

## **UK CORPORATE GOVERNANCE CODE 2016 COMPLIANCE**

On 8 March 2018 the London Stock Exchange published its revised rules for AIM quoted companies. Rule 26 now requires that AIM Listed companies apply a recognised corporate governance code on a comply or explain basis and make appropriate disclosures in satisfaction of this rule on their website.

As a company whose shares are admitted to trading on AIM, Shield Therapeutics is required to comply with the AIM Rules for Companies. The Board recognises the importance of sound corporate governance and the below disclosures set out the Company's application of the UK Corporate Governance Code (2016) as well as reasons for any departures from the Code.

**Detailed consideration of compliance with the Code**

Ref	Code area	Compliance
<b>A</b>	<b>LEADERSHIP</b>	
<b>A.1</b>	<b><u>The role of the Board</u></b>  <b>Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.</b>	
A.1.1	The board should meet sufficiently regularly to discharge its duties effectively. There should be a formal schedule of matters specifically reserved for its decision. The annual report should include a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management.	<ul style="list-style-type: none"> <li>• The Board aims to meet at least five times each year.</li> <li>• The Annual Report includes a description of its activities, including determining long term strategy, monitoring performance against budget, determining terms of reference for board committees etc.</li> </ul>
A.1.2	The annual report should identify the chairman, the deputy chairman (where there is one), the chief executive, the senior independent director and the chairmen and members of the board committees. It should also set out the number of meetings of the board and those committees and individual attendance by directors.	<ul style="list-style-type: none"> <li>• The members of the Board and their roles are identified in the Annual Report, including committee membership.</li> <li>• The Annual Report records Board and committee attendance records.</li> </ul>
A.1.3	The company should arrange appropriate insurance cover in respect of legal action against its directors.	Third party qualifying indemnity cover is in place for the Company's Directors.
<b>A.2</b>	<b><u>Division of responsibilities</u></b>	

	<b>There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.</b>	
A.2.1	The roles of chairman and chief executive should not be exercised by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by the board.	The Company does not currently have a permanent Chairman of the Board. A search is underway for a candidate to fill the role and in the interim the four independent NEDs take responsibility for acting as Chairman in rotation. Consequently, there remains a clear division of responsibilities between the acting Chairman and the Chief Executive at all times. This will be formalised with the new Chairman on his/her appointment.
<b>A.3</b>	<b><u>The chairman</u></b>  <b>The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.</b>	
A.3.1	The chairman should on appointment meet the independence criteria set out in B.1.1 below. A chief executive should not go on to be chairman of the same company. If exceptionally a board decides that a chief executive should become chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.	The Company does not currently have a permanent Chairman of the Board. A search is underway for a candidate to fill the role and in the interim the four independent NEDs take responsibility for acting as chairman in rotation and independence is therefore subject to the independence considerations at B.1.1. None of the NEDs have previously served as CEO of the Company.
<b>A.4</b>	<b><u>Non-executive directors</u></b>  <b>As part of their role as members of a unitary</b>	

	<b>board, non-executive directors should constructively challenge and help develop proposals on strategy.</b>	
A.4.1	The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate.	The Company does not currently operate with a named Senior Independent Director, however all Non-Executive Directors are independent and are available to shareholders and as a sounding board for the other Directors. Given the size of the Board and the shareholder structure this is considered to be appropriate.
A.4.2	The chairman should hold meetings with the non-executive directors without the executives present. Led by the senior independent director, the non-executive directors should meet without the chairman present at least annually to appraise the chairman's performance and on such other occasions as are deemed appropriate.	The non-executive directors meet without the executive directors present at least once during the course of the year. Discussions include the appropriateness of the composition of the Board and its current performance. The Company doesn't currently have a permanent, formally appointed Chairman. Once a Chairman is appointed their performance will be evaluated by the non-executive directors, as was the case when Andrew Heath was Chairman.
A.4.3	Where directors have concerns which cannot be resolved about the running of the company or a proposed action, they should ensure that their concerns are recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chairman, for circulation to the board, if they have any such concerns.	In the event that non-executive directors have concerns regarding the running of the Company and specific matters they will be recorded in the Board minutes.
<b>B</b>	<b>EFFECTIVENESS</b>	

