



CORPORATE GOVERNANCE STATEMENT – SEPTEMBER 2018

The Board of hVIVO plc (“hVIVO” or the “Company”, or together with its subsidiaries, the “Group”) is responsible for the Group’s corporate governance policies and recognises the importance of this in creating a sustainable, growing and profitable business. The Company has adopted the Quoted Companies Alliance Corporate Governance Code (the “QCA Code”). This statement sets out how the Company complies with the Quoted Companies Alliance’s Ten Principles of Corporate Governance.

1. STRATEGY & BUSINESS MODEL

hVIVO is an industry leading clinical development services business with proprietary human disease models based upon viral challenge. The Company has multiple human disease models and a proven challenge study platform. hVIVO’s human disease models in influenza, HRV and RSV have been utilised in numerous challenge studies and used by a wide range of pharmaceutical and biotech companies.

The concept of human challenge studies is not new, but the use of human challenge studies, as proof-of-concept studies, is continuing to gain wider acceptance in viral diseases such as FLU and RSV, areas where we are leading the way. We are also now experiencing significant interest in expanding the concept into product development for airways diseases such as asthma and COPD, where cost, time and risks associated with achieving clinical proof of concept are considerable. To meet the increasing pressures on clinical development the human challenge model has many advantages and has been proven to:

- Provide early proof of concept efficacy data for candidate selection
- Enable accelerated development of pipeline compounds, through early identification of endpoints
- Effectively translate animal data to human endpoints and to relate healthy volunteer data to field outcome
- Require relatively small numbers of subjects, hence lower time and cost, to achieve clinical proof of concept
- Lower the subsequent risk of negative outcomes when performing large field-based Phase II and III studies, because the early detection of efficacy and identification of endpoints can strengthen protocol design and patient selection in the later phase studies

We are now experiencing significant interest from major companies in expanding these services into diseases such as asthma and COPD, which we expect will provide the Company with a number of valuable and exciting opportunities to expand and diversify our services and increase our revenues.

Our vision is to become the partner of choice for companies developing products in airways disease that are seeking to gain early proof of concept around the effectiveness of their products and identify the ideal patient profile for later stage clinical development. We are committed to a strategy of driving revenue growth and cash generation and in turn leading to sustained profitability. Such financial discipline also necessitates the need to exercise ongoing tight cost control and efficiency programmes to ensure we drive towards profitability in 2019.

2. UNDERSTANDING AND MEETING SHAREHOLDER NEEDS AND EXPECTATIONS

hVIVO is committed to listening to, and communicating openly with, our shareholders to ensure our strategy, business model and performance are clearly understood and supported. Understanding what investors and analysts think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows and ad hoc meetings with both existing and potential new shareholders, attending investor conferences, hosting scientific days and our regular financial results reporting.

The Company welcomes dialogue with its private shareholders. The Board likes to use the Company's Annual General Meeting as the opportunity to meet private shareholders who are encouraged to attend and during which the Executive Chairman presents the activities of the Group. During the AGM there is opportunity to ask questions of the Directors on a formal and informal basis and to discuss the development of the business.

Fleur Wood was appointed as Executive VP of Investor Relations & Communications in April 2018 and is a key part of our process for managing shareholder interactions and receiving feedback, together with ensuring informed coverage from analysts and media outlets.

In 2018 the Company subscribed as a client of Proactive Investors, which has a large retail investor following and communications channel.

3. WIDER STAKEHOLDER & SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

hVIVO's stakeholders include shareholders, employees, clients, suppliers, regulatory authorities, government organisations and the scientific community at large.

We regularly present at scientific conferences and have a comprehensive publications strategy, in order to be at the forefront of, and a contributor to, scientific leadership in respiratory and infectious diseases.

We are subject to, and operate within, the highly regulated human clinical trial environment and are fully compliant with Good Clinical Practice (GCP) and where relevant, Good Manufacturing Practice (GMP) and GCP for Laboratories. Notwithstanding the foregoing, human viral challenge studies continue to be a very specialised and developing area. We therefore consult with regulatory authorities (e.g. the MHRA, Research Ethics Committees and other ethics bodies, US Food & Drug Administration, European Medicines Agency, Human Tissue Authority, etc), government organisations and funding bodies (e.g. US National Institutes of Health, US Biomedical Advanced Research and Development Authority, etc), universities and scientific thought leaders, to define and ensure best practice in the conduct of human viral challenge studies; and the manufacture, testing, use and regulation of challenge agents, particularly viruses.

We are always engaged in dialogue with pharmaceutical and biotech companies, whether as part of our business development process or when contracted as clients and undertaking their clinical studies.

