

**Intercept Pharma Europe Limited**  
**Section 172(1) Statement**  
**For the financial year ending 31 December 2019**

*This Section 172(1) Statement has been prepared in accordance with the requirements of The Companies (Miscellaneous Reporting) Regulations 2018, which require Intercept Pharma Europe Limited (“IPEL”) to describe how its Board of Directors (the “Board”) have had regard to the matters set out in Section 172 of the Companies Act 2006 during financial year ending 31 December 2019.*

Intercept Pharmaceuticals, Inc. (“Intercept”) is a biopharmaceutical company focused on the development and commercialisation of novel therapeutics to treat non-viral, progressive liver diseases with high unmet medical need. IPEL is a private company incorporated on 18 September 2014 and is a wholly owned subsidiary of Intercept.

Section 172(1) of the Companies Act 2006 requires the Board to act in a way that they consider, in good faith, would be most likely to promote the success of IPEL for the benefit of our members as a whole, and in doing so have regard (amongst other matters), to:

- 1. The likely consequences of any decisions in the long term;*
- 2. The interests of the company’s employees;*
- 3. The need to foster the company’s business relationships with suppliers, customers and others;*
- 4. The impact of the company’s operations on the community and environment;*
- 5. The desirability of the company maintaining a reputation for high standards of business conduct; and*
- 6. The need to act fairly as between members of the company.*

**Compliance with Section 172 of the Companies Act 2006**

- When executing IPEL’s strategy and making decisions, the Board act in a way that they consider, in good faith, is most likely to promote the success of IPEL for the benefit of our members, whilst also considering the broad range of stakeholders impacted by our business.
- The Board considers IPEL’s key stakeholders to be our workforce, patients, healthcare providers, healthcare professionals, regulators and industry associations, payers, suppliers and distributors and the local community within which we operate. The Board takes seriously the needs, concerns and views of these stakeholders in setting and implementing compliant strategy. By considering Intercept’s Core Values (as more particularly detailed below) and focusing on our strategic priorities, the Board aims to ensure that every decision made is consistent and to promote IPEL’s success in the long-term.
- As appropriate, the Board delegates authority for the day-to-day management of IPEL’s business and stakeholder engagement to relevant functions and committees across our ex-US operations and regularly engages management in setting, approving and overseeing the execution of business strategy and reviewing key risks, stakeholder-related matters, governance, compliance and legal matters.
- The Board receives regular reports on a number of IPEL matters including financial and operational performance, sales and marketing and new business developments. During 2019, the Board met 5 times.

- The Board considers that this statement focuses on those risks and opportunities that were of strategic importance to IPEL consistent with the size and complexity of Intercept and its affiliates overall.

#### **The likely consequences of any decisions in the long term**

- Throughout 2019, Intercept, through its affiliates including IPEL, continued to expand access to our approved product to eligible patients for the treatment of primary biliary cholangitis (PBC) by increasing penetration in markets where approval has been granted and continued to pursue regulatory approval in those markets where approval has not yet been granted. *Please refer to pages 3 and 4 of our Strategic Report for the year ended 31 December 2019 in this regard.*
- Intercept, through its affiliates including IPEL, continues to develop its licensed product and other product candidates, alone or in combination, for non-viral liver diseases. We intend to expand our portfolio of clinical and preclinical product candidates by leveraging our and our collaborators' expertise in bile acid chemistry and opportunistically pursuing business development transactions. In December 2019, Intercept submitted the first Marketing Authorization Application (MAA) to the European Medicines Agency (EMA) seeking conditional approval of a product candidate for the treatment of liver fibrosis due to nonalcoholic steatohepatitis (NASH). *Please refer to pages 2 ("Business Review") of our Strategic Report for the year ended 31 December 2019 in this regard.*
- During the course of 2019, Intercept, through its affiliates including IPEL, undertook a number of "Brexit"-related contingency planning initiatives leading up to the United Kingdom's departure from the European Union (effective 31 January 2020). The full potential of financial, legal, regulatory and other implications of Brexit remain uncertain and the Board recognises that uncertainties may persist well beyond the end of the Brexit transition period on December 31, 2020. *Please refer to page 4 of our Strategic Report for the year ended 31 December 2019 in this regard.*

#### **The interests of the company's employees**

- Our employees are kept informed of performance and strategy through regular presentations and updates from members of the Board including periodic International (ex-US) "All Hands" meetings.
- With the aim of continual improvement, IPEL ran a survey in Q4 2019 to capture key feedback from across our ex-US region on (i) engagement with customers; (ii) internal operations; and (iii) adoption of values. Progress was tracked against the results of a similar survey in 2018 to review levels of employee engagement and the results were shared with our employees to identify key areas for improvement. The results have reassured the Board that IPEL's direction (and that of its affiliate companies operating in the ex-US region) is aligned to the values and priorities of this key stakeholder group.
- Intercept's *Compliance & Ethics Hotline* provides a way for employees, including employees of IPEL, to report a concern or violation or get information or advice. Reports to this hotline may be made anonymously and are kept confidential to the extent permitted by local law. The Board recognises that the continued success of Intercept and its affiliates depends on the open communication of concerns by directors, officers and employees without fear of retaliation.
- With a focus on personal development, IPEL continued its "goFluent language programme" in 2019 and offered an expanded language syllabus and provided an opportunity for employees across Intercept's ex-US operations to further develop their English Language skills or consider another Foreign Language to further support and strengthen our business relationships and interactions.

