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Alliance Pharma plc Annual Report and Accounts 2022

Governance

"We continue to ensure that our corporate governance processes remain robust, challenging and appropriate."

David Cook, Chair



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CHAIR'S INTRODUCTION

“Our governance framework helps us set priorities, establish accountabilities and manage risks effectively.”

Dear shareholders and colleagues,

In my last year as Chair and on behalf of the Board, I am pleased to introduce the Governance Report for the year ended 31 December 2022. The following sections provide readers with an overview of the Group's governance arrangements.

As a company admitted to AIM, our governance is underpinned by the Quoted Companies Alliance ('QCA') Corporate Governance Code 2018 ('the QCA Code'). During the year, we have complied with the principles of the QCA Code and details of how we have done so can be found in the governance section of the Company's website. The Board continues to ensure that our corporate governance processes remain robust, challenging and appropriate providing strong foundations to underpin our assessment of risks to our strategy and the delivery of that strategy for the long-term sustainability of the business.

During the year we took the opportunity to review and reset our strategy and we have redefined our vision and purpose, which you can read more about on pages 12 to 17. We have aligned this with our governance framework to ensure it is supportive of the strategy and the decisions we as a Board and as Directors must make. This year has not been without its challenges, as the business has continued to navigate certain externalities resulting from changes in the macro-economic, political and residual post-pandemic environments. Some of these challenges are explained in the section on Protecting the Business on page 47. The good work of the Committees also ensures there is appropriate focus with sensible, pragmatic outcomes. You can read more about their work in the reports that follow.



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CHANGE OF AUDITOR

This year we were pleased to welcome Deloitte LLP as the Company's new auditor following KPMG LLP's resignation at the beginning of August 2022. Shareholders will see that their reappointment is proposed at this year's Annual General Meeting ('AGM').

BOARD APPOINTMENTS

You can read about the Directors' skills and experience on pages 61 and 62.

As previously announced, we were delighted that Jeyan Heper joined as Chief Operating Officer, and also joined the Board, on 1 February 2023. Jeyan has a strong track record of strategic leadership in the international consumer health market, overseeing a number of global programmes and driving growth in flagship brands. He has responsibility for the Group's operational capabilities, identifying growth opportunities, and further driving the Company's strategy to expand its consumer health presence.

To further support the delivery of our strategy we also welcome Non-executive Director Martin Sutherland who joined us on 1 February 2023. Martin has a proven track record of delivering growth through new product innovation, market diversification and international expansion. We believe that Martin's experience will bring a new perspective to complement the strong consumer healthcare knowledge already present on the Board.

At the same time, we announced that the Board had agreed the appointment of Richard Jones as Senior Independent Director whose role will provide further support to Board members and shareholders.

On 18 May 2022, we announced the successful appointment of Jo LeCouilliard as my successor as Chair. I wish Jo all the very best in her new role.

2023 ANNUAL GENERAL MEETING

This year's AGM will be held at 9.00am on 25 May 2023. Further details can be found in the Notice of AGM accompanying this Report. As previously announced, I will be stepping down as Chair and Director of the Company at the end of the 2023 AGM as I hand over the role to Jo LeCouilliard.

The Board and I would like to thank all shareholders and colleagues for their continued support, and we look forward to continuing with our good work during 2023.

David Cook
Chair
20 March 2023

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OUR GOVERNANCE STRUCTURE




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BOARD OF DIRECTORS

COMMITTEE
MEMBERSHIP KEY

 Audit and Risk Committee
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 Nomination Committee
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 ESG Committee
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 Committee Chair



David Cook
Independent Non-executive Chair

COMMITTEE MEMBERSHIP AS AT 31 DECEMBER 2022



DATE JOINED

David joined the Board of Alliance as a Non-executive Director in 2014 and was appointed Chair of the Board on 1 March 2018.

QUALIFICATIONS

David graduated in Chemistry at the University of Oxford and is a Chartered Accountant.

EXPERIENCE

He is currently Chief Financial Officer and an Executive Director of Ellipses Pharma, an international cancer drug development company, and was previously Chief Financial Officer and Chief Business Officer of Biotie Therapies Corp, a drug development company quoted in Helsinki and on NASDAQ. He has previously held senior financial positions with Jazz Pharmaceuticals International, EUSA Pharma and Zeneus Pharma.

David has extensive experience of financial and general business management (including the implementation of buy and build strategies) in the life sciences sector, of financing those businesses and managing investor relations across a number of stock markets globally.



Peter Butterfield
Chief Executive Officer



Peter was previously the Company's Deputy Chief Executive Officer and was appointed to his present office as Chief Executive Officer on 1 May 2018 having joined Alliance in 2010 as an Executive Director.

Peter holds an honours degree in Pharmacology from the University of Edinburgh.

Peter has over 20 years' experience in the life sciences sector and strong leadership experience gained in a variety of contexts. Peter joined the Board of Alliance in 2010 with the acquisition of Cambridge Laboratories where he spent five years, latterly as UK Commercial Director. Prior to joining Cambridge Laboratories, Peter spent six years at GlaxoSmithKline in a variety of marketing and sales roles.



Andrew Franklin
Chief Financial Officer



Andrew joined Alliance in September 2015 from Panasonic Europe Ltd, where he was General Manager, European Tax and Accounting.

Andrew holds an honours degree in Civil Engineering from the University of Wales, Cardiff.

From 2010 to 2012 Andrew was Finance Director and Company Secretary of Genzyme Therapeutics Ltd, the UK and Ireland subsidiary of Genzyme Corporation. Prior to that, he gained 12 years' pharmaceutical experience with Wyeth in a variety of senior financial positions.

Andrew is a Fellow of the Institute of Chartered Accountants in England and Wales with extensive experience of financial management of international businesses, including significant prior experience in life sciences companies.



Jeyan Heper
Chief Operating Officer

Jeyan joined Alliance as Chief Operating Officer and Board member on 1 February 2023. He has more than 25 years of diverse experience with a strong track record of strategic leadership in the international consumer health market, overseeing a number of global programmes and driving growth in flagship brands.

Jeyan graduated from the Bosphorus University in Istanbul with a Bachelor of Arts degree in Political Science and International Relations.

Jeyan has held senior executive roles at Procter & Gamble and Danone Group. In addition, Jeyan was President and General Manager of Ansell's sexual wellness global business before it was spun-out to become Lifestyles Healthcare, a private equity/pharma-owned company where Jeyan became CEO.

During his tenure as CEO at Lifestyles Healthcare, Jeyan delivered significant growth through market and category expansion, building a strong e-commerce platform in China and the US, and improving operational effectiveness. Most recently, Jeyan worked as Head of Global Transformation at British American Tobacco (BAT) and held a Non-Executive Director seat on the Board of NASDAQ-listed Organigram Inc.


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 Committee Chair



Jo LeCouilliard
Independent Non-executive Director



Richard Jones
Senior Independent Non-executive Director



Kristof Neirynek
Independent Non-executive Director



Martin Sutherland
Independent Non-executive Director

COMMITTEE MEMBERSHIP AS AT 31 DECEMBER 2022



DATE JOINED

Jo joined Alliance as a Non-executive Director on 1 January 2019.

QUALIFICATIONS

Jo graduated in Natural Sciences from Cambridge University and is a Chartered Accountant.

EXPERIENCE

Jo has 25 years' healthcare management experience gained in Europe, the US and Asia. Much of her career has been in pharmaceuticals at GlaxoSmithKline where, amongst other roles, she headed the US vaccines business and Asia Pacific Pharmaceuticals business and led a programme to modernise the commercial model. She was previously Chief Operating Officer at the BMI group of private hospitals in the UK. She was Non-executive Director at Frimley Park NHS Foundation Trust in the UK, Duke NUS Medical School in Singapore and Cello Health plc.

She is currently a Non-executive Director at UK listed companies Indivior plc and Niox Group plc (formally Circassia Group plc). She is also on the Board of Recordati S.p.A, a company listed on the Milan Stock Exchange.



Richard joined Alliance as a Non-executive Director on 1 January 2019.

Richard has a degree in Engineering from Newcastle University and is a Chartered Accountant.

Richard was appointed as Chief Financial Officer at UK main market listed Medica Group PLC, an international provider of high-quality telemedicine services. Prior to this, Richard gained extensive experience in the healthcare sector in his roles at UK AIM listed companies Mereo BioPharma Group PLC and Shield Therapeutics PLC. At Mereo, he had a leading role in the merger with US listed OncoMed Pharmaceuticals, Inc and Mereo's dual listing on Nasdaq in 2019.

At Shield he had a leading role establishing the finance operations and guiding Shield through its 2016 IPO.

His prior career in investment banking included senior positions at Investec and Brewin Dolphin Securities, where he advised healthcare clients on a wide range of transactions including IPOs, M&A and fundraisings.



Kristof joined Alliance as an Independent Non-executive Director on 1 December 2021.

He graduated as a Master of Science in Electronic Engineering from the University of Ghent, Belgium.

Kristof is Global Chief Marketing Officer and Managing Director Western Europe at Avon Cosmetics and brings 20 years of experience in General Management, Marketing, Digital Transformation, and Innovation, having carried out roles in Fast Moving Consumer Goods/Consumer Packaged Goods, Luxury and Retail sectors across multiple geographies. He is well versed in operating across an omnichannel model, combining bricks and mortar retail, e-commerce and direct-to-consumer experience.

Kristof joined Walgreens Boots Alliance in 2015 and in 2017 became their Chief Marketing Officer for their Global Brands division where he had responsibility for a \$4bn sales portfolio of more than 20 of their owned brands in Beauty and Consumer Healthcare. Prior to this, Kristof held leadership roles at P&G's Prestige, Laundry and Feminine Care global divisions, having started his career in 2002 at Procter & Gamble in Belgium before moving to Procter & Gamble International in Switzerland in 2004.

Martin joined Alliance as an independent Non-executive Director on 1 February 2023.

Martin graduated from Oxford University with a Master of Arts degree in Physics and The University College of London with a Master of Science degree in Remote Sensing.

Martin is a senior executive with more than 30 years of global business experience. He is currently a NED at FTSE listed Forterra plc, a leading UK manufacturer of essential clay and concrete building products, sitting on their Nomination, Remuneration, Audit and Risk and Sustainability Committees. Martin is also a NED on the Board of Reliance Cyber, a privately held specialist cyber security business where up until January 2023 he was CEO.

Martin was CEO of De La Rue plc from 2014 to 2019 and previously held a variety of roles at Detica plc, becoming Managing Director in 2008 on its acquisition by BAE Systems plc delivery. He brings experience in delivering growth through new product innovation, market diversification and international expansion.

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GOVERNANCE

KEY ACTIVITIES OF THE BOARD AND ITS COMMITTEES

Throughout the year the Board received regular updates on, and considered, strategy, the commercial and financial performance of the business, scientific affairs and operations, people and infrastructure and legal and governance. In addition to these standing items, other business considered by the Board and its Committees is set out below.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug*	Sep	Oct	Nov	Dec
Strategic planning Strategy planning, review of Group strategy, presentations from business and functions					X		X					
2023 Budget Presentations and budget approval											X	X
Corporate development Review of historical acquisitions			X									
Business reviews Mainland Europe, Asia Pacific, US, various product and brand reviews, brand protection, Great Place to Work, Innovation and Development	X	X	X	X	X	X	X		X	X	X	X
Investor engagement and broker presentations Full and half-year results webcast presentations, analyst calls and investor road-shows, private client fund manager meetings, one-to-one calls and AGM, and presentations from brokers	X			X			X		X	X		
Company results, trading statements and dividends Annual Report and Accounts, dividend policy and declarations	X		X				X		X		X	X
Nomination Committee Board composition and Committee membership, Board and senior management succession planning, NED recruitment, terms of reference		X		X	X		X		X	X	X	X
Remuneration Committee Review of salary proposals 2022, Executive remuneration, 2022 corporate bonus awards, Review of incentive plans, 2022 Company share option awards, 2023 corporate bonus scheme, objectives and targets, terms of reference	X		X	X		X		X	X			X
Audit and Risk Committee Appointment of new auditor, key accounting estimates and judgements, significant accounting policies, annual audit process and fees, external auditor, internal audit, foreign currency and hedging		X	X		X	X		X	X			X
ESG Committee Sustainability framework and initiative, investor engagement, disclosure and accounting metrics, carbon action plan and environmental strategy, TCFD reporting and corporate website disclosures				X					X			
Governance & Legal Includes the review of risk management framework, Board Effectiveness Review, Governance reporting, AGM Notice, litigation, Modern Slavery Statement, review of gender pay, Group compliance		X	X	X	X		X			X		X

* Although there is no scheduled meeting in August, a management pack is circulated.



