

# **VERONA PHARMA PLC**

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**SHARE DEALING POLICY**  
**Amended by the Board**  
**on 12 April 2017**

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## VERONA PHARMA PLC (the 'Company')

### INTRODUCTION

From 3 July 2016 the Company and its directors (and certain other individuals) have been subject to the AIM rules and the EU Market Abuse Regulation ("MAR") in relation to the handling and disclosure of inside information and share dealing. Directors should be aware of the insider dealing offences in Part V of the Criminal Justice Act 1993 which limits their ability to deal in the Company's shares as well the provisions of MAR which sets out the new market abuse regime which replaces the previous rules in FSMA<sup>1</sup>.

In addition, the Company is subject to the securities laws of the United States, which prohibit insider trading. "Insider trading" occurs when any person purchases or sells a security while in possession of inside information relating to the security. The penalties for violating insider trading laws include imprisonment, disgorgement of profits, civil fines, and significant criminal fines of up to USD 5 million for individuals and USD 25 million for corporations.

### Notifications of dealing under MAR

Article 19 of MAR requires dealings by **Persons Discharging Managerial Responsibility (PDMRs)** and **Persons Closely Associated** with them (**PCAs**):

- Not to be carried out in a closed period; and
- To be notified

### Clearance to deal under AIM rules

Under Rule 21 of the AIM Rules for Companies, the Company must have in place from admission a reasonable and effective dealing policy setting out the requirements and procedures for **directors** and **applicable employees** dealings in any of its AIM securities. The rule goes on to set out the minimum contents requirements for such a policy, which includes the requirement and procedures for obtaining clearance to deal.

### Share dealing policy

The share dealing policy is set out below. Its purpose is to ensure that directors of the Company, other senior staff and employees (and their close associates) do not abuse, and do not place themselves under suspicion of abusing, unpublished price sensitive information that they may be thought to have, especially in periods leading up to the announcement of the Company's results.

The policy includes:

- 1) *Which dealings are covered*
- 2) *When you should not deal (closed periods and other times)*
- 3) *Clearance to deal:*
  - *When you are required to get clearance to deal and how to do this*
  - *Who is able to give clearance to deal*
  - *How the decision will be made about whether clearance to deal will be given*

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<sup>1</sup> FSMA – Financial Services and Markets Act 2000

- *The time limit within which you must deal after clearance has been given*
- 4) *The notification requirements after you have dealt (for you, your PCAs and the Company)*
- 5) *Your obligations in relation to your PCAs*

***This policy was approved by the Board on 12 April 2017***

## SHARE DEALING POLICY

- Defined terms are shown in bold and italics and definitions are included in APPENDIX 1.
- The Company requires all of its **directors** and employees (including, without limitation, any other **PDMR** and all **applicable employees**) to comply with this policy, MAR and any other applicable insider trading laws.
- The AIM rules define **directors** and **applicable employees**. MAR defines **PDMRs** and **PCAs**.

### 1) Which dealings are covered

**Every** transaction conducted on your own account relating to the shares or debt instruments of the Company or any other company, to derivatives or other financial instruments linked to them, including American Depositary Shares, or to any other securities of the Company or any other company.

It includes pledging or lending financial instruments and transactions carried out by someone else (eg a fund manager) on your behalf, even where that person exercises discretion over the dealing.

**It is safest to assume that EVERYTHING is covered.**

In addition, you may be liable for communicating or tipping **inside information** to a third party ("**tippee**"), and insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including tippees who trade on **inside information** tipped to them or individuals who trade on **inside information** that has been misappropriated.

