An internationally diversified Board

The Directors present their Report together with the audited financial statements for the year ended 31 December 2020. The Corporate Governance Statement on pages 46 to 56 also form part of the Directors’ Report.
It is my pleasure to present our Corporate Governance Statement for the year ended 31 December 2020.

James Wakefield
Chairman
The Board of Directors

James Wakefield
Non-Executive Director and Chairman of the Board

James is an experienced private equity investor, having spent over 30 years in the finance industry. He has been involved with over 50 businesses of varying sizes and stages of development across a wide range of sectors, including board representation as chairman or non-executive director in a number of these. He is chairman of WestBridge Capital LLP of which he was a founder partner in 2008. He previously spent 18 years at Bridgepoint (previously NatWest Equity Partners) and, prior to that, spent four years at NatWest Markets/NatWest Investment Bank. He is also Chairman of the Nomination Committee and a graduate of Harvard Business School (AMP).

Graham Mullis
Chief Executive Officer

Graham was appointed Chief Executive Officer of Novacyt in 2014, having previously been Chief Executive Officer of Lab21 since 2008. He has over 30 years of experience in the diagnostics, pharmaceuticals and medical device markets. Over the years, he has led and been involved in multiple successful exits, including that of Biocompatibles Eyecare, ClearLab International, VisionTec and Lab21. He also founded a pharmaceutical licensing company, Optivue, which focuses on repurposed drugs. Previous roles have included acting as a C-level executive with Biocompatibles International plc, a FTSE 250 company, and 1-800 CONTACTS, a NASDAQ-listed company.

He holds degrees in BSc Biochemistry and Physiology from Southampton University, UK, and an MBA in Business Administration from Warwick Business School, UK.
James McCarthy
Chief Financial Officer

James joined the Group as Chief Financial Officer in January 2021. He has over 30 years of finance experience in international businesses in both consumer and B2B and in both private equity and publicly listed companies. During his career, he has led large-scale transformation initiatives both organic and supported by M&A. He has also held general management roles, which gives him broad commercial experience and a strong appreciation for effective business partnership. He is a Fellow of the Association of Chartered Certified Accountants. James was appointed Chief Financial Officer of Novacyt in January 2021 and will be proposed for election as a Director of the Company at the next AGM, due to be held in September 2021 when he will replace Anthony Dyer on the Board.

Anthony Dyer
Chief Corporate Development Officer

Anthony joined the Group in 2010, and was Chief Financial Officer from January 2017–2021, before taking on a new role as Chief Corporate Development Officer at the beginning of 2021. He has over 20 years of experience in healthcare, pharmaceuticals and medical devices, working primarily with growth companies and executing capital raising and M&A. Transactions executed include Novacyt’s acquisitions of Primerdesign and IT-IS International, and BioFocus’ combination with Galapagos and Galapagos’ €130 million divestment of its service division to Charles River Laboratories.

He holds a BSc (Hons) degree in Maths and Management Science from University of East Anglia, UK. He is a Fellow of the Association of Chartered Certified Accountants.
Juliet Thompson
Independent Non-Executive Director

Juliet has 20 years of experience working as an investment banker and strategic advisor to healthcare companies in Europe. She has built a strong track record of advising companies on corporate strategy, equity and debt fundraisings and international M&A. Her experience includes senior roles (managing director, head of corporate finance and partner) at Stifel Financial Corp, Nomura Code Securities and WestLB Panmure. Juliet sits on the board of Vectura, an industry-leading device and formulation business for inhaled products, Indivior PLC, a U.K. listed global pharmaceutical company working to develop medicines to treat addiction and Organox Ltd, a private company that was spun out of Oxford University.

Juliet is also a trustee of Leadership through Sport & Business, a social mobility-focused charity, and trustee of the De Hann family trusts and director of their associated investment companies.

She is a member of the Institute of Chartered Accountants in England and Wales (ACA) and holds a BSc degree in Economics from the University of Bristol, UK.

Juliet is Chair of the Audit Committee and is a member of the Remuneration and Nomination Committee.

Andrew Heath MD, PhD
Independent Senior Non-Executive Director

Andrew is a healthcare and biopharmaceutical Executive with in-depth knowledge of the US and UK capital markets, with international experience in marketing, sales, R&D and business development. In addition to his role as Senior Independent Director for Novacyt since 2015, he is also currently chairman of TauC3 Biologics Ltd. He served as Chairman of Shield Therapeutics plc from 2016-2018 and as a non-executive director of Oxford Biomedica plc from 2010-2021.

From 1999–2008, Andrew was the chief executive officer of Protherics plc, taking the company from 30 to 350 members of staff and managing its eventual acquisition by BTG plc for £220 million. Prior to this, he served as vice president of marketing and sales for Astra Inc in the US, and worked within clinical and academic medicine at Vanderbilt University. He is also a former director of The BioIndustry Association.

He graduated in medicine from University of Gothenburg, Sweden, where he also completed his doctoral thesis in human toxicology. He is a fellow of the American Academy of Clinical Toxicology and a fellow of the UK Institute of Directors.

Andrew is Chairman of the Remuneration Committee, and a member of the Audit and Nomination Committees.
Edwin Snape, PhD
Independent Non-Executive Director

Ed has over 40 years of experience in founding, investing in and guiding the development of many public and private healthcare and specialty materials companies. He was a founder of NMT Capital (a successor of Nexus) and continues to serve as one of its senior advisors. He is also a senior advisor to Maruho Co., Ltd. Prior to NMT Capital, Ed was managing general partner of The Vista Group, at the time a leading east coast venture capital firm; chairman of Orien Ventures, a private equity firm with Pacific Rim affiliations, and a director of the Cygnus Funds, two UK-based private equity firms that specialised in investments throughout Europe. He was also a founder of Indonesia Growth Fund, a private equity fund based in Indonesia. Early in his career, he founded the Liposome Company, which listed and was later sold to Elan Corporation. Over the years, he has been a recipient of several awards in the material sciences industry, including the AB Campbell Award and the Hunt Silver Medal. He also holds several patents in the advanced materials field where he has pioneered various technological innovations and authored numerous technical papers.

He holds BSc and PhD degrees in Metallurgy from Leeds University, UK. Ed is a member of the Remuneration Committee.

Jean-Pierre Crinelli
Independent Non-Executive Director

Jean-Pierre is one of Novacyt’s founders, having established the business in July 2006. He has some 30 years of experience in the car and electrical components industry, with various roles in M&A and business restructuring. During this period, he was located for ten years in Singapore, North America, Belgium and Italy.

He holds a Diplôme from ESC Le Havre (business school, France) and a DECS (Diplôme d’Études Comptable Supérieures, national diploma).

Jean-Pierre is a member of the Audit Committee.
The Executive team

Graham Mullis
Chief Executive Officer

James McCarthy
Chief Financial Officer

Anthony Dyer
Chief Corporate Development Officer

Paul Eros
Chief Business Officer

Trevor Reginald
Chief Technology Officer

Guillermo Raimondo
Chief Commercial Officer

David Franks
Chief Human Resources Officer

Nick Plummer
General Counsel and Company Secretary

Mandy Cowling
Corporate and Investor Relations Manager

Steve Gibson
Group Finance Director

Lisa Henriet
Group Operations Director

Navin Nauth-Misir
QA/RA Director
Directors’ Report

General information and principal activity
Novacyt S.A. is a public limited company incorporated and registered in France with registered number 491 062 527.

Review of business
The Chairman’s Statement on page 12, the Chief Executive Officer’s Report on page 22 and the Strategic Report on pages 12 to 35, provide a review of the business, the Group’s trading for the year ended 31 December 2020, key performance indicators and an indication of future developments and risks, and form part of this Directors’ Report.

The Company is listed on both Euronext Growth Paris and on the Alternative Investment Market (“AIM”) of the London Stock Exchange. Its principal activities in the year under review were specialising in infectious disease diagnostics.

Future developments
Likely future developments in the business of the Group are discussed in the Strategic Report.

Results and dividend
The results for the period and financial position of the Company and the Group are as shown in the financial statements and are reviewed in the Strategic Report.

Since its inception, the Company has not paid any dividends and the Directors do not intend to recommend a dividend at present. In the future, the Company’s dividend policy will form part of a wider review of capital allocation, which will be formulated in conjunction with the requirements of the business.

The Directors will only recommend dividends when appropriate, and they may, from time to time, revise the Company’s dividend policy. No dividends will be proposed for the financial year ended 31 December 2020 so we can invest in R&D, manufacturing and commercial aspects of the business.

Directors
The Directors of the Company who served during the year ended 31 December 2020, and up to the date of this Report are listed below.

The brief biographical details of the currently serving Directors are set out on pages 36 to 41.

