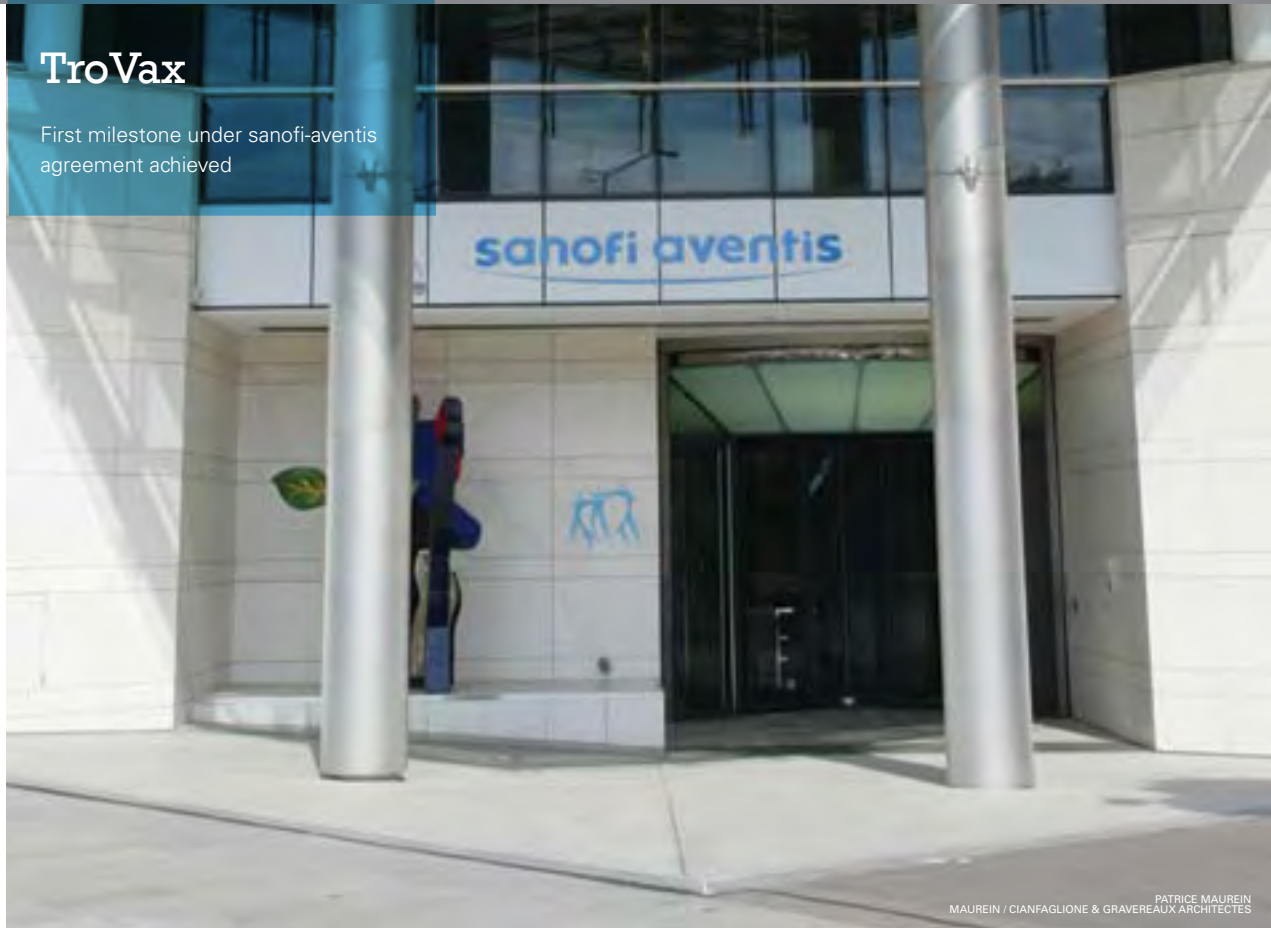


5

TroVax

First milestone under sanofi-aventis agreement achieved



PATRICE MAUREIN
MAUREIN / CIANFAGLIONE & GRAVEREAUX ARCHITECTES

BUSINESS REVIEW

GOVERNANCE AND RESPONSIBILITY

- 47 Corporate Governance Statement
- 49 Corporate Social Responsibility

Corporate Governance Statement

APPLICATION OF THE PRINCIPLES IN THE FRC COMBINED CODE ON CORPORATE GOVERNANCE

The policy of the Board is to manage the affairs of Oxford BioMedica to the highest standards of corporate governance and in accordance with the principles of good governance and the code of best practice as set out in the FRC combined code on corporate governance issued in June 2006 (the 'Combined Code' (2006)).