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THE ROLE OF THE BOARD

The Board is responsible for the Group's vision, business model and strategy. Together, the Directors are responsible for providing effective leadership to promote the long-term success of the Company.

Each year the Board holds a two-day strategy planning meeting at which the SLT and other senior employees present their proposals. From this session, the Group's strategic plan and business model is agreed. The CEO is responsible for the implementation of the strategy which is communicated to all employees by the management team through breakfast briefings and online presentations. Further information on how the Company delivers the strategy to promote long-term growth can be found on pages 12 to 26.

There is a formal list of matters reserved for the Board, which may only be amended by the Board and is available on our website. The Board's key responsibilities include:

- › maintaining the policy and decision-making process through which the strategy is implemented;
- › checking that necessary financial and human resources are in place to meet strategic aims;
- › providing entrepreneurial leadership within a framework of good governance and sound risk management;
- › monitoring performance against key financial and non-financial indicators;
- › responsibility for risk management and systems of internal control; and
- › setting values and standards in corporate governance matters.

THE BOARD AND ITS COMMITTEES

The Board currently comprises eight Directors, being the Chair, four further independent Non-executive Directors and three Executive Directors. Following David Cook's departure, there will be seven Directors comprising the Chair, three further independent Non-executive Directors and three Executive Directors.

The Chair

The Chair, David Cook, has primary responsibility for leading the Board and facilitating the effective contribution of all members to meetings. He maintains a strong focus on governance to ensure good practice is embedded in the business with good flows in communication and reporting. He has regular dialogue with the CEO to ensure the business and the management team receive the support from the Board necessary to progress the strategy. As announced on 18 May 2022 David steps down as Chair of the Company from the 2023 AGM and Jo LeCouilliard will become Chair of the Board.

The Chair also meets with the Non-executive Directors on their own at least once a year and further meets with them as part of the Board evaluation process. Shareholders have an opportunity to engage with the Chair and the Board at the Company's AGM.

The Chief Executive Officer ('CEO')

The CEO, Peter Butterfield, is responsible for the day-to-day running of the business and implementation of the Group's strategy. He is supported by the SLT, who have management responsibility for the business operations and support functions. Relevant matters are reported to the Board by the CEO and, as appropriate, the CFO and other members from the SLT.

Since the announcement on 23 November 2022 that Peter Butterfield was taking leave from the business, Andrew Franklin has been acting CEO and continues to do so as at the date of this Report. He has been carrying out these responsibilities in Peter's absence.

The Senior Independent Director ('SID')

On 1 February 2023, at the recommendation of the Nomination Committee, we announced the appointment of Richard Jones as SID. His role is to act as a sounding board and intermediary for the Chair and other Board members. His responsibilities include leading the performance evaluation of the Chair and attending meetings with shareholders and analysts to obtain a balanced understanding of any issues or concerns.

The Non-executive Directors

Non-executive Directors are required to commit the time necessary to fulfill their role to:

- › provide oversight and scrutiny of the performance of the Executive Directors;
- › constructively challenge to help develop and execute on the agreed strategy;
- › satisfy themselves as to the integrity of the financial reporting systems and the information they provide;
- › satisfy themselves as to the robustness of the internal controls;
- › ensure that the systems of risk management are robust and defensible; and
- › review corporate performance and the reporting of such performance to shareholders.



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Independence on the Board is reviewed and confirmed annually by the Nomination Committee. Each of the Non-executive Directors sits on at least three of the Committees ensuring that between them they have a role in determining the pay and benefits of the Executive Directors and in the planning of Board succession, including the appointment and, if necessary, removal of Executive Directors. They are appointed for an initial term of five years, subject to annual re-election by shareholders at the AGM. Their appointment term may be renewed by mutual agreement.

Board attendance, support and meeting management

Meeting attendance

Directors are expected to attend all Board meetings. This includes a two-day strategy meeting in each year which is also attended by all senior executives of the Group to review progress in delivering the Group's long-term strategic objectives.

Member	Role	Status	Attendance
David Cook	Chair	Independent	14/14
Peter Butterfield*	CEO	–	12/14
Andrew Franklin	CFO	–	14/14
Kristof Neiryck	NED	Independent	14/14
Jo LeCouilliard**	NED	Independent	13/14
Richard Jones**	NED	Independent	13/14

* Peter Butterfield took leave from the business with effect from 23 November 2022.

** Jo LeCouilliard and Richard Jones were recused from meetings in which they had an interest.

The Board held 11 scheduled meetings, and three unscheduled meetings, during the year. Meetings follow a clear agenda, supported by written reports and presentations from both internal members of staff as well as external advisers and consultants.

Meeting management

The Company Secretary is secretary to the Board and the Board's Committees. On behalf of the Chair, the Company Secretary is responsible for ensuring that all Board and Committee meetings are conducted properly and that the Directors are properly briefed on any item of business to be discussed. He has a direct line into the Chair on all matters relating to governance and is responsible for ensuring governance, legal and regulatory compliance is considered, recorded and implemented.

Procedures are in place for distributing meeting agendas and reports so that they are received in good time, with the appropriate information. Ahead of each Board meeting, the Directors each receive written reports updating on strategy, finance, including monthly management accounts, operations, commercial activities, business development, risk management, legal and regulatory, people and infrastructure and on investor relations. Meeting papers are distributed via an electronic Board portal.

The Directors may have access to independent professional advice, where needed, at the Group's expense.

Board Committees

The Board has delegated and empowered four Committees: a Remuneration Committee, a Nomination Committee, an Audit and Risk Committee and an ESG Committee. Each Committee has written terms of reference set by the Board, which are reviewed annually and are available on the Company's website.

Membership of each Committee is determined by the Board on the recommendation of the Nomination Committee. Executive Directors are only permitted to be members of the ESG Committee.

Each Committee Chair reports to the Board on the activities considered and determined by the relevant Committee. A summary of the Committees' responsibilities and their work during the year can be found in the reports from the Committees appearing later in this section.

Directors' conflicts of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. Directors are required to notify the Company of any situation that could give rise to a conflict or potential conflict thereby compromising their independence and objectivity. Each member is required to disclose any such potential conflicts at the start of every meeting. The Board is fully 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. Where any such conflict arises, the Board determines whether or not a Director can vote or be a party of the item under consideration in accordance with the Company's Articles of Association. The Board is satisfied that potential conflicts have been effectively managed throughout the year.

Director induction, training, and development

The Company Secretary is responsible for ensuring that all newly appointed Directors receive a thorough formal tailored briefing and induction on joining the Board aimed at providing Directors with the information to become effective as soon as possible in their role. The induction has the aim of:

- › building an understanding of the Company's business and markets;
- › building a link with the Company's people and an understanding of the Company's main relationships; and
- › ensuring an understanding of the Board's governance framework and Board processes.



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Each Director received one-to-one inductions with Board and SLT members and are provided with access to the Directors' handbook. Both Jeyan Heper and Martin Sutherland received tailored inductions which included but wasn't limited to:

- › meetings with each Board member and their roles and responsibilities on the Board and the Committees;
- › meetings with each SLT member to explain their areas of responsibility within the business;
- › an explanation of the Company's governance and compliance framework, including Board procedures;
- › an explanation of Directors' responsibilities under the AIM Rules and other statutory and regulatory rules; and
- › pharmacovigilance and Good Distribution Practice inductions.

All the Directors are responsible for ensuring their skills and knowledge are kept up to date. This is done in varying ways but includes professional training, online training or attending seminars and webinars offered by advisers and consultancies. In addition, regular updates on corporate governance, legal or regulatory changes are also provided via reporting or through presentations to the Board.

BOARD RESPONSIBILITY FOR SUSTAINABILITY

The Board has overall responsibility for the Group's sustainability strategy and programme which includes climate policy and action and TCFD reporting. In 2022 we continued to refine our approach to our sustainability framework. The ESG Committee is responsible for setting the Group's overarching Sustainability Strategy, including climate change, and you can read more about the Committee's work on pages 86 and 87.

CORPORATE CULTURE AND BUSINESS CONDUCT

Our culture is underpinned by a clear set of values, which help guide decision-making at all levels in the business.

The Board expects the business to foster relationships and operate high standards of business conduct. We recognise that investors are increasingly looking for socially responsible companies to invest in, employees are seeking employers with a strong ethics culture that aligns with their own moral code, and customers are conducting enhanced due diligence on their suppliers' ethical and legal compliance controls.

The Board reviews and approves the Group's policies that have been implemented and communicated internally and externally in the Company's core languages to those who are expected to adhere to them. For example, in addition to the codes of conduct, this includes policies on diversity and inclusion, the prevention of bribery and corruption, fair competition, conflicts of interest and anti-slavery. Further information about our policies can be found in Sustainability – Policies and Documents on our website.

STAKEHOLDER ENGAGEMENT

Engaging with the Company's stakeholders is well embedded in the business as we continue to look after our relationships with shareholders, employees, customers, suppliers and consumers and the wider communities. The Board is made aware of and considers the needs and interests of these various stakeholders and any impact of the decisions it makes.

Visibility and awareness are further increased through senior management who have collective responsibility for communicating and engaging with specific stakeholder groups. This includes making sure that the business upholds its values and monitors behaviour for acceptability.



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PROMOTING THE SUCCESS OF THE COMPANY – S.172

The powers and duties of the Directors are determined by legislation and the Company's Articles of Association. Collectively, they have a duty to promote the success of Alliance for the benefit of its members over the long term.

The Directors are aware and mindful of their duties and obligations under s.172 of the Companies Act 2006 (Section 172). They are required to act in good faith and their discussions give due consideration to the impact of those decisions on the Group's strategy, values, and the interests of the Company's various stakeholders. Each Director is responsible for weighing up all the relevant factors and how these ultimately promote the long-term success of the Company for the benefit of its shareholders as a whole. To help them reach well informed decisions they are provided written reports, market reviews, guidance, and presentations and briefings from both internal members of staff and external advisers alongside which assists them when assessing any risks.

Throughout this Annual Report there are various examples of how the actions and behaviours of the business affect the interests of its employees, customers, suppliers, the wider community and the environment but in this section we also demonstrate how the Directors have applied their duties under Section 172.

