

CHAIR'S CORPORATE GOVERNANCE STATEMENT

Overview

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

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

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

The most significant governance events in the last twelve months were; The resignation of Neil Clark as Chief Executive Officer on 25 May 2023, the appointment of Dr Debra Barker as interim CEO and the subsequent appointment of Chris Tovey as CEO on 1 September 2023; the resignation of Nick Rodgers as Chairman on 19 July 2023 and the re-appointment of Sir Nigel Rudd as Chairman. Dr Debra Barker has returned to her position as a Non-Executive Director.

QCA Principles

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

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

We believe that Destiny can become a world leader in developing life-saving medicines designed for the prevention of serious infections where we believe there are significant market opportunities. Over the course of the next twelve months, we expect to make significant progress with both our lead programmes.

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

Focus:

The Company continues its commitment to becoming a world-leading anti-infective company focused on developing novel medicines that can prevent life-threatening infections. The Company sees itself as a "drug development engine" and does not currently intend to build a sales and marketing infrastructure. The Company has already proven it can develop intellectual property and progress assets with a clear clinical need and clear commercial opportunity.

Collaborations:

Destiny Pharma views collaboration as critical to its success and is committed to reach out and work

with sector specialists at all stages of the drug research and clinical process to advance projects and deliver shareholder value. The Company announced an exclusive collaboration and co-development agreement for North American rights with Sebela Pharmaceuticals for NTCD-M3. Under the terms of the deal, it is anticipated that Sebela will lead and finance the future clinical development and commercialisation activities of NTCD-M3 in North America. In addition, active discussions are being progressed at various stages with a number of interested global parties for XF-73 nasal. The Company also seeks to advance our earlier research projects through collaborations and external grants.

Commercialisation:

When Destiny Pharma investigates the commercial markets for its medicines, it considers patient benefit, clinical need, potential market volumes and pricing implications. This guides the portfolio review and the selection of target indications. The Company is looking to partner later stage Phase 3 programmes with expert sales and marketing pharma or speciality pharma companies who can support the later stage clinical trials and carry out product launches to maximise value creation.

Funding:

The Company has a track record of raising funding for its drug development. The Company also seeks to supplement equity funding with non-dilutive funding. Five grants and other non-dilutive funding awards totalling over £3.0 million have been won since the IPO in September 2017. Destiny Pharma is funded into 2025 and will continue to seek non-dilutive funding and collaborative partnerships that may generate cash income and/or bring funding support to collaborative projects.

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

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

2. Seek to understand and meet shareholder needs and expectations

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

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

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

All resolutions proposed to shareholders at the Annual General Meeting held on 25 May 2023 were duly passed. Investors were given the opportunity to question the Board during a virtual Q&A session so that engagement was not impeded by shareholder location.

The Company proactively engages with shareholders to understand their views and is open to receiving feedback from any stakeholders taking action where appropriate. Shareholders can contact the Company by email through its website and all relevant queries are passed to the Board for discussion.

The Company also engages the services of research analysts, who publish regular research on the Company. This research is made available to shareholders on the Company's website. More information on the ways in which Destiny Pharma engages with its stakeholders can be found in the Company's s172 statement on pages 32 to 33 of the Annual Report.

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

The Board recognises that the long-term success of the Company is reliant upon assessing the impact and benefits of the Company's activities on society and the environment, and consequently endeavours to consider the interest of all stakeholders, including shareholders, employees, suppliers and business partners when operating its business.

We have made significant steps in understanding and developing our ESG reporting, whilst recognising it is an area we need to develop further. Central to this process was setting out our Company values following consultation with all employees. These values can be found on the Company's website and describe who we are, how we work and what we set out to achieve. We will continue to develop our policies and reporting.

The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company prepares an annual strategic plan and detailed budget which considers a wide range of key resources including staffing, business partners, researchers, suppliers, production lines and opportunities.

All employees within the Company are valued members of the team, and the Company is committed to promoting policies which ensure that high-calibre employees are attracted, retained and motivated, to ensure the ongoing success of the business. Employees and those who seek to work within the Company are treated equally regardless of sex, sexual orientation, marital status, creed, colour, race or ethnic origin. The Company has less than 25 employees and an open culture is actively encouraged with regular communications to staff regarding progress, with feedback regularly being sought. This feedback process helps to ensure that new issues and opportunities that arise can be used to further the success of the Company.

