# Directors' Remuneration Report

## Ishbel Macpherson | Remuneration Committee Chairman

## Letter from the Remuneration Committee Chairman

**8** Remuneration Committee Meetings Held

### Areas of Focus this Year

- Review of compensation across the Group including the Executive Directors
- Review of Chairman fee
- Shareholder consultation
- Executive Director and 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 Chairman and Senior Executive Team.
- To oversee any major changes in employee benefit structures.
- To approve the design of any employee share scheme.

### Committee Membership and Attendance

| Member | Meetings | Member | Meetings |
|---|---|---|---|
| **Ishbel Macpherson**<br>Joined: 1 February 2013 | 8/8 | **Lawson Macartney**<br>Joined: 1 December 2016 | 8/8 |
| **Tony Rice**<br>Joined: 5 May 2016 | 8/8 | **Lisa Bright**<br>Joined: 1 February 2019 | 8/8 |
| **Julian Heslop**<br>Joined: 1 January 2013 | 8/8 | **Alison Platt**<br>Joined: 1 March 2020 | 8/8 |
| **Denise Goode**<br>Joined: 26 April 2021 | 2/2 | | |

**Dear Shareholder**

I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2021.

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 Director Total Remuneration for the 2020 and 2021 financial years.

There then follows the two principal sections of the Remuneration Report: the Annual Report on Remuneration followed by an abbreviated form of the Directors' Remuneration 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 2021 financial year and how the Directors' Remuneration Policy (the Policy) will be implemented in the 2022 financial year.

The Directors' Remuneration Report (excluding the Policy) will be subject to an advisory vote at the 2021 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 2021 financial year and our approach to the implementation of the Policy in the 2022 financial year, including our approach to performance measures for the annual bonus and LTIP awards are described later in this letter.

# Directors' Remuneration Report continued

## Remuneration Committee Decisions in 2021

In last year's Remuneration Report we reported that we had decided to postpone the next remuneration review until later in the 2021 financial year to allow the Committee time to review any impact on the business of COVID-19. We are pleased to report that the business has continued to perform strongly and successfully managed to remain operational throughout the COVID-19 period. In the 2021 financial year, the Group has delivered revenue of £608.0 million, representing an increase of 21.0% (at constant exchange rates) on the prior year, and underlying operating profit of £162.2 million, which represents an increase of 29.2% (at constant exchange rates) on the prior year. In addition, we have:

- not furloughed any of our employees;
- not taken advantage of, or utilised, any government assistance in any country; and
- not undertaken any redundancy programmes related to the pandemic.

## Remuneration Review

The Committee has been concerned for some time that certain of our senior executives' base salaries have not kept up with the growth of the Group and its complexity and have become uncompetitive. As a result of this concern the Committee resolved to undertake a business wide review of remuneration, focusing in particular on the lowest paid in our organisation and the top 60 Senior Leaders (the Review).

By way of context, in the last four years:

- underlying operating profit has grown by 18.8% on a compound annual growth rate basis;
- dividends have grown by 17.2% on a compound annual growth rate basis; and
- market capitalisation (12-month average) has increased by 315% (September 2016 to August 2021); and
- acquisitions have been made including manufacturing activities in Brazil and in the US, as well as of products, most recently *Osurnia* and *Mirataz*.

The Group has operations in 25 countries; markets products in 68 other countries; has over 5,600 product registrations; and has a market capitalisation of over £5.7 billion (as at 27 August 2021). The scope and complexity of the Executive Director roles have therefore increased significantly.

Over this period, Ian Page, our Chief Executive Officer, has had one base salary increase of 4% in the 2020 financial year. Ian Page's salary had not previously been increased since 2016. Ian's decision to waive increases in line with the workforce, combined with the increased complexity of the role means that his current base salary is significantly below the lower end of the market competitive benchmark reference points.

We considered the conclusions of the Review in the context of the Dechra Pay Principles, which we adopted in 2020. See page 125 for further details.

### Our Lowest Paid

The Review identified where our pledge to become a Living Wage Employer required increases in employee pay. This has been implemented globally with effect from 1 January 2021 for all of our lower paid employees. In countries where there is no equivalent of the Living Wage, we have used the OECD formulation, or pay at least twice the local/federal minimum wage. In addition to implementing our Living Wage Employer changes a year earlier than originally planned in the UK and even earlier in the rest of the world, we paid all of our site based employees (noting that the majority of our lowest paid staff work in manufacturing or logistics) a bonus to reward their commitment during the COVID-19 period. In March 2021, we were pleased to be accredited as a Living Wage Employer in the UK.

We have increased our employer pension contribution from 4% to 6% with effect from July 2021 in the UK and intend to increase the employer pension contribution again to 8% on 1 July 2022.

### Executives below Board Level

The Review of our top teams (which includes the Senior Executive Team and their direct reports) revealed that a number of them were not on a competitive level of base pay. The affected executives were almost all longer serving colleagues, whose base pay had not kept pace with the business' growth nor the marketplace. In order to honour our Dechra Pay Principles commitment (as set out on page 125), and to satisfy ourselves on internal integrity, 40 Senior Leaders below Board received increases in base salary above the average 3% awarded to the wider workforce (other than those impacted by our Living Wage pledge). These increases were between 5% and 20% of basic salary and effective from 1 January 2021. The approach adopted when setting these base salary levels was to pay 90% of the benchmarked median base salary level.

In addition, we have decided to increase the annual bonus potential of the direct reports of the Chief Executive Officer from 50% to 75%. This will still leave them behind the benchmark median, but we feel takes this group to the level which will mitigate the risk of flight.

## Executive Director Remuneration Decisions

The Review highlighted that the base pay of our Chief Executive Officer, Ian Page, and our Chief Financial Officer, Paul Sandland, was significantly below the lower end of the market competitive range (looking at companies ranked 51 to 150 in the FTSE350 and companies with a market capitalisation of £2.5 billion to £4.5 billion. The base salary of our third Executive Director, Tony Griffin, which was also benchmarked locally, is already at a competitive level.

The Committee believes that the base salary of our top Executives should be positioned appropriately for a number of reasons:

- we are fortunate to have an exceptional top management team and wish to lock in continuity for at least the next three years;
- unless we raise salaries to an appropriate level, we are at risk of salary compression below Board level, which will impact our ability to recruit successfully, particularly in the US and Europe;
- appropriate remuneration for our top executives is important to our succession planning, at and below Board level; and
- the Committee, having embraced Dechra's Pay Principles, believes that these principles should apply at every level in the organisation.

