

Itaconix plc
Statement on Corporate Governance

The Board is committed to ensuring that the Group has the people, strategy, and structure to deliver value to customers and shareholders in the near and long term. We recognise that effective corporate governance is essential to meeting this commitment and fundamental to the success of the Group.

Solid corporate governance starts with the calibre and talents of the Directors. Biographies of the Directors are presented on page 17 and 18 in the 2020 Annual Report and reveal a range of relevant experience that brings a high level of independent judgement to Itaconix's business.

Under AIM Rule 26, AIM-quoted companies are required to adopt and give details of the corporate governance code which they have adopted and to show how they are following it. Of the recognised codes generally adhered to by AIM companies, the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (the "QCA Code") was drafted with smaller businesses using a pragmatic and principles-based approach. The Board deemed the QCA Code as the most suitable for the Group and adopted it with effect from 29 September 2018.

As Chair, I am responsible for leading the overall effectiveness of the Board, for ensuring that the Board maintains effective corporate governance processes, and for promoting open communication and debate within the Board and across the Group to foster a positive governance culture. I am pleased with the continued application of the QCA Code and the Company's approach to complying with the QCA Code which is set out below.

Compliance with the Quoted Companies Alliance Corporate Governance Code

The QCA Code identifies ten principles that focus on the pursuit of medium- to long-term value for shareholders without stifling entrepreneurial spirit. Itaconix's adoption of the QCA principles is summarised below. Further details are available on our website.

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

Over the last ten years, Itaconix developed a polymer technology platform for producing specialty ingredients from renewable resources. The Group uses its novel chemistries to create new ingredients with unique functionality that create value and meet customer needs in homecare, personal care, and industrial products. We utilise direct sales efforts to acquire initial customers and confirm the value for a new product, then scale globally with appropriate marketing partners. The long-term revenue and profit potential of each new product relative to its near-term development cost can generate many years of attractive returns and shareholder value. Our near-term strategy is to balance aggressive sustained product innovation from our polymer technology platform with a focus on profitability to reach positive cash flow and long-term financial stability. Additional information on our strategy and business model is presented in the Strategic Report on pages 7 to 16 of the 2020 Annual Report.

2. Seek to understand and meet shareholder needs and expectations

The Board is committed to communicating and having constructive dialogues with current and potential shareholders on a regular basis. Due to Covid-19, shareholders are encouraged to participate in the Proxy vote via mail or other electronic means. Shareholders are also encouraged to attend the Company's virtual presentation following the Annual General Meeting. Information on significant Group milestones and developments is readily available in news releases, interim reports, and annual reports issued directly, broadcast widely, and posted to the Group's website. Our CEO is the primary contact for current and potential investors, and works closely with our Nominated Advisor (NOMAD) and others to interact with the broader investment community on a regular basis.

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

The Board is committed to the Group developing and maintaining open communications and dialogues with employees, customers, suppliers, regulators, investors, and partners. In addition to the investor activities described above, key practical elements of this commitment include a flat organization with ready employee access to management and the Board, regular direct contact with customers, quality assessments and reviews with vendors, and leadership roles in industry and scientific associations.

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

The Board and management use a framework that effectively identifies, assesses, and manages the risks to the business that allows the Group to achieve its corporate objectives. The risk management process is embedded in monthly reporting and quarterly meetings. The risks that the Board considers to be most significant to the Group's business are set out on pages 11 to 12 of the 2020 Annual Report.

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

The QCA Code requires that Boards have an appropriate balance between Executive and Non-Executive Directors and that each Board should have at least two Independent Directors. The Board is made up of one Executive Director and three Independent Non-Executive Directors. The three Independent Non-Executive Directors are experienced and independent persons who have each succeeded in their own businesses and are not dependent upon income from the Group. They have a strong and detailed understanding of the business, and are prepared and able to intervene and challenge the Executive Director and management.

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

All members of the Board bring relevant experience to the Board's responsibilities and duties. The Board believes its blend of experience, skills, and personal capabilities are well-suited for governing the success of the Group. Details of the background and experience of the Directors are set out in their biographies. These demonstrate that the Board collectively has extensive specialty chemical industry knowledge and relevant experience on the challenges of technology-based growth businesses and publicly-traded companies.