<p>The likely consequences of any decision in the long term</p>  <p>The Board considers the long-term consequences on the business and its stakeholder group when setting and approving the strategy and the annual budget. For this purpose, the Directors consider the assessment of risks and opportunities and how these might benefit shareholders, and impact, for example, consumers, suppliers and employees. A long-term approach ensures the Directors take decisions that mean a more sustainable business. The strategy is explained on pages 12 to 17.</p>	<p>The interests of the Company's employees</p>  <p>The Board considers the activities and welfare of the Company's employees at its meetings and from time to time, employees are invited to attend Board and Committee meetings to present on key operational, financial, and strategic matters. There is regular dialogue between the SLT and all employees through Breakfast Briefings at which employees are briefed on matters such as the outcome of surveys, organisational changes, and other positive initiatives to support their health and wellbeing. This helps to ensure our employees remain engaged. They are also able to participate in the Company's employee share option schemes to ensure they feel aligned with the Company's plans for growth over the longer term. You can read more about our employee engagement on pages 24 to 26 and on page 40.</p>	<p>The need to foster the Company's business relationships with suppliers, customers, and others</p>  <p>When the Board reviews the Company's strategy, the annual budget and risks, due consideration business relationships to ensure that they support the long-term objectives. In addition, the Board reviews policies and codes of conduct that govern these relationships took into consideration of some elements for strategic report and sustainability sections i.e., on anti-bribery and corruption, human rights, as well as supply chain resilience. More on the Company's engagement with its stakeholders can be found on pages 40 and 41.</p>
<p>The impact of the Company's operations on the community and the environment</p>  <p>The work of the ESG Committee helps the Directors consider their responsibilities in relation to the environment and wider communities. They receive updates on climate risk and the impact of the business on the environment. All employees are also encouraged to participate in the process to drive positive change. When the Board is discussing consumer products, it discusses the benefits and timings of transitioning towards sustainable packaging and considers solutions that help drive the sustainability agenda. The Board's commitment in this area is demonstrated by approval of the Alliance Environment Strategy and Carbon Action Plan. You can read more on the Company's sustainability objectives on pages 29 to 39.</p>	<p>The desirability of the Company maintaining a reputation for high standards of business conduct</p>  <p>The Board ensures that the right culture is embedded throughout the business and is in part attributable to the Company's values, attitudes and behaviours when conducting its business and engaging with stakeholders. Maintaining high standards promotes the reputation of the Company, which is clearly communicated via the Partner Code of Conduct – available on the Company's website.</p>	<p>The need to act fairly as between members of the Company</p>  <p>Shareholders are kept informed of Company news via stock exchange announcements, website and hard copy communications. With the support of Investor Relations all shareholders receive information by their chosen method. In addition, the Company sets up investor roadshows to meet with shareholders and discuss any concerns they have. More recently, the Board took the decision to appoint a Senior Independent Director to assist the Chair with shareholder engagement. All shareholders are also encouraged to attend the Company's AGM each year, where they can ask questions freely.</p>

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ENGAGEMENT WITH SHAREHOLDERS

The Board and its Committees recognise that to meet their responsibilities to shareholders and other stakeholders, it is important to ensure effective engagement with, and encourage participation from, these parties.

When engaging with shareholders, the Directors are supported by the Head of IR and Corporate Communications (Head of IR).

Throughout the year, the CEO, CFO, Chair, Non-executive Directors and Head of IR met with potential and existing investors, and they fed back to the Board the key summary points from their meetings. In addition to these meetings, there were 115 scheduled meetings held as part of the Company's investor road-shows for the annual 2021 and half-year 2022 results.

Feedback following an analysis of the Company's investor base at each Board meeting and research notes by sell-side analysts is reported by the CEO. The Board also received analysts' notes, and brokers' briefings to ensure, as far as possible, a clear and up-to-date understanding of investors' views. Information on investor sentiment is also provided to the Board by the Company's brokers and financial PR advisers.

A list of the Company's major shareholders can be found in the investor section of our website, and a list of notifiable holdings can be found on page 88 of the Directors' Report.

These are regularly updated following the formal notification of movements to the Company.

The Company further communicates with shareholders through its Annual Report and Accounts, half-year announcements, trading updates and at the Company's AGM. Such reports as well as other relevant announcements and related information are all available on the Group's website, www.alliancepharmaceuticals.com.

The website also offers a facility to sign up for email alert notifications of Company news and regulatory announcements.

BOARD EFFECTIVENESS REVIEW

As required under the QCA Code, the Board continually monitors and improves its performance and evaluates its performance based on clear and relevant objectives. The Chair evaluates the performance of the Board annually to offer Directors an opportunity to discuss their contribution in terms of their skills and experience as well as identifying areas for improvement or development to enhance the capabilities of the Board as a whole.

In last year's Report we set out the feedback received following the 2022 review, which focused on four key areas including Board planning and dynamics, focus on strategic performance, and Committee remit and Board engagement. During the year, the following progress was made which included:

- › Enhancing the Board's planning framework to drive discipline and behaviours. The Chair encourages the NEDs to feed into the planning process any matters that they feel need to be brought to the Board for discussion. Improving the reporting to better support decision-making has been slower than expected and this continues to be kept under review to ensure greater focus on strategy and risk and less on operational matters.
- › The strategy continues to be well formulated with more time dedicated to discussing progress against the strategy with ongoing commitment to understanding the impact of emerging trends and envision the longer-term plans in the healthcare sectors and markets.
- › The Committee Chairs worked with the Company Secretary to ensure their work is discharged effectively, reviewing business and compliance requirements in line with broader annual planning. Succession planning is being developed more

strategically and the Company was pleased to appoint Jeyan Heper as Chief Operating Officer on the Board.

- › The Board continues to work on improving its engagement with investors and employees.

The 2023 evaluation consisted of one-to-one meetings between the Chair and each Director to discuss various matters relating to Board and Committee performance and their effectiveness.

Results and outcomes were reviewed, summarised and circulated to Board members for discussion in February 2023.

The table below sets out the key focus areas arising from the 2023 review:

Areas of focus	Feedback and recommendations
Planning, reporting and risk	The Board can sometimes be too operationally focused. Further improvements will be made to ensure alignment of reporting against key risks and strategy and including less by way of detailed operational updates.
Board structure and dynamics	Alliance has a relatively small but engaged Board which meets every month with members forming close working relationships. This is a strength, but it is also important to continue promoting healthy discussion and challenge. Having two additional board members is welcomed and they have been onboarded well. They add further perspective and experience to the discussions at the Board.
Succession planning	The Nomination Committee will make it a priority to ensure conclusion of the ongoing succession plans, dealing with both long and short-term needs as required.
Board engagement	The Board needs to be more proactive when engaging with shareholders and will be working with the Head of IR and Communications and advisers to create shareholder communication and IR plans. The SID will be expected to take a leading role to promote good relations with the Company's shareholders.

The next review in relation to 2023 is scheduled for early 2024.

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NOMINATION COMMITTEE REPORT

"Our succession plans remain focused on ensuring we retain a diverse leadership with the right skills and experience to grow the business."

Jo LeCouilliard, Nomination Committee Chair

CHAIR'S STATEMENT

I became Chair of the Nomination Committee ('the Committee') shortly after the announcement that David Cook would be stepping down from the Board. I am pleased to be able to introduce the Committee's Report which sets out its responsibilities and the activities of the Committee during the year.

This year the focus was on succession planning for the Chairmanship and at the Executive and senior levels of the organisation. This process included reviewing Board balance and Committee composition, diversity of people and the skills and experience needed to support growth and development.

The Committee, led by Kristof Neiryndck, was able to work with Executive Directors and the Chief People and Infrastructure Officer to run the process for the nomination and appointment of a successor for the Chairmanship. As announced on 18 May 2022, I am delighted to have accepted the role of Chair of the Board when David steps down.

The Committee also ran the process for the appointment of a new executive role of Chief Operating Officer and a new independent Non-executive Director to strengthen the Board's skills and capabilities. We were pleased to announce the appointments of both Jeyan Heper and Martin Sutherland earlier this year. On 10 February 2023, we were pleased to welcome Martin Sutherland as a member of the Committee.

Should investors wish to discuss any aspects of the work of the Committee, I will be available to answer questions at this year's AGM.

Jo LeCouilliard
Nomination Committee Chair
20 March 2023



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NOMINATION COMMITTEE REPORT CONTINUED

SKILLS & EXPERIENCE MATRIX

DIRECTOR	ROLE	GENDER	FINANCE	CONSUMER HEALTHCARE	PHARMA	INTERNATIONAL	GROWTH	FINANCIAL MARKETS*
Peter Butterfield	CEO	M		■	■	■	■	■
Andrew Franklin	CFO	M	■	■	■	■		■
Kristof Neiryndck	INED	M		■		■	■	
David Cook	INED	M	■		■	■	■	■
Jo LeCouilliard	INED	F	■	■	■	■	■	■
Richard Jones	INED	M	■		■	■	■	■
Jeyan Heper	COO	M		■		■	■	
Martin Sutherland	INED	M				■	■	■

* UK and overseas financial markets experience.

THE ROLE OF THE COMMITTEE

The Committee's primary roles are to carry out a selection process for the appointment and reappointment of all Directors to the Board, and to review the structure, size, and composition of the Board (including in terms of skills, knowledge, experience and diversity). The Committee also reviews the leadership needs of the organisation and monitors succession planning for both Board and senior executive roles.

The framework of duties is set out in its Terms of Reference which are available on the Company's website. Each year the Committee reviews its own performance and compliance with its Terms of Reference.

MEMBERSHIP AND MEETING ATTENDANCE

Appointments to the Committee are made by the Board. During the year the Committee comprised four independent Non-executive Directors who have the right to attend meetings. Martin Sutherland joined the Committee in February 2023. Where appropriate, the Chief People and Infrastructure Officer and the CEO are invited to attend certain meetings of the Committee to support with discussions around succession planning and recruitment processes.

Members of the Committee have access to the Company Secretary, who attends and minutes all meetings. To enable the Committee to discharge its duties effectively, the Company Secretary is responsible for ensuring the Committee receives high-quality, timely information.

The Chair of the Committee reports to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and will make any recommendations to the Board it deems appropriate.

During the year, the Committee held a total of eight meetings: two scheduled and six unscheduled. Members who are not able to attend unscheduled meetings offer their apologies and provide feedback to the Chair of the Committee in advance of meetings. The two unscheduled meetings were held to deal with the appointment of the successor to the Chair and review other executive and senior level succession plans. When discussing the succession to the Chairmanship of the Board, these meetings were not attended by Non-executive Directors who formed the subject of these discussions. Whilst David Cook attended these meetings, he did not chair them; they were chaired by Kristof Neiryndck.

Member	Role	Status	Attendance
David Cook	Chair	Independent	8/8
Jo LeCouilliard*	NED	Independent	6/8
Kristof Neiryndck	NED	Independent	8/8
Richard Jones*	NED	Independent	6/8

* Board members were recused from meetings in which they were conflicted.

Board gender diversity

Whilst certain diversity targets are not directly imposed on AIM companies, the Committee continues to monitor guidance and best practice in the market around the areas of gender and ethnicity, in particular the percentage targets set for FTSE main market listed companies. The Company's Diversity and Inclusion Policy can be found on the Company's website.

The Committee is aware of and has discussed the benefits of diversity on the Board and at the senior management level as part of the review of succession planning and any Director appointment process. It remains committed to considering diversity when discussing appointments and succession plans. The Company and the Board always seek to search for, recruit and appoint the best available person based on aptitude and ability, regardless of gender, marital or civil partnership status, race, colour, nationality, ethnic or national origins, pregnancy, disability, age, sexual orientation, religion, or belief. The Committee discussed a range of areas such as diversity of thought, experience, gender, ethnicity, skills, nationality, and specific skills identified to strengthen and develop the knowledge base on the Board.

With currently only one female member on the Board, the Board acknowledges that female representation on the Board is not where it needs to be, but ensures that focus is maintained at all stages of the Board recruitment process. The Company engages and works with specialist recruitment consultants to help identify talent and search for potential candidates that meet our objective criteria. Jo LeCouilliard will become the Company's first female Chair with effect from the end of the 2023 AGM.

