Our FAP portfolio is positioned to match current best practice prescribing habits

Read more about Food producing Animal Products on page 14.

Our Governance

Letter from the Chairman on Governance

Tony Rice | Non-Executive Chairman

"The Board remains committed to maintaining high standards of corporate governance."

Dear Shareholder

On behalf of the Board, I am pleased to present Dechra's Governance report for the year ended 30 June 2021.

Board Appointments

We welcomed Denise Goode as a Non-Executive Director in April 2021. Denise brings a wealth of financial, commercial and life science industry experience, both from her extensive career as a senior executive and from board roles held since 2008. It is intended that Denise will be appointed as Chairman of the Audit Committee upon the retirement of Julian Heslop as Audit Committee Chairman following the 2021 Annual General Meeting. Julian will remain on the Board as a Non-Executive Director. Denise's biographical details can be found on page 89. Denise has been appointed as a member of the Audit, Nomination and Remuneration Committees.

You will have seen the notification in the preliminary results announcement of my intention to step down as Chairman once we can appoint a successor. It has been my privilege and pleasure to work with Ian, his management team and the Board these past five years as Dechra has continued to evolve and grow and deliver great products and service to our customers and strong returns to our shareholders. This is a suitable time for me to leave to devote more time to my family and my other business and charitable activities.

Purpose and Culture

Our Purpose is clearly defined and underpinned by our Culture and Values. Further details can be found on pages 4 and 5, and 93 and 94. Our Values, entrepreneurial attitude and agile approach to the way we do things are the backbone of our Culture. We expect our people to make a difference by working together and support them by providing clear guidance on expectations.

During the year, the OneDechra training module has been developed to facilitate a deep dive into our Culture and Values, providing a platform for employees to explore how the Values underpin everything that we do and drive decision making.

Our Values are supported by our Code of Conduct, which has been updated to include a set of simple one page policy documents. A Code of Conduct e-learning course has been developed and is ready to be rolled out globally on an annual basis.

Stakeholders and Section 172 Companies Act

The impact of our decisions on our key stakeholders has always been prevalent in our decision making. Details of how we consider stakeholders in the Board's decisions and approvals of material transactions, our engagement with stakeholders and our approach to section 172 of the Companies Act 2006 can be found on pages 48 to 50 and 95 to 97.

COVID-19

The measures that were put in place to enable front line employees to operate safely in our 2020 financial year have remained; this has allowed all manufacturing sites, logistic sites and laboratories to remain open and continue to function effectively. All employees who can work from home have done so successfully. Our employees are now slowly returning, where it is safe to do so, to our offices initially on a cohort basis and to meeting our customers in their practices.

The continuity of product supply and support for our customers has remained a key priority for Dechra during the pandemic. We invested significant resources to maintain an adequate supply of raw materials and finished goods to meet the needs of our customers. In addition, we expanded our webinar programme in our Academy and provided CPD events and conferences virtually.

Board Activities

The current financial year has been busy for Dechra operationally and we have approved important investments in both manufacturing and logistics. We have secured the rights to market Tri-Solfen® in Australia and New Zealand and we have acquired a further 1.5% of the issued share capital of Medical Ethics Pty Ltd. As a result, Dechra now has the rights to sell Tri-Solfen®, an important pain management product, in all markets globally as the product becomes approved.

Compliance with the Code

The UK Corporate Governance Code 2018 (the Code) establishes the principles of good governance for companies; this Governance section of the 2021 Annual Report describes how the Company has applied these principles and complied with the provisions, as well as how it meets other relevant requirements, such as the provisions of the Listing Rules and Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority.

In the opinion of the Directors, the Company has complied with the Code throughout the period, with the exception of provision 38 of the Code. In respect of this provision, the steps intended to be taken to ensure more effective alignment of Executive Director's pension contributions to those available to the workforce are set out on page 125. From 1 July 2021, two of our Executive Directors' pension contributions will be at 8%, and the Chief Financial Officer's pension contribution will be at 6% matching the minimum offered to our UK workforce. The Chief Financial Officer and UK workforce pension contributions will increase to 8% on 1 July 2022.

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

Relations with Shareholders

The Annual General Meeting will be held in Northwich on 21 October 2021. All members of the Board are scheduled to attend the Annual General Meeting (the Meeting) and the Chairmen of the Audit, Remuneration and Nomination Committees will be available to answer shareholders' questions at the Meeting.

Looking Forward

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

Tony Rice
Non-Executive Chairman
6 September 2021

Board Leadership and Company Purpose

The Board recognises that excellence in corporate governance is important in order to generate and protect value for our investors. Our governance structure is designed to maintain effective control and oversight of our business whilst at the same time promoting the entrepreneurial spirit that has underpinned Dechra's success to date. Details in relation to our prudent and effective controls can be found on page 94, stakeholder engagement on pages 95 to 97 and culture, purpose and values on pages 93 and 94.

Division of Responsibility

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

Composition, Succession and Evaluation

The report from our Nomination Committee on pages 103 to 111 sets out the appointment process, its approach to succession for appointments to the Board and SET, the implementation and progress of the Group's diversity policy. Details in relation to our succession planning and the external Board evaluation can be found on pages 103, 110 and 111.

Audit Risk and Internal Control

The report from our Audit Committee Report on pages 112 to 118 contains details on how it has assisted the Board in reviewing the financial reporting and internal financial control effectiveness, and the monitoring of the effectiveness of the external audit process and internal audit function. Further details in respect of the Group's risk management and internal control processes are provided on pages 76 to 82 of the Strategic Report, along with the principal risks, controls and mitigating actions, and emerging risks.

Remuneration

Our Remuneration Policy is designed to promote the long term success of the Group and to reward the creation of long term value for shareholders. The Remuneration Committee has taken into account the pay and principles applied to the wider workforce and the culture of the Company when setting the remuneration of both the Executive Directors and the SET. During the year, we have undertaken a shareholder consultation on the remuneration of our Executive Directors. Further details can be found on pages 119 to 124

Board of Directors

Executive Directors

Ian Page
Chief Executive Officer

Appointed:
June 1997

Committee Membership:
Disclosure (Chairman).

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

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

External Appointments:
None.

Pets:

Paul Sandland
Chief Financial Officer

Appointed:
October 2019

Committee Membership:
Disclosure.

Skills and Experience:
Paul qualified as a Chartered Certified Accountant in 2005. He spent five years post qualification at KPMG, during which time he was part of the team which advised the Group on its acquisition of VetXX in 2008. Paul joined Dechra in January 2010 and has worked both in Corporate as Group Financial Controller and in our sales and marketing organisation as the Group's Dechra Veterinary Products EU Finance Director. Paul is the Board nominated Director responsible for health, safety and environmental matters.

External Appointments:
None.

Pets:

Tony Griffin
Managing Director,
Dechra Veterinary Products EU

Appointed:
November 2012

Committee Membership:
Not applicable.

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

External Appointments:
None.

Pets:

Non-Executive Directors

Tony Rice
Non-Executive Chairman

Appointed:
May 2016

Committee Membership:
Nomination (Chairman), Remuneration.

Skills and Experience:
Tony has extensive board level experience across a range of sectors, including aerospace, healthcare, telecommunications and retail in both UK and international markets.

External Appointments:
Tony is currently the Senior Independent Non-Executive Director and Chairman of the Remuneration Committee at Halma plc, and Chair at Ultra Electronics Holdings plc.

Pets:
None.

Ishbel Macpherson
Senior Independent Non-Executive Director

Appointed:
February 2013

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

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

External Appointments:
Ishbel is Non-Executive Director at Lloyd's Register Group Limited.

Pets:

Julian Heslop
Non-Executive Director

Appointed:
January 2013

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

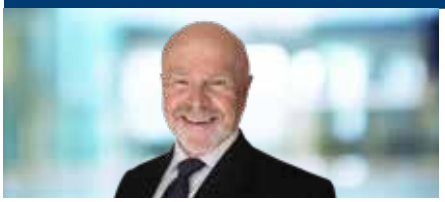
Skills and Experience:
Julian has considerable financial experience as a result of the senior finance roles he has held in the pharmaceutical, food, property and brewing sectors.

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

External Appointments:
None.

Pets:

Non-Executive Directors



Dr Lawson Macartney
Non-Executive Director

Appointed:
December 2016

Committee Membership:
Audit, Nomination and Remuneration.

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

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

Pets:

Lisa Bright
Designated Non-Executive Director for Employee Engagement

Appointed:
February 2019

Committee Membership:
Audit, Nomination and Remuneration.

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

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

Pets:

Alison Platt
Non-Executive Director

Appointed:
March 2020

Committee Membership:
Audit, Nomination and Remuneration.

Skills and Experience:
Alison has extensive international and leadership experience in customer-driven organisations in the healthcare, insurance and property sectors. Alison was awarded a CMG for services to the Foreign Office in 2011 after six years on the FCO Board.