### 2) When you should not deal

**PDMRs, employees and PCAs** must not deal in the Company's securities (or any other financial instruments), including without limitation acquisitions and dispositions of Company shares or American Depositary Shares, during a **closed period**. "Closed period" means any of the following:

- (a) the period beginning at 11:59 p.m. on the 14<sup>th</sup> calendar day before the last day of the Company's financial year and ending upon completion of the second full trading day after the public release of the preliminary announcement of the Company's annual results (or, where no such preliminary announcement is released, publication of the Company's annual financial report) or, if longer, the period beginning 30 calendar days before such release (or publication) and ending upon completion of the second full trading day after such release (or publication);
- (b) the period beginning at 11:59 p.m. on the 14<sup>th</sup> calendar day before the last day of the first six months of the Company's financial year and ending upon completion of the second full trading day after the public release of the Company's half-yearly financial report or, if longer, the period beginning 30 calendar days before such release and ending upon completion of the second full trading day after such release; and
- (c) if the Company reports financial results quarterly, the period beginning at 11:59 p.m. on the 14<sup>th</sup> calendar day before the last day of the Company's first and third financial quarter and ending upon completion of the second full trading day after the public release of the Company's first quarter results or third quarter results, as applicable,

or during any other trading suspension period declared by the Company.

In addition, **PDMRs, employees and PCAs** must not deal at any other time when they have **inside information**, even if the Company is not in a closed period.

From time to time, the Company, through the Board of Directors, the Company's disclosure committee (if applicable) or the Company's Legal Counsel, may recommend that directors, **PDMRs**, employees or others suspend trading in the Company's securities because of developments that have not yet been disclosed to the public. All of those affected should not trade in the Company's securities while the suspension is in effect, and should not disclose to others that the Company has suspended trading.

### 3) Clearance to deal

For any transaction in the Company's securities (or any other financial instruments), including without limitation acquisitions and dispositions of Company shares or American Depositary Shares, the exercise of options for Company securities, and the sale of Company securities upon the exercise of such options, you should obtain clearance to deal in advance. This will help to ensure you meet your legal and regulatory obligations and avoid inadvertent insider trading.

You should put your request in writing (this includes email) and send it to the Chairman at least two business days in advance of the proposed transaction. A form for this is included in Appendix 3. In addition, unless otherwise determined by the [Company's Legal Counsel], you must execute a certification (in the form approved by the Company's Legal Counsel) that you are not aware of **inside information** at the time of your request.

Each **director, employee and PCA** must obtain clearance individually – it cannot be assumed that clearance given to one person will be given to another.

You **must not** deal **before** receiving a response to your request for clearance to deal. You should not assume that it will be given, even if the Company is not in a **closed period** and you are not aware of any **inside information**.

The response to your request for clearance to deal should be given to you in writing (including email) and you should undertake the transaction **as soon as possible** afterwards and in any event **within two business days** of being given clearance. A cleared transaction (or any portion of such transaction) that has not been effected during the two business day period must be cleared again prior to execution.

If at any time after you have been given clearance to deal, but before you actually deal, you become aware of **inside information** about the Company or you become subject to a **closed period**, then you should not deal. If **inside information** about the Company becomes available, then your clearance to deal may be withdrawn.

Generally, if the Company is not in a **closed period** and if no **inside information** exists then you will be given clearance to deal.

If the Company is in a **closed period** or if there is **inside information** then you will not be given clearance to deal.

### *Limited circumstances*

You may be given clearance to deal in a **closed period** when, due to the characteristics of the trading involved for transactions made under, or related to, an employee share or saving scheme, qualification or entitlement of shares, or transactions where the beneficial interest in the relevant security does not change.

#### **4) Notification obligations after dealing**

After you have dealt in the Company's securities (or other financial instruments) , including, without limitation, the Company's Ordinary Shares and American Depositary Shares, you must notify both the Company and the FCA. The notification to the FCA must be made within **three business days**. Although MAR requires you to notify the Company within three business days, the Company must also notify the market within the same period of three business days. Therefore, this policy requires you to notify the Company **as soon as possible** after the dealing and in any event, no later than **two business days** after the transaction.

The Company will notify the market by way of a regulatory announcement.

There is a prescribed form for these notifications which can be found in Appendix 4.