<table>
<thead>
<tr>
<th>Director</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Wakefield</td>
<td>Non-Executive Director and Chairman of the Board</td>
</tr>
<tr>
<td>Graham Mullis</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Anthony Dyer</td>
<td>Chief Corporate Development Officer</td>
</tr>
<tr>
<td>Juliet Thompson</td>
<td>Independent Non-Executive Director</td>
</tr>
<tr>
<td>Dr Andrew Heath</td>
<td>Independent Senior Non-Executive Director</td>
</tr>
<tr>
<td>Dr Edwin Snape</td>
<td>Independent Non-Executive Director</td>
</tr>
<tr>
<td>Jean-Pierre Crinelli</td>
<td>Independent Non-Executive Director</td>
</tr>
</tbody>
</table>

James McCarthy, Chief Financial Officer, will be proposed for election as a Director of the Company at the next AGM due to be held in September 2021 when he will replace Anthony Dyer on the Board.

Directors’ interests
The Directors’ interests in the Company’s shares and the Novacyt LTIP are shown in the Directors’ Remuneration Report on pages 58 to 61.

No Director has any beneficial interest in the share capital of any subsidiary or associate undertaking.
Directors' indemnity provisions
The Directors have the benefit of an indemnity, which is a qualifying third-party indemnity provision as defined by s236 of the Companies Act 2006. The indemnity was in force throughout the financial period and at the date of approval of the financial statements. In addition, the Group has purchased and maintains Directors’ and Officers’ liability insurance in respect of itself and its Directors.

Political and charitable donations
The Company made a number of small charitable donations during the reporting period, in addition to creating a charity committee responsible for organising larger charitable donations during 2021.

Financial instruments – risk management
The Group’s financial risk management policy is set out in note 44 to the financial statements.

Share capital structure
The Company’s share capital, traded on Euronext Growth Paris and AIM, comprises a single class of ordinary shares each having a nominal value of 1/15th of one Euro. Except as otherwise provided by law, every Shareholder has one vote for every fully paid up share of which they are the holder. Each ordinary share creates a share in the Company’s assets, profits and in any liquidation surplus. In the event of a liquidation of the Company, any outstanding cash would be distributed to each Shareholder in proportion to their holdings in the Company.

The share rights follow the ordinary shares from owner to owner and any transfers of the shares include all dividends due and unpaid, and those due and, where applicable, the share of the reserves (following payment of any outstanding liabilities) of the Company.

Movements in the Company’s issued share capital during the year under review are set out in note 31 to the financial statements.

As of 31 December 2020, the Company’s share capital of €4,708,416.54 was divided into 70,626,248 shares with a par value of 1/15th of a Euro each.

Major interests
As at 31 March 2021, the Company had been notified of the following significant shareholdings of approximately 3% and 4% of the issued share capital of the Company:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares held</th>
<th>Percentage of issued shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vatel Capital</td>
<td>2,952,681</td>
<td>4%</td>
</tr>
<tr>
<td>BlackRock Inc</td>
<td>2,085,368</td>
<td>2.95%</td>
</tr>
</tbody>
</table>

UK Bribery Act 2010
The Group is committed to complying with the UK Bribery Act 2010, both within its UK and overseas business activities.

As such, the Group has implemented an anti-bribery policy, which has been adopted by the Board, designed to ensure that the Group operates in an open, transparent and ethical manner. This policy applies to the Board and employees of the Group, and to temporary workers, consultants, contractors and agents acting for, or on behalf of, the Group (both in the UK and overseas). The policy generally sets out their responsibilities in observing and upholding a ‘zero tolerance’ position on bribery in all jurisdictions in which the Group operates, as well as providing guidance to those working within the Group on how to recognise and deal with bribery issues and the potential consequences.

Management at all levels of the Group is responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy.

Significant agreements
The Company is not party to any significant agreement that takes effect, alters or terminates upon a change of control of the Company other than the Directors’ service contracts, details of which are set out in the Remuneration Report.

44  Novacyt Group Annual Report and Accounts for the year ended 31 December 2020
Statement of engagement with suppliers, customers and others in a business relationship with the Group

The Directors are mindful of their statutory duty to act in a way they each consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, as set out in the s172(1) statement on page 25. A review of the Group’s approach to developing and maintaining relationships with its wider stakeholders, and the impact on the Group’s long-term strategic objectives, is set out under Principle 3 of the Corporate Governance Statement on pages 46 and 56.

Significant post-balance sheet events

On 9 April 2021, Novacyt announced it was in dispute with the DHSC in relation to its second supply contract and made a further update on 21 May 2021. The dispute primarily relates to Q4 2020 revenue totalling £129.1m in respect of a specific product supplied to the NHS. The Company has taken independent legal advice and a provision has been made in the financial statements with the Board’s estimate at this time in respect of this claim with DHSC.

Of the Q4 2020 revenue, invoices amounting to £24.0m in respect of product delivered to the DHSC remain outstanding at the date of signing the financial statements and recovery of this amount is also dependent on the outcome of the dispute. In addition, after the year-end, a further £49.0m of product delivered and invoiced to the DHSC in 2021 remains unpaid and is now also part of the dispute. The unpaid invoices total £73.0m and include VAT.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including June 2022. In making this assessment, the Directors have considered the following elements:

- the working capital requirements of the business;
- a positive cash balance at 31 December 2020 of £91,765,000;
- payment of the second tranche of the LTIP that commenced in November 2017;
- payment of the first earn-out milestone related to the IT-IS International acquisition; and
- Management’s confidence in settling the outstanding commercial dispute as per note 50 in the Group accounts.

The forecast prepared by the Company shows that it is able to cover its cash needs during the financial year 2021 and until June 2022 without the raising of any banking or other financing facility.

Independent Auditor

Deloitte LLP has indicated that they are willing to continue in office as the Group’s Auditor.

Disclosure of information to the Auditor

As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group’s Auditor in connection with preparing their report) of which the Group’s Auditor is unaware, and each Director has taken all reasonable steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Group’s Auditor is aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held in September 2021, further information can be found on the companies website at www.novacyt.com.

James McCarthy
Chief Financial Officer
Dear Shareholders,
As Chairman of Novacyt S.A., it is my responsibility to lead the Board to ensure that the Group has in place the strategy, people, structure and culture to deliver value to Shareholders and other stakeholders of the Group over the medium to long term. Due to the massive growth and resulting changes that the Group experienced during 2020, we have had to make a number of changes to reflect the larger business we are today. This has included improving various processes/systems and recruiting new staff members including strengthening and reshaping the Executive team and the Board. There are two matters to note relating to this:

- Anthony Dyer has taken on the role of Chief Corporate Development Officer and James McCarthy has been recruited as Chief Financial Officer. Subject to Shareholder agreement at the AGM, James will join the Novacyt SA Board and Anthony will step down at that time. I would like to put on record my thanks to Anthony for all his hard work as CFO.
- Good governance dictates that Non Executive Directors can only serve for a finite term and therefore during 2021 we will need to find a replacement for Edwin Snape who has been involved with the company (in its various guises) for over 10 years. This will also ensure compliance with French regulation concerning the proportion of Directors over the age of 70. I would like to thank Ed for the contribution he has made and the support he has provided over the years.

A number of new internal control procedures and positive actions have been implemented and finalised, whilst other areas for improvement continue to be identified. On behalf of the Board, I am, therefore, pleased to present our Corporate Governance Statement for the year ended 31 December 2020.

Novacyt S.A. is incorporated in France and is listed on Euronext Growth Paris and AIM. The Directors recognise the value and importance of high standards of corporate governance. As the Company is traded on AIM, it is not required to comply with the UK Corporate Governance Code. However, the Board has adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the “QCA Code”) as the basis of the Group’s governance framework. The Company complies with the provisions of the QCA Code as far as is practicable for a company of Novacyt S.A.’s size, nature and stage of development, and in accordance with the regulatory framework that applies to companies admitted to trading on AIM. The Company also continues to comply with all the requirements of being listed on Euronext Growth Paris.

It is the responsibility of the Board to ensure that the Group is managed for the long-term benefit of all Shareholders and stakeholders, with effective and efficient decision making. Corporate governance is an important aspect of this, reducing risk and adding value to our business. As individual Directors, we are mindful of our statutory duty to act in the way each of us considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, as set out in our s172(1) statement on page 25.

The QCA Code sets out ten principles, in three broad categories, and in this Corporate Governance Statement, I have set out the Group’s application of the QCA Code, including, where appropriate, cross references to other sections of the Annual Report and to our website.