External Appointments:
Alison is a Non-Executive Director at Tesco PLC, Chair of Legal & General Financial Advice and Spectrum Life.

Pets:
None.

Denise Goode
Non-Executive Director

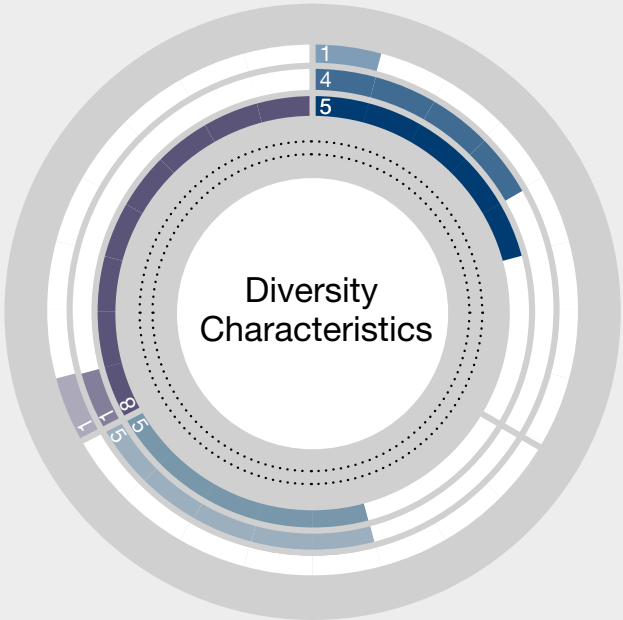
Appointed:
April 2021

Committee Membership:
Audit, Nomination and Remuneration.

Skills and Experience:
Denise brings a wealth of financial, commercial and life science industry experience, both from her extensive career as a senior executive and from board roles held since 2008. She has a deep understanding of the pharmaceuticals sector and is highly experienced in business development. She is a Fellow of the Institute of Chartered Accountants in England and Wales.

External Appointments
Denise is currently a Non-Executive Director of Abliva AB, a NASDAQ Sweden listed company and Vice President, Business Development at AnaMar AB, a Swedish based private company.

Pets:
None.



Age	
41–50	1
51–60	4
61–70	5

Education	
University	5
Vocational	5

Country of Residence	
USA	1
Netherlands	1
UK	8

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

Senior Executive Team

Senior Executive Team

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

Giles Coley

Dechra Veterinary Products International Group Director

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

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

Pets:

Mike Eldred

President North America

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

As our first employee in the USA, he has built the USA, Mexican and Canadian teams to 245 people and has grown sales revenue to £219.5 million. Mike has also been involved in several commercial agreements and acquisitions for the Group including Pharmaderm, DermaPet, Phycox Animal Health and Putney. Mike has a BA in Business, and an MBA. He is located in Kansas, USA.

Pets:
None.

Dr Susan Longhofer

Chief Scientific Officer

Background:
Susan joined the Group in June 2005. A veterinarian with over 30 years' experience in the industry, she leads a team of approximately 150 staff around the globe responsible for product development, registering new products and maintaining the registrations of our existing products. She has assumed the Business Development role in 2015, searching out new products to continue to fill our product development pipeline. Susan was appointed as Chief Scientific Officer in January 2020, bringing together Business Development, Product Development and Regulatory Affairs.

Prior to joining Dechra, Susan worked for Virbac Corporation, Heska Corporation and Merck Research Laboratories. Susan holds an MS and a DVM in Veterinary Science and is a Diplomate, American College of Veterinary Internal Medicine. She is located in Kansas, USA.

Pets:

Senior Executive Team

Dr Anthony Lucas
Group Product Development Director

Background:
Anthony joined Dechra in 2016 following the acquisition of Putney Inc. where he was Senior Vice President of R&D. Anthony is originally a veterinarian from Australia with five years in clinical practice including a residency in emergency and critical care. Following a Masters in veterinary pharmacology, PhD in human pharmacology and post-doc at the University of Kansas, he spent six years at Elanco in early drug development, technology acquisition and has a Six Sigma blackbelt.

In his six years at Putney, Anthony built the R&D team, which delivered ten FDA product approvals.

As the Group Product Development Director, Anthony leads a team of around 80 scientists across five global research centres, to efficiently deliver the pipeline of products to meet Dechra's growth needs. He is located in Maine, USA.

Pets:

Milton McCann
Group Manufacturing and Supply Director

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

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

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

He is located in Skipton, UK.

Pets:
None.

Katy Clough
Group HR Director

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

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

Pets:

Allen Mellor
Group IT Director

Background:
Allen joined Dechra in April 2012 and has developed and implemented the Group IT strategy during this time. During the last 26 years, Allen has gained a breadth of experience from the implementation of diverse business solutions across multiple industry sectors including Justice, Education, Energy, Distribution and Retail. He has held several senior management positions encompassing software development, IT service provision and IT departmental management. His last role was as Head of IT for the BSS Group PLC, a leading plumbing and heating distribution company. Allen is currently responsible for all Group IT support to a multitude of internal customers. He is located in Sansaw, UK.

Pets:

Melanie Hall
Company Secretary

Committee Membership:
Disclosure.

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

Pets:

Board Leadership and Company Purpose

Board Leadership and Company Purpose

Effective and Entrepreneurial Board

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

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

The Board oversees the effective delivery of the Group's strategy as set out on pages 20 to 23 of the Strategic Report. Dechra has consistently delivered on its strategic objectives resulting in a strong track record of growth as can be illustrated by the dividend growth on page 19, underlying diluted earnings per share growth on page 36 and our Total Shareholder Return performance on page 137.

Strategy

The Group's strategy remains unchanged and is set out on pages 20 to 23 of the Strategic Report. The key factors supporting the Group's prospects are explained throughout the Annual Report and are summarised below:

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

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

The Board undertook a review of the Strategy in December 2020, which included high level discussions to challenge whether the strategy remains fit for purpose and responsive enough to the market and environment. Some of the main topics discussed by the Board during its strategy review included:

- our market strategy for the next five to ten years;
- our vaccines strategy;
- our ESG and People strategy;
- centralisation verses decentralisation; and
- routes to market.

KPIs have been designed to measure progress and delivery of the strategic plan and our four growth drivers. Further details are provided on pages 36 and 37.

Case Study

Collaborative and Entrepreneurial

During the financial year, our DVP International team and Digital team created a Distributor Hub, which will sit within the new Dechra.com website. The aim of the hub was to create an intuitive area on our website to help our international partners find key information about our products and services. The Distributor Hub's focus is on our existing distributors, potential new partners and global veterinarians.

Our hub is unique and offers a tailored experience not seen on any competitor websites. The hub identifies the location of a website user and only displays information on products available in that territory. The Hub in phase two will also offer the partners the opportunity to access:

- Marketing asset database;
- Virtual calendar; and
- Blogs.

Case Study

Collaborative and Enthusiastic

The market authorisation for Rexxolide® was issued on 3 December 2020. This has been a demanding project from start to finish with challenges in Product Development, Manufacturing, QC, QA, and Regulatory, all of which have been solved through teamwork. The Marketing Authorisation would not have been achieved without the contributions from the very large project team of over 100 people from our sites in Bladel, Skipton, both US locations, as well as Central Marketing. This accomplishment was the result of the joint efforts of this cross-functional team which truly demonstrates the One Dechra culture.

It is Dechra practice to pay an approval gift to the project team. However, the *Rexxolide* team decided to donate the €2,000 gift to the Stichting Voesdselbank, a Bladel based foodbank, in order to support their mission of feeding the local community. This act of kindness exemplifies our employees' continued focus and commitment to our core Values.

Culture, Purpose and Values

Culture

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

Our Purpose

The sustainable improvement of animal health and welfare globally

Our Values

Everything we do is underpinned by our Values

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

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

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

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

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

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

Our Culture Defined

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

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

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

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

Monitoring Our Culture*

Moving Annual Turnover of Employees	Lost Time Accidents	Employees who completed GPTW survey
13.5%	3	90%

* Please see page 94 for full details of the measures the Board use to monitor Culture.

Board Leadership and Company Purpose continued

How The Board Monitors Culture

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

Prudent and Effective Controls

Internal Controls and Risks

The Board retains overall responsibility for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives.

The Board is responsible for reviewing the effectiveness of the Group's risk management and internal control systems, and confirms that:

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

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

Further information on internal control and risk management can be found in the Governance Report on page 116 and the Strategic Report on pages 76 to 78.

Matters Reserved for the Board

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

The schedule of matters is reviewed periodically and was last reviewed in December 2020 along with the Delegation of Authority Policy. The Delegation of Authority Policy defines who is authorised to make decisions on behalf of the Group and their authority limits for both monetary and non-monetary decisions.