The Board considers that it has complied throughout the year with the provisions for companies set out in Part 2 of the Combined Code, unless otherwise indicated below.

COMPLIANCE WITH THE PROVISIONS OF THE COMBINED CODE

THE BOARD

Oxford BioMedica is led and controlled by a Board consisting of three Non-Executive Directors and six Executive Directors. As set out in their biographies on pages 53 and 54, the Directors have significant experience of the management and development of a biopharmaceutical group and of pharmaceutical research and the new drug development process. There is a clear division of responsibilities, set out in writing, between the Chairman and Chief Executive Officer. The Board considers that the Non-Executive Directors, including the Chairman, are independent of management. Provision A2.2 of the Combined Code requires that the Chairman should meet the

independence criteria on appointment. The Chairman was granted 200,000 share options shortly after his appointment as Chairman in 2001, which is contrary to the requirements for independence set out in provision A.3.1. The Board does not consider that this affects the Chairman's independence. Provision A.3.2 of the Combined Code requires a small company to have at least two independent Non-Executive Directors. The Company has fully met this requirement.

The Board meets regularly and at least eight times per year, with meeting dates agreed for each year in advance. There is a formal schedule of matters reserved to the Board for its decision. The schedule covers senior appointments, business strategy and budgets, substantial transactions, contracts and commitments, financing treasury and risk policies, and the approval of certain documents and announcements including the Annual Report. There is frequent contact between Executive and Non-Executive Directors, and each Director is supplied on a timely basis with financial and operational information sufficient for the Board to discharge its duties. All Directors have access, as required, to independent professional advice. During 2007 there were nine board meetings. The attendance of individual Directors at board meetings was: Mark Berninger six; Peter Johnson nine; Alan Kingsman eight; Susan Kingsman six; Mike McDonald seven; Peter Nolan six; Nick Rodgers nine; Andrew Wood nine; Nick Woolf nine.

As appropriate, the Board has delegated certain responsibilities to board committees, which operate within defined terms of reference and constitution. There is a Remuneration Committee, the report and membership of which is on pages 60 to 64. The Remuneration Committee met eight times in 2007. All meetings were attended by both members.

There is also an Audit Committee, which consists of two Non-Executive Directors: Dr Peter Johnson (chairman) and Nick Rodgers. Provision C.3.1 of the Combined Code requires the Audit Committee of a small company to have at least two members, both of whom are independent Non-Executive Directors. The Board considers this requirement to have been met, even though Dr Peter Johnson is also Chairman of the Company. We consider that both members of the Audit Committee possess recent and relevant financial experience. The Audit Committee has written terms of reference which have been published on the Company's web site. It monitors the integrity of the financial statements of Oxford BioMedica and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them. It reviews our internal financial controls and the internal control and risk management systems. It makes recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditors, and approves the remuneration and terms of engagement of the external auditors.

The independent auditors continue to operate procedures to safeguard against the possibility that the auditors' objectivity and independence could be compromised. This includes the use of quality review partners, use of a technical review board (where appropriate) and annual independence procedures, including confirmations by all staff. The auditors report to the Audit Committee on matters including independence and non-audit fees on an annual basis. In addition, the role of the audit partner is rotated on a periodic basis. The Audit Committee reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant

UK professional and regulatory requirements. The Audit Committee approves all non audit services provided by the Company's auditor. As part of this approval process, the Audit Committee ensures that the provision of non audit services will not impact the auditors' objectivity and independence. It reports to the Board, identifying matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken.

Oxford BioMedica has a public interest disclosure policy, and the Audit Committee is responsible for reviewing arrangements by which our staff of may raise concerns about possible improprieties. It also reviews from time to time the need for an internal audit function. At the Committee's invitation or request, the Chief Executive Officer and other Directors may attend meetings of the Audit Committee. The Audit Committee met twice in 2007. Both meetings were attended by both members, with the Chief Financial Officer present at the Committee's invitation.

In December 2007 the Board agreed to form a Nomination Committee comprising Nick Rodgers (chairman), Dr Peter Johnson and Mark Berninger. Prior to that time, appointment of Directors was considered by the whole Board. No new Board appointments were made in 2007.

In accordance with the articles of association, at each annual meeting any Director who has served for three years, and one third of the other Directors (or if their number is not a multiple of three the number nearest to but not exceeding one third) must retire from office by rotation.

In accordance with provision A.6 of the Combined Code, the performance of the Board and the committees is reviewed annually, through the use of confidential questionnaires completed by all the Directors.

The Board retains overall responsibility for, and control of, the Company. Management

is conducted by the Chief Executive Officer and the Executive Directors who, together with other senior managers, form the senior management team. Executive Directors sit on the following committees and management groups: the senior management group, the executive research group, the clinical development group, the safety committee, the commercial development committee, the quality committee and the internal patent group. By this means, a direct and ongoing link exists between the determination of strategy by the Board and the execution of the Company's policies by our employees.