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NOMINATION COMMITTEE REPORT CONTINUED

ACTIVITIES OF THE COMMITTEE

The duties and activities of the Committee during the year included:

Duties	Activity in 2022
Review the structure, size, and composition of the Board, including the independence of Directors, diversity, skills, knowledge, experience, and time commitments at least annually and prior to commencing any appointment process	<ul style="list-style-type: none"> The Committee considers there to be an appropriate balance between Executive and Non-executive Directors on the Board. Having considered the guidelines on independence, on appointment as Chair, David Cook was independent and continues to be regarded by the Board as independent alongside Richard Jones, Jo LeCouilliard, and Kristof Neiryneck. The Chair and Non-executive Directors hold appointments as Directors and/or senior management on a small number of other companies, as detailed in their biographies on pages 61 and 62. It is considered that the Chair and Non-executive Directors are not over-boarded and can allocate sufficient time and commitment to fulfil their duties to the Company. Prior to the search and recruitment process for new Directors, the Committee reviewed the skills, capabilities, diversity, and experience on the Board and concluded to specifically seek out skills and experience in overseas territories and a listed environment.
Consider succession plans for Directors and other senior executives	<ul style="list-style-type: none"> The Committee worked closely with the Board and, with the support of the Chief People and Infrastructure Officer, developed strategies in support of progressive and orderly succession planning for Board and senior management. Planning included consideration of the challenges and opportunities facing the Company with careful evaluation of the skills and experience needed on the Board in the future. When developing these plans, the Directors are mindful of the need for a more diverse executive pipeline to help increase diversity levels in senior positions. Reviewed succession plans in relation to the Chief Executive Officer and other members of the senior leadership team and approved the appointment of Jeyan Heper to the Board.
Nominate and recommend candidates to fill Board vacancies and make recommendations to the Board on matters such as Committee membership, reappointment, and re-election of Directors	<ul style="list-style-type: none"> The Committee is responsible for the selection process for the recruitment of Directors. This process is supported by the Chief People and Infrastructure Officer and the Company engaged the services of an external executive search and recruitment agency. The process is supported by a detailed recruitment process. Further information about the appointment and induction of Board Directors can be found in the Chair's Report on Governance on page 65. As announced last year, the nine-year tenure of the Chair will come to an end in early 2023, after which he is no longer considered to be independent. Accordingly, during the year, the Committee considered succession for the role and shareholders were notified on 18 May 2022 that Jo LeCouilliard will become Chair of the Board following the 2023 AGM. Page 85 in the Remuneration Committee Report sets out the term of appointment for each Director. Recommended the appointment of Jeyan Heper as a new Chief Operating Officer and to the Board. Recommended the appointment of new Non-executive Director Martin Sutherland to the Board.
Reviewing the need for a Senior Independent Director ('SID')	<ul style="list-style-type: none"> Each year the Nomination Committee considers whether it is appropriate to have a SID to act as a sounding board and intermediary for the Chair or other Board members. Richard Jones was appointed SID with effect from 1 February 2023.
Reviewing the outcomes of the Board evaluation insofar as these relate to composition and time commitment of Directors	<ul style="list-style-type: none"> The Committee reviewed the outcomes from the annual evaluation of the Board insofar as these relate both to composition and time commitment from Non-executive Directors. The Committee keeps under review the Board's composition to ensure it provides a sufficiently wide range of skills and experience to enable it to pursue its strategic goals and to address anticipated issues in the foreseeable future. This process includes reviewing the mix of skills, sector experience and financial, public markets and international experience.
Recommend annual re-election of directors at AGM	<ul style="list-style-type: none"> In accordance with the Company's Articles of Association, all Directors are subject to election or re-election by shareholders at the AGM. In line with good practice, the Committee recommended to the Board that five Directors, being eligible, put themselves forward for annual re-election and both Jeyan Heper and Martin Sutherland stand for election at the Company's AGM.

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AUDIT AND RISK COMMITTEE REPORT

"The Committee reviews the integrity of the financial statements and challenges systems of governance."

Richard Jones, Audit and Risk Committee Chair

CHAIR'S STATEMENT

On behalf of the Audit and Risk Committee ('the Committee'), I am pleased to introduce the Audit and Risk Committee Report. As a company admitted to AIM, we are guided by the QCA's Audit Committee Guide and, when appropriate to do so, look to the UK Corporate Governance Code 2018 and to investor guidelines for best practice.

This report is intended to provide shareholders with information about the Committee's responsibilities and report on the activities of the Committee during the year.

During the year, alongside our regular work carefully reviewing the Company's annual financial statements and the associated accounting treatment and disclosures, efforts focused on the change of auditor. As detailed in last year's Annual Report, we initiated a tender process for the 2022 audit and the Company was pleased to announce on 8 August 2022 the appointment of Deloitte LLP ('Deloitte') as the Group's auditor. Andrew Wright is the lead audit partner and, as well as meeting up with Deloitte without management being present, I also meet Andrew regularly throughout the year.

There has also been a strong focus on the reporting of performance and accounting treatment in relation to our CBEC business in China, and acquisitions in the US: Biogix Inc. (Amberen™) and ScarAway® the largest silicone-based scar treatment brand in the US, and the rights to sell Kelo-Cote™.

The Committee reviews the Group's risk register quarterly, and believes that the Group strategy has the support of a management team who understand the risk management framework required to deliver it. In addition, the risk framework and risk register are shared with Deloitte, who consider and challenge the Committee on our reporting and disclosure requirements.

On 10 February 2023, we were pleased to welcome Martin Sutherland as a member of the Committee.

Richard Jones

Audit and Risk Committee Chair
20 March 2023



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AUDIT AND RISK COMMITTEE REPORT CONTINUED

THE ROLE OF THE COMMITTEE

The Committee assists the Board with monitoring and reviewing the Company's financial results and other reporting and has oversight of the effectiveness of risk management and systems of internal control. Its role is to provide confidence to shareholders on the integrity of our reported financial results and provide challenge to the external auditors and senior management.

The framework of duties is set out in its Terms of Reference, which are available on the Company's website. Each year the Committee reviews its own performance and its Terms of Reference.

DUTIES OF THE COMMITTEE

The duties of the Committee include:

- › reviewing the management and reporting of financial matters, including key accounting policies;
- › reviewing the Annual Report and Accounts and advising the Board on whether, when taken as a whole, it is fair, balanced, and understandable and provides shareholders with the information necessary to assess the Company's performance, business model and strategy;
- › considering the appointment of external auditors and the frequency of re-tendering and rotation of the audit;
- › overseeing the relationship with, and the independence and objectivity of, the external auditors;
- › setting policy in relation to the use of the external auditors for non-audit services;
- › advising the Board on the Company's appetite for and tolerance of risk and the strategy in relation to risk management and reviewing any non-conformances with these;

- › reviewing the Company's risk management and internal control systems and their effectiveness; and
- › reviewing the Company's procedures for detecting fraud, bribery and corruption and ensuring arrangements are adequate for employees to raise concerns.

Members of the Committee have access to the Company Secretary who attends and minutes all meetings. To enable the Committee to discharge its duties effectively, the Company Secretary is responsible for ensuring the Committee receives high-quality, timely information. The Chair of the Committee works closely with the CFO and the finance department to ensure papers for meetings are comprehensive and comprehensible. When appropriate to do so, the Committee seeks the support of external advisers and consultants.

The Committee reports to the Board which includes reporting on any matters where it considers action or improvement is needed, including recommendation of remedial actions. The Chair of the Committee reports to the Board on its proceedings after each meeting on all matters, including any reporting issues and on estimates and judgements made in the preparation of financial statements.

MEMBERSHIP AND MEETING ATTENDANCE

During the year, the Committee held a total of eight meetings: six scheduled and two unscheduled meetings, reporting on its activities to the Board. Members who are not able to attend unscheduled meetings offer their apologies and provide feedback to the Chair of the Committee in advance of meetings.

The Committee comprised three independent Non-executive Directors who have the right to attend meetings. Martin Sutherland joined the Committee in February 2023.

Member	Role	Status	Attendance
Richard Jones	Chair	Independent	8/8
David Cook	NED	Independent	8/8
Jo LeCouilliard	NED	Independent	6/8

Committee membership and attendance

Appointments to the Committee are made by the Board following any recommendations from the Nomination Committee. Only members of the Committee have the right to attend meetings. During 2022, the three Non-executive Directors, all of whom have an accountancy qualification, review internal controls and financial reporting matters. They have a direct relationship with the external auditor. All members of the Committee have a mix of knowledge and skills gained through their experience of business, management practices including risk, the industry sector and have recent and relevant financial experience. The CEO, CFO, Group Head of Finance and Group Financial Controller are invited to attend all meetings, while other senior financial managers attend as appropriate.

The external auditor also attends the meetings to discuss the planning and conclusions of their work and meet with the members of the Audit and Risk Committee without any members of the executive team present after each meeting. The Audit and Risk Committee can call for information from management and consults with the external auditor directly if required.



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AUDIT AND RISK COMMITTEE REPORT CONTINUED

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KEY ACTIVITIES OF THE COMMITTEE

Areas of focus	Key duties and responsibilities	Activities in the year ended 31 December 2022
Financial statements and narrative reporting	The content and integrity of financial statements and any formal announcements relating to financial performance, including review of the significant financial reporting judgements contained therein	<ul style="list-style-type: none"> Review of the financial statements and narrative reporting in the Annual Report and Accounts for 2021 and 2022 with reference to the reports being fair, balanced and understandable. This included a review of the appropriateness of the disclosures considering requirements and guidance under IFRS, the AIM Rules for Companies, Companies Act 2006 requirements, FRC guidance and the QCA Corporate Governance Code 2018. Review of the preliminary results and Annual Report and Accounts for the financial year ended 31 December 2021 Review of the unaudited half-year results to 30 June 2022. Review of the preliminary results and Annual Report and Accounts for the financial year ended 31 December 2022. Consideration of reports from the external auditor in respect of the Annual Report and Accounts from 1 January 2022 to the date of this Report.
Going concern	Matters that have informed the Board's assessment of whether the Company is a going concern	<ul style="list-style-type: none"> A review of the going concern including methodology, assessment in support of the going concern assumption, concluding the expectation that the Group has adequate resources to continue in operation existence for the foreseeable future.
Accounting policies and standards	Key accounting estimates and judgements	<ul style="list-style-type: none"> In respect of the preparation of the financial statements for the year ended 31 December 2022, the Committee reviewed key accounting judgements and estimates including a review of the Group's weighted average cost of capital ('WACC'). Review of intangible assets, including consideration of impairment under IAS 36. Review of alternative performance measures. Continued review and assessment under IFRS 15 and the revenue recognition in relation to a major cross-border e-commerce distribution agreement.
Risk management and internal controls	Financial and other internal controls and risk management systems, including the Group's Principal Risks and Uncertainties	<ul style="list-style-type: none"> Review of the Group's assessment of its control framework, including progress in enhancing the control environment. A review of the business and corporate governance statement relating to the audit and risk management. A review of the Group's risk management and internal control systems and Group risk register. Review of the Principal Risks and Uncertainties reported in the Annual Report & Accounts 2022. Review of progress to establish an internal audit function.
	Regulatory and compliance risk	<ul style="list-style-type: none"> Review of the Company's Whistleblowing policy and procedures.



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AUDIT AND RISK COMMITTEE REPORT CONTINUED

KEY ACTIVITIES OF THE COMMITTEE CONTINUED

Areas of focus	Key duties and responsibilities	Activities in the year ended 31 December 2022
Review of external auditor	The policy to control engagement of the external auditor to supply non-audit services	<ul style="list-style-type: none"> › Review of feedback received from the outgoing auditor and consideration of whether there were any areas of financial oversight or governance to address concluding no changes were required. › Conduct a tender process for the change of auditor. › Review the terms of appointment, areas of responsibility and duties of the auditor including fees for the 2022 external audit and recommendation to the Board for approval. › Review of the scope and strategy for the 2022 external audit. › Review of the external auditor's performance, independence, and objectivity meetings with the external auditor without management to consider any potential areas of concern. › Review and consideration of the external auditor's findings and recommendations and management's response from the audit of the years ended 31 December 2021 and 2022.
	External auditor's independence and objectivity and the effectiveness of the audit process	<ul style="list-style-type: none"> › Meetings with the external auditor without management to consider any potential areas of concern. › Review and consideration of the external auditor's findings and recommendations and management's response from the audit of the years ended 31 December 2021 and 2022.
Terms of Reference	Reporting to the Board on how the Committee has discharged its responsibilities	<ul style="list-style-type: none"> › The Committee reviewed its own Terms of Reference which are considered to be satisfactory. The Committee and Board were satisfied that the Committee and its members continue to operate effectively individually and collectively and had discharged all of the duties within its remit.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has primary responsibility for the Group's overall approach to risk management and systems of internal control and has delegated its oversight to the Committee.