With this in mind we undertook extensive engagement with our shareholders to discuss:

- increasing the base salary for our Chief Executive Officer and Chief Financial Officer with effect from 1 January 2021 in order to bring their base salaries closer to the market median (consistent with the approach being adopted for executives below Board level as described above); and
- increasing the bonus potential for the Executive Directors to 125% of salary for the 2022 financial year. This is below the maximum of 150% of salary approved by shareholders when our Policy was approved last year.

Although we have used benchmarking as a guide; this is not the primary driver for the increases. As detailed above, over the last four years the Group's business has not only increased significantly in scale and profitability but has also increased in complexity. The scope and complexity of the Executive Director roles have therefore increased significantly.

Furthermore, on his appointment in October 2019, the base pay for our Chief Financial Officer, Paul Sandland, was set at circa 19% less than that of his predecessor. This was deliberately set at below market to allow him to prove himself in the role. It is the unanimous view of the Board that Paul has excelled as our Chief Financial Officer, particularly during the COVID-19 period. In addition, he has taken on additional responsibility for IT and our ESG strategy.

## Responding to Shareholder Feedback

The consultation period with our largest shareholders has been important to us. Over a four month period we had a number of conversations with investors and we had feedback from 35 shareholders, representing over 60% of our share capital. I am pleased to report that the vast majority of shareholders consulted were supportive of the proposed increases.

Responding to the feedback received, the Committee decided to phase the base salary increases for both our Chief Executive Officer and Chief Financial Officer over two financial years as detailed in the table below.

| | **Previous base salary** | **1 January 2021*** | **1 January 2022**** |
|---|---|---|---|
| Ian Page – Chief Executive Officer | £520,000 | 12% to £582,400 | circa 5% to £612,000 |
| *Market positioning for Chief Executive Officer* | Significantly below lower quartile | Around lower quartile | Around 90% of market median |
| Paul Sandland – Chief Financial Officer | £300,000 | 20% to £360,000 | 12.5% to £405,000 |
| *Market positioning for Chief Financial Officer* | Significantly below lower quartile | Below lower quartile | Around 90% of market median |

* The increases were effective 1 January 2021, but were paid post year end following the end of the consultation with our shareholders.

** Subject to continued strong performance of the Group and excellent individual performance.

# Directors' Remuneration Report continued

The table below summarises the implementation of the Policy for Executive Directors in respect of the 2021 financial year.

| Element | Implementation |
|---|---|
| **Salary** | As set out on page 121, Ian Page's salary has been increased to £582,400 and Paul Sandland's to £360,000. The increases were effective from 1 January 2021, but were paid post year end following the end of the consultation with our shareholders. The 2021 base salary increase for Ian Page moves his base to around the lower quartile of the market range. The 2021 increase for Paul Sandland moves his base towards (albeit below) the lower quartile. Tony Griffin's salary was increased by 2.9% to €373,830 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 14% of salary for Ian Page, 11% for Tony Griffin, and 4% of salary for Paul Sandland. In line with the commitment made in our 2020 Remuneration Report, these are being aligned to that of the workforce by the end of 2022 (this includes enhancing the UK wider workforce rate alongside a reduction in the rate for Executive Directors). Paul Sandland's pension is already aligned with the wider workforce, and reflects a reduction in the contribution rate on his appointment to the Board. |
| **Annual Bonus** | Maximum opportunity for the 2021 financial year of 100% of base salary.<br><br>The bonus for the 2021 financial year was based on underlying profit before tax (as regards 85% of the opportunity), personal objectives (10%) and ESG measures (5%).<br><br>We have delivered underlying profit before tax during the year of £150.1 million, an improvement of 27.2% at constant exchange rates (25.0% 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 page 131, bonuses for the year equal to 100% of salary have been earned by Ian Page and Paul Sandland.<br><br>The profit element of Tony Griffin's bonus is calculated by reference to the underlying operating profit of Dechra Veterinary Products EU (50%) and Group underlying profit before tax (50%). His bonus for the year is 83% of salary which reflects the financial performance, his personal objectives and ESG measures.<br><br>The Committee considers the level of payout is reflective of the overall performance of the Group in the year and is appropriate.<br><br>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 during the 2021 financial year. All of these awards are subject to a two year holding period.<br><br>LTIP awards granted to Ian Page and Tony Griffin on 26 October 2018 are scheduled to vest on 6 September 2021:<br>• as to 100% of the TSR element (one third of the total award) reflecting upper quartile performance; and<br>• as to 60.7% of the underlying diluted EPS element (two thirds of the total award) reflecting that the compound annual growth in the underlying diluted EPS at 13.2% was below the maximum threshold of 19% (with the assessment of EPS taking into account the Akston licensing agreement, as referred to below).<br><br>In aggregate, taking into account the ROCE underpin (reflecting that the ROCE at 18.8% had not fallen below 10.0%), the LTIP awards will vest as to 73.8%. 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 2021 and is appropriate.<br><br>See page 132 for further details.<br><br>Awards made under the LTIP are subject to malus and clawback provisions. |

### 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 2019 Grant (three year performance period to 30 June 2021) and 2020 Grant (three year performance period to 30 June 2022). In order to measure performance on a fair and consistent basis, the Committee has adjusted the final year EPS for the 2019 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 2021 Grant (three year performance period to 30 June 2023) 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. 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 2022 Financial Year

We will apply the Policy in the 2022 financial year as follows (more information is given on page 140):

- **Salary:** Executive Directors' salaries will continue to be reviewed in January. As detailed above we are intending to make a further increase to the base salary for Ian Page to £612,000 and Paul Sandland to £405,000 from 1 January 2022 which would move their base salaries closer to (albeit below) market median. This second increase will be subject to the continued strong performance of the Group and excellent individual performance. It is planned that any increases to Tony Griffin's salary will be in line with the range of any increases proposed for the wider workforce.
- **Pension:** In order to align the pension contributions/cash in lieu of pension for Ian Page and Tony Griffin to that of the workforce, from 1 July 2022, the pension contributions for Ian Page and Tony Griffin will decrease to 8%. Reflecting the enhanced employer contribution rate for wider workforce rate, Paul Sandland's pension increased to 6% from 1 July 2021 and will increase to 8% when the employer pension contribution rate for the UK wider workforce increases to 8% on 1 July 2021.
- **Bonus:** Our Executive Directors' current annual bonus opportunity is 100% of salary. Our Policy, approved by shareholders at the 2020 Annual General Meeting, allows for a maximum opportunity of 150% of base salary. As noted above, for the 2022 financial year, we propose to utilise some, but not all, of the additional headroom in our Policy. The maximum bonus opportunity for the 2022 financial year will increase from 100% to 125% of salary, which still remains below lower quartile of the market range.