SCIENTIFIC ADVISORY BOARD

The Scientific Advisory Board (SAB) is a body of independent experts comprising a multidisciplinary group of leading international scientists. Its role is to assist Oxford BioMedica with the assessment of our existing and potential research and development projects. The SAB provides access to a large academic and industrial network to add value to our projects, through collaboration where appropriate, and by evaluating new strategies and competitors. Biographical details of the SAB are on page 55.

RELATIONS WITH SHAREHOLDERS

We attach a high priority to effective communication with both private and institutional shareholders. The Annual Report contains a detailed Business Review and a description of our candidate products and of our research and development portfolio. An Interim Business Review is also provided with the half-year report sent to all shareholders. With these documents and the Company's press releases, we seek to present a balanced and understandable assessment of Oxford BioMedica's position and prospects. Our website (www.oxfordbiomedica.co.uk) provides extensive other information about the Company.

The Annual General Meeting is the principal forum for dialogue with private shareholders. A business presentation is made by the Chief Executive Officer and there is an opportunity for shareholders to put questions to the Directors. We maintain regular contact with institutional shareholders through a programme of one-to-one visits and briefings.

INTERNAL CONTROL

The Directors are responsible for Oxford BioMedica's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. As described above, the active involvement of the Executive Directors in the our management committees allows the Board continually to monitor and assess significant business, operational, financial, compliance and other risks, and to review the effectiveness of internal control. This is reinforced by the provision to the Board by the Executive Directors of regular and detailed reports covering, *inter alia*, financing, investor relations, research and development, clinical development, financial performance, commercial interactions and intellectual property management. In addition the Board annually reviews the effectiveness of all significant aspects of internal control. The review in 2007 did not highlight any matters that require reporting to shareholders.

Oxford BioMedica has procedures in place which incorporate the recommendations on internal control: guidance for directors on the Combined Code (Turnbull).

INTERNAL AUDIT

We do not consider that an internal audit function is appropriate given the current scale and structure of our operations. As required by the Combined Code, the Board reviews the need for an internal audit function from time to time.

Corporate Social Responsibility

KEY HIGHLIGHTS

- Expanded staff count to 82 from 73
- Health and Safety Auditor concluded that our management system is robust
- MHRA GMP inspection identified no major or critical issues

KEY OBJECTIVES

- Support initiative by The Oxford Science Park to gain ISO14001 certification
- Quantify the amount of cans and plastic bottles recycled

Corporate Social Responsibility (CSR) requires consideration of the economic, social and environmental impacts of our business activities. The Board recognises the potential benefits of CSR for the competitiveness of Oxford BioMedica and encourages a culture of continuous improvement in CSR-related issues. We have set specific policies and goals that cover key aspects of CSR and we strive to operate at the highest level of integrity.

The CSR report describes the working practices adopted by Oxford BioMedica that are relevant to our employees, health and safety in the workplace, our external relationships, the environment, and the community. We have also highlighted significant changes and new initiatives that have been implemented in 2007.

EMPLOYEES

We recognise the importance of attracting, recruiting, motivating and retaining a highly skilled and diverse workforce and have employment policies that are designed to follow best employment practices and that recognise the rights of all employees. We aim to develop and maintain a motivated and professional workforce through career development, performance evaluation and feedback, training and promotion.

Training is given in a wide variety of ways including on-the-job coaching and in-house or

external courses to meet current and future job requirements. Our staff appraisal process continues to function well, by providing a formal process for setting objectives in consultation with each individual, together with regular performance reviews throughout the year. This process enables staff at all levels to consider their training needs and to discuss new opportunities with their manager.

Our organisational structure is designed to promote internal communication through various forums. Research, clinical and corporate teams have regular meetings, which include members of senior management, enabling broad dissemination and discussion of relevant issues. Various team and company-wide social events and activities are organised throughout the year as part of our team-building programme.

We have policies covering maternity and paternity consistent with statutory requirements in the UK. Employees are eligible for a number of benefits as part of their employment, including a personal pension plan, a childcare voucher scheme, a health cash benefit plan and, for certain employees, a performance-related bonus. We aim to provide an appropriate work/life balance for employees, including flexible working practices, where this is practical and consistent with the Company's goals. In addition, we operate a Share Option scheme, and usually grant options to employees when

they join and periodically thereafter. In early 2008, we introduced a new staff discount scheme for all employees at a wide range of retailers.