During the year, the Committee has reviewed and reported on the identification, evaluation and management of risks facing the business and has considered the effectiveness of associated processes and controls to ensure a healthy balance between the risk we face and harnessing the opportunities that align with strategy to grow a strong and sustainable business.

At least once a year, the Board also reviews risk management and those risks the Board is not prepared to take are either avoided or, as far as possible, are mitigated and/or transferred to insurers.

The responsibilities surrounding risk management and internal control systems are designed to meet the needs of the size and complexity of the business. It takes into account the applicable requirements of pharmaceutical regulators in the various markets in which the business operates as well as the legal requirements of being a UK company admitted to AIM. Internal controls are

designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material loss or misstatement.



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AUDIT AND RISK COMMITTEE REPORT CONTINUED

The key components of the current systems of internal controls are:

- › Clearly communicating Alliance's values and strategy to ensure these are understood and people know what is expected
- › Developing business and financial plans that support the strategy
- › Reviewing policies and procedures to ensure these remain fit for purpose
- › Strengthening controls through enterprise resource planning
- › Regular reporting of actual performance relative to goals, budgets and forecasts
- › Ensuring there is a structure of accountability
- › Training and monitoring

INTERNAL AUDIT FUNCTION

The Committee asked management to establish an internal audit function and is monitoring the establishment of the internal audit function as we strengthen our internal audit capabilities by investing in people and systems to assist with reporting and auditing trails. This process is expected to complete in 2023.

SPEAK UP POLICY

The Company has a Speak Up Policy and procedures to help with the detection and prevention of fraud. Reviewed annually, the Policy was updated during the year and published on the Company's Intranet and provides all employees access to a confidential forum in which it is possible to raise concerns about potential and perceived improprieties. Provided it is appropriate to do so, the process is managed by the Company Secretary in conjunction with Human Resources. The outcomes of any investigations carried out in accordance with the Policy is reported to the Committee.

EXTERNAL AUDITOR

Change of auditor

During the year, the Committee led a formal tender process in search of a new audit firm for the 2022 audit. The process included issuing an audit tender letter, timetable, audit scope and information on the Company. Potential firms were assessed against set criteria with quality and challenge being primary factors and in line with FRC recommended selection processes.

Following this process, we were pleased to notify the appointment of Deloitte on 8 August 2022, when KPMG stepped down as the Company's auditor. KPMG did not participate in the tender process.

Deloitte's reappointment requires the approval of shareholders at the AGM and accordingly, the Committee recommended that a resolution be proposed for their appointment at this year's AGM.

Audit process

Each year, the Committee assesses the proposed audit plan for the external auditor's review of the Company's full-year financial statements. This plan sets out the scope of the audit, areas of significant risk of material misstatement, timetable and fees. Deloitte formally presented their findings to the Committee but throughout the auditing process there is regular dialogue and engagement with management with any significant matters or risks being communicated.

Prior to the Board's approval of the Annual Report and Accounts, the Committee reviews with the auditor the representations set out in the management representation letter and reports to the Board. The auditor presents the Board with a management representation letter which the Committee will have reviewed and discussed with the auditor as part of its year-end meetings.

Effectiveness and independence of the external auditor

The Committee is responsible for agreeing the terms of engagement with the Company's external auditor. The objectivity and independence of the external auditor is safeguarded by reviewing the auditor's formal declarations, monitoring relationships between key audit staff and the Company, and tracking the level of non-audit fees payable to the external auditor. The Committee annually reviews the scope and fees for the annual audit of the Company.



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REMUNERATION COMMITTEE REPORT

“We balance our remuneration policies and practice with the size and complexity of our business.”

Jo LeCouilliard, Remuneration Committee Chair

CHAIR'S STATEMENT

On behalf of the Remuneration Committee (the 'Committee'), I am pleased to introduce this year's Remuneration Committee Report. As a company admitted to AIM, we are guided by the QCA's Remuneration Committee Guide and, when appropriate to do so, look to the UK Corporate Governance Code 2018 and to investor guidelines for best practice.

This year, we held several meetings to review our remuneration policy to ensure it remains appropriate for the size and complexity of our business. The Committee continues to believe that the Company's current remuneration policy encourages and rewards the right behaviours and that any risks created by its structure are within the appetite of the Board. There were no changes to our Policy on Remuneration this year. Key activities of the Committee included:

- › reviewing our remuneration policies and remuneration levels (both fixed and variable) in the context of appropriate AIM market comparisons;
- › ensuring our policy continues to achieve its objectives and continues to attract, retain, and motivate a high-quality management team to run the Alliance business successfully for our shareholders;

- › reviewing the remuneration for the acting CEO;
- › monitoring and making recommendations with respect to the level and structure of remuneration for senior management;
- › assessing the achievement of performance conditions and extent of vesting relating to share awards which matured in 2022;
- › approving the grant of share option awards under the Company's share incentive plans to the Executive Directors and employees; and
- › reviewing the holding requirements under the Company's Share Ownership Policy.

On the 10th February 2023, we were pleased to welcome Martin Sutherland to the Committee. The Committee continues to monitor trends and developments in relation to remuneration market practices and corporate governance, and welcomes views from its shareholders. I will be available to answer any shareholder questions on the Committee's activities at this year's AGM. In the meantime, I would like to thank our shareholders for their continued support.

Jo LeCouilliard
Remuneration Committee Chair
20 March 2023



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 **ALLIANCE**



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THE ROLE OF THE REMUNERATION COMMITTEE

The role of the Committee is to ensure there is a formal process for considering executive remuneration. On behalf of the Board, it reviews the pay, benefits, and other terms of service of the Executive Directors of the Company and the broad pay strategy with respect to other senior executives. The framework of duties is set out in its Terms of Reference which are available on the Company's website.

Each year the Committee reviews its own performance and its Terms of Reference. Members of the Committee have access to the Company Secretary who attends and minutes all meetings. To enable the Committee to discharge its duties effectively, the Company Secretary is responsible for ensuring the Committee receives high-quality, timely information.

The Chair of the Committee reports to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, and will make any recommendations to the Board it deems appropriate. The Committee will also engage with the Nomination Committee when considering, for example, the appointment of Directors or contractual terms on termination.

MEMBERSHIP AND MEETING ATTENDANCE

Appointments to the Committee are made by the Board following recommendations from the Nomination Committee. Only members of the Committee have the right to attend meetings. However, where appropriate, the CEO, CFO and the Chief People and Infrastructure Officer are also invited to attend certain meetings of the Remuneration Committee. During the year, the Committee held a total of seven meetings: three scheduled and four unscheduled and reported on its activities to the Board.

During the year, the Remuneration Committee comprised three independent Non-executive Directors and their attendance was as follows:

Member	Role	Status	Attendance
Jo LeCouilliar	Chair	Independent	7/7
David Cook	NED	Independent	7/7
Kristof Neiryck	NED	Independent	7/7

Martin Sutherland was appointed to the Committee in February 2023.

ACTIVITIES OF THE COMMITTEE

During the year, matters reviewed and considered by the Remuneration Committee included reviewing policies on remuneration, the external environment, market comparators, increases to annual base salaries, short-term and long-term reward structures, and assessing the extent to which targets have been achieved under the performance-related bonus scheme. When appropriate to do so, the Remuneration Committee seeks the support of its external advisers, Ellason LLP. They are members of the Remuneration Consultants Group, which sets out guidelines to ensure that any advice received is independent. Ellason LLP provides no other services to the Company and the Committee is satisfied that the advice received is objective and independent.

No Directors or senior managers are involved in any decisions as to their own remuneration.

REMUNERATION POLICY

Remuneration policy tables

As the Company is admitted to AIM, it is not required to produce a formal remuneration policy or seek shareholder approval of that policy. However, we set out below additional information that the Committee believes will be most useful to shareholders and reflects remuneration practices that are appropriate for an AIM company of our size. The policy is designed to ensure our Executive Director pay arrangements remain supportive of and drive the strategy.



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POLICY TABLE IN RESPECT OF EXECUTIVE REMUNERATION

Element	Policy
Base salary	<p>Base salaries are reviewed annually to ensure they remain in line with other pharmaceutical/healthcare and other AIM companies and reflect the size and scope of the individual's role. Within that frame of reference, the Company aims to be at or near the median level.</p> <p>Annual base salaries increase and take effect from May each year. The Committee is committed to ensuring that salaries remain competitive relative to the AIM 100. Levels are set to attract and retain individuals to lead and drive forwards the agreed strategy for the Company.</p>
Pension and other benefits	<p>Executive Directors can participate in the Company's defined contribution pension scheme. In line with all employees, only their base salaries are pensionable. The Company contributes twice the amount contributed by the employee up to a maximum of 10% of salary. When appropriate to do so, Executive Directors may take benefits as a salary cash supplement (which will ordinarily be reduced to take account of the employer National Insurance Contributions).</p> <p>Other benefits in kind include life assurance, healthcare and the provision of a cash allowance in lieu of a company car.</p>
Annual bonus	<p>The delivery of the Group's in-year, short-term corporate goals is incentivised by offering a cash-settled bonus ('Annual Bonus') linked to two factors:</p> <ul style="list-style-type: none"> the achievement of budgeted levels of underlying profit before tax, which is the key metric the Board considers in monitoring corporate performance; and personal performance of each Executive. <p>As part of this incentive strategy Executive Directors are eligible to participate in the all-employee Annual Bonus scheme. The level of that bonus is determined by first assessing whether the threshold level of financial performance has been achieved by the business and, once this has been achieved, applying a further multiplier which is determined by assessment of the Executive's personal performance for the relevant year.</p> <p>The financial targets are set at the start of each financial year – the targets are determined with the approval of the Remuneration Committee to ensure they incentivise the Executives and align with delivery of the Group's strategy.</p> <p>Personal performance is measured using various factors, including delivery of pre-set personal targets. Based on a combination of financial and personal performance, the Annual Bonus that each of the Executives is able to earn is as follows:</p>

Element	Policy
Annual bonus continued	<p>Chief Executive Officer</p> <p>A bonus of 20% of base salary, increasing on a sliding scale up to a maximum of 100% of base salary, is payable upon the achievement of financial performance targets. The bonus payable can be further increased by applying a personal performance multiplier. The maximum personal performance multiplier is 1.5x (i.e. up to an additional 50% of salary). The CEO's potential maximum Annual Bonus opportunity is therefore 150% of base salary.</p> <p>Chief Financial Officer</p> <p>A bonus of 20% of base salary, increasing on a sliding scale up to a maximum of 100% of base salary, is payable upon the achievement of financial performance targets. The bonus can be further increased by applying a personal performance multiplier. The maximum personal performance-related multiplier is 1.5x (up to an additional 40% of salary). The CFO's potential maximum Annual Bonus opportunity is therefore 120% of base salary.</p>
Share incentive schemes	<p>The Company operates two share incentive schemes to encourage a culture of long-term growth and performance that aligns with share ownership. Executive Directors can participate in both the market value Company Share Option Plan ('CSOP'), and a nil-cost Long-Term Incentive Plan ('LTIP').</p> <p>Any awards granted to the Executive Directors are subject to performance metrics which are reviewed regularly by the Committee, and the level of award is reviewed annually to ensure that the aggregate remuneration remains competitive.</p> <p>Performance targets for Directors' awards granted under the LTIP and CSOP continue to be based on Earnings Per Share ('EPS') and Total Shareholder Return ('TSR') related targets, assessed over a three-year performance period.</p> <p>The maximum total market value of shares over which awards may be granted under the LTIP to any participant during any financial year is 100% of the participant's salary. However, in exceptional circumstances, the Committee may, at its absolute discretion, grant a higher amount. The maximum market value of shares under the approved part of the CSOP shall not exceed HMRC approved limits. There is no limit on the market value of shares when granting unapproved share option awards.</p> <p>Further information about the Company's share incentive plans is set out on pages 81 and 82.</p>
Share ownership	<p>To align Directors and Senior Management's interests with our shareholders, the Company operates a Share Ownership Policy.</p> <p>When exercising share options, relevant employees are required to build a qualifying interest in shares or vested options capable of exercise that is equal to a percentage of their base salary. Ordinary shares are valued at their market value at the time of any calculation carried out to determine whether a qualifying interest has been established or needs to be increased. The CEO is required to build a qualifying interest equal to 200% of his base salary, while the CFO and COO are required to build an interest equal to 150% of their salary. Further information can be found on page 85 of this Report.</p>



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REMUNERATION COMMITTEE REPORT CONTINUED

POLICY TABLE IN RESPECT OF NON-EXECUTIVE REMUNERATION

Remuneration/ Benefit	Application
Fees	Non-executive Directors of the Company receive a basic fee for the services provided to the Company. These are reviewed by the Board from time to time to ensure levels remain in line with comparable companies. There are no performance measures in relation to fees paid to Non-executive Directors.