#### **5) Your obligations in relation to your PCAs**

When your **PCAs** deal in the Company's securities (or other financial instruments), they are under the same notification obligations as you are. You have an obligation to explain this to them, in writing and to keep a copy of your notification to them. An example of this can be found in Appendix 5. You should therefore consider who are your **PCAs** and send them an explanation of their obligations under MAR. You must also provide the Company with a list of your **PCAs**, which should be sent to the Chairman.

In addition, this policy applies to all other members of your household.

#### **6) Post-Termination Transactions**

With the exception of the clearance requirement, this policy continues to apply to transactions in the Company's securities even after termination of service to the Company. If an individual is in possession of **inside information** when his or her service terminates, that individual may not trade in the Company's securities until that information has become public or is no longer inside information.

#### **7) Rule 10b5-1 Plans**

##### *(a) Pre-Approval*

The initiation of, and any modification to, any **Trading Plan** will be deemed to be a transaction in the Company's securities, and such initiation or modification is subject to all limitations and prohibitions relating to transactions in the Company's securities. Each such **Trading Plan**, and any modification thereof, must be submitted to and pre-approved by the Chairman or the CEO, who may impose such conditions on the implementation and operation of the **Trading Plan** as the **Chairman or CEO** deems necessary or advisable. However, compliance of the **Trading Plan** to the terms of **Rule 10b5-1** and

the execution of transactions pursuant to the **Trading Plan** are the sole responsibility of the person initiating the **Trading Plan**, not the Company or the **Chairman or the CEO**.

A director or employee may enter into a **Trading Plan** only when he or she is not in possession of **inside information** and only during a trading window period outside of the **closed period**.

The Company reserves the right from time to time to suspend, discontinue or otherwise prohibit any transaction in the Company's securities, even pursuant to a previously approved **Trading Plan**, if the **Chairman** or the board of directors, in its discretion, determines that such suspension, discontinuation or other prohibition is in the best interests of the Company. Any **Trading Plan** submitted for approval hereunder should explicitly acknowledge the Company's right to prohibit transactions in the Company's securities. Failure to discontinue purchases and sales as directed shall constitute a violation of the terms of this Section 7 and result in a loss of the exemption set forth herein.

Directors and employees may adopt **Trading Plans** with brokers that outline a pre-set plan for trading of the Company's **US securities**, including the exercise of options for **US securities**. Trades pursuant to a **Trading Plan** generally may occur at any time. However, the Company requires a cooling-off period of 30 days between the establishment of a **Trading Plan** and commencement of any transactions under such plan. An individual may adopt more than one **Trading Plan**.

(b) *Revocation of and Amendments to Trading Plans*

Revocation of **Trading Plans** should occur only in unusual circumstances. Effectiveness of any revocation or amendment of a **Trading Plan** will be subject to the prior review and approval of the Chairman. Revocation is effected upon written notice to the broker. No revocation may be expected during a **closed period** or when the **Trading Plan** participant is in possession of **inside information**. Once a **Trading Plan** has been revoked, the participant should wait at least 30 days before trading outside of a **Trading Plan** and 180 days before establishing a new **Trading Plan**.

A person acting in good faith may amend a prior **Trading Plan** so long as such amendments are made outside of a **closed period** and at a time when the **Trading Plan** participant does not possess **inside information**. Plan amendments must not take effect for at least 30 days after the plan amendments are made.



## APPENDIX 1

### DEFINED TERMS

**“American Depositary Shares”** means the American Depositary Shares registered by the Company under the Securities Act of 1933, as amended, or the Exchange Act of 1934, as amended.

**“Applicable Employee”** (AIM rules)

Any employee of an AIM company, its subsidiary or parent undertaking who:

- (a) for the purposes of rule 7, together with that employee’s **family**, has a holding or interest, directly or indirectly, in 0.5% or more of a class of AIM securities (excluding treasury shares); or
- (b) for the purposes of rule 21, is likely to be in possession of ‘inside information’ as defined in MAR in relation to the AIM company because of his or her employment in the AIM company, its subsidiary or parent undertaking, irrespective of his or her holding or interest.

