

July 2021

CHAIRS CORPORATE GOVERNANCE STATEMENT

Overview

As Chair of the Board of Directors of Destiny Pharma plc (**Destiny Pharma** or the **Company/Group** as the context requires), it is my responsibility to ensure that the Company has both sound corporate governance and an effective Board. I take this responsibility seriously and seek to ensure that Destiny Pharma stays abreast of the latest corporate governance guidance and thinking. My responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, communicating with shareholders, and ensuring that information flows freely between Executives and Non-Executives in a timely and efficient manner.

Destiny Pharma has adopted the Quoted Companies Alliance Corporate Governance Code (**QCA Code**) in line with the London Stock Exchange's AIM Rules. This report explains how we have applied the QCA Code. We will continue to provide annual updates on our compliance with the QCA Code.

The Board considers that the Company complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and we have disclosed any areas of non-compliance in the text below. The Company understands that the application of the QCA Code supports the Company's medium to long-term success whilst simultaneously managing risks and provides an underlying framework of commitment and transparent communications with stakeholders.

Governance changes during the year included the appointment of Dr Debra Barker as Chair of the Remuneration Committee, replacing Nick Rodgers on 1st January 2021.

QCA Principles

1. Establish a strategy and business model which promotes long-term value for shareholders

The Board has concluded that the greatest medium and long-term value can be delivered to its shareholders by using a flexible, virtual model to create novel anti-infective medicines.

The Company intends to deliver medium and long-term shareholder value through drug development based upon the following key strategic actions:

- Focus:
 - The Company is committed to becoming a world-leading anti-infective company focused on developing novel medicines that can prevent life-threatening infections. The Company sees itself as a "drug development engine" in its chosen therapeutic areas and does not currently intend to build a sales and marketing infrastructure. The Company has already proven it can develop intellectual property, identify lead candidates and bring selected compounds through early testing to be ready for later stage clinical trials.
- Collaborations:
 - Destiny Pharma views collaboration as critical to its success and it is committed to reach out and work with sector specialists at all stages of the drug research and clinical process to advance projects and deliver shareholder value. These currently include collaborations on the Company owned XF platform, in-licencing deals such as NTCD-M3, business collaborations (SporeGen and CMS), grant funded university

partnerships, formulation development and projects examining our drug candidates' interaction with other anti-infectives or potential mechanisms.

- Commercialisation:
 - When Destiny Pharma investigates the commercial markets for its medicines it takes into account patient benefit, clinical need, potential market volumes and pricing implications. This guides the portfolio review and the selection of target indications. The Company is looking to partner later stage Phase 3 projects with expert sales and marketing pharma or speciality pharma companies who can support the later stage clinical trials and carry out product launches to maximise value creation.
- Funding:
 - The Company has a track record of raising funding for its drug development. The Company also seeks to leverage equity funding with non-dilutive funding. Five grants and other non-dilutive funding awards totalling over £2.5 million have been won since the IPO in September 2017. Destiny Pharma is funded through to Q4 2022 and will continue to seek non-dilutive funding and collaborative partnerships.

For more information on Destiny Pharma's strategy and future developments, please see the Company's website, www.destinypharma.com.

For the foreseeable future, Destiny Pharma intends to deliver shareholder returns through capital appreciation. The Company's ability to successfully deliver capital appreciation is subject to a number of risks and uncertainties in common with other biotechnology companies operating in the field of research and development, although the Board takes steps to mitigate these risks. Further challenges to Destiny Pharma's strategy and long-term goals are highlighted in the Risk Management section below.

2. Seek to understand and meet shareholder needs and expectations

The Company places great importance on the need for effective communication and constructive dialogue with investors and the media by providing communications through the Annual and Interim Reports, along with Regulatory News Service announcements. This is supplemented with webinars and other investor presentations as well as social media activity.

The Company's website, www.destinypharma.com, is used for both financial and general news relevant to shareholders. The Board maintains a general policy of keeping all interested parties informed by regular announcements. The Board as a whole is responsible for ensuring that effective dialogue with shareholders takes place, whilst the Chairman and Chief Executive Officer ensure that the views of shareholders are communicated to the Board.

Shareholders are able to attend the company's AGM which provides an excellent opportunity to engage directly with the Board and discuss the Company's strategy and performance in more detail. In addition, the Company is open to meet, listen and present to shareholders through the year.

All 2021 AGM resolutions were passed comfortably. Although shareholder attendance was restricted at the 2021 AGM due to ongoing government restrictions caused by the Covid-19 pandemic, shareholders were given the opportunity to observe proceedings online. This included a presentation from the CEO followed by Q&A so that engagement between the Board and its stakeholders was not impeded by the ongoing pandemic and subsequent changes to the AGM arrangements. Shareholders were encouraged to appoint the Chair of the AGM as proxy to enable them to exercise their voting rights.

In addition, the Company is open to receiving feedback from any stakeholders and will take action where appropriate. Shareholders can contact the Company by email through its website and relevant queries are passed to the Board for discussion.

