

MEDPAL AI PLC

CORPORATE

GOVERNANCE

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The Board is committed to ensuring that appropriate standards of corporate governance are maintained so far as is appropriate, given the Company's current stage of development, the size and composition of the Board and available resources.

As a result, the Board has chosen to adopt the Quoted Companies Alliance ("QCA") Code, which provides guidelines to ensure appropriate governance of companies which are in the growth stage of their life cycle.

The Board aims to comply with the QCA Guidelines on Corporate Governance ("QCA Guidelines") to the best of their ability, specifically detailing any diversions from the code.

The QCA Code has ten principles of corporate governance that the Company applies to establish the governance foundations of the business. These principles are:

1. Establish a purpose, strategy and business model which promote long term value for shareholders;
2. Promote a corporate culture that is based on ethical values and behaviours;
3. Seek to understand and meet shareholder needs and expectations;
4. Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long term success;
5. Embed effective risk management, considering both internal controls and assurance activities, considering both opportunities and threats, throughout the organisation;
6. Establish and maintain the board as a well-functioning balanced team led by the Chair;
7. Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities;
8. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement;
9. Establish a remuneration policy which is supportive of long-term value creation and the Company's purpose strategy and culture; and
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders.

Here follows a short explanation of how the Company applies each of the principles, including where applicable an explanation of why there is a deviation from those principles.

Principle One

Business Model and Strategy

The Company has a clear business model which is centred around digital health and artificial intelligence ("AI") focusing on wellness support, whilst its commercial strategy aims to leverage multiple channels to drive user growth and revenue, while maintaining its role as a non-clinical wellness facilitator.

MedPal is designed to support the user's overall wellbeing and to signpost users to appropriate care

when needed.

MedPal's app aggregates data from over 100 wearable fitness trackers or health apps into a unified health profile, enabling personalised lifestyle recommendations through its AI wellness coach. This high-level structure positions MedPal as a technology company delivering wellness support.

The Company's purpose is to create value for its shareholders by growing the MedPal app's user base and capabilities and, in future, developing partnerships with other businesses that improve the functionality of, or facilitate the provision of, the app, including for example, healthcare providers, telehealth companies and insurance firms.

Principle Two

Corporate Culture

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole, which in turn will impact the Company's performance. The Directors are very aware that the tone and culture set by the Board will greatly impact all aspects of the Company and the way that consultants or other representatives behave. The corporate governance arrangements that the Board has adopted are designed to instil a firm ethical code to be followed by Directors, consultants and representatives alike, throughout the entire organisation. The Company strives to achieve and maintain an open and respectful dialogue with representatives, regulators, suppliers and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through everything that the Company does. The Directors are focused on ensuring that the Company maintains an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Company has adopted a code for Directors' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

Issues of bribery and corruption are taken seriously. The Company has a zero-tolerance approach to bribery and corruption and has an anti-bribery and corruption policy in place to protect the Company, its employees and third parties with which the business engages with.

The Company has adopted a whistleblowing policy that demonstrates the Company's commitment to ethical practices and internal accountability alongside a social media policy to ensure its messaging aligns with regulatory-approved investor communications

Principle Three

Understanding shareholder needs and expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company seeks to provide effective communication through its interim and annual reports, along with regulatory news releases, which will be made available on the Company's website. Investors will also be encouraged to attend the Company's AGMs which provide opportunity for dialogue with the Board. The Company is also open to receiving feedback from key stakeholders and the key contact at the Company for this is Jason Drummond.

The Company also engages the services of external media providers which assist with the Company's public and investor relations and seek to further encourage and facilitate opportunities for shareholder engagement.

Principle Four

Considering wider stakeholder and social responsibilities

The Board considers the interests of shareholders and all relevant stakeholders in line with section 172 of the Companies Act 2006. The Board recognises that the long-term success of the Company is reliant upon open communication with its internal and external stakeholders: investee companies, shareholders, contractors, suppliers, regulators and other stakeholders. The Company has created close ongoing relationships with a broad range of its stakeholders and will ensure that it provides them with regular opportunities to raise issues and provide feedback to the Company. As the Company evolves, we anticipate that this aspect of community engagement will evolve further, accordingly the Board will regularly review its principal stakeholders and how it engages with them.

