Governance

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25 ANNIVERSARY
Dechra Pharmaceuticals PLC

Letter from the Chair on Governance

// This year marks Dechra's 25th anniversary. Our Values, our Culture, people, and strategy have established Dechra as one of the leading and fastest growing global animal health companies in the world."

Alison Platt

Dear Shareholder

On behalf of the Board, I am pleased to present Dechra's Governance report for the year ended 30 June 2022. This is my first report on behalf of the Board, following my appointment as Chair on 1 January 2022.

Board Appointments

There have been a number of Board changes in the 2022 financial year. In September 2021, the Company announced that Tony Rice, who had been Chair for five years, wished to retire from the Board to devote more time to family and other business and charitable activities. Tony retired on 31 December 2021.

Denise Goode decided to tender her resignation, in November 2021, due to other commitments, and the Board agreed that Julian Heslop should resume the role of Audit Committee Chair whilst a successor was appointed. After an extensive search, John Shipsey was appointed as a Non-Executive Director on 1 June 2022. He brings a wealth of financial and commercial experience to the business following his recent tenure as Chief Financial Officer at FTSE100 Smiths Group PLC and a number of senior finance and strategy roles over the last 20 years. We announced in May 2022 that John would replace Julian Heslop as Audit Committee Chair on 1 September 2022, at which point Julian was subsequently asked by the Committee to sign the Audit Committee Report for the financial year ended 30 June 2022, and has, therefore, agreed to defer his retirement to 5 September 2022.

As communicated in previous Committee reports, the Remuneration Committee Chair (and previously the Senior Independent Non-Executive Director), Ishbel Macpherson, will be retiring in the 2023 financial year. Cognisant of the Parker Review requirements and the new listing requirements regarding diversity targets, the Committee has retained a recruitment consultant who specialises in diverse recruitment to find our new Chair of Remuneration. Following my appointment as Chair, Lawson Macartney took over the role of Senior Independent Director earlier this year.

Purpose and Culture

Our Purpose is clearly defined and underpinned by our Culture and Values. Further details can be found on pages 10, 54 and 55, and 93. Our Values, entrepreneurial attitude and agile approach are the backbone of our Culture. We expect our people to make a difference by working together, and we support them by providing clear guidance on expectations.

This year marks Dechra's 25th anniversary. Our Values, our Culture, people, and strategy have established Dechra as one of the leading and fastest growing global animal health companies in the world and it was a privilege to meet the 100 colleagues who attended the Global Team Meeting in Cheshire recently to celebrate this milestone.

During the year, the Board attended its first site visit in over two years at our site in Uldum, Denmark. Whilst the COVID-19 pandemic restricted our ability to travel, the Board made good use of technology to stay connected to colleagues around the Dechra network.

Throughout the year, we have routinely reviewed the policies which support and enable our Values. Core to this is our Code of Conduct, which includes a set of simple one page policy documents. A Code of Conduct e-learning course was rolled out globally in January 2022. The Board approved the launch of a third party confidential hotline, which went live globally in April 2022, and is available to both employees and Dechra's third parties. Reports can be submitted through an online portal, which is available in 46 languages, or via a hotline, which is manned twenty-four hours a day and is supported in 170 languages.

Stakeholders and Section 172 of the Companies Act

The impact of our decisions on our key stakeholders is front of mind in our decision making. Details of how we consider stakeholders in the Board's decisions and approvals of material transactions, our engagement with stakeholders and our approach to section 172 of the Companies Act 2006 can be found on pages 52 to 63 and 96 to 98.

Board Activities

The current financial year has seen our continued focus on both strengthening the core operations and growing the business. We approved important investments in manufacturing enabling greater resilience and reducing reliance on third party suppliers. We secured the worldwide rights to verdinexor, a novel treatment of all forms and stages of canine lymphoma in dogs.

To achieve the Group's aim of ensuring diversified sources of funding and to extend the Group's debt maturity profile, the Board approved a private placing of EUR50 million seven year and EUR100 million ten year new senior unsecured notes, which was signed post year end on 14 July 2022. All proceeds from the placement were used to repay existing debt on the Group's Revolving Credit Facility.

Post year end, we also approved a placing of 5,247,813 new ordinary shares and a retail offer of 116,870 new ordinary shares. In aggregate, the placing shares and the retail offer shares represented approximately 4.95% of the Company's existing issued share capital, raising gross proceeds of £184.0 million for the Company. The proceeds were used to fund the acquisition of Piedmont Animal Health, Inc. a research and development business with an active product pipeline in North Carolina, USA, and will also provide balance sheet flexibility to execute on an active acquisition pipeline. Piedmont specialises in developing novel and differentiated products for the companion animal market and has a strong development track record.

Compliance with the Code

The UK Corporate Governance Code 2018 (the Code) establishes the principles of good governance for companies; this Governance section of the 2022 Annual Report describes how the Company has applied these principles and complied with the provisions, as well as how it meets other relevant requirements, such as the provisions of the Listing Rules and Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority.

In the opinion of the Directors, the Company has complied with the Code throughout the period, with the exception of provision 38 of the Code ,which relates to the alignment of executive directors' pension contributions to those of the wider UK workforce. This has now been achieved as from 1 July 2022, two of our Executive Directors' pension contributions were at 8%, which matches the minimum offered to our UK workforce. Tony Griffin's pension contribution is at 7.7%, which is aligned with the Dutch workforce contribution.

The Board remains committed to maintaining high standards of corporate governance. The Code can be found at www.frc.org.uk.

Relations with Shareholders

The Annual General Meeting will be held in Northwich on 20 October 2022 (the Meeting). All members of the Board are scheduled to attend the Meeting and the Chair of the Audit, Remuneration and Nomination Committees will be available to answer shareholders' questions at the Meeting.

Looking Forward

Finally, should you have any questions in relation to this report, please feel free to contact me or the Company Secretary.

Alison Platt
Non-Executive Chair
5 September 2022

Board Leadership and Company Purpose

The Board recognises that excellence in corporate governance is important in order to generate and protect value for our investors. Our governance structure is designed to maintain effective control and oversight of our business, whilst at the same time promoting the entrepreneurial spirit that has underpinned Dechra's success to date. Details in relation to our prudent and effective controls can be found on page 92, stakeholder engagement on pages 96 to 98 and Culture, Purpose and Values on page 93.

Division of Responsibility

We have a strong and balanced Board with a range of complementary skills to support the strategic and operational direction of the Group. The Senior Executive Team (SET) has the responsibility for the overall leadership of the Group, driving the successful implementation and execution of the strategy.

Composition, Succession and Evaluation

The report from our Nomination Committee on pages 107 to 116 sets out the appointment process, its approach to succession for appointments to the Board and SET, the implementation and progress of the Group's diversity policy. Details in relation to our succession planning and the external Board evaluation can be found on pages 107, 114 and 115.

Audit, Risk and Internal Control

The report from our Audit Committee on pages 117 to 124 contains details on how it has assisted the Board in reviewing the financial reporting and internal financial control effectiveness, and the monitoring of the effectiveness of the external audit process and internal audit function. Further details in respect of the Group's risk management and internal control processes are provided on pages 75 to 80 of the Strategic Report, along with the principal risks, controls and mitigating actions, and emerging risks.

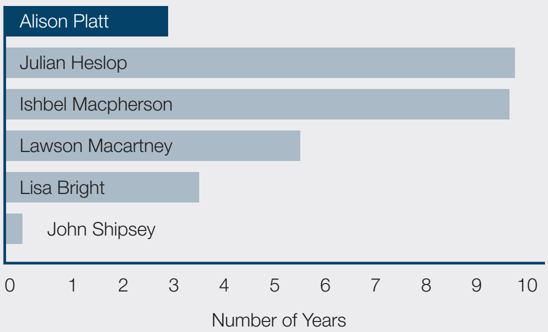
Remuneration

Our Remuneration Policy is designed to promote the long term success of the Group and to reward the creation of long term value for shareholders. The Remuneration Committee has taken into account the pay and principles applied to the wider workforce and the culture of the Company when setting the remuneration of both the Executive Directors and the SET. Further details can be found on pages 128 and 129. During the year, we have undertaken a shareholder consultation on the remuneration of our Executive Directors.

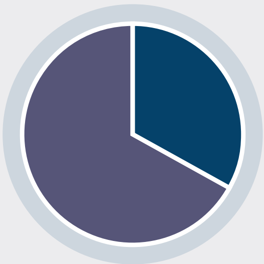
Governance at a Glance

Our Board

Non-Executive Directors' Tenure as at 30 June 2022

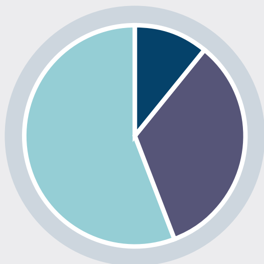


Gender Diversity



●	Female	**33.3% (3)**
●	Male	**66.7% (6)**

Board Independence



●	Non-Executive Chair	**11.1% (1)**
●	Executive Directors	**33.3% (3)**
●	Non-Executive Directors	**55.6% (5)**

Skills and Experience

	Skills			Leadership			
Name	Industry Experience	Knowledge of Sector	Understanding of Regulatory Process (Pharma)	Strategic Thinking	Governance	Risk Management	Financial
Ian Page	●	●	●	●	●	●	●
Paul Sandland	●	●	●	●	●	●	●
Tony Griffin	●	●	●	●	●	●	●
Alison Platt	●			●	●	●	●
Julian Heslop	●	●	●	●	●	●	●
Ishbel Macpherson	●	●		●	●	●	●
Lawson Macartney	●	●	●	●	●	●	
Lisa Bright	●	●	●	●	●	●	
John Shipsey	●			●	●	●	●

Board and Committee Attendance

The Board is scheduled to meet seven times a year, the Remuneration and Audit Committees four times a year and the Nomination Committee three times a year. The June 2022 meetings were rescheduled to July 2022 to coincide with the Global Team Meeting. All meetings up to and including these dates, 12 and 13 July 2022, have been included in this table.

	Board	Audit	Remuneration	Nomination
Alison Platt Ω	10 10	2 2	6 6	4 5
Ian Page	10 10	N/A	N/A	N/A
Tony Griffin	10 10	N/A	N/A	N/A
Paul Sandland	10 10	N/A	N/A	N/A
Lisa Bright	10 10	4 4	6 6	5 5
Julian Heslop¶	9 10	4 4	5 6	5 5
Lawson Macartney	10 10	4 4	6 6	5 5
Ishbel Macpherson	10 10	4 4	6 6	5 5
John Shipsey*	4 4	N/A	1 1	1 1
Tony Rice†	3 3	N/A	3 3	2 2
Denise Goode‡	2 2	1 1	2 2	1 1

Key
● Number of meetings attended
○ Number of meetings

† Tony Rice attended all meetings until his retirement.

‡ Denise Goode attended all meetings until her resignation.

* John Shipsey attended all meetings since his appointment.

Ω Alison Platt did not attend one Nomination Committee meeting as the meeting had been convened solely to discuss the candidates for the role of Chair. Alison attended all Audit Committee meetings prior to her appointment as Chair.

¶ Julian Heslop was unable to attend an adhoc Board meeting due to a prior commitment; however, he provided the Board with his comments and questions on the subject matter under discussion. He was also unable to attend one adhoc Remuneration Committee due to a prior commitment.

Board of Directors

Executive Directors

IAN PAGE
Chief Executive Officer

Appointed:
June 1997

Committee Membership:
Disclosure (Chairman).

Skills and Experience:
Ian has gained detailed knowledge and experience through various positions he has held within the pharmaceutical and veterinary arena. He has a solid understanding of business development both in the UK and globally. In particular, he has extensive experience in M&A and in the successful delivery of strategic plans.

Ian has played a key role in the development of the Group's growth strategy.

External Appointments:
None.

Pets:

PAUL SANDLAND
Chief Financial Officer

Appointed:
October 2019

Committee Membership:
Disclosure.

Skills and Experience:
Paul qualified as a Chartered Certified Accountant in 2005. He spent five years post qualification at KPMG, during which time he was part of the team which advised the Group on its acquisition of VetXX in 2008.

Paul joined Dechra in January 2010 and has worked both in Corporate as Group Financial Controller and in our sales and marketing organisation as the Group's Dechra Veterinary Products EU Finance Director. Paul is the Board nominated Director responsible for health, safety and environmental matters.

External Appointments:
None.

Pets:

TONY GRIFFIN
Managing Director, Dechra Veterinary Products EU

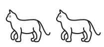
Appointed:
November 2012

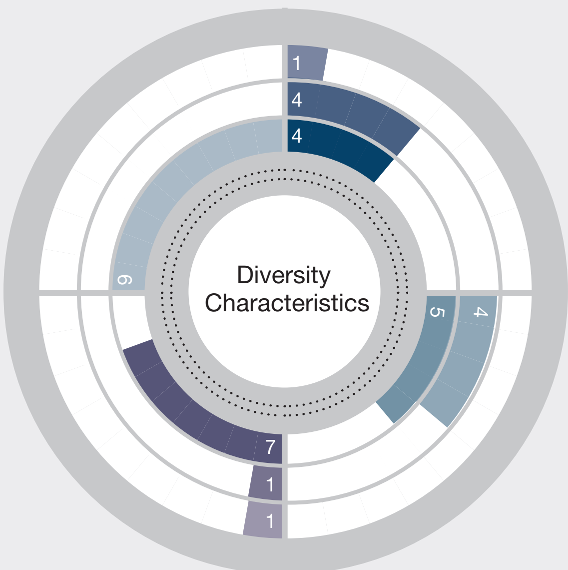
Committee Membership:
Not applicable.

Skills and Experience:
Tony has over 30 years' experience in the animal health business and has substantial international experience as a result of living and working outside the UK since 1993. He gained broad experience of running an international animal health business with teams in different European countries as Chief Executive Officer of the AUV Group.

External Appointments:
None.

Pets:





Age	
41–50	**1**
51–60	**4**
61–70	**4**
Education	
Vocational	**4**
University	**5**
Country of Residence	
USA	**1**
Netherlands	**1**
UK	**7**
Ethnicity	
White (all backgrounds)	**9**

For further information on the Board of Directors, please see **www.dechra.com**

Non-Executive Chair

ALISON PLATT

Non-Executive Chairman

Appointed:
May 2020

Committee Membership:
Nomination (Chair) and Remuneration

Skills and Experience:
Alison has extensive international and leadership experience in customer-driven organisations in the healthcare, insurance and property sectors.

Alison was awarded a CMG for services to the Foreign Office in 2011 after six years on the FCO Board.

External Appointments:
Alison is a Non-Executive Director at Tesco PLC, Chair of Legal & General Financial Advice and member of the Hampton-Alexander Review steering group.

Pets: None.

Non-Executive Directors

ISHBEL MACPHERSON

Non-Executive Director

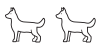
Appointed:
February 2013

Committee Membership:
Audit, Nomination, Remuneration (Chair).

Skills and Experience:
Ishbel has a broad range of PLC Board experience in a variety of roles, including Chair, Audit Committee and Remuneration Committee Chair. She has knowledge and understanding of City matters gained over 20 years' experience as an investment banker, specialising in UK mid-market corporate finance.

External Appointments:
None.

Pets:



JULIAN HESLOP

Non-Executive Director

Appointed:
January 2013

Committee Membership:
Audit (Chair), Nomination, Remuneration.

Skills and Experience:
Julian has considerable financial experience as a result of the senior finance roles he has held in the pharmaceutical, food, property and brewing sectors.

He is a Fellow of the Institute of Chartered Accountants in England and Wales.

External Appointments:
None.

Pets:

DR LAWSON MACARTNEY

Senior Independent Non-Executive Director

Appointed:
December 2016

Committee Membership:
Audit, Nomination and Remuneration.

Skills and Experience:
Lawson is a veterinarian, with over 30 years' experience in a range of senior roles in pharmaceutical R&D, sales and marketing, as well as spending several years in veterinary practices.

External Appointments:
He is the Chair of Viking Therapeutics Inc. as well as the Chair of the Nomination and Corporate Governance Committees.

Pets:

LISA BRIGHT

Designated Non-Executive Director for Employee Engagement

Appointed:
February 2019

Committee Membership:
Audit, Nomination and Remuneration.

Skills and Experience:
Lisa has strategic and operational leadership experience in global market leading pharmaceutical and emerging biotech companies gained over her 30 year career in the industry.

External Appointments:
Lisa is also a Non-Executive Director at Ascendis Pharma A/S, a Danish listed company.

Pets:

JOHN SHIPSEY

Non-Executive Director

Appointed:
June 2022

Committee Membership:
Audit, Nomination and Remuneration.

Skills and Experience:
John has considerable financial and commercial experience as a result of senior financial roles he has held in engineering, technology and beverage sectors over the last 20 years. He also has valuable experience leading innovative, high growth international companies.

John is a Chartered Accountant and has an MBA from INSEAD.

External Appointments
None.

Pets:

Senior Executive Team

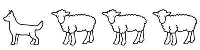
The Senior Executive Team (SET) was established in 2013 to lead the development and implementation of the business strategy. The SET is led by the Chief Executive Officer and is comprised of the three Executive Directors and the Business Directors responsible for leading each of the Group's key functions. The SET is scheduled to meet formally four times a year to discuss the implementation of the strategy, share best practice and provide updates on their business or function as well as sharing market trends which impact the business.

GILES COLEY
Dechra Veterinary Products International Group Director

Background:
Giles joined Dechra in January 1999 as sales and marketing manager for Arnolds Veterinary Products, having previously spent 14 years primarily involved in dairy farming business consultancy. During his time at Dechra he has been responsible for the launch and market development of our leading brand Vetoryl, as well as a number of our other key brands. Giles has also been an integral member of the teams that ensured fast and smooth integrations of several of our acquisitions, and in particular as lead in the integration of Apex in 2016 and Venco in 2019.

In his role of Dechra Veterinary Products International Group Director, his responsibilities are extremely varied and involve managing and growing our existing business through ANZ and South American business and distribution partners, as well as further developing our Dechra International strategy through product registrations and market development. Giles has a BSc degree in Agricultural Technology. He is located in Sansaw, UK.

Pets:



MIKE ELDRED
President North America

Background:
Mike joined Dechra in 2004 and is responsible for Dechra Veterinary Products' North American business. Mike has more than 20 years' experience in the animal health sector, having held senior positions in business development, sales and operations at Virbac Corporation, Fort Dodge Animal Health and Sanofi Animal Health.

As our first employee in the USA, he has built the USA, Mexican and Canadian teams to 414 people. Mike has also been involved in several commercial agreements and acquisitions for the Group including Pharmaderm, DermaPet, Phycox Animal Health and Putney. Mike has a BA in Business, and an MBA. He is located in Kansas, USA.

Pets:

KATY CLOUGH
Group HR Director

Background:
Katy joined Dechra in April 2014 from AppSense Ltd where she was the Vice President of HR Europe and Rest of the World. With over 15 years' experience operating at Director level within Software, Health, Travel and Finance industries, Katy brings with her a wealth of HR expertise gained in both blue chip corporates and smaller entrepreneurial companies.

She has strong international, leadership and M&A experience and has taken responsibility for driving the global people agenda for the Dechra Group. She is located at Head Office, Northwich, UK.

Pets:

Senior Executive Team

MELANIE HALL
Company Secretary

Committee Membership:
Disclosure.

Background:
Melanie joined Dechra in January 2010 as the Assistant Company Secretary, and was promoted to Deputy Company Secretary in May 2015, and Company Secretary in July 2017. Prior to joining Dechra, she has gained over 25 years' experience in various company secretarial roles including at GKN plc, TRW Automotive Inc and Pendragon PLC. Melanie is a Fellow of the Chartered Governance Institute.

Melanie is responsible for the Company Secretarial and Legal team.

She is located in Northwich, UK.

Pets:

MILTON MCCANN
Group Manufacturing and Supply Director

Background:
Milton was appointed as Group Manufacturing & Supply Director on 1 April 2021, following 11 months as Interim Group Manufacturing & Supply Director. He joined Dechra in January 2016 as Group Manufacturing Finance Director. In February 2019, he was the Interim Site Director at our Skipton Facility until being appointed as Group Supply Chain and Procurement Director, Dechra Pharmaceuticals Manufacturing & Supply in October 2019.

Before joining Dechra, Milton had senior financial roles in different manufacturing industries including coatings, adhesives and chemicals. Just prior to joining Dechra he worked for Aramark in the food and facilities services sector.

Milton is responsible for our internal and external manufacturing sites in Europe and the USA.

He is located in Northwich, UK.

Pets:
None.

PATRICK MEEUS
Group Scientific Officer

Background:
Patrick joined Dechra in July 2022, and has over 30 years' experience in animal health covering vaccine, small molecule and diagnostics product development across all animal species, large and small. He also brings substantial international experience having lived and worked in academia and industry on four different continents. Prior to moving into industry, he spent time doing research and teaching at the University of Zambia, the Tropical Institute of Antwerp (Belgium) and the University of Florida (USA). In 2004 Patrick joined Pfizer Animal Health, now Zoetis, where he led a wide range of teams, projects and strategic initiatives from early discovery through product development and launch. He also led regional R&D hubs in Latin America and APAC for Zoetis, before joining Elanco in 2018 as the Senior/Executive Director of Companion Animal Product Development.

Patrick has a Veterinary Degree from the University of Gent (Belgium), a PhD in Infectious Diseases from the University of Florida (USA) and was a founding Diplomate of both the European Veterinary Parasitology College and the American College of Veterinary Microbiologist-Parasitology.

Patrick is currently based in Basel, Switzerland within close proximity of Dechra's UK and Netherlands teams.

Pets:

Board Leadership and Company Purpose

Board Leadership and Company Purpose

Effective and Entrepreneurial Board

The Board's primary responsibility is to promote the long term success of the Company by the creation and delivery of sustainable shareholder value.

Our Board is composed of highly skilled professionals who bring a range of skills, perspectives and corporate experience to our boardroom. Our entrepreneurial roots have led us to evolving an agile approach to the way we do things.

The Board oversees the effective delivery of the Group's strategy as set out on pages 26 to 29 of the Strategic Report. Dechra has consistently delivered on its strategic objectives resulting in a strong track record of growth as can be illustrated by the dividend growth on page 62, underlying diluted earnings per share growth on page 50 and our Total Shareholder Return performance on page 141.

Strategy

The Group's strategy remains unchanged and is set out on pages 26 to 27 of the Strategic Report. The key factors supporting the Group's prospects are explained throughout the Annual Report and are summarised below:

- a clear strategic focus;
- a growing global animal health market;
- a clear portfolio focus with strong market positions in a number of key therapeutic areas;
- a strong development pipeline and a track record of pipeline delivery;
- manufacturing flexibility, with a wide range of dosage forms, small and large scale production batches;
- an entrepreneurial and experienced management team;
- a recognised brand with a strong reputation for providing high quality products with technical support;
- an expanding international focus;
- talented people and expertise; and
- a sound track record of successful acquisitions to expand our product portfolio and geographic reach.

The Board believes that the Group is resilient due to its diversified product portfolio, its geographic footprint, strong balance sheet, healthy cash generation and access to external financing, which includes committed facilities.

KPIs have been designed to measure progress and delivery of the strategic plan and our four growth drivers. Further details are provided on pages 50 and 51.

Strategy Day

The Strategy Day held in November 2021 provided an opportunity to update the Board on emerging trends in the animal health sector and across the markets in which we operate. It created the space for the Senior Executive Team (SET) to share the challenges and opportunities they see in their business and enabled the Board to contribute their experience and perspectives. The first session of the day saw an update on the Group's Sustainability strategy, which was presented by the Group Sustainability Director and allowed the Board to consider their role in supporting Dechra's Sustainability programme, 'Making a Difference'.

The context for the day was provided by the Chief Financial Officer sharing the five year financial plan and ambitions and updating the Board on the Group's financial and economic performance to date.

There were four strategy sessions which covered:

- Geographical Expansion: the next steps;
- Pipeline: a brief overview and vaccines strategy;
- Future of veterinary distribution; and
- Future of the Veterinary Practices.

Guest speakers, one of which was from a UK wholesaler and the other from an EU Buying Group, contributed to the latter two sessions. These presentations provided evidence of the good relationships Dechra has with our key stakeholders and both presentations were insightful, enabling the Board to have a better understanding of the routes to market and the consolidation of the market.

This session was followed by a debate at the Board meeting in December, which included high level discussions to challenge whether the strategy remains fit for purpose and responsive enough to the market and environment. The five year plan was approved and the Board deemed that the strategy remains fit for purpose.

Prudent and Effective Controls

Internal Controls and Risks

The Board retains overall responsibility for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Board is responsible for reviewing the effectiveness of the Group's risk management and internal control systems, and confirms that:

- there is an ongoing process for identifying, assessing, managing and monitoring the Group's principal risks;
- the SET's assessment of the principal risks is considered to be robust and those risks that have the potential to impact liquidity have been considered in the assessment of the Group's viability;
- the principal risks and internal control processes have been monitored by the SET throughout the year and reviewed by the Board on a rolling programme throughout the year; and
- no significant failings or weaknesses in internal control processes have been identified.

Based on its review throughout the year, the Board is satisfied that the risk management and internal control systems in place remain effective and provide reasonable, but not absolute, assurance that the Group will be successful in delivering its objectives.

Further information on internal control and risk management can be found in the Governance Report on page 122 and the Strategic Report on pages 75 to 80.

Matters Reserved for the Board

There is a formal schedule of matters reserved for the Board. The schedule of matters covers a number of areas including strategy, approval of acquisitions and business development proposals, dividend policy, budget, internal controls and risk management and Group policies. The schedule of matters can be found on our website.

The schedule of matters is reviewed periodically and was last reviewed in December 2021 along with the Delegation of Authority Policy. The Delegation of Authority Policy defines who is authorised to make decisions on behalf of the Group and their authority limits for both monetary and non-monetary decisions.

Culture

Our Values, entrepreneurial attitude and agile approach to the way we do things are the backbone of our Culture. We expect our people to make a difference by collaborating with each other and support them by providing clear guidance on expectations.

