

Corporate Governance

THE QUOTED COMPANY ALLIANCE (QCA) CODE

This disclosure was last reviewed and updated on 15 January 2020

Midatech has chosen to adopt the principles of the Quoted Companies Alliance Corporate Governance Code (the “QCA Code”). The QCA Code identifies ten principles to be followed in order for companies to deliver growth in long term shareholder value, encompassing and efficient, effective and dynamic management framework accompanied by good communication to promote confidence and trust.

The sections below set out the ways in which the Group applies the ten principles of the QCA Code in support of the Group’s medium to long-term success and identified areas where Midatech departs from the QCA Code recommendations.

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

The strategy and business model of the Group are set out in the Strategic Report in the Group’s 2018 Annual Report.

The Group’s strategy and business model, are developed by the Chief Executive Officer and his Senior Management Team, and are approved by the Board. The management team, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business at an operational level.

The Group’s overall strategic objective is to profitably use our proprietary platform technologies to improve patients’ lives and, in so doing, create value for all stakeholders. We are advancing the development of a portfolio of multiple, high value, therapies, including: MTD201 for carcinoid cancer using our Q-Sphera™ sustained release technology, and MTX110 for childhood brain cancer based on our MidaSolve platform technology. We also continue to develop a number of promising product candidates based on our MidaCore gold nanoparticle-based programmes, for targeted delivery of agents in oncology and immunotherapy.

The fundamentals of Midatech are strong, with our promising technologies underpinning a balanced and compelling pipeline of oncology and immunotherapy assets as they potentially move into clinical development. We have a clear R&D focussed strategy to deliver transformative therapies for patients with devastating oncology and other rare diseases. In addition, the programmes currently in the preclinical stage offer the potential of adding to our exciting R&D pipeline in the mid-term. The Group deploys its financial and other resources towards gaining clinical validation for its later-stage therapeutic programmes, via well-designed clinical trials in well-regulated territories. In addition, the Group seeks to advance its promising, earlier stage pre-clinical development programmes. Ultimately, the Directors believe that this approach will deliver significant long-term value for shareholders if the resulting study data are compelling.

The Directors assess on an ongoing basis whether it is best to seek to realise monetary value in its therapeutic programmes in the near-term or, if resources permit, to invest in order to advance a therapeutic candidate through late-stage clinical development in-house and hence retain the full value of the programme within the Group.

The Group has adopted a portfolio approach to its strategic assets and is not dependent on any one of its three platform technologies. The Directors believe that this approach helps to mitigate the risk of failure in any one particular programme.

Midatech operates in an inherently high risk and heavily regulated sector and this is reflected in the principal risks and uncertainties set out in the Group's 2018 Annual Report.

In executing the Group's strategy and operational plans, management will typically confront a range of day-to-day challenges associated with these key risks and uncertainties, and will seek to deploy the identified mitigation steps to manage these risks as they manifest themselves.

2. Seek to understand and meet shareholder needs and expectations

The Group seeks to maintain a regular two-way dialogue with both existing shareholders and potential new investors in order to communicate the Group's

strategy and progress and to understand the needs and expectations of shareholders.

Beyond the Annual General Meeting, the Chief Executive Officer, Chief Financial Officer and, where appropriate, other members of the Senior Management Team meet regularly with investors and analysts to discuss the Group's business and to obtain feedback regarding the market's expectations of the Group.

The Group undertakes various investor relations activities which facilitate dialogue with both institutional and private investors. Midatech is a regular presenter at private investor events, providing an opportunity to update investors on the progress of the Group and for investors to meet with representatives from the Group in a more informal setting.

The Board recognises that the Annual General Meeting is an important opportunity to meet shareholders, and in particular private investors who may otherwise have limited opportunities to do so, and all Board members endeavour to attend these meetings wherever possible. The Directors are available to listen to the views of shareholders both formally during the AGM and informally immediately afterwards. Members of the Board also strive to meet with all shareholders on a one-to-one basis whenever possible.

In the event that voting decisions were not in line with the Company's expectations the Board would engage with those shareholders to understand and, where possible, address any issues.

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

Midatech is fully committed to its stakeholder and social responsibilities and the need to maintain effective working relationships across all stakeholder groups. These include the Group's employees, investors, healthcare professionals and other partners, suppliers, regulatory authorities and the patients involved in the Group's clinical development activities. This commitment is underpinned by our vision and values:

I. Trust, Ethics and Integrity

We robustly respect, defend and endorse the highest ethical standards in everything we do.

