

Corporate Governance

THE QUOTED COMPANY ALLIANCE (QCA) CODE

The Directors recognize the importance of good corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". The Directors anticipate that whilst the Company will continue to comply with the QCA Code, given the Group's size and plans for the future, it will also endeavor to have regard to the provisions of the UK Corporate Governance Code as best practice guidance to the extent appropriate for a company of its size and nature. To see how the Company addresses the key governance principles defined in the QCA Code (and any areas of non-compliance) please refer to the below table. Further information on compliance with the QCA Code will be provided in our next annual report.

Jim Mellon, Non-executive Chairman

This disclosure was last reviewed and updated on 27 September 2018

THE PRINCIPLES OF THE QUOTED COMPANY ALLIANCE (QCA) CODE

DELIVER GROWTH

QCA Code Principle	What we do and why
1. Establish a strategy and business model which promote long-term value for shareholders	<p>The strategy and business operations of the Group are set out in the CEO Strategic Report included in the latest audited Financial Statements at:</p> <p>https://www.salvarx.io/investors/financial-reports.html</p> <p>The Group's strategy and business model and amendments thereto, are developed by the Chief Executive Officer and his senior management team, and approved by the Board. The management team, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business at an operational level.</p> <p>The Group's overall strategic objective is to assemble and develop a portfolio of differentiated immunology therapies for the treatment of late-stage cancers.</p> <p>The Group has a balanced portfolio focused on immune-oncology having invested in novel cancer immuno-therapies and it provides its portfolio companies with operational support ranging from direct operation of subsidiaries to advisory or part-time involvement in more established companies. The Group deploys its financial and other resources towards gaining clinical validation for its therapeutic programmes, via well-designed clinical trials in well-regulated territories. Ultimately, the Directors believe that this approach will deliver significant long-term value for shareholders if the resulting clinical trial data are compelling.</p> <p>At the appropriate stage of development, the Group may choose to realise monetary value in a therapeutic programme via high-value out-licensing deals with pharmaceutical or biotechnology companies with interests in the relevant therapeutic field and/or geographical territories. Alternatively, and if resources permit, the Group may choose to advance a therapeutic candidate through late-stage clinical development unpartnered in order to retain the full value of the programme within the Group.</p> <p>The Group has adopted a portfolio approach to its strategic assets and is not dependent on one particular platform technology. The Directors believe that this approach helps to mitigate the risk of failure in any one particular programme.</p> <p>The Group operates in an inherently high risk and heavily regulated sector and this is reflected in the principal risks and uncertainties.</p> <p>In executing the Group's strategy and operational plans, management will typically confront a range of day-to-day challenges associated with these key risks and uncertainties, and will seek to deploy the identified mitigation steps to manage these risks as they manifest themselves.</p>

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<p>2. Seek to understand and meet shareholder needs and expectations</p>	<p>The Group via the Chief Executive Officer seeks to maintain a regular dialogue with both existing and potential new shareholders in order to communicate the Group's strategy and progress and to understand the needs and expectations of shareholders.</p> <p>Beyond the Annual General Meeting, the Chief Executive Officer and, where appropriate, other members of the senior management team will meet with investors and analysts to provide them with updates on the Group's business and to obtain feedback regarding the market's expectations of the Group.</p> <p>The Group's investor relations activities encompass dialogue with both institutional and private investors. From time to time, the Company attends private investor events, providing an opportunity for those investors to meet with representatives from the Group in a more informal setting.</p>
<p>3. Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Group's employees, partners, suppliers, regulatory authorities and the patients involved in the Group's clinical development activities. The Group's operations and working methodologies take account of the need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole. The Group endeavours to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer-term strategy.</p> <p>The Group takes due account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Group ensures full compliance with health and safety and environmental legislation relevant to its activities.</p>
<p>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Audit Committee, the effectiveness of these internal controls is reviewed annually.</p> <p>The Chief Executive produces a monthly "dashboard" with updates on all projects which also contains a budget and cash flow information.</p> <p>The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.</p>