DIRECTORS' REMUNERATION

The aggregate remuneration payable to the Directors in respect of the period was as follows:

	Salary or fees		Other		Pension		Bonus		Total remuneration, excluding share options		Exercised share option gains		Total remuneration, including share options	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Peter Butterfield	356,083	335,500	12,235	12,377	31,514	28,998	-	238,889	399,832	615,764	-	363,146	399,832	978,910
Andrew Franklin	239,200	226,667	11,474	11,922	20,846	22,667	-	155,940	271,520	417,296	-	-	271,520	417,296
Nigel Clifford ¹	-	15,000	-	-	-	-	-	-	-	15,000	-	-	-	15,000
David Cook	88,000	82,667	-	-	-	-	-	-	88,000	82,667	-	-	88,000	82,667
Richard Jones	49,458	45,750	-	-	-	-	-	-	49,458	45,750	-	-	49,458	45,750
Jo LeCouilliar	49,458	45,750	-	-	-	-	-	-	49,458	45,750	-	-	49,458	45,750
Kristof Neiry	47,201	3,844	-	-	-	-	-	-	47,201	3,844	-	-	47,201	3,844
	829,400	755,178	23,709	24,299	52,360	51,665	-	394,829	905,469	1,225,971	-	363,146	905,469	1,589,217

¹ Nigel Clifford retired from the Board as a Non-executive Director on 30 April 2021.

No Director received any remuneration from a third party in respect of their service as a Director of the Company.

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BASE SALARY

During the year, the Committee undertook a review of market benchmarks, including companies of similar size and sector, to gauge the pay positioning of the executive directors and other senior management; the review concluded that our total remuneration levels were positioned materially below median.

To help improve the positioning, base salaries for the CEO and CFO were increased during the year from £338,250 to £365,000 for the CEO and from £230,000 to £243,800 for the CFO. These increases took effect on 1 May 2022. In addition, the Committee agreed an uplift of £7,000 per month to Andrew Franklin in recognition of his additional responsibilities as acting CEO since November 2022. Peter Butterfield earned his fixed pay whilst on leave.

The annual base salary for the COO is £275,000.

PENSION AND BENEFITS

The CEO and CFO received an employer pension contribution of twice the amount contributed by the Director up to a maximum of 10% of salary.

The column headed 'Other' in the table above shows the value of benefits provided to each Executive Director, including a cash allowance in lieu of a company car and healthcare. The Executive Directors accrue retirement benefits through defined contribution (money purchase) schemes. The Company does not operate a defined benefit scheme. No Director or former Director received any benefits from a retirement benefits scheme that were not otherwise available to all members of the scheme.

ANNUAL BONUS

The Committee reviewed the achievement of actual underlying profit before tax ('PBT') against budgeted levels — the key metric for monitoring corporate performance. In addition, the Committee considered the personal performance of the Executive Directors as measured against various factors including pre-set personal objectives.

No annual bonus payments have been paid to the Executive Directors in respect of the year ending 31 December 2022 as the required threshold level of PBT was not achieved.

NON-EXECUTIVE DIRECTORS' FEES

An increase to Non-executive Directors' fees was approved during the year and took effect on 1 May 2022.

The annual fee paid to David Cook as Chair is £90,000. Jo LeCouilliard and Richard Jones each receive an annual fee of £46,128 plus a Committee Allowance of £5,000 for chairing the Remuneration and Audit and Risk Committees, respectively. Kristof Neirynd's annual fees increased to £47,736.

No Committee Allowance is paid for the chairing of the Nomination Committee.

SHARE INCENTIVE AWARDS

The Company operates two share incentive schemes under which share options are granted to Executive Directors and senior management. More details on our share plans can be found in the Directors' Report on page 89.

AWARDS UNDER THE ALLIANCE COMPANY SHARE OPTION PLAN 2015 ('CSOP')

During the year, as part of the Company's annual award process, the Committee approved the award of market value share options to the Executive Directors and Senior Leadership Team ('SLT'). The quantum of award is one share for every £2 of base salary and, where appropriate, may attract HMRC tax advantages.

On 29 September 2022, the Company granted Peter Butterfield 182,500 share options under the CSOP and Andrew Franklin 121,900 share options. These share options were granted with an exercise price of 58.2p per share (being the closing mid-market price of one 1p Ordinary share in the Company at close of trading on 28 September 2022). Based on the exercise price, the value of the awards as at the date of grant was equal to £106,215 for the CEO and £70,945 for the CFO. These awards will vest on the third anniversary from the date of grant, 28 September 2025, subject to meeting the EPS and TSR performance targets as set out on the following page.

AWARDS UNDER THE ALLIANCE LONG-TERM INCENTIVE PLAN 2019 ('LTIP')

The Committee also approved awards granted under the Company's LTIP in the form of nil-cost options. These were granted on 29 September 2022 with a face value of 55% of base salary to Peter Butterfield, equal to £200,750 (344,931 option awards); and 45% of base salary to Andrew Franklin, equal to £109,710 (188,505 option awards). The strike price used to calculate the quantum of awards was 58.2p per share (being the closing mid-market price of one 1p Ordinary share in the Company at close of trading on 28 September 2022). These awards will vest on the third anniversary from the date of grant, 28 September 2025, subject to meeting the EPS and TSR performance targets on the following page.

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MALUS AND CLAWBACK

All awards under the LTIP are subject to standard malus and clawback provisions which allow the Company, in certain circumstances, to either (i) terminate outstanding options, or (ii) seek repayment of after-tax value of options which have been exercised by an Executive which has been dismissed as a result of a set of prescribed irregularities including the discovery of material misstatement of results of the Company or Group; or a serious breach of the Company's code of ethics has arisen; or a serious regulatory, or health and safety issue has occurred.

PERFORMANCE CONDITIONS

All options granted to Executive Directors before 2019 will only vest if targets for growth in the Company's underlying diluted Earnings Per Share ('EPS') are met over a period of three years. EPS is an important metric which provides a strong incentive to drive the Group's business over that longer-term period and to mitigate downside risks that could affect the Group's profitability. Reputation risks could reasonably be expected to affect the share price, so the Executive is further incentivised to mitigate these exposures, if they wish to maximise the potential value of their options.

In 2019, the Committee reviewed performance targets as part of the introduction of the LTIP and introduced a second measure, in addition to EPS, based on Total Shareholder Return ('TSR'). As such, all options granted in 2022 to Executives under the CSOP and LTIP are subject to EPS and TSR performance conditions. 50% of the awards are subject to EPS and 50% are subject to TSR, equally weighted as set out below:

EPS Compound Annual Growth Rate over the performance period	% of award that vests (of 50%)
< 5% CAGR	0%
5% –10% CAGR	Calculated on a straight-line basis between 50% and 100%
> 10% CAGR	100%

CAGR: means compound annual growth rate.

EPS: means the underlying diluted earnings per share as presented in the Company's published Annual Reports.

EPS Compound Annual Growth Rate: means the percentage of increase in the EPS of the Company calculated by reference to the difference between (i) the EPS as presented in the published Annual Report for the financial year ending 31 December 2021, to (ii) the EPS as presented in the published Annual Report for the financial year ending 31 December 2024.

EPS Performance Period: means the period from 31 December 2021 to 31 December 2024 (inclusive).

TSR against the FTSE Small Cap Index (ex-Trusts) over the performance period	% of award that vests (of 50%)
Less than the Index	0%
Equal to the Index	50%
Between the Index but less than 15% out-performance of the Index on a cumulative basis over the TSR performance period	Calculated on a straight-line basis between 50% and 100%
Equal to or greater than 15% out-performance of the Index on a cumulative basis over the TSR performance period	100%

Index: means the FTSE Small Cap Index, excluding investments trusts as determined by the Company's nominated adviser.

TSR: means total shareholder return calculated by reference to the Company's share price appreciation plus all dividend per share paid (based on ex dividend date) during the TSR Performance Period, and as determined by the Company's Nominated Adviser at the end of the TSR Performance Period.

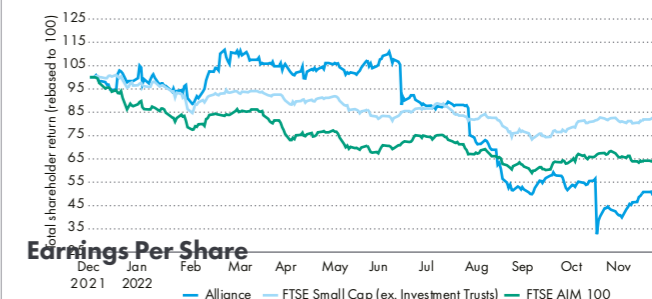
TSR Performance Period: means the period starting on the Grant Date and ending on the third anniversary of the Grant Date.

AWARDS VESTING DURING THE YEAR

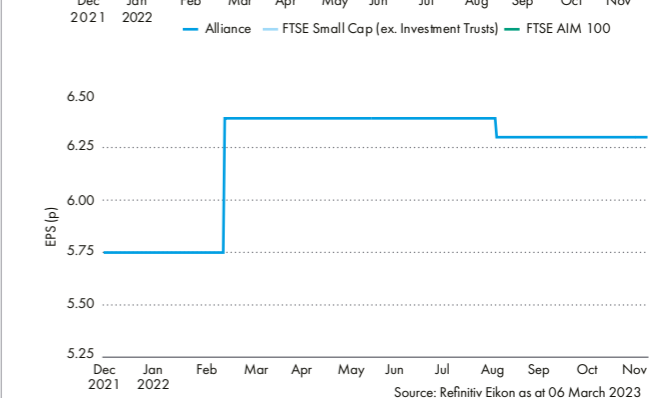
On 5 December 2022, market value share options made in 2019 under the CSOP to Peter Butterfield and Andrew Franklin vested 50% based on the achievement of the EPS target for the financial year ending 31 December 2021 of 6.30p (being RPI+2% per annum over the three-year performance period). The remaining 50% of the CSOP awards lapsed as the TSR element was not met.

Total Shareholder Return

3rd January 2022 to 29th December 2022



Earnings Per Share



Source: Refinitiv Eikon as at 06 March 2023

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LTIPs granted in 2019 also vested to Peter Butterfield and Andrew Franklin vested at 50% based on the achievement of an EPS target for the financial year ending 31 December 2021 of 6.30p (being RPI+2% p.a. over the five-year performance period). The remaining 50% of the LTIP awards lapsed as the TSR element was not met.

Details of the number of shares vesting and the relevant exercise prices for these option awards are set out in the table below and on page 84. The closing mid-market price of Ordinary shares on 31 December 2022 (being the last dealing day in the calendar year) was 53.0p and the range during the year was from 35.3p to 121.6p.