B.1	<p><b><u>The composition of the Board</u></b></p> <p><b>The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.</b></p>	<p>The biographies of the Company’s directors and details on the composition of the Board can be found at the following link.  <a href="https://www.shieldtherapeutics.com/about/people/">https://www.shieldtherapeutics.com/about/people/</a></p>
B.1.1	<p>The board should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director’s judgement. The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:</p> <ul style="list-style-type: none"> <li>☐ has been an employee of the company or group within the last five years;</li> <li>☐ has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;</li> <li>☐ has received or receives additional remuneration from the company apart from a director’s fee, participates in the company’s share option or a performance related pay</li> </ul>	<p>Hans Peter Hasler, a Non-Executive Director of the Company, until January 2018, served as a Director of AOP, which is a commercial partner of Shield and an affiliate of Irorph, which is itself a significant shareholder in Shield. The Board believes him to be independent as he no longer serves as a member of AOP’s Board and does not represent their interests. Additionally, he had no day to day interactions with Shield during his time with AOP.</p> <p>At IPO, W. Health signed a relationship agreement with Shield permitting it to appoint a director to the board so long as it holds over 20% of Shield’s issued share capital (W. Health presently holds 48.11% of Shield’s issued share capital). Peter Llewellyn-Davies was put forward for election by the largest shareholder, W Health LP. However, whilst as aforementioned, W Health LP does have the right under the relationship agreement to appoint a representative to the Board, he was appointed independently and does not in any way represent W Health LP.</p> <p>Save for Hans Peter Hasler’s service as a Director of AOP and the proposition of Peter Llewellyn-Davies the Non-Executive Directors are considered to meet the following independence criteria:</p> <ul style="list-style-type: none"> <li>• No NED was an employee of the Company in the last 5 years;</li> <li>• No NED has had a material business relationship with the Company in the last 3 years;</li> <li>• NEDs do not receive share option awards or performance-related remuneration;</li> <li>• NEDs do not have close family ties with the Company’s directors, senior management or advisers;</li> <li>• NEDs do not hold cross directorships or significant links with other directors through</li> </ul>

	<p>scheme, or is a member of the company's pension scheme;</p> <p>☐ has close family ties with any of the company's advisers, directors or senior employees; ☐ holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;</p> <p>☐ represents a significant shareholder; or</p> <p>☐ has served on the board for more than nine years from the date of their first election.</p>	<p>other companies/bodies;</p> <ul style="list-style-type: none"> <li>• NEDs do not represent a significant shareholder;</li> <li>• NEDs have not served for more than 9 years.</li> </ul>
B.1.2	<p>Except for smaller companies, at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. A smaller company should have at least two independent non-executive directors.</p>	<p>A majority of directors are independent non-executives.</p>
<b>B.2</b>	<p><b><u>Appointments to the Board</u></b></p> <p><b>There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.</b></p>	
B.2.1	<p>There should be a nomination committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors. The chairman or an independent non-executive director should chair the committee, but the chairman should not chair the nomination committee when it is dealing with the appointment of a successor to the</p>	<ul style="list-style-type: none"> <li>• A Nomination Committee is established to lead board appointments.</li> <li>• All members are NEDs. Details on the composition of the Nomination Committee can be found at: <a href="https://www.shieldtherapeutics.com/investors/corporate-governance/">https://www.shieldtherapeutics.com/investors/corporate-governance/</a></li> <li>• Its terms of reference are available for inspection on request of the Company Secretary</li> </ul>

