

# ImmuPharma plc

## Corporate Governance Report

The Group's directors recognise the importance of sound corporate governance. As such the Board has adopted the Quoted Companies Alliance Corporate Governance Code ("the QCA Code").

Tim McCarthy, Chairman and Chief Executive Officer, has assumed responsibility for ensuring that the Group has appropriate corporate governance standards and that these standards are applied throughout the Group.

The Board, through its adoption of the QCA Code, believes in the value of putting the necessary systems and processes in place to support the medium to long-term delivery of the Company's strategic objectives. The Board is aware of the importance of communicating these strategic objectives to stakeholders and in reporting performance in a manner that encourages constructive dialogue to support the production of sustainable value in the long term. The Board recognise their role in setting the strategic direction of the business as well as in establishing the organisation's risk appetite. This is supported with a strong belief in appropriate accountability and performance measures. Further, the Board is cognisant of the key role it plays in setting the tone and culture of the entire Group.

The Board currently consists of 4 directors, 2 of which are executive and 2 are non-executive.

The Board has considered each of the 10 principles contained within the QCA Code and where the Group does not fully comply with each principle an explanation is provided as to why it does not currently do so.

In addition, the Company has implemented a code of conduct for dealing in the shares of the Company by directors and employees (see Principle 9, page 30 for more information).

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

ImmuPharma is an ethical organisation with the vision to develop novel drugs to treat serious medical conditions, delivering value to patients, medical professionals, healthcare payers and its shareholders.

ImmuPharma's principal business objective is to enhance shareholder value through the development and commercialisation of novel drugs. Its strategies for achieving this objective include:

- Pursuing a low cost model of accessing world class research through collaboration with the CNRS in France;
- Selecting specialist therapeutic areas where there are high unmet needs;
- Managing clinical development of novel drug candidates;
- Seeking collaborative agreements with partner companies to further the development and commercialisation of novel drug candidates; and
- Maintaining a small corporate infrastructure to minimise costs.

Key activities and discussions in 2021, in relation to strategy and performance were revolving around product pipeline (see Strategic Report on pages 11-15 for more information), Lupuzor regulatory progress, including PK study as part of phase III clinical trials (see Chairman Statement on pages 2-3 for further details), capital subscriptions and repayment of Convertible Loan Notes (see Chairman Statement on page 5 for more information).

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

ImmuPharma strives to engage in active dialogue with shareholders through regular communication including investor events, participation in conferences, the Company's Annual General Meeting, any meetings that are held throughout the year and one-on-one discussions.

Over the past 12 months, ImmuPharma's shareholder communications have included participation at investor events, regular announcements regarding the Company's clinical trial progress, the Annual General Meeting and numerous one-on-one meetings and interviews. These meetings seek to foster a mutual understanding of both the Company's and shareholders' objectives. Such meetings are conducted in a format to protect price sensitive information that has not already been made generally available to all the Company's shareholders.

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## Corporate Governance Report (continued)

Similar guidelines also apply to other communications between the Company and other parties, such as financial analysts, brokers and the media.

In addition, the Board is provided with market summary reports which detail share price and share register movements.

All members of the Board are scheduled to attend the Annual General Meeting. Notice of the Meeting is dispatched to shareholders at least 21 working days before the Meeting. The information sent to shareholders includes a summary of the business to be covered, with a separate resolution prepared for each substantive matter.

Due to Covid-19 disruptions and as per UK government guidance on public gatherings restrictions, in 2021 the Company AGM was held with the minimum attendance required to form a quorum. In order to ensure that shareholders were able to follow the proceedings of the AGM, the Company provided a live broadcast of the AGM through the Investor Meet Company (“IMC”) platform. Shareholders were invited to submit written questions for the Board to answer either in advance or during the AGM itself. The votes were submitted via proxies ahead of the AGM and its results were announced to the London Stock Exchange and displayed on the Company’s website.

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

The Board recognises the importance of its wider stakeholders – employees, contractors, suppliers, regulators and advisors – to its long-term success. The Board has established expectations that these key resources and relationships are valued and monitored. In particular, the Company’s business model of outsourcing clinical trials requires reliable dialogue with contractors to ensure the success pursuit of long-term strategic objectives. Furthermore, the Board actively seek to engage regularly with our corporate advisers to ensure proactive communication regarding the Company’s activities. In doing so, the Company is able to take any feedback into account and adjust its actions accordingly to ensure it stays focused on long-term performance.