II. Excellence

We strive to deliver above the norm in order to achieve the loftiest of targets.

III. Create Value

Providing value for patients, create value for all our stakeholders.

IV. Humility

We are enormously and continuously aware of the privileged role we have in helping people, giving hope and trying to make a difference for patients.

V. Caring

Core to our business philosophy is acting with care, compassion, respect and inclusion to our various stakeholders.

VI. Compete

Like the patients we treat, we compete against time and ourselves, always striving to do better. We respect our competitors who, like us, are driving to do the best for patients.

VII. Teamwork

Be a G-R-E-A-T team in moving from science to the bedside and beyond.

Goals - clearly defined, commonly agreed, everyone working towards the same outcome

Respect - all views are valid, everyone has a voice and a no blame culture

Empowered - self driven, confident, involved valued and doing our best

Attitude - “can do”, open to suggestions, solution focussed

Trust – share information, do the right thing for the business, take responsibility and own our actions

The Group’s operations and working methodologies seek to take account of the need to balance the needs of its stakeholder groups while maintaining focus on the Board’s primary responsibility to promote the success of the Group for the benefit of its members as a whole. The Group endeavours to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are considered in the interest of the Group and consistent with the overall strategy.

The Group takes due account of any impact that its activities may have on the environment, in particular from its GMP-licenced manufacturing operations, and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Group ensures full compliance with health and safety, regulatory and environmental legislation relevant to its activities.

Senior Management operates an “open door policy” and actively encourages input and discussion from employees on all aspects of the business. Formal employee opinion surveys are conducted to obtain employee feedback on all aspects of employment with the Group.

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

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. Under the Group’s risk management policy, control of business risk is achieved via the consideration of four criteria, the first three relating to risk evaluation and the final one being risk management:

I. Significance

Understand the impact should the risk crystalize in terms of its anticipated outcome and severity.

II. Likelihood

Consider the likelihood of occurrence in the period under review.

III. Relevance

Does the risk apply to the Group as a whole, a particular operating unit or other component of the business?

IV. Management

The final consideration concerns how risks identified in steps 1-3 are best managed particularly in terms of seniority and location of relevant individuals.

The Group's internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Audit Committee in cooperation with our external Auditors, the effectiveness of these internal controls is reviewed annually.

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, and the change in the identified risk over the last reporting period are set out in the Group's 2018 Annual Report.

The Executive Directors and Senior Management Team try to meet on a weekly basis to review progress with the R&D programmes, ongoing trading performance, discuss budgets and forecasts and new issues and risks and opportunities associated with the business. The Board considers risk to the business at every Board meeting (at least 5 meetings are held each year) and the Company formally reviews and documents the principal risks to the business at least annually.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The annual budget is reviewed mid-year and if necessary, is revised. The Group's results, compared with the budget, are reported to the Board on a monthly basis.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims

against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

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

Midatech Group is controlled by the Board of Directors. Rolf Stahel, the Non-Executive Chairman, is responsible for the running of the Board and Craig Cook, the Chief Executive, has executive responsibility for running the Group's day-to-day business and implementing Group strategy. Midatech's Board currently comprises five Non-Executive Directors, including the Non-Executive Chairman, a Senior Independent Director, and three Executive Directors. All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.

Directors' biographies are set out here... [Midatech Board of Directors](#)

The Board is responsible to the shareholders for the proper management of the Group and meets at least five times a year to set the overall direction and strategy of the Group, to review scientific, operational and financial performance and to advise on management appointments. All key operational and investment decisions are subject to Board approval.

Members of the Board receive regular and timely information the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the company's expense.

The Board considers itself to have a sufficient balance of independent directors including the Senior Independent Director. The QCA Code suggests that a board should have at least two independent Non-Executive Directors. All of the Non-Executive Directors who currently sit on the Board of the Company are considered independent under the QCA Code's guidance for determining such independence.

All of the Directors' direct interests in the Company are less than 1% of the issued share capital.

Other than Frédéric Duchesne, all Non-Executive Directors receive their fees in the form of a basic cash fee. Frédéric Duchesne receives his Non-Executive Director fees, net of tax, in the form of Midatech Pharma shares. Sijmen de Vries holds a relatively small number of share options granted by Midatech Limited, prior to the incorporation of Midatech Pharma plc in 2014. Following the incorporation of Midatech Pharma plc, no share options are awarded to Non-Executive Directors. The current remuneration structure for the Board's Non-Executive Directors is deemed to be proportionate. Full details of all Board emoluments, interest in shares and share options are set out in the Group's 2018 Annual Report.