	chairmanship. The nomination committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	
B.2.2	The nomination committee should evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.	Role descriptions are prepared for each position based on the balance of skills and experience required.
B.2.3	Non-executive directors should be appointed for specified terms subject to re-election and to statutory provisions relating to the removal of a director. Any term beyond six years for a non-executive director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the board.	<ul style="list-style-type: none"> <li>• NEDs have a 3 year letter of appointment.</li> <li>• Re-election is at the first AGM after appointment and at each AGM thereafter.</li> </ul>
B.2.4	A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. This section should include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director. Where an external search consultancy has been used, it should be identified in the annual report and a	<ul style="list-style-type: none"> <li>• The Annual Report includes a description of the Committee's work and responsibilities.</li> <li>• Equal consideration is given to candidates irrespective of their gender, ethnic background or disability. The Board's policy on diversity is not currently included in the Annual Report (as the Company has less than 250 employees) and will be included going forwards.</li> <li>• Board appointments are recommended and approved by the Nomination Committee.</li> </ul>

	statement made as to whether it has any other connection with the company.	
<b>B.3</b>	<b><u>Commitment</u></b>  <b>All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.</b>	
B.3.1	For the appointment of a chairman, the nomination committee should prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises. A chairman's other significant commitments should be disclosed to the board before appointment and included in the annual report. Changes to such commitments should be reported to the board as they arise, and their impact explained in the next annual report.	The Company does not currently have a permanent Chairman. A search is underway for a candidate to fill the role. The Chairman's role is currently undertaken on a cyclical basis by the NEDs. When a Chairman is appointed their letter of appointment will include details of his/her role and responsibilities. Their other significant commitments will also be disclosed to the Board.
B.3.2	The terms and conditions of appointment of non-executive directors should be made available for inspection. The letter of appointment should set out the expected time commitment. Non-executive directors should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the board before appointment, with a broad indication of the time involved and the board should be informed of subsequent changes.	<ul style="list-style-type: none"> <li>• The NEDs terms of appointment are available for inspection at the Company's registered office on request.</li> <li>• Letters of appointment include role requirements, expected time commitment and a requirement to report other significant commitments.</li> </ul>
B.3.3	The board should not agree to a full time	The executive directors do not hold non-executive roles outside of the Group in FTSE 100

	executive director taking on more than one non-executive directorship in a FTSE 100 company nor the chairmanship of such a company.	companies.
<b>B.4</b>	<b><u>Development</u></b>  <b>All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.</b>	
B.4.1	The chairman should ensure that new directors receive a full, formal and tailored induction on joining the board. As part of this, directors should avail themselves of opportunities to meet major shareholders.	<ul style="list-style-type: none"> <li>• New directors receive an induction.</li> <li>• They have the opportunity to meet management and major shareholders.</li> </ul>
B.4.2	The chairman should regularly review and agree with each director their training and development needs.	The board reviews training and development needs with each director annually and, upon appointment, this will be performed by the new chairman.
<b>B.5</b>	<b><u>Information and support</u></b>  <b>The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.</b>	
B.5.1	The board should ensure that directors, especially non-executive directors, have access to independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their	Directors have access to independent professional advice at the Company's expense.

	duties.	
B.5.2	All directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are complied with. Both the appointment and removal of the company secretary should be a matter for the board as a whole.	<ul style="list-style-type: none"> <li>• Directors have access to the services and advice of the Company Secretary.</li> <li>• The appointment and removal of the Company Secretary is a matter for the Board as a whole.</li> </ul>
<b>B.6</b>	<b><u>Evaluation</u></b>  <b>The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.</b>	
B.6.1	The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.	Going forwards the Company intends to state in its Annual Report how performance evaluation of the Board has been conducted.
B.6.2	Evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection with the company.	n/a – the Company is not within the FTSE 350.
B.6.3	The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors.	The performance of each NED is considered by the remaining NEDs. Noted that the Company does not currently have a permanent Chairman and this role is undertaken by the NEDs on a cyclical basis.
<b>B.7</b>	<b><u>Re-election</u></b>	