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

The Board performed a formal self-assessment in 2021 to evaluate various aspects of its structure, performance, and interaction with management. The Board will continually review its needs and assess opportunities for improvement as the Group's commercial activities develop.

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

Itaconix's core values are embedded in its quality system, which commits the Group to consistently deliver customer value, satisfaction and service through continual improvement and employee development. Key pillars of the culture are curiosity to use new approaches and technology to meet a need, accuracy of scientific analyses, the safety of our products and our processes, data-driven product claims that compel customers to reformulate, reliable order fulfilment with quality product, compliance with all laws and regulations, and respect for the livelihoods of all stakeholders. These values and pillars are introduced and reinforced through daily routines and periodic activities that instil ethical and rewarding behaviour into each employee's work practices and experience.

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

Formal Board meetings are held at least quarterly to review strategy, management, and performance of the Group, with additional meetings between those dates convened as necessary. We have three Board committees, the Audit Committee, the Remuneration Committee, and the Nominations Committee. The terms of reference of these committees of the Board are available on our website.

10. Communicate how Itaconix is governed and is performing by maintaining a dialog with shareholders and other relevant stakeholders

The Company's approach to investor and shareholder engagement is described under Principle 2 above. Annual reports, Annual General Meeting notices, regulatory announcements, trading updates and other governance related materials since the year 2016 are available on our website.

The Board of Directors

The Board of Directors is responsible for the proper management of the Group by formulating, reviewing and approving the Group's strategy, budgets, and corporate actions. In order to achieve its objectives, the Board has adopted the ten principles of the QCA Code. Through successfully implementing these principles, the Board aims to deliver long-term growth for shareholders and maintain a flexible, efficient and effective management framework within an entrepreneurial environment.

It is important that the Board itself contains the right mix of skills and experience in order to deliver the strategy of the Group. As such, the Board is comprised of:

- An Independent Non-Executive Chair, whose primary responsibility is the delivery of the Group's corporate governance model. The Chair has a clear separation from the day-to-day business of the Group which allows him to make independent decisions;
- One Executive Director; and
- Two Independent Non-Executive Directors.

The Board has not appointed a Senior Independent Director after taking into account the Group's size and development stage.

Each Director serves on the Board subject to re-election on a three-year rotation at the Annual General Meeting. The Board generally meets at least four times a year.

Corporate Governance

In compliance with UK best practice, the Board has established the following committees to help the Board discharge its responsibilities with formally delegated duties and responsibilities.

1. Audit Committee

The purpose of the Audit Committee is to monitor the integrity of the financial statements of the Group and to assist the Board in its oversight of risk and risk management processes.

Some of the Audit Committee's duties include:

- Reviewing the Group's accounting policies and adoption of new accounting standards;
- Reviewing reports from the external auditor;
- Considering whether the Group has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
- Reporting its views to the Board of Directors if it is not satisfied with any aspect of the proposed financial reporting by the Group;
- Reviewing the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems;
- Reviewing the adequacy and effectiveness of the Group's anti-money laundering systems and controls for the prevention of bribery and receive reports on non-compliance; and
- Overseeing the appointment of and the relationship with the external auditor.

The Audit Committee currently has three members, all of whom are Independent Non-Executive Directors and at least one member who has recent and relevant financial experience. As at 29 March 2021, the Audit Committee is comprised of John Snow as Chair, James Barber, and Bryan Dobson.

2. Remuneration Committee

The purpose of the Remuneration Committee is to develop and propose to the Board the framework and policies for the remuneration of the Group's Executive Directors and senior management.

The Committee normally meets at least twice a year and is responsible for determining and reviewing the policy for the remuneration of the Executive Directors and such other members of the executive management as it is designated to consider. Within the terms of the agreed policy, it determines the total individual remuneration of the Executive Directors. The Committee also approves the design of, and determines targets for, any performance-related pay schemes, reviews the design of any share incentive plans, determines the awards to the Executive Directors and sets the policy for, and scope of, pension arrangements for each Executive Director, as appropriate. Finally, the Committee approves the design and principles of the remuneration schemes for the employees of the business outside of the management team, which are implemented by the Executive Directors.