The Board recognises that the Company operates within the wider pharmaceutical industry and strives to remain alert to developments in a wider industry/society context. See stakeholder engagement within Strategic Report for further details on the pages 33-34.

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

ImmuPharma operates within a complex business environment and an industry that is fundamentally driven by regulatory processes. The Board has set out its understanding of the principal risks and uncertainties in its Strategic Report and regularly reviews its strategies for minimising any adverse impact to the Company or its investors.

Risk assessment is a priority for the Board. The major risks to the business are laid out in detail in the Company’s Strategic Report on pages 17 - 21. They concern mainly the control and timely progress of clinical trials and the obtaining of regulatory approval and profitable agreements with other parties, with adequate financial resources to achieve these objectives.

Where a material new risk or opportunity is identified, or an existing risk escalates, the Board will communicate and meet outside of the regular Board meetings to ensure the required actions are taken and are effective.

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## Corporate Governance Report (continued)

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

The Board members have a collective responsibility and legal obligation to promote the interests of the company.

In the table below, details of the Board of Directors are summarised:

Name	Title	Independent	Committee Memberships
Tim McCarthy	Chief Executive Officer and Chairman		
Tim Franklin	Chief Operational Officer		
Sanjeev Pandya	Senior Non-Executive Director	X	Audit, Remuneration
Lisa Baderoon	Head of Investor Relations and Non-Executive Director	X	Audit, Remuneration

Brief biographies of each Director are set out on pages 23 and 24. The Company believes that the skills and experience of each Director are of the appropriate mix to provide effective governance and management of the business. The Board was supported in its governance and finance responsibilities by Ewa Flynn, Chief Financial Officer and Company Secretary, who is not a Director (appointed as a Company Secretary in January 2021).

The Board is supported by a team of Scientific Collaborators, further details of which can be found on page 25.

Following major changes in the Board structure in 2021, Tim McCarthy was appointed as CEO, while maintaining the position of Chairman. The Company has initiated the process to identify a suitable person to take over as Non-Executive Chair of the Company and during this interim period Tim will continue as Chairman.

The Company also appointed its new non-executive directors, taken into consideration their independency and shareholders' interest. The newly appointed independent directors have considerable relevant experience to sufficiently question and hold the executive directors to account.

Each Director is required to devote as much time is required to carry out the roles and responsibilities required.

The Company has adopted the practice of requiring all directors to be subject to re-election every three years.

The executive directors are employed under service agreements requiring 12 months' notice by either party. Non-executive directors receive payments under appointment letters, which are terminable by three months' notice by either party.

The Board meets regularly throughout the year with all decisions concerning the direction and control of the business made by a quorum of the Board. As of 31 December 2021, the Board met 20 times with the attendance records of the directors as follows:

Tim McCarthy, Chief Executive Officer and Chairman – 20/20

Tim Franklin, Chief Operational Officer (appointed on 16 July 2021) - 7/20

Sanjeev Pandya, Senior Non-Executive Director (appointed on 29 July 2021) - 7/20

Lisa Baderoon, Head of Investor Relations and Non-Executive Director (appointed on 29 July 2021) - 7/20

Dimitri Dimitriou, Chief Executive Officer (stepped down on 29 July 2021) – 13/20

Robert Zimmer, President and Chief Scientific Officer (stepped down on 28 June 2021) – 2/20

Franco di Muzio, Senior Non-Executive Director (stepped down on 29 July 2021) – 13/20

Stephane Mery, Non-Executive Director (stepped down on 29 July 2021) – 13/20

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## Corporate Governance Report (continued)

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

The Board has extensive mixture of skills and experience, which enable the delivery of Group's strategy for the shareholders over the medium to long-term. These include scientific expertise, public market requirements, business acumen and financial knowledge. Please refer to Director biographies on pages 23 and 24.