Our employees are one of our most important stakeholder groups, being responsible for the development and successful execution of our service offerings, to fully realise the potential of human challenge studies and deliver successful outcomes.

We communicate thoroughly with all stakeholders and use the experience we gain from those interactions and from conducting the clinical services to further develop our service offerings. As a result we remain at the forefront in the development and execution of human challenge studies in airways diseases.

4. EMBEDDING EFFECTIVE RISK MANAGEMENT

Risk management at hVIVO is an integral part of decision making and is embedded in normal business operations. It exists to help protect and safeguard volunteers, employees, clients, Company assets and reputation and to help achieve business objectives.

hVIVO's Board of Directors is responsible for ensuring that the Group maintains an appropriate system of internal control. The system of control is designed to manage rather than eliminate the risk of failure to achieve business objectives. The risk profile of the Group's strategy and associated investments is continually monitored within hVIVO's corporate governance framework. The "Principal Risks and Uncertainties" section in hVIVO's Annual Report each year highlights the principal risks and uncertainties considered to have a material impact on the execution and delivery against hVIVO's financial and strategic objectives.

The monitoring and escalation of risks is a company-wide responsibility:

Board of Directors

Determines risk tolerance and ensures the Group maintains appropriate risk management and internal control systems.

Audit Committee, Executive Chairman and Chief Financial & Business Officer

Monitors and reviews risk management and internal control systems, ensuring adherence to financial reporting standards.

Executive Leadership Team

Oversees the implementation and operation of the risk management procedures and internal control infrastructure.

Finance and Regulatory & Quality Governance teams

Reviews risk across divisions and departments, challenges and supports the business to identify new risks during periods of change and facilitates escalation to the Executive Leadership Team.

Senior Management

Implements and manages the risk procedures, policies and controls. Supports the development and maintenance of effective compliance and risk management systems.

Divisions, Departments, Project Teams and Employees

Understands, accepts and executes the risk management procedures. Expected to be alert to risks associated with the activities they perform and report inefficiencies, unnecessary or ineffective controls.

5. MAINTAINING A BALANCED AND WELL-FUNCTIONING BOARD

Dr Trevor Phillips was appointed as Executive Chairman on 13 November 2017 and took on Kym Denny's responsibilities as Chief Executive Officer when she stepped down on 18 April 2018. Accordingly, from 18 April 2018, the Board of hVIVO plc comprises two Executive Directors and four Non-Executive Directors.

In the short-term, and during the current period of hVIVO achieving its strategy to re-focus as a services business and drive revenue growth, profitability and cash generation, it is felt appropriate that Trevor Phillips performs the role of both Executive Chairman as well as the responsibilities of the Chief Executive Officer. The Board accepts that it is normally more appropriate to separate the roles, but believes that this is mitigated in the short term by Dr Trevor Nicholls acting as Senior Independent Director, to act as a sounding board and intermediary for the Chairman and other Board members as necessary.

The Board considers that all four Non-Executive Directors are independent, noting the following points identified as potentially impacting their independence:

- Jaime Ellertson – Jaime is Chairman and CEO of Everbridge Inc. hVIVO Services Limited has a two-year contract to 31 December 2018 with Everbridge Europe Limited (a subsidiary of Everbridge Inc) for business continuity software. The cost for 2018 is £22,600 which we feel is not material and does not affect Jaime's independence.
- Dr Trevor Nicholls – hVIVO acquired Activiomics Limited in March 2014, at a time when Trevor was Non-Executive Chairman of the company. His options on shares in Activiomics were transferred, on a like-for-like basis, to options on 26,540 shares in hVIVO plc (with exercise price of 101.6 pence per share). We believe that the options, which are currently under water, do not affect Trevor's independence.
- Dr Mark Warne – Until 30 June 2018 Mark was a partner in IP Group's Life Sciences division and Executive Chairman of DeepMatter Group plc. He left employment of IP Group plc and became CEO of DeepMatter Group on 2 July 2018. IP Group is a significant shareholder of hVIVO, but does not have a right of appointment of a Director to the hVIVO Board. Mark was appointed to the hVIVO Board due to his significant life sciences skills and experience, irrespective of being an IP Group employee. We believe that Mark was non-independent when he was an employee of IP Group. However, since leaving IP Group, we believe that Mark is now independent.
- James Winschel – There were no points identified that may affect James' independence.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively.

All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Executive Chairman holds regular update meetings with each Director to ensure they are performing as they are required.