	<b>All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.</b>	
B.7.1	All directors of FTSE 350 companies should be subject to annual election by shareholders. All other directors should be subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter at intervals of no more than three years. Non-executive directors who have served longer than nine years should be subject to annual re-election. The names of directors submitted for election or re-election should be accompanied by sufficient biographical details and any other relevant information to enable shareholders to take an informed decision on their election.	<ul style="list-style-type: none"> <li>• Directors are re-elected at the first AGM following appointment.</li> <li>• Thereafter directors are re-elected at each AGM.</li> </ul>
B.7.2	The board should set out to shareholders in the papers accompanying a resolution to elect a non-executive director why they believe an individual should be elected. The chairman should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role.	Resolutions to re-elect non-executives are accompanied by: <ul style="list-style-type: none"> <li>• Reasons why the Board believes the re-election is appropriate.</li> <li>• Confirmation that following performance evaluation the NED is effective and demonstrates commitment.</li> </ul>
<b>C</b>	<b>ACCOUNTABILITY</b>	
<b>C.1</b>	<b>Financial and business reporting</b>	
	<b>The board should present a fair, balanced</b>	

	<b>and understandable assessment of the company's position and prospects.</b>	
C.1.1	The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy. There should be a statement by the auditor about their reporting responsibilities.	The Annual Report includes a statement that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy. The Annual Report includes a statement by the auditor about their reporting responsibilities.
C.1.2	The directors should include in the annual report an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company.	The Annual Report includes in the Chairman's Statement, CEO's Statement and Financial Review the Company's strategy to deliver objectives and long term shareholder value.
C.1.3	In annual and half-yearly financial statements, the directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.	The directors consider detailed financial forecasts for a period of at least 12 months from the date of approval of the financial statements in order to confirm that sufficient resources exist to meet the Company's liabilities and prepare the financial statements on the going concern basis.
<b>C.2</b>	<b><u>Risk management and internal control</u></b>  <b>The board is responsible for determining the nature and extent of the principal risks it is</b>	

	<b>willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.</b>	
C.2.1	The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.	<ul style="list-style-type: none"> <li>• A formal risk plan has been introduced and a risk register with relevant mitigating actions established.</li> <li>• The Annual Report includes a Principal Risks and Risk Management section explaining the significant risks and their mitigation.</li> </ul>
C.2.2	Taking account of the company's current position and principal risks, the directors should explain in the annual report how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate. The directors should state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.	The directors consider detailed financial forecasts for a period of at least 12 months from the date of approval of the financial statements in order to confirm that sufficient resources exist to meet the Company's liabilities and prepare the financial statements on a going concern basis.
C.2.3	The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	<ul style="list-style-type: none"> <li>• A FPPP document was introduced on Admission and is subject to an annual review and, if necessary, update.</li> <li>• A formal risk management plan and assessment of controls in place has been established.</li> </ul>

C.3	<p><b><u>Audit committee and auditors</u></b></p> <p><b>The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.</b></p>	
C.3.1	<p>The board should establish an audit committee of at least three, or in the case of smaller companies two, independent non-executive directors. In smaller companies the company chairman may be a member of, but not chair, the committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chairman. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.</p>	<ul style="list-style-type: none"> <li>• Given the smaller size of the Company the Audit Committee has two independent NED members.</li> <li>• The Audit Committee chair currently acts as the Chairman of the Company on a cyclical basis, in the absence of a permanent Chairman. Peter Llewellyn-Davies (chair) is considered to have recent relevant financial experience by virtue of having previously operated as a CFO.</li> </ul>
C.3.2	<p>The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:</p> <ul style="list-style-type: none"> <li>☑ to monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;</li> <li>☑ to review the company's internal financial controls and, unless expressly addressed by a</li> </ul>	<p>The terms of reference of the Audit Committee include all points cited.</p>

	<p>separate board risk committee composed of independent directors, or by the board itself, to review the company's internal control and risk management systems;</p> <p>☐ to monitor and review the effectiveness of the company's internal audit function;</p> <p>☐ to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;</p> <p>☐ to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;</p> <p>☐ to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and</p> <p>☐ to report to the board on how it has discharged its responsibilities.</p>	
C.3.3	The terms of reference of the audit committee, including its role and the authority delegated to it by the board, should	The terms of reference of the Audit Committee are available for inspection on request to the Company Secretary.