  In line with our Policy for Executive Directors, we will also introduce bonus deferral, requiring that 20% of any bonus earned (and not just any additional bonus earned) is deferred into Dechra shares for two years. In connection with the introduction of bonus deferral, we are seeking shareholder approval at the 2021 Annual General Meeting for a new Deferred Bonus Plan, the principal terms of which are summarised in the Notice of Annual General Meeting. As we explained in the Directors' Remuneration Report last year, the level of deferral is set so that amount of cash earned for any level of performance is not increased by the increase in the opportunity. Therefore, for instance, the level of deferral would increase to 33% of bonus were the bonus opportunity be raised the 150% of base salary permitted by our Policy. The bonus will be based on a mix of stretching underlying profit before tax targets (in respect of a bonus of up to 110% 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 5% of salary). For Tony Griffin, and consistent with the approach for the 2021 financial year, half of the opportunity based on underlying profit (i.e. up to 55% 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 profit in line with the other Executive Directors, and so that a significant part of the profit based opportunity is aligned with the shareholder experience in respect of overall Group performance.

  The increase in the annual bonus opportunity for the 2022 financial year recognises the increase in the size and complexity of the Group. The Committee has also reviewed the level of stretch in the annual bonus targets to reassure themselves that the higher maximum opportunity for the 2022 financial year will only be earned for delivery of higher levels of performance. For the 2022 financial year the maximum bonus will only be earned for materially improved year on year performance from a strong 2021 base year where we delivered 25% year on year improvement in underlying profit before tax (on a constant currency basis). The threshold to maximum range has been set at 95% to 110% of a stretching target level of performance in order to align the maximum level of potential reward with the achievement of more stretching performance targets.
- **LTIP:** No changes are proposed to the maximum LTIP opportunity for the 2022 financial year. Awards for the 2022 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. 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 22 September 2020, details of which can be found on page 134. The upper target for the EPS performance condition will be 15% CAGR. Taking account of internal forecasts of performance over the performance period, the markets in which the Group operates, our long-term growth ambitions and the expectations of the investment community on the Group's future potential performance, this upper target is considered to be a stretching and ambitious upper target which requires significant out-performance. This also reflects the strong performance delivered in the 2021 financial year which is the base year for the 2022 LTIP grant.
- **Impact of changes on overall total compensation:** The Committee is mindful of the impact of base salary increases on the value of the total package. However, the value of the total package continues to be modest against the market norm for a company of our size and complexity. The changes outlined above move the value of total package for our Chief Executive Officer and Chief Financial Officer towards the lower quartile of the market. The majority of the package continues to be performance related, which is aligned with the interests of our shareholders. We also recognise that increasing the level of competitiveness in salaries and the annual bonus will require the continued delivery of performance, coupled with stretching targets for annual variable and long term compensation. The proposed maximum targets for both the 2022 annual bonus and LTIP grant require continued double digit growth from the strong performance delivered in 2021. This will deliver alignment to shareholders' interests as we continue to grow.

# Directors' Remuneration Report continued

## Chairman and Non-Executive Directors

We have also taken the opportunity to review our Chairman fee level. We were mindful that the fee for Chairman varies considerably depending on sector and time commitment. However, at less than £135,000 per annum, the total fee for our Chairman by any measure is very low. The Committee agreed to increase the Chairman's fee in two stages, with an increase to £159,000 (which includes the fee for being Chairman of the Nomination Committee, currently £5,000) from 1 January 2021 and to £188,000 from 1 January 2022. This will position the Chairman's fee between the lower end and median of the market.

A committee appointed by the Executive Directors and the Chairman has reviewed fees for the other Non-Executive Directors. Details of the proposed changes to the fee for the Non-Executives Directors are set out on page 134. These increases bring the fees closer to the market median (consistent with the approach being adopted for executives below Board level as described above) and reflect the increase in the size and complexity of the business over the last four years. A review of the Non-Executive Directors' base and additional fees will be undertaken in January 2022 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 propose to offer the SAYE more widely than we have in the past, expanding its operation to 18 additional countries and so offering 921 additional employees the opportunity to acquire shares in Dechra.

Further details on our pay principles and workforce remuneration are set out on page 125.

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 97, workforce engagement activities during the 2021 financial year included five one-to-one hour 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 and a channel for further information and discussion.

## 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 67.3% of our UK employees), the gap has reduced from 9.2% in 2018 to 7.4% in 2019 and further again to 5.5% in 2020. This is something that we are looking to build upon as we continue to make Dechra an increasingly attractive place to work.

## In Conclusion

We greatly appreciate the feedback and the level of support we have received from our shareholders regarding our approach to remuneration and the changes outlined above. We are firmly of the view they are in the best interests of the business and its shareholders. Dechra is a high performing Group and we believe that setting the salaries of our top Executives at more appropriate levels will help to keep it so.

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 2021 financial year was appropriate, taking into account Group performance, personal performance and the experience of shareholders and employees.

On behalf of the Board, I would like to thank you, our shareholders, for your engagement, and I hope 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 Chairman
6 September 2021

## Additional Remuneration 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 have set a target to become a real Living Wage Employer* in the UK during the 2021/2022 financial year. Living wages vary by country, but our aim does not. As we continue to grow in countries across the globe, a living wage target is being explored** |
| **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.

**Market Data**

To assess our competitive pay positioning in our different marketplaces, we reviewed Willis Towers Watson pay data for the benchmarking undertaken across the organisation. This data takes account of the size and complexity of the organisation, as well as the level of responsibility of the role. Complexity of the organisation reflects a number of parameters including: (i) annual revenues; (ii) FTE employees; (iii) business diversity; and complexity and (iv) geographic breadth. As an additional sense check for the Executive Directors, the Committee also considered benchmark data based on companies with a market capitalisation of £2.5 billion to £4.5 billion. Our current and 12 month average market capitalisation is at/over the upper end of this range. The lower quartile and median benchmark reference points are broadly consistent for both this market capitalisation group and the FTSE 50 to 150 peer group.

Whilst market data provides a valuable insight into pay levels and structures, the Committee recognises that benchmarking should not be the sole determinant when considering Executive Directors' remuneration. In line with Dechra's general approach to setting pay, the Committee therefore considered many factors, alongside benchmarking, when reviewing proposed changes to remuneration packages and, in particular, the significant increase in the size and complexity of the Group and the increased responsibilities taken on by Paul Sandland.