**“Closed period”** (MAR Article 19, clause 11) means any of the following:

- (a) the period beginning at 11:59 p.m. on the 14<sup>th</sup> calendar day before the last day of the Company’s financial year and ending upon completion of the second full trading day after the public release of the preliminary announcement of the Company’s annual results (or, where no such preliminary announcement is released, publication of the Company’s annual financial report) or, if longer, the period beginning 30 calendar days before such release (or publication) and ending upon completion of the second full trading day after such release (or publication);
- (b) the period beginning at 11:59 p.m. on the 14<sup>th</sup> calendar day before the last day of the first six months of the Company’s financial year and ending upon completion of the second full trading day after the public release of the Company’s half-yearly financial report or, if longer, the period beginning 30 calendar days before such release and ending upon completion of the second full trading day after such release; and
- (c) if the Company reports financial results quarterly, the period beginning at 11:59 p.m. on the 14<sup>th</sup> calendar day before the last day of the Company’s first and third financial quarter and ending upon completion of the second full trading day after the public release of the Company’s first quarter results or third quarter results, as applicable,

or during any other trading suspension period declared by the Company.

**“Director”** (AIM rules)

**A person** who acts as a **director** whether or not officially appointed to such position.

**“Family”** (AIM rules)

- In relation to any person his or her spouse or civil partner and any child where such child is under the age of eighteen years.
- It includes any trust in which such individuals are trustees or beneficiaries and any company over which they have control or more than 20% of its equity or voting rights (excluding treasury shares) in a general meeting. It excludes any employee share or pension scheme where such individuals are beneficiaries rather than trustees.

**“Inside information”** (MAR Article 7)

“Information of a precise nature, which has not been made public, relating directly or indirectly, to one or more issuers or one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of

related derivative financial instruments and/or Information which a reasonable investor would be likely to use as part of the basis of his or her investment decisions.”

**Market Abuse Regulation – MAR** Market Abuse Regulation (EU) No 596/2014

**Person** (AIM rules)

An individual, corporation, partnership, association, trust or other entity as the context admits or requires.

**“Persons Discharging Managerial Responsibility” – “PDMRs”**

Member of the administrative, management or supervisory body of the Company (ie a director); or  
A senior executive who has regular access to inside information relating directly or indirectly to the Company and power to take managerial decisions affecting the future developments and business prospects of the Company.

**“Persons Closely Associated”** (with PDMRs) – **“PCAs”**

- Spouse or partner
- Dependent child
- A relative who has shared the same household for at least 12 months before the transaction occurred
- A legal person, trust or partnership, the managerial responsibilities of which are discharged by a PDMR or by a person referred to in any of the preceding categories, which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

**“Rule 10b5-1”** means Rule 10b5-1 promulgated under the Securities Exchange Act of 1934, as amended.

**“Trading Plan”** means a previously established contract, plan or instruction to trade in the Company’s **US-traded securities** established in accordance with **Rule 10b5-1**.

**“US securities”** means securities primarily traded in the United States and/or registered under the Securities Act of 1933, as amended, or the Exchange Act of 1934, as amended.

## APPENDIX 2

### USEFUL LINKS

#### MAR

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0596&from=EN>

#### Form to notify share dealings to the Company and FCA

<http://www.fca.org.uk/your-fcadocuments/forms/pdmr-notification-form>

#### AIM notice 44

<http://www.londonstockexchange.com/companies-and-advisors/aim/advisers/aim-notices/aim-notice-44.pdf>

#### AIM notice 45

<http://www.londonstockexchange.com/companies-and-advisors/aim/advisers/aim-notices/aim-notice-45-final.pdf>

#### AIM rules (clean copy) July 2016

<http://www.londonstockexchange.com/companies-and-advisors/aim/advisers/aim-notices/aim-rules-for-companies-july-2016.pdf>

#### AIM rules showing changes for MAR July 2016

<http://www.londonstockexchange.com/companies-and-advisors/aim/advisers/aim-notices/aim-rules-for-companies-mark-up-july-2016.pdf>