In 2007, we expanded our staff count to 82 from 73. Female employees represent 63% of all employees, and 43% of management. We continue to add to our team, as the Company moves towards commercialising our products and expanding our activities, to ensure that we have the appropriate skill base to address these challenges. We are committed to providing equal opportunities for all and do not discriminate against employees on the grounds of age, gender, sexual orientation, marital status, race, colour, ethnic or national origins, religion, creed or belief, responsibilities for dependants, disability or offending background.

HEALTH AND SAFETY

Effective health and safety is integral to our business activities. We have strict policies to minimise the risk of accidents in the workplace or employment-related ill-health. These policies cover working practices for the operation of equipment and handling of biological, chemical and radioactive hazardous materials. The requirements for instruction and training, particularly for laboratory-based personnel are continuously under review. In August 2007, we invited an external Health and Safety Auditor to review the in-house Health and Safety Management System. The

TroVax

Second successful DSMB review of Phase III TRIST study in renal cancer



auditor's report concluded that, 'The Health and Safety Management System is robust and does not require any significant changes'. We have an excellent safety record and have never been required to report an accident to the UK Health and Safety Executive or its US equivalent. Given its importance to the Company, health and safety issues are represented at Board level.

Our internal health and safety representatives attend meetings and workshops on a regular basis, including those organised by the UK Government's Health and Safety Executive, to ensure that we remain up to date with changes to policies and regulations. Our Quality Management System ensures good practice for all of our laboratory-based activities, including research, development and manufacturing. As part of this system, the laboratories are audited routinely. A recent MHRA GMP inspection of the Company identified no major or critical issues.

EXTERNAL RELATIONSHIPS

Our external stakeholders include suppliers, advisors, shareholders, patients, healthcare professionals, partners and licensees. These relationships are a fundamental aspect of our business activities. We are committed to interacting with these third parties in an ethical manner, and to ensuring that the relationships are maintained at a professional and appropriate level. Our internal procedures for dealing with third parties are reviewed annually by the Company's external auditors.

We have a policy for the management of clinical trials to ensure compliance with appropriate guidelines and legislation. Our websites (www.oxfordbiomedica.co.uk and www.trovax.co.uk) provide information on our ongoing clinical trials, and include contact details for the centres involved, and details of clinical results and scientific publications that relate to our products and technologies. We also list our US-based trials on a US government-sponsored website

(www.clinicaltrials.gov) that provides information about federally and privately supported clinical research in human volunteers.

The Chief Executive and Executive Directors have primary responsibility for communication with shareholders and related stakeholders. We also use the services of external financial and corporate communications agencies. The website includes news announcements and financial and share-related information. We use web-cast facilities to provide broad access to relevant presentations such as analyst briefings and investor conferences. We aim to disseminate information in a timely, reliable and comprehensive fashion, and comply with the rules and guidelines of the UK Listing Authority for a company on the Official List in relation to the release of price-sensitive news and other disclosures.

ENVIRONMENT

We are committed to the protection of the environment. We regularly review our environmental policy, objectives and guidelines, which range from water and electricity consumption to recycling and waste management. In 2008, we plan to support an initiative by The Oxford Science Park to gain ISO14001 certification. ISO14001 is an internationally accepted standard that specifies the requirements for an organisation's Environmental Management System. It sets requirements for environmental policy, implementation and operation, checking and corrective action, and management review. Again, given its importance to the Company, environmental issues are represented at Board level.

We have updated our travel policy with the aim of reducing our travel-related carbon footprint. Under the revised policy, employees are encouraged to use public transport rather than their own vehicle and, where reasonably practicable, to use web-casts and video conferencing rather than travelling to external meetings.

In terms of recycling, we currently recycle the majority of our cardboard and over 75% of our office paper. In 2007, we recycled approximately five tonnes of cardboard and five tonnes of office paper. In 2008, we aim to quantify the amount of cans and plastic bottles recycled as part of The Oxford Science Park's initiative for ISO14001 certification. In terms of electricity usage, our policy encourages employees to turn off all non-essential equipment at the end of each working day.

We comply with all current regulations in our processing of laboratory waste, which includes the decontamination of all biological material on site to prevent accidental release into the environment. We use qualified licensed contractors for the collection and disposal of chemical and radioactive waste and decontaminated biological materials. No laboratory waste goes to landfill sites.

In summary, we regularly review and update our practices with the aim of reducing the Company's environmental impact. We adhere to published guidelines for best practice, including those published by the UK Government's Department for Environment, Food and Rural Affairs.

COMMUNITY

We recognise our responsibility to and the benefits from supporting and participating in both the local and wider communities.

We work closely with several charitable and disease-specific patient organisations that are relevant to our development programmes. We use local suppliers, where practical, for maintenance, repairs and other services. We are an active member of the tenants' forum of The Oxford Science Park, and employees participate in social and leisure activities within The Oxford Science Park and the local community.