#### **The need to foster the company's business relationships with suppliers, customers and others**

- The Board seeks to balance the benefits of maintaining strong partnering relationships with our key suppliers and distributors alongside the need to obtain the desired quality and service levels for our

customers. This includes various training initiatives conducted throughout 2019 and robust contracting processes supported by a centralised contract management system.

- In early 2019, Intercept, through its affiliates including IPEL, implemented a centralised vendor management and onboarding process and technology in order to increase the efficiency of obtaining vendor information with a centralised information base, identify and manage vendor risk as well as increase monitoring of vendor performance. This process covers multiple lines of vendor due diligence including but not limited to Anti-Slavery, Anti-Corruption, Anti-Bribery, Compliance, Quality Assurance, Data Privacy and Information Technology.

#### **The impact of the company's operations on the community and environment**

- In August 2019, IPEL's *InterSocial* team worked with Kings Cross Estates (KCES) to install a clothing donation house for Shelter UK at our London Offices in August 2019, and teamed up again with KCES and Shelter UK in December 2019 to run a clothing drive to support the homeless and families living in inadequate accommodation at Christmas.
- IPEL continued to work with the KCES Sustainability Team throughout 2019 and introduced a number of recycling initiatives for IPEL's business and workforce. In 2019 IPEL signed up to a Memorandum of Understanding to actively promote KCES recycling initiatives including the removal of single-use plastics (including straws, plastic cutlery and single-use sachets) from IPEL's office premises.
- In 2019, IPEL participated in "Earth Day" – a business initiative to shut off heating, cooling, lighting and ancillary power at IPEL's offices for one whole day (where practically possible) – to raise awareness of the need to conserve energy and the positive impact this can have on the environment.
- In May 2019, IPEL opened its *2019 Practice to Policy® Health Awards Programme: Europe and Canada*. This Programme is designed to provide financial support to healthcare organisation and/or patient organisation initiatives that aim to improve health outcomes for people living with PBC and help foster the adoption of innovation in the PBC community.
- Details of all other support provided to patient organisations based in the UK (and in other regions forming Intercept's ex-US operations (as required by industry code or law)) during 2019 is published on [www.interceptpharma.com](http://www.interceptpharma.com). Support is provided to patient organisations where it is clear that the objective of any initiative will benefit patient care and follows a strict internal approval process.

#### **The desirability of the company maintaining a reputation for high standards of business conduct**

- IPEL's purpose and strategy is underpinned by Intercept's framework of Core Values representing the behaviours and standards we expect from our own employees. We look to be collaborative, stay stakeholder and patient centric, work passionately, innovate every day, strive for excellence, and embody integrity. IPEL's annual performance review process in 2019 focused equally on the achievement of business objectives and behaviors that align with these Core Values.
- Intercept is committed to sound corporate governance principles, practices, and policies (<https://www.interceptpharma.com/corporate-compliance/>). Intercept's Global Code of Business Conduct (the "Code") continued to apply to IPEL during 2019 and outlines expectations for employees to conduct business with integrity and sets forth the common vision of integrity for all Intercept directors, officers and employees in all key areas including contracts and payments, maintenance of corporate books, records and accounts, conflicts of interest, environmental responsibility and interactions with healthcare professionals. New and existing employees were periodically required to review the Code over the course of 2019 and complete required training.
- IPEL launched its *Supplier & Distributor Code of Conduct* across Europe in May 2019 which sets out Intercept's high standards and expectations when it comes to business conduct. This Code of Conduct

underscores Intercept's commitment to ensuring that IPEL only partners with suppliers and distributors sharing Intercept's vision for adopting and maintaining responsible and sustainable business practices. IPEL's key suppliers and distributors in Europe have received this *Code of Conduct* and it is now incorporated into the terms of IPEL's standard vendor agreements used across our European region.

- In November 2019, IPEL published a *Modern Slavery Act Statement* for financial year ended 31 December 2018 in response to the requirements of Section 54 of the Modern Slavery Act 2015. This statement outlines IPEL's policies and efforts to mitigate the risks of slavery and human trafficking throughout IPEL's business and supply chain (<https://www.interceptpharma.com/our-story/locations/uk/>).
- IPEL remains a full member of The Association of the British Pharmaceutical Industry (ABPI) and the Ethical Medicines Industry Group (EMIG).

#### **The need to act fairly as between members of the company**

- IPEL has only one member and therefore no specific report is provided on the obligation to act fairly between members.

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*On the basis of the above statement, the Board considers, both individually and together, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken during the financial year ended 31 December 2019.*