### Workforce Remuneration

| | Executive Directors | Senior Executive Team | Wider Workforce |
|---|---|---|---|
| **Base Salary** | Increases considered in the context of business wide review of remuneration, focussing on the lowest paid in our organisation and the top 60 Senior Leaders. | | In March 2021, we were pleased to be accredited as a Living Wage Employer in the UK. |
| **Pension** | **Ian Page and Tony Griffin:** Reduced to 8% of base salary with effect from 1 July 2021.<br>**Paul Sandland:** 6% of base salary with effect from 1 July 2021 and will increase to 8% when the employer pension contribution rate for the UK wider workforce increases to 8% on 1 July 2022. | Between 8% and 12% of base salary dependent on length of service. | For the 2021 financial year: between 4% and 12% of base salary dependent on length of service and/or grade*.<br>We have increased our minimum employer pension contribution from 4% to 6% with effect from July 2021 in the UK and intend to increase the employer pension contribution again to 8% on 1 July 2022. |
| **Bonus** | Max. 150% of base salary, 100% of base salary for the 2021 financial year, 125% of base salary for the 2022 financial year.<br>**Targets:** personal (up to 10% of salary), ESG (up to 5% of salary) and financial (up to 110% of salary). | Increased from 50% of salary to 75% of salary for 2022 financial year.<br>**Targets:** from 1 July 2021 financial and personal.<br>From 1 July 2022 financial, ESG and personal. | All senior managers and professionals.<br>Max. 40% of base salary.<br>**Targets:** financial and personal. |

# Directors' Remuneration Report continued

| | Executive Directors | Senior Executive Team | Wider Workforce |
|---|---|---|---|
| **Long Term Incentive Plan** | Max. 200% of base salary.<br>Currently 200% of base salary for Ian Page, 150% of base salary for Paul Sandland and 100% of base salary for Tony Griffin.<br>Three year performance period, two year holding period.<br>Target: TSR (one third), EPS (two thirds) and ROCE underpin. | Max. 100% of base salary.<br>Three year performance period.<br>Target: TSR, EPS and ROCE underpin. | All senior managers and professionals.<br>Discretionary awards.<br>Market value options, three year performance period.<br>Target: EPS growth 12% above inflation. |
| **Sharesave†** | up to £500 per month<br>Three year savings period or two years for the Employee Stock Purchase Plan (US) | | |

* Data provided for UK only
† UK and USA

## 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**<br>Our annual bonus incentivises the delivery of the long term strategy through the achievement of short term objectives.<br>Up to 110% 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.<br>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.<br>Up to 5% of salary can be earned based on ESG measures. | | Sales Growth<br>Strong sales performance is required to maximise profit |
| **Long Term Incentive Plan**<br>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 EPS and the delivery of shareholder returns. For the 2021 and 2022 financial year awards, the weightings are two thirds underlying EPS and one third total shareholder return.<br>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.<br>The post vesting holding period aligns management with the long term interests of shareholders and the delivery of sustained performance.<br>The performance conditions for LTIP awards made in respect of the year ended 30 June 2021 and future years include discretion to override formulaic outcomes. | | Underlying Diluted EPS Growth<br>Return on Capital Employed<br>New Product Sales<br>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.

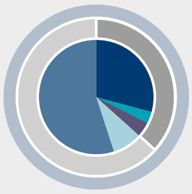
| Principle | |
|---|---|
| **Clarity:** remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce | Our remuneration arrangements are transparent and aligned with our Purpose, Values and strategy and our disclosures are clear to both our shareholders 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 possibly 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.<br>• LTIP awards are subject to a two year post-vesting holding period, and if a bonus opportunity in excess of 100% of salary is offered deferral into shares will also apply. Each of these factors provides longer term alignment with shareholders' interests.<br>• 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 2021 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 | 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. |
| **Alignment to Culture:** incentive schemes should drive behaviours consistent with Company purpose, values and strategy | |

# Directors’ Remuneration Report continued

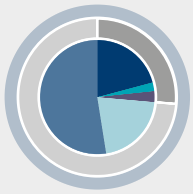
## Executive Director Total Remuneration

### Ian Page

2020



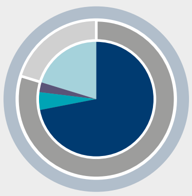
2021



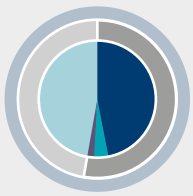
| | 2020 | 2021 |
|---|---|---|
| **Fixed** | | |
| Salary | 29.3% | **21.0%** |
| Benefits | 3.4% | **2.6%** |
| Pension | 4.1% | **2.9%** |
| **Performance-linked** | | |
| Bonus | 8.2% | **21.0%** |
| LTIP | 55.0% | **52.5%** |

### Paul Sandland

2020



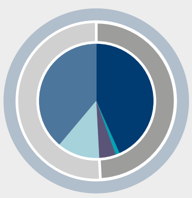
2021



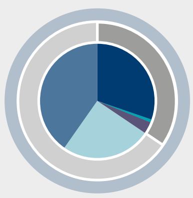
| | 2020 | 2021 |
|---|---|---|
| **Fixed** | | |
| Salary | 72.0% | **46.9%** |
| Benefits | 5.0% | **4.4%** |
| Pension | 2.9% | **1.8%** |
| **Performance-linked** | | |
| Bonus | 20.1% | **46.9%** |
| LTIP | N/A | **N/A** |

### Tony Griffin

2020



2021



| | 2020 | 2021 |
|---|---|---|
| **Fixed** | | |
| Salary | 43.4% | **30.5%** |
| Benefits | 1.2% | **0.8%** |
| Pension | 4.6% | **3.4%** |
| **Performance-linked** | | |
| Bonus | 12.1% | **25.2%** |
| LTIP | 38.7% | **40.1%** |

## 2021 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 2022 financial year. The sections of the 2021 Annual Report on Remuneration that are audited by PricewaterhouseCoopers LLP (PwC) are indicated on pages 129 to 137.

## 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 2021. The table shows the remuneration for each such person in respect of the year ended 30 June 2021 and in respect of the year ended 30 June 2020:

| Executive Director | Year | Salaries £000 | Benefits £000 | Annual Bonus £000 | Long Term Incentive £000 | Pension £000 | Total £000 | Total Fixed £000 | Total Variable £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Ian Page** | **2021** | **551** | **68** | **551** | **1,377** | **77** | **2,624** | **696** | **1,928** |
| | 2020 | 517 | 59 | 145 | 970 | 72 | **1,763** | 648 | 1,115 |
| **Paul Sandland** | **2021** | **330** | **31** | **330** | **N/A** | **13** | **704** | **374** | **330** |
| | 2020 | 200 | 14 | 56 | N/A | 8 | **278** | 222 | 56 |
| **Tony Griffin** | **2021** | **327** | **9** | **271** | **431** | **36** | **1,074** | **372** | **702** |
| | 2020 | 330 | 9 | 92 | 294 | 35 | **760** | 374 | 386 |
| **Total 2021** | **2021** | **1,208** | **108** | **1,152** | **1,808** | **126** | **4,402** | **1,442** | **2,960** |
| **Total 2020** | 2020 | 1,047 | 82 | 293 | 1,264 | 115 | **2,801** | 1,244 | 1,557 |

