

QCA Code Application - Silence Therapeutics plc

Principle	QCA Guidance	Application by Silence
<p>1. Establish a strategy and business model which promote long-term value for shareholders</p>	<p>The board must be able to express a shared view of the company’s purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.</p>	<p>Refer to the Strategic Report in the Annual Report and Accounts 2018, particularly the Chair’s statement and Chief Executive Officer’s review.</p> <p>To support the execution of this strategy, the Board performs the following key tasks:</p> <ul style="list-style-type: none"> • setting the Company’s values and standards; • approval of long-term objectives and strategy; • approval of revenue, expense and capital budgets and plans; • approval for therapeutic candidate progression through key development and clinical stages; • oversight of operations ensuring adequate systems of internal controls and risk management are in place, ensuring maintenance of accounting and other records and compliance with statutory and regulatory obligations; • review of performance in light of strategy and budgets ensuring any necessary corrective actions are taken; • review progress towards and consider options and terms of business

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		<p>development and corporate development deals</p> <ul style="list-style-type: none"> • approval of the annual report and financial statements, half year results, material contracts and major projects; • changes to structure, size and composition of the Board; • determining remuneration policy for the Directors and approval of the remuneration of the Non-Executive Directors; and • approval of communications with shareholders and the market.
<p>2. Seek to understand and meet shareholder needs and expectations</p>	<p>Directors must develop a good understanding of the needs and expectations of all elements of the company’s shareholder base.</p> <p>The board must manage shareholders’ expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>Contact with major shareholders is principally maintained by the Executive Chairman, who ensures that their views are communicated to the Board as a whole. The Board believes that appropriate steps have been taken during the reporting period to ensure that the members of the Board, and in particular the Non-Executive Directors, develop an understanding of the views of major shareholders about the Company.</p> <p>This year’s Annual General Meeting of the Company was held on 25 June 2019. The Notice of The Annual General Meeting is available on the Company’s website. Separate resolutions are provided on each issue so that they can be given proper consideration. Proxy votes are counted and the level of proxies</p>

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		<p>lodged on each resolution reported after it has been dealt with by a show of hands.</p> <p>Shareholder voting went in favour of all resolutions put forward for the 2018 AGM.</p>
<p>3. Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.</p> <p>Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>	<p>The Board considers the Group's ability to help patients and their caregivers to be highly important and critical to the long-term success of Silence. For more information on how the Group's lead drug candidate, SLN124, can help iron overload disorder sufferers, refer to the Annual Report and Accounts 2018, specifically pages 12 to 15.</p> <p>For information on engagement with wider stakeholders, refer to Resources and Relationships on page 22 of the Annual Report and Accounts 2018.</p>
<p>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>A Risk Register is maintained for regular review by the Audit & Risk Committee and the Board. Principal risks are set out on page 20 of the Annual Report and Accounts 2018, where mitigating activities are also explained. See also the Audit and Risk Committee report on page 30 of the Annual Report and Accounts 2018, which explains how risks are reviewed.</p>
<p>5. Maintain the board as a well-functioning,</p>	<p>The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for</p>	<p>The Board has a majority of Non-Executive Directors, consisting of four Non-Executive Directors and one Executive Director.</p>

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<p>balanced team led by the chair</p>	<p>the quality of, and approach to, corporate governance lies with the chair of the board.</p> <p>The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p> <p>The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement.</p> <p>The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p> <p>Directors must commit the time necessary to fulfill their roles.</p>	<p>The Board’s composition is geared towards its current stage of development and priorities. The skill sets of the Board include extensive knowledge of the pharmaceutical and biotechnology industries, strategic consultancy and corporate finance. Details of each of the Directors’ experience and background are given in their biographies on the Board of Directors page of our website.</p> <p>The Executive Chairman is responsible for leading the Board and ensuring its effectiveness. The Executive Chairman is responsible for the operational management of the Group and implementation of Board strategy and policy.</p> <p>The Board delegates certain activities to the committees, as explained in the respective Terms of Reference which are available on our website:</p> <ul style="list-style-type: none"> • Remuneration Committee • Audit & Risk Committee • Nominations Committee <p>Directors all commit sufficient time to fulfil their roles. Membership of all three Board Committees is comprised of the three Non-Executive Directors. The Executive Chairman is also a member of the Nominations Committee. All of the Board Committees are authorised to obtain, at the Company’s expense, professional</p>

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		<p>advice on any matter within their terms of reference and to have access to sufficient resources in order to carry out their duties.</p>
<p>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.</p> <p>The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.</p> <p>As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.</p>	<p>The Board has a balanced composition, with relevant skills and expertise. Refer to the Board of Directors page on our website for detail.</p> <p>The Board continues to evolve to meet the needs of the company, which is reflected by recent appointments. The Nominations Committee is responsible for regularly reviewing the structure, size and composition of the Board.</p>
<p>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p> <p>The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.</p> <p>It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.</p>	<p>The Board is responsible for reviewing its own effectiveness, as well as that of the committees and of individual directors. The Board performance review process is currently an internal process, which considers matters such as the performance of the Executive Director against the Board-approved Corporate Objectives. The Board considers a more formal, externally-facilitated review process has not been required in the past year, but will continue to consider whether such a review is necessary in future.</p> <p>The Nominations Committee is responsible for succession planning and making recommendations to the Board in this respect.</p>

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<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.</p> <p>The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.</p> <p>The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.</p> <p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.</p>	<p>Ethical values and behaviours are important to the company, and the policies to implement this are explained on the Corporate Responsibility web page. Corporate social responsibility is also explained on page 22 of the Annual Report and Accounts 2018.</p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> • size and complexity; and • capacity, appetite and tolerance for risk. <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.</p>	<p>The chair’s role and responsibility for corporate governance is set out in the Annual Report and Accounts 2018 in the Corporate governance report on page 26. The Executive Chairman and Chief Financial Officer are responsible for engagement with shareholders. The Executive Chairman and Chief Financial Officer are responsible for the day-to-day running of the business, with key decisions put to the Board or Committees.</p> <p>Matters reserved for the Board are set out under the Application of Principle 1 above.</p>

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		<p>The roles of the committees are explained in the respective Terms of Reference which are available on our website:</p> <ul style="list-style-type: none"> • Remuneration Committee • Audit & Risk Committee • Nominations Committee <p>The Committee members are listed on the Corporate Governance web page.</p>
<p>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.</p> <p>In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none"> • the communication of shareholders’ views to the board; and • the shareholders’ understanding of the unique circumstances and constraints faced by the company. <p>It should be clear where these communication practices are described (annual report or website).</p>	<p>Contact with major shareholders is principally maintained by the Executive Chairman, and additionally the Chair is available to discuss governance and other matters directly with major shareholders, both private and institutional.</p> <p>The Company uses its website to communicate with institutional shareholders and private investors, and the website also contains the latest announcements, press releases, published financial information, current projects and other information about the Company.</p> <p>Historical annual reports and other governance-related material are available on the website.</p>