James Wakefield
Non-Executive Director and Chairman of the Board

James Wakefield
Non-Executive Director and Chairman of the Board
QCA principles

Deliver growth

1. Establish a strategy and business model that promote long-term value for Shareholders

The Board is responsible to Shareholders for setting the Group’s strategy by: maintaining the policy and decision making process around which the strategy is implemented; ensuring that necessary financial and human resources are in place to meet strategic aims; monitoring performance against key financial and non-financial indicators; providing leadership whilst maintaining the controls for managing risk; overseeing the system of risk management; and setting values and standards in corporate governance matters.

The Board has established a strategy and business model which seek to promote long-term value for Shareholders and the business is focused on three strategic pillars of growth:

- Organic growth
- Innovative R&D
- Acquisition

A fuller explanation of how the strategy and business model are executed is set out on pages 18 and 19 of the Strategic Report.

2. Seek to understand and meet Shareholder needs and expectations

The Company has a strong commitment to market communication, with the Directors seeking to be accountable against the stated strategic objectives of the Group. The Company maintains regular contact with Shareholders through publications such as the Annual Report and Accounts, operational updates, regular press announcements made via a regulatory information service and the Company’s website.

The Company is responsive to Shareholder telephone and email enquiries throughout the year and the Board regards the AGM as a particularly important opportunity for Shareholders and members of the Board to meet and exchange views.

The Company receives occasional feedback direct from investors, which is carefully considered by the Board, with appropriate action being taken where the Board believes it in the interests of Shareholders to do so. None of the feedback received from investors has involved non-compliance with the QCA Code.

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

In addition to its Shareholders, the Company believes its main stakeholder groups are its employees, clients, suppliers and relevant statutory authorities in its areas of operation.

The Group is committed to maintaining the highest standards of corporate social responsibility in its business activities by: aiming to comply with all applicable laws and regulations, wherever the Group operates; achieve and comply with relevant quality and people management standards; consult with and respond to the concerns of its stakeholders; work towards realising the Group’s mission and vision statements; and behave with honesty and integrity in all the Group’s activities and relationships with others and reject bribery and corruption in all its forms.

The Board recognises the benefits of a diverse workforce, which enables the Group to make better decisions about how to optimise resources and work by eliminating structural and cultural barriers and bias. It allows us to: protect and enhance our reputation by recognising and respecting the needs and interests of diverse stakeholders: deliver strong performance and growth by attracting, engaging and retaining diverse talent; and innovate by drawing on the diversity of perspectives, skills, styles and experience of our employees and stakeholders.

The Group is committed to ensuring that it treats its employees fairly and with dignity. This includes being free from any direct or indirect discrimination, harassment, bullying or other form of victimisation. The Group has policies in place to encourage employees to speak up about any inappropriate practices or behaviour.

It was important for us to look after our employees during 2020 as they are keyworkers and the majority had to come into work during lockdown. We continued to pay employees who had to shield, self-isolate or take time off for childcare. We also introduced a bonus to recognise that our employees were working particularly hard during these challenging times. At the end of 2020, we introduced a COVID-19 screening programme, using our tests, to prevent the spread of Coronavirus amongst the workforce. During this time, we reminded our employees of the Employee Assistance Programme, which provides 24/7 support for any issues they were facing during this time, particularly with mental health challenges, relationship issues, etc.

The Group believes that having empowered and responsible employees who display sound judgement and awareness of the consequences of their decisions or actions, and who act in an ethical and responsible way, is key to the success of the business.
The operation of a profitable business is a priority and that means investing for growth as well as providing returns to its Shareholders. To achieve this, the Group recognises that it needs to operate in a sustainable manner and therefore has adopted core principles to its business operations, which provide a framework for both managing risk and maintaining its position as a good ‘corporate citizen’, and also to facilitate the setting of goals to achieve continuous improvement.

The Group encourages feedback from its clients through engagement with individual customers. As a consequence of such feedback, the Group has collaborated with multiple existing and prospective clients to develop and validate new products, work flows and know-how to improve accuracy, reduce testing turnaround times, cost per test, and ultimately deliver improved clinical outcomes for millions of individual patients globally.

The Board is aware of the need to maintain good working relationships with the Group’s key suppliers and receives regular updates from the Executive team on key supply agreements.

Health and safety
The Group is committed to complying with all relevant health and safety regulations to its operations. As such, the Group has adopted a Health & Safety Policy, which forms part of the Employee Handbook issued to all employees upon commencement of employment within the Group. The policy sets out arrangements and responsibilities across the Group and includes aspects such as: emergency procedures; security recommendations; accidents/incidences and first aid; manual handling/lifting and moving; work-related upper limbs disorders (including strains to hands and arms); display screen equipment/visual display equipment; alcohol and drugs policy; smoking policy; and COVID-19 in the workplace.

The Group is not aware of any orders made in respect of a breach of health and safety regulation during the period.

Environment
The Directors consider that the nature of the Group’s activities is not detrimental to the environment. The Group continues to maintain the necessary levels of quality control and quality assurance through the application of its various quality management systems. Manufacturing facilities operate to the current revisions of ISO 13485:2016 and ISO 9001:2015 as applicable.

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

The Board has overall responsibility for the Group’s system of internal control and for reviewing the effectiveness of internal control to safeguard Shareholders’ investment and the Group’s assets. There is an ongoing process for identifying, evaluating and managing the significant risks the Group faces.

The Board delegates to the Executive team the responsibility for designing, operating and monitoring both the risk management and internal control systems, and the maintenance of effective internal controls within the Group. The Company also has a whistleblowing policy.

The systems and controls in place include policies and procedures, which relate to the maintenance of records that fairly and accurately reflect transactions, correctly evidence and control the Group’s assets, provide reasonable assurance that transactions are recorded as necessary to enable the preparation of financial statements in accordance with International Financial Reporting Standards (“IFRS”), and review and reconcile reported results.

The Group’s key internal controls are:

- an independent review of internal controls was completed in 2020;
- a regular review of the Group’s insurance policies with its insurance broker to ensure that the policies are appropriate for the Group’s activities and exposures;
- a comprehensive system for consolidating financial results from Group companies and reporting these financial results to the Board;
- reviewing cash flow, annual revenue and capital forecasts regularly during the year, along with regular monitoring of management accounts and capital expenditure reported to the Board and comparisons with forecasts;
- financial controls and procedures, including in respect of bank payments, bank reconciliation’s and petty cash;
- monthly review of outstanding debtors;
- regular meetings of the Executive team; and
- an Audit Committee that approves audit plans and published financial information and reviews reports from the external Auditor arising from the audit and deals with significant control matters raised.

The Board monitors the activities of the Group through regular Board meetings and it retains responsibility for approving any significant financial expenditure or commitment of resources.

Risk management is focused around the operational areas of the Group. The Group has a dedicated Regulatory Affairs and Quality Assurance Director who has extensive operational experience at senior management and board levels, and particularly strong experience in quality system development and regulatory compliance. He is responsible for a Regulatory team operating across the Group, working at identifying and prioritising operational risks and working with the operational teams to mitigate the
identified risks. This work is supported by the risk assessment procedure in place across the Group, with the objective to ensure that risk assessment of the Group’s equipment, procedures and processes is approached consistently across the Group.

With the assistance of the Audit Committee, the Board’s review process is principally based on reviewing regular reports from the Executive team to consider whether significant risks are identified, evaluated, managed and controlled effectively, and whether any significant weaknesses are promptly remedied. The system is designed to manage rather than eliminate the risk of failure to achieve the Company’s objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of, and benefit from, internal control systems. Details of the principal risks currently facing the Group and how they are mitigated are set out on pages 66 to 72.

The Board confirms that it has, during the reporting period, reviewed on an ongoing basis the effectiveness of the Company’s system of internal controls including financial, operational and compliance controls and risk management systems and has reviewed insurance provisions. No significant failing or weaknesses have been identified.

**Maintain a dynamic management framework**

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

The Chairman, James Wakefield, is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role. The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board and Committee meetings. All Directors have access to the advice and services of the Chief Financial
Officer and the Company Secretary, who are responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company’s expense.

In between Board meetings, the Executive Directors maintain regular informal contact with the Non-Executive Directors. Whilst the Board retains overall responsibility for, and control of, the Group, day-to-day management of the business is conducted by the Executive Directors, who meet with the senior management team on a weekly basis.

Board of Directors

The composition of the Board during the period is summarised in the table on page 43 of the Directors’ Report. As at the date of this Report, the Board comprises seven members, of which five are Non-Executive Directors, all of whom are independent, namely James Wakefield, Andrew Heath, Dr Ed Snape, Juliet Thompson and Jean-Pierre Crinelli.

Independence of Directors

The Directors acknowledge the importance of the principles of the QCA Code that recommend that a company should have at least two independent non-executive directors. The Board has, therefore, considered and determined that, since the date of their respective appointments, James Wakefield, Dr Andrew Heath, Dr Ed Snape, and Juliet Thompson were, and continue to be, independent of the Executive management and free from any relationship that could materially affect the exercise of their independent judgement.