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

1. Salaries – this is the cash paid or received in respect of the relevant period. This includes the base salary increases effective 1 January 2021 that were paid post year end.
2. Benefits – this represents the taxable value of all benefits paid or received in respect of the relevant period. The benefits provided include the use of a fully expensed car, medical cover and life assurance. SAYE options granted in the 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 bonus to be paid in respect of the financial year.
4. Long Term Incentives – 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. This includes the value of any contribution or salary supplement paid post year end in respect of the salary increases effective 1 January 2021 that were paid post year end as referred to in note 1 above.
6. The 2020 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 £27.404 (being the average market value of a share over the last quarter of the Company's financial period ended on 30 June 2020). This has been restated to show the actual value determined by reference to a price of £33.00 (being the market value of a share on 7 September 2020, 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 1.096 for 2020 and 1.1287 for 2021. His salary was €368,784 for 2021 and €361,632 for 2020.
8. Paul Sandland was appointed as an Executive Director on 30 October 2019 and the remuneration reported in the single figure table is from this date.

# Directors' Remuneration Report continued

## 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 Chairman's letter on pages 119 to 124. The Executive Directors' salaries applying with effect from 1 January 2021 are as follows.

| Executive Director | Salary with effect from 1 January 2021 | Previous Salary | % increase |
|---|---|---|---|
| Ian Page | £582,400 | £520,000 | 12% |
| Paul Sandland | £360,000 | £300,000 | 20% |
| Tony Griffin | €373,830 | €363,396 | 3% |

The Committee's approach to Executive Directors' salaries for the year ending 30 June 2022 is summarised in the Committee Chairman's letter on page 123.

### 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 2021 financial year having regard to the performance of the Group and personal performance objectives for the year. The amount achieved for the year ended 30 June 2021 against targets for the 2021 financial year is set out below. 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) £130.6 million | Target (42.5% of salary) £137.5 million | Maximum (85% of salary) £151.2 million | Actual (at budgeted rates) £152.8 million | 85% | 85% |

**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) £130.6 million | Target (21.25% of salary) £137.5 million | Maximum (42.5% of salary) £151.2 million | Actual (at budgeted rates) £152.8 million | 42.5% |
| Dechra Veterinary Products EU underlying operating profit | Threshold (5% of salary) €121.7 million | Target (21.25% of salary) €128.1 million | Maximum (42.5% of salary) €140.9 million | Actual (at budgeted rates) €130.7 million | 25.5% |

**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 below) | 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 below) | 5% | 5% | 5% |

The personal objectives of each Executive Director for the year ended 30 June 2021 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 Chairman.

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 | Link to Strategic Enabler | Objective | Performance |
|---|---|---|---|
| **Ian Page** | Manufacturing | Work closely with the DPM&S Leadership team to bring the manufacturing entities under one function and develop the right organisational design for the future. Continue to drive improved continuity of supply | Appointed Milton McCann as permanent Group Manufacturing and Supply Chain Director and worked closely with Milton to build a fit for the future structure, adding expertise. Supply Chain has been stabilised and is robust |
| | Commercial | Maintain close focus on the sales channels and monitor the impact of the pandemic, restructuring and reshaping where required to respond to the changing marketplace | Through regular stakeholder engagement and agile adaptation of working practices we continue to see growth across all markets |
| | Governance | Prepare the business for FTSE 100; ensure that we are able to manage and comply with the increasing regulatory burden. Continue to sponsor and embed the stakeholder engagement agenda into the organisation, act as the Executive Sponsor to drive greater focus on our Diversity Agenda across the Group | Worked closely with the Board on succession planning, saw increased scores in the employee engagement survey across the board. Sponsored the development and roll out of new education programmes for leaders and employees that support the cultural diversity of our business |
| **Paul Sandland** | Shareholder | Review current Investor Relations arrangements | Developed structure, proposal received Board approval, recruitment currently underway |
| | IT | Drive efficiencies through implementation of technology solutions | Created and embedded steering committee and internal frameworks to manage the multiple technology priorities across the business. Gained approval for and, commenced the roll out, of the global payroll solution and the Group document management system. |
| | IT | Act as sponsor for the roll out of the Global ADP Celergo payroll project | Project on time and on budget. Major milestones achieved throughout the period with the project on track for completion in the calendar year |
| **Tony Griffin** | Acquisition | Realise the planned synergies for AST Farma and Le Vet acquisitions | All remaining contracts disintermediated and budgeted margin synergies exceeded for the third consecutive year |
| | People | Develop and strengthen the newly established European senior management team and support the OneDechra organisation agenda | New Marketing and Finance directors fully onboarded |
| | Customers | Improve the market penetration through implementation of Corporatisation Plan | Pan European CRM implemented in wave 1 countries, central marketing teams restructured to fit customer needs better and all senior managers have completed a change management development programme |

**ESG Measure**

| Director | Objective | Performance |
|---|---|---|
| **Ian Page** | Work with the SET to ensure that our ESG strategy is embedded into our approach to how we do business, create an ESG function that enables us to implement changes and monitor progress | Development of comprehensive ESG strategy that has become a critical enabler to the business success |
| **Paul Sandland** | Act as executive sponsor and owner of the new ESG structure | Appointed and onboarded Sustainability Director. In conjunction with key stakeholders developed stretching ESG goals to be delivered both globally and locally |
| **Tony Griffin** | Develop and implement a European ESG plan which flows from the Group ESG Strategy | Comprehensive European plan developed and after agreed with targets in place for roll out in the 2022 financial year |

# Directors' Remuneration Report continued

## Long Term Incentive Plan

The LTIP awards granted on 26 October 2018 are due to vest on 6 September 2021. 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 19% | Pro rata vesting between 25% and 100% |
| >19% 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 measure. 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 50.54% compared with a 36.65% TSR for the upper quartile company in the comparator group (FTSE 250 Index (excluding investment trusts). Therefore, 100% 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 the this LTIP grant, the underlying diluted EPS for financial year 2021 to reflect the actual Akston R&D costs incurred as these costs were not included in the base year. This adjustment changes the 2021 underlying diluted EPS for the purposes of this LTIP grant from 108.14 to 110.98 pence resulting in CAGR of 13.2% such that 60.7% of the EPS element will vest. Overall, taking into account that ROCE performance for 2021 was 18.8%, the LTIP awards will vest as to 73.8% 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 129, 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 £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).