Key Stakeholders

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

As disclosed above our Delegation of Authority Policy outlines who is authorised to make decisions and financial commitments throughout the Group. This also supports our entrepreneurial nature and agile approach. Therefore a lot of decisions relating to the business and stakeholder engagement are carried out below Board level. However, all material decisions are discussed and approved by the Board and the following provides an outline of some of the matters that the Board had considered and engaged with our stakeholders on. The supporting Board papers for these decisions require an assessment on how the key stakeholders are impacted by the proposal. Further details on how the Board and the Group considers key stakeholders can be found on pages 48 to 50.

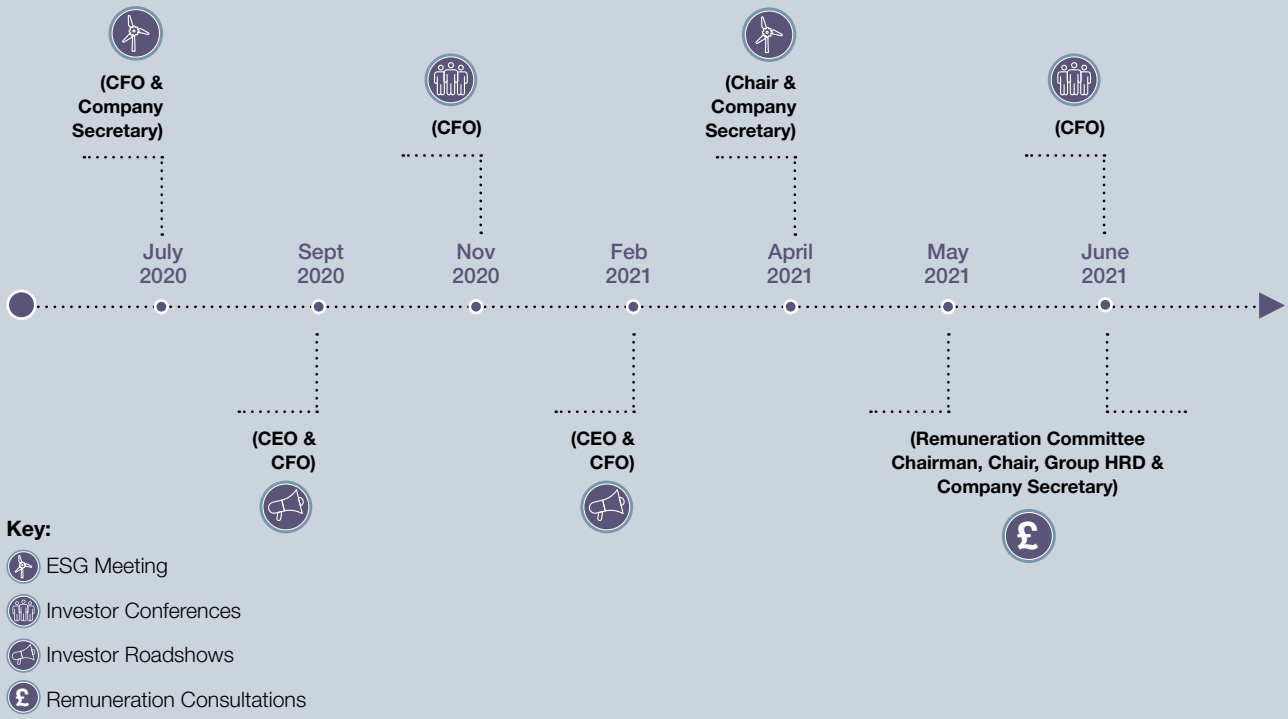
Shareholders

Principles:

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

How the Board is kept informed:

- Relationships with shareholders receive high priority and a rolling programme of meetings between institutional shareholders and the Chief Executive Officer and Chief Financial Officer have been held throughout the year (a summary of the main events is shown below). These meetings seek to foster a mutual understanding of both the Company's and shareholders' objectives. Such meetings are conducted in a format to protect price sensitive information that has not already been made generally available to all the Company's shareholders;
- The Board reviewed and considered feedback, collated by the Company's brokers, after investor roadshows;
- Where material changes in respect of remuneration or governance are proposed, the Board seeks to consult with its major shareholders before implementing such changes. During the year, the Remuneration Chair consulted with our major shareholders with regard to the proposed changes in the salary of the Chief Executive Officer, Chief Financial Officer and the Chairman;
- Board approval is required for significant announcements;
- The Board reviewed and approved the Investor Relations Manager recruitment; and
- The Chairman and Senior Independent Director are available to meet shareholders upon request, and all Directors normally meet shareholders at the Annual General Meetings.



Board Leadership and Company Purpose continued

Employees

Principles:

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

How the Board is kept informed:

- The Board was provided with the results of the GPTW survey;
- The Group HR Director provided an update to the Board in June 2021 on the actions taken by teams throughout the Group on the agreed priority areas emerging from the 2021 employee engagement survey. In addition, the results of the pulse survey relating to employees perceptions of how the Group dealt with the pandemic and Group-wide agile working policies were presented to the Board. The Group HR Director is now reviewing Working from Home policies and guidelines for line managers with the view of offering more flexible working from home on a permanent basis;
- The Board met formally with the SET for business updates;
- Twice a year a comprehensive health and safety report is provided to the Board for its review;
- The Board was provided with updates from the Corona Committee on actions taken in respect of employees' welfare and safety during the pandemic and the slow return to offices and travelling; and
- Lisa Bright, the Non-Executive Director designated for employee engagement, provided three reports to the Board.

Due to COVID-19, the scheduled Board meeting at a business unit was postponed.

Customers

Principles:

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

How the Board is kept informed:

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

Community

Principles:

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

How the Board is kept informed:

- Twice a year a report of the Group's CO_2 emissions are provided to the Board for its review;
- The Chief Financial Officer provided an update of the progress of the ESG Committee in implementing the ESG strategy including the various working groups, the setting of targets and the approach taken with regards to the recommendations of the Taskforce for Climate-related Financial Disclosures; and
- The Board is informed of the Group donations made to local communities and these are made subject to our Group Donations and ABC policies.

Suppliers

Principles:

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

How the Board is kept informed:

- The Board reviewed and approved the Modern Slavery Statement and Human Rights Policy;
- The Audit Committee receives update on the Anti-Bribery and Anti-Corruption (ABC) risk assessments of third parties and reviews and approves the ABC policy and Third Party Code of Conduct; and
- The Group Manufacturing and Supply Director presented to the Board and this included a discussion on the Contract Manufacturing Organisation strategy.

Lisa Bright

Employee Engagement Update

Areas of Focus this Year

- Employee support during COVID-19
- Key learnings from COVID-19 in relation to our customers
- Retaining our Culture during rapid growth

Remote Meetings with Employees

- Skipton (UK): to follow up on the 2020 meeting
- US: a cross functional group from manufacturing, product development and regulatory affairs to, sales and marketing
- Europe: Four group calls representing Country Managers, Sales and Marketing leaders and three individuals calls with UK sales representative

Our Approach

The Board approved an approach which allows us to complete a cycle of engagement, discussion with management and the Board of topics arising followed by feedback to employees on action taken over the financial year. Whilst all of our meetings this year have been remote, in smaller groups (usually six to eight), it has provided an unexpected benefit of connecting people from across different parts of the business who may not usually work together.

Key Themes Emerging

The key themes emerging from the discussions are:

- appreciation of the support for employees and the innovation that has flourished during COVID-19;
- maintaining and nurturing the Dechra Values as the Company grows in size and complexity;
- creating more opportunities for personal and career development;
- identifying the optimal balance of face-to-face versus remote customer interactions from clinical trials through to commercial;
- amplifying the customer voice throughout the Company; and
- communicating the broader Dechra story to customers including our commitment to ESG.

Key Highlights

Employees have voiced strong appreciation of the support provided by the Company during COVID-19, including from new employees who joined during lockdown. The decision not to furlough staff was seen as a very positive reflection on the strength of the business. Morale is high and pride in the Company is palpable.

The process is having tangible results. As a result of the feedback last year, we will be building a new Quality Control lab in Skipton, following Board approval in June 2021.

Plans for 2022 Financial Year

The plans for the forthcoming year include:

- focused discussion on specific areas identified through the Great Place to Work employee survey;
- broadening engagement beyond US and EU;
- resuming scheduled site visits;
- retaining remote informal conversations with delegates across functions and geographies; and
- updates to the Board and employees.

Board Leadership and Company Purpose continued

Workforce Policies and Practices

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

The Code of Conduct was updated, simplified and aligned with the Group Policies which has resulted in the development of a set of simple one page policy documents following the overarching Code of Conduct. Our Code of Conduct can be found on our website. A Code of Conduct e-learning course has been developed and is ready to be rolled out globally on an annual basis.

Dechra had largely focussed its Health and Safety activities in manufacturing which had been identified as the highest risk. During the financial year, the Group established a Health, Safety and Wellbeing (HSW) Committee, whose remit is to reinforce our culture of zero harm across the entire business which involves employees being engaged in the design and ownership of health, safety and wellbeing programmes and providing them with the confidence to challenge unsafe behaviours.