	be made available.	
C.3.4	Where requested by the board, the audit committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.	When requested the committee confirms to the Board that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.
C.3.5	The audit committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.	The Audit Committee reviews the adequacy of the whistleblowing policy and measures in place to report improprieties if they arise.
C.3.6	The audit committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.	<ul style="list-style-type: none"> <li>• The Audit Committee considers the need for an internal audit function.</li> <li>• The current view is that this is not warranted by the size of the Company.</li> </ul>
C.3.7	The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. If the board	<ul style="list-style-type: none"> <li>• The committee makes recommendations to the Board on the appointment, re-appointment and removal of the auditor.</li> </ul>

	does not accept the audit committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the audit committee explaining the recommendation and should set out reasons why the board has taken a different position.	
C.3.8	<p>A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <ul style="list-style-type: none"> <li>☐ the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed;</li> <li>☐ an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm and when a tender was last conducted and advance notice of any retendering plans; and</li> <li>☐ if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded.</li> </ul>	<ul style="list-style-type: none"> <li>• The Audit Committee considers the appropriateness of the significant judgements and critical estimates made in preparing the financial statements.</li> <li>• The effectiveness of the auditor is assessed by soliciting the opinion of internal stakeholders on their performance and has been considered in recommending their re-appointment.</li> <li>• No non-audit services are currently provided.</li> </ul>
<b>D</b>	<b>REMUNERATION</b>	
<b>D.1</b>	<b><u>The level and components of remuneration</u></b>	

	<b>Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.</b>	
D.1.1	In designing schemes of performance-related remuneration for executive directors, the remuneration committee should follow the provisions in Schedule A to this Code. Schemes should include provisions that would enable the company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so.	<ul style="list-style-type: none"> <li>• Schedule A to the Code is considered in designing performance-related remuneration schemes.</li> <li>• The schemes include malus and clawback provisions as disclosed in the remuneration report.</li> </ul>
D.1.2	Where a company releases an executive director to serve as a non-executive director elsewhere, the remuneration report should include a statement as to whether or not the director will retain such earnings and, if so, what the remuneration is.	This has not occurred during the year.
D.1.3	Levels of remuneration for non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for non-executive directors should not include share options or other performance-related elements. If, exceptionally, options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the non-executive director leaves the board. Holding of share options could be relevant to the determination of a non-executive director's	<ul style="list-style-type: none"> <li>• Non-executive remuneration reflects the commitments of the role and any committee responsibilities undertaken, as stated in the letters of appointment.</li> <li>• No share option awards or performance-related remuneration are granted to non-executives.</li> </ul>

	independence (as set out in provision B.1.1).	
D.1.4	The remuneration committee should carefully consider what compensation commitments (including pension contributions and all other elements) their directors' terms of appointment would entail in the event of early termination. The aim should be to avoid rewarding poor performance. They should take a robust line on reducing compensation to reflect departing directors' obligations to mitigate loss.	Compensation on early termination is comprised solely (where applicable) of payment in lieu of notice.
D.1.5	Notice or contract periods should be set at one year or less. If it is necessary to offer longer notice or contract periods to new directors recruited from outside, such periods should reduce to one year or less after the initial period.	Notice periods are set at 12 months or less for executive directors.
<b>D.2</b>	<b><u>Procedure</u></b>  <b>There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.</b>	
D.2.1	The board should establish a remuneration committee of at least three, or in the case of smaller companies two, independent non-executive directors. In addition the company chairman may also be a member of, but not chair, the committee if he or she was considered independent on appointment as	<ul style="list-style-type: none"> <li>• The Remuneration Committee has 2 NED members, reflecting the smaller size of the Company.</li> <li>• The committee's terms of reference are available on request to the Company Secretary.</li> <li>• Noted that Deloitte LLP have been appointed as remuneration consultants and are not otherwise connected with the Company.</li> </ul>