Our Purpose

The sustainable improvement of animal health and welfare globally

Our Values

Everything we do is underpinned by our Values

Dedication
We are dedicated to delivering products and services that meet the highest level of service and quality to our customers

Enjoyment
We endeavour to create an environment where our people want to come to work and feel a part of Dechra

Courage
We want a business where we dare to challenge each other, where innovation and creativity can flourish

Honesty
We are honest and open in all interactions and act with integrity and fairness

Relationships
We see our customers and suppliers as business partners and thereby work together for common success

Ambition
We are goal oriented and deliver solid results through our energetic and resilient approach

Our Culture Defined

Entrepreneurial & Agile
We move quickly to make decisions and have 'light touch' bureaucracy. We expect accountability and encourage our people to seek out new opportunities to help us grow

Transparent
We are open and honest with our people and our suppliers and customers. We tell it like it is

Collaborative
We know that the best outcomes arise from true team working. We operate in a matrix structure, sharing best practices around the globe and harnessing the power of our different cultures

Enthusiastic/Energetic
We want our people to enjoy coming to work, we are informal and look for people who share our passion for what we do. We love people that want to make a difference

Monitoring Our Culture

No of acquisitions*
7
* Product acquisitions

Lost Time Accidents
6

Employees Engagement
90% of employees completed the survey in 2021, Dechra's trust index has increased to 77% (2018: 67%)

Board Leadership and Company Purpose

How The Board Monitors Culture

Moving Annual Turnover of Employees Retention of employees is an indicator of a positive culture	**Engagement survey** This helps to determine levels of employee engagement on a wide range of matters and provides oversight of the implementation of the Values
Employee engagement with the Board via designated Non-Executive Director Provide an update on employee views and any concerns raised	**Internal Audit Reports** Identifies any actions required in relation to deviations of Values and Culture
Site Visits Provides the Board with direct interaction with the Culture of the Company	**Approval of Group Policies such as Code of Conduct** Enables the Board to monitor that the policies reflect the Values and Culture of the Group
Raise a Concern Reports The How to Raise a Concern procedure encourages any individual who has genuine concerns about any form of malpractice, including any breaches of the Values, within Dechra (or in relation to its business) to report these concerns. Summaries of these are then discussed with the Board, along with the mitigating actions taken as well as updates on the actions taken	**External Culture audit with Great Place to Work for the UK** Provides an external assessment of the Group's Culture **Acquisitions** Provides an indicator of our entrepreneurial Culture
Health and Safety Updates Enables the Board to assess the effectiveness of our safe working practices and behaviours	**OneDechra** All of the Board has access to our intranet, OneDechra, which contains news items posted by our employees on activities and achievements

Case Study:

Denmark Site Visit

In April, we held the Board, Remuneration and Nomination Committee Meetings in Uldum, Denmark. This was the Board's first site visit since the pandemic. Denmark was chosen as the warehouse expansion, which the Board had approved in the 2021 financial year, had been completed (see 2021 Annual Report). This was the first phase of the proposed seven step plan to the warehouse expansion plan and included the building of a new warehouse with an underground cold storage facility. The underground cold storage facility has replaced six refrigerated containers and external facilities. In addition, the capital expenditure of €7.0 million has delivered 1,200 sustainable cold storage pallet spaces in the basement and 6,600 ambient pallet spaces on the ground floor, providing a strategic and cost effective solution to meet our expected storage requirements for five to seven years.

On day one of the visit, the Designated Non-Executive Director for Employee Engagement and the Remuneration Committee Chair met with a group of employees from various departments. This provided the Board an opportunity not only to hear the views of the employees but also to experience the Culture of the organisation. On day two, the Board were taken on a site tour of the new warehouse facility by the EU Logistics Director and the Logistics Manager. This was followed by the opening of the facility by the spouse of the founder of the original business and the local mayor. All employees of the facility were present, which gave the Board further opportunity to engage with the employees.

Case Study:

Global Team Meeting

A Global Team Meeting was held in Knutsford, UK, at which 100 delegates from across the Group attended the three day event, 11 to 13 July 2022. Delegates came from as far afield as Australia and Brazil and represented each of our divisions (Corporate, Product Development, Regulatory Affairs, Manufacturing, DVP EU, DVP NA and DVP International). This provided the delegates an opportunity to share ideas and attend a number of presentations and workshops, which covered subjects such as market developments, sustainability, branding, regulatory and manufacturing updates.

The Board welcomed the opportunity to meet a number of colleagues from Dechra's businesses around the world. The restrictions set by COVID-19 have hampered the Board's ability to meet our people in their own markets; so to be able to meet both formally and informally was extremely rewarding.

Presentations in the Board meeting itself from the North America, International and Product Development teams gave the Board insight to the markets, the competitors and the priorities for the Dechra teams. It afforded the Board the opportunity to learn more and to gain insight into the challenges and opportunities in each area. Having all the team in the room to listen and comment on each other's data was hugely valuable and allowed them to gain an understanding of the unique characteristics at play in the various markets in which we trade.

Supplementing this were two opportunities over evening functions to meet and talk with colleagues in a much more informal setting. The Board were struck by the positive energy and commitment articulated consistently by Dechra people, whether long standing or new to the organisation. It is evident that the Culture at Dechra is a major asset in attracting and retaining high quality professionals and people spoke openly of the empowerment they feel, the ability to operate at pace that this affords and the support they feel from the Group.

Board Leadership and Company Purpose

Key Stakeholders

The Board is responsible, under section 172 of the Companies Act 2006, for promoting the long term success of the Company for the benefit of its shareholders, having regard to its stakeholders.

As disclosed above, our Delegation of Authority Policy outlines who is authorised to make decisions and financial commitments throughout the Group. This also supports our entrepreneurial nature and agile approach. Therefore, a lot of decisions relating to the business and stakeholder engagement are carried out below Board level. However, all material decisions are discussed and approved by the Board and the following provides an outline of some of the matters that the Board considered and engaged with our stakeholders on. The supporting Board papers for these decisions require an assessment on how the key stakeholders are impacted by the proposal. Further details on how the Board and the Group considers key stakeholders can be found on pages 52 to 63.

Shareholders

Principles:

The Board's principal role is to promote the long term success of the Company for the benefit of its shareholders.

How the Board Engages:

Direct:

- The Chair and Senior Independent Director are available to meet shareholders upon request, and all Directors normally meet shareholders at the Annual General Meetings
- The Chair and Senior Independent Director met an analyst group
- The Chair has engaged with institutional shareholders regarding the diversity of the Board
- Where material changes in respect of remuneration or governance are proposed, the Board seeks to consult with its major shareholders before implementing such changes. Post year end, the Remuneration Chair wrote to our major shareholders (approximately 68.8%) with regard to the proposed changes to the Executive bonus percentage and the Chair salary increase, both of which were in line with the Remuneration Policy
- A rolling programme of meetings between institutional shareholders and the Chief Executive Officer and Chief Financial Officer has been running throughout the year (a summary of the main events is on page 62). These meetings seek to foster a mutual understanding of both the Company's and shareholders' objectives

Indirect:

- The Board reviewed and considered feedback, collated by the Company's brokers, after investor roadshows
- Board approval is required for significant announcements
- The Stockbrokers and Financial Advisers attended the January meeting to update the Board on the market and a July 2022 meeting to advise the Board in relation to funding considerations

Influencing Decisions:

- During the year, we have discussed the financing of potential acquisitions and in particular the likely views of shareholders on the acquisition of Piedmont Animal Health, Inc., which increases the research and development spend of the Group. With regards to the financing of Piedmont, we discussed the quantum of the equity placing in light of shareholder views and market conditions

Employees

Principles:

The Board believes that the Group's employees are its greatest asset. Our ongoing objective is to continue to be a high performing business driven by highly skilled and committed teams. A key element of our People Plan is that we want Dechra to be a great and safe place to work.

How the Board Engages:

Direct:

- Site Visit to Uldum, Denmark (see case study on page 94)
- Dinners with Senior Executive Team (SET) in the UK and senior leaders in Denmark
- Chair visited the offices at Sansaw and Northwich and the manufacturing site at Skipton where she attended the senior leaders meeting
- Lisa Bright, the Non-Executive Director designated for employee engagement, attended seven meetings (see Employee Engagement Update)
- 25th Anniversary/Global Team Meeting, which was attended by 100 employees from across the Globe, representing all divisions

Indirect:

- The Group HR Director provided an update to the Board in April 2022 on the Future Facing Leaders programme
- The Board met formally with the SET for business updates
- Twice a year a comprehensive Health and Safety Report is provided to the Board for its review
- Global SAYE was launched in September 2021 with a participation rate of 38.4%
- Lisa Bright, the Non-Executive Director designated for employee engagement, provided three reports to the Board

Influencing Decisions:

- Remuneration payouts for Executive Directors, pension contributions and to be a living wage employer
- Capital investments such as DPM&S ERP system which will require additional employees to resource the project (see case study on page 99)
- Approval of the Global SAYE scheme to increase employee ownership

Customers

Principles:

To innovate, develop, register, manufacture, supply and market high quality products to the veterinary profession worldwide. We provide high levels of service, technical support and educational training to develop a strong relationship with, and be recognised as an important partner to, veterinarians.

How the Board Engages:

Direct:

- Meet UK wholesaler and EU Buying Group at Strategy Day

Indirect:

- Each of the SET members for DVP EU, NA, and International has provided in-depth presentations on their markets, customer requirements and customer consolidation. DVP EU presented a summary of the customer insights research
- Approval of licensing arrangements, which will bring new technologies and products into our pipeline and product portfolios
- The Board reviews the Product Development Pipeline twice a year and the Business Development pipeline at every meeting
- The Board discussed the various initiatives taken by manufacturing to enable products to be delivered more quickly to the market from the product development pipeline
- Two Quality updates were provided, which covered both the internal and external sites
- Feedback on our customer interactions was provided by the Non-Executive Director Designated for Employee Engagement following meetings held with sales representatives and leaders

Influencing Decisions:

- Executive Directors approved the Manufacturing budget, which included additional people resource in Manufacturing and in particular in Quality to enable products to be released in a timely manner
- DPM&S ERP system will improve planning and supply reducing risk around product delivery and reducing the likelihood of delays and backorders

Board Leadership and Company Purpose

Suppliers

Principles:

The Company is committed to acting responsibly and with integrity, respecting the laws and regulations of the countries in which it operates. It expects its suppliers to trade with honesty and integrity.

How the Board Engages:

Direct:

- The Board reviewed and approved the Modern Slavery Statement and Human Rights Policy
- The Audit Committee receives updates on the Anti-Bribery and Anti-Corruption (ABC) risk assessments of third parties, and reviews and approves the ABC policy and Third Party Code of Conduct

Indirect:

- The Group Manufacturing and Supply Director presented to the Board and this included a discussion on the Contract Manufacturing Organisation strategy
- The Board has discussed, as part of the budget approval process, the rising cost of raw materials and energy as well as the Group's strategy with regards to alternative sources of energy

Influencing Decisions:

- The Board approved a CMO contract for the manufacture, testing, release and supply of approximately 80 products, which would maintain the supply of products to customers; maintain one of the key partner relationships by providing clear contract terms; and guarantee supply from a key supply partner to drive the profitability of the business going forward

Community

Principles:

The Board encourages the business units to contribute to the social and economic welfare of the local communities in which they operate. It recognises that by taking voluntary action in this area it is helping to protect and develop its own business.

How the Board Engages:

Direct:

- Executive Directors attend community days

Indirect:

- The Chief Financial Officer provided an update of the progress of the ESG Committee in implementing the Sustainability strategy, including the various working groups, the setting of targets and the approach taken with regards to the recommendations of the Task Force on Climate-related Financial Disclosures
- The Board is informed of the Group donations made to local communities and these are made subject to our Group Donations and ABC policies
- The Group Sustainability Director provide an update of the progress of the Sustainability strategy at the Strategy day

Influencing Decisions:

- The Board supported the Science Based Target initiative application

Case Study:

Principal Decisions

DPM&S ERP System

Customers People Shareholders Suppliers

Background

In December 2021, the Board was asked to consider the implementation of a fit for purpose ERP system for DPM&S, as there were various ERP systems across the organisation, which were not harmonised and were receiving different levels of support. The capital implementation costs were expected to be £21.2 million, which under the delegation of authority and schedule of matters required Board approval.

Stakeholder Considerations

In consideration of section 172 duties it was noted that the project was in line with the strategic drivers and enablers and:

- it would provide an information source which will enable easier collaboration for complex processes across DPM&S with a repository of information in one system. This will ultimately increase employee productivity and job satisfaction. Training would be provided to all employees who would be system users, which would require a time commitment from the employees;
- the approach would allow better visibility and management of suppliers globally, and processes such as invoice payment and billing would be made more efficient;
- the improvements in planning, supply and manufacturing processes would enable
  - products to reach the customer more quickly and consistently. The improvement in planning and supply systems would mean reduced risks around product delivery and a reduction in the likelihood of significant delays and back orders. In the longer term, more efficient and effective planning, supply and manufacturing systems would increase the consistency of supply and reduce the overall cost of supply;
  - faster and more consistent supply with reduced quality events and lower cost; this would enhance shareholder value through greater financial efficiency and a better reputation within the markets in which we operate. The new system would also support future acquisition and growth, providing a Dechra platform and regulatory and quality framework (system and business processes) to integrate new products and entities. This would further enhance shareholder value; and
- although no major impact was expected on the Community, the reduction on the reliance on paper based systems (and associated storage) would help further the sustainability agenda.

Outcome

The Board approved the chosen ERP solution for DPM&S, the recruitment of resource to the project delivery team (critical path constraint) including the backfilling of any substantive roles; and that the governance and oversight of the project be delegated to the Steering Committee who would provide periodic progress updates to the Board.

The Board agreed that the ERP solution would facilitate the delivery of DPM&S strategic objectives, and it would also underpin the strategy to support growth by facilitating previous and future acquisitions (products and entities), which are, and can be, integrated into a harmonised system with common and consistent processes by using a common operating platform. The adoption of one core business application across all DPM&S sites will harmonise and significantly improve existing business processes, facilitate faster and more effective time to market for new products and market extensions. It will allow the collection, interrogation and reporting of key performance data, which will increase regulatory compliance, reduce supply risk, identify key business trends and facilitate cost reduction through having a common, consistent and real time data source. It also allows the adoption of a cloud approach, which will future proof this major and critical investment for the Group.

Board Leadership and Company Purpose

Case Study:

Principal Decisions

Acquisition of Piedmont Animal Health, Inc

Customers People Shareholders

Background

Originally, the Group were in negotiations to acquire the global rights to a novel new injectable indicated for cats for treatment of upper respiratory infections. Further analysis and engagement with the sellers highlighted the attractiveness of the wider opportunity to acquire the remaining product portfolio of Piedmont Animal Health, Inc (Piedmont). In April 2022, the Board was asked to consider a non-binding offer for Piedmont, which was in line with the Pipeline Delivery strategic driver.

Stakeholder Considerations

In considering section 172 duties the Board noted:

- the increasing challenges in recruiting highly experienced development and regulatory staff. The acquisition would bring a new team of people whose main priority would be to focus on the Piedmont projects and add strength and expertise throughout the Group;
- the novel pipeline is complementary to Dechra's existing CAP portfolio, providing the opportunity to strengthen significantly Dechra's presence in key therapeutic areas of dermatology, pain management and anti-infectives, which will assist with retaining Dechra's margin profile; and
- the provision of specialist novel products is the basis for Dechra's strong relationship with veterinarians, which in turn allows us to sell branded generic products.

Outcome

The Board approved the non-binding offer and the subsequent acquisition. The acquisition of Piedmont for $210 million (£175 million) completed post year end on 25 July 2022. Integration commenced in August 2022, and updates will be provided to the Board in the 2023 financial year.

Case Study:

Principal Decisions

Equity Placing

Shareholders

In June 2022, we reviewed the funding considerations in relation to the acquisition of Piedmont and the future acquisition pipeline. Over the course of four meetings, and after reviewing a number of financing options, we agreed that a placing and a retail offer (together the Capital Raise) would provide balance sheet flexibility to fund the acquisition of Piedmont and execute on an active acquisition pipeline thereafter. Our brokers, Investec Bank plc, attended two of the meetings to provide advice on market and other funding considerations.

Stakeholder Considerations

In considering our S172 duties, the Board noted that the Capital Raise would:

- allow the Group to have the necessary funds for the acquisition of Piedmont and other potential acquisitions which are in line with the Group's strategy of Pipeline Delivery, Portfolio Focus and Acquisition as well as the Manufacturing Enabler; and
- at the same time enable the Company to maintain the previously communicated strategy of maintaining leverage below 2 times, or for the right acquisition 2.5 times, as long as the Company was able to return leverage to below 2 within a 12 month reporting period.

It was agreed to provide a retail offer to enable non-institutional investors to participate in the Capital Raise.

Outcome

Post year end, the Group raised gross proceeds of approximately £184 million through a non-pre-emptive placing of 5,247,813 new ordinary shares and issue of 116,870 new ordinary shares via a retail offer, which together represents approximately 4.9% of the existing issued share capital.

Employee Engagement Update

Lisa Bright

Areas of Focus

- Focused discussion on specific areas identified through the Great Place to Work (GPTW) employee survey, in particular wellbeing and ESG
- Broadening engagement
- Resuming scheduled site visits in addition to remote discussions

Meetings with Employees

- Great Places to Work Discussion groups: Remote attendance at four sessions in Skipton (UK), Fort Worth (US) and Bladel (Netherlands)
- Logistics: In person meeting with representatives at our Uldum site (Denmark)
- Europe: In person attendance at the European Senior Leadership meeting over two days
- International: Remote discussion with members of International team
- Monthly discussions with the Group HSE Director and Group HR Director

Our Approach

At the beginning of the year, the Board agreed priority areas of focus for employee engagement. We incorporated the governance of the Designated NED activities into the Nomination Committee as well as providing a summary to the broader Board. The excellent feedback from the GPTW provided us with a great platform to engage with employees as they worked through the feedback and agreed priority actions at a local level. The ability to resume in person visits has provided an opportunity to attend larger events as well as combine Board meetings with broader site visits.

Key Themes and Highlights:

- As reflected in the result of the GPTW survey, staff engagement and morale generally remain high, with only a few areas of concern where management has prioritised action
- Gratitude for colleagues, especially those in manufacturing and distribution, who enabled continuity of supply during lockdown under difficult circumstances
- Establishing a new normal in terms of working practices with the reopening of offices and access to our customers, whilst retaining the benefits and innovative practices that remote working created. In particular, supporting leaders to be mindful of colleagues' wellbeing and adapting the ways we work to be more customer centric
- Increasing communication internally as Dechra grows in scale and complexity to maintain our culture and values
- A strong commitment to our ESG plans

Plans for 2022/2023 Financial Year

- Expanding in person and remote conversations with delegates across functions and geographies
- Confirming actions arising from the GPTW survey have been delivered by management
- Creating further opportunities for employee development
- GPTW survey scheduled for March 2023
- Attend Future Facing Leaders course

Board Leadership and Company Purpose

Workforce Policies and Practices

The Board or the relevant Committee reviews all key policies/handbooks on an annual basis, these include the Code of Conduct, Dignity at Work Policy, Health and Safety Policy, Travel and Entertainment Policy and How to Raise a Concern Procedure. These reviews concluded that all policies/handbooks were operating effectively.

Our internal Code of Conduct includes a set of simple one page policy documents, which are summaries of the main Group policies. A Code of Conduct e-learning course has been developed and was rolled out in English at the end of June 2021, and was translated into eight languages rolled out globally in January 2022. It is a global mandatory course completed on an annual basis.

The Dechra Health, Safety and Wellbeing (HSW) Committee remit is to reinforce our culture of zero harm across the entire business, which involves employees being engaged in the design and ownership of health, safety and wellbeing programmes and providing them with the confidence to challenge unsafe behaviours.

The HSW Committee has continued to develop the wellbeing strategy, THRIVE, which provides centralised guidance with local deployment with:

- foundation elements of the wellbeing programme being mandatory and non-negotiable;
- employee driven by local country requirement or market driven expectation; and
- optional elements driven by population at facility.

Further details of which can be found on page 58.

The wellbeing programme is particularly important, as following the results of the Great Place to Work survey, one of the two key areas of focus Group-wide is wellbeing. With this is mind, we have provided a subscription to all employees to a third party app to support Emotional Wellbeing, and developed an online training module aimed at Line Managers to help them identify issues relating to wellbeing and signpost employees to the right place for support. Regular communications around employee wellbeing have been posted to the Group's intranet and our confidential Employee Assistance Programme has remained available to all.

How to Raise a Concern

The Board is committed to the highest possible standards of openness, integrity and accountability and encourages any individual who has genuine concerns about any form of malpractice, including any breaches of the Values, within Dechra (or in relation to its business) to raise those concerns at an early stage via its How to Raise a Concern procedure.

In December, the Board approved the amended How To Raise a Concern procedure which had been updated in light of the changes to the EU Directive on Whistleblowing. Dechra has adopted the changes proposed by the Directive due to the number of its operations that are within the EU. In addition, the Board approved the launch of a third party confidential hot line, which went live globally in April 2022, and is available to both employees and Dechra's third parties. Reports can be submitted through an online portal, which is available in 46 languages, or via a hotline, which is manned twenty-four hours a day and is supported in 170 languages. All reports are treated with utmost confidentiality by independent staff, who will summarise the content of the call or online report and pass it to the Company Secretary, the Group HR Director and the Head of Internal Audit and Assurance for investigation.

This now means that we offer five reporting channels for concerns to be raised: Line Manager; the Senior Management Team; Group Management Team; a mailbox accessed only by the Company Secretary; and a confidential hot line. Every effort is made to protect confidentiality to encourage reporting. We fully investigate reports and take appropriate actions to address these. A summary of any reported concerns is provided to the Board.

Constructive use of the Annual General Meeting

The 2021 Annual General Meeting was held at offices of the Company in Northwich. In addition, we offered a live webcast to enable shareholders to watch the Meeting virtually, subject to prior registration. Shareholders were provided with the opportunity to submit questions in advance of the meeting with the view that the Board would respond to those questions via the website or at the Meeting. No questions were submitted and no shareholders used the online facility.

All members of the Board are scheduled to attend the Annual General Meeting (the Meeting) and the Chairs of the Audit, Remuneration and Nomination Committees will be available to answer shareholders' questions at the Meeting.

The Notice of the Meeting is dispatched to shareholders at least 20 working days before the Meeting. The information sent to shareholders includes a summary of the business to be covered, with a separate resolution prepared for each substantive matter. When a vote is taken on a show of hands, the level of proxies received for and against the resolution and any abstentions are disclosed at the Meeting. The results of votes lodged for and against each resolution are announced to the London Stock Exchange and displayed on the Company's website.

Conflicts of Interest and External Board Appointments

Under the Companies Act 2006 (the Act), all Directors have a duty to avoid a situation in which they have, or could have, a direct or indirect conflict of interest with the Company. As permitted under the Act, the Articles of Association of the Company enable the Directors to consider and, if appropriate, authorise any actual or potential conflict of interest which could arise.

The Board has established procedures for the disclosure by Directors of any such conflicts, and also for the consideration and authorisation of these conflicts. Directors are required to submit any actual or potential conflicts of interest they may have with the Company to the Board. The non-conflicted Directors are able to impose limits or conditions when giving or reviewing authorisation. The Board reviews the Conflicts of Interest register annually and on an adhoc basis when necessary. Any potential conflicts of interest are considered by the Board prior to the appointment of new Directors. During the financial year under review, no actual conflicts have arisen.

None of the Executive Directors have external Board appointments.

Alison Platt
Non-Executive Chair
5 September 2022

Division of Responsibilities

Division of Responsibilities

The Board oversees the effective delivery of our strategy, which is developed and implemented by the SET. Further details of the Board and SET can be found on pages 88 to 91.

Board Membership

Details of the Directors, together with details of their respective Committee membership, skills and experience, backgrounds and external appointments can be found on pages 86 and 89, and on the website. As detailed in the pie chart below, the Board consists of one Non-Executive Chair, five Non-Executive Directors and three Executive Directors.

Two of the Non-Executive Directors have exceeded nine year tenure, Julian Heslop in January 2022 and Ishbel Macpherson in February 2022. On the resignation of Denise Goode in November 2021, Julian agreed to remain on the Board until a successor for the role of Audit Committee Chair could be appointed. In January 2022, the Board concluded that both Julian and Ishbel remained independent due to the fact that Julian had indepth financial expertise and had consistently shown independent judgement, and Ishbel's knowledge and understanding of City matters gained over 20 years' experience as an investment banker provided an independent view on the Board discussions on financing and the financial risks of acquisitions. Therefore, in line with the Code, at least half the Board, excluding the Chair, is determined by the Company to be independent. The Chair was deemed independent on appointment in accordance with provision 10 of the Code. Following the appointment of Alison Platt as Chair of the Company, Lawson Macartney was appointed the Senior Independent Director. Julian is retiring from the Board on 5 September 2022.

The Board has determined, following the results of the internal Board evaluation, that the Non-Executive Directors have sufficient time to meet their Board responsibilities and any proposed new appointments are disclosed to the Board, for their approval, to assess whether there are any conflicts of interest or time.

The Board has formally delegated specific responsibilities to Committees, namely the Audit, Remuneration, Nomination and Disclosure Committees. The Disclosure Committee members are the Chief Executive Officer, the Chief Financial Officer, the Corporate Development Director and the Company Secretary. The full terms of reference for each of these Committees are available on the Company's website (www.dechra.com) or on request from the Company Secretary. Other matters have been delegated to the SET and other committees such as the Data Protection Committee, ESG Committee, Strategic Portfolio Prioritisation Committee and Treasury Committee.

The SET is led by the Chief Executive Officer and is comprised of the three Executive Directors and the Business Directors responsible for leading each of the Group's key functions. The SET is scheduled to meet formally four times a year to discuss the implementation of the strategy, share best practice and provide updates on their business or function, as well as sharing market trends which impact the business.