The HSW Committee have launched a wellbeing strategy, THRIVE, which provides centralised guidance with local deployment with:

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

Further details of which can be found on 64.

Employees have been encouraged to consider their physical and mental wellbeing during the pandemic. Regular communications around employee-wellbeing have been posted to the Group's intranet and our confidential Employee Assistance Programme has remained available to all. Strategies to promote wellbeing include sanctioned additional time off during daylight hours to allow employees to get out of their homes to take exercise safely during the winter months.

How to Raise a Concern

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

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

Further, we are planning to launch a third party confidential hot line in the 2022 financial year.

Constructive use of the Annual General Meeting

Unfortunately due to the pandemic the Board were unable to meet shareholders at the 2020 Annual General Meeting as it was held as a closed meeting. Shareholders were provided with the opportunity to submit questions in advance of the meeting with the view that the Board would respond to those questions via the website. No questions were submitted.

This year it is hoped that, subject to no further restrictions, all members of the Board will attend the Annual General Meeting (the Meeting) and the Chairmen of the Audit, Remuneration and Nomination Committees will be available to answer shareholders' questions at the Meeting. A live webcast will be available to enable shareholders to watch the Meeting virtually subject to prior registration.

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

Conflicts of Interest and External Board Appointments

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

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

None of the Executive Directors have external Board appointments.

Tony Rice
Non-Executive Chairman
6 September 2021

Division of Responsibilities

Division of Responsibilities

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

Board Membership

Details of the Directors' together with details of their respective Committee membership, skills and experience, backgrounds and external appointments can be found on pages 88 and 89, and/or the website. As detailed in the pie chart below, the Board consists of one Non-Executive Chairman, six independent Non-Executive Directors and three Executive Directors. Therefore, in line with the Code, at least half the Board, excluding the Chairman, is determined by the Company to be independent. The Chairman was deemed independent on appointment in accordance with provision 10 of the Code.

Board Membership

- Non-Executive Chairman **10% (1)**
- Non-Executive Directors **60% (6)**
- Executive Directors **30% (3)**

The Board has determined, following the results of the external board evaluation, that the Non-Executive Directors have sufficient time to meet their Board responsibilities and any proposed new appointments are disclosed to the Board, for their approval, to assess whether there are any conflicts of interest or time. Denise Goode's position as Vice President, Business Development at AnaMar AB is equivalent to a consultancy role and involves a commitment of one day a week.

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

The SET is led by the Chief Executive Officer and is comprised of the three Executive Directors and the Business Directors responsible for leading each of the Group's key functions. The SET is scheduled to meet formally four times a year to discuss the implementation of the strategy, share best practice and provide updates on their business or function as well as sharing market trends which impact the business. During the height of the COVID-19 pandemic in the 2020 financial year it met weekly to discuss the impact of the pandemic on the business, in relation to suppliers and customers, and received reports from the Corona Committee, which was established to implement policies and procedures for the safety of our employees. It was agreed to reduce these meetings in the 2021 financial year to seven as the Group had adopted safe working practices and procedures and the impact of COVID-19 on the business had settled. The Board was provided with regular updates on the work of the Corona Committee.

Board Meetings

The Board is scheduled to meet seven times per year. During the year, three additional meetings were held to discuss the 2021 financial year Budget and proposed acquisition targets. Attendance at the Board meetings during the year to 30 June 2021 is set out in the table below.

Where Directors cannot attend a meeting, the Board papers are still provided allowing the Director to raise any queries or discussion points through the Chairman.

The Non-Executive Directors normally meet informally before every meeting; however, all meetings have been held virtually due to the pandemic, with the exception of the meeting in June 2021. They normally also meet once with the SET on an informal basis during the year, however, due to the pandemic this was not possible in the 2021 financial year.

Number of Board Meetings and Attendance

Tony Rice Joined: 5 May 2016	10 10	**Julian Heslop** Joined: 1 January 2013	10 10
Ian Page Joined: 13 June 1997	10 10	**Lawson Macartney** Joined: 1 December 2016	10 10
Tony Griffin Joined: 1 November 2012	10 10	**Ishbel Macpherson** Joined: 1 February 2013	10 10
Paul Sandland Joined: 30 October 2019	10 10	**Alison Platt** Joined: 1 March 2020	10 10
Lisa Bright Joined: 1 February 2019	10 10	**Denise Goode** Joined: 26 April 2021	3 † 3

† Denise Goode has attended all meetings since her appointment.

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

Division of Responsibilities continued

The Dechra Board

Key Responsibilities

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

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

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

Details relating to the formal schedule of matters reserved for the Board can be found on page 94 and on our website.

The Board has delegated certain matters to the following Board Committees

Audit Committee

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

Read more on pages 112 to 118

Nomination Committee

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

Read more on pages 103 to 111

Remuneration Committee

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

Read more on pages 119 to 146

Disclosure Committee

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

Other Key Committees

Treasury Committee

Established to implement and monitor compliance with Treasury Policies as approved by the Audit Committee and the Board.

Data Protection Committee

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

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

ESG Committee

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

Health Safety and Wellbeing Committee

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

The Board has delegated the day-to-day management of the Group's operations to the Senior Executive Team

Senior Executive Team

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

1
Non-Executive Chairman

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

2
Chief Executive Officer

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

3
Chief Financial Officer

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

4
Managing Director Dechra Veterinary Products (DVP) EU

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

5
Designated Non-Executive Director for Employee Engagement

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

6
Company Secretary

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

7
Non-Executive Director

All of the Non-Executive Directors:

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

8
Senior Independent Non-Executive Director

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

Division of Responsibilities continued

Board Activities

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

Topic	Key activities and discussions in 2020/2021	Stakeholder
Strategy and financial performance	• Full Strategy Review	Customers, People, Shareholders, Suppliers
	• Approval of five year plan	People, Shareholders
	• Bi-annual update on product pipeline and product development	Customers, People, Shareholders
	• Various acquisition and licensing agreements approvals, including the increased investment in Medical Ethics Pty Ltd	People, Shareholders
	• Post acquisition review of *Osurnia* and *Mirataz*	Customers, People, Shareholders, Suppliers
	• Approval of 2021 Half-Yearly Results and interim dividend	Customers, People, Shareholders, Suppliers
	• Approval of 2020 Full Year Results and final dividend recommendation	Customers, People, Shareholders, Suppliers
Risk management and internal controls	• Approval of Half Year and Full Year principal risks and emerging risks	Customers, People, Shareholders, Suppliers
	• Presentations from the SET on their respective risks	Customers, People, Shareholders, Suppliers
	• Risk Assessment Review and Viability Statement review	Shareholders
	• Review of Schedule of Matters and Delegation of Authority	People, Shareholders
	• Insurance renewal update	Shareholders
Governance and Culture	• Review of Disclosure Terms of Reference	Shareholders
	• Review of 2021 External Board Evaluation	Shareholders
	• Approval of Non-Executive Director appointment and Committee membership	People, Shareholders
	• Review of the bi-annual Health and Safety Report	People
	• Review of Modern Slavery Statement	People, Suppliers
	• Review of How To Raise Concern Procedure and Reports	People
	• Employee Engagement updates	People
	• Review of Group Policies such as the Code of Conduct and Approval of the Anti-Trust Policy and Group H&S Policy	Customers, People, Suppliers
Oversight of the Group's operations	• Functional presentations from the SET, Head of Legal, Business Development Director, Regulatory Affairs Director and DPM Internal Sites Director	Customers, People, Shareholders, Suppliers
	• Quality Updates	Customers, Suppliers
	• Approval of the 2021/2022 budget and capital expenditure projects	People, Shareholders
	• Review of the people strategy and employee engagement	People
	• Approval of Uldum warehouse expansion and Skipton site master plan	Customers, People, Shareholders, Suppliers
	• COVID-19 Update	Customers, People
	• Review of the Group's ESG strategy and updates	Customers, People, Shareholders, Suppliers

Key

Customers People Shareholders Suppliers

More details on the approval of the Uldum Warehouse and the Skipton site master plan can be found in the Section 172 statement on page 48 to 50.

Tony Rice
Non-Executive Chairman
6 September 2021

Composition, Succession and Evaluation

Tony Rice | Non-Executive Chairman

Letter from the Nomination Committee Chairman

4 Nomination Committee Meetings Held

Areas of Focus this Year

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

Key Responsibilities

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

Committee Membership and Attendance

Tony Rice Joined: 5 May 2016	4 4	Lawson Macartney Joined: 1 December 2016	4 4
Julian Heslop Joined: 1 January 2013	4 4	Lisa Bright* Joined: 1 February 2019	3 4
Ishbel Macpherson Joined: 1 February 2013	4 4	Alison Platt Joined: 1 March 2020	4 4
Denise Goode Joined: 26 April 2021	1 1		

* Lisa Bright was unable to attend one meeting due to a prior commitment.