At the time of the AIM listing, Jean-Pierre Crinelli’s role had just changed to that of a Non-Executive Director. At that time, the Board did not consider him independent as he was previously an Executive Director of the Company and one of the founders of the NOVAprep® business. The Board now considers Jean-Pierre Crinelli to be an Independent Non-Executive Director. It has reached this view following the sale of NOVAprep® by the Company in 2019, and because he has now been a Non-Executive Director for over five years, and has demonstrated his independence over that period through his questioning at Board meetings. All other Non-Executive Directors are considered independent for the purpose of the QCA Code, as none have beneficial or non-beneficial shareholdings in the Company exceeding 3%, nor have an existing tenure of more than 12 years. Dr Ed Snape is a co-owner of Nexus Medical, LLC, the general
partner of Nexus Medical Partners II, L.P., which has a current shareholding in the Company of less than 3%. Accordingly, Dr Ed Snape is considered by the Directors to be independent for the purposes of the QCA Code.

All the Non-Executive Directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board’s deliberations. The Non-Executive Directors are of sufficient experience and competence that their views carry significant weight in the Board's decision making and when relevant, would record their concerns about the running of the Company. At each meeting, the Board considers Directors’ conflicts of interest.

The Non-Executive Directors have regular opportunities to meet without Executive Directors being present (including time after Board and Committee meetings).

**Time commitments**

Non-Executive Directors receive a formal appointment letter on joining the Board, which identifies the terms and conditions of their appointment.

A potential director candidate (whether an executive director or non-executive director) is required to disclose all significant outside commitments prior to their appointment.

The Board is satisfied that both the Chairman and the Non-Executive Directors are able to devote sufficient time to the Company’s business.

If considered appropriate, the Board may authorise Executive Directors to take non-executive positions in other companies and organisations, provided the time commitment does not conflict with the Director's duties to the Company, since such appointments should broaden their experience. The acceptance of appointment to such positions is subject to the approval of the Chairman.

**Attendance at Board and Committee meetings**

The Directors meet at least ten times per year for formal Board meetings to discuss and decide the Group’s business, financial performance and strategic decisions. In addition, and as required, the Board meets more frequently by conference call to discuss and decide on matters considered more urgent, such as those relating to acquisitive growth.

During the reporting period, the Board met in person or via conference calls 16 times.

In advance of each meeting of the Directors, the Board is provided with relevant information to ensure that it can properly carry out its role. For each meeting, the Directors generally consider the minutes of the previous meeting and any action points, recent forecast and operations, cash flows and progress on any particular projects.

The attendance of each Director at Board and Committee meetings during the period is set out in the table below. Attendance is expressed as the number of meetings attended/number eligible to attend. Directors’ attendance by invitation at meetings of Committees of which they are not a member is not reflected in the following table.

<table>
<thead>
<tr>
<th>Director</th>
<th>Board</th>
<th>Audit Committee</th>
<th>Nomination Committee</th>
<th>Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Wakefield</td>
<td>16/16</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Graham Mullis</td>
<td>16/16</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Anthony Dyer</td>
<td>16/16</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Dr Andrew Heath</td>
<td>16/16</td>
<td>5/5</td>
<td>2/2</td>
<td>9/9</td>
</tr>
<tr>
<td>Dr Edwin Snape</td>
<td>16/16</td>
<td>–</td>
<td>–</td>
<td>9/9</td>
</tr>
<tr>
<td>Jean-Pierre Crinelli</td>
<td>16/16</td>
<td>5/5</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Juliet Thompson</td>
<td>16/16</td>
<td>5/5</td>
<td>2/2</td>
<td>9/9</td>
</tr>
</tbody>
</table>
6. Ensure that, between them, the Directors have the necessary up-to-date experience, skills and capabilities

The Board currently comprises two Executive and five Non-Executive Directors with an appropriate balance of sector, financial and public market skills and experience to deliver the Group’s strategy for the benefit of Shareholders over the medium to long term. The Board considers that the Non-Executive Directors bring a wide experience at a senior level of business operations and strategy and have an expanse of knowledge and expertise gained from other areas of business.

The skills and experience of the Board are set out in their biographical details on pages 38 to 41. The experience and knowledge of each of the Directors gives them the ability to constructively challenge the strategy and to scrutinise performance. The Board also has access to external advisors where necessary. Neither the Board nor its Committees sought external advice on any significant matter during the reporting period.

New Directors are presented with appropriate levels of background information on the Company, meet the management, visit sites and spend time with the Chairman and other Directors as required. The induction is tailored to meet each new Director’s specific needs.

Throughout their period in office, the Directors are continually updated on the Group’s business, the industry and competitive environment in which it operates, corporate social responsibility matters and other changes affecting the Group by written briefings and meetings with senior executives.

Each Director takes responsibility for maintaining their skill set, which includes roles and experience with other boards and organisations as well as attending formal training and seminars.

The Executive Directors receive regular and ongoing updates from their professional advisors covering financial, legal, tax and the Euronext Growth Paris and AIM Rules.

The Company Secretary provides information and advice on corporate governance and individual support to Directors on any aspect of their role, particularly supporting the Chairman and those who chair Board Committees. The Company Secretary is also responsible for ensuring that Board procedures are followed, that the Company complies with company law and with the Euronext Growth Paris and AIM Rules.

The Company is a strong supporter of diversity in the boardroom and, during the reporting period, the Board comprised one female and six male Directors. The Company remains of the opinion that appointments to the Board should be made relative to a number of different criteria including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Board evaluation

The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance and recognises that Board evaluation is a useful tool for enhancing a Board’s effectiveness. As a matter of course, alongside the annual evaluation, the Chairman routinely assesses the performance of the Board and its members and discusses any issues, problems or shortcomings with the relevant Director(s). Likewise, the Senior Independent Director reviews the performance of the Chairman.

It is not an AIM requirement for an external Board appraisal to be undertaken; however, in view of the significant growth experienced by the Company during 2020 and its growth plans for the future, the Board intends to appoint an external third party to undertake an independent review of the Board and its operations. The report will seek input from all Board members both in the form of a questionnaire and one-to-one interviews covering:

- the themes from the questionnaire;
- the assessment of the Director’s individual performance; and
- feedback on Board colleague’s individual performance.

In addition, the independent review will have access to certain historic non-confidential/price sensitive Board packs and other information.

Final feedback will be in the form of a full report for internal use. It is intended that this includes an Executive summary and key findings, together with a detailed analysis of the responses to the questionnaire and anonymised comments made in response to the questionnaire and during the interviews. The report will also include recommendations for consideration together with benchmarking against best practice.

The aim of the review is to ensure that the Board contains the necessary skills to enable it to be satisfied that:

- the Board continues to meet its regulatory requirements and ensures that appropriate processes are in place for setting the strategic direction of the Group;
- each Committee continues to be effective and that all members were considered to have made valuable contributions, and individual Directors continue to perform effectively; and
- feedback will be provided through the Chairman to individual Board members.
8. Promote a corporate culture that is based on ethical values and behaviours

The Company recognises the importance of investing in its employees to provide foundations and leadership to drive performance further regardless of age, race, religion, gender or sexual orientation or disability. Our core Company values are the building blocks for developing our dynamic and challenging culture within the Group.

These values represent our philosophy which through our people and organisation will help the business deliver our Company goals. The values represent how each of us can contribute to the success of the Company both now and in the future as an individual and also as part of the wider team.

- To treat each other with trust, dignity and respect.
- Enabling, empowering and energising others to make things happen.
- Work as a team with colleagues and across functions.
- Innovation, inspiration and motivation, creating an open culture where people are valued for their contribution.
- Novacyt endeavours to deliver the best quality service to all of our internal and external customers.

The Group recognises the importance of investing in its employees and, as such, the Group provides opportunities for training and personal development and encourages the involvement of employees in the planning and direction of their work. These values are applied regardless of age, race, religion, gender, sexual orientation or disability.
The Group believes that it has robust policies and procedures for combating bribery and corruption. A copy of the Group’s Anti-Corruption and Bribery Policy can be found on the Group’s website www.novacyt.com.

The Group recognises that commercial success depends on the full commitment of all its employees and commits to respecting their human rights, to provide them with favourable working conditions that are free from unnecessary risk and to maintain fair and competitive terms and conditions of service at all times. The performance and reward system endorses the desired ethical behaviours across all levels of the Group.

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

The Chairman, James Wakefield, is responsible for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the Shareholders. Graham Mullis, the Chief Executive Officer, is responsible for the leadership of the business and implementation of the strategy. By dividing responsibilities in this way, no one individual has unfettered powers of decision making.