Board Meetings

The Board is scheduled to meet seven times per year. During the year, three additional meetings were held to discuss the 2022 financial year Budget, financing and proposed acquisition targets. The scheduled June 2022 meeting was postponed to July 2022 to coincide with the Global Team Meeting and the attendance at the Board meetings during the year includes the July meeting. Where Directors cannot attend a meeting, the Board papers are still provided allowing the Director to raise any queries or discussion points through the Chair. A schedule of the number of meetings and attendance can be found on page 87. Julian Heslop was unable to attend an adhoc meeting due to a prior commitment. However, he provided the Board with his comments and questions on the subject matter under discussion.

The Non-Executive Directors meet informally before every meeting. They also meet once with the SET on an informal basis during the year.

Should Directors have concerns of any nature, which cannot be resolved within the Board meeting, they have the right to have their view recorded in the minutes. In the months where there is no Board meeting scheduled, an update is provided on the business. In addition, arrangements are in place should Board approval be required outside of the scheduled meeting dates.

Division of Responsibilities

The Dechra Board

Key Responsibilities

The Board is collectively responsible for the long term sustainable success of the Company for the benefit of shareholders taking into account the impact of its decisions on the other stakeholders and the environment by:

- setting the strategy and overseeing its implementation
- monitoring the overall financial and operational performance of the Group
- establishing a framework of prudent and effective controls, which enable risk to be assessed and managed
- establishing the Company's purpose, values and culture, and promoting the desired behaviours
- establishing an effective corporate governance framework

The Board Activities Table details the actions in relation to the above.

Details relating to the formal schedule of matters reserved for the Board can be found on page 92 and on our website.

The Board has delegated certain matters to the following Board Committees

Audit Committee

The Audit Committee's key role is to review and report to the Board on financial reporting and internal financial control effectiveness, and to monitor the effectiveness of the external audit process and internal audit function.

Read more on pages 117 to 124

Nomination Committee

The purpose of the Nomination Committee is to lead the appointment process, satisfy itself that plans are in place for orderly succession for appointments to the Board and senior management, and oversee the development of a diverse pipeline for succession.

Read more on pages 107 to 116

Remuneration Committee

The Remuneration Committee's key role is to determine remuneration policies, that are designed to support strategy and promote long term sustainable success, and set the remuneration of the Company's Chair, Executive Directors and Senior Executive Team.

Read more on pages 125 to 150

Disclosure Committee

The Disclosure Committee's key role is to develop and maintain adequate procedures, systems and controls to comply with the Company's obligations regarding identification and disclosure of inside information.

Other Key Committees

Treasury Committee

To establish, implement and monitor compliance with Treasury Policies as approved by the Audit Committee.

Data Protection Committee

To oversee and implement the Data Protection Policy and accompanying policies, handbooks and procedures.

To monitor compliance with the GDPR and other data protection laws, and with the Policies.

ESG Committee

To oversee the development of, and to make recommendations to, the Board regarding the Group's Sustainability strategy, establish objectives and targets for the Group's ESG activities, and oversee the measurement and reporting of performance against these targets.

Health Safety and Wellbeing Committee

To recommend and monitor the implementation of priorities to management and employees to achieve Zero Harm across the Group; actively monitor, measure, review and report on Health, Safety and Wellbeing compliance and performance.

Senior Executive Team

- Leads the development and implementation of the business strategy.
- Manages day-to-day operations of respective functions.

1 Non-Executive Chair

- Leads the Board in the determination of Group strategy and achievement of its objectives;
- Drives the effectiveness of the Board in all aspects of its role;
- Facilitates the effective contribution of the Non-Executive Directors, enabling all decisions to be subject to constructive debate and supported by sound decision making processes; and
- Arranges for shareholder views to be brought to the attention of the Board.

2 Chief Executive Officer

- Manages day-to-day operations of the Group and leads the Senior Executive Team (SET);
- Drives performance and results of the Group;
- Proposes strategy; and
- Executes strategy agreed by the Board.

3 Chief Financial Officer

- Responsible for IT, financial planning and reporting for the Group;
- Manages financial risk;
- Develops and executes the strategic plan in conjunction with the Chief Executive Officer;
- Secures funding as required; and
- Nominated Director for health, safety and environmental matters.

4 Managing Director Dechra Veterinary Products (DVP) EU

- Management of the segment which contributes the majority of Group revenue; and
- Development and execution of strategy in the EU.

5 Designated Non-Executive Director for Employee Engagement

- Gathers and understands the views of the workforce; and
- Enables the voice of the workforce to be heard in the boardroom.

6 Company Secretary

- Advises the Board on matters of procedure and governance;
- Provides all required information to the Board on a timely basis;
- Enables information flows between the SET, the Board and its Committees;
- Provides support to the Chairman and Non-Executive Directors; and
- Responsible for compliance with relevant statutory and regulatory requirements.

7 Non-Executive Director

All of the Non-Executive Directors:

- are considered independent;
- are free of any business or other relationship which could materially interfere with, or compromise, their ability to exercise independent judgement;
- are considered to have a breadth of experience which adds value to the decision making of the Board as well as the formulation and progression of the Dechra strategy;
- provide an independent and constructive challenge; and
- evaluate strategy and risks.

8 Senior Independent Non-Executive Director

- Provides a sounding board for the Chair and is available to shareholders if they have concerns that have failed to be resolved through the normal channels;
- Leads the annual evaluation of the performance of the Chair by the Non-Executive Directors; and
- Chairs the Nomination Committee when it is considering the succession of the Chair.

Division of Responsibilities

Board Activities

At each meeting the Board receives trading, financial and strategic updates from the Chief Executive Officer and Chief Financial Officer. During the year, each SET member will present to the Board, providing the Board the opportunity to take a deep dive into the operations and strategic plans of the respective businesses, as well as reviewing their specific risks. In addition to its routine business, the table below details the other matters discussed during the year and the respective key stakeholders affected.

Key responsibility	Key activities, discussions and outcomes in 2021/2022	Stakeholder	Strategic Driver/Enabler
Setting the strategy and overseeing its implementation	• Full Strategy Review and approval of five year plan	Customers, People, Shareholders, Suppliers	Pipeline Delivery, Portfolio Focus, Geographic Expansion, Acquisitions
	• Bi-annual update on product pipeline and product development	People, Shareholders	Pipeline Delivery
	• Incorporation of new subsidiaries in Korea and Switzerland	Customers, People	Geographic Expansion
	• Approval of Acquisition Proposals	Customers, People, Shareholders	Acquisitions
Monitoring the overall financial and operational performance of the Group	• Approval of 2021 Full Year Results, final dividend recommendation, 2022 Half-Yearly Results and interim dividend	Customers, People, Shareholders, Suppliers	
	• Functional presentations from the SET, Head of Legal, Business Development Director, Regulatory Affairs Director and DPM Internal Sites Director	Customers, People, Shareholders, Suppliers	Pipeline Delivery, Portfolio Focus, Geographic Expansion
	• Approval of the 2022/2023 budget and capital expenditure projects	People, Shareholders	Pipeline Delivery, Portfolio Focus
	• Consideration of private placement and equity placing	Shareholders	Acquisitions
Establishing a framework of prudent and effective controls, which enable risk to be assessed and managed	• Approval of Half Year and Full Year principal risks and emerging risks	Customers, People, Shareholders, Suppliers	Pipeline Delivery, Portfolio Focus, Geographic Expansion, Acquisitions
	• Presentations from the SET on their respective risks	Customers, People, Shareholders, Suppliers	Pipeline Delivery, Portfolio Focus, Geographic Expansion, Acquisitions
	• Risk Assessment Review and Viability Statement review	Shareholders	Pipeline Delivery, Portfolio Focus, Geographic Expansion, Acquisitions
	• Review and approval of Schedule of Matters and Delegation of Authority	People, Shareholders	
	• Insurance renewal update	Shareholders	People, Manufacturing and Supply Chain
	• Quality Updates and approval of DPM&S ERP system	Customers, People	Manufacturing and Supply Chain
Establishing the Company's Purpose, Values and Culture, and promoting the desired behaviours	• Review and approval of the people strategy and employee engagement	People	People
	• Review of the bi-annual Health and Safety Report	People	People
	• Review and approval of Modern Slavery Statement	People, Suppliers	People, Manufacturing and Supply Chain
	• Review and approval of How To Raise Concern Procedure and Reports	Customers, People, Suppliers	People
Establishing an effective corporate governance framework	• Review of Disclosure Committee's Terms of Reference, Share Dealing Code and Inside Information Policy	Shareholders	
	• Review and approval of Group Policies, such as the Code of Conduct and Approval of the Anti-Trust Policy and Group H&S Policy	Customers, People, Suppliers	People
	• Approval of appointments of Non-Executive Director, Chair and Committee membership and Committees' Terms of Reference	People, Shareholders	People
	• Review of Task Force on Climate-related Financial Disclosures	Customers, People, Shareholders, Suppliers	ESG
	• Review of 2022 Internal Board Evaluation	Shareholders	

Stakeholder Key:
Customers People
Shareholders Suppliers

Strategic Driver/Enabler Key:
Pipeline Delivery Portfolio Focus Geographic Expansion Acquisitions
Manufacturing and Supply Chain Technology People ESG

Details relating to the formal schedule of matters reserved for the Board can be found on page 92 and on our website.

Alison Platt
Non-Executive Chair
5 September 2022

Composition, Succession and Evaluation

Letter from the Nomination Committee Chair

5

Nomination Committee Meetings Held

Areas of Focus This Year

- Diversity
- Board appointments and succession planning
- SET succession planning and leadership needs of the Group

Key Responsibilities

- To oversee the development of a diverse pipeline and to satisfy itself that plans are in place for orderly succession
- To recommend appointments to the Board
- To review the results of the performance evaluation of the Board, its individual members and its Committees

Read more about Our Committee Membership and Attendance on page 87

Dear Shareholder

On behalf of the Board, I am pleased to present this year's Nomination Committee (the Committee) report.

Succession Planning

There have been a number of Board changes in the 2022 financial year. In September 2021, the Company announced that Tony Rice wished to retire from the Board. Following a comprehensive search process, I was pleased to be appointed as Chair with effect from 1 January 2022. Tony retired on 31 December 2021.

Denise Goode decided to tender her resignation, in November 2021, and Julian Heslop resumed the role of Audit Committee Chair whilst a successor was appointed. John Shipsey was appointed as a Non-Executive Director on 1 June 2022. He brings a wealth of financial and commercial experience to the business and will replace Julian Heslop as Audit Committee Chair on 5 September, at which point Julian will retire from the Board.

The Remuneration Committee Chair (previously the Senior Independent Non-Executive Director), Ishbel Macpherson, will be retiring in the 2023 financial year. The commencement of the recruitment process for a new Remuneration Committee Chair was delayed as the Committee's first priority this year was to find a replacement Audit Committee Chair.

There have also been a number of changes in the Senior Executive Team (SET), which included the retirement of Susan Longhofer as Chief Scientific Officer on 31 December 2021. Her replacement, Patrick Meeus, commenced employment with Dechra on 1 July 2022.

Diversity

Dechra is committed to building high performing diverse teams at all levels in the organisation. As a Board our focus is to further our diversity through the planned succession process and we will work hard to broaden the Board's make up further over the coming year. To assist us in this, as stated in our 2021 Annual Report, we have worked with an external recruitment company to identify future potential candidates from a wide range of backgrounds, cultures, and experience. This has always been our plan and prior to our recent elevation into the FTSE 100 (December 2021) we were on track to meet and indeed exceed

Composition, Succession and Evaluation

the target and deadline of 2024 (the Parker Review target date for FTSE 250 companies). Cognisant of the Parker Review requirements and the new listing requirements regarding diversity targets, the Committee has retained Audeliss, an executive search firm for diverse talent, to assist with the recruitment of a Remuneration Chair.

Composition
The Committee believes that the Board continues to have the appropriate skills, knowledge and experience to oversee the effective delivery of our strategy. The Committee also believes that the Group has an experienced SET to lead the development and implementation of this strategy.

Internal Evaluation
During the financial year, I have led the annual Board evaluation, which was an internal evaluation, with the support of the Company Secretary and Senior Independent Director as appropriate, the details of which can be found on pages 115 and 116 of this report.

The following report provides an overview of the work carried out during the year under review.

Should you have any questions in relation to this report or the Committee, please contact me or the Company Secretary.

Alison Platt
Non-Executive Chair
5 September 2022

Purpose
The purpose of the Committee is to lead the appointment process, satisfy itself that plans are in place for orderly succession for appointments to the Board and Senior Management, and oversee the development of a diverse pipeline for succession.

Membership, Meetings and Attendance
The membership of the Committee, together with appointment dates and attendance at meetings during the year, is set out in Governance at a Glance. John Shipsey joined the Committee on his appointment to the Board in June 2022, and Denise Goode resigned from the Committee on her resignation from the Board on 30 November 2021. Tony Rice resigned from the Committee on his retirement from the Board on 31 December 2021. Alison Platt was appointed Chair of the Committee on 1 January 2022 on her appointment as Chair of the Company; following this appointment, on 1 March 2022, Lawson Macartney was appointed the Senior Independent Director.

All Committee members are Non-Executive Directors, and are deemed to be independent. Other attendees at the meetings include the Chief Executive Officer, the Group HR Director and the Company Secretary (who acts as secretary to the Committee).

The Chair does not chair the Committee meeting if it is dealing with the appointment of her successor. The Senior Independent Director, Lawson Macartney, takes the chair when required.

Effectiveness of the Committee
The Committee's performance was evaluated as part of the 2022 Board and Committee internal evaluation (further details of which are provided on page 115 of the Governance Report). The findings of the internal evaluation were presented to the Committee for discussion at the April and the July 2022 meetings. The Committee considered the results and it was agreed that the Committee remained effective and was covering all areas within its remit. However, it was acknowledged that more time should be allocated to enable enough focus and time to be given to agenda items and for regular discussions between Non-Executive Directors and the Chief Executive Office to be held to discuss the SET's development. In relation to concerns raised, the Nomination Committee's meetings have been rescheduled so that they are the first meeting of the day, and the Chief Executive Officer has attended one meeting with Non-Executive Directors to discuss the development of the SET.

Role and Responsibilities
The role and responsibilities of the Committee are set out in the written terms of reference, which are available on the Company's website at www.dechra.com. The Committee's terms of reference are reviewed on an annual basis. During the 2022 financial year, this took place at the February meeting, and the terms of reference were updated to cover the fact that the Designated Non-Executive Director for Employee Engagement would report into the Nomination Committee, as well as the Board, going forward. It was noted that there was a technical non-compliance with the terms of reference as both Julian Heslop and Ishbel Macpherson had exceeded the nine year tenure limit in January and February 2022, respectively. The Board concluded both remained independent due to the fact that Julian had in-depth financial expertise and had consistently shown independent judgement, and Ishbel's knowledge and understanding of City matters gained over 20 years' experience as an investment banker and subsequent other board experience provided an independent view on the Board discussions on financing and the financial risks of acquisitions. An overview of the terms of reference is detailed on pages 104 and 107 of the Governance Report.

The Committee provides a report to the Board on its activities at the Board's next scheduled meeting.

Major Activities of the Committee during the Year

The Committee met five times since the last Annual Report was issued, three of these meetings were scheduled and two were ad hoc and dealt with the nomination of a Non-Executive Director. The Committee Chair and the Company Secretary have developed an annual programme of business. This allows the Committee to consider standing items of business alongside any exceptional matters that may arise during the course of the year.

The table below shows the other key areas of the Committee activities:

Purpose and Function (see page 108)	• Review of the Committee's terms of reference	• Review of the effectiveness of the Committee
Composition (see pages 109 to 113)	• Review of Board skills, knowledge and experience	• Recruitment of Non-Executive Director • Appointment of Chair
Succession (see pages 113 and 114)	• Consideration of Non-Executive Directors' tenure	• Review of SET succession plans and leadership needs
Evaluation (see pages 114 and 115)	• Review of composition of the Board	• Review of Director effectiveness
Diversity and Inclusion (see pages 112 and 113)	• Review and approval of the Diversity Policy	• Review of the Dignity at Work Policy

Composition

The Board seeks to ensure that both the Board and the Committees have an appropriate composition to manage their duties succession issues effectively. It supports diversity in its broadest sense and considers it an essential driver of Board effectiveness. The Board recognises it is important that its composition is sufficiently diverse and reflects a wide range of knowledge, skills and experience. The Committee reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least once a year and, usually at the June meeting, which this year was postponed to July to tie in with our 25th Anniversary Celebration and Global Team Meeting. Both the Audit Committee and Remuneration Committee undertake an annual review of their composition, and any concerns would be reported to the Board.

Board Skills, Knowledge and Experience

Following the review of the Board, the Committee concluded that the Board had a combination of skills, experience and knowledge as illustrated in the diagram on this page. The Non-Executive Directors have relevant and complementary expertise, including industry and listed company experience, international markets, finance, corporate finance, pharmaceuticals, sales and marketing. Lawson Macartney is a veterinarian by training with a pharmaceuticals background, which allows him to give excellent insight into the customer base and the products. The Executive Directors are highly regarded for their contribution to the Board, insights into the business, and their high level of transparency and openness.

The Committee concluded that the Board is deemed to be of an appropriate size, and any increase in size is temporary to allow for effective succession, and for the wealth of knowledge and experience of the outgoing Non-Executive Directors to be shared with the new Non-Executive Directors. The internal evaluation found that the Non-Executive Directors continue to provide an excellent range of relevant and complementary skills.

Training

Regular briefings are provided to the Directors, which cover a number of legal and regulatory changes and developments relevant to each Director's area of responsibility. In addition, the Company Secretary informs the Directors of any external training courses which may be of relevance, and all Directors are encouraged to raise any training needs with the Company Secretary. The Remuneration Committee has been provided with updates from Deloitte LLP. In addition, all new Directors are encouraged to enrol on the Deloitte Academy, which provides a wide-ranging programme of technical briefings and education.

Paul Sandland completed the Wavelength Connect programme, which focuses on the future of businesses, in the 2022 financial year. This programme allowed Paul to meet and interact with a wide range of leaders from other successful innovative companies with the opportunity to share experiences and learnings from them.

Each Director is entitled, upon request, to receive information to enable them to make informed judgements in order to discharge their duties adequately. In addition, all Directors have access to the advice and services of the Company Secretary and senior managers, and may take independent professional advice at the Company's expense in connection with their duties.

Composition, Succession and Evaluation

In order to assist the Board in maintaining its knowledge and familiarity with the Group's operations, at least one Board meeting per year is held at one of the Group's operational sites. Following two years of COVID-19's restrictions on travel, the Board were able to resume this practice and visited the logistics centre in Uldum, Demark. Prior to the Board meeting, the Designated Director for Employee Engagement and the Remuneration Committee Chair met with a group of employees from this site (further details can be found on page 94). During the visit the Board had a tour around the new warehouse, which the Board had approved in September 2020, and met employees at the opening ceremony as well as attending a dinner with the senior management team.

Board Appointments

The Board understands the importance of balance and refreshment in terms of its composition and keeps these matters under review.

As part of the Committee's overall succession discussions, it was agreed to identify potential successors for the role of the Chair of the Company, and a horizon scan was undertaken for potential candidates should the Chair of the Company decide to retire. As part of this exercise, the recruitment consultant, Heidrick & Struggles interviewed Alison Platt and provided feedback to the Committee on her suitability as a potential candidate. The Committee agreed that although Alison had been identified as an excellent candidate, further candidates would be identified when the Chair notified the Board that he wished to retire. Following the announcement on 6 September 2021 that the Chair wished to retire, the Committee commenced a recruitment process and a shortlist, which included Alison Platt, was approved by the Committee for the interview process. The Committee was pleased to recommend to the Board that Alison Platt be appointed as Chair of the Company.

Following the resignation of Denise Goode, the Committee commenced the recruitment of an additional Non-Executive Director who would both further strengthen the Board and also have the relevant experience required for the role of an Audit Committee Chair. An independent recruitment consultancy, Odgers Berndston (Odgers), was retained. Odgers was provided with a role description, detailing the skills (both cognitive and personal strengths) and experience required for the role of Audit Committee Chair. The Committee, in drafting the role description, took into account the challenges and opportunities facing the Group and what skills and expertise were needed. In particular, it was determined that the individual should have relevant financial experience in an international company. In addition, they were required to have a broad business experience and be a good fit with the culture and values of the Company. The search produced two outstanding potential candidates who went through the full scrutiny process. We were pleased that John Shipsey was appointed to the Board on 1 June 2022.

The Committee recommended the appointment of John due to his wealth of financial and commercial experience in the business following his recent tenure as Chief Financial Officer at FTSE100 Smiths Group PLC and a number of senior finance and strategy roles over 20 years.

Odgers was previously retained in 2020 in relation to the recruitment of the DVP EU Finance Director, and Heidrick & Struggles was previously retained in 2019 in relation to the recruitment of the Group Financial Controller. Neither recruitment consultants have any other connections with the Company or individual Directors.

Audit Committee Chair Appointment Process

1 Nomination Committee

One of the criteria was that the candidates should have financial experience in an international company, as well as broad business experience and be a good fit with the culture of the Company.

2 Engage

Odgers was appointed.

3 Meet

To assist Odgers with the understanding of the requirements of the role, they met with the Chair and the Senior Independent Director.

4 Consider

The long list of candidates (14) was circulated to the Committee for comments before a short list of seven was agreed.

5 Select

All of the candidates had a broad range of experience from a wide range of different backgrounds including executives in blue chip FTSE organisations, partners in consulting firms and a number of candidates with an established portfolio career.

6 Interview

The first interviews were with the Chair and Senior Independent Director. The shortlist was then reduced to three candidates who were interviewed by the Chief Executive Officer, the Group HR Director and the Chief Financial Officer. Further interviews were held with the Audit Committee Chair, and successful interviewees met with the remaining Non-Executive Directors, and Company Secretary prior to appointment.

John's other appointments were considered to check there was no conflict of interest or time. References were taken.

7 Appoint

John Shipsey was appointed to the Board on 1 June 2022.

Further details relating to his background and experience can be found on page 89.

8 Induct

Please refer to the process on page 111.

Induction

All newly appointed Directors are provided with comprehensive documentation in relation to the remit and obligations of the role, current areas under consideration for the Board and the latest equity research reports. New Directors visit the various business units in order to allow them to meet with the management teams and to be shown around the operations. During the initial couple of months, we scheduled a number of meetings for John with members of the Senior Executive Team and the Head of Internal Audit as well as meeting a significant number of employees at the Global Team Meeting. He will also attend the next scheduled Group Finance Lead Team meeting. In addition, John has met with the Audit Committee Chair and the Lead Audit Engagement Partner. Deloitte LLP has provided an introduction to UK executive remuneration and governance to John.

In the Autumn we will continue with step two and commence steps three and four of our induction process as described below.

Induction Process

1 Understanding the Business

Key documentation is provided such as a schedule of Board and Committee dates, Schedule of Matters and Delegation of Authority, Programmes of Business, Articles of Association, and Group Policies and Procedures.

2 Meeting the Management Team

Meet the SET informally and formally.

Meet key management at Head Office and leadership teams at the main sites.

3 Director and Committee Responsibilities

Receive induction/training on Director and Committee responsibilities (if applicable).

Market Abuse Regulations online training course.

4 Visit the Business

Visit a key site for each function (PDRA, Manufacturing, Sales and Marketing, and Head Office).

Case Study:

Alison Platt: Transition from Non-Executive Director to Chair

It was my great privilege to join the Dechra Board in March 2020 and commence the process of learning and induction, albeit through the pandemic. Like many businesses, COVID-19 and its impacts provided a test of not only the strength of the demand for Dechra's products but also the resilience of its processes, systems and Values, which underpin the organisation. Throughout that period, the Board continued to support Ian and his team in leading through significant uncertainty. The decisions taken were a testament to the integrity of the espoused Values of the business at all levels, with no use of government funds, no enforced redundancy and no colleagues furloughed. Our manufacturing operations continued with colleagues covering for those forced to isolate and our ability to supply our customers went uninterrupted.

The value of continuity at Board level was evident throughout and the collegiate approach taken enabled strong and swift decision making in support of the management team. Dechra's strong track record of growth has depended on swift and efficient decision making supported by an open and inclusive approach in the boardroom. The culture is straightforward and relies on a shared intent, to do the right thing by all our stakeholders. It was against that backdrop that, just ahead of my second anniversary, I was delighted to be appointed to the role of Chair.

The selection process was both rigorous and robust, conducted independently and led by the Nomination Committee, chaired by the Senior Independent Non-Executive Director, and took just over three months to conclude. It afforded me the opportunity to think about the key tasks for the role over the next five years, the critical characteristics to hold on to and those areas we might consider developing. Since taking up the position, I have thoroughly enjoyed building a partnership with Ian as Chief Executive Officer and further strengthening my knowledge and experience inside the business. Facing into succession driven changes at Board level has also been important and I have been delighted by our ability to attract really high calibre candidates to join the Board. Equally important is to hold onto the open, professional and collaborative approach the Non-Executive Directors have to bringing positive challenge to Ian and the team. Despite being early days, I am confident we are continuing in the high standard set my be my predecessors in that regard.

I look forward to continuing my development and, as travel routes open up again, taking the opportunity to meet colleagues in Dechra's other markets around the world.

Composition, Succession and Evaluation

Diversity and Inclusion

The Committee reviews the policy on diversity and its implementation every year and, during 2022 this review took place in July. The policy was expanded to cover Board Committees; and factors such as ethnicity, sexual orientation, disability and socioeconomic background, as well as age, gender, education and professional background. The Group recognises that diversity of thinking and skills and an inclusive culture is beneficial for the Dechra business, its processes, and its performance. Our objective is to continue to be a high performing business driven by highly skilled and committed teams. In the market in which we compete, we believe that the diversity of our workforce contributes significantly to developing strong relationships with veterinarians, a substantial and growing proportion of whom are women, in the many markets and cultures in which we trade.