Dear Shareholder

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

Succession Planning

The Committee has continued the work it commenced last year to address the Board succession plans in relation to Non-Executive Directors, and during the year Denise Goode was appointed as a Non-Executive Director. She brings a wealth of financial, commercial and life science industry experience, both from her extensive career as a senior executive and from board roles held since 2008. Denise will replace Julian Heslop as Audit Committee Chairman following the conclusion of the Annual General Meeting and prior to his retirement from the Board.

The Committee regularly considers succession and emergency planning both for the Executive Directors and the Senior Executive Team (SET). Following the death of Simon Francis, we have appointed Milton McCann, previously Group Supply and Procurement Director, to the role of Group Manufacturing & Supply Director.

Composition

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

External Evaluation

During the financial year, I have led the annual board evaluation, which was an external evaluation, with the support of the Company Secretary and Senior Independent Director as appropriate. Independent Audit Limited undertook an objective, tailored and rigorous evaluation, the details of which can be found on pages 110 and 111 of this report.

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

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

Tony Rice
Nomination Committee Chairman
6 September 2021

Composition, Succession and Evaluation continued

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

Membership, Meetings and Attendance
The membership of the Committee, together with appointment dates and attendance at meetings during the year, is set out above. Denise Goode joined the Committee on her appointment to the Board in April 2021. All Committee members are Non-Executive Directors, all of which were deemed to be independent. Other attendees at the meetings include the Chief Executive Officer, the Group HR Director and the Company Secretary (who acts as secretary to the Committee).

The Chairman does not chair the Committee meeting if it is dealing with the appointment of his successor. The Senior Independent Director, Ishbel Macpherson, takes the chair when required.

Effectiveness of the Committee
The Committee's performance was evaluated as part of the 2021 Board and Committee External Evaluation (further details of which are provided on page 110 of the Governance Report). The findings of the external evaluation were presented to the Committee for discussion at the June 2021 meeting. The Committee considered the results and it was agreed that the Committee remained effective and was covering all areas within its remit. However, it was acknowledged that Senior Executive Team succession needs to remain a key focus of the Board.

Role and Responsibilities
The role and responsibilities of the Committee are set out in the written terms of reference, which are available on the Company's website at www.dechra.com. The Committee's terms of reference are reviewed on an annual basis. During the 2021 financial year this took place at the February meeting and they were amended to include additional wording around the Committee's duties and in particular the widening of their remit to include senior management. Additional wording has also been included in relation to induction and training of Directors and the requirement to consider diversity in any appointments. An overview of the terms of reference is detailed on pages 100 and 103 of the Governance Report.

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

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

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

Purpose and Function (see page 104)	• Review of the Committee's terms of reference	• Review of the effectiveness of the Committee
Composition (see pages 105 and 106)	• Review of Board skills, knowledge and experience	• Recruitment of Non-Executive Director
Succession (see pages 109 and 110)	• Consideration of Non-Executive Directors' tenure	• Review of SET succession plans and leadership needs
Evaluation (see pages 110 and 111)	• Review of composition of Board	• Review of Director effectiveness
Diversity and Inclusion (see pages 107 to 109)	• Review and approval of Diversity Policy	• Review of the Dignity at Work Policy

Composition

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

Board Skills, Knowledge and Experience

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

The Committee concluded that the Board is deemed to be of an appropriate size, as the temporary increase in size was of benefit in the short term for effective succession, and to allow for the wealth of knowledge and experience of the outgoing Non-Executive Directors to be shared with the new Non-Executive Directors. The external evaluation found that the Non-Executive Directors provide an excellent range of relevant and complementary skills, with the most recent Non-Executive Directors providing fresh thinking and contribution.

Training

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

Paul Sandland is currently taking part in the Wavelength Connect programme, which focuses on the future of businesses. This programme allows Paul to meet and interact with a wide range of leaders from other successful innovative companies with the opportunity to share experiences and learnings from them.

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

In order to assist the Board in maintaining its knowledge and familiarity with the Group's operations, at least one Board meeting per year is held at one of the Group's operational sites. Due to COVID-19's restrictions on travel, the Board has been unable to visit any of the Group's operations during the 2021 financial year.

Board Appointments

The Board understands the importance of balance and refreshment in terms of its composition and keeps these matters under review. During the 2020 financial year, the Committee commenced the recruitment of an additional Non-Executive Director who would both further strengthen the Board and also have the relevant experience required for the role of an Audit Committee Chairman. The search, conducted by Robert Walters, produced two outstanding potential candidates who went through the full scrutiny process. We were pleased to appoint Denise Goode to the Board on 26 April 2021.

The Committee recommended the appointment of Denise due to her wealth of financial, commercial and life science industry experience. She also has a deep understanding of the pharmaceuticals sector and is highly experienced in business development. In addition, her appointment will provide continuity for the Board in light of the forthcoming retirement of the Audit Committee Chairman in 2022.

Robert Walters were previously retained in 2020 in relation to the recruitment of the DVP EU Finance Director, and have no other connection with the Company or individual Directors.

Composition, Succession and Evaluation continued

Appointment Process

1 Nomination Committee

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

2 Engage

Robert Walters was appointed.

3 Meet

To assist Robert Walters with the understanding of the requirements of the role, they met with the Group HR Director, Chief Executive Officer and the Audit Committee Chairman.

4 Consider

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

5 Select

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

6 Interview

The first interviews were with the Chief Executive Officer and Group HR Director, the second interviews were held with the Audit Committee Chairman, and successful interviewees met with the remaining Non-Executive Directors and the Chief Financial Officer prior to appointment.

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

7 Appoint

Denise Goode was appointed to the Board on 26 April 2021. Further details relating to her background and experience can be found on page 89.

8 Induct

See case study on page 107.

Induction

Any newly appointed Directors are provided with comprehensive documentation in relation to the remit and obligations of the role, current areas under consideration for the Board and the latest equity research reports. New Directors visit the various business units in order to allow them to meet with the management teams and to be shown around the operations. Due to the impact of COVID-19, there has been some restrictions around Denise's induction, however, during the initial couple of months we scheduled a number of one-to-one virtual meetings with the Senior Executive Team, Corporate Development Director, Head of Internal Audit and Risk Assurance, Group Financial Controller, Group Treasury Manager, Group Legal Director and the Group Sustainability Director. She also attended the Group Finance Lead Team meeting and director's duties training. In addition Denise has met with the Audit Committee Chairman and the Lead Audit Engagement Partner.

It is hoped that in the Autumn we will be able to recommence a more traditional induction and enable both Denise and Alison, whose induction was also disrupted due to the pandemic, to complete step four of our induction process as our teams start to return to offices and we are able to allow visitors to our manufacturing and warehousing facilities.

Induction Process

1 Understanding the Business

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

2 Meeting the Management Team

Meet the SET informally and formally.

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

3 Director and Committee Responsibilities

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

Market Abuse Regulations online training course.

4 Visit the Business

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

Case Study

Denise Goode's Induction

I formally joined the Dechra Board in April this year. Dechra's Company Secretary and her team put together a very well appreciated induction programme for me. This programme was arranged entirely by digital means and, after a year of us all embracing the technology, this worked seamlessly and, importantly, safely for all. My discussions have been not only with the internal team but also with key external advisers, including investment, legal and audit. Internally, it included all members of the Senior Executive Team and also members of their teams, and I truly appreciate the time that has been given.

From the support and professionalism of this induction process I have learnt more about the animal health market dynamics, its key trends, and the competitive landscape. There are clear overlaps with my experience with human pharma, but also some important differences. I have been able to better understand the organisation and I have seen a purpose and strategy being well executed, clearly underpinned by Dechra Values and Culture. I have been given the time to ask my questions to clarify my understanding of Dechra's business direction, its opportunities, its challenges and its governance structures. I am a curious person and will fill the gaps in my knowledge by continuing this process.

I plan to visit the sites and meet the wider teams. It's important to me to meet the Dechra people in person and that will happen as we emerge from restrictions around the world and as the year progresses. However, it has indeed been an efficient and comprehensive introduction, allowing a concentration of focused 'one-to-one' sessions with Dechra people into just two months. I do wonder whether so much could have been achieved so quickly with travel and the challenges of diary management!

My key takeaways have been of a healthy, focused business being delivered by in-depth experience and expertise, with a commitment by each person I have met to driving Dechra's success as part of one motivated team. It's a real privilege to have joined the Board.

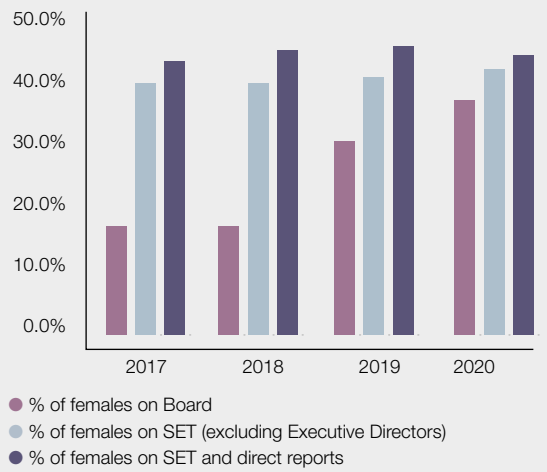
Diversity and Inclusion

The Committee reviews the policy on diversity and its implementation every year and, during 2021 this review took place in June. The Group recognises that the diversity of thinking and skills and an inclusive culture is beneficial for the Dechra business, its processes, and its performance. Our objective is to continue to be a high performing business driven by highly skilled and committed teams. In the market in which we compete, we believe that the diversity of our workforce contributes significantly to developing strong relationships with veterinarians, a significant and growing proportion of whom are women, in the many markets and cultures in which we trade.

