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Governance



Chairman's introduction to governance

“It is my pleasure to introduce this year's report on governance. In the following sections, we provide an update on our compliance with Corporate Governance, the Remuneration Report and the Directors' Report.”

Dear shareholders and colleagues,

Here we explain the activities of the Board and its Committees and how we have ensured that governance remains central to delivering on our strategy and the successful operation of our business.

Reflecting on the last 15 months, the Board and I have been impressed with the way in which the business has come together to navigate both the challenges of the pandemic and the opportunities to build a stronger, more connected, and resilient business.

As a global business, we have benefitted from the investment we have made into our technology and infrastructure, which has allowed us to provide a secure and effective way for our employees to continue their work remotely. Our systems and processes across the Group have proved to be robust and where needed they have been adapted to maintain continuity and minimise disruption. In addition, we have neither furloughed our employees nor taken up any support from government.

There is a strong culture of supportive leadership at Alliance. As we have moved through the global pandemic, the continuing safety, health, and wellbeing of our employees has remained one of our key concerns. Different ways of working have, in many ways, brought the global Alliance team closer together. There is frequent dialogue between management and employees through online meetings, Breakfast Briefings, Alliance Connect, regular employee surveys and virtual social events. This has helped us understand how we can best help and support our people and foster their continued engagement. This was further reinforced in Autumn 2020, when we were pleased to announce that Alliance received the 'Great Place to Work[®]' certification both in the UK and in China. You can read more about this on page 30.

Identifying and managing risks remains an inherent part of our business. We have continued to strengthen our governance and assurance frameworks to align with our growth strategy and to provide a platform that helps us build a sustainable and resilient business over the long term.

Notwithstanding these uncertain times, we have been able to draw on our strong foundations and seek new opportunities to advance our strategy. The recent US acquisition of Biogix Inc. with the addition of Amberen into our Consumer Healthcare portfolio is further evidence of the capabilities of our people to continue to target, deliver and implement our business strategy with confidence.



Members and meetings at a glance

Meetings held between 1 January 2020 and 31 December 2020

Board

13

 Meetings – 100% attendance

| | | | |
|-------------------|----------|-------------|-------|
| David Cook | Chairman | Independent | 13/13 |
| Peter Butterfield | CEO | – | 13/13 |
| Andrew Franklin | CFO | – | 13/13 |
| Nigel Clifford | NED | Independent | 13/13 |
| Jo LeCouilliard | NED | Independent | 13/13 |
| Richard Jones | NED | Independent | 13/13 |

Audit & Risk Committee

4

 Meetings – 100% attendance

| | | |
|-----------------|-------|-----|
| Richard Jones | Chair | 4/4 |
| Jo LeCouilliard | NED | 4/4 |
| David Cook | NED | 4/4 |

Remuneration Committee

5

 Meetings – 100% attendance

| | | |
|-----------------|-------|-----|
| Jo LeCouilliard | Chair | 5/5 |
| David Cook | NED | 5/5 |
| Nigel Clifford | NED | 5/5 |

Nomination Committee

2

 Meetings – 100% attendance

| | | |
|-----------------|-------|-----|
| David Cook | Chair | 2/2 |
| Jo LeCouilliard | NED | 2/2 |
| Nigel Clifford | NED | 2/2 |
| Richard Jones | NED | 2/2 |

Alliance is in an industry where we can be part of the solution to the pandemic. Our teams worked with the Department of Health to ensure the supply of a product which may potentially benefit patients with COVID-19. In addition, our social impact activities focused on donating to charities whose work supports those local to our various office locations affected by COVID-19.

Following this year's Board evaluation review carried out in January 2021, and in light of the increasing importance of ESG, the Board has taken the decision to establish an ESG Committee. We will report on the activities of this new committee in next year's annual report. Further information on the Company's work in this area can be found on pages 36 to 51 of this report.

We were pleased to resume dividends and declared an interim dividend to shareholders at half-year. This follows a review by the Board of our dividend policy after suspending the final dividend payment for 2019 in response to the COVID-19 pandemic. Since then, we have continued to assess the level of cash distributions having regard to overall performance of the business and outlook and we are pleased to be recommending a final dividend to shareholders of 1.074 pence per share.