Principle Five

Risk Management

The Board recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the current risk management and internal control mechanisms.

The Board is responsible for providing entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risks to be managed and assessed against the Company's strategic aims.

The Audit Committee has responsibility for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company. It ensures that risks are identified as early as practically possible, monitored and addressed in a timely manner. Risk management policies and systems are reviewed regularly to reflect changes in the Company's activities and to ensure compliance with best practice, whilst having regard for the Company's size and the resources available.

The Company has a framework of internal financial controls to address financial risk and regularly reviews the non-financial risks to ensure all exposures are adequately managed. The Company maintains appropriate insurance cover in respect of legal actions against the Directors as well as against material loss or claims against the Company. Key financial controls include:

- a schedule of matters reserved for the approval of the Board;
- evaluation, approval procedures and risk assessment for acquisitions; and
- close involvement of the Directors in the day-to-day operational matters of the Company.

An internal audit function is not yet considered necessary as day-to-day control is sufficiently exercised by the Company's Executive Directors. However, the Board will continue to monitor the need for an internal audit function.

The Board takes seriously the matter of cyber security and has strict internal protocols over its IT environment to try and help minimise the threat of loss or disruption caused by cyber attack. The Company engages with cyber security experts as and when required, and encourages all staff and sub contractors to report and communicate internally to all colleagues any suspicious emails received or warn of any known cyber scams.

The principal risks and uncertainties are as set out in Part II, Risk Factors, of the Company's AIM Admission Document.

Principle Six

A Well-Functioning Board of Directors

The Board of Directors currently consists of the Non-executive Chairman, Karl Karlsson, the Chief Executive Officer, Jason Drummond, Director Justin Drummond, Finance Director Adam Monaco, and Non-executive Director Kevin O'Neill.

It is expected that the Directors will meet at least 6 times per annum and at other times as and when required to ensure that the Company is fulfilling all of its regulatory and compliance obligations. Meetings are expected to be open and constructive, with every director participating fully. To be efficient, the Directors meet formally and informally both in person and by video conference. Directors are sent an agenda and Board papers at least three days prior to every Board meeting to facilitate proper assessment of any matters requiring a decision or insight. Additional information is provided when requested by the Board or individual Directors. The Non-executive Directors maintain ongoing communication with the Executive Directors between formal Board meetings. The CEO is required to work in the Company on a full time basis and all Non-executive Directors spend a minimum of two days a month on company business, or as much time necessary to fulfil their duties above this.

The Company has an Audit Committee and Remuneration Committee, further details of which are set out below. All committees have the necessary skills and knowledge to discharge their duties effectively. As with board papers, committee papers are drafted and circulated to members of the relevant committee prior to meetings, thus allowing time for full consideration and necessary clarifications. The Company does not consider it necessary at the current time to have a Nominations Committee, however this will be kept under review as the Company develops.

The Board is responsible for the risk management of the Company. The CEO identifies risks to the Company's business as well as assessing industry threats and trends, and the Finance Director has the responsibility for ensuring that all disclosures relating to risk and controls are included in the Annual Report.

The CEO and Finance Director brief the Board on risk matters at Board meetings and the Board as a collective unit identify and discuss macroeconomic risks. Further detail on risk management is provided in Principle 4.

The Board will consider any Board imbalances for future nominations to the Board, including director independence and gender balance, and will seek input from external advisors when required to assist in matters such as the identification of potential Board candidates, establishing additional committees and other initiatives to enhance the overall Corporate Governance of the Company.

Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

As at the date of Admission, Jason and Justin Drummond, together with their connected persons, will between them control the exercise of approximately 54 per cent. of the voting rights of the Company. Accordingly, the Relationship Agreement has been put in place between them, the Company and the Company's nominated adviser to ensure that the Company is able to carry on its business independently and to regulate the relationship between them on an arm's length and normal commercial basis.

Further details of the Relationship Agreement are set out in paragraph 16 of Part I of the Company's AIM Admission Document.