The Company also engages the services of research analysts, who publish regular research on the Company. This research is made available to shareholders on the Company's website. More information on the ways in which Destiny Pharma engages with its stakeholders can be found in the Company's s172 statement on page 22 of the Annual Report.

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 assessing the impact and benefits of the Company's activities on society and the environment, and consequently endeavours to consider the interest of shareholders and other stakeholders, including employees, suppliers and business partners when operating its business. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company prepares an annual strategic plan and detailed budget which considers a wide range of key resources including staffing, business partners, researchers, suppliers, production lines and opportunities.

All employees within the Company are valued members of the team, and the Company is committed to promoting policies which ensure that high-calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Company are treated equally regardless of sex, sexual orientation, marital status, creed, colour, race or ethnic origin. The Company has less than 20 employees and an open culture is actively encouraged with regular communications to staff regarding progress, with feedback regularly being sought. This feedback process helps to ensure that new issues and opportunities that arise can be used to further the success of the Company.

The environmental impact of the Company's activities is of great concern and we have started to set targets for long term environmental sustainability. The Company is focused on reducing its environmental footprint, growing sustainably, as well as inspiring, educating and engaging our employees, partners and stakeholders to achieve these goals.

The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company.

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

The Board is responsible for the effectiveness of the company's internal control system (including risk management) and is supplied with information to enable it to discharge its duties. Internal control systems are designed to meet the particular needs of the company and to manage rather than eliminate the risk of failure to meet business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board maintains a risk register which identifies risks, prioritises them by likelihood and impact, and records the actions needed to mitigate and monitor those risks. This allows the Board to monitor and manage the Company's risks. The Board will act swiftly to formulate contingency plans to manage the situation if any risk materialises as it has done in relation to the current pandemic. Key risks are

monitored by senior management on an ongoing basis and the risk register is reviewed regularly at Board meetings.

The Company maintains a comprehensive process of financial reporting. The annual budget is reviewed and approved before being formally adopted. Other key procedures that have been established and which are designed to provide effective control are as follows:

- management structure - where the Board and senior managers both meet regularly to discuss all issues affecting the Company; and
- investment appraisal - the Company has a clearly defined framework for investment appraisal and approval is required by the Board where appropriate.
- quality management system (QMS) – the Company has established a comprehensive QMS incorporating all business operations to develop, implement and ensure compliance with standard operating procedures.

The Board regularly reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. No significant control deficiencies have come to light during the period and no weakness in internal financial control have resulted in any material losses, contingencies or uncertainties which would require disclosure as recommended by the guidance for directors on reporting on internal financial control.

Whilst the Board has ultimate responsibility and regularly reviews the current risk management and internal control mechanisms, it has delegated oversight responsibility of the Company's internal controls to the Audit Committee, who keep under review the adequacy and effectiveness of the Company's financial internal controls and internal control and risk management systems.

Principal Risks and Uncertainties are outlined in the Strategic Report on pages 20-21 of the Company's 2020 Annual Report.

The Board considers an internal audit function is not necessary or practical due to the size of the Company and the day to day control exercised by the Executive Directors. However, the Board will monitor the need for an internal audit function. The Board has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

5. [repeated above] Maintain the Board as a well-functioning, balanced team led by the Chair

The Board comprises the Chair Nick Rodgers, Chief Scientific Officer Dr William Love, Chief Executive Officer Neil Clark, Chief Financial Officer Shaun Claydon together with three Non-Executive Directors; Dr Huaizheng Peng, Peter Morgan and Dr Debra Barker.

The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours.

Attendance at Board and Committee Meetings during the 2020 Financial Year is outlined in the Company's 2020 Annual Report on page 25.

Meetings are open and constructive, with every Director participating fully. Senior management are often invited to meetings, providing the Board with a thorough overview of the Company.

The Board notes that the QCA recommends a balance between Executive and Non-Executive Directors and recommends that there be at least two Independent Non-Executives. The Company considers Nick Rodgers and Dr Debra Barker to be independent. Dr Huaizheng Peng is an appointee of CMS, a shareholder and strategic partner of the Company, and therefore cannot be regarded as independent.

In addition, Peter Morgan cannot be regarded as independent having served on the Board for in excess of 9 years. Notwithstanding these factors, the Board considers that each of Dr Huaizheng Peng and Peter Morgan offer a diverse range of skills and experience and use their independent judgement to challenge all matters, whether strategic or operational, helping the Board to discharge its duties and responsibilities effectively.

The Directors meet formally and informally both in person and by telephone. Board and Committee document authors are made aware of proposed deadlines, allowing board papers to be collated, compiled into a Board Pack, and circulated with sufficient time prior to each meeting, thus allowing time for full consideration and necessary clarifications before the meeting.

The Company has an Audit Committee, a Nomination Committee and a Remuneration Committee. The Board believes that the Committees have the necessary skills and knowledge to discharge their duties effectively.

Directors' conflicts of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors and changes to these commitments and interests are reported to, and where appropriate, agreed with the rest of the Board.

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

Biographical details of the Directors can be found on the Company's website.

