scale of the operations of the Company.

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

Shareholders are regularly advised of any significant developments in the Company through announcements via the Regulated News Service and are encouraged to participate in the Annual General Meeting and any other General Meetings that may take place throughout the year. At the last Annual General Meeting of the Company held on 30 April 2019 the following resolutions were proposed and the number of votes for and against each resolution was as follows:

Resolution		Voting			
		In Favour	Discretion	Against	Withheld
1	To receive the financial statements and the reports of the directors and of the auditors for the year ended 31 December 2018	118,199,324	4,189	5,307	0
2	To re-appoint Dr Ian Pike as a Director	112,328,070	4,189	5,876,561	0
3	To re-appoint Martin Diggle as a Director	112,323,472	4,189	5,877,561	3,598
4	To re-appoint BDO LLP as auditors of the Company	112,340,850	4,189	6,578	5,857,203
5	The renew the Directors' authority to allot shares	112,333,305	4,189	14,250	5,857,076
6	To renew the Directors' authority to dis-apply pre-emption rights for the allotment of shares	112,332,305	4,189	15,788	5,856,538

## PROTEOME SCIENCES PLC CORPORATE GOVERNANCE STATEMENT

At the Annual General Meeting of the Company held on 30 May 2018 the following resolutions were proposed and the number of votes for and against each resolution was as follows:

Resolution		Voting			
		In Favour	Discretion	Against	Witheld
1	To receive the financial statements and the reports of the directors and of the auditors for the year ended 31 December 2017	101,912,792	7,030,500	7,022	709,538
2	To re-appoint Christopher Pearce as a Director	101,910,792	7,030,500	9,022	709,538
3	To re-appoint Ursula Ney as a Director	101,911,792	7,030,500	8,022	709,538
4	To re-appoint Richard Dennis as a Director	101,910,792	7,030,500	9,022	709,538
5	To re-appoint BDO LLP as auditors of the Company	101,918,099	7,030,500	1,715	709,538
6	The renew the Directors' authority to allot shares	101,874,659	7,030,500	43,755	710,938
7	To renew the Directors' authority to dis-apply pre-emption rights for the allotment of shares	101,874,659	7,030,500	43,755	710,938
8	Adoption of new Articles of Association	101,916,699	7,030,500	2,715	709,938

Copies of the annual returns, general meeting notices and announcements made to the London Stock Exchange are available to view on the Company website.