As a Board our focus is to further our diversity through the planned succession process and we will work hard to broaden the Board's make up further over the coming year. To assist us in this, we have worked with an external recruitment company to identify future potential candidates from a wide range of backgrounds, cultures, and experience. This has always been our plan and prior to our recent elevation into the FTSE 100 (December 2021) we were on track to meet, and indeed exceed the target and deadline of 2024 (the Parker Review target date for FTSE 250 companies). Our progress towards a more diverse Board is detailed under Board Succession Planning.

We are also working hard to ensure diversity is not solely a Board issue. Led by our Group HR Director, we are working hard and investing in developing and growing talent across all our communities worldwide. As a global company with operations in 26 countries, we recognise that a rich and diverse employee base is key to our continued success.

We are committed to providing an inclusive culture at Dechra and in the last 12 months have rolled out two core modules that are included in all our Company management development programmes: Diversity, Equity, and Inclusion in Dechra and OneDechra; and an exploration of our Company Culture and Values and what they mean to our people.

During the year, we have launched a new development programme called Future Facing Leaders (further details of which can be found in SET Succession Planning on page 114 and the Case Study on page 34).

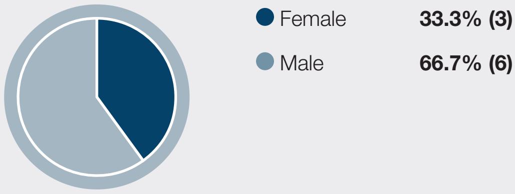
The chart on page 113 illustrates the diversity characteristics of our Board.

Progress on Diversity Policy

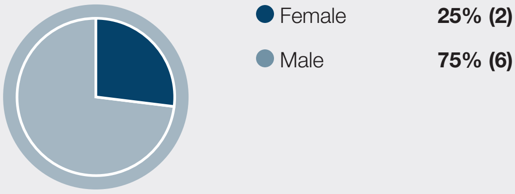
Policy	Progress
Dignity at Work	Our Dignity at Work Policy was drafted and launched within the UK in January 2020, and is now incorporated into the Code of Conduct. In accordance with the Dechra Values, we believe that our position on diversity and inclusion is key to providing a place of work that is free from bullying and harassment, and which is characterised by respect, collaboration, openness, safety and equality. One of our aims is to promote a climate in which employees feel able to raise complaints of harassment, bullying or discrimination without fear of victimisation. We are now able to provide online training globally using an externally hosted training portal and supported by licensed trainers within the Company. In addition to this, we have developed a Diversity, Equity and Inclusion module, which is one of three core modules that is included in all Leadership and Management development programmes. We encourage all employees to speak out and report any direct or indirect discrimination, harassment or bullying. This is supported by our Grievance Policy and our How to Raise a Concern Handbook. All reports are investigated and acted upon. During the 2022 financial year, we have launched an externally hosted 'whistle-blowing' hotline to facilitate this process and to provide further reassurance to employees.
Fair Pay	In the UK, only one of our subsidiaries, Dechra Limited, has to report under the Gender Pay Gap regulation. Dechra Limited employees sit within our UK manufacturing, product development and regulatory affairs businesses. We are pleased to report that as a result of our proactive management, the gender pay gap has reduced from 17.7% in 2017 to 2.8% in 2021. However, the latest decrease relates largely to the payment of COVID-19 bonuses to all site-based staff at the Skipton site during the pandemic and will rise again next year as this is not applicable on an ongoing basis. Following our accreditation in the UK in March 2021, we are a Living Wage employer and in countries where there is no equivalent of the Living Wage, we have used the OECD low pay formulation, or pay at least twice the local/federal minimum wage. It is our intention to retain this approach to fair pay.
Board and Senior Executive Directors	We recognise that gender and ethnic diversity at Board level offers a competitive advantage to our organisation. As a global company with a very wide range of stakeholders, we are committed to greater alignment with our customer base at home and overseas as our growth continues. Our approach to recruiting at Board level has always been based on our stated policy; that everyone should be recruited and promoted on the basis of their personal ability, contribution and potential. However, we acknowledge that we need to work harder to make sure that we are attracting a wider and more diverse talent pool to these roles. We are currently recruiting working with Audeliss, an executive search firm for diverse talent, who are supporting us with the recruitment of a new Remuneration Committee Chair.

Numbers in brackets represent the number of females and males.

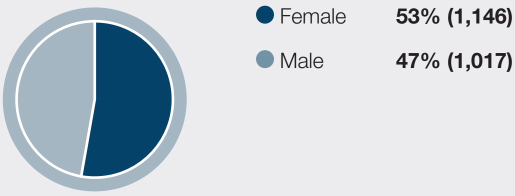
The Board
as at 30 June 2022



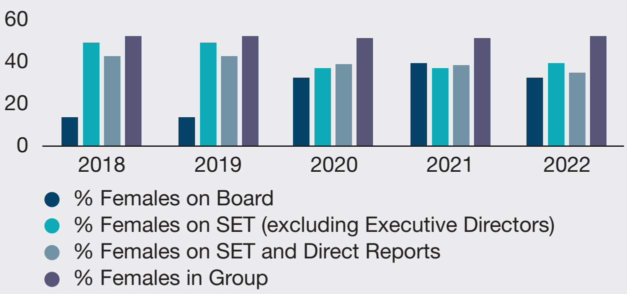
Senior Executive Team (including Executive Directors)
as at 30 June 2022



Overall Workforce
as at 30 June 2022

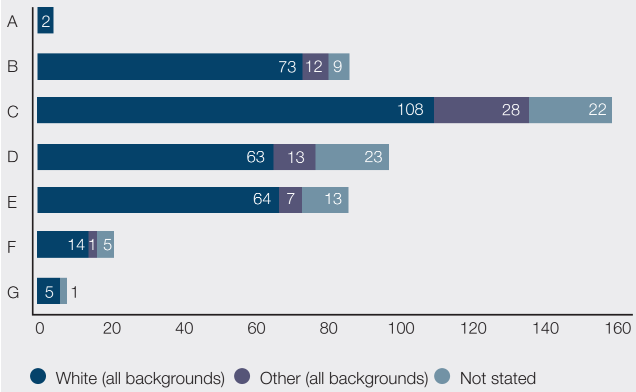


Diversity
as at 30 June 2022



Dechra excludes the Executive Directors from the Senior Management data. However, the data includes their direct reports. Direct reports will cover employees at various grades of the Group and will cover managers and junior professionals.

UK Employee Ethnicity by Grade



Board Succession Planning

Non-Executive Directors

It was originally planned that both the Audit Committee Chair and Remuneration Committee Chair would retire in 2022. The Audit Committee Chair was due to retire in early 2022, however due to the decision of Denise Goode to resign from the Company he agreed to remain on the Board until a successor was appointed The Remuneration Committee Chair (previously the Senior Independent Non-Executive Director), Ishbel Macpherson, will be now retiring in the 2023 financial year. The commencement of the recruitment process was delayed as the Committee's first priority this year was to find a replacement Audit Committee Chair.

Cognisant of the Parker Review requirements and the new listing requirements regarding diversity targets, the Chair and Group HR Director interviewed two recruitment consultants who specialise in diverse recruitment, one of which was a non-profit organisation. The Committee has retained Audeliss and they were provided with a description, detailing the skills (both cognitive and personal strengths) and experience required for the role of Remuneration Committee Chair. The Committee, in drafting the role description took into account the challenges and opportunities facing the Group and what skills and expertise were needed. In particular, it was determined that the individual should have relevant remuneration experience in an international company. In addition, they were required to have a broad business experience and be a good fit with the Culture and Values of the Company.

SET Succession Planning (including Executive Directors) and Leadership Needs of the Group

One of our key risks is people focused and this is the failure to resource adequately the business to meet strategic ambitions, including geographical expansion, and acquisitions.

To assist with this, the Group HR Director presents to the Committee on the Group's succession planning annually. The Committee discusses the succession plan for the SET, which includes the Executive Directors, and the Non-Executive Board. Plans are in place for sudden, unforeseen absences, for medium term orderly succession and for longer term succession. For each SET member, we have either identified an internal candidate who is in the pipeline for succession, or we accept that for some roles, where we have no successor, we will need to approach the external market. In these cases, we aim to build strength and depth in the team below to allow a smooth transition to the new leader.

Composition, Succession and Evaluation

During the financial year, Susan Longhofer retired as Chief Scientific Officer on 31 December 2021, and following a recruitment process her replacement, Patrick Meeus, commenced employment with Dechra on 1 July 2022. In addition, the Group HR Director has worked on strengthening the team below the SET, which has resulted in the appointment of a Chief Information Officer and Head of Investor Relations reporting into the Chief Financial Officer and a General Counsel reporting into the Company Secretary. The DPM&S management team has been strengthened with the appointment of a Group Quality Director and Group Supply Chain Director and the DVP EU management team has been strengthened by the appointment of a Commercial Director.

The Committee has reviewed the emergency succession planning, which clearly identified individuals capable of covering key management roles on an interim basis. All these individuals will receive, or have received, the necessary coaching to assist them in obtaining the required skills to provide any critical support when needed. Furthermore, a forward looking review of the future anticipated shape of the organisation has been undertaken to identify any potential gaps that may emerge, and plans have been outlined to enable the organisation's structure to remain fit for purpose. A number of the individuals identified as emergency cover or a successor to the SET are on the Future Facing Leaders development programme, which was launched in April 2022 or the Wavelength Connect Programme. Further details of the Future Facing Leaders programme can be found in the case study on page 34.

We encourage regular contact between members of the SET and the Board, with all SET members presenting to the Board at least once a year, leading site visits of their respective businesses and attending one-to-one sessions with Non-Executive Directors to discuss specific issues when applicable.

Evaluation

Annual Evaluation

The Chair manages the Board and oversees the operation of its Committees with the aim of monitoring that they operate effectively by utilising the diverse range of skills and experience of the various Board members. The effectiveness of the Board is imperative for the success of the Group and the Board undertakes an annual evaluation of its performance and that of its Committees to monitor that they remain fit for purpose, details of which can be found on page 116.

This year's evaluation was internally facilitated, led by the Chair and Company Secretary. The Committee's review of the structure, size and composition of the Board can found above on page 109.

The 2021 External Board Evaluation

Below is an update on the actions arising from the 2021 external evaluation:

Action	Progress
Planning succession for SET members and strengthening diversity	The Nomination Committee was updated in February 2022 on the succession plans for the SET. The participants of the Future Facing Leaders programme are gender and ethnically diverse, and in the majority of cases, the successors for the SET are within this group.
Providing opportunities for the Board to consider major strategic themes as the Company emerges from the pandemic	The Group Strategy day provided the Board an opportunity to consider the routes to market and strategic themes.
Gaining further insight into stakeholders and, in particular, customers and routes to market	**Customers:** The Group Strategy day provided an opportunity for the Board to meet a UK wholesaler group and a European Buying Group. Presentations were provided on the future of veterinary distribution, including white labelling, and the future of Veterinary practices. In addition, a presentation on insights of the DVP EU customers was provided at the April meeting. **Shareholders:** The Board receives shareholder (fund manager) feedback following presentations and is updated on Shareholder Governance recommendations and queries and responses at each meeting. **Employees:** The Designated Non-Executive Director for Employee Engagement continues to update the Board and the Nomination Committee has been tasked with reviewing the plans of the Designated Non-Executive Director for Employee Engagement.
Continuing the focus on optimising the assurance framework to mitigate non-financial risks	The newly appointed Quality Director has introduced the strategic foundation for Dechra's growth based around three areas: Compliance, Technical Competencies, and Business and Operational Performance. The Quality Director presents once a year and provides a report every six months to the Board.
Reviewing speak up channels	The How to Raise a Concern Procedure (HTRC) has been reviewed internally and by external counsel in light of the forthcoming changes due to the EU Directive on Whistleblowing. The Board approved the HTRC Procedure in December 2021. The hotline was launched globally on 4 April 2022. As each EU country adopts the EU Directive, a country specific addendum will be provided where relevant.

The 2022 Internal Board Evaluation

Following the external evaluation in 2021, it was agreed to undertake an internal evaluation for the 2022 financial year, focusing on the following areas: (i) Strategy; (ii) Working Together; (iii) Management of the Board; (iv) Culture; (v) Engagement with stakeholders; (vi) Progress on External Board Evaluation Matters; and (vii) specific questions on the function and effectiveness of the Board and future strategy days.

The internal evaluation process is detailed below and took the format of a questionnaire, which was distributed to all of the Board, with the survey results presented on an anonymous basis. The responses were received in March, and were discussed at the April Board Meeting. In addition, the Chair held individual interviews with the Board members prior to the results of the questionnaire being known and afterwards to discuss any particular concerns raised. The Senior Independent Director discussed the performance of the Chair with the Directors and the Chair in April. The Board discussed the findings of the internal Board evaluation at the July meeting with the view of determining actions for the 2023 financial year.

Internal Board Evaluation Process

The process of the Internal Evaluation of the Board and its Committees was as follows:

1 Preparation

The questionnaires were updated to reflect the themes derived from the External Board Evaluation.

2 Questionnaire

Questionnaires were made available electronically for online completion and submission. One was in relation to the effectiveness of the Audit Committee and one each in relation to the Remuneration and Nomination Committees. They were forwarded to both the members of the Committees and the regular attendees of the respective Committees, which included the Group HR Director, the External Audit Engagement Partner, the Head of Internal Audit and Risk Assurance and the Company Secretary. The third questionnaire related to the Board and was sent to the Board members only.

3 Interviews

The survey results were presented on an anonymous basis to the Chair and the Senior Independent Director for discussion with the individual Directors. The Senior Independent Director discussed the performance of the Chair with the Directors and the Chair in April.

4 Review

A presentation was provided to:

- each of the Committees, to allow them to discuss their effectiveness; and
- the Board in relation to the various findings and suggested actions.

5 Outcomes

Following a review of the responses and a discussion with the participants, the Chair discussed at the July 2022 Board meeting the general themes raised by the survey, and any other survey-related points they wished to discuss.

Overall, the review once again indicated that the Board operates effectively but noted the following focus areas:

- Bring the customer's voice into Board discussions;
- Focus on future proofing Dechra in relation to people, product portfolio and pipeline delivery; and
- Better understanding of key trends in the financial markets and stakeholder views on issues such as ESG.

These findings are consistent with the Board's expressed desire to give more time to the strategic and mid to long range risks and plans for Dechra.

Composition, Succession and Evaluation

Progress made on these action points during the forthcoming year will be reported in next year's Annual Report. The Board has agreed that an internal evaluation will be undertaken during the 2023 financial year. The results of the 2023 internal Board evaluation will be reported in next year's Annual Report.

Effectiveness of Directors
Following the internal evaluation, which concluded that the Board remained fit for purpose; any comments received related to evolving the Board's contribution rather than any under performance or issues of cohesion. Each of the Board members commented that they appreciate the culture and atmosphere at the Board (further details of which, including the outcomes and actions, are provided on page 115 of the Governance Report). The Committee has concluded that each of the Directors continues to perform effectively and demonstrates commitment, not only in respect of their roles and responsibilities, but also in relation to the Group and its shareholders. At the forthcoming Annual General Meeting, John Shipsey, who was appointed to the Board on 1 June 2022, will offer himself for election, and all of the remaining Directors will retire and offer themselves for re-election.

In addition, the Board has evaluated and determined that each Non-Executive Director has sufficient time to meet their Board responsibilities and any proposed new appointments are disclosed to enable the Board to assess whether there are any conflicts of interest or time. The Board in August 2022 reconsidered Ishbel's independence and concluded that she remained independent. The Board confirmed that Alison Platt met the independence criteria as set out in the Code on appointment as Chair of the Company due to the fact that she was declared independent on her appointment as a Non-Executive Director in March 2020; and that there have been no changes to her circumstances that would affect this independence.

Alison Platt
Nomination Committee Chair
5 September 2022

Audit, Risk and Internal Control

Letter from the Audit Committee Chair

4

Audit Committee Meetings Held

Areas of Focus This Year

- Appointment of new Audit Committee Chair
- BEIS 'Restoring Trust In Audit and Corporate Governance'
- Anti-Bribery and Anti-Corruption and Sanctions

Key Responsibilities

- To review and oversee the Group's financial and narrative reporting processes, to monitor the integrity of the financial statements, and advise the Board on whether the Annual Report, taken as a whole, is fair, balanced and understandable
- To review the effectiveness of the Group's internal financial control systems and the work of the internal audit function
- To oversee the relationship with, and review the effectiveness of, the external auditor, monitor their independence and objectivity, and set the policy for non-audit work

Read more about our Committee Membership and Attendance on page 87

Dear Shareholder

On behalf of the Board, I am pleased to present this year's Audit Committee (the Committee) report, which will also be my last. During the year, in addition to our regular duties, we focused on the following matters:

Committee Membership

Following Denise Goode's decision to tender her resignation, in November 2021, I resumed the role of Audit Committee Chair whilst a successor was appointed. The independence of all Board members is regularly reviewed but my independence was subject to particular scrutiny when I resumed the role of Audit Committee Chair. The Board determined that I remained independent and continued to provide sufficient challenge to the Executive Team. I am pleased to report that the recruitment process resulted in the appointment of John Shipsey, who brings a wealth of financial and commercial experience to the business following his recent tenure as Chief Financial Officer at FTSE100 Smiths Group PLC and a number of senior finance and strategy roles over 20 years. John joined on 1 June 2022 to allow a smooth and orderly transition. John will be appointed as Chair of the Audit Committee upon my retirement on 5 September 2022.

BEIS 'Restoring Trust in Audit and Corporate Governance'

The Committee has considered how the implementation of BEIS 'Restoring Trust in Audit and Corporate Governance' would impact the Group, and has identified where the Group already meets the requirements, the gaps and the corresponding actions required to mitigate the gaps. The development and launch of a new Financial Control Framework during the financial year extends the scope of the Group's control standards. In the event that a control cannot be performed as intended, then the risk will be assessed and mitigating controls put in place, whilst options to implement the control as intended in the future are investigated and progressed.

Audit, Risk and Internal Control

Anti-Bribery and Anti-Corruption and Sanctions
The Committee has received two updates during the year on the Company's Anti Bribery and Anti-Corruption processes, which it believes are operating effectively. As increased sanctions have been applied to Russia, the Committee has reviewed the policy on sanctions and obtained assurances that the Company's activities do not breach any of them.

Annual Report 2022

The following report sets out how the Committee has complied with the principles of the Corporate Governance Code 2018 and specifically provisions 25 and 26, and assisted the Board with its compliance in respect of provisions 24, and 27 to 31. We reviewed, at the request of the Board, whether the 2022 Annual Report was fair, balanced and understandable and concluded that it was. The basis supporting our conclusion is set out on page 122.

Should you have any questions in relation to this report or the Committee, please contact my successor as Audit Committee Chair, John Shipsey, or the Company Secretary.

Julian Heslop
Audit Committee Chair
5 September 2022

The Purpose and Function of the Audit Committee (the Committee)

Purpose
The Committee's key role is to review and report to the Board on financial reporting and internal financial control effectiveness, and to monitor the effectiveness of the external audit process and internal audit function.

Membership, Meetings and Attendance
The membership of the Committee, together with appointment dates and attendance at meetings, are detailed on page 87. John Shipsey joined the Committee on his appointment to the Board in June 2022, and Denise Goode left the Committee on her resignation from the Board on 30 November 2021. Alison Platt also resigned from the Committee on her appointment as Chair of the Company on 1 January 2022. All Committee members are Non-Executive Directors.

The Board considers that all members of the Committee are independent and have competencies relevant to the sector in which the Company operates. Julian Heslop has relevant financial experience as a result of his financial background and qualifications, and Ishbel Macpherson also brings financial experience to the Committee following her career as an Investment Banker. Lawson Macartney and Lisa Bright provide product development and commercialisation of pharmaceuticals experience, which support the Committee in meeting its objectives. John Shipsey brings recent and relevant financial experience to the Committee, following his recent tenure as Chief Financial Officer at FTSE100 Smiths Group PLC, and his previous experience in a number of senior finance and strategy roles. The biographies of all Committee members are detailed on pages 88 and 89.

The Company Secretary attends each meeting and acts as its secretary, assisting the Chair in circulating all papers prior to each meeting in a timely manner and providing advice on all governance related matters. Other members of the Board normally attend each meeting together with the PricewaterhouseCoopers LLP (PwC) External Audit Engagement Partner, the Group Financial Controller and the Head of Internal Audit and Risk Assurance. During the year, other employees also attended the meetings to provide updates on specific matters:

Attendee	Matter
Group IT Director	Cyber Security Update
Group Treasurer	Treasury and Group's Borrowing Facilities Update
Head of Tax and Transfer Pricing	Tax Strategy, Risk and Compliance Update
Head of Group Reporting	Reporting and Accounting Update
Senior Legal Counsel	Anti-Bribery and Sanctions Update

In addition, the Committee Chair meets with the Chief Financial Officer, the Head of Internal Audit and Risk Assurance and the External Audit Engagement Partner outside of the Committee meetings in order to understand fully the key topics to enable these subjects to be discussed meaningfully at the meetings.

The Committee meets with the external and internal auditors without management being present, after each scheduled meeting, to discuss their respective areas and any issues arising from their audits.

The Committee provides a report to the Board on its activities at the Board's next scheduled meeting.

Neither the Company nor its Directors have any relationships that impair the external auditor's independence.

Effectiveness of the Committee

The Committee's performance was evaluated as part of the internal review of the effectiveness of the Board and all its Committees that took place in 2022 (further details of which can be found on page 115 of the Governance Report). The evaluation confirmed that the Committee is functioning well, supported by a strong finance team, with meetings demonstrating good engagement from Non-Executive Directors, management and assurance functions. The evaluation also confirmed that the overall risk framework is well-embedded and adding value.

Role and Responsibilities

The main role and responsibilities of the Committee are set out in the written terms of reference, which are available in the Corporate Governance section of our Company's website (www.dechra.com). The Board reviewed the Committee's terms of reference at the December 2021 meeting and it was agreed that no changes would be made to them; however, it was noted that there was a technical non-compliance with the terms of reference as the Committee Chair had exceeded the nine year tenure limit in January 2022 and Ishbel Macpherson had exceeded the limit in February 2022. The Board concluded that Julian Heslop had in-depth expertise and had consistently shown independent judgement, and therefore deemed that Julian remained independent. The Board agreed that they considered Ishbel Macpherson as independent, and that her knowledge and understanding of City matters gained over 20 years' experience as an investment banker and subsequent considerable board experience provided an independent view on the Board discussions on financing and the financial risks of acquisitions.

The main responsibilities of the Committee are summarised on pages 104 and 117 of the Governance Report.

Major Activities of the Committee During the Year

The Committee met four times since the last Annual Report was issued. These meetings were scheduled meetings, and are generally timed to coincide with the financial reporting timetable of the Company. The Committee Chair and the Company Secretary have developed an annual programme of business. This allows the Committee to consider standing items of business alongside any exceptional matters that may arise during the course of the year.

At each meeting, the Committee reviews the following items routinely:

- status of statutory audits and reporting, global tax management and compliance;
- non-audit fees (including actual and projected spend); and
- the internal audit progress and assurance report.

Annual Programme of Business

August	December	February	April
• Review of preliminary results and announcement • Review of draft Annual Report • Review of external audit findings, report and representation letter • Confirmation of Going Concern and Viability • Fair, Balanced and Understandable Review • Compliance relating to financial statements • Review of final dividend and distributable reserves • External auditor effectiveness • Review of Risk Management process effectiveness • Auditor reappointment	• Review of Committee Terms of Reference • Review and approval of interim plan of external auditor	• Review of Half Year Results • Review of Interim dividend and distributable reserves • Review of Internal Controls • Review and approval of Internal Audit Charter	• Approval of External Audit strategy, scope, fees and independence • Review of Committee Effectiveness • Tax, Treasury and GDPR Compliance Update • Review of Board's Risk Controls • Borrowing Powers Confirmation • Approval of internal audit plan

Audit, Risk and Internal Control

The table below shows the key areas of the Committee activities:

Purpose and Function (see page 118 and 119)	• Review of the Committee's terms of reference • Review of the effectiveness of the Committee	• BEIS Requirements 'Restoring trust in audit and corporate governance'
Financial and Narrative Reporting (see pages 121 and 122)	• Review of the Accounting Treatment of R&D Projects and Technical Transfers • Review of year end accounting treatment for acquisitions and licensing arrangements, non-underlying items and new accounting standards • Review and endorsement of key judgements made by management in determining half-year and full year results • Review of the Group's Half-Yearly Report and supporting papers • Consideration of the Half-Year Review Memorandum prepared by the external auditor • Review of the Group's preliminary statement, draft Annual Report (including the Audit Committee Report) for the year ended 30 June 2022 and management presentation to investors	• Consideration of the Audit Memorandum prepared by the external auditor, including: – review of accounting treatment of non-underlying items – assessment of acquired intangible assets and goodwill including impairment reviews undertaken – accounting for licensing agreements – commentary on the general control environment across the Group • Fair, Balanced and Understandable recommendation of the Annual Report • Review of Viability Statement process • Review and commend the Going Concern and Viability Statements • Review of the dividend policy and interim and final dividend proposals
Internal Controls and Risk Management (see page 122)	• Review of Anti-Bribery and Anti-Corruption (ABC) and Sanctions policies • ABC and Sanctions compliance update • Half-year and full year review of internal financial controls • Review of tax strategy and policy framework • Review of treasury policy and practice	• General Data Protection Regulation (GDPR) compliance update • Review and approval of the internal control and risk management statements • Review of cyber security and adoption of NCSC 10 Step Framework
Internal Audit (see page 123)	• Review of the Internal Audit Plan, completion of audit recommendations and effectiveness of Internal Audit	• Review and approval of Internal Audit Charter
External Audit (see pages 123 and 124)	• Review and approval of PwC Half-Yearly review plan • Review and approval of PwC full year external audit strategy (including timetable, risk assessment, materiality, scope and fees) • Review of findings from the external audit	• Review of the external audit effectiveness • Review of external auditor's independence and level of non-audit fees • Review of the non-audit work and fee policy • Discussion in relation to the Company's expectations of the external auditor and audit process

BEIS 'Restoring Trust in Audit and Corporate Governance'

The Committee has considered the requirements based on the initial consultation document and is now considering the draft Audit Reform Bill published on 31 May 2022. This includes assessments and planning for the requirements relating to strengthening our Internal Control Framework and Fraud Prevention Measures, a Resilience Statement, Dividends and Capital Maintenance, and an Audit & Assurance Policy.