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

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<p>5. Maintain the board as a well-functioning, balanced team led by the chair</p>	<p>The Group's Board currently comprises four Non-executive Directors and two Executive Directors.</p> <p>All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.</p> <p>Directors' biographies are set out here: https://www.salvarx.io/investors/aim-rule-26.html</p> <p>The Board is responsible to the shareholders for the proper management of the Group and meets at least four times a year to set the overall direction and strategy of the Group, to review scientific, operational and financial performance and to advise on management appointments. All key operational and investment decisions are subject to Board approval.</p> <p>The Board considers itself to be sufficiently independent. The QCA Code suggests that a board should have at least two independent Non-executive Directors. The Board considers that two Non-executive Directors, namely Richard Armstrong and Colin Weinberg, are regarded as independent under the QCA Code's guidance for determining such independence.</p>

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	<p>Non-executive Directors receive their fees in the form of a basic cash emolument. All directors hold options over the Group's shares. The number and terms are set out in the latest Audited Financial Statements which may be found here;</p> <p>https://www.salvarx.io/investors/financial-reports.html</p> <p>The option grants concerned are not deemed to be significant, either for any individual Non-executive Director or in aggregate. The current remuneration structure for the Board's Non-executive Directors is deemed to be proportionate.</p>
<p>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The Board considers that all of the Non-executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities, and bring considerable experience in scientific, operational and financial development of biopharmaceutical products and companies.</p> <p>The Directors' biographies are set out here:</p> <p>https://www.salvarx.io/about/about-salvarx-group.html.</p> <p>The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group.</p> <p>Directors' service contracts or appointment letters make provision for a Director to seek personal advice in furtherance of his or her duties and responsibilities, normally via the Company Secretary.</p>
<p>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The Board intends to utilise the services of an independent third-party organisation to manage the future evaluation process, analyse the results and report back to the Board for subsequent follow-up. Evaluation criteria include Controls and Procedures, Strategic Aims, Entrepreneurial Leadership and Communications and Relationships.</p> <p>The Board may utilise the results of the evaluation process when considering the adequacy of the composition of the Board and for succession planning.</p>
<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. An open culture is encouraged within the Group, with regular communications to staff regarding progress and staff feedback regularly sought. The Chief Executive Officer regularly monitors the Group's cultural environment and seeks to address any concerns that may arise, escalating these to Board level as necessary.</p> <p>The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. The Group's health and safety policies and procedures are enshrined in the Group's documented quality systems, which encompass all aspects of the Group's day-to-day operations.</p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>The Board has overall responsibility for promoting the success of the Group. The Executive Directors have a day-to-day responsibility for the operational management of the Group's activities. The independent Non-executive Directors are responsible for bringing independent and objective judgment to Board decisions.</p> <p>There is a clear separation of the roles of Chief Executive Officer and Non-executive Chairman. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-executive Directors are properly briefed on matters. The Chairman has overall responsibility for corporate governance matters in the Group. The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.</p> <p>The Board has established an Audit Committee, a Remuneration Committee and a Nominations Committee with formally delegated duties and responsibilities. Richard Armstrong chairs the Audit Committee, Jim Mellon chairs the Remuneration Committee and Colin Weinberg chairs the Nominations Committee.</p> <p>The Audit Committee normally meets twice a year and has responsibility for, amongst other things, planning and reviewing the annual report and accounts and interim statements involving, where</p>

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	<p>appropriate, the external auditors. The Committee also approves external auditors' fees and ensures the auditors' independence as well as focusing on compliance with legal requirements and accounting standards. It is also responsible for ensuring that an effective system of internal control is maintained. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board.</p> <p>The Remuneration Committee, which meets as required, but at least once a year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the Executive Directors. It also supervises the Group's share incentive schemes and sets performance conditions for share options granted under the schemes.</p> <p>The Directors believe that the above disclosures constitute sufficient disclosure to meet the QCA Code's requirement for a Remuneration Committee Report.</p> <p>The Nominations Committee, which meets as required, has responsibility for reviewing the size and composition of the Board, the appointment of replacement or additional Directors, the monitoring of compliance with applicable laws, regulations and corporate governance guidance and making appropriate recommendations to the Board.</p>

BUILD TRUST

QCA Code Principle	What we do and why
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	<p>The Group places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. The Group's website is regularly updated with regulatory and sector news.</p> <p>The Group's financial reports can be found here: https://www.salvarx.io/investors/financial-reports.html.</p> <p>Notices of General Meetings of the Company can be found here: https://www.salvarx.io/investors/regulatory-news.</p> <p>The results of voting on all resolutions in future general meetings will be posted to the Group's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders.</p>