As at 29 March 2021, the Remuneration Committee is comprised of Bryan Dobson as Chair, James Barber, and John Snow, each of whom is an Independent Non-Executive Director.

3. Nominations Committee

The Company's Nominations Committee is comprised of James Barber as Chair, Bryan Dobson, and John Snow. The Committee is normally required to meet at least once a year and is responsible for reviewing the structure, size and composition of the Board and recommending to the Board any changes required, for succession planning, and for identifying and nominating for approval of the Board candidates to fill vacancies as and when they arise, with a view to ensuring that the Board is composed of individuals with the necessary skills. The Committee is also responsible for succession planning for Directors and Executives, reviewing the leadership needs of the organisation, reviewing Board performance, making recommendations to the Board concerning suitable candidates for the role of senior independent Director (if applicable) and the membership of the Board's committees, and the election or re-election of Directors at the annual general meeting.

Terms of Reference

All Board committees operate within defined terms of reference and sufficient resources are made available for them to undertake their duties. The terms of reference for each committee are available on the Company's website (in the Investor Relations section and under Corporate Governance).

Corporate Social Responsibility

The Board recognises the critical role of ethics, the growing concerns for social and environmental matters, and the need to take into account the interests of the Group's stakeholders, including its investors, employees, suppliers and business partners, when operating the business.

Employment

The Board recognises its legal responsibility to ensure the well-being, safety and welfare of its employees and maintain a safe and healthy working environment for them and for its visitors.

Relations with Shareholders

Itaconix attaches a high priority to effective communication with both institutional and private shareholders. The AGM is the principal forum for dialogue with private shareholders. A business presentation is made after the AGM and there is an opportunity for shareholders to put questions to the Directors. Due to Covid-19, these communications will be held virtually. Itaconix aims to maintain regular contact with institutional shareholders through a programme of one to one presentations, group meetings, and briefings scheduled around the announcement of significant commercial developments in the business and the preliminary and interim financial results.

Share Dealing Code

The Company has adopted a share dealing code to ensure directors and certain employees do not abuse and do not place themselves under suspicion of abusing inside information of which they are in possession and to comply with its obligations under the Market Abuse Regulation ("MAR") which applies to the Company by virtue of its shares being traded on AIM. Furthermore, the Company's share dealing code is compliant with the AIM Rules for Companies, published by the London Stock Exchange (as amended from time to time).

Under the share dealing code, the Company must:

- Keep a list of each person who is in possession of inside information relating to the Group;
- Procure that all persons discharging managerial responsibilities and certain employees are given clearance by the Group before they are allowed to trade in Company securities; and
- Procure that all persons discharging managerial responsibilities and persons closely associated to them notify both the Company and the Financial Conduct Authority of all trades in Company securities that they make.

Internal Control

The Board has overall responsibility for ensuring that the Group maintains a system of internal control to provide its members with reasonable assurance regarding the reliability of financial information used within the business and for publication and that the Group's assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of accurate financial information and the safeguarding of assets. The key features of the internal control system that operated throughout the year are described under the following headings:

- Control environment: particularly the definition of the organisation structure and the appropriate delegation of responsibility to operational management.
- Identification and evaluation of business risks and control objectives: particularly through a formal process of consideration and documentation of risks and controls which is periodically undertaken by the Board.
- Main control procedures: which include the setting of annual and longer term budgets and the monthly reporting of performance against them, agreed treasury management and physical security procedures, formal capital expenditure and investment appraisal approval procedures, and the definition of authorisation limits (both financial and otherwise).
- Monitoring: particularly through the regular review of performance against budgets and the progress of research activities undertaken by the Board. The Board reviews the operation and effectiveness of this framework on a regular basis. The Directors consider that there have been no weaknesses in internal controls that have resulted in any losses, contingencies or uncertainties requiring disclosures in the financial statements.