ESEF Reporting

The Committee has considered the new requirement to prepare the Company's consolidated financial statements in digital form and is satisfied that the necessary actions have been taken including the appointment of a third party.

Financial and Narrative Reporting

All significant matters that the Committee considered during the year were supported by relevant justification papers and were fully discussed so that due and appropriate consideration was given before any decision was approved. Further detail in relation to a number of significant matters is provided below.

Financial Judgements

The Committee reviewed both the half-year and the annual financial statements. This process included an analysis by management of key judgements made in determining the results. The Committee reviewed this in detail and endorsed management's judgements.

The Committee gave particular attention to significant matters where judgement was involved, which were complex in nature, or where alternative performance measures (APMs) were provided to enhance investors' understanding of the underlying performance. The Group uses various non-GAAP APMs within internal management reporting, the Half-Yearly Report and the Annual Report. The objective of these APMs is to isolate the impact of exceptional, one-off or non-trading related items, to allow the Board and users of the accounts to understand better the underlying performance of the business. The Group also uses constant exchange rate growth percentages to eliminate the impact of exchange rate fluctuations and to show the underlying business growth. These matters were well supported by briefing papers provided by management and were specifically reviewed and agreed by the external auditor in their reports to the Committee and in related discussions.

The key matters reviewed are shown in the table below:

Significant risks considered by the Committee in relation to the financial statements	Corresponding actions taken by the Committee to address the issues
Review of the carrying value of intangible assets and goodwill of £730.5 million, which represents 56.5% of total Group assets.	The Committee reviewed management's process for reviewing and testing goodwill and other intangible assets for potential impairment. In respect of assets not subject to amortisation, it reviewed the papers provided by management and noted the headroom between the value in use and the carrying value of goodwill. In addition, it considered the ongoing viability of capitalised R&D projects compared to their carrying value. Finally, it reviewed the process adopted by management to review amortised assets for impairment. It endorsed management's conclusion that no impairment of these assets had taken place. The Committee considered PwC's report on these matters.
Review of the remeasurement of the intangibles and associated contingent consideration for the licensing transactions, which were remeasured during the year.	The Committee reviewed the accounting basis of the adjustments, which supported the remeasurements and considered the appropriateness of the accounting treatment.
Valuation and accounting for the acquired commercial licensing agreement intangibles of £96.1 million together with the related contingent consideration.	The Committee reviewed the calculations and agreed the accounting treatment for the assets acquired and their useful economic lives.
Review of the corporate tax rate for the year being a charge of 25.0% (22.5% on underlying operations).	The Committee discussed the key risks in respect of corporate tax and reviewed that appropriate controls were in place to confirm that taxation calculations were not materially misstated. Areas where significant judgements, such as uncertain tax positions, had been applied were reviewed and challenged, and external audit work and conclusions were considered. The Committee reviewed progress in settling outstanding transfer pricing and other matters.
In order to assist investors with a better understanding of the underlying performance of the business, management present within the financial statements figures for underlying profit and earnings. These measures are reconciled to the figures provided in the financial statements and exclude items such as impairment and amortisation of acquired intangible assets and related contingent consideration, acquisition costs, manufacturing cloud computing arrangement costs, and the fair value uplift on inventory acquired through business combinations.	The Committee reviewed the basis for calculating the underlying figures and its consistency with the previous year's figures. It also sought confirmation from the external auditor, PwC, that they were satisfied that the application of the accounting policy relating to this treatment was appropriate. The Committee also reviewed to see if there were any material one off income or costs within the underlying results meriting separate disclosure and endorsed management's conclusion that there were no such items during the year.

Audit, Risk and Internal Control

Going Concern and Viability Statements
The Committee reviewed the Group's Going Concern and Viability Statements set out on pages 49 and 81 of the Strategic Report. In considering the Viability Statement, the Committee paid particular attention to the robustness of the stress testing scenarios, the cash flows forecast by the business and the committed bank facilities available to the Group in the period under review and management's conclusion that it would be able to refinance the £340.0 million revolving credit facility, which is currently committed until July 2024. The external auditor reviewed management's assessment and discussed their review with the Committee.

Fair, Balanced and Understandable Assessment of the Annual Report
At the request of the Board, the Committee considered whether the 2022 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance (pages 42 to 49), business model (pages 22 to 25) and strategy (pages 26 to 34).

The Committee based its assessment on a review of the processes and controls put in place by management. These included:

- the relevant senior management providing information on their own business units and their confirmation that it was fair, balanced and understandable; and
- the Executive Directors and Company Secretary providing confirmation that each section of the report has been subject to a rigorous review process built around four tiers:
  - ongoing internal review by members of the Annual Report project team;
  - Board review of the Annual Report with all comments received being considered by the owners of the respective reports;
  - external review by advisers, including the external auditor; and
  - a final review by all members of the Senior Executive Team (SET).

The above was an integral part of the process and each tier was invited to comment so that issues could be debated and a final assessment made. The Annual Report project team concluded that the 2022 Annual Report met the fair, balanced and understandable test. In addition, all members of the SET concluded that it met the fair, balanced and understandable test.

An integral part of the process was the Committee's final review; other Board members and the external auditor were invited to comment so that issues could be debated and a final assessment made. The Committee was satisfied that all material matters, which had been disclosed in the SET's reports to the Board throughout the year, had been adequately reflected in the Annual Report and that the business model, strategy and the Group's performance were correctly reflected and clearly presented.

PwC have also concluded that the fair, balanced and understandable statement is materially consistent with the financial statements and with the knowledge they gained during their audit and their report can be found on pages 156 to 164.

This assessment was carried out by the Committee on 30 August 2022, following which the Committee reported to the Board that it was satisfied that, taken as a whole, the 2022 Annual Report is fair, balanced and understandable.

Internal Controls and Risk Management
The Board retains overall responsibility for the management of the Group's risk management and internal control framework, and has delegated the ongoing monitoring and review of the effectiveness of the Group's internal financial controls to the Committee.

The Group's risk management and internal control processes include:

- confirmation that the rolling programme of risk and control reviews by the Board has been completed;
- a review of the SET's assessment of material internal control effectiveness;
- a review of the Going Concern and Viability Statements, together with the financial stress testing conducted to support these statements; and
- a review of baseline financial controls and management representations as to their effectiveness across the Group.

During the 2022 financial year, a Financial Control Framework has been launched. This framework extends the scope of the baseline controls standards to an increased number of controls. Prior to launch, the Divisional Finance Directors undertook an initial review and confirmed that the majority of the controls were in place or there were other controls that would mitigate the risk.

The Committee has continued to oversee the Group's adoption of the NCSC 10 Step Framework, and other mitigating actions. The Committee was provided with management assurances on the key risk areas and concluded that the mitigating controls were appropriate, and that the financial control framework remains effective.

The Committee confirms that it has not been advised of, or identified, any failings or weaknesses which it would classify as significant to the Group's internal control system. The Committee further confirms that the Group's internal control systems have been in place for the year under review and up to the date of approval of this Annual Report and Accounts are in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC.

Further details in respect of the Group's risk management and internal control processes are provided on pages 75 to 77 of the Strategic Report, along with the principal risks, controls and mitigating actions and emerging risks. The Board's statements on the effectiveness of these processes are provided on page 92 of the Governance Report.

Review of Policies and Procedures
During the year, the Committee undertook the annual review of the Group Tax Policy and Strategy, the Group Treasury Policy, the Sanctions Policy, the Anti-Bribery and Anti-Corruption (ABC) Policy and the Third Party Code of Conduct.

The Committee is provided with regular updates on the outcomes of the risk assessments as part of both ABC and Sanctions due diligence processes, as well as updates to procedures. During the year, all relevant employees have been required to complete the ABC e-learning courses. The Committee has monitored completion rates during the year of the ABC and Pharmacovigilance courses.

Internal Audit Function

The Internal Audit and Risk Assurance function provides objective assurance and advice on the management of the Group's risks and its systems of internal control. Internal Audit operates a co-sourced arrangement with KPMG LLP with a mix of seconded and specialist resources to provide a flexible resource model and access to specialist expertise and language skills in worldwide geographies. In accordance with a strategy to develop the Internal Audit function in line with projected business growth, an additional in-house resource will be recruited in the 2023 financial year. This will bring the team to three permanent employees and one overseas contractor.

Internal Audit Plan

Internal Audit operates a three year assurance plan, which seeks to provide balanced coverage of the Group's material financial, operational and compliance control processes. It consists of a rolling programme of core assurance activities, together with initial control reviews on new acquisitions and reviews of major business process and systems changes. The annual audit plan, which defines the specific assurance projects to be delivered each financial year, is developed from the three year plan. The annual plan for the year to June 2023 was approved by the Committee in April 2022, and was based on meetings with key stakeholders from across the Group to understand the risks, challenges and projects/initiatives within each area of the business and priorities for internal audit coverage; and consideration of core operational and financial processes to provide cyclical assurance to the Committee and the Board.

Throughout the course of the COVID-19 pandemic, audits have been delivered virtually where practicable. Initially this significantly increased the time spent on each audit, and led to delays in the completion of the work originally planned. However, as the team has adapted to delivering audits remotely, and the impact of COVID-19 has receded, output has returned to, and exceeded, pre-pandemic levels.

The key areas addressed in this year's audit plan have been:

- Financial: Payment Cycle Controls, Group Treasury, Financial Control Framework, DVP EU Pricing and Discounting Controls, DVP NA Order to Cash Controls;
- Operational: IT Governance, Cyber risk, Governance in DVP EU and DVP International, New Products Launch Process, and Fraud Investigations; and
- Compliance: Fraud Procedures and Awareness, UK Gender Pay Gap Reporting, Payroll System Steering Committee, the Fraud Prevention Programme, South America Monitoring and Pharmacovigilance.

Internal audit recommendations are communicated to the relevant business leaders, appropriate control improvements are agreed with them, and the implementation of agreed actions is monitored monthly. Audit reports are provided to the Committee, together with regular progress reports on management's implementation of control improvements.

Independence and Effectiveness of Internal Audit

During the year, the Committee reviewed and approved the updated Internal Audit Charter, which has been amended to align it with the Institute of Internal Audit's Model Internal Audit Activity Charter. The Committee, based on an assessment of the internal auditor's work, agreed that the internal audit team continued to have sufficient resources (particularly following the proposed new resource being in place) and access to technical experience to act as an effective third line of defence for Dechra. The Committee concluded that the internal audit function was effective and independent.

External Auditor

Following a competitive tender in 2015, PwC were appointed as the Company's external auditor effective from the 2016 audit. The Company complies with the Competition and Markets Authority Order 2014 relating to audit tendering and the provision of non-audit services.

Audit Plan

PwC agreed their audit plan with the Committee, which included their audit scope, key audit risk areas and materiality. The Committee discussed the audit plan with PwC and approved it, together with the fees proposed.

Independence, Effectiveness and Objectivity of the Audit Process

The Committee conducted a review of the external auditor's independence, effectiveness and objectivity based on:

- the Committee's own assessment of the quality of the audit plan, the rigour of the audit findings and conclusions, the extent to which the External Audit Engagement Partner understands the business and constructively challenges management and the quality and clarity of the technical and governance review provided;
- the results of a questionnaire on external auditor effectiveness and efficiency (further detail on which is provided below);
- a report prepared by PwC setting out its processes to ensure independence and its confirmation of compliance with them; and
- the level of non-audit fees as a percentage of the audit fees paid to the external auditor, which were 6.0% (2021: 7.6%) in relation to services rendered by PwC.

Responses to the questionnaire have been received from the Finance Leadership Team across the Group who provided information and assistance to the external auditor.

The questionnaire covered a number of areas, including:

- planning and preparation;
- quality of the audit team and continuity;
- knowledge and understanding of the Group;
- appropriateness of the areas of audit focus;
- interaction with audit specialists; and
- timeliness and adequacy of communication by the external auditor.

The results of the questionnaire were reported to the Committee at the meeting on 30 August 2022.

Based on the review set out above, the Committee is satisfied with the external auditor's independence, effectiveness and objectivity.

Audit, Risk and Internal Control

Re-Appointment of External Auditor

At the forthcoming Annual General Meeting, a resolution to re-appoint PwC as the external auditor and to authorise the Committee to set their remuneration will be proposed.

In recommending the re-appointment of the external auditor at the Annual General Meeting, the Committee also takes into account the Competition and Markets Authority (CMA) Order on mandatory audit tendering. Dechra will be required to retender its audit no later than for the 2026 financial year. The Committee will complete this process well before the start of the year preceding the 2026 financial year to maximise the firms able to tender and to permit the firm selected to have sufficient time to meet the required independence regulations.

External Audit Engagement Partner Rotation

In line with the FRC Ethical Standard, the External Audit Engagement Partner is rotated every five years. The current External Audit Engagement Partner, Mark Skedgel, was appointed by the Board on the recommendation of the Audit Committee for the 2021 financial year.

Non-Audit Assignments

With respect to non-audit services undertaken by the external auditor, the Company's policy is that the provision of such services does not impair their independence or objectivity.

Since May 2018, the policy for the use of the auditors, PwC, for non-audit work permitted in accordance with FRC guidance, is capped at 30% for the ratio of non-audit fees to the audit fee and the underlying principle is that the external auditor should never be used where another professional firm can provide the same or similar service. This principle is stricter than the FRC guidance as it is expected that non-audit work performed by the external auditor will be limited to the review of the half-year accounts and any other work required to be carried out by the statutory auditor in accordance with legislation. The annual review of the policy was undertaken in April 2022 and there were no proposed changes. Should another professional firm be unable to provide the same or similar service, the Committee will continue to approve in advance any non-audit work carried out by the external auditor. In all instances, the Committee will assess the qualification, expertise, independence and objectivity of the external auditor prior to granting approval. Safeguards are in place to provide for continued external auditor independence, including the use of separate teams to undertake any non-audit work (other than the review of the Half-Yearly Report) and the audit work. As such, non-audit fee spend is a standing item on the agenda for every Committee meeting.

A summary of audit and non-audit fees in relation to the year is provided in note 7 to the Group's financial statements. This shows that non-audit work carried out by the external auditor represented 6.0% (2021: 7.6%) of the annual audit fee. The 2022 other non-audit fees relate to the engagement of PwC (as statutory auditor) to provide an annual attestation to NOMA (the regulator in Norway) and as such the services were permitted under the non-audit fee policy.

	2022 PwC	2021 PwC	2020 PwC	2019 PwC	2018 PwC
Audit fees including related assurance services (£m)	**1.8**	1.4	1.1	0.89	0.80
Non-audit fees (£m):					
Review of Half-Yearly Report	**0.1**	0.1	0.06	0.04	0.04
Other work	**0.002**	0.006	0.002	0.002	0.52*
Ratio of non-audit fees to audit fees	**6.0%**	7.6%	5.5%	6.7%	70.0%

* The 2018 Audit Committee Report sets out the reasons for the engagement of PwC.

Julian Heslop
Audit Committee Chair
5 September 2022

Directors’ Remuneration Report

Letter from the Remuneration Committee Chair

6

Remuneration Committee Meetings Held

Areas of Focus This Year

- Review of compensation across the Group, including the Executive Directors
- Review of Chair’s fee
- Executive Director and Senior Executive Team (SET) Performance Objectives, including ESG targets

Key Responsibilities

- To determine the remuneration, bonuses, long term incentive arrangements, contract terms and other benefits in respect of the Executive Directors, the Chair and SET
- To oversee any major changes in employee benefit structures
- To approve the design of any employee share scheme
- To oversee workforce pay policies

Read more about our Committee Membership and Attendance on page 87

Dear Shareholder

I am pleased to present the Directors’ Remuneration Report for the year ended 30 June 2022. Following this letter we have set out the following additional information:

- Our Pay Principles, which we adopted in 2020, together with a summary of the market reference points considered by the Committee and our approach to wider workforce remuneration.
- Remuneration Philosophy: The link between our Directors’ Remuneration Policy and our Strategy.
- Governance: How our Remuneration Policy is aligned with the requirements of the UK Corporate Governance Code.
- Remuneration at a glance: Summary of Executive Directors' Total Remuneration for the 2021 and 2022 financial years.

There then follows the two principal sections of the Remuneration Report: the Annual Report on Remuneration and an abbreviated form of the Directors’ Remuneration Policy (the Policy) (the full version can be found at www.dechra.com). The Annual Report on Remuneration provides details of the amounts earned in respect of the 2022 financial year and how the Policy will be implemented in the 2023 financial year.

The Directors’ Remuneration Report (excluding the Policy) will be subject to an advisory vote at the 2022 Annual General Meeting.

Our Directors’ Remuneration Policy

The Policy was approved by shareholders at the Annual General Meeting on 27 October 2020, with 90.81% of all votes cast in favour, and will remain in force until 2023. We review the application of this Policy regularly, with a view to it remaining appropriate, linked to strategy and reflective of developing market practices. No changes to the Policy are proposed for the forthcoming year.

Further details on how the Policy was implemented during the 2022 financial year and our approach to the implementation of the Policy in the 2023 financial year, including our approach to performance measures for the annual bonus and LTIP awards, are described later in this letter.

Directors' Remuneration Report

Remuneration Committee Decisions in 2022

Our 2022 financial year has been another one of success for Dechra, with continued strong progress and a move into the FTSE100. On remuneration, our aim is to always consider the wider workforce, our shareholders and other stakeholders by taking a fair, prudent and balanced approach. The table below summarises the implementation of the Policy for Executive Directors in respect of the 2022 financial year.

Element	Implementation
Salary	As discussed with shareholders during our consultation process last year, Ian Page's salary was increased to £612,000 and Paul Sandland's to £405,000. The increases were effective from 1 January 2022. The 2022 base salary increase for Ian Page and Paul Sandland moved their base to around 90% of the market median of companies ranked 51 to 150 in the FTSE 350 and companies with a market capitalisation of £2.5 billion to £4.5 billion (based on 12 month average market capitalisation to 31 December of 2020). Tony Griffin's salary was increased by 3% to €385,043, which was broadly in line with the average range of increases awarded to employees throughout the Group.
Retirement Benefit	Company pension contribution/cash in lieu of pension of 8% of salary for Ian Page and 6% of salary for Paul Sandland. Tony Griffin received an employer's contribution of 7.7% of salary into the Netherlands pension scheme. In line with the commitment made in our 2020 Remuneration Report, the employer pension contribution rate for our UK employees was increased to 8% from 1 July 2022.
Annual Bonus	Maximum opportunity for the 2022 financial year of 125% of base salary. The bonus for the 2022 financial year was based on underlying profit before tax (as regards up to 110% of salary), personal objectives (up to 10% of salary) and ESG measures (up to 5% of salary). We have delivered underlying profit before tax during the year of £170.0 million, an improvement of 15.5% at constant exchange rates (13.3% at actual exchange rates) on the prior year. Reflecting the performance of the Group in relation to profit targets and the performance of Executive Directors against personal objectives and ESG measures as described on pages 134 to 136, bonuses for the year equal to 92.0% of salary have been earned by Ian Page and Paul Sandland. The profit element of Tony Griffin's bonus is calculated by reference to the underlying operating profit of Dechra Veterinary Products EU (up to 55% of salary) and Group underlying profit before tax (up to 55% of salary). His bonus earned for the year is 76.5% of salary, which reflects the financial performance and the satisfaction of his personal objectives and ESG measures. The Committee considers the level of payout is reflective of the overall performance of the Group in the year and is appropriate. The bonus is subject to a bonus deferral, requiring that 20% of any bonus earned is deferred into Dechra shares for two years. The annual bonus is subject to malus and clawback provisions.
Long Term Incentive Plan	Awards of 200% of base salary for Ian Page, 150% of base salary for Paul Sandland and 100% of base salary for Tony Griffin were granted in September 2021. All of these awards are subject to a two year post vesting holding period. LTIP awards granted on 6 September 2019 are scheduled to vest on 5 September 2022: • as to 96% of the TSR element (one third of the total award) reflecting just under upper quartile performance; and • as to 50.3% of the underlying diluted EPS element (two thirds of the total award) reflecting that the compound annual growth in the underlying diluted EPS at 11.0%, whilst strong, was below the maximum threshold of 17% (with the assessment of underlying EPS taking into account the Akston licensing agreement, as referred to below). In aggregate, taking into account the ROCE underpin (reflecting that the ROCE at 19.5% had not fallen below 10.0%), the LTIP awards will vest as to 65.5%. The Committee considers the level of payout is reflective of the overall performance of the Group over the three year performance period ended 30 June 2022 and is appropriate. See page 139 for further details. Awards made under the LTIP are subject to malus and clawback provisions.

Chair's Fee

In last year's Remuneration Report we reported that we decided to increase the Chair's fee in two stages, with an increase to £159,000 (which included the fee for being Chair of the Nomination Committee, £5,000) from 1 January 2021 and to £188,000 from 1 January 2022.

As part of the Shareholder Consultation on Remuneration, which was undertaken between February and July 2021, we highlighted that we would revisit the appropriate fee level in the event of Dechra becoming a constituent of the FTSE 100, or in the event of a change of Chair. On the appointment of Alison Platt as Chair in January 2022 the Chair's fee was set at £200,000. This positions the Chair fee below lower quartile compared to the FTSE 30–100 and around lower quartile of the FTSE 100–150. As at 1 July 2022, Dechra was ranked 95 in the FTSE 100.

Performance Conditions for LTIP Awards

As detailed in the Directors' Remuneration Report last year, the impact of the Akston licensing agreement is relevant for the 2020 Grant (three year performance period to 30 June 2022) and 2021 Grant (three year performance period to 30 June 2023). In order to measure performance on a fair and consistent basis, the Committee has adjusted the final year underlying EPS for the 2020 Grant to reflect the actual Akston R&D costs incurred at the vesting date. This adjustment recognises that these R&D costs were not included in the base year of the performance period and maintains the overall level of stretch in the targets so the targets are not less difficult to satisfy. For the 2022 Grant (three year performance period to 30 June 2024) and future years, the Committee is mindful that the base year will have some R&D actual costs from the Akston deal. Therefore, the actual Akston R&D costs will be adjusted for both the base year and the year of vesting to enable performance to be measured on a like-for-like basis as was agreed for the 2021 Grant. The Committee believes that this is the right approach as the payments for the development of Akston are lumpy and uncertain as to timing between financial years.

Forward Looking: Implementation of Policy for 2023 Financial Year

We will apply the Policy in the 2023 financial year as follows (more information is given on page 144):

- **Salary:** Executive Directors' salaries will continue to be reviewed in January. It is planned that any increases to Executive Directors' salaries will be in line with the range of any increases proposed for the wider workforce.
- **Pension:** From 1 July 2022 the employer pension contribution for the wider UK workforce (including Paul Sandland) was increased to 8%. This aligns the pension contribution to that of Ian Page (who may receive cash in lieu). Tony Griffin received an employer's contribution of 7.7% of salary, in line with the wider Dutch workforce.
- **Bonus:** Our Policy, approved by shareholders at the 2020 Annual General Meeting, allows for a maximum annual bonus opportunity of 150% of base salary. Taking into account the growth in the size and complexity of the Group since the Policy was approved, the maximum bonus opportunity for the 2023 financial year with respect to the Chief Executive Officer and the Chief Financial Officer will increase from 125% to 150% of salary. This positions the maximum bonus at lower quartile compared to the FTSE 30–100 for the Chief Executive Officer (around median for the Chief Financial Officer) and around median of the FTSE 100–150. The value of the total package continues to be modest against the market norm for a company of our size and complexity. The value of total package for our Chief Executive Officer and Chief Financial Officer continues to be positioned towards the lower quartile of the market.

  In line with our Policy for the Chief Executive Officer and the Chief Financial Officer, the level of bonus deferred into Dechra shares for two years will increase from 20% to 33% of any bonus earned (and not just any additional bonus earned). The increase in the level of deferral alongside the increase in the maximum bonus opportunity means that the amount of cash earned for any level of performance is not increased. The increase in the bonus opportunity is, therefore, delivered in deferred shares, which further enhances the alignment with shareholders. The bonus will be based on a mix of stretching underlying profit before tax targets (in respect of a bonus of up to 130% of salary), personal objectives (in respect of a bonus of up to 10% of salary) and an ESG measure (in respect of a bonus of up to 10% of salary).

  The bonus opportunity for Tony Griffin will remain at 125%. The level of bonus deferred into Dechra shares for two years will be 20% of any bonus earned (and not just any additional bonus earned). The bonus will be based on a mix of stretching underlying profit targets (in respect of a bonus of up to 105% of salary), personal objectives (in respect of a bonus of up to 10% of salary) and an ESG measure (in respect of a bonus of up to 10% of salary). For Tony Griffin, and consistent with the approach for the 2022 financial year, half of the opportunity based on underlying profit (i.e. up to 52.5% of salary) will be assessed by reference to the underlying operating profit of Dechra Veterinary Products EU, reflecting his responsibility for that part of our business, and the other half of the profit based opportunity by reference to Group underlying profit in line with the other Executive Directors, so that a significant part of the profit based opportunity is aligned with the shareholder experience in respect of overall Group performance.

  The Committee has also reviewed the level of stretch in the annual bonus targets to reassure itself that the higher maximum opportunity for the 2023 financial year will only be earned for delivery of appropriately stretching levels of performance.
- **LTIP:** No changes are proposed to the maximum LTIP opportunity for the 2023 financial year. Awards for the 2023 financial year will be granted at the level of 200% of salary for Ian Page, 150% of salary for Paul Sandland and 100% of salary for Tony Griffin.