The Board reserves for itself a range of key decisions to ensure that it retains proper direction and control of the Group, and a formal schedule of matters reserved for decision by the Board has been adopted by the Board since admission to AIM; a copy of which can be found at www.novacyt.com. Such matters include business strategy and management, financial reporting (including the approval of the annual budget), Group policies,
corporate governance matters, major capital expenditure projects, material acquisitions and divestments and the establishment and monitoring of internal controls. This schedule may be updated by the Board and approved by the Board only. The day-to-day management of the business has been delegated to the Chief Executive Officer and the wider Executive team.

The appropriateness of the Board’s composition and corporate governance structures are reviewed through the ongoing Board evaluation process and on an ad hoc basis by the Chairman together with the other Directors, and these will evolve in parallel with the Group’s objectives, strategy and business model as the Group develops.

**Board Committees**

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee; the terms of these Committees reflect market practice on AIM. These Committees of the Board have formally delegated responsibilities.

Copies of each Committee’s terms of reference are available on the Company’s website at www.novacyt.com.

**Audit Committee**

The Audit Committee is chaired by Juliet Thompson, and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group’s auditor relating to the Group’s accounting and internal controls, in all cases having due regard to the interests of Shareholders.

The Audit Committee meets at least twice a year. Dr Andrew Heath and Jean-Pierre Crinelli are the other members of the Audit Committee.

A report on the duties of the Audit Committee and how it discharges its responsibilities is provided on pages 62 to 65.

**Remuneration Committee**

The Remuneration Committee is chaired by Dr Andrew Heath, and reviews the performance of the Executive Directors, and determines their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders.

The Remuneration Committee meets at least twice a year. Dr Ed Snape and Juliet Thompson are the other members of the Remuneration Committee.

The Directors’ Remuneration Report and details of the activities and responsibilities of the Remuneration Committee are set out on pages 58 to 61.

**Nomination Committee**

The Nomination Committee is chaired by James Wakefield, and identifies and nominates, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee meets at least once a year.

Dr Andrew Heath and Juliet Thompson are the other members of the Nomination Committee.

Details of the activities and responsibilities of the Nomination Committee are set out on page 57.

**Build trust**

10. Communicate how the Company is governed and is performing

As explained earlier in this Corporate Governance Statement, the Board has established a Nomination Committee, an Audit Committee and a Remuneration Committee. The work of each of the Board Committees undertaken during the year ended 31 December 2020 is detailed on pages 57 to 65.

The Board places its responsibility to the Company’s Shareholders and setting the Group’s strategy for achieving long-term success as a high priority. The Group’s website is regularly updated with all press releases, AGM and EGM results and investor presentations.

The results of the votes received in relation to the 2020 AGM and EGM are available on the Company’s website. All resolutions were passed at the 2020 General Assembly and no resolution had a significant proportion (>20%) of votes cast against them at that meeting.

The Board maintains a healthy dialogue with all of its stakeholders. Throughout the course of the year, the Board communicates with Shareholders directly on any views, concerns and expectations they may wish to express.
Nomination Committee Report

The Company established a Nomination Committee during 2017 prior to its admission onto the AIM market.

James Wakefield acts as Chairman of the Nomination Committee and its other members are Juliet Thompson and Dr Andrew Heath. All members of the Nomination Committee are considered independent.

The Nomination Committee is responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise, and to ensure that the Board consists of members with the range of skills and qualities needed to meet its principal responsibilities in a way that promotes the protection of the interests of stakeholders and compliance with the requirements of the AIM Rules.

The Nomination Committee will meet at least once a year and at such other times as the Chairman or any other member of the Nomination Committee requires.
As Chairman of the Remuneration Committee, I am pleased to present our Directors’ Remuneration Report for the year ended 31 December 2020.

This report does not constitute a Directors’ remuneration report in accordance with the Companies Act 2006. As a Company whose shares are admitted to trading on AIM, the Company is not required by the Companies Act to prepare such a report. We do, however, have regard to the principles of the QCA Code, which we consider to be appropriate for an AIM company of our size. The report provides a general statement of policy on Directors’ remuneration as it is currently applied, and details the remuneration for all Directors during the year. It also provides a summary of the Novacyt LTIP, which was established during 2017 and vested in 2020.

Dr Andrew Heath
Chairman of the Remuneration Committee
Remuneration Committee

Key responsibilities
The Remuneration Committee determines performance-related targets for the members of the Executive team, reviews their performance and makes recommendations to the Board on matters relating to their remuneration and terms of employment.

The Remuneration Committee also makes recommendations to the Board on proposals relating to all long-term incentive scheme structures and any future option schemes, and the granting of any share options under such schemes. The remuneration and terms and conditions of appointment of the Non-Executive Directors are set by the Board.

Composition and meetings
The Remuneration Committee comprises at least two members, and all members are Non-Executive Directors considered independent. Dr Andrew Heath acts as Chairman of the Remuneration Committee, and Dr Edwin Snape and Juliet Thompson are the other members.

Only members of the Remuneration Committee have the right to attend meetings, but other Directors and external advisors may be invited to attend all or part of any meeting as and when appropriate. No Director may be involved in discussions relating to their own remuneration.

The Remuneration Committee meets as appropriate but not less than twice a year. During the period, the Remuneration Committee met nine times. Details of meeting attendance are shown in the table in the Corporate Governance Statement on page 51.

1. Executive team salaries and short-term bonuses were reviewed and agreed.

Policy on Executive remuneration
The Remuneration Committee is responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of the Executive team. In determining such policy, the Remuneration Committee takes into account all factors that it deems necessary including the relevant legal and regulatory requirements and corporate governance guidelines. The Remuneration Committee also takes into account emerging best practice and guidance from major institutional Shareholders. The objective of the Company’s remuneration policy is to attract, retain and motivate individuals of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders.

The Remuneration Committee recognises that the remuneration policy should have regard to the risk appetite of the Company and alignment to the Company’s long-term strategic goals, with a significant proportion of remuneration being structured to link rewards to corporate and individual performance, designed to promote the long-term success of the Company.

The Remuneration Committee, when setting the remuneration policy for Executive Directors, also has regard to the pay and employment conditions across the Group, particularly when conducting salary reviews.

The main elements of the remuneration packages of the Executive Directors are as follows.

Basic annual salary and pension
Basic salary is reviewed annually by the Remuneration Committee, usually in February, and takes into account a number of factors, including the current position and progress of the Group, individual contribution and market salaries for comparable organisations.

The Company makes contributions into the private pension schemes of the Executive Directors.

Discretionary bonus
At the discretion of the Remuneration Committee, taking into account performance against certain financial and individual targets, an Executive Director may be entitled to an annual discretionary cash bonus on such terms and subject to such conditions as may be decided from time to time by the Remuneration Committee.

The Novacyt LTIP 2017 to 2020
The Board of Novacyt established and adopted an LTIP scheme on 17 October 2017 as an alternative to more standard long-term incentive plans. Due to the complexities of being a French incorporated company with a UK-based management, it proved difficult at the time of admission to establish a standard equity-based long-term incentive plan.

Executive Directors and certain senior employees of the Group were eligible to participate in the Novacyt LTIP.

The Novacyt LTIP was designed to give participants the right to receive a cash amount that was calculated based on the growth in value of a specified number of ordinary shares over a specified period of time. The Novacyt LTIP therefore allowed the Company to grant to qualifying employees a phantom award over a defined number of notional ordinary shares (a “Phantom Award”).

Novacyt Group Annual Report and Accounts for the year ended 31 December 2020
These Phantom Awards were subject to performance or other conditions so that the Phantom Awards would not vest unless any such condition(s) had been satisfied or waived. Any performance conditions were objective and determined by the Board before Phantom Awards were granted.

The Phantom Awards vested on the third anniversary of the date of grant, that being 1 November 2020, upon performance condition(s) applying to the Phantom Award being met. On the Vesting Date, the amount of the award was calculated with the final amount being equal to the difference between the closing price of an ordinary share on the Vesting Date and the closing price of an ordinary share on the date of grant, multiplied by the number of notional ordinary shares over which the Phantom Award had vested. Performance during the term resulted in full vesting of the LTIP awards granted in November 2017. The Remuneration Committee believes this vesting outcome is reflective of the strong performance of the Company. However, both Graham Mullis and Anthony Dyer took a voluntary 23% and 18% respectively decrease in their award. The voluntary decrease was agreed by management with the Board and some of this reduction is being used to support the Company’s charitable donation programme for 2021, which is described on page 35. The exact sums paid are reflected in the remuneration table on page 60.

Payment of the calculated amount will be made in three tranches on the third, fourth and fifth anniversary of the date of grant (each, a “Payment Date”) and satisfied in cash. Payment of any tranche of the award will, in each case, be subject to the Company’s ability to make the payment and the employee’s continued employment on the relevant Payment Date.