The environmental impact of the Company's activities is of great concern and we have started to set targets for long-term environmental sustainability. The Company is focused on reducing its environmental footprint, growing sustainably, as well as inspiring, educating and engaging our employees, partners and stakeholders to achieve these goals. Over the next few years we need to embed these changes into our business thinking and processes. More information on Destiny Pharma's approach to ESG Can be found in the Company's ESG Report on pages 24 to 28 of the Annual Report.

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

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

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

The Board maintains a risk register which identifies risks, prioritises them by likelihood and impact, and records the actions needed to mitigate and monitor those risks. This allows the Board to monitor and manage the Company's risks. Key risks are monitored by senior management on an ongoing basis and the risk register is reviewed regularly at Board meetings.

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

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

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

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

Principal Risks and Uncertainties are outlined in the Strategic Report on pages 30-31 of the Company's 2022 Annual Report.

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

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

The Board comprises the Chair Sir Nigel Rudd, Chief Scientific Officer Dr William Love, Chief Executive Officer Chris Tovey, , Chief Financial Officer Shaun Claydon together with Four Non-Executive Directors, James Stearns, Aled Williams, Dr Debra Barker and Nigel Brooksby.

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

Attendance at Board and Committee Meetings during the 2022 Financial Year is outlined in the Company's 2022 Annual Report on page 36.

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

The Board notes that the QCA recommends a balance between Executive and Non-Executive Directors and recommends that there be at least two Independent Non-Executives. The Board considers Sir Nigel Rudd, Aled Williams, Dr Debra Barker and Nigel Brooksby independent. James Stearns is Chief Investment Officer (Europe and America) of CMS, a shareholder and strategic partner of the Company, and therefore cannot be regarded as independent.

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

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

Directors' conflicts of interest

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

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

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

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

The Company has engaged the services of ONE Advisory Limited to support Shaun Claydon in his capacity as Company Secretary and to provide Board support with Corporate Governance and Market Abuse Regulation compliance. In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board is kept abreast of developments in governance and AIM regulations. The Company's NOMAD provides annual Board AIM Rules refresher training as well as the initial training as part of a new Director's onboarding.

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

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

The Board considers that its effectiveness, and the individual performance of its Directors is vital to the success of the Company. The QCA Code specifies that the Board should evaluate Board performance based on clear and relevant objectives, seeking continuous improvement. The Board uses performance assessment questionnaires to evaluate performance. The Directors consider that this approach makes commercial and practical sense for the Company's stage of development. The results of these Board evaluations are discussed by the Board as a whole and the Chairman is responsible for ensuring that appropriate action is taken where necessary. As the Company grows, it will keep under review the need for more formal Board evaluation processes.

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

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

The Board believes the culture within the Group is one where there is respect for all individuals, there is

open dialogue within the Group and there is a commitment to provide the best service possible to all the Group's wider stakeholders.

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

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

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

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

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

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

Dr Debra Barker has been appointed as Senior Independent Director to support the Chair in his role; when necessary to act as an intermediary for other non-executive Directors; to lead the non-executive Directors in the oversight of the Chair and to ensure there is a clear division of responsibility between the Chairman and Chief Executive.

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

- responsibility for the developing and setting of overall Company strategy;
- annual budgets;
- interim and full year financial statements and reports;
- accounting policies;
- major capital projects;
- investments or disposals;
- monitoring of financial performance against budget and forecast; and

- formulation of the Company's risk strategy including the identification, assessment and monitoring of Destiny's principal risks.

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

Audit Committee

The Audit Committee has two members who are both Non-Executive Directors, Nigel Brooksby (Chair) and James Stearns. Other members of the Board and external auditors attend meetings by invitation. The Chair has a direct line of communication with the auditor.

The remit of the Committee is to review:

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

The Audit Committee meets at least twice a year.

Remuneration Committee

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

The Remuneration Committee meets at least twice a year.

Nomination Committee

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

The Nomination Committee meets at least once a year.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

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

In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. The

Board already discloses the result of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. All 2023 AGM resolutions were passed comfortably. The Company maintains that, if there is a resolution passed at a General Meeting with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

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

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