As a global company with operations in 25 countries, we recognise that a rich and diverse employee base is key to our continued success. We are committed to providing an inclusive culture at Dechra and in the last 12 months have developed two core modules that will be included in all our company development programmes; Diversity and Inclusion in Dechra and OneDechra; an exploration of our Company Culture and Values and what they mean to our people.

The chart on page 89 illustrates the diversity characteristics of our Board.

Hampton Alexander Review



Dechra excludes the Executive Directors from the Senior Management data as per guidance from Hampton Alexander. However, the data includes their direct reports.

Direct reports will cover employees at various grades of the Group and will cover managers and junior professionals.

Composition, Succession and Evaluation continued

Progress on Diversity Policy

Policy	Progress
Dignity at Work	Our Dignity at Work Policy was drafted and launched within the UK in January 2020, and is now incorporated into the Code of Conduct. In accordance with the Dechra Values, we believe that our position on diversity and inclusion is key to providing a place of work that is free from bullying and harassment, and which is characterised by respect, collaboration, openness, safety and equality. One of our aims is to promote a climate in which employees feel able to raise complaints of harassment, bullying or discrimination without fear of victimisation. After initially launching training to our UK managers, we are now able to provide online training to a wider audience using an externally hosted training portal. In addition to this, we have developed a Diversity and Inclusion module which also covers unconscious bias which is one of three core modules that will be included initially in all Leadership and Management development programmes, but will later be rolled out more widely across our employee base. We encourage all employees to speak out and report any direct or indirect discrimination, harassment or bullying. This is supported by our Grievance Policy and our How to Raise a Concern Handbook. All reports are investigated and acted upon. In the forthcoming year we aim to launch an externally hosted 'whistle-blowing' hotline to facilitate this process further and to provide further reassurance to employees. We have also trained 12 employees across the Group to be able to investigate any concerns raised formally through this procedure.
Fair Pay	In the UK, only one of our subsidiaries, Dechra Limited, has to report under the Gender Pay Gap regulation. Dechra Limited employees sit within our UK manufacturing, product development and regulatory affairs businesses. We are pleased to report that as a result of our proactive management, the gender pay gap has reduced from 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 continue to build upon as we continue to make Dechra an increasingly attractive place to work. We are very pleased to report that in March 2021, we were accredited with being a Living Wage employer in the UK. This was following a review of our Group pay principles, whereby we implemented pay increases globally with effect from 1 January 2021 for all our lower paid employees. In countries where there is no equivalent of the Living Wage, we have used the OECD low pay formulation, or pay at least twice the local/federal minimum wage.
Applicant Tracking System	Our applicant tracking system allows us to track, report on and monitor key recruitment metrics, including time to hire, source of hire, number of open positions and in some countries (depending on local laws) the diversity of our applicants. It provides us a platform in which we can build on our global talent brand such that we can continue to attract and retain the best talent into the organisation. To support the Group's diversity and inclusion policy further and check that our core recruitment messaging is as inclusive as possible, the system features a "gender bias decoder" tool which is capable of analysing the text within our job adverts to help us understand any hidden implications within the language that is used. Research shows that many words can be associated with masculine or feminine stereotypes. During the forthcoming year, we will accurately analyse our metrics relating to diversity both relating to gender and ethnicity and potentially identify areas for improvement.
Board and Senior Executive Directors	We recognise that gender and ethnic diversity at Board level offers a competitive advantage to our organisation, as a global company with a very wide range of stakeholders we are committed to greater alignment with our customer base at home and overseas as our growth continues. Our approach to recruiting at Board level has always been based on our stated policy; that everyone should be recruited and promoted on the basis of their personal ability, contribution and potential. However, we acknowledge that we need to work harder to make sure that we are attracting a wider and more diverse talent pool to these roles. To this end, we are working at Board level with the recruitment company, Robert Walters, on an exercise to identify future potential candidates from a wide range of backgrounds, culture and experiences that we can open dialogue with as part of our succession planning.

The Board as at 30 June 2021

Female	**40% (4)**
Male	**60% (6)**

Senior Executive Team (including Executive Directors) as at 30 June 2021

Female	**27% (3)**
Male	**73% (8)**

Employees at Senior Leadership Level as at 30 June 2021

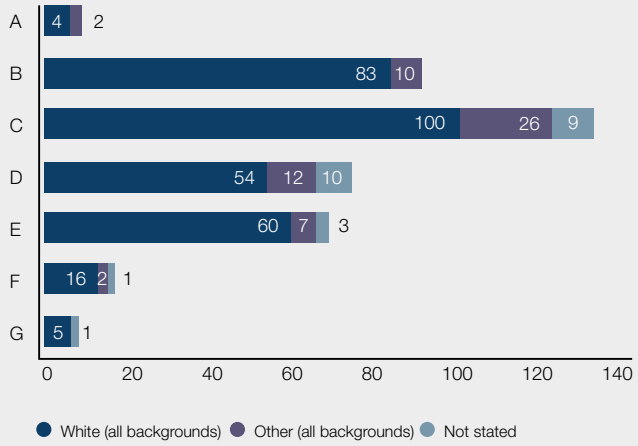
Female	**47% (76)**
Male	**53% (89)**

Overall Workforce as at 30 June 2021

Female	**52% (1,036)**
Male	**48% (939)**

Numbers in brackets represent the number of females and males.

UK Employee Ethnicity by Grade



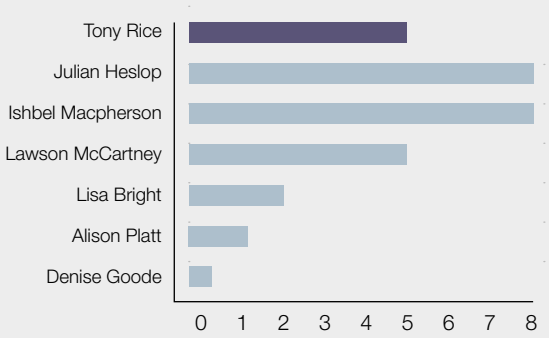
Board Succession Planning

Non-Executive Directors

As reported in previous Committee reports, two of the Non-Executive Directors (the Audit Committee Chairman and Senior Independent Non-Executive Director) will be retiring in 2022. The Committee has now concluded the recruitment process for the replacement Non-Executive Directors with sufficient time to enable the wealth of knowledge to be shared.

After five years of successfully chairing the Group, Tony Rice has indicated that he has decided to step down to devote more time to his family and his other business and charitable activities. We will commence the search for his replacement; at this time no specific date has been set for his departure. He will continue as Chairman of the Group until a successor has been appointed.

Non-Executive Directors' Tenure as at 30 June 2021



Composition, Succession and Evaluation continued

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

Two of our key risks are people focused and they are the failure to:

- have robust succession plans in place leading to gaps in knowledge and experience in key roles in the business; and
- adequately resource the business to meet strategic ambitions, including geographical expansion, and acquisitions.

To assist with this, the Group HR Director presents to the Committee on the Group's succession planning annually. The Committee discusses the succession plan for the SET, which includes the Executive Directors, and the Non-Executive Board. Plans are in place for sudden, unforeseen absences, for medium term orderly succession and for longer term succession. For each SET member, we have either identified an internal candidate who is in the pipeline for succession, or we accept that for some roles, where we have no successor we will need to approach the open market. In these cases, we aim to build strength and depth in the team below to allow a smooth transition to the new leader. Over the next few years the Committee will prepare for a potential generational shift of the Senior Executive Team, in particular the Chief Scientific Officer (CSO) is scheduled to retire at the end of this year. Work has commenced on recruitment of her successor.

The Committee has reviewed the emergency succession planning, which clearly identified individuals capable of covering key management roles on an interim basis. All these individuals will receive, or have received, the necessary coaching to assist them in obtaining the required skills to provide any critical support when needed. This planning has facilitated the Group Supply Chain and Procurement Director for Dechra Pharmaceuticals Manufacturing & Supply (DPM&S), Milton McCann, being appointed as the Group Manufacturing & Supply Director, following 12 months as Interim. Furthermore, a forward looking review of the future anticipated shape of the organisation has been undertaken to identify any potential gaps that may emerge, and plans have been outlined to enable the organisation's structure to remain fit for purpose.