Benefits in kind

Executive Directors are entitled to benefits in kind commensurate with their position, including company car allowance, private medical and death in service insurance.

Directors’ remuneration

The remuneration of the Directors who served on the Company’s Board during the year to 31 December 2020 was as follows:

<table>
<thead>
<tr>
<th>Year ended 31 December 2020</th>
<th>Year ended 31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic salary and fees</td>
</tr>
<tr>
<td>Executive Directors</td>
<td></td>
</tr>
<tr>
<td>Graham Mullis</td>
<td>322,263</td>
</tr>
<tr>
<td>Anthony Dyer</td>
<td>175,868</td>
</tr>
<tr>
<td>Non-Executive Directors</td>
<td></td>
</tr>
<tr>
<td>Jean-Pierre Crinelli*</td>
<td>35,767</td>
</tr>
<tr>
<td>James Wakefield</td>
<td>90,000</td>
</tr>
<tr>
<td>Andrew Heath</td>
<td>43,875</td>
</tr>
<tr>
<td>Juliet Thompson</td>
<td>43,875</td>
</tr>
<tr>
<td>Edwin Snape**</td>
<td>28,053</td>
</tr>
</tbody>
</table>

* Salaries paid in Euros and disclosed in GBP, translated at the average exchange rate of 1.125107 in 2020 (2019: 1.140645).
** Salary paid in USD and disclosed in GBP, translated at the average exchange rate of 1.28360 in 2020 (2019: 1.276989).
*** 1/3 received in 2020, the following two payments are deferred with payments in 2021 and 2022.
Directors’ shareholdings and share interests

The interests of the Directors who served during the year in the share capital of the Company as of 31 December 2020, 31 December 2019 and the date of this report were as follows:

<table>
<thead>
<tr>
<th>Directors’ Shareholdings</th>
<th>As at the date of report</th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graham Mullis and family</td>
<td>122,506</td>
<td>122,506</td>
<td>52,138</td>
</tr>
<tr>
<td>Anthony Dyer</td>
<td>16,839</td>
<td>16,839</td>
<td>16,839</td>
</tr>
<tr>
<td>James Wakefield</td>
<td>36,839</td>
<td>36,839</td>
<td>16,839</td>
</tr>
<tr>
<td>Dr Andrew Heath and family</td>
<td>20,000</td>
<td>20,000</td>
<td>16,839</td>
</tr>
<tr>
<td>Dr Edwin Snape</td>
<td>17,919</td>
<td>17,919</td>
<td>16,839</td>
</tr>
<tr>
<td>Jean-Pierre Crinelli</td>
<td>30,773</td>
<td>30,773</td>
<td>15,333</td>
</tr>
<tr>
<td>Juliet Thompson</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

All interests are beneficially held. There is no requirement for Directors to hold shares in the Company.

Directors’ share interests awarded from the Phantom LTIP plan 2017 to 2020

Details of the number of notional shares under Phantom Awards granted under the Novacyt LTIP to Directors who served during the year are set out in the table below:

<table>
<thead>
<tr>
<th>Director</th>
<th>Granted during 2017</th>
<th>Satisfied during the period</th>
<th>Lapsed during the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graham Mullis</td>
<td>1,129,930</td>
<td>1,129,930</td>
<td>–</td>
</tr>
<tr>
<td>Anthony Dyer</td>
<td>376,643</td>
<td>376,643</td>
<td>–</td>
</tr>
</tbody>
</table>

These Phantom Awards vested at the closing price on the Vesting Date, having met the performance condition that the closing price of a Share, averaged over 30 consecutive dealing days prior to the Vesting Date, exceeded €0.66 per share, being the Placing Price upon admission to AIM.

Conclusion

This report is intended to explain clearly the remuneration approach adopted by the Company and to enable Shareholders to appreciate how it underpins the Group’s business growth and strategic objectives. The Board considers that the current remuneration policy is fair and is fully aligned with the interests of Shareholders.

Dr Andrew Heath
Chairman of the Remuneration Committee
The Audit Committee comprises at least two members, with at least one Non-Executive Director considered independent, including the Chairman.

In addition, the Chief Financial Officer and other members of the Executive team may be invited to attend as required.

Independent Non-Executive Director, Juliet Thompson, being a chartered accountant, acts as Chair of the Audit Committee, and its other members are Jean-Pierre Crinelli and Dr Andrew Heath.

Summary of the role of the Audit Committee

The Audit Committee’s primary responsibility is to monitor the quality of internal controls and ensure that the financial performance of the Group is properly measured and reported on.

It receives and reviews reports from the Executive team and external Auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group.

The Audit Committee meets as appropriate, but not less than twice a year, and minutes are recorded for each meeting by the Chief Financial Officer. The Audit Committee is able to call for information from the Executive team and has unrestricted access to the Company’s external Auditors.

The Audit Committee operates within specific terms of reference that include:

- Reviewing management procedures to monitor the effectiveness of the accounting systems, accounting policies and internal controls;
- Conducting a regular and ongoing process of risk assessment;
- Reviewing the scope and planning of the external audit;
- Reviewing the findings of the external Auditor and management’s response;
- Reviewing the annual financial statements before their submission to the Board for approval;
- Making recommendations to the Board concerning the appointment and remuneration of the external Auditor;
- Reviewing any profit forecasts or working capital statements published in any bid document or listing particulars as investigated and verified by the Company’s auditor and/or reporting accountant;
- Reviewing from time to time the cost effectiveness of the audit including a review of the performance of the external Auditor;
- Monitoring the fees paid to the external Auditor and where the external Auditor supplies a substantial volume of non-audit services to the Company, to keep the nature and extent of such services under review, in order to achieve a balance between objectivity and value for money; and
- Having the right to obtain outside legal help and any professional advice, at the Company’s expense, which might be necessary for the fulfilment of its duties.

The Audit Committee is responsible for ensuring the ‘right tone at the top’ and that the ethical and compliance commitments of the Executive team and other employees are understood throughout the Group.
External Auditors
The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external Auditor and assesses annually the qualifications, expertise, resources, remuneration and independence of the external Auditor. The Audit Committee receives reports on the external audit firm’s own internal quality control procedures and confirmation of the Auditor’s independence. The Audit Committee ensures that appropriate plans are in place for the external Auditor each annual cycle.

The Group’s external Auditor is Deloitte LLP. Under French law, the mandatory term for auditors is six years. Deloitte LLP was reappointed as external Auditor during the AGM held in 2018 and has now been the Auditor for nine years at the end of the audit of the annual accounts for the year ended 31 December 2020.

The Audit Committee annually reviews the effectiveness of the external Auditor. This process involves overseeing the relationship with the Group’s external Auditor, including reporting to the Board each year whether it considers the audit contract should be put out to tender, adhering to any legal requirements for tendering or rotation of the audit services contract as appropriate, reviewing and monitoring the external Auditor’s objectivity and independence, agreeing the scope of their work and fees paid to them for audit, and assessing the effectiveness of the audit process. The external Auditor presents to the Audit Committee the output of its detailed year-end work and the Audit Committee challenges significant judgements (if any). In making its assessment of external Auditor effectiveness, the Audit Committee reviews the audit engagement letters before signature, reviews the external Auditor’s summary of Company issues, and conducts an overall review of the effectiveness of the external audit process and the external Auditor. The Audit Committee reports its findings to the Board.

The Audit Committee and the Board have been satisfied with the performance of the external Auditor during the year and with the policies and procedures they have in place to maintain their objectivity and independence.

The Audit Committee also approves in advance any non-audit services to be performed by the Auditor such as tax compliance and advisory work, audit-related assurance services (e.g. reviews of internal controls and reviewing the Group’s interim financial statements).

Any non-audit services that are to be provided by the external Auditor are reviewed in order to safeguard Auditor objectivity and independence. Accordingly, the Board can confirm that, during the reporting period, there have been no non-audit services that are considered to have impaired the objectivity and independence of the external Auditor. A full breakdown of payments made to the external Auditor during the financial year is disclosed within note 47 to the financial statements.
Work undertaken by the Audit Committee during the period

The Audit Committee met five times during the period. Details of meeting attendance are shown in the Corporate Governance Statement on page 51.

Deloitte LLP, as the Auditor, was also present at one of the meetings.

The key matters considered by the Audit Committee whilst discharging its duties and responsibilities are set out below:

• Review of the Annual Report and Accounts for year ended 31 December 2019;
• Consideration and approval of the unaudited interim financial statements for the period ended 30 June 2020;
• Review of the financial integrity of the Group’s financial statements including relevant corporate governance statements;
• Review of the Company’s interim report for the six months ended 30 June 2020;
• Approval of the audit fees for the financial year ended 31 December 2020;
• Approval of non-audit work to be carried out by the Auditor;
• Consideration of the independence and objectivity of the external Auditor;
• Review of the internal controls and risk management systems within the Group;
• Consideration of the requirement for the Group to have an internal audit function;
• Review of the effectiveness of the external Auditor, as more fully described above;
• Discussions with the Auditor on the audit approach and strategy, the audit process, significant audit risks and key issues of focus for the annual audit; and
• Review and approval of the continuing appointment of Deloitte LLP as the Group’s Auditor.