Principle Seven

Appropriate governance structures

The Company is committed to, and ultimately responsible for, high standards of corporate governance and has chosen to adopt the QCA Code. The Board reviews the Company's corporate governance arrangements regularly and expects to evolve this over time, in line with the Company's growth. The Board delegates responsibilities to its committees and individual members as it sees fit.

The Chairman's principal responsibilities are to ensure that the Company and the Board of Directors are acting in the best interests of shareholders. The Chairman's leadership of the Board is undertaken in a manner which ensures that the Board retains its integrity and effectiveness and includes creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings.

The CEO has, through powers delegated by the Board, responsibility for leadership of the management team in the execution of the Company's corporate strategies and policies and for the day-to-day management of the business.

The Non-executive Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

The Board considers that the Company's governance structures are appropriate for a Company of its size. The Board meets regularly and the Directors also continuously maintain an informal dialogue between themselves. The current governance structure is outlined below:

Audit Committee – upon Admission, the Company audit committee will comprise 2 members, Kevin O'Neill and Karl Karlsson who acts as Chairman. The audit committee maintains primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported on.

The Audit Committee is also responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Company is properly monitored and reported.

RPG Crouch Chapman LLP have been appointed auditor to the Company. The Audit Committee will meet with the auditor to consider the results, internal procedures and controls and matters raised by the auditor.

The Board considers auditor independence and objectivity of the audit process as a high priority in the functioning of the Company. It also considers the nature and extent of the non-audit services supplied by the auditor when reviewing the ratio of audit to non-audit fees and ensures that an appropriate relationship is maintained between the Company and its external auditor.

The audit committee will meet 2 times per annum on and around the approval of the interim and annual financial statements.

Remuneration Committee – The Company remuneration committee comprises 2 members, Karl Karlsson, and Kevin O'Neill who acts as Chairman. The remuneration committee is responsible for both the review and recommendation of the scale and structure of remuneration for senior management. In reviewing the remuneration policy of the Company, this will include any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of the Company.

The remuneration committee will meet 2 times per annum.

Nomination Committee – the Company does not consider it necessary at the current time to have a Nominations Committee, however this will be kept under review as the Company develops.

The Company believes that the Directors have wide ranging experience working for/and/or advising businesses operating within the technology sector. They also have an extensive network of relationships to reach key decision-makers to help achieve their strategy. The Board recognises that it currently does not have any female Directors, however as it grows, it will look to recruit and develop a diverse and more gender-balanced executive team.

Principle Eight

Evaluation of Board Performance

Internal evaluation of the Board, the Committees and individual Directors will be undertaken on an annual basis in the form of peer appraisal and discussions to determine the effectiveness and performance against targets and objectives. As a part of the appraisal the appropriateness and opportunity for continuing professional development whether formal or informal is discussed and assessed. As the Company grows, the Company may expand the Board and re-consider the need for a more formal evaluation process.

No succession planning is deemed necessary at this point due to the small size of the Company.

Each Director is also assessed by shareholders on a three year rotation basis at AGM when their re-appointment is due.

Principle Nine

Remuneration policy

The Board is committed to ensuring that the creation of value for shareholders aligns with the interests of executives and employees of the Company. The remuneration of the Board is to be implemented at admission and will be reviewed annually to ensure that it remains appropriate for the level of time and responsibilities that each director is committing to their roles. The Board remuneration currently comprises a mixture of salary and equity-based compensation and the Board considers that the members of the Board are currently remunerated appropriately.

The remuneration report will be put to shareholders for an advisory vote at each Annual General Meeting of the Company.

Principle Ten

Shareholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders in compliance with regulations applicable to companies quoted on AIM. All shareholders are encouraged to attend the Company's Annual General Meeting where they will be given the opportunity to interact with the Directors. Investors also have access to current information on the Company through its website, (www.medpalplc.com).

The Board takes feedback from a wide range of shareholders (large and small) and endeavours at every opportunity to pro-actively engage with all shareholders (via regular news reporting-RNS) and engage with any specific shareholders in response to particular queries they may have from time to time.

The Company will report on the responsibilities and activities of each of the Board sub-committees in its annual reports going forward, and also intends to release full proxy/poll votes after shareholder meetings and will post results on the Company website