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

Internal evaluation of the Board, the Audit Committee and Remuneration Committee as well as individual directors is undertaken on an informal basis at present. The review takes the form of peer appraisal and discussions to determine the overall effectiveness of individual directors and the Board as a whole. Specific consideration will be given to evaluating the continued independence of the Group's non-executive directors. Senior management appointments are discussed at the Board Meetings and are managed by the Chief Executive Officer and Chief Operational Officer with additional support from Non-Executive Directors where appropriate.

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

The Board recognises its role in establishing and monitoring not only the strategic direction and risk appetite but also the tone and culture of the organisation. As a pharmaceutical drug development company, an ethical approach is essential. As such, the Board places great importance on the serious pursuit of therapeutic innovation and making effective use of limited resources. It applies to the directors as well as all group employees and consultants. It is a key belief of the Company and helps to define its competitive advantage in relation to its peers.

Upon joining the Company, employee has an induction meeting in relation to the Company's code of conduct and ethics. This includes example behaviours that are considered unacceptable by the Group.

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

The Board is responsible for long-term success of the Company. There is a schedule of matters reserved for the Board that guides the Board's activities.

An Audit Committee and a Remuneration Committee have been established with formally delegated duties and responsibilities. As summarised under Principle 5, the members of both committees are the Non-Executive Directors.

#### **Audit Committee**

The Audit Committee, which determines the engagement of the Company's auditors and, in consultation with them, the scope of their audit. The Audit Committee meets a minimum of two times per year. The Audit Committee receives and reviews reports from management and the auditors relating to the interim and annual financial statements and the accounting and internal control systems in use by the Company. It has unrestricted access to the auditors.

The Board and the Audit Committee review the need for an internal audit function on an annual basis and currently do not consider it necessary at this stage in the Company's development.

The directors acknowledge their responsibilities for the Group's system of internal financial controls. They have during the year ended 31 December 2021, carried out a review of internal financial controls, strengthening and updating the Company and its subsidiaries internal control policies. The Group's financial reporting arrangements are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

In 2021 Audit Committee has deliberated two times. At these meetings the main point of discussion were annual and interim financial statements and working capital, the presentation of the annual report, audit report from Nexia Smith & Williamson, the audit fees and audit plan, updates on cash position, financial instruments and overall function of the committee and its members.

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## Corporate Governance Report (continued)

### Remuneration Committee

The Remuneration Committee reviews the scale and structure of the executive directors' remuneration and benefits and the terms of their service contracts. The remuneration of the non-executive directors is determined by the Board as a whole.

The Committee has formal terms of reference and meets at least twice a year. It is the duty of the Committee, inter alia, to determine and agree with the Board the framework or broad policy for the remuneration of the Company's executive Board members. The remuneration packages are designed to motivate and retain executive directors to ensure the continuing development of the Company and to reward them for enhancing value to shareholders.

On 29 July 2021 Franco di Muzio (Chair of Remuneration Committee and Senior Non-Executive Director) and Stephane Mery (Non-Executive Director) stepped down from the Board following 14 and 6 years in these roles respectively.

On 29 July 2021 Lisa Baderoon has been appointed to the Board as a Non-Executive Director and the Chair of Remuneration Committee.

On 29 July 2021 Sanjeev Pandya has been appointed to the Board as a Senior Non-Executive Director and the Chair of the Audit Committee.

In 2021 the Remuneration Committee met four times. Amongst others, it dealt with the Directors' resignations and its related settlement agreements (including Robert Zimmer's lock - in deed and voting deed) and new Directors' appointments.

### Nominations committee

The directors consider that the Company is not currently of a size to warrant the need for a separate nominations committee and any decisions which would usually be taken by the nomination committee will be taken by the Board as a whole.

### Share Dealing Code

The Company has adopted a Share Dealing Code given the importance of having a clear and effective policy that sets out the rules and procedures for share dealings by the directors and other applicable employees.

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

The Board is committed to maintaining good communication with its shareholders and in promoting effective dialogue regarding the Company's strategic objectives and performance. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback via meetings with the Company. The Annual General Meeting and any other General Meetings that are held throughout the year are for shareholders to attend and question the directors on the Company's performance. The results of any general meetings are released through LSE AIM RNS news as soon as practically possible. The Annual Reports and notice of all general meetings are available on the Group's website.

The directors also periodically promote ImmuPharma's activities, following the publication of regulatory announcements, through various media platforms such as Proactive Investors, Investor Meets Company.