The October 2018 awards were granted when the value of a share was £21.66 (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 £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).

| 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 | 34,071 | £738 | £639 | £1,377 |
| Tony Griffin | 10,659 | £231 | £200 | £431 |

Each award is subject to a two year 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

The following options were exercised under the SAYE Scheme by Executive Directors during the year:

| Executive Director | Date of grant | Number of options | Option price | Exercise date |
|---|---|---|---|---|
| Ian Page | 12 October 2017 | 1,093 | £16.46 | 2 December 2020 |
| Paul Sandland | 12 October 2017 | 1,093 | £16.46 | 2 December 2020 |

## 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.

Tony Griffin was a member of the Basispensioen, a defined benefit pension plan established in the Netherlands up to 31 December 2018, the transfer value as at this date was €283,000. This was transferred to a defined contribution scheme. From 1 January 2019, Tony Griffin has received contributions to two defined contribution pension schemes (the existing defined contribution pension scheme and the defined contribution pension scheme which replaced the Basisipension) in the Netherlands in respect of earnings up to €100,000 and a salary supplement in respect of earnings above this amount.

Contributions made by Dechra Pharmaceuticals PLC on behalf of the Executive Directors during the year equated to no more than 14% of pensionable/base salary for both Ian Page and Tony Griffin. The contributions for Ian Page and Tony Griffin reflect long standing contractual entitlements. As detailed in our 2020 Remuneration Report these pension contributions/cash in lieu will be aligned with the rate available to the UK wider workforce by the end of 2022. As explained in the Committee Chairman's letter on pages 119 to 124 with effect from 1 July 2021, the wider UK workforce are eligible for employer pension contributions of between 6% (increased from 4%) and 12% of base salary dependent on length of service and/or grade. As noted above, we intend to increase the minimum employer pension contribution in the UK again to 8% from 1 July 2022. The pension contributions/cash in lieu for Ian Page and Tony Griffin will be reduced to 8% with effect from 1 July 2021.

Our Chief Financial Officer, Paul Sandland's, pension is already aligned with the wider workforce, and reflects a reduction in the contribution rate from 12% of salary to 4% of salary on his appointment to the Board.

## Non-Executive Directors' Remuneration (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 2021. The Chairman 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 2020 and, where relevant, the year ended 30 June 2020:

| | | Base fee £000 | | Additional fee £000 | | Total £000 | |
|---|---|---|---|---|---|---|---|
| | **Additional responsibilities** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| **Tony Rice** | Chairman and Nomination Committee Chair | **144** | 129 | **3** | 5 | **147** | 134 |
| **Ishbel Macpherson** | Senior Independent Director and Remuneration Committee Chair | **54** | 52 | **20** | 15 | **74** | 67 |
| **Julian Heslop** | Audit Committee Chair | **54** | 52 | **12** | 10 | **66** | 62 |
| **Lawson Macartney** | | **54** | 52 | **–** | – | **54** | 52 |
| **Lisa Bright** | Employee Engagement Designated Non-Executive Director | **54** | 52 | **8** | 5 | **62** | 57 |
| **Alison Platt*** | | **54** | 17 | **–** | – | **54** | 17 |
| **Denise Goode†** | | **11** | – | **–** | – | **11** | – |
| **Total** | | **425** | 354 | **43** | 35 | **468** | 389 |

* Alison Platt was appointed on 1 March 2020.

† Denise Goode was appointed on 26 April 2021.

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

# Directors' Remuneration Report continued

The Committee's approach to the Chairman's fee in the financial year is explained in the Committee Chairman's letter on pages 119 to 124. As explained in that letter, at the same time as the Committee considered the Executive Directors' salaries and the Chairman's fee, fees for the other Non-Executive Directors were also reviewed. The Chairman's and other Non-Executive Directors' fees applying with effect from 1 January 2021 are as follows.

| Office | Fee with effect from 1 January 2021 | Previous fee |
|---|---|---|
| Chairman | 159* | 130* |
| Non-Executive Director | 57 | 52 |
| Chair of the Audit Committee | 15 | 10 |
| Chair of the Remuneration Committee | 15 | 10 |
| Senior Independent Director | 10 | 10 |
| Designated Non-Executive Director | 10 | 5 |
| Chair of the Nomination Committee | –* | 5* |

* The Chairman has previously received a fee of £129,780 and a supplementary fee of £5,000 for chairing the Nomination Committee. With effect from 1 January 2021, his base fee of £159,000 is inclusive of his fee for chairing the Nomination Committee.

The Committee's approach to the Chairman's and Non-Executive Directors' fees for the year ending 30 June 2022 is summarised in the Committee Chairman's letter on page 124.

## 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 22 September 2020, 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 | 32,128 | £1,039,983 | 25% | 1 July 2020 – 30 June 2023 |
| Paul Sandland | Nil cost option under the LTIP | 150% of salary | 13,901 | £449,975 | 25% | 1 July 2020 – 30 June 2023 |
| Tony Griffin | Conditional award under the LTIP | 100% of salary | 10,303 | £333,508 | 25% | 1 July 2020 – 30 June 2023 |

* Based on a share price of £32.37 being the three day average middle market quotation preceding the grant.

† Ian Page has also been 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 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 Chairman in the 2019 Directors' Remuneration Report, the EPS for the final year of the performance period (the financial year to 30 June 2023) will be adjusted to reflect actual R&D costs associated with the Akston development, recognising 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 16% | Pro rata vesting between 25% and 100% |
| >16% CAGR | 100% of the EPS portion will vest |

Both the TSR element and the EPS element are subject to an additional ROCE performance measure. 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 holding period. Other than shares sold to satisfy tax liabilities arising in connection with the acquisition of shares, no shares acquired may be sold before the second anniversary of vesting.

### SAYE (Audited)

The following SAYE options were granted during the year ended 30 June 2021.

| Executive Director | Date of grant | Number of options | Option price | Exercisable from |
|---|---|---|---|---|
| Ian Page | 19 October 2020 | 627 | £28.68 | December 2023 |
| Paul Sandland | 19 October 2020 | 627 | £28.68 | December 2023 |

### 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 2021 is as follows:

| Executive Share Plans | All Share Plans |
|---|---|
| Limit: 5% | Limit: 10% |
| Usage: 2.47% | Usage: 3.07% |

### Shareholdings (Audited)

**Executive Directors**

In respect of the financial year ended 30 June 2021, 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, 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 2021 and their families as at 30 June 2021 are as follows:

| Name | Appointment date | Ordinary shares Number | Ordinary shares £000* | % of salary |
|---|---|---|---|---|
| Ian Page | 13 June 1997 | 340,012 | 14,858 | 2,551 |
| Paul Sandland | 30 October 2019 | 7,611 | 333 | 92 |
| Tony Griffin | 1 November 2012 | 45,650 | 1,995 | 602 |

* Calculated using the share price as at 30 June 2021 and the base salaries as at 30 June 2021.