From 2018 financial year, the Company will report in its Annual Report each year the Directors' attendance at Board and Committee meetings. The Directors' attendance at Board and Committee meetings during the 2017 financial year were as follows:

Name	Position	Independence	Board		Committee membership	
			Maximum possible attendance	Meetings attended	Audit	RemCom
Dr Trevor Phillips	Exec Chairman	No	2	2 1 (Guest)	-	-
Kym Denny	CEO	No	4	4	3 (Guest)	-
Graham Yeatman	CFBO	No	4	4	3 (Guest)	-
Jaime Ellertson	Non-Exec	Yes	4	4	-	-
Dr Trevor Nicholls	Non-Exec	Yes	4	4	3	2
Dr Mark Warne	Non-Exec	Yes	4	4	3	2
James Winschel	Non-Exec	Yes	4	4	3	2

In addition to the face-to-face Board Meetings, the Directors attended a number of Board conference calls held during the year.

6. HAVING APPROPRIATE EXPERIENCE, SKILLS AND CAPABILITIES ON THE BOARD

The Board is satisfied that, between the Directors, it has an appropriate balance of life sciences, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The biographies of each of the Directors is shown on the hVIVO website (<http://hvivo.com/aboutus/board-of-directors/>).

The role of the Non-Executive Directors is to bring valuable judgement and insight to Board deliberations and decisions. The Non-Executive Directors are all experienced and influential individuals whose blend of skills and business experience contributes to the proper functioning of the Board and its Committees, ensuring that matters are fully debated and that no individual or group dominates the Board's decision-making processes.

Under the Articles of Association, all Directors must offer themselves for re-election at least once every three years. One third of the Directors retire by rotation at every Annual General Meeting and are eligible for re-appointment.

All Directors have access to the advice and services of the Company Secretary and in the course of their duties, if necessary, are able to take independent professional advice at the Company's expense. Committees have access to such resources as are required to fulfil their duties.

7. EVALUATING BOARD PERFORMANCE

During 2019 we intend to review the performance of the Board as a unit, as well as that of its committees and the individual Directors, to ensure that the members of the Board collectively function in an efficient and productive manner.

All Directors will undergo a performance evaluation before being proposed for re-election to ensure that their contribution continues to be relevant and effective, that they are

demonstrating continued commitment to the role and that where appropriate they maintain their independence.

From April 2019 the Senior Independent Director will appraise the Executive Chairman, and the Executive Chairman will appraise the Chief Financial & Business Officer, on an annual basis and in making recommendation to the Remuneration Committee for award of annual bonus.

8. ETHICAL VALUES & BEHAVIOURS

The Group conducts its business in a socially responsible manner, with our values of integrity, innovation, growth and one team at the core of our culture. These values are held accountable by the Board, communicated to all staff and demonstrated by our actions. Our staff handbook and standard operating procedures outline the fundamentals of our values to all staff (including business integrity, anti-bribery, gifts, intellectual property, etc). We ensure the embedding of our values and policies through regular emphasis in training, development and performance objectives.

The GCP regulations define a set of internationally recognised ethical and scientific quality requirements that must be followed when designing, conducting, recording and reporting clinical trials that involve people. Our quality system, policies, processes and training are designed to ensure that the principles of ethical research and medicine are intrinsic to our corporate values and culture.

Our onboarding programme introduces new staff to hVIVO values and culture, alongside ensuring that our employees are always safe, fully equipped and qualified to work in our environment. Training continues ongoing within departments, to cover the varied specialisms and ensure new staff are fully supported and quickly absorbed into our department teams, with a strong understanding of ethical values and behaviours. All staff maintain training journals for Good Clinical Practice. Our class based training and other policy documents for standard operating procedures are captured through our electronic quality management system (including tracking of read-and-understood confirmations from all employees).

To ensure we remain mindful of our values, the Company has a monthly Values award programme which recognises champions of our values each month. It is attended by all levels of the Company and celebrates the positive benefits to all employees.

The Group operates internationally and we are mindful that respect of individual cultures is critical to corporate success. We always strive to conduct our business in an ethical, professional and responsible manner, treating our employees, customers, suppliers and partners with equal courtesy and respect.

The Group is committed to providing equal opportunities in employment and the creation of a work environment where everyone is treated with dignity and respect. The Group has developed and implemented policies and processes to ensure that all job applicants and employees receive equal treatment regardless of gender, race, age, disability, sexual orientation, religion or belief, nationality or ethnic origin.