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

Evaluation

Annual Evaluation

The Board undertakes an annual evaluation of its performance and that of its Committees to monitor that they remain fit for purpose, details of which can be found on page 111. This year's evaluation was externally facilitated. The Committee's review of the structure, size and composition of the Board can found above on page 105.

Board Evaluation

The Chairman manages the Board and oversees the operation of its Committees with the aim of monitoring that they operate effectively by utilising the diverse range of skills and experience of the various Board members. The effectiveness of the Board is imperative for the success of the Group and the Board undertakes an annual evaluation of its performance and that of its Committees to monitor that they remain fit for purpose.

The 2020 Internal Board Evaluation

Below is an update from the actions arising from the 2020 internal evaluation:

Action	Progress
Succession Planning	Non-Executive Directors succession planning actions completed. An in depth update on the succession plans for the SET was presented which showed that 60% of the SET roles now have an internal successor identified.
Strategy	The last strategic update covered the areas under debate, however it is acknowledged that further discussion/ understanding was required on routes to market.

The 2021 External Board Evaluation

The last external evaluation was in 2018. In October 2020, the Committee invited three companies to tender for the evaluation, which resulted in Independent Audit Limited (Independent Audit) being engaged to carry out the external evaluation of the Board and its Committees. This was the third time that Independent Audit has been engaged to undertake the external evaluation, with this in mind a new team were appointed to undertake the evaluation. Independent Audit has no connection with the Company or individual Directors.

Overall, the review once again indicated that the Board has many strengths, including:

- collegiate and inclusive dynamics fostered by the Chairman;
- strong contributions to the Board from the executive team;
- well functioning committees;
- a commendable focus on workforce engagement; and
- a Company Secretarial function providing high quality support to the Board.

The review noted that the following should be areas of future focus:

- Planning succession for SET members and strengthening diversity;
- Providing opportunities for the Board to consider major strategic themes as the Company emerges from the pandemic;
- Gaining further insight into stakeholders and in particular customers and routes to market;
- Continuing the focus on optimising the assurance framework to mitigate non-financial risks; and
- Reviewing speak up channels.

Progress made on these action points during the forthcoming year will be reported in next year's Annual Report. The Board has agreed that an internal evaluation will be undertaken during the 2022 financial year. The results of the 2022 internal Board evaluation will be reported in next year's Annual Report.

External Board Evaluation Process

The process of the External Evaluation of the Board and its Committees were as follows:

1 Agree Scope

The Chairman and Company Secretary met with Independent Audit to agree objectives, scope and the interview list.

2 Review Documents

Independent Audit reviewed the Board papers to assess the ways information is communicated and assist them with understanding the issues the Board is tackling.

3 Interviews

One-to-one meetings with each member of the Board, the Group HR Director, Head of Internal Audit and Assurance, the 2020 financial year External Audit Partner and the Company Secretary. Prior to the meetings a list of 'focus items' was forwarded to each interviewee which included the role of the Board and its Committees, focus on strategic versus operational matters, the Chairman's leadership, relationships between Executive and Non-Executive Board members along with areas for discussion such as risk, Board composition and succession planning and how the Board dealt with the challenges presented by the pandemic.

4 Observe

Independent Audit observed a Board, and Audit, Nomination and Remuneration Committee meetings.

5 Report and Discussion

Independent Audit provided a draft report to the Chairman and Company Secretary, which was discussed at a meeting so that all suggestions were clear. Separately, the Senior Independent Director had a meeting with the Chairman to discuss the feedback from the draft report.

6 Meet with Board

Independent Audit presented their report to the Board at its April meeting and answered questions to enable the Board to consider its next steps.

7 Interviews

The Chairman held one to one interviews with the Executive Directors, Non-Executive Directors and Company Secretary on the general themes raised by the evaluation, and any other evaluation points they wished to discuss.

8 Outcomes

Following an initial review of the responses, the Chairman discussed with the Executive and Non-Executive Directors at the June 2021 Board meeting the general themes raised by the evaluation, and any other survey-related points they wished to discuss. The Senior Independent Director discussed with the Board (excluding the Chairman) the feedback from the evaluation with regards to the Chairman's performance.

Effectiveness of Directors

Following the external evaluation, which concluded that the Board as a whole has responded well to the pandemic and is working smoothly in the virtual world (further details of which, including the outcomes and actions, are provided on page 110 of the Governance Report), the Committee has concluded that each of the Directors continues to perform effectively and demonstrates commitment, not only in respect of their roles and responsibilities, but also in relation to the Group and its shareholders. At the forthcoming Annual General Meeting, Denise Goode, who was appointed to the Board on 26 April 2021, will offer herself for election, and all of the remaining Directors will retire and offer themselves for re-election.

In addition, the Board has evaluated and determined that each Non-Executive Director has sufficient time to meet their Board responsibilities and any proposed new appointments are disclosed to enable the Board to assess whether there are any conflicts of interest or time. The Chairman, at the time of his appointment on 5 May 2016, met the independence criteria as set out in the Code.

Tony Rice
Nomination Committee Chairman
6 September 2021

Audit, Risk and Internal Control

Julian Heslop | Audit Committee Chairman

Letter from the Audit Committee Chairman

4 Audit Committee Meetings Held

Areas of Focus this Year

- Appointment of new Audit Committee Chairman
- Appointment of a new Head of Internal Audit and Risk Assurance
- COVID-19 changes to working practices and impact on financial reporting and internal control environment
- Cyber Security
- BEIS Consultation

Key Responsibilities

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

Committee Membership and Attendance

Julian Heslop Joined:1 January 2013	4 4	Lisa Bright Joined: 1 February 2019	4 4
Ishbel Macpherson Joined: 1 February 2013	4 4	Alison Platt Joined: 1 March 2020	4 4
Lawson Macartney Joined: 1 December 2016	4 4	Denise Goode Joined: 26 April 2021	1 1

Dear Shareholder

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

Committee Membership

As disclosed in last year's Annual Report, a recruitment process commenced for an Audit Committee Chairman and I am pleased to report that this resulted in the appointment of Denise Goode, who brings a wealth of financial, commercial and life science industry experience, both from her extensive career as a senior executive and from board roles held since 2008. Denise joined at the end of April to allow a smooth and orderly transition. It is intended that Denise will be appointed as Chair of the Audit Committee upon my retirement as Audit Committee Chairman following the 2021 Annual General Meeting.

Head of Internal Audit and Risk Assurance

During the year, the Head of Internal Audit and Risk Assurance, John Wilson, gave notice of his intention to pursue an opportunity outside the Group. Simon Hoolihan has been appointed to succeed John in the role and took up his post in June 2021. To provide continuity in the role we appointed an experienced Interim Head of Internal Audit and Risk Assurance, Gareth Edwards, who will remain with Dechra until September 2021 to facilitate an orderly handover.

Cyber Security

Due to the increasing importance of cyber security the Committee focused on the Company's adoption of the National Cyber Security Centre (NCSC) 10 Step Framework. We have made progress with implementing the recommendations from the framework during the year.

BEIS Consultation

The Committee reviewed a high level impact analysis on the Group from the measures proposed in the BEIS consultation and also agreed that a response would be submitted by the Group.

COVID-19

The finance team adapted well and quickly to home working for the balance of our 2020 financial year and we made relevant changes to our management and governance processes to maintain financial reporting and internal controls. These controls have continued to operate effectively in the 2021 financial year and the Committee continues to be provided with comprehensive information to assist it in its duties.

Annual Report 2021

The following report sets out how the Committee has complied with the principles of the Corporate Governance Code 2018 and specifically provisions 25 and 26, and assisted the Board with its compliance in respect of provisions 24, and 27 to 31. We specifically reviewed, at the request of the Board, whether the 2021 Annual Report was fair, balanced and understandable and concluded that it was. The basis supporting our conclusion is set out on page 116.

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

Julian Heslop
Audit Committee Chairman
6 September 2021

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

Purpose

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

Membership, Meetings and Attendance

The membership of the Committee, together with appointment dates and attendance at meetings, are detailed on page 112. Denise Goode joined the Committee on her appointment to the Board in April 2021. All Committee members are Non-Executive Directors.

The Board considers that all members of the Committee are independent and have competencies relevant to the sector in which the Company operates. Both Julian Heslop and Denise Goode have recent and relevant financial experience as a result of their financial backgrounds and qualifications, and Ishbel Macpherson also brings financial experience to the Committee following her career as an Investment Banker. Alison Platt provides international commercial experience, and Lawson Macartney and Lisa Bright provide product development and commercialisation of pharmaceuticals experience which support the Committee in meeting its objectives. The biographies of all Committee members are detailed on pages 88 and 89.

The Company Secretary attends each meeting and acts as its secretary, assisting the Chairman in circulating all papers prior to each meeting in a timely manner and providing advice on all governance related matters. Other members of the Board normally attend each meeting together with the PricewaterhouseCoopers LLP (PwC) External Audit Engagement Partner, the Group Financial Controller and the Head of Internal Audit and Risk Assurance. In addition, the Committee Chairman meets with the Chief Financial Officer, the Head of Internal Audit and Risk Assurance and the External Audit Engagement Partner outside of the Committee meetings in order to understand fully the key topics to enable these subjects to be discussed meaningfully at the meetings.