The ultimate responsibility for reviewing and approving the financial statements in the interim and annual reports remains with the Board.

The Audit Committee, in conjunction with the Auditor, has considered there are no significant issues relating to the preparation of the financial statements contained in this Annual Report.
Risk management and internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing the effectiveness of internal control to safeguard Shareholders' investment and the Group's assets. There is an ongoing process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the process, which has been in place throughout the period and up to the date of approval of the Annual Report and Accounts.

The Board's internal control and risk management review process (conducted with the assistance of the Audit Committee), is outlined on pages 62 to 65.

Internal audit

The Board has reviewed the need for a separate internal audit function and concluded that such a function is not currently appropriate for a size of company such as the Group, and because the internal audit principles already fall under the remit of the Audit Committee.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including June 2022. In making this assessment, the Directors have considered the following elements:

- The working capital requirements of the business;
- A positive cash balance at 31 December 2020 of £91,765,000;
- Payment of the second tranche of the Long-Term Incentive Plan ("LTIP") that commenced in November 2017;
- Payment of the first earn-out milestone related to the IT-IS International acquisition; and
- Management's confidence in settling the outstanding commercial dispute as per note 50 in the Group accounts.

In the event the current dispute is fully settled in favour of the counterparty, the forecast prepared by the Group shows that it is able to cover its cash needs during the financial year 2021 and until June 2022 without the raising of any banking or other financing facility. Approved by on behalf of the Board.

Juliet Thompson
Chair of the Audit Committee
Principal Risks and Risk Management

The Group’s risk management strategy is a key responsibility of the Board of Directors. The Board ensures that all major risks are understood and appropriately managed in light of the Group’s strategy and objectives, and is satisfied that the Group’s risk management and internal control systems are adequate.

The Group’s risk management framework supports the risk assessment procedure across the Group, with the objective of ensuring that the assessment of the strategic, operational, financial and external risks of the Group is approached consistently Group-wide.

At this stage of the Company’s development, the Board does not consider it to be appropriate to establish an internal audit function, but this will be kept under review.

The principal risks faced by the Group are set out below.

<table>
<thead>
<tr>
<th>The pace of development in the healthcare industry</th>
<th>The Group operates within the biotechnology sector, a complex area of the healthcare industry. Rapid scientific and technological change within the biotechnology sector could lead to other market participants creating approaches, products and services equivalent or superior to the diagnostic testing products and services offered by the Group, which could adversely affect the Group’s performance and success. If the Group is unable to keep pace with these changes in the biotechnology sector and in the wider healthcare industry, the demand for its technological platforms and associated products and services could fall.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive pressures</td>
<td>Companies operating within the biotechnology sector are subject to competitive forces that may result in price discounting and product obsolescence. Better resourced competitors may be able to devote more time and capital towards the R&amp;D process, which, in turn, could lead to scientific and/or technological breakthroughs that may materially alter the outlook or focus for markets in which the Group operates. In addition, a certain number of the Group’s competitors may have significantly greater financial and human resource capacity and, as such, better manufacturing capability or sales and marketing expertise. Competitors could also resort to price discounting or other sales and marketing strategies. Equally, new companies with alternative technologies and products may also emerge.</td>
</tr>
<tr>
<td>Geographic markets</td>
<td>The Group is largely based in the UK, and its products are distributed to and sold across multiple jurisdictions. In each of these jurisdictions, there may be a number of associated risks in respect of which the Group will have no, or limited, control. These may include: contract renegotiation, contract cancellation, economic, social or political instability or change, hyperinflation, currency non-convertibility or instability, and changes of laws affecting foreign ownership, taxation, working conditions, rates of exchange, exchange control and licensing.</td>
</tr>
</tbody>
</table>
**Product development**

Additional products and services developed through the element of the Group’s strategy focused on R&D transformation will be required to drive the Group’s growth, such as Primerdesign’s focus on transferring assays from RUO to clinical CE-IVD products. The development of such additional diagnostic testing products and services may take longer than expected or not be successful at all, which may adversely impact the Group’s ability to generate revenues and achieve sustainable profitability. In addition, the value of additional diagnostics tests and products may not prove as robust as currently envisaged by the Group. Any delays or unbudgeted expenditures incurred by the Group could postpone or halt the commercialisation of a particular diagnostics tests and products.

**Product liability claims**

The Group faces an inherent risk of product liability and associated adverse publicity as a result of the sales of its products.

Criminal or civil proceedings might be filed against the Group by patients, the regulatory authorities, pharmaceutical companies and any other third party using or marketing its products. Any such product liability claims may include allegations of defects in manufacturing, defects in design, negligence, strict liability, a breach of warranties and a failure to warn of dangers inherent in the product.

If the Group cannot successfully defend itself against product liability claims, it may incur substantial liabilities or be required to limit commercialisation of its products, if approved. Even successful defence could require significant financial and management resources.

Although the Group maintains a level of insurance that is customary for its industry to cover its current business, any claim that may be brought against the Group could result in a court judgement or settlement in an amount that is not covered, in whole or in part, by its insurance or that is in excess of the limits of its insurance coverage. Its insurance policies also have various exclusions and the Group may be subject to a product liability claim for which the Group has no coverage.

**Reliance on sole suppliers**

Due to the specific and innovative nature of some of the Group’s products, there may only be a single supplier of goods or services to the Group in respect of those products or services, which may or may not be pursuant to the terms of exclusive supplier agreements. The Group’s purchases may be delayed if that single supplier, in respect of any one product or service, has its own manufacturing difficulties or is not able to meet the purchase requirements of the Group within a reasonable timeframe. Further, any exclusive supplier arrangements may be terminated by either the supplier or the Company on notice. In the event of serious delays or non-performance by such suppliers, or upon such arrangements being terminated, the Group’s own stock levels could diminish or be exhausted. The Group may consider expanding its current supplier base to reduce the reliance on certain suppliers. However, there is no guarantee that they will be successful in doing so in a manner that complies with regulatory requirements.

**Reliance on third-party distributors**

The Group uses third-party distributors in a number of its business areas. Although the Group enters into agreements with such distributors, it cannot ultimately control their actions and they may underperform or not act in the best interests of the Group. Furthermore, the distribution agreements may be terminated by the distributors or the Group. If so, and if appropriate from the Group’s strategy at that time, the Group may seek to find a replacement distributor but there can be no guarantee that they will be successful in doing so.
# Principal Risks and Risk Management

## Acquisition strategy
A core part of the Group’s strategy is to undertake acquisitions that are strategically complementary to its existing businesses. The success of such a strategy will depend on the Group’s ability to identify potential targets, complete the acquisition of such targets on favourable terms, including securing appropriate financing, and to generate value from the acquired targets. This strategy may not be successful under all or any market conditions. The Group may not be able to acquire targets on attractive terms or to generate resulting returns for Shareholders and prospective investors.

## Litigation and arbitration
From time to time, the Group may be subject to litigation arising from its operations, distribution and sales. Damages claimed, awarded, settled or paid under any litigation or arbitration may be material or may be indeterminate, and the outcome of such litigation or arbitration may have a material adverse effect on the Group’s business, financial condition, capital resources, results and or future operations. Please refer to Note 50 of the accounts regarding the ongoing DHSC dispute.

## Key personnel
The Group depends on the services of its key personnel, which includes a number of individuals some of whom are currently on a short notice period of three months or less. The Group’s ability to manage its R&D and product development activities, wider operations and financing will depend in large part on the efforts of its key personnel. The loss of services of key personnel, the inability to attract, retain and integrate suitably qualified personnel or delays in hiring required personnel, could delay the achievement of the Group’s objectives and strategy.

## Tenders
A proportion of the Group’s revenues stem from tenders awarded to the Group and it is not possible to control and/or predict the outcomes of these tender processes. The success of such tender awards is based upon the ability of the organisation or country to finance tenders, and then it is based upon the historical performance, price and quality of the competitors who have been invited to participate in the tender process. The Group may not be successful in future tender processes.

The failure to gain new business through the award of tender contracts may have a material adverse effect on the Group’s business, financial condition, capital resources, results and/or future operations.

## Regulatory environment
The Group’s products are subject to various laws, regulations and standards in each of the jurisdictions in which products are manufactured and distributed. These laws, regulations and standards may change and, if the Group fails to meet those regulatory or other requirements, it could face delays or prohibitions on the operation of its business.