Peter Butterfield

Type of award	Date of grant	Exercise price (p)	Performance condition	No. of options granted	Vested	Exercised*	Lapsed	Number of options capable of exercise	Exercisable from	Exercisable to
CSOP Unapproved	27-Oct-16	47.50	EPS	1,000,000	1,000,000	500,000	–	500,000	27-Oct-21	27-Oct-26
CSOP Unapproved	05-Oct-18	81.60	EPS	1,250,000	1,250,000	–	–	1,250,000	05-Oct-21	05-Oct-28
CSOP Unapproved	05-Dec-19	76.90	EPS & TSR	137,500	68,750	–	68,750	68,750	05-Dec-22	05-Dec-29
LTIP	05-Dec-19	Nil	EPS & TSR	196,684	98,342	–	98,342	98,342	05-Dec-22	05-Dec-23
CSOP Unapproved	23-Sep-20	73.70	EPS & TSR	165,000	–	–	–	–	23-Sep-23	23-Sep-30
LTIP	23-Sep-20	Nil	EPS & TSR	246,269	–	–	–	–	23-Sep-23	23-Sep-24
CSOP Unapproved	29-Sep-21	102.80	EPS & TSR	139,943	–	–	–	–	29-Sep-24	29-Sep-31
CSOP Approved	29-Sep-21	102.80	EPS & TSR	29,182	–	–	–	–	29-Sep-24	29-Sep-31
LTIP	29-Sep-21	Nil	EPS & TSR	180,970	–	–	–	–	29-Sep-24	29-Sep-25
CSOP Approved	29-Sep-22	58.20	EPS & TSR	1	–	–	–	–	29-Sep-25	29-Sep-32
CSOP Unapproved	29-Sep-22	58.20	EPS & TSR	182,499	–	–	–	–	29-Sep-25	29-Sep-32
LTIP	29-Sep-22	Nil	EPS & TSR	344,931	–	–	–	–	29-Sep-25	29-Sep-26
				3,872,979	2,417,092	500,000	167,092	1,917,092		

*No shares were exercised during 2022

SHARE INCENTIVE AWARDS

Executive Directors hold options through the Company's share option and long-term incentive plans. Details of options held under the Company's employee share schemes by the Directors as at 31 December 2022 and who served during the year are as shown below. Shares are retained as required to comply with the Company's Share Ownership Policy for which details are provided on page 79.



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Andrew Franklin

Type of award	Date of grant	Exercise price (p)	Performance condition	No. of options granted	Vested	Exercised*	Lapsed	Number of options capable of exercise	Exercisable from	Exercisable to
CSOP Unapproved	04-Dec-15	46.75	No	1,935,829	1,935,829	1,435,829	–	500,000	04-Dec-18	04-Dec-25
CSOP Unapproved	27-Oct-16	47.50	EPS	155,000	155,000	–	–	155,000	27-Oct-19	27-Oct-26
CSOP Unapproved	27-Oct-16	47.50	EPS	400,000	400,000	–	–	400,000	27-Oct-21	27-Oct-26
CSOP Unapproved	15-Sep-17	53.00	EPS	170,000	170,000	–	–	170,000	15-Sep-20	15-Sep-27
CSOP Unapproved	05-Oct-18	81.60	EPS	178,000	178,000	–	–	178,000	05-Oct-21	05-Oct-28
CSOP Approved	05-Dec-19	76.90	EPS & TSR	39,011	19,505	–	19,505	19,505	05-Dec-22	05-Dec-29
CSOP Unapproved	05-Dec-19	76.90	EPS & TSR	55,989	27,994	–	27,994	27,994	05-Dec-22	05-Dec-29
LTIP	05-Dec-19	Nil	EPS & TSR	111,183	55,592	–	55,592	55,592	05-Dec-22	05-Dec-23
CSOP Unapproved	23-Sep-20	73.70	EPS & TSR	110,000	–	–	–	–	23-Sep-23	23-Sep-30
LTIP	23-Sep-20	Nil	EPS & TSR	134,328	–	–	–	–	23-Sep-23	23-Sep-24
CSOP Unapproved	29-Sep-21	102.80	EPS & TSR	115,000	–	–	–	–	29-Sep-24	29-Sep-31
LTIP	29-Sep-21	Nil	EPS & TSR	100,681	–	–	–	–	29-Sep-24	29-Sep-25
CSOP Unapproved	29-Sep-22	58.20	EPS & TSR	121,900	–	–	–	–	29-Sep-25	29-Sep-32
LTIP	29-Sep-22	Nil	EPS & TSR	188,505	–	–	–	–	29-Sep-25	29-Sep-26
				3,815,426	2,941,920	1,435,829	103,091	1,506,091		

* Neither Peter Butterfield nor Andrew Franklin exercised any share options during the year.

DIRECTORS' INTERESTS, SHAREHOLDINGS & SHARE OWNERSHIP POLICY

The Company operates a share ownership policy under which the Executive Directors and certain other employees are required when exercising options to acquire and maintain an interest in Alliance Pharma shares up to a percentage of base salary. The policy requires Executive Directors, when they exercise options, to retain shares in the Company with a value equal to 50% of the net gain (post costs and settlement of tax liabilities) until such time as the required level of shareholding is achieved.

Once an Executive Director has built a stake in the Company equal to the required levels, they are free to exercise without having to retain shares. Interests may also be maintained as a result of a Director acquiring Ordinary shares in the open market. The Company Secretary maintains a record of individual required levels and qualifying interests based on information provided by an individual subject to this policy and reports periodically to the Remuneration Committee regarding compliance. Pursuant to the policy, 50% of the value of any vested but unexercised awards count towards the holding requirements. Ordinary shares are valued at their market value at the time of any calculation carried out using the previous day's closing middle market quotation.



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DIRECTORS' INTERESTS, SHAREHOLDINGS & SHARE OWNERSHIP POLICY CONTINUED

As at 14 March 2023, the Executive Directors hold the following interests in Ordinary shares of the Company:

Director		Percentage of salary	2022 Base salary	Shareholding	Vested but unexercised awards	Value of holdings*	% achieved
Peter Butterfield	CEO	200%	£365,000	442,104	1,917,092	£371,233	102%
Andrew Franklin	CFO	150%	£243,800	128,384	1,506,092	£214,360	88%

* At the closing market price on 13 March 2023: 66.1p.

The following table shows the interests of the Directors (and their spouses and dependent children) in the shares of the Company.

Director	At 31 December 2021			At 31 December 2022		
	Beneficial	Non-beneficial	Total	Beneficial	Non-beneficial	Total
Peter Butterfield	442,104	–	442,104	442,104	–	442,104
Andrew Franklin	128,384	–	128,384	128,384	–	128,384
David Cook	234,129	–	234,129	234,129	–	234,129
Richard Jones	15,000	–	15,000	15,000	–	15,000
Jo LeCouillard	–	–	–	–	–	–
Kristof Neiryck	–	–	–	–	–	–

DIRECTORS' SERVICE CONTRACTS

All Executive Directors are employed under 12-month rolling service contracts. The services of all Executive Directors may be terminated (i) by the Company or individual giving 12 months' notice or (ii) immediately, in the event that the Director is not re-elected by shareholders at an AGM.

Executive Director		Date of appointment	Date of current contract	Notice period (Company)	Notice period (Director)
Peter Butterfield	Chief Executive	22/02/2010	05/08/2010 Rolling 12 months	12 months	12 months
Andrew Franklin	Chief Financial Officer	28/09/2015	25/06/2015 Rolling 12 months	12 months	12 months
Jeyan Heper	Chief Operating Officer	01/02/2023	11/01/2023 Rolling 12 months	12 months*	12 months*

* 6-months' written notice during first 12 months of employment and thereafter not less than 12-months written notice by either the Company or the Director.

The Non-executive Directors are employed under letters of engagement which may be terminated by the Company by (i) giving the appropriate notice, or (ii) immediately, in the event that the Director is not re-elected by shareholders at an AGM.

Non-executive Director		First date of appointment	Current term	Unexpired term
David Cook*	Chair & Independent NED	01/04/2014	4 years	Nil
Jo LeCouillard	Independent NED	01/01/2019	5 years	9 Months
Richard Jones	Independent NED	01/01/2019	5 years	9 Months
Kristof Neiryck	Independent NED	01/12/2021	5 years	46 Months
Martin Sutherland	Independent NED	01/02/2023	5 years	58 months

* David Cook will step down as Chair of the Board with effect from the AGM.

The Executive Directors' service contracts and Chair and Non-executive Directors' letters of appointment are available for inspection by shareholders at the Company's registered office or by emailing the Company Secretary at Company.Secretary@AlliancePharma.co.uk.



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ESG COMMITTEE REPORT

“Running our business in a responsible way, minimises negative impacts so we can make a positive contribution.”

David Cook, ESG Committee Chair

CHAIR'S STATEMENT

It gives me great pleasure to introduce this year's report from the ESG Committee ('the Committee').

This year we have made significant strides into our commitment to becoming a more sustainable business and in setting our ESG priorities, ensuring that these priorities align with the Company's strategy. The Committee continues to believe that operating our business in a responsible way, minimises negative impacts on people and planet and makes a positive contribution to society.

A lot of ground has been covered in the 12 months since the last Committee's report. We have witnessed progress in the Company's Net Zero Carbon strategy; have come to understand our material sustainability issues, introduced or reviewed policies to strengthen our governance framework and improved our voluntary TCFD reporting.

The following pages set out the Committee's responsibilities and you can read about the activities the Committee discussed during the year.

I would like to thank those shareholders who also continue to work with us to help us better understand responsible investing.

You can also read more about our work on Sustainability on the Company's website.

David Cook

ESG Committee Chair
20 March 2023



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THE ROLE OF THE COMMITTEE

The ESG Committee's primary role is to review the overarching ESG vision for the Company, including climate change, and ensure that the priorities are anchored and are an integral part of the Company's overall strategy.

DUTIES OF THE COMMITTEE

The duties of the Committee include:

- › To recommend the overarching ESG vision to the Board and ensure that ESG priorities are anchored at the top of the Company
- › To ensure ESG priorities are an integral part of the Company's overall strategy
- › To ensure that the views of stakeholder groups on ESG matters are solicited and understood to inform the Company's long-term strategic decisions
- › To identify the relevant ESG priorities that most significantly impact the Company and its stakeholders, its reputation and public interest role
- › To assist the Board in defining and executing the Company's strategy and agree the annual plan and targets relating to ESG matters
- › To review the Company's performance against its annual plan and ESG targets, initiatives and commitments
- › To guide the Company's ESG communication strategy
- › To ensure that ESG priorities are reflected in the Company's culture through its purpose, vision, values and behaviours as well as its supplier code of conduct

MEMBERSHIP AND MEETING ATTENDANCE

All Board members currently attend Committee meetings. During the year, the Committee held two scheduled meetings and reported on its activities to the Board.

Member	Role	Status	Attendance
David Cook	Chair	Independent	2/2
Peter Butterfield	CEO	–	2/2
Andrew Franklin	CFO	–	2/2
Jo LeCouilliard	NED	Independent	2/2
Richard Jones	NED	Independent	2/2
Kristof Neiryneck	NED	Independent	2/2

The Committee works closely with the SLT, Investor Relations and our Corporate Sustainability Lead who are invited to attend meetings. Others are invited to attend as appropriate to support the Committee with discussions.

During the year, the Committee also invited ESG consultants to present on the work that they have been doing with the business on Net Zero Carbon strategy, understanding the Company's Scope 1, 2 and 3 emissions and setting the carbon action plan.

ACTIVITIES OF THE COMMITTEE

An overview of our approach and sustainability framework can be found on pages 29 to 30 and can be found in our Online Sustainability Report on our website.

Activities

- › Reviewed 2022 and 2023 objectives and sustainability framework and initiatives
- › Established a sustainable packaging strategy programme to review the Group's product portfolio
- › Increased supply chain oversight through "Know your Supplier" and published our Partner Code of Conduct
- › Developed the carbon action plan which includes understanding what the Company's supply chain are doing to reduce their Scopes 1,2 and 3 emissions
- › Outlined current investment into environmental strategy and carbon action plan by introducing EV schemes to encourage behavioural changes
- › Continued to work with the Company's appointed energy consultancy firm to help shape the medium-term ambition, particularly in the areas of TCFD and Scope 3 emissions, supply chain management and development of key metrics



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SCOPE OF THIS REPORT

The Directors present their Annual Report, together with the audited financial statements of the Company and the Group, for the year ended 31 December 2022.

The Directors' Report, required under the Companies Act 2006, includes and comprises the Directors' biographies on pages 61 and 62, the Governance statement on pages 58 to 68, the Remuneration Committee Report on pages 77 to 85 and the Strategic Report on pages 06 to 56.