The Group places considerable value on the engagement and involvement of our employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through newsletters, formal and informal meetings, either directly with employees or through an Employee Representatives Group (“ERG”) – consisting of representatives from various business constituencies

appointed by and acting on behalf of our employees. ERG is actively involved in the work of Employee Forum, a collaborative platform for the engagement of employees and sharing of management information. The Annual Report and Half-year Financial Statements are also key milestones in communicating with our employees.

hVIVO recognises that commercial success depends on the full commitment of all our employees and commits to respecting their human and employment rights, to provide them with a good, challenging and fulfilling working environment, free from unnecessary risk, and to maintain fair and competitive terms and conditions of employment at all times.

hVIVO's remuneration practice is to encourage and reward individual superior performance in line with both corporate and individual performance goals, linked to the delivery of value to our shareholders.

The Remuneration Committee oversees hVIVO's reward policy and practices to support the creation of competitive practices which are designed to support a pay for performance culture throughout the organisation whilst also ensuring that we balance commercial drivers with our regulatory responsibilities.

Our approach to remuneration is designed to offer rewards that:

- drive a culture of pay for performance;
- enable hVIVO to attract and retain the talent it needs to ensure success;
- incentivise the achievement of the Group's strategy and build sustainable long-term performance;
- have flexibility to accommodate the changing needs of the business as it grows and responds to customer needs and new business opportunities;
- incentivise achievement linked to growth goals aligned to our current stage of growth and development; and
- attract, retain and reward the senior executive team and from time to time selected other key individuals with critical skills, engendering a collective opportunity to drive performance and share in the success and growth of the business if they successfully deliver increased shareholder value.

Applications for employment by people with disability are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned and our ability to make reasonable adjustments to the role and the work environment. In the event of existing employees becoming disabled all reasonable effort is made to ensure that their employment within the Group continues. Training, career development and promotion of a disabled person is, as far as possible, identical to that of an able bodied person.

9. MAINTAINING GOVERNANCE STRUCTURES AND PROCESSES

The Board of Directors has overall responsibility for the Group. Its aim is to represent the interests of the Group's shareholders and to provide leadership and control to ensure the growth and development of a successful business.

As noted in our application of Principle 5, since 18 April 2018 Dr Trevor Phillips performs the role of both Executive Chairman and the responsibilities of the Chief Executive Officer. This is felt appropriate in the short term due to the size of the Board and during the current period

of hVIVO achieving its strategy to re-focus as a services business and drive revenue growth, profitability and cash generation. The Board accepts that it is normally more appropriate to separate the roles, but believes that this is mitigated in the short term by Dr Trevor Nicholls acting as Senior Independent Director. The Board will monitor this ongoing to ensure the independence and effectiveness of the Board.

The Board is responsible for the review and approval of key policies and decisions in respect of business strategy and operations, Board appointments, budgets and forecasts, items of substantial investment and acquisitions. The Board receives regular and timely reports detailing the progress of the Group, the Group's financial position and projections, as well as business development activities and operational issues, together with any other documentation and briefing deemed necessary for the Board to discharge its duties. Management prepares detailed working capital forecasts which include assumptions regarding the status of client engagements, sales pipeline and contract signatures, future revenues and costs together with various scenarios which reflect growth plans, opportunities, risks and mitigating actions. Relevant documentation, including minutes of previous meetings (for Board review and approval), is circulated to the Directors in advance of meetings.

The Executive Chairman is primarily responsible for the effective operation and chairing of the Board and for ensuring that it receives appropriate information to make informed judgements.

The Board has a formal schedule of matters reserved to it for decision, but otherwise delegates specific responsibilities to the Audit Committee and Remuneration Committee. The terms of reference of the Committees are provided on the hVIVO website (<http://hvivo.com/investors/aimrule26/>).

hVIVO reserves for consideration by the whole Board of hVIVO, the recommendation, evaluation and approval of appointments of Directors and Senior Management. hVIVO does not delegate this to a committee of the Board, as a Nomination Committee, since for a company of our size it is felt best considered by the whole Board.

10. COMMUNICATING HOW THE COMPANY IS GOVERNED AND MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

The Board attaches great importance to communication with both institutional and private shareholders in reporting and demonstrating good corporate governance practices to create a sustainable, growing, profitable and successful business.

As noted in our application of Principle 2, and in seeking to understand and meet our shareholder needs and expectations, regular communication is maintained with all shareholders through the Company's Annual General Meeting, Company announcements, the Annual Report and Financial Statements, Preliminary Statements and Half-year Report.

The Company operates a website at www.hvivo.com. The website contains details of the Group and its activities, regulatory announcements and Company announcements, Annual Reports and Half-year Reports, notices of all general meetings, and the Terms of Reference of the Audit and Remuneration Committees.