  The Remuneration Committee is aware that, despite strong performance in line with expectations, the Company's share price is lower than the £49.09 share price used to determine the number of shares subject to the LTIP awards granted on 19 September 2021. It is intended that the LTIP awards for the 2023 financial year will be granted in the 42 days following the announcement of the Company full year results. The Committee will finalise the quantum of the grants at that time having regard to business and share price performance and market conditions at that time. Taking into account the fact that the current share price is higher than the share price used for the LTIP awards granted in 2020 and 2019 (£32.37 and £25.06 respectively) our current intention is that LTIP awards for the 2023 financial year will be granted in line with our standard approach (with the number of shares to be awarded based on the three day average middle market quotation preceding the grant).

  Any shares that vest will be subject to a two year holding period. The performance measures remain as per the grant of LTIP awards made on 19 September 2021, details of which can be found on page 139. The upper target for the underlying diluted EPS performance condition will be 15% CAGR. Taking account of internal forecasts of performance over the performance period including the impact of the recent acquisitions, the markets in which the Group operates, our long term growth ambitions and the expectations of the investment community of the Group's future potential performance, this upper target is considered to be a stretching and ambitious upper target, which requires significant out-performance. The strong performance delivered in the 2022 financial year, which is the base year for the 2023 LTIP grant, also adds to the stretch.

Directors' Remuneration Report

Chair and Non-Executive Directors

A review of the Chair and Non-Executive Directors' base and additional fees will also be undertaken in January 2023 along with the pay review process for the wider workforce.

Wider Workforce Remuneration and Employee Engagement

We recruit and promote people on the basis of their personal ability, contribution and potential. We are committed to promoting, supporting and maintaining a culture of fairness, respect and equal opportunity for all. We are also committed to fair employment practices and comply with national legal requirements regarding wages and working hours.

The Group aims to provide a remuneration package that is competitive in an employee's country of employment and which is appropriate to promote the long term success of the Group. The Company's SAYE scheme and Employee Stock Purchase Plan (ESPP) encourage share ownership by qualifying employees and enable them to share in value created for shareholders. In the 2022 financial year, we offered SAYE to 1,636 employees in 19 countries, and received a 38.57% take up. In the 2023 financial year, we propose to offer the SAYE to our employees in Brazil, so offering 270 additional employees the opportunity to acquire shares in Dechra.

Further details on our pay principles and workforce remuneration are set out on page 129.

As the Non-Executive Director designated under the 2018 Code for employee engagement, Lisa Bright engages directly with employees on a range of topics of interest to them. As discussed on page 101, workforce engagement activities during the 2022 financial year included seven discussions with cross function teams in the EU and US. These have provided an upward channel for views, comments and debate, as well as an opportunity to provide positive feedback on the Group's decision not to furlough employees during the pandemic. The Committee provided an update on the Remuneration Review, including the Executive Directors' remuneration increases, to the wider workforce via the OneDechra intranet.

Gender Pay

We are pleased to report that, as a result of our proactive management with regards to our gender pay gap in Dechra Limited (who employ 69.3% of our UK employees), the gap has reduced from 17.7% in 2017 to 2.8% in 2021. However, the latest decrease relates largely to the payment of COVID-19 bonuses to all site-based staff at the Skipton site during the pandemic and will rise again next year as this is not applicable on an ongoing basis.

Looking Ahead: Key Focus Areas for the Committee for 2023

During the course of the 2023 financial year, we will be reviewing our Policy to check that it continues to support our strategic priorities. The Committee is mindful of the need to attract and retain high calibre individuals in an increasingly competitive market and to remunerate executives fairly and responsibly. As part of this review, and alongside the development of our science based climate targets, we will also consider the extent to which we should enhance the focus on ESG targets in the reward framework. We will consult with our shareholders in advance of the next triennial shareholder vote on the policy at the 2023 Annual General Meeting.

I will also transfer Remuneration Committee responsibilities to a new Committee Chair during the course of the year.

In Conclusion

We greatly appreciate the feedback and the level of support we have received from shareholders regarding our approach to remuneration.

We remain committed to a responsible approach to executive pay, as I trust this Directors' Remuneration Report demonstrates. We believe that the Policy operated as intended and consider that the remuneration received by the Executive Directors in respect of the 2022 financial year was appropriate, taking into account Group performance, personal performance and the experience of shareholders and employees.

I trust that we will continue to receive your support at the Annual General Meeting later this year. Should you have any queries in relation to this report, please contact me or the Company Secretary.

Ishbel Macpherson
Remuneration Committee Chair
5 September 2022

Additional Remuneration Information
Information Dechra Pay Principles
Our pay principles adopted in the 2020 financial year and detailed below, support us in attracting, motivating and retaining the key talent required to support the sustainable improvement of animal health and welfare globally.

Fair Pay	Equal pay for work of equal value
Market Competitiveness	We aim to remain competitive on compensation in our different marketplaces, whilst maintaining internal integrity
Living Wage	We set a target to become a real Living Wage Employer* in the UK during the 2021 financial year. Living wages vary by country, but our aim does not. As we continue to grow in countries across the globe, we will implement elsewhere in the world**
Stake in the Company	We want to increase the number of employees who are able to hold a stake in the Company through employee share ownership
Reward for Contribution	In addition to base pay, we have a number of different local incentive schemes across the Group

* Defined in the UK by The Living Wage Foundation.
** Implemented early during the 2021 financial year.

Workforce Remuneration

	Executive Directors	Senior Executive Team	Wider Workforce
Base Salary	Increases considered in the context of business wide review of remuneration, focusing on the lowest paid in our organisation and the top 60 Senior Leaders.		We are accredited as a Living Wage Employer in the UK and have implemented the equivalent elsewhere in the world.
Pension	**Ian Page:** Reduced to 8% of base salary with effect from 1 July 2021. **Paul Sandland:** 8% of base salary with effect from 1 July 2022 in line with the increase in the employer pension contribution rate for the UK wider workforce. **Tony Griffin:** 7.7% of base salary pension contribution in line with the employer pension contribution for the wider Dutch workforce.	Between 8% and 12% of base salary dependent on length of service.	For the 2021 financial year: between 6% and 12% of base salary dependent on length of service and/or grade*. We increased our minimum employer pension contribution from 6% to 8% with effect from 1 July 2022 in the UK.
Bonus	125% of base salary for the 2022 financial year, 150% of base salary for the 2023 financial year for Ian Page and Paul Sandland and 125% for Tony Griffin. **Ian Page and Paul Sandland**: Targets for the 2023 financial year: personal (up to 10% of salary), ESG (up to 10% of salary) and financial (up to 130% of salary). **Tony Griffin**: Targets for the 2023 financial year: personal (up to 10% of salary), ESG (up to 10% of salary) and financial (up to 105% of salary).	Increased from 50% of salary to 75% of salary for 2022 financial year. Targets: from 1 July 2021 financial and personal. From 1 July 2022 financial, ESG and personal.	All senior managers and professionals. Max. 40% of base salary. Targets: financial and personal.
Long Term Incentive Plan	Max. 200% of base salary. Currently 200% of base salary for Ian Page, 150% of base salary for Paul Sandland and 100% of base salary for Tony Griffin. Three year performance period, two year holding period. Target: TSR (one third), underlying diluted EPS (two thirds) and ROCE underpin.	Max. 100% of base salary. Three year performance period. Target: TSR and underlying diluted EPS with a ROCE underpin.	All senior managers and professionals. Discretionary awards. Market value options, three year performance period. Target: EPS growth 12% above inflation.
Sharesave†	Up to £500 per month Three year savings period or two years for the Employee Stock Purchase Plan (US)		

* Data provided for UK only.
† Austria, Belgium, Canada, Croatia, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, UK and USA.

Directors' Remuneration Report

Remuneration Philosophy

The Link between our Directors' Remuneration Policy and our Strategy

The table below describes how certain remuneration elements are linked to our strategy.

Remuneration Element	Strategic Growth Driver and Enabler	Link to our Key Performance Indicators
Annual Bonus Our annual bonus incentivises the delivery of the long term strategy through the achievement of short term objectives. Up to 130% of salary can be earned based on a stretching profit target, which requires performance above budget and market expectations to trigger the payment of a maximum bonus. Up to 10% of salary can be earned based on the achievement of personal objectives, which reflect the priorities of the business, achievement of which is necessary to deliver the longer term strategy. Up to 10% of salary can be earned based on ESG measures.		**Sales Growth** Strong sales performance is required to maximise profit
Long Term Incentive Plan The LTIP is designed to reward the generation of long term value for shareholders. Performance measures reflect our long term objectives, including sustainable profit growth and the enhancement of shareholder value. Awards are based on growth in underlying diluted EPS and the delivery of shareholder returns. For the 2022 and 2023 financial year awards, the weightings are two thirds underlying diluted EPS and one third total shareholder return. The application of a ROCE underpin focuses Executives on using capital efficiently and appropriately to allow the business to capitalise on growth opportunities in new territories and markets, whilst maintaining returns. The post vesting holding period aligns management with the long term interests of shareholders and the delivery of sustained performance. The performance conditions for LTIP awards made in respect of the year ended 30 June 2022 and future years include discretion to override formulaic outcomes.		**Underlying Diluted EPS Growth** This is a key measure of our performance and the return we generate for our stakeholders **Return on Capital Employed** This measures how efficiently we use our capital to generate returns in the medium and long term **New Product Sales** This measure encourages innovation, growth and sustainability

Alignment of Policy with Code

In determining the Policy, the Committee took into account the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture, as set out in the Code.

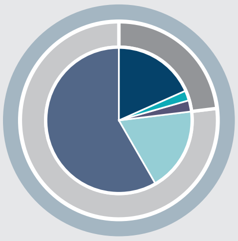
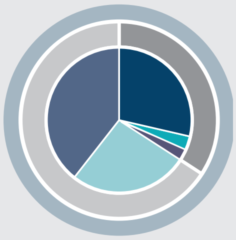
Principle	
Clarity: remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Our remuneration arrangements are transparent and aligned with our Purpose, Values and Strategy and our disclosures are clear to both our shareholders and our employees. Performance targets are set in line with Group budgets and plans and reviewed and tested by the Committee.
Simplicity: remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	We believe that our remuneration structures are as simple as they practicably can be. We follow a standard UK market approach to remuneration with established variable incentive schemes that operate on a clear and consistent basis.
Risk: remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	• Both the annual bonus and LTIP are subject to malus and clawback provisions, and the Committee has discretion to override formulaic outcomes, which may not accurately reflect the underlying performance of the Group. • LTIP awards are subject to a two year post-vesting holding period, and any bonus opportunity in excess of 100% of salary requires deferral into shares also applies. Each of these factors provides longer term alignment with shareholders' interests. • The post-employment shareholding requirement means that alignment with shareholders' interests continues after an Executive Director has left Dechra.
Predictability: the range of possible values of rewards to individual directors and other limits or discretions should be identified and explained at the time of approving the policy.	The range of possible values of rewards and other limits or discretions can be found in the full Policy included in the 2020 Remuneration Report, and the Risk section above refers to limits and Committee discretion.
Proportionality: the link between individual awards, the delivery of strategy and the long term performance of the Company should be clear. Outcomes should not reward poor performance. **Alignment to Culture:** incentive schemes should drive behaviours consistent with Company Purpose, Values and Strategy.	The variable elements of awards are linked to base salary. The performance targets are closely linked to the corporate, financial, strategic and other non-financial objectives of the Company. This enables the Committee to reward the Executive Directors' contribution to both the annual financial performance and the achievement of specific objectives of the Company, so that poor performance cannot be rewarded. In determining the Policy, the Committee was clear that this should drive the right behaviours, reflect our Values and support the Company Purpose and Strategy. The Committee will review the remuneration framework regularly so that it continues to support our Strategy.

Directors' Remuneration Report

Executive Director Total Remuneration

Ian Page

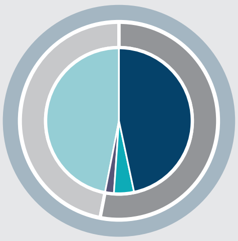
2021 | 2022

		2021	2022
	Fixed		
	Salary	18.4%	**28.8%**
	Benefits	2.3%	**3.1%**
	Pension	2.6%	**2.3%**
	Performance-linked		
	Bonus	18.4%	**26.5%**
	LTIP	58.3%	**39.3%**

Paul Sandland

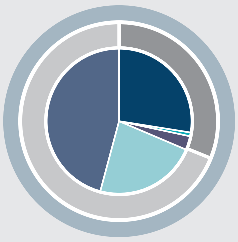
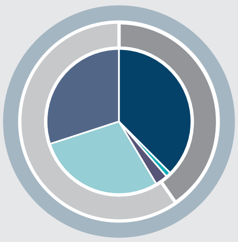
2021 | 2022




		2021	2022
	Fixed		
	Salary	46.9%	**41.1%**
	Benefits	4.4%	**3.5%**
	Pension	1.8%	**2.5%**
	Performance-linked		
	Bonus	46.9%	**37.7%**
	LTIP	N/A	**15.2%**

Tony Griffin

2021 | 2022

		2021	2022
	Fixed		
	Salary	27.5%	**37.7%**
	Benefits	0.8%	**1.0%**
	Pension	3.0%	**2.9%**
	Performance-linked		
	Bonus	22.8%	**28.6%**
	LTIP	45.9%	**29.8%**

2022 Annual Report on Remuneration

The following section provides detail of remuneration earned by the Directors during the year in line with the Directors' Remuneration Policy approved by the shareholders at the Annual General Meeting held on 27 October 2020, along with details of how the Policy will be applied in the 2023 financial year. The sections of the 2022 Annual Report on Remuneration that are audited by PricewaterhouseCoopers LLP (PwC) are indicated on pages 133 to 141.

Executive Directors' Remuneration (Audited)

Single Total Figure of Remuneration

The table below sets out the total remuneration for each person who has served as an Executive Director in the period ended 30 June 2022. The table shows the remuneration for each such person in respect of the year ended 30 June 2022 and in respect of the year ended 30 June 2021:

Executive Director	Year	Salary £000	Benefits £000	Annual Bonus £000	Long Term Incentive £000	Pension £000	Total £000	Total Fixed £000	Total Variable £000
Ian Page	**2022**	**597**	**65**	**549**	**814**	**48**	**2,073**	**710**	**1,363**
	2021	551	68	551	1,748	77	2,995	696	2,299
Paul Sandland	**2022**	**383**	**33**	**351**	**142**	**23**	**932**	**439**	**493**
	2021	330	31	330	N/A	13	704	374	330
Tony Griffin	**2022**	**322**	**9**	**245**	**255**	**25**	**856**	**356**	**500**
	2021	327	9	271	547	36	1,190	372	818
Total 2022	**2022**	**1,302**	**107**	**1,145**	**1,211**	**96**	**3,861**	**1,505**	**2,356**
Total 2021	2021	1,208	108	1,152	2,295	126	4,889	1,442	3,447

Please note the following methodologies have been used in respect of the above table:

1. Salary – this is the cash paid or received in respect of the relevant period. Included in the 2021 base salary, are increases which were effective 1 January 2021 and paid post 2021 year end.
2. Benefits – this represents the taxable value of all benefits paid or received in respect of the relevant period. The Company provides benefits in line with market practice and each Executive Director has the use of a fully expensed car (Ian Page: £53,372), medical cover and life assurance. SAYE options granted in the 2021 financial year have also been included in the benefits column in respect of any year in which there was a grant. These have been valued using the fair value as per note 26 to the Group's financial statements.
3. Annual Bonus – this is the amount of cash and deferred shares bonus earned in respect of the financial year.
4. Long Term Incentive – this is the value of any relevant long term incentives vesting where the performance period ended in the relevant period.
5. Pension – this is the amount of the employer contribution to the Group stakeholder personal pension scheme or, in the case of Tony Griffin, defined contribution pension plan, plus the value of any salary supplement paid. The value of any contribution or salary supplement for the 2021 financial year in respect of the salary increases effective 1 January 2021 were paid post year end as referred to in note 1 above.
6. The 2021 value assigned to the long term incentives for Ian Page and Tony Griffin was shown in last year's Annual Report as an estimate, with the value determined by reference to a share price of £40.422 (being the average market value of a share over the last quarter of the Company's financial period ended on 30 June 2021). This has been restated to show the actual value determined by reference to a price of £51.30 (being the market value of a share on 20 September 2021, the date of vesting).
7. Tony Griffin's remuneration is paid in Euros but reported in Sterling for the purpose of this table. The exchange rate used for this purpose was 1.1287 for 2021 and 1.1807 for 2022. His salary was €385,043 from 1 January 2022 and €373,831 from 1 January 2021.

Directors' Remuneration Report

Additional Disclosures in Respect of the Single Figure Table

Salaries and Fees

Our approach to Executive Directors' salaries in the financial year is explained in the Committee Chair's letter on pages 125 to 128. The Executive Directors' salaries applying with effect from 1 January 2022 are as follows.

Executive Director	Salary with effect from 1 January 2022	Previous Salary	% increase
Ian Page	**£612,000**	£582,400	5.1%
Paul Sandland	**£405,000**	£360,000	12.5%
Tony Griffin	**€385,043**	€373,831	3.0%

The Committee's approach to Executive Directors' salaries for the year ending 30 June 2023 is summarised in the Committee Chair's letter on page 127.

Benefits

The Company provides benefits in line with market practice and each Executive Director has the use of a fully expensed car, medical cover and life assurance.

Annual Bonus

Annual bonuses were awarded by the Committee in respect of the 2022 financial year having regard to the performance of the Group and personal performance and ESG objectives for the year. The amount achieved for the year ended 30 June 2022 against targets for the 2022 financial year is set out below. Bonuses for the year equal to 92.0% of salary have been earned by Ian Page and Paul Sandland. Tony Griffin's earned a bonus for the year of 76.5% of salary. In line with the Policy, 20% of any bonus earned will be deferred into Dechra shares for two years. The Committee considers that the level of payout is reflective of the overall performance of the Group in the year and is appropriate.

Ian Page and Paul Sandland: Group underlying profit before tax

				Bonus earned (percentage of salary)	
				Ian Page	Paul Sandland
Threshold (10% of salary) £156.9 million	Target (55% of salary) £165.2 million	Maximum (110% of salary) £181.7 million	Actual (at budgeted rates) £171.6 million	77%	77%

Tony Griffin: Group underlying profit before tax and Dechra Veterinary Products EU underlying operating profit

					Bonus earned (percentage of salary)
					Tony Griffin
Group underlying profit before tax	Threshold (5% of salary) £156.9 million	Target (27.5% of salary) £165.2 million	Maximum (55% of salary) £181.7 million	Actual (at budgeted rates) £171.6 million	38.0%
Dechra Veterinary Products EU underlying operating profit	Threshold (5% of salary) €132.7 million	Target (27.5% of salary) €139.7 million	Maximum (55% of salary) €153.7 million	Actual (at budgeted rates) €137.8 million	23.0%

Personal Objectives and ESG measure

		Bonus earned (percentage of salary)		
		Ian Page	Paul Sandland	Tony Griffin
Personal Objectives	Each Executive Director could earn a bonus of up to 10% of salary by reference to the achievement of personal objectives based on key aspects of delivering the Group's strategy (see table opposite)	10%	10%	10%
ESG measure	Each Executive Director could earn a bonus of up to 5% of salary by reference to the achievement of ESG measures aligned with their area of responsibility (see table opposite)	5%	5%	5%

The personal objectives of each Executive Director for the year ended 30 June 2022 are set on an individual basis and are closely linked to the corporate, financial, strategic and other non-financial objectives of the Company. This enables the Committee to reward the Executive Directors' contribution to both the annual financial performance and the achievement of specific objectives. A summary of the objectives is set out below along with a description of the performance against them. The Committee reviewed the performance of each Executive Director against their specific objectives based on a report by the Chief Executive Officer and, with respect to the Chief Executive Officer, a report by the Chair. The ESG measure for each Executive Director was similarly set on an individual basis linked to the Executive Director's area of responsibility. A summary of the measure and performance against it is set out below.

Personal Objectives

Director	Strategic Enabler	Objective	Performance
Ian Page	People	Recruit and onboard a new Chief Scientific Officer to replace Dr Longhofer, bringing new experience and innovation to the PDRA group	Patrick Meeus, a veterinarian with wide experience in product development and regulatory affairs, commenced employment on 1 July 2022
	Pipeline Delivery	Through business development; expand our new product pipeline for 2022/23 and beyond, through acquisition, investment or partnering arrangement	A number of new candidates were explored; *Laverdia* was added to the pipeline through acquisition and Piedmont significantly strengthened the scale and novelty of the pipeline
	Governance	Work with the Chair and the Nominations Committee to continue to shape the Board structure to build stability and continuity for the long term Provide mentorship to the Chief Financial Officer to continue to develop a succession strategy	We have successfully appointed Alison Platt as Chair of the Board and in the year we have recruited a new Non-Executive Director, John Shipsey, as Audit Chair and have commenced the search for a new Remuneration Committee Chair The Chief Financial Officer continues to develop and has exceeded expectations. We have recruited a number of talented people below the Senior Executive Team to strengthen the organisation with a view to potential future succession opportunities
Paul Sandland	Shareholder	Improve effective engagement with shareholders	Established investor relations function, onboarded Head of Investor Relations (post year end), developed IR plan, timetable and investor engagement programme, improved guidance and consensus tracking
	IT	Drive efficiencies through implementation of technology solutions	Appointed Chief Information Officer (joined June 2022). Successful implementation of/progress against key milestones on pivotal Group IT projects (Veeva, eQMS, Oracle, ADP, Concur). Enhanced security and reduced risk of cyber-attacks through sponsoring delivery of NCSC 10 steps
	Governance	Sponsor transition to Internal Controls Over Financial Reporting (ICOFR)	Launched Financial Control Framework, identified and remediated any weaknesses, established BEIS project team with a view to full transition in the 2023 financial year in line with anticipated timetable and requirements
Tony Griffin	Commercial	Drive the European change programme to ensure the organisation is ready for the future	Workshops held with senior team to determine future model/framework, and roll out has commenced. All markets now on Sales Force CRM. All country managers trained in Change Management and all have carried out training of own teams. Analysis of top 20 products completed for pricing alignment
	People	Agree focus areas for improvement as a result of the Great Place to Work (GPTW) survey	Career and development were the agreed focus areas for DVP EU. A mentor programme has commenced and all product managers have received specific training
	People	Support the One Dechra organisation working closely with the SET in building a strong cohesive team	Monthly meetings with the Group DPM&S Director, resulting in the establishment of cross functional teams to solve problems as they arise

Directors' Remuneration Report

ESG Measure

Director	Objective	Performance
Ian Page	Provide sponsorship to the Sustainability strategy of the Group and drive changes through the organisation to support meeting the targets set in the Group Strategy. Act as sponsor of the One Dechra Engagement actions during the financial year specifically the Group wide actions on Communication and Wellbeing	ESG is permanently embedded within the organisation. All global team members understand and are engaged in achieving the objectives set by the ESG Committee
Paul Sandland	Sponsor and execute the agreed Sustainability strategy	Established carbon reduction targets in accordance with Science Based Targets, met TCFD reporting requirements and enhanced employee engagement through roll out of Deedster application, execution of multi-channel communication plan and recruitment of ESG ambassadors
Tony Griffin	Work closely with the Sustainability Director to reduce the carbon footprint of the European business and in delivering the Group's science based goals for the 2022 financial year	All DVP EU facilities have established and are implementing a sustainability plan which includes green electricity, recycling, and LED lighting. Uldum has completed the shipment analysis to reduce the number of small inefficient shipments. All countries are now offering either hybrid or fully electric cars

Long Term Incentive Plan

The LTIP awards granted on 6 September 2019 are due to vest on 5 September 2022. The performance targets for these awards are as follows: one third of the award is subject to a performance condition based on the Company's total shareholder return (TSR) performance relative to the constituent companies of the FTSE 250 index (excluding investment trusts) over the performance period as follows:

TSR performance	Vesting percentage
Below median	0%
Median	25% of the TSR portion will vest
Between median and upper quartile	Pro rata vesting between 25% and 100% based on the Company's ranking in the comparator group
Upper quartile	100% of the TSR portion will vest

Two thirds of each award is subject to a performance condition based on the growth in the Group's underlying diluted earnings per share (EPS) over the performance period as follows:

EPS compound annual growth rate (CAGR)	Vesting Percentage
<8% CAGR	0%
8% CAGR	25% of the EPS portion will vest
CAGR between 8% and 17%	Pro rata vesting between 25% and 100%
>17% CAGR	100% of the EPS portion will vest

Both the TSR element and the EPS element are subject to an additional return on capital employed (ROCE) performance underpin. Unless the Group's ROCE is 10% or more in the final year of the performance period, the awards will lapse in full regardless of TSR and EPS performance.

The Company's TSR performance was 34.8% compared with a 11.5% TSR for the median company and 35.7% TSR for the upper quartile company in the comparator group (FTSE 250 Index (excluding investment trusts)). Therefore, 96% of the TSR element will vest. As we explained in the 2019 Directors' Remuneration Report, having regard to the impact of the Akston licensing agreement and in order to measure performance on a fair and consistent basis, the Committee has adjusted, for the purposes of this LTIP grant, the underlying diluted EPS for financial year 2022 to exclude the actual Akston R&D costs incurred as these costs were not included in the base year. This adjustment changes the 2022 underlying diluted EPS for the purposes of this LTIP grant from 120.84 pence to 123.23 pence resulting in CAGR of 11.0% such that 50.3% of the EPS element will vest. Overall, taking into account that ROCE performance for 2022 was 19.5%, the LTIP awards will vest as to 65.5% of the maximum opportunity.

The Committee considered that the level of vesting reflected the underlying performance of the Group over the period.

In the single figure table on page 133, the value attributable to this award is calculated by multiplying the number of shares in respect of which the award is expected to vest by £35.405 (being the average market value of a share over the last quarter of the Company's financial period ended on 30 June 2022).