As permitted under the Companies Act 2006, certain matters which would otherwise need to be included in this Directors' Report have instead been discussed in the Strategic Report on pages 06 to 56. These matters include any important post-balance sheet events, the likely future developments in the business of the Company and its subsidiaries, the activities of the Company and its subsidiaries in the field of research and development.

Principal activities

The principal activity of the Company is to act as a holding company. The principal activity of the Group is the acquisition, marketing and distribution of consumer healthcare and pharmaceutical products.

Branches

A list of the Group's subsidiaries and associated undertakings can be found on pages 128 and 129 under note 13 to the financial statements. There are no branches of the Company outside the UK. Alliance Pharmaceuticals GmbH, a company within the Alliance Group, has a Swiss branch which operates under the name Alliance Pharmaceuticals GmbH Düsseldorf, Zweigniederlassung Uster.

Directors

Names and biographical details of the Directors of the Company at the date of this Report are shown on pages 61 and 62. The rules setting out the powers of Directors, their appointment and replacement are set out in the Company's Articles of Association. Further information on the associated process can be found on page 70 of the Nomination Committee Report.

Details of Executive Directors' service contracts and letters of appointment for Non-executive Directors can be found in the Remuneration Report on page 85. All Directors put themselves forward for annual re-election at the Company's AGM.

Directors' indemnities

The Company's Articles of Association contain provisions for Directors to be indemnified (including the funding of defence costs) to the extent permitted by the Companies Act 2006.

This indemnity would only be available if judgement was given in the individual's favour, or he or she was acquitted, or relief under the Companies Act 2006 was granted by the court. There were no qualifying pension scheme indemnity provisions in force during the year.

Share capital and shareholders' rights

The Company's issued share capital as at the 17 March 2023 is 539,995,086 Ordinary shares of 1p each. Each Ordinary share carries one vote at general meetings of the Company. There are no restrictions on the transfer of Ordinary shares other than restrictions which may from time to time be imposed by law. The Company is not aware of any agreements between shareholders that may restrict transfer of securities or voting rights.

The Company has no shareholder authority to acquire its own shares.

Dividends

The Board declared an interim dividend in respect of the year ending 2022 of 0.592p per share (2021: 0.563p) which was paid to shareholders on 19 January 2023. The Directors are recommending a final dividend of 1.184p per share (2021: 1.128p) which, subject to shareholders' approval at the AGM on the 25 May 2023, will be paid on 18 July 2023 to shareholders on the register at close of business on 23 June 2023.

The total dividend paid and proposed in respect of the year ended 31 December 2022 is therefore 1.776p per share (2021: 1.691p).

Substantial shareholdings

As at 17 March 2023, as required under AIM and certain disclosure rules, the Company has been notified of the major shareholdings in the table below. Both the number of shares held, and the percentage holding, are stated as at the latest date of notification to the Company. Details of all major shareholdings can also be found in the Investor section of the Company's website.

Shareholder	Number of shares held	Percentage of issued share capital
DBAY Advisors Limited	55,734,204	10.32%
Slater Investment	51,906,041	9.61%
Van Lanschot Kempen	49,854,026	9.23%
Rathbone plc	20,879,002	3.87%
Royal Bank of Canada	20,645,236	3.82%
Fidelity Mgt & Research	19,644,025	3.64%
Investec Group	17,264,547	3.20%
Mr John Dawson	16,200,462	3.00%



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COMPANY SHARE INCENTIVE PLANS

The Company operates two incentive share plans.

The Alliance Company Share Option Plan 2015 ('CSOP')

For many years, the Company has operated a CSOP under which all employees are eligible to receive awards in the form of market value options. At the discretion of the Committee, awards are typically granted subject to a three-year vesting period and following maturity, participants have a seven-year period in which to exercise their options.

Options awarded are based on one share for every £2 of salary and where appropriate may attract HMRC tax advantages. Employees based outside of the UK will receive non-tax advantaged share option awards and, where this is not possible, the Committee considers awards in the form of share appreciation rights.

All awards granted to Executive Directors and Senior Management are subject to performance conditions. These are explained in the Remuneration Committee Report on page 81.

The Alliance Long-Term Incentive Plan 2019 ('LTIP')

In 2019, the Company introduced the LTIP which forms part of the remuneration strategy for the Executive Directors and members of the Senior Leadership Team. Awards are granted in the form of nil-cost share options based on a percentage of base salary. All awards granted under the LTIP are subject to performance conditions and malus and clawback provisions. Subject to achieving the performance conditions set by the Committee, such awards will vest three years from the date of grant and participants will have 12 months in which to exercise any vested award.

Details in relation to awards granted to the Company's Executive Directors are contained in the Remuneration Report on pages 83 and 84.

Employee Benefit Trust (EBT/Trust) and management of dilution

The Company manages dilution rates within the standard guidelines. In 2017 the Group established the Alliance Pharma Employee Benefit Trust to facilitate the acquisition of Ordinary shares in the Company for the purpose of satisfying awards granted under share option schemes. The Group has been operating the Trust to help manage dilution limits in line with good practice.

The Trust is administered by an independent Trustee who operates the Trust independently of the Group. The EBT is a discretionary trust, the sole beneficiaries being employees (including Executive Directors) of the Group who have received applicable awards.

The Trustees must act in the best interests of the beneficiaries as a whole and will exercise their discretion in deciding whether or not to act on any recommendations proposed by the Company. Any assets held by the Trust would be consolidated into the Group's financial statements. The Company may grant awards on the basis that it is the Company's intention to settle the exercise of awards through shares purchased in the open market on an arm's length basis. Awards granted and settled in this way are not included in the Company's headroom and dilution calculation. The Group may fund (although it has not yet needed to and therefore has not done so) the EBT to purchase on the EBT's own account shares in the Company on the open market. This is in return for the EBT agreeing to use the shares in the Company that it holds to satisfy certain outstanding awards made under the Company's share option schemes. The purchasing in the market of shares to satisfy the exercise of options places a cash requirement on the business. To date, no shares have been purchased by the Trust for satisfaction of outstanding or future share option awards.

To further help manage dilution limits, and where appropriate and agreed with the Committee, share options are net settled upon exercise.

Employee share dealing and share ownership

In accordance with AIM Rule 21, all employees are made aware of and are required to comply with the Company's Share Dealing Policy when dealing in the Company's shares or exercising options over shares. The Dealing Code sets out the rules relating to close periods, clearance procedures, time frames and disclosure requirements.

The Company operates a share ownership policy under which the Executive Directors and certain other employees are required, when exercising options, to acquire and maintain an interest in Alliance Pharma shares up to a percentage of base salary, details of which can be found on page 84.

Accounting policies, financial instruments and risks

Details of the Group's financial instruments and financial risk management disclosures can be found in note 21 of the Group financial statements on pages 133 to 137.

Charitable donations

During the year ended 31 December 2022, the Group contributed £58,790 (2021: £25,635) to charitable causes.

Political donations

No political donations or contributions were made, or political expenditure incurred during the period.

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Directors' obligations to the auditor

The Directors confirm that: (a) so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and (b) they have each taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. This statement is given in accordance with section 418 of the Companies Act 2006.

Company's auditor

The Company announced the appointment of Deloitte LLP on 8 August 2022 to fill a casual vacancy until the next AGM. Deloitte LLP has expressed its willingness to be formally appointed as the Company's auditor and a resolution will be proposed at the AGM.

Annual General Meeting

This year's AGM will be held on 25 May 2023, the business of which is set out in the Notice of Meeting. A circular containing the Notice of Meeting together with an explanatory letter from the Chair accompanies the Annual Report and is also available on the Company's website.

Please note that following the Company's move to electronic communications, we are no longer producing hard copy forms of proxy. These are available on request from the Company's Registrars.

Electronic communications

Shareholders are encouraged to move away from hard copy Company communications. This means that, instead of being obliged to send Annual Reports, notices of shareholder meetings and other documents to shareholders in hard copy by post, the Company can instead elect to publish them on its website at www.alliancepharmaceuticals.com. Using the website and

email allows us to reduce printing and postage costs and it is better for many shareholders who can choose and access just the information they need, from the website, at any time.

Shareholders still have the right to ask for paper versions of shareholder information, but we are strongly encouraging all shareholders to consider the electronic option.

Shareholders can also vote electronically using the following link, www.signalshares.com. Registering your details on Link's share portal also gives shareholders easy access to information about their shareholdings and the ability to vote at general meetings or appoint a proxy to vote.

COMPLIANCE WITH THE STREAMLINED ENERGY AND CARBON REPORTING REQUIREMENTS

Annual reporting figures

The total consumption and emissions figures for energy supplies reportable by the Company.

Consumption (kWh) and greenhouse gas emissions (tCO₂e) totals

The following figures show the consumption and associated emissions for this reporting year for our operations, with figures from the previous reporting period included for comparison.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by us. This relates to grey fleet (business travel undertaken in employee-owned vehicles) only.

Totals

The total consumption (kWh) figures for reportable energy supplies are shown as follows:

Utility and Scope	2022 Consumption (kWh)	2021 Consumption (kWh)
Grid-supplied electricity (Scope 2)	229,932	256,103
Gaseous and other fuels (Scope 1)	8,604	10,644
Transportation (Scope 1 and 3)	193,853	144,186
Total	432,389	410,933

The total emission (tCO₂e) figures for reportable energy supplies are set out below. Conversion factors utilised in these calculations are detailed in the appendix on page 91:

Utility and Scope	2022 Consumption (tCO ₂ e)	2021 Consumption (tCO ₂ e)
Grid-supplied electricity (Scope 2)	44.46	54.38
Gaseous and other fuels (Scope 1)	1.57	1.95
Transportation (Scope 1 and 3)	45.38	33.68
Total	91.42	90.01

Intensity metric

An intensity metric of tCO₂e per £m turnover has been applied for our annual total emissions. The methodology of the intensity metric calculations are detailed in the appendix on page 91, and the results of this analysis are shown as follows:

Intensity Metric	2022 Intensity Metric	2021 Intensity Metric
tCO ₂ e/£m turnover	0.79	0.70
tCO ₂ e/£m headcount	0.48	0.50

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Energy efficiency improvements

We are committed to year-on-year improvements in our operational energy efficiency. As such, a register of energy efficiency measures available to us has been compiled, with a view to implementing these measures in the next five years.

Measures ongoing and undertaken through 2022

In 2022, we submitted an application for full planning permission and listed building consent for the installation of solar PV panels on the roof of our Avonbridge site.

Measures prioritised for implementation in 2023

Subject to receipt of the required permissions and consents, we plan to progress with the installation of the solar PV panels in 2023.

Appendix to SECR

Reporting methodology

Scope 1, 2 and 3 consumption and CO₂e emissions data has been calculated in line with the 2019 UK Government environmental reporting guidance. Emissions Factor Database 2022 version 1 has been used, utilising the published kWh gross calorific value (CV) and kgCO₂e emissions factors relevant for reporting period 01/01/2022 – 31/12/2022.

Estimations undertaken to cover missing billing periods for properties directly invoiced to Alliance were calculated on a kWh/day pro-rata basis at the meter level. These estimations equated to 8% of reported consumption.

For properties where Alliance is indirectly responsible for utilities (i.e. via a landlord or service charge), an average consumption for properties with similar operations was calculated at meter level and applied to the properties with no available data. These full-year estimations were applied to one electricity supply and one gas supply.

Intensity metrics have been calculated using total tCO₂e figures, and the selected performance indicator agreed with Alliance for the relevant report period:

- › Total UK turnover in 2022: £115.5m (2021: £128.4m)
- › Total UK headcount in 2022: 190 (2021: 179)

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- › select suitable accounting policies and then apply them consistently;
- › make judgements and estimates that are reasonable, relevant and reliable;
- › state whether they have been prepared in accordance with UK-adopted international accounting standards;
- › assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- › use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Chris Chrysanthou

Group General Counsel & Company Secretary
20 March 2023