At last year's AGM, shareholders voted to approve changes to the Company's Articles of Association that provided flexibility to the Board in the event of continued uncertainty. The Board has therefore taken the decision to hold this year's AGM in the form of a hybrid meeting and will be held at 10.00am on 19 May 2021. Further details will be notified to shareholders in due course.

The Board would like to thank all shareholders and colleagues for their continued support, and we look forward to continuing with our good work. We wish you a safe and healthy 2021.

David Cook
Chairman

23 March 2021



David Cook
Independent Non-executive Chairman

Date joined

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



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.



Andrew Franklin
Chief Financial Officer

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

Qualifications

David qualified as a Chartered Accountant with PricewaterhouseCoopers after graduating in Chemistry at the University of Oxford.

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

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

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 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.

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.

Committee membership



 [View the Nomination Committee Report on page 79](#)

Committee Membership Key

 Audit and Risk Committee  Nomination Committee  Remuneration Committee  Committee Chair



Nigel Clifford
Independent Non-executive Director

Nigel joined the Board of Alliance as a Non-executive Director in 2015.

Nigel graduated in Geography from the University of Cambridge and has an MBA from Strathclyde University.

He was appointed Deputy Chair at the UK Government's new Geospatial Commission in December 2018 and is an Operating Partner with Marlin Operations Group. Previously, he held Chief Executive and senior positions at Ordnance Survey, Proserve Holdings, Micro Focus International plc, Nokia, Symbian Software, Tertio Telecoms, Cable and Wireless plc, Glasgow Royal Infirmary NHS Trust and BT plc. He also served as a Non-executive Director of Anite plc.

He brings significant experience of the strategic and commercial management of complex global businesses, gained in a variety of industry sectors and under a variety of ownership structures.



Richard Jones
Independent Non-executive Director

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.

In 2020, Richard was appointed Chief Financial Officer at UK main market listed Medica Group PLC, the UK's leading teleradiology provider. Prior to this he was CFO and a Board member of dual UK and US listed Mereo BioPharma Group PLC, a biopharma company developing a range of products in bone, endocrine and respiratory therapies with a focus on rare diseases.

Richard joined Mereo from UK AIM listed Shield Therapeutics plc where he was CFO and Company Secretary from early 2011 having initially joined the Board as a Non-executive Director in 2010. At Shield he had a leading role establishing the finance operations and guiding Shield through its 2016 IPO.

He has a background in investment banking, having held 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.



 [View the Audit and Risk Committee Report on page 82](#)



Jo LeCouilliard
Independent Non-executive Director


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

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

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 company Circassia Group plc and is also on the Board of Recorditi S.p.a.



 [View the Remuneration Committee Report on page 86](#)

Our Governance Framework

Shareholders

Our shareholders delegate to the Board collectively, the responsibility for the long-term success of the Company within a framework of good governance. The Board seeks to understand the investor base through regular dialogue and engagement.



The Matters Reserved to the Board and Committee terms of reference can be viewed on the Company's website.



The Board

The Board's role is to set the vision and strategy for the Company and deliver value to its shareholders over the medium to long term.

There is a collective responsibility for deciding the governance arrangements most appropriate to achieving the Company's purpose to support robust decision making, managing risk and ensuring a healthy culture. To assist in discharging its duties, some areas of responsibility are delegated to the Committees of the Board.



More information on the activities of the Board can be found on page 74



compliance & assurance oversight and delegated authorities

The Nomination Committee

The Nomination Committee leads on the process for appointment, succession planning and evaluating Board and Committee composition and diversity to ensure Board effectiveness.



More information on the work of the Nomination Committee can be found on pages 79 to 81

The Audit and Risk Committee

The Audit and Risk Committee leads on reviewing the Company's integrity of the financial results and other reporting; reviews the effectiveness of the external audit; and has oversight of the effectiveness of risk management and systems of internal control.



More information on the work of the Audit and Risk Committee can be found on pages 82 to 85

The Remuneration Committee

The Remuneration Committee leads on designing remuneration policy, determining Board and senior executive remuneration; and takes account of the wider Group pay and associated policies.



More information on the work of the Remuneration Committee can be found on pages 86 to 94



CEO & Senior Leadership Team

The SLT is led by the Chief Executive and meets on a regular basis. The SLT is responsible for business operations.