#### AIM note for Investing Companies July 2016

<http://www.londonstockexchange.com/companies-and-advisors/aim/advisers/aim-notices/aim-note-for-investing-companies-july-2016.pdf>

**APPENDIX 3**

**CLEARANCE REQUEST FORM**

**SHARE DEALING BY DIRECTORS/ EMPLOYEES / PCAs OF VERONA PHARMA PLC**

NAME: \_\_\_\_\_

POSITION: \_\_\_\_\_

PROPOSED DEALING:

Number of Company securities: \_\_\_\_\_

Type of Company security (eg ordinary shares/ADSs): \_\_\_\_\_

Nature of transaction: \_\_\_\_\_

eg buying/selling/transferring

Proposed date of transaction: \_\_\_\_\_

If the dealing is to be done by someone who is connected with you (see definition of PCA in the share dealing policy) please give details:

\_\_\_\_\_  
\_\_\_\_\_

OTHER INFORMATION:

NB: You must disclose any additional material facts which may affect the decision as to whether the dealing should be permitted or not.

*I confirm that I have read the rules set out in the share dealing policy and that the above information is accurate and complete. I understand that the information in this form may be referred to in the event of a suspected breach of the share dealing policy, the relevant AIM Rules or the law on insider dealing or market abuse. I will inform the Chairman as soon as practicable if there is a change in any of the circumstances set out above. If I receive clearance for the dealing, I will ensure that the transaction is executed within the time limit specified in the notification of the clearance and will notify both the Company (via the Company Secretary) and the FCA of the deal.*

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**ON COMPLETION, THIS FORM SHOULD BE SENT TO THE CHAIRMAN**

Clearance given/refused [DELETE WHICHEVER IS NOT APPLICABLE]

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Position: \_\_\_\_\_

With the approval (if required) of:

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Position: \_\_\_\_\_

**APPENDIX 4**  
**NOTIFICATION OF DEALINGS FORM**

*This form is a pdf and will be provided separately*

## APPENDIX 5

### NOTIFICATION TO PCAs

*Note: PDMRs are required to explain to their PCAs (in writing) that they have notification obligations under MAR. A copy of the notifications must be kept. There is no set form for the notification to take and this is provided as an example.*

To: Name,  
From: Name, Position

**Subject: VERONA PHARMA PLC**

As you know, I am a director/senior manager at VERONA PHARMA PLC. VERONA PHARMA PLC's shares are traded on the Alternative Investment Market of the London Stock Exchange (AIM) and its American Depositary Shares ("ADSs") are traded on the NASDAQ Global Market.

The Company, its directors and senior managers are subject to certain rules to protect investors, ensure fair and orderly trading in the Company's shares and ADSs and to prevent market abuse. Some of these rules also apply to people who are closely associated with the directors and senior managers, for example close family members. You are included in that group and I am required to write to you to explain how the rules affect you.

There are certain times when, because of my position in the Company, I have access to confidential information which might affect the Company's share price. At those times I must not deal in the Company's shares. Even if you do not have the same information, you are also not allowed to deal in the Company's shares or ADSs at those times. You might not know when they are, so to protect both your interests and those of the Company, you are asked to follow the Company's share dealing code. I am attaching a copy to this note.

This code means that:

- Before you deal in the Company's shares or ADSs you must get permission (clearance) to deal.
- If you are given clearance to deal, then you must do so within a certain time limit – which will be given to you in writing, when you are given clearance.
- After you have dealt in the Company's shares or ADSs you must fill in the details on a form and send it to the Company and the Financial Conduct Authority (FCA) – a copy of the form is included with the share dealing code.
- The Company will announce the details of your share dealing to the stock market.

Full details of the rules are in the share dealing code.

If you have any questions about this or you are not sure what the rules are please ask me. You could also contact Ben Harber, the company secretary of Verona Pharma plc, at [ben.harber@shma.co.uk](mailto:ben.harber@shma.co.uk), who will also be able to assist.

Name of PDMR  
Date