	<p>chairman. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. Where remuneration consultants are appointed, they should be identified in the annual report and a statement made as to whether they have any other connection with the company.</p>	
D.2.2	<p>The remuneration committee should have delegated responsibility for setting remuneration for all executive directors and the chairman, including pension rights and any compensation payments. The committee should also recommend and monitor the level and structure of remuneration for senior management. The definition of 'senior management' for this purpose should be determined by the board but should normally include the first layer of management below board level.</p>	<p>The remuneration committee has delegated responsibility for setting remuneration for all executive directors and the Chairman, including pension rights and any compensation payments. The committee also recommends and monitors the level and structure of remuneration for senior management.</p>
D.2.3	<p>The board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. Where permitted by the Articles, the board may however delegate this responsibility to a committee, which might include the chief executive.</p>	<p>The Board as a whole determines the remuneration of non-executive directors.</p>
D.2.4	<p>Shareholders should be invited specifically to approve all new long-term incentive schemes (as defined in the Listing Rules) and significant changes to existing schemes, save in the</p>	<p>The Company does not currently invite shareholders to approve new long-term incentive schemes and significant changes to existing schemes.</p>

	circumstances permitted by the Listing Rules.	
<b>E</b>	<b>RELATIONS WITH SHAREHOLDERS</b>	
<b>E.1</b>	<p><b><u>Dialogue with shareholders</u></b></p> <p><b>There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.</b></p>	
E.1.1	The chairman should ensure that the views of shareholders are communicated to the board as a whole. The chairman should discuss governance and strategy with major shareholders. Non-executive directors should be offered the opportunity to attend scheduled meetings with major shareholders and should expect to attend meetings if requested by major shareholders. The senior independent director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders.	The Board does not currently have a Chairman but it is intended for one to be appointed and until then NEDs will be available, where necessary, to discuss governance and strategy with major shareholders. As there is no senior independent director, the NEDs as a whole are responsible for the overall co-ordination of soliciting shareholder views.
E.1.2	The board should state in the annual report the steps they have taken 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, for example through direct face-to-face contact, analysts' or brokers' briefings and surveys of	<ul style="list-style-type: none"> <li>• The views of major shareholders are taken into account during the course of the year and Directors meet regularly with them.</li> <li>• Additionally briefing calls are held with analysts in order to engage with them.</li> <li>• The above steps to engage with major shareholders are disclosed in the Company's Annual Report.</li> </ul>

	shareholder opinion.	
<b>E.2</b>	<b><u>Constructive use of general meetings</u></b>  <b>The board should use general meetings to communicate with investors and to encourage their participation.</b>	
E.2.1	At any general meeting, the company should propose a separate resolution on each substantially separate issue, and should in particular propose a resolution at the AGM relating to the report and accounts. For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote should make it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.	<ul style="list-style-type: none"> <li>• Separate resolutions are proposed at General Meetings for each substantive issue requiring approval.</li> <li>• A resolution is proposed for approval of the Annual Report at the AGM.</li> <li>• Proxy voting is available.</li> </ul>
E.2.2	The company should ensure that all valid proxy appointments received for general meetings are properly recorded and counted. For each resolution, where a vote has been taken on a show of hands, the company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company: ☐ the number of shares in respect of which	<ul style="list-style-type: none"> <li>• Noted that proxy votes are recorded.</li> <li>• Voting is conducted based on a poll rather than a show of hands.</li> </ul>

	<p>proxy appointments have been validly made;  <input type="checkbox"/> the number of votes for the resolution;  <input type="checkbox"/> the number of votes against the resolution;  and  <input type="checkbox"/> the number of shares in respect of which the vote was directed to be withheld.  When, in the opinion of the board, a significant proportion of votes have been cast against a resolution at any general meeting, the company should explain when announcing the results of voting what actions it intends to take to understand the reasons behind the vote result.</p>	
E.2.3	<p>The chairman should arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the AGM and for all directors to attend.</p>	<ul style="list-style-type: none"> <li>• The chairmen of the three committees are available to answer questions at the AGM.</li> </ul>
E.2.4	<p>The company should arrange for the Notice of the AGM and related papers to be sent to shareholders at least 20 working days before the meeting. For other general meetings this should be at least 14 working days in advance.</p>	<ul style="list-style-type: none"> <li>• The Company's Articles require it to send the Notice of AGM to shareholders no less than 14 days before the meeting. Thus, the last Notice of AGM did not adhere to the deadline of 20 working days. Going forward, Shield intends to send a Notice of AGM to clients 20 working days before the meeting.</li> </ul>