More information on the SLT can be found on our website at www.alliancepharmaceuticals.com/about-us/our-leadership-team



Group

EMEA*

APAC*

AMER*



compliance & assurance oversight, delegated authorities risk management and internal controls

Function support

- Finance and tax
- Governance and legal
- Corporate development
- People and infrastructure
- Commercial, sales and marketing
- Regulatory
- Supply and logistics
- Scientific affairs and operations

Values & behaviours

- Agents, customers and suppliers
- Business reporting
- Compliance with laws
- Conflicts of interest
- Fair competition and business practice
- Protection of Company assets
- Anti-bribery and corruption
- Whistleblowing

* For definitions, see page 19

Our compliance with the principles of the QCA code

As an AIM listed company, our governance is underpinned by the Quoted Companies Alliance (QCA) Corporate Governance Code 2018 (the 'QCA Code'). In addition to the QCA Code, we monitor developments and guidance in the UK Corporate Governance Code, applicable to main market listed companies, to keep abreast of matters which we feel could also be embedded as best practice as part of a progressive approach.

- 1 To establish a strategy and business model which promote long-term value for shareholders
- 2 To seek to understand and meet shareholder needs and expectations
- 3 To take into account wider stakeholder and social responsibilities and their implications for long-term success
- 4 To embed effective risk management, considering both opportunities and threats, throughout the organisation
- 5 To maintain the Board as a well-functioning, balanced team led by the Chair
- 6 To ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities
- 7 To evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
- 8 To promote a culture that is based on ethical values and behaviours
- 9 To maintain governance structures and processes that are fit for purpose and support good decision-making by the Board
- 10 To communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Complying with the QCA Code

1 2 3

We have indicated with the numeric markers throughout this section to highlight how we comply with the QCA Code. Further information can also be found on our website at: www.alliancepharmaceuticals.com/investors/governance



For more information visit
alliancepharmaceuticals.com

Key activities of the Board and its Committees

Throughout the year the Board received regular updates on, and considered, the commercial and financial performance of the business, scientific operations and affairs, people and infrastructure, legal, ERP implementation, and the management and impact of COVID-19. 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 | | | ■ | | | ■ | ■ | | | | | |
| 2021 Budget Presentations and budget approval for 2021 | | | | | | | | | | ■ | ■ | ■ |
| Corporate development Review of acquisition opportunities and completion of acquisition of Biogix Inc. | | | | | | | | | ■ | ■ | ■ | ■ |
| Business reviews Mainland Europe, Asia Pacific, US and product review, brand protection | | ■ | | ■ | | | ■ | | ■ | | ■ | ■ |
| Investor engagement and broker presentations Presentations from brokers, full and half year results webcast presentations, analyst calls and investor roadshows, private client fund manager meetings, one-to-one calls and AGM | ■ | | | ■ | ■ | ■ | ■ | | ■ | | ■ | ■ |
| Review of banking facilities Approval of extension to Group banking facilities | | | | ■ | | | | | | | | |
| Company results, trading statements and dividends Annual Report and Accounts, dividend policy and declarations | ■ | | ■ | | | | ■ | | ■ | | | |
| Nomination Committee Board composition and Committee membership, succession planning, terms of reference, bonus proposal for 2021 | | | ■ | | | | | | | | | ■ |
| Remuneration Committee Review of salary proposals, 2019 corporate bonus awards, Company share option awards, 2020 corporate bonus scheme, objectives and targets, terms of reference | ■ | ■ | ■ | | | | | | ■ | | | ■ |
| Audit and Risk Committee Key accounting estimates and judgements, significant accounting policies, annual audit process and fees, external auditor, internal audit, foreign currency and hedging | | | ■ | | | | ■ | | ■ | | | ■ |
| Governance including ESG Includes the review of risk management framework, Board Effectiveness Review, Governance reporting, review of Articles of Association, AGM Notice, D&O insurance, review of ESG requirements, CSR, Modern Slavery Statement, review of gender pay | ■ | ■ | ■ | | ■ | ■ | | | | ■ | | ■ |

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

The role of the Board **1**

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 in June, 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. This strategic plan and business model is regularly reviewed by the SLT to ensure alignment with the operations of the business and the CEO reports to the Board on implementation and progress and ensures decisions are made in line with the plan. The strategy is communicated to all employees by the management teams 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 24 to 31 and on its business model on pages 22 and 23.

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. Key responsibilities of the Board 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.