The September 2019 awards were granted when the value of a share was £29.64 (being the three day average middle market quotation preceding the grant). The following table shows the amount of the award attributable to share price appreciation from that value to £35.405 (being the average market value of a share over the last quarter of the Company's financial period ended on 30 June 2022).

Executive Director	Number of shares in respect of which the Award is expected to vest	Amount of award attributable to share price at grant £000	Amount attributable to share price appreciation £000	Total award £000
Ian Page	22,981	£681	£133	£814
Paul Sandland	3,999	£119	£23	£142
Tony Griffin	7,194	£213	£42	£255

Each award is subject to a two year post vesting holding period. Other than shares sold to satisfy tax liabilities arising in connection with the acquisition of shares or to fund the exercise price of the tax qualifying option, no shares acquired may be sold before the second anniversary of vesting. The Company has measures in place to prevent the shares from being sold or transferred during the holding period. During the holding period, the Executive Directors, as beneficial owners of the shares, will be entitled to any dividend payments and will be able to vote at any general meeting of the Company.

SAYE

No options were exercised under the SAYE Scheme by Executive Directors during the year.

Pension

Ian Page and Paul Sandland were members of the Dechra Pharmaceuticals PLC Group Stakeholder personal pension scheme throughout the year. Ian Page elected to receive his entire pension contributions as a salary supplement.

Contributions made by Dechra Pharmaceuticals PLC on behalf of the Executive Directors during the year equated to no more than 8% of pensionable/base salary for both Ian Page and Tony Griffin. Tony Griffin received an employer's contribution of 7.7% of salary into the Netherlands pension scheme. As explained in the Committee Chair's letter on pages 125 to 128 with effect from 1 July 2022, the wider UK workforce are eligible for employer pension contributions of between 8% (increased from 6%) and 12% of base salary dependent on length of service and/or grade.

Our Chief Financial Officer, Paul Sandland's, pension was already aligned with the wider workforce, and therefore increased from 6% to 8% with effect from 1 July 2022.

Directors' Remuneration Report

Non-Executive Directors' Remuneration (Audited)

(Audited) Single Total Figure of Remuneration

The table below sets out the total remuneration for each person who has served as a Non-Executive Director in the period ended 30 June 2022. The Chair and the other Non-Executive Directors are paid a fee for their role. The table shows the remuneration for each such person in respect of the year ended 30 June 2022 and, where relevant, the year ended 30 June 2021:

	Additional responsibilities	Base fee £000		Additional fee £000		Benefits £000		Total £000	
		2022	2021	2022	2021	2022	2021	2022	2021
Tony Rice π	Chair and Nomination Committee Chair	**80**	144	**–**	3	**4**	–	**84**	147
Alison Platt	Chair and Nomination Committee Chair (from 1 January 2022)	**129**	54	**–**	–	**3**	**–**	**132**	54
Ishbel Macpherson	Senior Independent Director (to 28 February 2022) and Remuneration Committee Chair	**58**	54	**22**	20	**3**	–	**83**	74
Julian Heslop	Audit Committee Chair (apart from between the period 22 October to 1 December 2021)	**58**	54	**14**	12	**2**	–	**74**	66
Lawson Macartney	Senior Independent Director (from 1 March 2022)	**58**	54	**3**	–	**17**	–	**78**	54
Lisa Bright	Employee Engagement Designated Non-Executive Director	**58**	54	**10**	8	**4**	–	**72**	62
Denise Goode†		**24**	11	**1**	–	**1**	–	**26**	11
John Shipsey*		**5**	–	**–**	–	**–**	–	**5**	–
Total		**470**	425	**50**	43	**34**	–	**554**	468

∏ Tony Rice retired on 31 December 2021.
† Denise Goode was appointed on 26 April 2021 and resigned on 30 November 2021.
* John Shipsey was appointed on 1 June 2022.

The Non-Executives are not eligible to participate in any of the Company's share schemes, incentive schemes or pension schemes.

The Committee's approach to the Chair's fee in the financial year is explained in the Committee Chair's letter on pages 125 to 128. As explained in the letter, at the same time as the Committee considered the Executive Directors' salaries and the Chair's fee, fees for the other Non-Executive Directors were reviewed by the Board. The Chair's and other Non-Executive Directors' fees applying with effect from 1 January 2022 are as follows.

Office	Fee with effect from 1 January 2022	Previous fee
Chair	**200**	159*
Non-Executive Director	**58**	57
Chair of the Audit Committee	**15**	15
Chair of the Remuneration Committee	**15**	15
Senior Independent Director	**10**	10
Designated Non-Executive Director for Employee Engagement	**10**	10

* The Chair had previously received a fee of £159,000 inclusive of his fee for chairing the Nomination Committee. Alison Platt on her appointment received a base fee of £200,000.

The Committee's approach to the Chair's and Non-Executive Directors' fees for the year ending 30 June 2023 is summarised in the Committee Chair's letter on page 128.

Further Information on Directors' Remuneration

Long Term Incentive Arrangement and Share Scheme awards during the financial year

Long Term Incentive Awards (Audited)

Awards were made under the Dechra 2017 Long Term Incentive Plan on 16 September 2021, are as set out in the table below.

	Type of award	Maximum opportunity	Number of shares	Face value at grant*	% of award vesting at threshold	Performance Period
Ian Page	Nil cost option under the LTIP	200% of salary	23,727	£1,164,758	25%	1 July 2021 – 30 June 2024
Paul Sandland†	Nil cost option under the LTIP	150% of salary	11,000	£539,900	25%	1 July 2021 – 30 June 2024
Tony Griffin	Conditional award under the LTIP	100% of salary	6,508	£319,478	25%	1 July 2021 – 30 June 2024

* Based on a share price of £49.09 being the three day average middle market quotation preceding the grant.

† Paul Sandland has also been granted a tax qualifying option over 330 shares at an exercise price of £49.09 as part of his LTIP award. This tax qualifying option is linked to the nil cost option such that, at the time of exercise, to the extent that there is a gain in the tax qualifying option, the nil cost option will be forfeited to the value of that gain, to ensure that the pre-tax value of the LTIP award is not increased by the grant of the tax qualifying option.

One third of each award is subject to a performance condition based on the Company's TSR performance over the performance period relative to the constituent companies of the FTSE 250 index (excluding investment trusts) as follows:

TSR performance	Vesting percentage
Below median	0%
Median	25% of the TSR portion will vest
Between median and upper quartile	Pro rata vesting between 25% and 100% based on the Company's ranking in the comparator group
Upper quartile	100% of the TSR portion will vest

Two thirds of each award is subject to a performance condition based on the growth in the Group's underlying diluted EPS over the performance period. As noted in the letter from the Remuneration Committee Chair in the 2019 Directors' Remuneration Report, the underlying EPS for the final year of the performance period (the financial year to 30 June 2024) will be adjusted to exclude actual R&D costs associated with the Akston development, recognising that these are lumpy and uncertain as to timing between financial years.

EPS compound annual growth rate (CAGR)	Vesting Percentage
<8% CAGR	0%
8% CAGR	25% of the EPS portion will vest
CAGR between 8% and 15%	Pro rata vesting between 25% and 100%
>15% CAGR	100% of the EPS portion will vest

Both the TSR element and the EPS element are subject to an additional ROCE performance underpin. Unless the Group's ROCE is 10% or more in the final year of the performance period, the awards will lapse in full regardless of TSR and EPS performance. The awards are subject to a two year post vesting holding period. Other than shares sold to satisfy tax liabilities arising in connection with the acquisition of shares or to fund the exercise price of the tax qualifying options, no shares acquired may be sold before the second anniversary of vesting.

SAYE (Audited)

No SAYE options were granted to Executive Directors during the year ended 30 June 2022.

Payments to Past Directors (Audited)

There were no payments to past Directors during the period.

Payments for Loss of Office (Audited)

There were no payments for loss of office made to Directors during the period.

Dilution Limits

Awards granted under the Company's LTIP, Executive Share Option Schemes and SAYE Schemes are met by the issue of new shares when the awards/options are exercised. The Committee monitors the number of shares issued under each of these schemes and their impact on dilution limits. The Company's usage of shares compared to the Investment Association dilution limits as at 30 June 2022 is as follows:

Executive Share Plans	All Share Plans
Limit: 5%	Limit: 10%
Usage: 2.1%	Usage: 2.6%

Directors' Remuneration Report

Shareholdings (Audited)

Executive Directors

In respect of the financial year ended 30 June 2022, the Company's shareholding guidelines required Executive Directors to have acquired and retained half of any shares acquired under the LTIP and, if relevant, any recruitment award (after sales to cover tax) until such time as their holding has a value equal to 200% of salary. Shares which are vested, but which remain subject to a holding period and/or clawback, and deferred bonus scheme shares may count towards the holding requirement on a net of assumed tax basis. The holdings of each person who served as an Executive Director during the period ended 30 June 2022 and their families as at 30 June 2022 are as follows:

Name	Appointment date	Ordinary shares Number	Ordinary shares £000*	% of salary
Ian Page	13 June 1997	392,388	13,568	2,217
Paul Sandland	30 October 2019	9,651	333	82
Tony Griffin	1 November 2012	33,463	1,157	355

* Calculated using the share price as at 30 June 2022 and the base salaries as at 30 June 2022.

Shareholding Requirement After Employment

As detailed in the Remuneration Policy approved by shareholders at the 2020 Annual General Meeting, the Committee has adopted a post-employment shareholding requirement. Shares are subject to this requirement only if they are acquired from share plan awards (LTIPs, deferred bonus awards and, if relevant, any recruitment award) granted after 1 July 2021. Following employment, an Executive Director must retain:

- for the first year after employment, such of their shares which are subject to the post-employment requirement as have a value for these purposes equal to the shareholding guideline that applies during employment (currently 200% of salary); and
- for the second year after employment, such of those shares as have a value for these purposes equal to 50% of the shareholding guideline that applies during employment, or, in either case and if fewer, all of those shares.

Executive Directors' Total Interest under Shares Schemes (Audited)

Awards held under the Long Term Incentive Plan (and, in the case of Paul Sandland, market value options) for each person who was a Director during the year ended 30 June 2022 are as follows:

	Award date	Type of award	Option price for market value options (£)	Number of shares as at 1 July 2021	Granted	Lapsed	Exercised	Number as at 30 June 2022	Status	Performance Period
Ian Page	26-Oct-18	LTIP	N/A	46,168	–	12,097	34,071	–	Vested and exercised in the year	2018–2021
	06-Sep-19	LTIP	N/A	35,087	–	–	–	35,087	Unvested[1]	2019–2022
	22-Sep-20	LTIP	N/A	32,128	–	–	–	32,128	Unvested[2]	2020–2023
	19-Sep-21	LTIP	N/A	–	23,727	–	–	23,727	Unvested	2020–2023
Tony Griffin	26-Oct-18	LTIP	N/A	14,444	–	3,785	10,659	–	Vested and exercised in the year	2018–2021
	06-Sep-19	LTIP	N/A	10,984	–	–	–	10,984	Unvested[1]	2019–2022
	22-Sep-20	LTIP	N/A	10,303	–	–	–	10,303	Unvested	2020–2023
	19-Sep-21	LTIP	N/A	–	6,508	–	–	6,508	Unvested	2021–2024
Paul Sandland	02-Mar-18[4]	Approved	£25.06	550	–	–	550	–	Vested and exercised in the year	2017–2020
	02-Mar-18[4]	Unapproved	£25.06	2,450	–	–	2,450	–	Vested and exercised in the year	2017–2020
	26-Oct-18[4]	Unapproved	£21.66	3,000	–	–	3,000	–	Vested and exercised in the year	2018–2021
	06-Sep-19	LTIP	N/A	6,106	–	–	–	6,106	Unvested[1]	2019–2022
	22-Sep-20	LTIP	N/A	13,901	–	–	–	13,901	Unvested	2020–2023
	19-Sep-21	LTIP	N/A	–	11,000	–	–	11,000	Unvested[3]	2021–2024

1. Will vest on 5 September 2022 as to 65.5%.
2. Ian Page was granted a tax qualifying option over 926 shares at an exercise price of £32.37 as part of his LTIP award. This tax qualifying option is linked to the nil cost option such that, at the time of exercise, to the extent there is a gain in the tax qualifying option, the nil cost option will be forfeited to the value of that gain.
3. Paul Sandland was granted a tax qualifying option over 330 shares at an exercise price of £49.09 as part of his LTIP award. This tax qualifying option is linked to the nil cost option such that, at the time of exercise, to the extent there is a gain in the tax qualifying option, the nil cost option will be forfeited to the value of that gain. Ian Page decided to waive his right to the tax qualifying option.
4. Paul Sandland held market value options. These options and awards were granted to Paul Sandland prior to his appointment as an Executive Director. These options are subject to a performance condition based on the percentage growth in the adjusted diluted EPS, which must exceed the sum of the percentage growth in RPI and 12%.

The aggregate gain made by the Executive Directors on share options and LTIP awards exercised during 2022 was £2,491,641 (2021: £1,319,184).

Non-Executive Directors (Audited)

By the third anniversary of their appointment to the Board, Non-Executive Directors are required to have acquired and retained a holding of Dechra shares equivalent to the value of at least 50% of their annual base fee. The holdings of the Non-Executive Directors and their families as at 30 June 2022 are as follows:

Name	Appointment date	Ordinary shares number	Ordinary shares £000*	% of base fee
Alison Platt	1 March 2020	3,709	128	64
Ishbel Macpherson	1 February 2013	5,848	202	344
Julian Heslop	1 January 2013	6,000	207	353
Lawson Macartney	1 December 2016	5,880	203	346
Lisa Bright	1 February 2019	788	27	46
John Shipsey	1 June 2022	Nil	N/A	N/A
Tony Rice†	5 May 2016	20,000	692	435
Denise Goode‡	26 April 2021	136	5	8

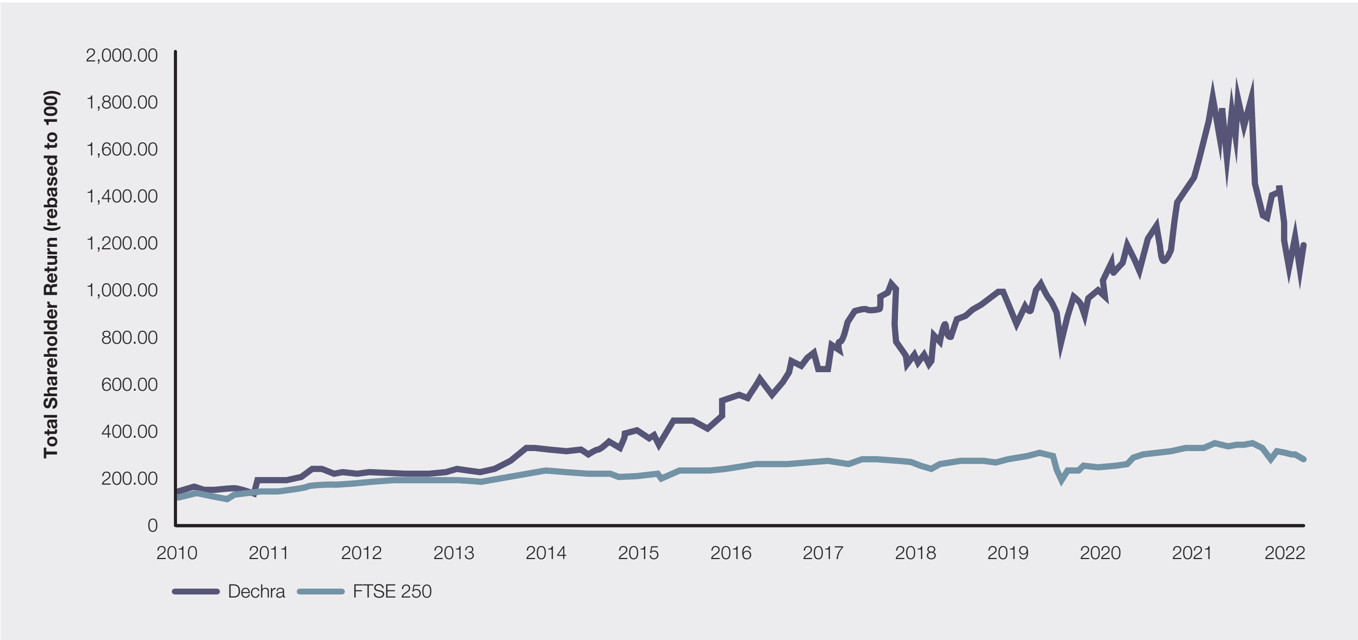
* Calculated using the share price as at 30 June 2022 and the fees as at 30 June 2022.
† Retired on 31 December 2022.
‡ Resigned on 30 November 2022.

There have been no changes in the holdings of the Company's Directors between 30 June and 5 September 2022, with the exception of Ishbel Macpherson who acquired 874 ordinary shares in the Company via the Retail Offer and these shares were admitted on 25 July 2022.

Performance and Chief Executive Remuneration

TSR

This graph shows the TSR performance of the Company over the past ten financial years compared with the TSR over the same period for the FTSE 250 Total Return Index. During the period 1 July 2021 to 19 December 2021, the Company was a constituent of the FTSE 250. From 20 December 2021, it was a constituent of FTSE 100; for this reason it is considered that the TSR performance of the FTSE 250 Index is the appropriate comparator for this report In line with the regulations the TSR chart should show only ten years (1 July 2012 to 30 June 2022).



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Directors' Remuneration Report

Chief Executive Officer Remuneration for Ten Previous Years

Year ended	Total single figure remuneration £000	Annual bonus payout (% of maximum opportunity)	LTIP vesting (% of maximum number of shares)
30 June 2022	2,073	92	65.5
30 June 2021	2,995	100	73.8
30 June 2020	1,763	28	73.7
30 June 2019	3,035	72	100.0
30 June 2018	3,058	76	100.0
30 June 2017	3,420	92	100.0
30 June 2016	2,480	72	96.25
30 June 2015	1,934	80	93.1
30 June 2014	1,589	80	100.0
30 June 2013	1,201	36	100.0

Annual Percentage Change in Remuneration of Directors and Employees

The table below shows the annual percentage change in each Director's salary/fees, benefits and bonus between the year ended 30 June 2021 and the year ended 30 June 2022, and the average percentage change in the same remuneration over the same period in respect of the employees of the Company on a full time equivalent basis.

The average employee change has been calculated by reference to the average of the percentage change in each of salary, benefits and bonus for every employee of the listed parent company except that anyone who joined or left the business part way through the year has been excluded from the calculations. John Shipsey was appointed during the year ended 30 June 2022 and, accordingly, has been excluded from the table below. Alison Platt has also been excluded as the increase in her fee is a result of her being appointed as Chair in January 2022.

		Average employee	Ian Page	Paul Sandland	Tony Griffin	Ishbel Macpherson	Julian Heslop	Lawson Macartney[2]	Lisa Bright
Salary/fees	**2021– 2022**	**6.4%**	**8.3%**	**16.1%**	**3.0%**	**8.1%**	**9.1%**	**13.0%**	**9.7%**
	2020– 2021	32.8%	6.6%	10.0%	(0.9%)	10.4%	6.5%	3.8%	8.8%
	2019– 2020	(11.8%)	4.0%	N/A	6.8%	3.2%	3.3%	4.0%	3.6%
Taxable benefits[1]	**2021– 2022**	**(2.1%)**	**(4.4%)**	**6.5%**	**1.2%**	**N/A**	**N/A**	**N/A**	**N/A**
	2020– 2021	(7.3%)	6.3%	20.8%	2.3%	N/A	N/A	N/A	N/A
	2019– 2020	16.3%	(1.7%)	N/A	(10.0%)	N/A	N/A	N/A	N/A
Annual bonus[3]	**2021– 2022**	**(4.8%)**	**(0.4%)**	**6.4%**	**(9.6%)**	**N/A**	**N/A**	**N/A**	**N/A**
	2020– 2021	137.3%	280.0%	292.9%	194.6%	N/A	N/A	N/A	N/A
	2019– 2020	(47.4%)	(59.7%)	N/A	(58.7%)	N/A	N/A	N/A	N/A

1. Excludes SAYE options granted during any relevant year.
2. Included in Lawson Macartney fee for the 2022 financial year is the fee for Senior Independent Director which was effective from 1 March 2022.
3. The difference in bonuses for the Executive Directors is due to the increase in the bonus potential of up to 125% compared to 100% in the 2021 financial year.

The increase in the average employee's salary between the 2020 financial year and the 2021 financial year reflects the changes following the business wide review of remuneration, which were effective from 1 January 2021.

Chief Executive Officer's Pay Ratio

The table below shows the ratio of the Chief Executive Officer's remuneration for 2022, 2021, 2020 and 2019 using the Single Total Figure as disclosed on page 133 to the full time equivalent remuneration of the UK employee whose remuneration was ranked at the 25th percentile, median and 75th percentile. Employees' pay was calculated on the same basis as the Single Total Figure Remuneration except that anyone who joined or left the business part way through the year has been excluded from the calculations along with anybody on reduced pay for illness, maternity, paternity, adoption or shared parental leave. The Company believes that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	**Option A**[1]	**78:1**	**58:1**	**30:1**
2021	Option A[1]	121:1	87:1	44:1
2020	Option A[1]	75:1	58:1	31:1
2019	Option A[1]	139:1	107:1	56:1

1. The applicable regulations provide for three methods of calculating the pay ratio. We have chosen Option A and have calculated the pay and benefits of all of the Group's UK employees in order to identify the employees at the 25th, median and 75th percentile. We have chosen this approach reflecting that guidance recognises this as the most statistically accurate method. In each year, the employees at the 25th, median and 75th percentile were identified by reference to remuneration at 30 June that year.

	2022[1] **Total pay and benefits (salary) £000**	2021 Total pay and benefits (salary) £000
Chief Executive Officer	**2,073**	2,995
	(597)	(551)
25th percentile employee	**26**	25
	(25)	(23)
Median employee	**36**	35
	(29)	(31)
75th percentile employee	**69**	67
	(47)	(44)

1. The 2022 figure includes share options and awards, which have been valued by reference to £35.405 (being the average market value of a share over the last quarter of the Company's financial period ended 30 June 2022). SAYE options granted in 2021 and 2022 financial years have also been included in the benefits column in respect of any year in which there was a grant. These have been valued using the fair value as per note 26 to the Group's financial statements.

In 2022, there were a total of 556 UK employees (2021: 478 UK employees), 239 of whom have been excluded for the above stated reasons (2021: 169), leaving 317 employees within the 'full pay relevant' data set (2021: 309) for comparison against the Chief Executive Officer. We believe that the final figures detailed above are representative of the majority of the data set.

The ratio of Chief Executive Officer's total remuneration to that of employees has reduced as a result of the lowering of his employer's pension contribution to align it with that of the UK workforce. Further, the Chief Executive Officer's annual bonus at 92% of base salary was lower than that in 2021 (100%) as was the value and percentage vesting of his LTIP in the year at 65.5% as opposed to 73.8% in 2021. In addition the number of employees eligible for a bonus was increased in the 2022 financial year.

Of the employees within the 'full pay relevant' data set, 186 worked in our Manufacturing business, which is predominately shop floor workers (2021: 177). During the 2021 financial year, we addressed the pay levels of these employees moving them from minimum wage to National Living Wage and we have retained this in the 2022 financial year. These actions have contributed to the reduction in the ratio this year.

Relative Importance of Spend on Pay

The following table sets out the percentage change in distributions to shareholders (by way of dividend and share buyback) and total remuneration paid to or receivable by all Group employees comparing the year ended 30 June 2021 and the year ended 30 June 2022.

	Year ended 30 June 2022 £000	Year ended 30 June 2021 £000	% change
Distributions to shareholders by way of dividend and share buyback	**44,800**	37,900	18.2%
Overall expenditure on pay	**131,600**	120,300	9.4%

Directors’ Remuneration Report

Implementation of the Directors’ Remuneration Policy in the Year Ending 30 June 2023

The Directors’ Remuneration Policy outlined on pages 146 to 150 will be implemented in the year ending 30 June 2023, as set out in the Committee Chair’s letter on pages 125 to 128.

Further information on the performance targets for the annual bonus and LTIP are detailed below.

Annual Bonus

As noted in the letter from the Remuneration Committee Chair, the maximum bonus potential for the Chief Executive Officer and Chief Financial Officer for the financial year 2023 will increase to 150% of salary, with a bonus deferral requiring that 33% of any bonus earned (and not just any additional bonus earned) is deferred into Dechra shares for two years. The increase in the annual bonus opportunity for the 2023 financial year recognises the increase in the size and complexity of the Group since the last Remuneration Policy was approved by shareholders. The Committee has also reviewed the level of stretch in the annual bonus targets to reassure itself that the higher maximum opportunity for the 2023 financial year will only be earned for delivery of appropriately stretching levels of performance. This positions the maximum bonus at lower quartile compared to the FTSE 30–100 for the Chief Executive Officer (around median for the other executive directors) and around median of the FTSE 100–150. The value of the total package continues to be modest against the market norm for a Company of our size and complexity. The value of total package for our Chief Executive Officer and Chief Financial Officer continues to be positioned towards the lower quartile of the market.

Tony Griffin’s bonus arrangements will not change, save that the ESG measure will represent up to 10% of his maximum bonus and underlying profit 105%. Personal objectives will continue to comprise up to 10% of maximum bonus.

In the opinion of the Board, the performance targets applying to the annual bonus are commercially sensitive, and prospective disclosure could provide competitors with insight into the Group’s business plans and expectations. However, the Company will disclose how any bonus earned relates to performance against targets on a retrospective basis when the targets are no longer considered commercially sensitive, as shown on page 134 in respect of bonuses for the Group’s 2022 financial year.

LTIP

The Committee proposes that LTIP awards for the year ending 30 June 2023 (the 2023 Grant) will be made at the level of 200% of salary for Ian Page, 150% of salary for Paul Sandland and 100% of salary for Tony Griffin. The performance measures for the 2023 Grant will be based on TSR (one third) and EPS (two thirds), with an underpin based on ROCE. The TSR targets will be the same as for the awards made in the 2022 financial year, details of which can be found on page 139. Taking account of internal forecasts of performance over the performance period including the impact of the recent acquisitions, the markets in which the Group operates, our long-term growth ambitions and the expectations of the investment community of the Group’s future potential performance, the upper target of 15% CAGR for the underlying diluted EPS performance condition is considered to be a stretching and ambitious upper target, which requires significant out-performance. This also reflects the strong performance delivered in the 2022 financial year, which is the base year for the 2023 LTIP grant.