The Group’s ability to conduct business is predicated on being in compliance with all licence requirements as specified by each relevant jurisdiction. The Group may not continue to hold all of the necessary consents, approvals and licences required to conduct its business, and where new permissions are required, these may be delayed or not forthcoming. If any new approvals or licences are required in order for the Group to carry on its business, the Group could face delays or prohibitions on the development, manufacture, sale or distribution of its products, which may have a material adverse effect on the Group’s business, financial condition, capital resources, results and/or future operations.
### New IVDR regulations

The entire IVD industry within the EU is currently undergoing a significant regulatory transition from the existing In Vitro Diagnostic Directive ("IVDD") (98/79/EC) to a new In Vitro Diagnostic Regulation ("IVDR") (2017/746). There are a limited number of notified bodies available to IVDD manufacturers, which reflects a risk that the industry may not be ready when the new IVDR regulations come into force. The cumulative effect of the introduction of the new regulation will be a significantly increased burden on the resources of IVD manufacturers to maintain regulatory compliance, and this could result in older products being deleted due to cost of compliance or the up-classification of products and the increased scrutiny by notified bodies. The IVDR will apply to any products sold in Europe even though the UK has left the EU. The UK, in turn, is applying its own regulatory regime to IVDDs, which will involve applying a UK certification mark for any products sold in the UK and this increases the regulatory burden.

### Employment laws

The Group is also subject to various UK, French and EU regulations governing the Group’s relationship with employees, including such matters as the treatment of part-time or agency workers, employers’ National Insurance contributions (or equivalent in France), overtime and other working conditions. A failure to comply with one or more regulations could result in the imposition of sanctions, including the closing of facilities for an indeterminate period of time or third-party litigation.

### European General Data Protection Regulation

The Group is committed to ensuring compliance with European General Data Protection Regulation ("GDPR"). We have undertaken significant efforts to implement the requirements of the GDPR and ensure alignment throughout the business. Privacy matters, especially those relating to GDPR compliance, have Board and senior executive level attention, and relevant department stakeholders have undertaken training to ensure they drive a culture of compliance in their own teams and departments.

We are pleased with our efforts so far. Compliance with GDPR is, and will remain, an ongoing task for the Group, as it does for any company operating in this regulatory environment. GDPR will be tested and interpreted as time goes on and we are monitoring those developments to make sure we continue to improve our processes and remain compliant.

### Information technology

The Group is heavily reliant upon its information technology systems to enable it to manage a growing business and to service its customers online. Information systems are used across all aspects of the Group’s business, including R&D, product development, sales, production, stock control, distribution, and accounting and finance. The Group’s business would be adversely affected by a material or sustained breakdown in its key computer and communication systems.

In addition, the Group may face online security breaches, including hacking and vandalism. The Group cannot guarantee absolute protection against unauthorised attempts to access its information technology and communication systems, including malicious third-party applications that may interfere with or exploit security flaws in its products and services.
Principal Risks and Risk Management

Brexit

On 23 June 2016, the UK held a referendum on the UK’s continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). Following Royal Assent of the European Union (Withdrawal Agreement) Act on 23 January 2020 and ratification of the Withdrawal Agreement by the European Parliament on 24 January 2020, the UK left the EU on 31 January 2020 and became a third country with a transition period running to 31 December 2020.

As the IVDD regulations apply to all products placed on the market, we still need to comply with IVDD and IVDR but as we are now considered a non-EU manufacturer, we have to appoint a European Authorised Representative based in the EU, make labelling changes and register our products with an EU Competent authority. This adds cost and complexity to selling in Europe. In addition, the UK Government has decided not to recognise CE marking after 2023 and will require IVDDs placed on the UK market to undergo a regulatory process that duplicates the CE marking process, with a separate registration in the UK and the application of a UKCA mark adding further cost and complexity.

Protection of intellectual property rights

The Group’s ability to compete depends, in part, upon the successful protection of its intellectual property, in particular its patents, trademarks, know-how and trade secrets. The Group seeks to protect its intellectual property through the filing of worldwide patent and trademark applications, as well as robust confidentiality obligations on its employees (and any contractors).

Despite these precautions that may be taken by the Group to protect its intellectual technology and products, unauthorised third parties may attempt to copy, or obtain and use, its technology and products.

A third party may infringe upon the Group’s intellectual property, release information considered confidential about the Group’s intellectual property and/or claim technology that is registered to the Group. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its intellectual property, or block sales of its products by alleging a breach of their intellectual property. Applications filed by the Group in respect of new patents and trademarks may also not be granted.

The Directors intend to defend the Group’s intellectual property vigorously through litigation and other means.
### Infringement of third-party patents and other intellectual property rights

The Group’s products may infringe or may be alleged to infringe existing patents or patents that may be granted in the future, which may result in costly litigation and could result in the Group having to pay substantial damages or limit the Group’s ability to commercialise its products.

If the Group is sued for patent infringement, the Group would need to demonstrate that its products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and the Group may not be able to do this. If the Group is found to have infringed a third-party’s patent, the Group could be required to obtain a licence from such third party to continue developing and marketing its products and technology or the Group may elect to enter into such a licence in order to settle litigation or in order to resolve disputes prior to litigation. However, the Group may not be able to obtain any required licence on commercially reasonable terms or at all. Even if the Group is able to obtain a licence, it could be non-exclusive, thereby giving its competitors access to the same technologies licensed to the Group, and could require the Group to make substantial royalty payments. The Group could also be forced, including by court order, to cease commercialising the infringing technology or products.

A finding of infringement could prevent the Group from commercialising its products or force the Group to cease some of its business operations, which could materially harm its business. Claims that the Group has misappropriated the confidential information or trade secrets of third parties could have a similarly negative impact on its business.

### Protection of trademarks

The Group owns certain trademarks that are important to its business and competitive position. Third parties may infringe or misappropriate these rights by, for example, imitating the Group’s products, asserting rights in, or ownership of, the Group’s trademarks or other intellectual property rights or in trademarks that are similar to trademarks that the Group owns. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its trademarks by alleging a breach of their trademarks and intellectual property.

Applications filed by the Group in respect of new trademarks may not be granted. In addition, some of the Group’s intellectual property may not be capable of being registered as belonging to the Group in all types of trademarks and all classes and the Group may, therefore, have difficulty protecting such intellectual property. Further, the Group may not be able to prevent others from using its brands (or other intellectual property that is not registered as belonging to the Group) at all or in a particular market.

If the Group is unable to protect its intellectual property rights against infringement or misappropriation, or if others assert rights in or seek to invalidate its intellectual property rights, this could have a material adverse effect on the Group’s business, financial condition, capital resources, results and/or future operations.

### Customer concentration

During the period, a large percentage of Group revenue was made to a single customer, the DHSC.
### Bad debtors

The Group sells to companies of all sizes from small to medium-sized enterprises to blue-chip institutions, and operates in emerging markets, such as the Middle East, the Asia-Pacific region (including China and India), Africa (including Nigeria) and South America (including Venezuela), with its main customer during the period being the DHSC. Whilst the Group has, to date, successfully managed the risk of being paid for products and services sold into these companies and regions, as the Group grows and its customer base and distribution channels expands, there could be a higher risk that new customers do not pay in a timely manner and that bad debt increases.

### Foreign exchange rates

The Group operates on a global basis and it has exposure to foreign exchange risk on purchases and sales that are denominated in currencies other than the Pound Sterling, Euro and US Dollar, which are the currencies of most of its receivables, expenditures, cash reserves and borrowings. The Pound Sterling, Euro and US Dollar exchange rates have fluctuated significantly in the past and may do so in the future. Consequently, revenue, expenditure, cash and borrowings may be higher or lower than anticipated by the Group.

In addition, the financial statements of the Group are denominated in Pounds Sterling which, therefore, give further exposure to foreign exchange rate fluctuations and may impact the financial results reported to its Shareholders, particularly as profits and losses arising from foreign currency transactions and on settlement of amounts receivable and payable in foreign currency are dealt with through the profit and loss statement.

### SARS-CoV-2 Pandemic

The global pandemic continues to cause significant disruption and volatility to the entire diagnostics market. As clinical laboratories try to meet the demand for COVID-19 testing all other diagnostic testing has been impacted and reduced as testing capacity has been insufficient to meet all clinical demands. This balance of supply and demand is improving in some parts of the world but continues to be challenging for all testing service providers as the pandemic evolves in waves across the globe and as the specific requirements for testing changes with the evolution of new virus mutations and the need for near patient testing alongside central testing. This makes the diagnostics market as a whole and COVID-19 testing specifically very difficult to predict and so diagnostic manufacturers are unable to plan or forecast their business requirements with any degree of accuracy.