Promoting the long-term success of the Company

The powers and duties of the Directors are determined by legislation and the Company's Articles of Association. Directors are required to act in good faith in a way that they consider would be most likely to promote the success of the Company and having considered the views of the wider stakeholders of the Company.

The Directors are aware and mindful of their duties and obligations under s.172 of the Companies Act 2006. The Board ensures that the decisions are taken with a view to promoting the success of the Group as a whole and having considered the likely and long-term consequences and wider stakeholder considerations. Further information on this can be found on pages 42 and 43 in the Responsible Business section of this report.

Open and honest discussion at Board level between management and the Directors considers the impact on the Group's stakeholders when reviewing items flowing up to the Board as part of its activities, whether this is reviewing strategy, budget or a corporate development opportunity. Each meeting considers what information is needed to assist the Directors with their responsibilities. This can take the form of written reports, market reviews and guidance, and presentations and briefings from both internal members of staff and external advisers.

Promoting corporate culture **8**

The Board aims to lead by example and make decisions that are in the best interest of the Group as a whole. Our culture is underpinned by a clear set of values, which guide decision making at all levels in the business. The Board reviews and approves the Group's policies which are then implemented and communicated internally and externally to those who are expected to adhere to them. Further information about our culture and values can be found on pages 44 and 45.

Engagement with shareholders and other stakeholders

2 3 10

The Board and its Committees recognise that to meet its responsibilities to shareholders and other stakeholders, it is important to ensure effective engagement with, and encourage participation from, these parties. The Board factors the needs and concerns of all the Company's stakeholders into its discussion and decision making having been made aware of the needs, interests, and any impact of such decisions on the Company's stakeholders. 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 as a whole upholds its values and monitors behaviour for acceptability.

Further information on our dialogues and engagement with shareholders and other stakeholders can be found on pages 38 to 41.

The Directors are committed to open communication with the Group's shareholders to ensure that they clearly understand our business, strategy and performance. Throughout the year, the CEO and CFO meet with potential and existing investors and they feed back to the Board the key summary points for their meetings. In addition to these meetings, there were at least 50 scheduled meetings held as part of the Company's investor roadshows for the annual 2019 and half-year 2020 results.

The Board is provided with an analysis of the Company's investor base at each Board meeting and research notes by sell-side analysts are circulated to all Directors. Furthermore, analysts' notes, and brokers' briefings are received and considered by the Board in order 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 95 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 Group recognises the importance of retail shareholders and the 'Investors' section on the Group's website is regularly updated with the aim of providing good information for all investors, but particularly retail shareholders. The website offers a facility to sign up for email alert notifications of Company news and regulatory announcements. In addition, the CEO and CFO will regularly present at conferences attended by many potential and current retail investors and meet with specialist private client fund managers.

The Board and its Committees **5** **9**

The Board currently comprises six Directors, being the Chairman, three further independent Non-executive Directors and two Executive Directors. Independence on the Board is reviewed annually by the Nomination Committee.

The responsibilities of both the Chairman and CEO are clearly defined and understood.

The Chairman

The Chairman, David Cook, has primary responsibility for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively and in the best interests of the shareholders. In addition, he maintains a strong focus on governance to ensure good practice is embedded in the business with good flows in communication and reporting. He maintains a regular dialogue with the CEO to ensure the business receives the support from the Board necessary to progress the strategy.

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

Non-executive Directors

Non-executive Directors are required to commit the time necessary to fulfil their role. Their role is 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.

Each of the independent Non-executive Directors sits on at least two of the Audit and Risk, Nomination and Remuneration Committees. This ensures 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. Three independent Non-executive Directors, all of whom have an accountancy qualification, sit on the Audit and Risk Committee, enabling them to review internal controls and financial reporting matters. They have a direct relationship with the external auditors.

Each Non-executive Director is appointed for an initial term of three years, subject to annual re-election by shareholders at the AGM. Their appointment term may be renewed by mutual agreement.

Board Committees

The Board has delegated and empowered three Committees: a Remuneration Committee, a Nomination Committee and an Audit and Risk 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 not permitted to be members of the Committees. 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.

Board attendance, support and meeting management

Attendance

In leading and controlling the Company, the Directors are expected to attend all meetings. The Board and its Committees meet regularly on scheduled dates. This includes a two-day strategy meeting in each year which is also attended by all senior executives of the Group, the purpose of which is to review progress in delivering agreed plans and to develop and settle the Group's business plans and long-term strategic targets and set the framework for the achievement of those goals.