The Board has a formal schedule of matters reserved to it and is supported by the Audit, Remuneration and Nomination Committees. The members and meeting requirements for each Committee are set out on the Company's website. The purpose of the Remuneration Committee is set out in Midatech's 2018 Annual Report, and the purposes of the Audit Committee and the Nomination Committee are also set out in the Report.

The full Schedule of Matters Reserved for Board can be found [here](#)

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

Midatech considers that all of the Non-Executive Directors bring important skills and experience to the Board. The Members of the Board are all of sufficient competence and calibre to add strength and objectivity to the Group's activities, and bring considerable experience in scientific research, operational management and financial matters of biopharmaceutical products and companies.

The Directors' biographies are set out here...[Midatech Board of Directors](#)

Membership of the Midatech Board, including succession planning, is governed by the Nominations Committee which makes recommendations to the Board on all new Board appointments. Where such an appointment is needed, new Board

appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

The Chairman, in conjunction with the CEO and Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors received updates on a number of corporate governance matters.

All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the Company's expense.

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

The Midatech Board currently evaluates the performance of its members informally. We intend to implement a process of formal evaluation of its performance annually, taking into account the Financial reporting Council's Guidance on Board Effectiveness, which will involve all Directors undergoing a performance evaluation before being proposed for re-election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.

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

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. An open culture is encouraged within the Group, with regular communications to staff regarding progress and staff feedback regularly sought, both informally and via formal employee surveys.

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. The Group's health and safety policies and procedures are covered in the Group's documented compliance systems, which encompass all aspects of the Group's day-to-day operations.

Midatech's Code of Business Conduct and Ethics can be found here... [Midatech's Code of Business Conduct and Ethics](#)

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

The Board has overall responsibility for promoting the success of the Group. The Executive Directors have day-to-day responsibility for the operational management of the Group's activities. The Non-Executive Directors are responsible for bringing independent and objective judgment to Board decisions.

There is a clear separation of the roles of Chief Executive Officer and Non-Executive Chairman. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-Executive Directors are properly briefed on matters. The Chairman has overall responsibility for corporate governance matters in the Group and chairs the Nominations Committee. The Chief Executive Officer has responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group. The Company Secretary is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are complied with.

The Board has established an Audit Committee, Remuneration Committee and Nominations Committee with formally delegated duties and responsibilities. Simon Turton, an executive with extensive financial experience, chairs the Audit Committee, Sijmen de Vries chairs the Remuneration Committee and Rolf Stahel chairs the Nominations Committee.

The Audit Committee normally meets at least twice a year and has responsibility for, amongst other things, planning and reviewing the annual report and accounts and

interim statements involving, where appropriate, the external auditors. The Committee also approves external auditors' fees and ensures the auditors' independence as well as focusing on compliance with legal requirements and accounting standards. It is also responsible for ensuring that an effective system of internal control is maintained. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board.

The Remuneration Committee, which meets as required, but at least twice a year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the Executive Directors. It also supervises the Company's share incentive and bonus schemes and sets performance conditions for all awards granted under the schemes.

The Directors' Remuneration Report is presented in the Group's 2018 Annual Report.

The Nomination Committee assist the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board, retirements and appointments of additional and replacement Directors and committee members and will make appropriate recommendations to the Board on such matters. The Nomination Committee was convened to discuss and approve the appointment of Craig Cook as the Company's Chief Executive Officer. The Board intends to implement a formal process of regular reviews of its composition to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group.

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

Midatech recognises the importance of regular and transparent communications with its stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. Regular and open dialogue is maintained with both its institutional and private investors and we endeavour to respond quickly to all enquiries. The Group's website is regularly updated to ensure that the latest announcements and corporate presentations are available to everyone.

The Board recognises that the Annual General Meeting is an important opportunity to meet shareholders, and in particular private investors who may otherwise have limited opportunities to do so, and all Board members endeavour to attend these meetings wherever possible. The Directors are available to listen to the views of shareholders both formally during the AGM and informally immediately afterwards. Members of the Board also strive to meet with all shareholders on a one-to-one basis whenever possible.

The Group's financial reports can be found here. [Midatech Financial Reports](#)

Notices of General Meetings of the Company can be found here. [Midatech financial calendar](#)