The Company believes that the current balance of skills on the Board reflects a good range of personal, commercial, professional skills, financial and managerial skills. The Board regularly reviews the need to widen and deepen the expertise on the Board as well as any informal or formal professional development which can enhance the expertise of existing directors.

The Company has employed the services of ONE Advisory Limited to provide Board support with Corporate Governance and Market Abuse Regulation compliance.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board is kept abreast of developments in governance and AIM regulations. The Company's NOMAD provides annual Board AIM Rules refresher training as well as the initial training as part of a new director's onboarding.

The Directors have access to the Company's NOMAD, company secretary, lawyers and auditors as and when required and can obtain advice from other external bodies when necessary.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The QCA Code specifies that the Board should evaluate Board performance based on clear and relevant objectives, seeking continuous improvement. The Board uses BoardClic software and its own performance assessment questionnaires to evaluate performance. The Directors consider that this approach makes commercial and practical sense for the Company's stage of development. The results of these Board evaluations are discussed by the Board as a whole and the Chairman is responsible for

ensuring that appropriate action is taken where necessary. As the Company grows, it will keep under review the need for more formal Board evaluation processes.

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

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

The Company seeks to maintain the highest standards of integrity and probity in the conduct of its operations. These values are embodied in the written policies and working practices adopted by all employees of the company. An open culture is actively encouraged with regular communications to staff regarding progress, and staff feedback is regularly sought. The Executive Directors regularly monitor the company's cultural environment and seek to address any concerns that may arise, escalating these to Board level as necessary. The Board recognises its legal responsibility to ensure the wellbeing, safety and welfare of its employees and to maintain a safe and healthy working environment for them and for its visitors.

A large part of the Company's activities is centred upon an open and respectful dialogue with stakeholders (including employees, suppliers and business partners). Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Directors consider that the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation, which came into effect in 2016. The Directors seek to align their interests with shareholders.

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

The Board reviews the Company's corporate governance arrangements regularly and will evolve them over time as the Company grows. The Board delegates responsibilities to Committees and individuals as it sees fit.

There is a clear separation of the roles of Chief Executive Officer and Chairman. The Chairman is responsible for overseeing the running of the Board and ensuring its effectiveness. The Chairman ensures members of the Board receive timely and appropriate information and that effective communication occurs with institutional shareholders. The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day to day business activities of the company. The Non-Executive Directors are tasked with ensuring that the strategies proposed by the Executive Directors are fully considered, constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

The Board has adopted appropriate delegations of authority which sets out matters that are reserved to the Board and include:

- responsibility for the developing and setting of overall Company strategy;
- annual budgets;
- interim and full year financial statements and reports;
- accounting policies;
- major capital projects;
- investments or disposals;
- monitoring of financial performance against budget and forecast; and
- formulation of the Company's risk strategy including the identification, assessment and monitoring of Destiny's principal risks.

The matters reserved for the Board are reviewed annually, and items that fall outside the remit of the Board (such as responsibility for the day to-day management of the business) are delegated to the management team. The Board also delegates authority to the three Committees to assist in meeting its business objectives, and the Committees meet independently of Board meetings.

Audit Committee

The Audit Committee has two members who are both Non-Executive Directors, Peter Morgan (Chair) and Nick Rodgers. Other members of the Board and external auditors attend meetings by invitation. The Chair has the direct line of communication with the auditor.

The remit of the Committee is to review:

- the appointment and performance of the external auditors
- the independence of the auditors
- remuneration for both audit and non-audit work and nature and scope of the audit with the external auditors
- the interim and final financial report and accounts
- the external auditor's management letter and management's responses
- the systems of risk management and internal controls
- operating, financial and accounting policies and practices, and
- to make related recommendations to the Board.

The Audit Committee meets at least twice a year.

Remuneration Committee

The Audit Committee has three members who are all Non-Executive Directors: Dr Debra Barker (Chair), Peter Morgan and Nick Rodgers. Other members of the Board may attend the Committee meetings at the request of the Committee Chair. The Remuneration Committee is responsible for making recommendations to the Board on the Company's framework of Executive remuneration and its cost. The Committee determines the contract terms, remuneration, incentivisation and other benefits for the Directors.

The Remuneration Committee meets at least twice a year.

Nomination Committee

The Nomination Committee comprises three members, all are Non-Executive Directors: Nick Rodgers (Chair), Dr Debra Barker and Peter Morgan. The Nomination Committee is responsible for considering the composition and efficacy of the Board as a whole, succession planning and for making recommendations as appropriate.

The Nomination Committee meets at least once a year.

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 providing effective communication and having constructive dialogue with its shareholders and other relevant stakeholders. The Company has ongoing relationships with both private and institutional shareholders and shareholder analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company, as well as maintaining regular contact with its advisers in order to ensure that the Board develops an understanding of the views of shareholders.

In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. The Board already discloses the result of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. In order to improve transparency, the Board has committed to publishing proxy voting results on its website in future. All 2021 AGM resolutions were passed comfortably. The Company maintains that, if there is a resolution passed at a General Meeting with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

The latest Corporate Documents (including Annual Reports and Notices of AGMs) can be found on the Company's website.

Investors have access to current information on the Company through its website, www.destinypharma.com.