As noted in the letter, the Committee is aware that, despite a strong financial performance in line with expectations, the Company’s share price is lower than the £49.09 share price used to determine the number of shares subject to the LTIP awards granted on 19 September 2021. Taking into account the fact that the current share price is higher than the share price used for the LTIP awards granted in 2020 and 2019, our current intention is that LTIP awards for the 2023 financial year will be granted in line with our standard approach (with the number of shares to be awarded based on the three day average middle market quotation preceding the grant). The underlying diluted EPS targets for the 2023 Grant are:

EPS compound annual growth rate (CAGR)	Vesting Percentage
<8% CAGR	0%
8% CAGR	25% of the EPS portion will vest
CAGR between 8% and 15%	Pro rata vesting between 25% and 100%
>15% CAGR	100% of the EPS portion will vest

As with the 2022 Grant, the Committee will retain discretion to adjust the vesting outcome where the formulaic outcome is inappropriate in the context of underlying performance or other factors considered by the Committee to be relevant. The awards will be subject to a two year post vesting holding period.

Consideration by the Directors of Matters relating to Directors’ Remuneration

Purpose

The Board has overall responsibility for the Group’s Remuneration Policy and the setting of the Non-Executive Directors’ fees, although the task of determining and monitoring the remuneration packages of the Executive Directors and SET and of agreeing the Chair’s fee level has been delegated to the Committee.

Membership, Meetings and Attendance

Details of each member’s attendance at the Committee’s meetings is detailed on page 87. The Chief Executive Officer and Group HR Director both attended all meetings held during the financial year in order to assist on matters concerning remuneration of other senior executives within the Group. However, neither was present during the part of the meetings where their own remuneration was discussed.

Effectiveness of Committee

The Committee’s performance was evaluated as part of the 2022 Board and Committee Internal Evaluation (further details of which can be found on page 115 of the Corporate Governance Report). The Committee considered the results of the evaluation and it was agreed that the Committee functions well with a clear remit and good support from executives and advisers.

Responsibilities

The Committee has its own terms of reference, which are approved by the Board. These are reviewed on an annual basis so that they continue to adhere to best practice. During the 2022 financial year, this review took place at the July 2022 meeting and only minor changes were made. Copies can be obtained via the Company website at www.dechra.com. The Committee Chair and the Company Secretary are available to shareholders to discuss the Remuneration Policy. An overview of the Committee's terms of reference is provided on pages 104 and 125.

Service contracts and letters of appointment

Details of the Executive Directors' service contracts and Non-Executive Directors' letters of appointment are set out below.

		Notice Period	
Name	**Commencement date**	**Director**	**Company**
Alison Platt	1 March 2020	3 months	3 months
Ian Page	1 September 2008	6 months	12 months
Paul Sandland	30 October 2019	6 months	12 months
Tony Griffin	1 November 2012	6 months	12 months
Lisa Bright	1 February 2019	3 months	3 months
Julian Heslop	1 January 2013	3 months	3 months
Lawson Macartney	1 December 2016	3 months	3 months
Ishbel Macpherson	1 February 2013	3 months	3 months
John Shipsey	1 June 2022	3 months	3 months

Advisers

The following have provided advice to the Committee during the year in relation to its consideration of matters relating to Directors' remuneration:

- Chief Executive Officer, Chief Financial Officer, Group HR Director and Company Secretary; and
- Deloitte LLP (Deloitte).

Deloitte is retained to provide independent advice to the Committee as required. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing remuneration advice to the Committee, which were charged on a time and materials basis, were £17,750 for the year ended 30 June 2022. The Committee considers the advice to be objective and independent, and assesses from time to time whether this appointment remains appropriate or should be put out to tender; in doing so, it takes into account the Remuneration Consultants Group Code of Conduct. Deloitte was appointed by the Committee following a competitive process and has provided share scheme advice and general remuneration advice to the Company.

During the year, Deloitte also performed tax advisory work for Dechra.

Policy on External Appointments

The Company recognises that Executive Directors may be invited to become Non-Executive Directors of other companies and that this can help broaden the skills and experience of a Director. Executive Directors are only permitted to accept external appointments with the approval of the Board. No Executive Director currently holds external appointments.

Statement of Voting at Previous Annual General Meeting

The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the advisory vote on the Directors' Remuneration Report at the Company's Annual General Meeting on 21 October 2021 and the binding vote on the Remuneration Policy at the Company's Annual General Meeting on 27 October 2020:

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld
To approve Remuneration Report	73,810,257	92.98	5,568,679	7.02	876,657
To approve Remuneration Policy	74,112,644	90.81	7,501,119	9.19	6,768

Ishbel Macpherson
Remuneration Committee Chair
5 September 2022

Directors' Remuneration Report

Directors' Remuneration Policy

The Remuneration Policy was approved by shareholders at the 2020 Annual General Meeting held on 27 October 2020, and became effective from that date. The full Remuneration Policy as approved by shareholders is available in the Corporate Governance section of our website at www.dechra.com. We have set out a summary below of those parts of the Remuneration Policy which we consider shareholders will find most useful.

Policy Table for Executive Directors:

Element: Base Salary

Purpose and link to strategy:
Core element of fixed remuneration reflecting the individual's role and experience.

Operation	Performance Measure
The Committee ordinarily reviews base salaries annually taking into account a number of factors including (but not limited to) the value of the individual, their skills and experience and performance. The Committee also takes into consideration: • pay increases within the Group more generally; and • Group organisation, profitability and prevailing market conditions.	Whilst no formal performance conditions apply, an individual's performance in role is taken into account in determining any salary increase.

Maximum Opportunity

Whilst there is no maximum salary, increases will normally be within the range of salary increases awarded (in percentage of salary terms) to other employees in the Group. However, higher increases may be awarded in appropriate circumstances, such as:

- on promotion or in the event of an increase in scope of the role or the individual's responsibilities;
- where an individual has been appointed to the Board at a salary set at a level that is lower than the Committee's view of a market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a market level as the individual gains experience;
- change in size and/or complexity of the Group; and/or
- significant market movement.

Such increases may be implemented over such time period as the Committee deems appropriate.

Element: Retirement Benefits

Purpose and link to strategy:
Provide a competitive means of saving to deliver appropriate income in retirement.

Operation	Performance Measure
Executive Directors are eligible to participate in defined contribution pension arrangements. In appropriate circumstances, an Executive Director may receive a salary supplement in lieu of contributions to a pension scheme. Executive Directors outside the UK may also participate in non-UK pension arrangements (including the defined benefit pension scheme in the Netherlands, benefits under which are based on career average pay).	Not applicable.

Maximum Opportunity

For Executive Directors appointed on or after 1 July 2019, a Company contribution not exceeding the contribution available to the majority of the Group's workforce (currently 4% of salary).

For Executive Directors appointed before 1 July 2019, 14% of salary. However, the Company contribution will be aligned with the rate available to the wider workforce by the end of 2022 (this will include enhancing the wider UK workforce rate alongside a reduction in the rate for Executive Directors).

A salary supplement may be paid in lieu of some or all of the pension contributions otherwise payable.

Benefits under any non-UK pension arrangement may be provided in accordance with the terms of the applicable scheme.

Element: Benefits

Purpose and link to strategy:
Provided on a market competitive basis.

Operation	Performance Measure
The Company provides benefits in line with market practice and includes the use of a fully expensed car (or car allowance), medical cover and life assurance scheme. Other benefits may be provided based on individual circumstances, which may include relocation costs and expatriate allowances.	Not applicable.

Maximum Opportunity

Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.

Element: Annual Bonus

Purpose and link to strategy:
The executive bonus scheme rewards Executive Directors for achieving financial and strategic targets in the relevant year by reference to operational targets and individual objectives.

Operation	Performance Measure
Targets are reviewed annually and any pay-out is determined by the Committee after the year end based on targets set for the financial period. The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance or if the Committee considers the formulaic outturn is not appropriate in the context of other factors considered by the Committee to be relevant. If a bonus opportunity in excess of 100% of salary is awarded, up to 33% of any bonus earned will be deferred into shares for a period of two years. Deferred bonus awards may take the form of nil cost options, conditional awards of shares or such other form as has a similar economic effect. Additional shares may be delivered in respect of shares subject to deferred bonus awards to reflect the value of dividends paid during the period beginning with the date of grant and ending with the date of release (this payment may assume that dividends had been reinvested in Dechra shares on a cumulative basis). Recovery provisions apply, as referred to below.	Operational targets (which may be based on financial or strategic measures) and individual objectives are determined to reflect the Group's strategy. The personal objectives for the Chief Executive Officer are set by the Chair. The personal objectives for other Executive Directors are set by the Chief Executive Officer. The personal objectives are reviewed and endorsed by the Committee. At least 50% of the bonus opportunity is based on financial measures (which may include profit before tax). Subject to the Committee's discretion to override formulaic outturns, for financial measures, up to 15% of the maximum for the financial element is earned for threshold performance, rising to up to 50% of the maximum for the financial element for on target performance and 100% of the maximum for the financial element for maximum performance. Subject to the Committee's discretion to override formulaic outturns, vesting of the bonus in respect of strategic measures or individual objectives will be between 0% and 100% based on the Committee's assessment of the extent to which the relevant metric or objective has been met.

Maximum Opportunity

The maximum bonus opportunity for Executive Directors is 150% of base salary.

Directors' Remuneration Report

Element: Long Term Incentive Plan (LTIP)	
Purpose and link to strategy: The LTIP provides a clear link between the remuneration of the Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for the achievement of longer term objectives aligned to shareholders' interests.	
Operation	**Performance Measure**
The Committee may grant awards as conditional shares, as nil (or nominal) cost options, as forfeitable shares or as market value share options with a per share exercise price equal to the market value of a share at the date of grant. Other than in the case of 'Qualifying LTIP awards' as referred to below, market value share options will not be granted to Executive Directors. Awards will usually vest following the assessment of the applicable performance conditions, which will usually be assessed over three years, but will not be released (so that the participant is entitled to acquire shares) until the end of a holding period of two years beginning on the vesting date. Alternatively, awards may be granted on the basis that the participant is entitled to acquire shares following the assessment of the applicable performance conditions but that (other than as regards sales to cover tax liabilities and any applicable exercise price) the award is not released (so that the participant is able to dispose of those shares) until the end of the holding period. The Committee has discretion to vary the formulaic vesting outturn if it considers that the outturn does not reflect the Committee's assessment of performance or is not appropriate in the context of other factors considered by the Committee to be relevant. Additional shares may be delivered in respect of shares which vest under the LTIP to reflect the value of dividends, which would have been paid on those shares during the period beginning with the date of grant and ending with the release date (this payment may assume that dividends had been reinvested in Dechra shares on a cumulative basis). Market value options may be granted under the LTIP as tax-advantaged Company Share Option Plan (CSOP) options, offering tax savings to the Group and the participant. The Committee may at its discretion structure awards as Qualifying LTIP Awards, consisting of a CSOP option and an ordinary nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option. Recovery provisions apply, as referred to below.	Performance measures under the LTIP will be based on financial measures (which may include, but are not limited to, earnings per share growth, relative total shareholder return, return on capital employed and free cash flow). Subject to the Committee's discretion to override formulaic outturns, awards will vest as to 25% for threshold performance, increasing to 100% for maximum performance.
Maximum Opportunity	
The maximum award level under the LTIP in respect of any financial year is 200% of salary. If a Qualifying LTIP award is granted, the value of shares subject to the CSOP option will not count towards the limits referred to above, reflecting the provisions for the scale back of the ordinary LTIP award.	

Element: All Employee Share Plans	
Purpose and link to strategy: Provision of the Save As You Earn Scheme (SAYE), including the Employee Stock Purchase Plan (ESPP) in the United States of America, to Executive Directors creates staff alignment with the Group and provides a sense of ownership. Executive Directors may participate in such other all employee share plans as may be introduced from time to time.	
Operation	**Performance Measure**
SAYE and ESPP: Tax qualifying monthly savings scheme facilitating the purchase of shares at a discount. Any other all employee share plan would be operated for Executive Directors in accordance with its rules and on the same basis as for other qualifying employees.	Not subject to performance conditions in line with typical market practice.
Maximum Opportunity	
The limit on participation and the permitted discount under the SAYE scheme and ESPP will be those set in accordance with the applicable tax legislation from time to time. The limit on participation under and other relevant terms of any other all employee share plan would be determined in accordance with the plan rules (and, where relevant, applicable legislation) and would be the same for the Executive Directors as for other relevant employees.	

Recovery Provisions (Malus and Clawback)

The annual bonus and LTIP are subject to recovery provisions as set out below.

Malus provisions apply, which enable the Committee to determine before the payment of an annual bonus or the vesting of an LTIP award, that the bonus opportunity or LTIP award may be cancelled or reduced.

Clawback provisions apply, which enable the Committee to determine for up to two years following the payment of a cash bonus or the vesting of an LTIP award, that the amount of the bonus paid may be recovered (and any deferred bonus award may be reduced or cancelled, or recovery may be applied to it if it has been exercised) and the LTIP award may be cancelled or reduced (if it has not been exercised) or recovery may be applied to it (if it has been exercised).

The malus and clawback provisions may be applied in the event of material misstatement of Dechra's financial statements, serious reputational damage to Dechra, material corporate failure, gross misconduct on the part of the Executive Director, or if an annual bonus award has paid out at a higher level than would have been the case but for a material misstatement or serious reputational damage.

Malus and clawback may be applied to any CSOP option granted under the LTIP to the extent permitted by the applicable tax legislation.

Shareholding Guidelines

To align the interests of Executive Directors with those of shareholders, the Committee has adopted formal shareholding guidelines.

Shareholding guidelines during employment

During employment, Executive Directors are required to retain half of any shares acquired under the LTIP, any deferred bonus award and, if relevant, any recruitment award (after sales to cover tax) until such time as their holding has a value equal to 200% of salary.

Shares subject to LTIP awards, which have vested but not been released (that is which are in a holding period), deferred bonus awards, or LTIP awards, which are exercisable but have not been exercised, count towards the guidelines on a net of assumed tax basis.

Shareholding requirement after employment

The Committee has adopted a post-employment shareholding requirement. Shares are subject to this requirement only if they are acquired from share plan awards (LTIPs, deferred bonus awards and, if relevant, any recruitment award) granted after 1 July 2020. Following employment, an Executive Director must retain:

- for the first year after employment, such of their shares, which are subject to the post-employment requirement as have a value for these purposes equal to the shareholding guideline that applies during employment (currently 200% of salary); and
- for the second year after employment, such of those shares as have a value for these purposes equal to 50% of the shareholding guideline that applies during employment, or in either case and if fewer, all of those shares.

Directors’ Remuneration Report

Policy Table for Non-Executive Directors

Element	Purpose and link to strategy	Operation	Opportunity
Fees and benefits	To provide fees within a market competitive range reflecting the experience of the individual, responsibilities of the role and the expected time commitment.	The fees of the Chair are determined by the Committee, and the fees of the Non-Executive Directors are determined by the Board following a recommendation from both the Chief Executive Officer and the Chair. Non-Executive Directors are not eligible to participate in any of the Company’s share schemes, incentive schemes or pension schemes. Non-Executive Directors may be eligible to receive benefits such as travel and other reasonable expenses.	Fees are set taking into account the responsibilities of the role and expected time commitment. Non-Executive Directors are paid a basic fee with additional fees paid for the chairing of Committees. An additional fee is also paid for the role of Senior Independent Director and may be paid for other responsibilities or time commitments. Where benefits are provided to Non-Executive Directors they will be provided at a level considered to be appropriate taking into account the individual circumstances.

Recruitment Remuneration Policy

When hiring a new Executive Director, the Committee will typically align the remuneration package with the above Policy.

When determining appropriate remuneration arrangements, the Committee may include other elements of pay which it considers are appropriate. However, this discretion is capped and is subject to the limits referred to below.

- Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.
- Pension will only be provided in line with the above Policy.
- The Committee will not offer non-performance related incentive payments (for example a ‘guaranteed sign-on bonus’).
- Other elements may be included in the following circumstances:
  - an interim appointment being made to fill an Executive Director role on a short term basis;
  - if exceptional circumstances require that the Chair or a Non-Executive Director takes on an executive function on a short term basis;
  - if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis; and
  - if the Director will be required to relocate in order to take up the position, it is the Company’s policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.
- The Committee may also alter the performance measures, performance period, vesting period, holding period and deferral period of the annual bonus or LTIP, subject to the rules of the LTIP, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the next Directors’ Remuneration Report.
- The maximum level of variable remuneration, which may be granted (excluding ‘buyout’ awards as referred to below), is 350% of salary.

The Committee may make payments or awards in respect of hiring an employee to ‘buyout’ remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The Committee will generally seek to structure ‘buyout’ awards or payments on a comparable basis to the remuneration arrangements forfeited. Any such payments or awards are excluded from the maximum level of variable remuneration referred to above. ‘Buyout’ awards will ordinarily be granted on the basis that they are subject to forfeiture or ‘clawback’ in the event of departure within 12 months of joining Dechra, although the Committee will retain discretion not to apply forfeiture or clawback in appropriate circumstances.

Any share awards referred to in this section will be granted as far as possible under Dechra’s ordinary share plans. If necessary, and subject to the limits referred to above, recruitment awards may be granted outside of these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue in accordance with their terms.

Fees payable to a newly appointed Chair or Non-Executive Director will be in line with the policy in place at the time of appointment.

Ishbel Macpherson
Remuneration Committee Chair
5 September 2022

Directors' Report – Other Disclosures

The Directors present their annual report on the affairs of the Group, together with the audited Group financial statements for the year ended 30 June 2022. Certain disclosure requirements, which form part of the Directors' Report, are included elsewhere in this Annual Report as permitted by section 414C of the Companies Act 2006. They are incorporated by reference into this Directors' Report as follows:

Disclosure	Section of the Annual Report	Page Number
Review of the Group's business during the year and any likely future developments	Strategic Report	14 to 17
Strategy	Strategic Report	26 to 34
Business Model	Strategic Report	22 to 24
Details of acquisitions and disposals during the year	Strategic Report	16 and 49
Going concern, viability statements and risk management	Strategic Report Governance Report	49, 75 to 77, 81 and 122
Section 172 statement and Stakeholder Engagement	Strategic Report Governance Report	52 to 63 96 to 98
Diversity	Stakeholder Engagement Governance Report	56 112 and 113
Approach to employees with disabilities	Stakeholder Engagement	56
Company Employees	Stakeholder Engagement	54 to 58
Environmental matters including Greenhouse Gas Emissions and Streamlined Energy & Carbon Reporting	Environment Task Force on Climate-related Financial Disclosures	64 to 69 70 to 73
Social, community and human rights issues	Stakeholder Engagement	52 to 63
Corporate Governance Statement	Governance Report	85
Board of Directors details	Governance Report	88 and 89
Financial risk management (including the exposure to price, credit and liquidity risk)	Financial Statements	196 to 203
Post-balance sheet events	Financial Statements	213

Amendment of the Articles of Association

The Company's Articles of Association may be amended by a special resolution of its shareholders.

Significant Agreements/Change of Control

As referred to in the Going Concern Statement on page 49, the Group has bank facilities with a group of banks comprising Bank of Ireland (UK) plc, BNP Paribas, Fifth Third Bank, HSBC Bank plc, Credit Industriel et Commercial SA (CIC Bank), Raiffeisen Bank International AG and Santander UK plc. These bank facilities include a change of control provision whereby a change of control of the Company could result in the withdrawal of these bank facilities. In addition, the seven and ten year senior secured notes (the Private Placement Notes) include a change of control provision whereby a change of control of the Company may result in the Private Placement Notes having to be repaid in full.

No other agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid are considered to be significant in terms of their potential impact on the business as a whole.

The Company does not have agreements with any Director or employee that provide compensation for loss of office or employment resulting from a takeover, other than the Company share schemes. Under such schemes outstanding options and awards normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time. In the event of a change of control, unvested awards under the Long Term Incentive Plan will vest to the extent determined by the Remuneration Committee taking into account the relevant performance conditions and, unless the Remuneration Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the relevant performance period that has elapsed.

The Directors consider that there are no contracted or other single arrangements, such as those with major suppliers, which are likely to influence, directly or indirectly, the performance of the business and its values. Furthermore, there are no contracts of significance subsisting during the financial year between any Group undertaking and a controlling shareholder or in which a Director is or was materially interested.

Directors

The Articles of Association state that a Director may be appointed by an ordinary resolution of the shareholders or by the Directors, either to fill a vacancy or as an addition to the existing Board but so that the total number of Directors does not exceed the maximum number of Directors allowed pursuant to the Articles of Association. The maximum number of Directors currently allowed pursuant to the Articles of Association is ten.

The Articles of Association also state that the Board of Directors is responsible for the management of the business of the Company and in doing so may exercise all the powers of the Company subject to the provision of relevant legislation and the Company's Articles of Association. The powers of the Directors set out in the Articles of Association include those in relation to the issue and buy-back of shares.

Director Insurance and Indemnities

The Company maintains an appropriate level of Directors' and Officers' insurance in respect of legal action against Directors as permitted under the Company's Articles of Association and the Companies Act 2006. The Company also indemnifies the Directors under an indemnity deed with each Director in respect of legal action to the extent allowed under the Company's Articles of Association and the Companies Act 2006. During the financial year and as at the date of this report, qualifying third party indemnity provisions are in force. A copy of the indemnity provisions will be available for inspection at the forthcoming Annual General Meeting.

Overseas Branches

The Company, through its subsidiary Genera d.d., has established branches in Bosnia-Herzegovina and Serbia.

Directors' Report – Other Disclosures

Political Donations and Expenditure

No political donations were made during the year ended 30 June 2022 (2021: nil). The Group has a policy of not making any donations to political organisations nor independent election candidates nor incurring political expenditure anywhere in the world as defined in the Political Parties, Elections and Referendums Act 2000.

Research and Development

The Group has a structured development programme with the aim of identifying and bringing to market new pharmaceutical products. Investment in development is seen as key to strengthen further the Group's competitive position. Further information in relation to product development can be found on pages 35 to 39. The underlying expense on this activity for the year ended 30 June 2022 was £32.4 million (2021: £32.4 million) and a further £1.8 million (2021: £1.5 million) was capitalised as development costs.

Results and Dividends

The results for the year and financial position at 30 June 2022 are shown in the Consolidated Income Statement on page 165 and Consolidated Statement of Financial Position on page 167. The Directors are recommending the payment of a final dividend of 32.89 pence per share which, if approved by shareholders, will be paid on 18 November 2022 to shareholders registered at 28 October 2022. The shares will become ex-dividend on 27 October 2022. An interim dividend of 12.00 pence per share was paid on 7 April 2022, making a total dividend for the year of 44.89 pence per share (2021: 40.50 pence per share). The total dividend payment is £48.6 million (2021: £43.8 million).

Share Capital

The issued share capital of the Company for the year is set out in note 26 to the Consolidated Financial Statements. As at the end of the financial year, 108,392,737 fully paid ordinary shares were in issue, which included 177,414 ordinary shares issued during the year in connection with the exercise of options under the Company's share option schemes.

The holders of shares are entitled to receive dividends when declared, to receive the Company's Report and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of shares in the Company, nor are there any requirements to obtain prior approval in respect of any transfer of shares. The Directors are not aware of any agreements which limit the transfer of shares or curtail voting rights attached to those shares.

At the Annual General Meeting of the Company held on 21 October 2021, the Company was authorised to purchase up to 10,821,766 of its ordinary shares, representing 10% of the issued share capital of the Company as at 9 September 2021. No shares were purchased under this authority during the financial year. A resolution will be put to shareholders at the forthcoming Annual General Meeting to renew this authority for a further period of one year. Under the proposed authority, shares purchased may be either cancelled or held in treasury.

The Directors require authority from shareholders to allot unissued share capital in the Company and to disapply shareholders' statutory pre-emption rights. Such authorities were granted at the 2021 Annual General Meeting and resolutions to renew these authorities will be proposed at the 2022 Annual General Meeting.

Substantial Interests in Voting Rights

In accordance with the requirements in the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the Company had been notified of the following interests exceeding the 3% notification threshold as at the end of the financial year and a date not more than one month before the date of the notice of the Annual General Meeting.

	30 June 2022		**11 August 2022**	
	Aggregate voting rights	Percentage	**Aggregate voting rights**	**Percentage**
Fidelity Management & Research	9,661,493	8.91	**9,850,645**	**8.66**
BlackRock Inc	8,089,624	7.46	**8,096,782**	**7.12**
abrdn plc	6,027,663	5.56	**6,124,028**	**5.38**
The Vanguard Group, Inc	4,428,557	4.09	**4,502,613**	**3.96**
Grandeur Peak Global Advisors	3,530,661	3.26	**3,808,113**	**3.35**

Auditor

A resolution to re-appoint PricewaterhouseCoopers LLP as external auditor and to authorise the Audit Committee to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Audit Information

Each of the Directors who held office at the date of the approval of the Directors' Report confirms that, so far as he or she is aware, there is no relevant audit information of which the external auditor is unaware, and each Director has taken all steps that he or she ought to have undertaken as a Director to make himself or herself aware of any relevant audit information and to establish that the external auditor is aware of that information.

The Directors' Report has been approved by the Board and signed on its behalf by:

Melanie Hall
Company Secretary
5 September 2022

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with UK-adopted international accounting standards and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' Confirmations

Each of the Directors, whose names and functions are listed in the Governance section of the Annual Report confirm that, to the best of their knowledge:

- the Group Financial Statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company Financial Statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Signed by order of the Board.

Ian Page
Chief Executive Officer

Paul Sandland
Chief Financial Officer
5 September 2022