### 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.

# Directors’ Remuneration Report continued

### 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 2021 are as follows:

| | Award date | Type of award | Option price for market value options (£) | Number of shares as at 1 July 2020 | Granted | Lapsed | Exercised | Number as at 30 June 2021 | Status | Performance Period |
|---|---|---|---|---|---|---|---|---|---|---|
| **Ian Page** | 02-Mar-18 | LTIP | N/A | 39,904 | – | 10,495 | 29,409 | – | Vested and exercised in the year[1] | 2017–2020 |
| | 26-Oct-18 | LTIP | N/A | 46,168 | – | – | – | 46,168 | Unvested[2] | 2018–2021 |
| | 06-Sep-19 | LTIP | N/A | 35,087 | | – | – | 35,087 | Unvested | 2019–2022 |
| | 22-Sep-20 | LTIP | N/A | – | 32,128 | – | – | 32,128 | Unvested[3] | 2020–2023 |
| **Tony Griffin** | | | | | – | – | | – | | |
| | 02-Mar-18 | LTIP | N/A | 12,099 | – | 3,183 | 8,916 | – | Vested and exercised in the year | 2017–2020 |
| | 26-Oct-18 | LTIP | N/A | 14,444 | – | – | – | 14,444 | Unvested[2] | 2018–2021 |
| | 06-Sep-19 | LTIP | N/A | 10,984 | | – | – | 10,984 | Unvested | 2019–2022 |
| | 22-Sep-20 | LTIP | N/A | – | 10,303 | – | – | 10,303 | Unvested | 2020–2023 |
| **Paul Sandland** | 15-Sep-15[4] | Approved | £9.75 | 923 | – | – | 923 | – | Vested | 2015–2018 |
| | 19-Sep-16[4] | Approved | £13.69 | 526 | – | – | 526 | – | Vested | 2016–2019 |
| | 19-Sep-16[4] | Unapproved | £13.69 | 2,474 | – | – | 2,474 | – | Vested | 2016–2019 |
| | 02-Mar-18[4] | Approved | £25.06 | 550 | – | – | – | 550 | Vested | 2017–2020 |
| | 02-Mar-18[4] | Unapproved | £25.06 | 2,450 | – | – | – | 2,450 | Vested | 2017–2020 |
| | 26-Oct-18[4] | Unapproved | £21.66 | 3,000 | – | – | – | 3,000 | Unvested | 2018–2021 |
| | 06-Sep-19 | LTIP | N/A | 6,106 | | – | – | 6,106 | Unvested | 2019–2022 |
| | 22-Sep-20 | LTIP | N/A | – | 13,901 | – | – | 13,901 | Unvested | 2020–2023 |

1. Ian Page was granted a tax qualifying option over 1,197 shares at an exercise price of £25.06 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.
2. Will vest on 6 September 2021 as to 73.8%
3. 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.
4. Paul Sandland holds 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 2021 was £1,319,184 (2020: £2,625,303 ).

## 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 2021 are as follows:

| Name | Appointment date | Ordinary shares number | Ordinary shares £000* | % of base fee |
|---|---|---|---|---|
| Tony Rice | 5 May 2016 | 20,000 | 874 | 550 |
| Ishbel Macpherson | 1 February 2013 | 5,848 | 256 | 448 |
| Julian Heslop | 1 January 2013 | 6,000 | 262 | 460 |
| Lawson Macartney | 1 December 2016 | 5,880 | 257 | 451 |
| Lisa Bright | 1 February 2019 | 788 | 34 | 60 |
| Alison Platt | 1 March 2020 | 1,363 | 60 | 104 |
| Denise Goode | 26 April 2021 | Nil | N/A | N/A |

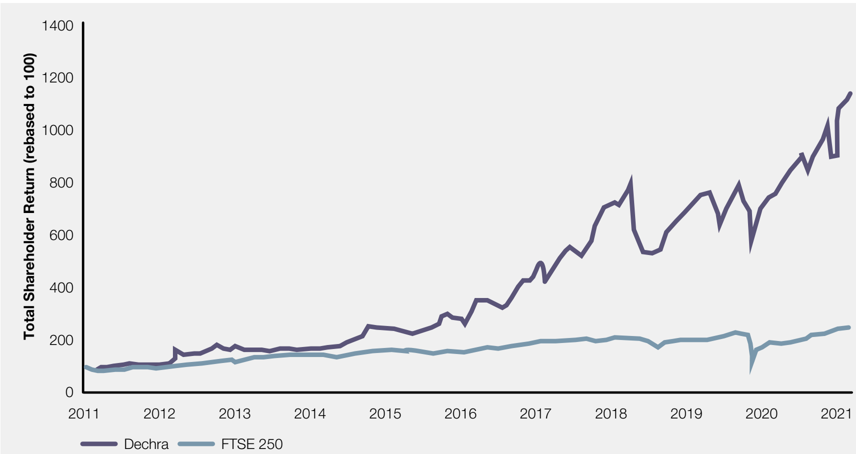
* Calculated using the share price as at 30 June 2021 and the fees as at 30 June 2021.

There have been no changes in the holdings of the Company's Directors between 30 June and 6 September 2021.

## 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. Throughout the financial year ended 30 June 2021 the Company has been a constituent of the FTSE 250; for this reason it is considered that the TSR performance of the FTSE 250 Index is the appropriate comparator for this 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 2021 | 2,624 | 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 |
| 30 June 2012 | 682 | 60 | 0 |

# Directors' Remuneration Report continued

## 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 2020 and the year ended 30 June 2021, 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 mean of employee pay. Denise Goode was appointed during the year ended 30 June 2021 and, accordingly, has been excluded from the table below.

| | | Average employee | Ian Page | Paul Sandland[2] | Tony Griffin[3] | Tony Rice | Ishbel Macpherson | Julian Heslop | Lawson Macartney | Lisa Bright | Alison Platt[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Salary/ fees | **2020–2021** | **32.8%** | **6.6%** | **10.0%** | **(0.9%)** | **9.0%** | **10.4%** | **6.5%** | **3.8%** | **8.8%** | **5.9%** |
| | 2019–2020 | (11.8%) | 4% | N/A | 6.8% | 2.3% | 3.2% | 3.3% | 4.0% | 3.6% | N/A |
| Taxable benefits[1] | **2020–2021** | **(7.3%)** | **6.3%** | **20.8%** | **2.3%** | **N/A** | **N/A** | **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 | N/A | N/A |
| Annual bonus[5] | **2020–2021** | **137.3%** | **280.0%** | **292.9%** | **194.6%** | **N/A** | **N/A** | **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 | N/A | N/A |

1. Excludes SAYE options granted during any relevant year.
2. Paul Sandland was appointed to the Board on 30 October 2019. To enable comparison and to provide meaningful reflection of the annual percentage change, his remuneration for the year ended 30 June 2020 has been annualised.
3. Tony Griffin's increase in salary was 2.9%, however due to exchange rates the above disclosure shows a decrease.
4. Alison Platt was appointed to the Board on 1 March 2020. To enable comparison and to provide meaningful reflection of the annual percentage change, her fee for the year ended 30 June 2020 has been annualised.
5. The significant increase in bonuses for the Executive Directors reflect that strong performance in 2021 resulted in a higher bonus outturn than in 2020.