The Board held 11 scheduled meetings, and two unscheduled meetings, during the year. Due to COVID-19 rules, eight meetings were held electronically, and five meetings were held in person.

Meetings follow a clear agenda, supported by written reports and presentations from both internal members of staff as well as external advisers and consultants. Two ad hoc meetings of the Board were called to deal with non-routine business.

Board meeting attendance

| | | | |
|-------------------|----------|-------------|-------|
| David Cook | Chairman | Independent | 13/13 |
| Peter Butterfield | CEO | – | 13/13 |
| Andrew Franklin | CFO | – | 13/13 |
| Nigel Clifford | NED | Independent | 13/13 |
| Jo LeCouilliard | NED | Independent | 13/13 |
| Richard Jones | NED | Independent | 13/13 |

Meeting management

The Company Secretary is secretary to the Board and the Board's Committees and assists the Chairman to ensure good governance. On behalf of the Chairman, Chris Chrysanthou is responsible for ensuring that all Board and Committee meetings are conducted properly, that the Directors are properly briefed on any item of business to be discussed. He has a direct line into the Chairman 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.

Director training and development **6**

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.

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.

Board effectiveness 7

As required under the QCA, the Board continually monitors and improves its performance and evaluates its performance based on clear and relevant objectives. The Chairman 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. The Nomination Committee reviews any outcomes affecting Board and Committee composition.

Key improvements following the outcomes of the 2020 review have enhanced our planning to maintain Board focus on strategy and drawing on the wider skills and experience of the Non-executive Directors by encouraging greater dialogue with senior management. The Board has enhanced its forward planning of topics to support strategic discussions, and the process has been further refined as part of our 2021 planning. Despite the challenges in 2020 of not being able to meet face to face there was still a good dialogue between the Non-executive Directors and the senior team through video-conference when required.

The 2021 evaluation consisted of one-to-one meetings between the Chairman and each Director to discuss various matters relating to Board and Committee performance and their effectiveness; each meeting was also attended by the Company Secretary, who also obtained feedback from each Director on the Chairman. Key discussion points included a review of activities held during 2020, Board dynamics and culture, meeting structure, risk and governance, strategy, the work of the Committees, ESG, engagement with shareholders, and priorities over the next 12–18 months.

Results and outcomes were reviewed, summarised and circulated to Board members for discussion in February 2021. The table below sets out the key focus areas arising from the 2021 review and explains how previous years' recommendations have been addressed:

| Areas of focus | Feedback and recommendations |
|---|---|
| <i>An effective Board, its culture, and dynamics</i> | There is a high degree of challenge, with good debate and discussion. There is a healthy divergence of opinion; views are respected and challenge is responded to in positive and constructive manner. To enhance decision-making and debate, the Company Secretarial team will ensure that the Non-executive Directors are able to meet and discuss both separately and with the Executive any matters on an ad hoc basis. |
| <i>Ambition and strategic planning</i> | Being able to deliver against the Group strategy remains a core focus and the Board will continue broadening strategic questions and spend more time thinking about global prospects, and risks and opportunities for the longer term. However, despite this, the online presentations were still very productive and well delivered by the management teams. As we continue to build a consumer healthcare business, the Board will consider running a two-step approach to strategy, holding both a mini-strategy day and the larger strategy event later in the year. |
| <i>Meeting format, locations and 2021 planning/priorities</i> | Our meeting planning, process and format works well and overall, the Board feels very supported. Enhanced forward planning will continue to align with the delivery on strategy, focusing on growth, ESG, core assets, and regions. Meetings will be held through a blend of face-to-face and remote working. Efficiencies through reporting will also be developed to engender a culture that embeds an understanding of the need to support the Board in discharging its responsibilities. |
| <i>Roles, contributions, and stakeholder engagement</i> | When making its decisions the Board considers the interests of and feedback from its stakeholders. It is therefore important that the Board continues to maintain a dialogue with the Company's shareholders, its workforce, and other key stakeholders. The Non-executive Directors do not operate exclusively within the confines of the boardroom and maintain a good understanding of the business. To further this, the Board will work with the SLT to develop an engagement strategy based on the issues that are most important to the Company's long-term success. The Board will also review the need for dedicated investor relations support. |

The next review is scheduled for early 2022.