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 2021, 2020, 2019 and 2018 using the Single Total Figure as disclosed on page 129 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 and 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 |
|---|---|---|---|---|
| **2021** | **Option A**[1] | **106:1** | **76:1** | **40:1** |
| 2020 | Option A[1] | 75:1 | 58:1 | 31:1 |
| 2019 | Option A[1] | 139:1 | 107:1 | 56:1 |
| 2018 | Option A[1] | 137:1 | 109:1 | 58:1 |

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.

| | **2021 Total pay and benefits (salary) £000** | 2020[1] Total pay and benefits (salary) £000 |
|---|---|---|
| Chief Executive Officer | **2,624** | 1,763 |
| | **(551)** | (517) |
| 25th percentile employee | **25** | 24 |
| | **(23)** | (22) |
| Median employee | **35** | (30) |
| | **(31)** | (29) |
| 75th percentile employee | **67** | 57 |
| | **(44)** | (30) |

1. The 2020 figure includes share options and awards, which have been valued by reference to £40.422 (being the average market value of a share over the last quarter of the Company's financial period ended 30 June 2021). SAYE options granted in 2020 and 2021 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 2021, there were a total of 478 UK employees (2020: 441 UK employees), 169 of which have been excluded for the above stated reasons (2020: 164), leaving 309 employees within the 'full pay relevant' data set (2020: 277) 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 above increase to the Chief Executive Pay Ratio can be explained by the significant increase in bonuses for the Executive Directors reflecting that the strong performance in 2021 resulted in a higher bonus outturn than in 2020. The Chief Executive Officer bonus for the 2021 financial year will represent 100% of his salary compared to 28% in the 2020 financial year.

Of the employees within the 'full pay relevant' data set, 177 worked in our Manufacturing business which is predominately shop floor workers (2020: 167). During the 2021 financial year, we addressed the pay levels of these employees moving them from minimum wage to National Living Wage. 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 2020 and the year ended 30 June 2021.

| | **Year ended 30 June 2021 £000** | Year ended 30 June 2020 £000 | % change |
|---|---|---|---|
| Distributions to shareholders by way of dividend and share buyback | **37,900** | 33,300 | 13.9% |
| Overall expenditure on pay | **120,300** | 104,000 | 15.7% |

# Directors' Remuneration Report continued

## Implementation of the Directors' Remuneration Policy in the Year Ending 30 June 2022

The Directors' Remuneration Policy outlined on pages 142 to 146 will be implemented in the year ending 30 June 2022, as set in the Committee Chairman's letter on pages 119 to 124.

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 Chairman, bonuses for financial year 2022 will increase to 125% of salary with a bonus deferral, requiring that 20% 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 2022 financial year recognises the increase in the size and complexity of the Group. The Committee has also reviewed the level of stretch in the annual bonus targets to satisfy itself that the higher maximum opportunity for the 2022 financial year will only be earned for delivery of higher levels of performance. For the 2022 financial year the maximum bonus will only be earned for materially improved year on year performance from a strong 2021 base year where we delivered 25% year on year improvement in underlying profit before tax (on a constant current basis). The threshold to maximum range has been set at 95% to 110% of a stretching target level of performance in order to align the maximum level of potential reward with the achievement of more stretching performance targets.

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 130 in respect of bonuses for the Group's 2021 financial year.

### LTIP

The Committee proposes that LTIP awards for the year ending 30 June 2022 (the 2022 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 2022 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 2021 financial year, details of which can be found on page 132. Taking account of internal forecasts of performance over the performance period, the markets in which the Group operates, our long-term growth ambitions and the expectations of the investment community on the Group's future potential performance, the upper target of 15% CAGR for the 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 2021 financial year which is the base year for the 2022 LTIP grant.

The EPS targets for the 2022 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 2021 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 ordinarily 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 Chairman'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 119. 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 2021 Board and Committee External Evaluation (further details of which can be found on page 110 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 2021 financial year this review took place at the June 2021 meeting and they were amended to reflect the 2018 UK Corporate Governance Code requirements. Copies can be obtained via the Company website at www.dechra.com. The Committee Chairman 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 100 and 119.

## 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** |
| Tony Rice | 5 May 2016 | 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 |
| Alison Platt | 1 March 2020 | 3 months | 3 months |
| Denise Goode | 26 April 2021 | 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 £19,875 for the year ended 30 June 2021. 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 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 | 81,088,589 | 99.36 | 524,975 | 0.64 | 6,968 |
| To approve Remuneration Policy | 74,112,644 | 90.81 | 7,501,119 | 9.19 | 6,768 |

**Ishbel Macpherson**
Remuneration Committee Chairman
6 September 2021

# Directors' Remuneration Report continued

## 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 this date. The full Remuneration Policy as approved by shareholders is available 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.<br>The Committee also takes into consideration:<br>• pay increases within the Group more generally; and<br>• 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.<br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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).<br><br>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.<br><br>The personal objectives for the Chief Executive Officer are set by the Chairman. The personal objectives for other Executive Directors are set by the Chief Executive Officer. The personal objectives are reviewed and endorsed by the Committee.<br><br>At least 50% of the bonus opportunity is based on financial measures (which may include profit before tax).<br><br>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.<br><br>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 continued

## 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

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 Measure

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.<br>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 in shareholding guideline that applies during employment, or in either case and if fewer, all of those shares.

# Directors' Remuneration Report continued

### 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 Chairman 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 Chairman.<br><br>Non-Executive Directors are not eligible to participate in any of the Company's share schemes, incentive schemes or pension schemes.<br><br>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.<br><br>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.<br><br>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 Chairman 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 Chairman or Non-Executive Director will be in line with the policy in place at the time of appointment.

**Ishbel Macpherson**
Remuneration Committee Chairman
6 September 2021