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

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

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

Effectiveness of the Committee

The Committee's performance was evaluated as part of the externally facilitated review that took place in 2021 (further details of which can be found on page 110 of the Governance Report). The evaluation confirmed that the Committee is functioning well, supported by a strong finance team, with meetings demonstrating good engagement from Non-Executive Directors, management and assurance functions. The evaluation also confirmed that the overall risk framework is well-embedded and adding value.

Role and Responsibilities

The main role and responsibilities of the Committee are set out in the written terms of reference which are available in the Corporate Governance section of our Company's website (www.dechra.com). The Board reviewed the Committee's terms of reference at the December 2020 meeting and these were updated to include additional wording around arrangements for employees, contractors and external parties to raise concerns, the criteria governing compensation of individuals performing non-audit services and the Committee Chairman's engagement with shareholders. The main responsibilities of the Committee are summarised on pages 100 and 112 of the Governance Report.

Major Activities of the Committee During the Year

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

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

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

The Committee have reviewed a high level impact analysis on the Group from the proposals in the BEIS consultation. The Group's response to the BEIS consultation was reviewed and approved by the Committee and the Board prior to its submission.

Audit, Risk and Internal Control continued

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

Purpose and Function (see page 113)	• Review of the Committee's terms of reference • Review of the effectiveness of the Committee	• BEIS Consultation 'Restoring trust in audit and corporate governance: proposals on reforms'
Financial and Narrative Reporting (see pages 114 to 115)	• Review of the Accounting Treatment of R&D Projects and Technical Transfers • Review of year end accounting treatment for acquisitions and licensing arrangements, non-underlying items and new accounting standards • Review and endorsement of key judgements made by management in determining half-year and full year results • Review of the Group's Half-Yearly Report and supporting papers • Consideration of the Half-Year Review Memorandum prepared by the external auditor • Review of the Group's preliminary statement, draft Annual Report (including the Audit Committee Report) for the year ended 30 June 2021 and management presentation to investors	• Consideration of the Audit Memorandum prepared by the external auditor, including: – review of accounting treatment of non-underlying items – assessment of acquired intangible assets and goodwill including impairment assessments undertaken – commentary on the general control environment across the Group • Fair, balanced and understandable recommendation of the Annual Report • Review of Viability Statement process • Review and commend the Going Concern and Viability Statements • Review of the dividend policy and interim and final dividend proposals
Internal Controls and Risk Management (see page 116)	• Review of Anti-Bribery and Anti-Corruption (ABC) and Sanctions Policies • ABC and Sanctions compliance update • Half-year and full year review of internal financial controls • Review of tax strategy and policy framework • Review of treasury policy and practice	• General Data Protection Regulation (GDPR) compliance update • Review and approval of the internal control and risk management statements • Review of cyber security and adoption of NCSC 10 Step Framework
Internal Audit (see page 117)	• Review of the annual Internal Audit Plan, completed projects and effectiveness of Internal Audit	• Review of Internal Audit Charter
External Audit (see pages 117 and 118)	• Review and approval of PwC Half-Yearly review plan • Review and approval of PwC full year external audit strategy (including timetable, risk assessment, materiality, scope and fees) • External Audit Engagement Partner Rotation • Review of findings from the external audit	• Review of the external audit effectiveness • Review of external auditor's independence and level of non-audit fees • Review of the non-audit fee policy • Discussion in relation to the Company's expectations of the external auditor and audit process

Financial and Narrative Reporting

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

Financial Judgements

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

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

The key matters reviewed are shown in the table below:

Significant risks considered by the Committee in relation to the financial statements	Corresponding actions taken by the Committee to address the issues
Review of the carrying value of intangible assets and goodwill of £715.8 million, which represents 59.0% of total Group assets.	The Committee reviewed management's process for reviewing and testing goodwill and other intangible assets for potential impairment. In respect of assets not subject to amortisation, it reviewed the papers provided by management and noted the headroom between the value in use and the carrying value of goodwill. In addition, it considered the ongoing viability of capitalised R&D projects compared to their carrying value. Finally, it reviewed the process adopted by management to review amortised assets for impairment. It endorsed management's conclusion that no impairment of these assets had taken place. The Committee considered PwC's report on these matters.
Review of the remeasurement of the intangibles and associated contingent consideration for the licensing transactions, which were remeasured during the year.	The Committee reviewed the accounting basis of the adjustments which supported the remeasurement and considered the appropriateness of the accounting treatment.
Valuation and accounting for the acquired commercial licensing agreement intangibles of £134.5 million together with the related contingent consideration.	The Committee reviewed the calculations and and agreed the accounting treatment for the assets acquired and their useful economic lives. The Committee also reviewed the headroom existing between the carrying value of *Osurnia*, the largest of the assets acquired, and its valuation.
Review of the corporate tax rate for the year being a charge of 25.0% (21.7% on underlying operations).	The Committee discussed the key risks in respect of corporate tax and reviewed that appropriate controls were in place to confirm that taxation calculations were not materially misstated. Areas where significant judgements, such as uncertain tax positions, had been applied were reviewed and challenged and external audit work and conclusions were considered. It reviewed progress in settling outstanding transfer pricing and other matters.
In order to assist investors with a better understanding of the underlying performance of the business, management present within the financial statements figures for underlying profit and earnings. These measures are reconciled to the figures provided in the financial statements and exclude items such as impairment and amortisation of acquired intangible assets and related contingent consideration, acquisition costs, manufacturing rationalisation restructuring costs, and the fair value uplift on inventory acquired through business combinations.	The Committee reviewed the basis for calculating the underlying figures and its consistency with the previous year's figures. It also sought confirmation from the external auditor, PwC, that they were satisfied that the application of the accounting policy relating to this treatment was appropriate. The Committee also reviewed any material one-off income and costs within the underlying results, and required that these were clearly disclosed within the financial statements and notes.

Audit, Risk and Internal Control continued

Going Concern and Viability Statements

The Committee reviewed the Group's Going Concern and Viability Statements set out on pages 35 and 83 of the Strategic Report. In considering the Viability Statement, the Committee paid particular attention to the robustness of the stress testing scenarios, the cash flows forecast by the business and the committed bank facilities available to the Group in the period under review. The external auditor reviewed management's assessment and discussed this review with the Committee.

Fair, Balanced and Understandable Assessment of the Annual Report

At the request of the Board, the Committee considered whether the 2021 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance (pages 28 to 35), business model (pages 16 to 18) and strategy (pages 20 to 23).

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

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

The above was an integral part of the process and each tier was invited to comment so that issues could be debated and a final assessment made. The Annual Report project team concluded that the 2021 Annual Report met the fair, balanced and understandable test. In addition, all members of the SET concluded that it met the fair, balanced and understandable test.

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

PwC have also concluded that the fair, balanced and understandable statement is materially consistent with the financial statements and with the knowledge they gained during their audit and their report can be found on pages 152 to 160.

This assessment was carried out by the Committee on 31 August 2021, following which the Committee reported to the Board that it was satisfied that, taken as a whole, the 2021 Annual Report is fair, balanced and understandable.

Internal Controls and Risk Management

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

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

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

COVID-19 measures required the Group's finance teams to work remotely for part of the 2020 and all of the 2021 financial years. The Committee reviewed the measures put in place to satisfy itself that the Group's internal control environment and financial reporting processes were operating effectively given these changes. Due to the increasing importance of cyber security, the Committee reviewed an internal audit report on the Group's cyber security arrangements, and received an update from the Group IT Director on progress in the Group's adoption of the NCSC 10 Step Framework, and other mitigating actions. The Committee was provided with management assurances on the key risk areas and concluded that the mitigating controls were appropriate, and that the financial control framework remains effective.

Further details in respect of the Group's risk management and internal control processes are provided on pages 76 to 78 of the Strategic Report, along with the principal risks, controls and mitigating actions and emerging risks. The Board's statements on the effectiveness of these processes are provided on page 94 of the Governance Report.

Review of Policies and Procedures

During the year, the Committee undertook the annual review of the Group Tax Policy and Strategy, the Group Treasury Policy, the Sanctions Policy the Anti-Bribery and Anti-Corruption Policy and the Third Party Code of Conduct. The Third Party Code of Conduct was updated to bring it in line with the Pharmaceutical Supply Chain Initiative (PSCI) principles.

The Committee is provided with regular updates on the outcomes of the risk assessments as part of both Anti-Bribery and Anti-Corruption and Sanctions due diligence processes, as well as updates to procedures. During the year, the internal Anti-Bribery and Anti-Corruption e-learning course has been rolled out across the Group as compulsory training.

During the year, it was highlighted to the Committee that whilst the How to Raise a Concern Procedure was fundamentally strong, which was supported by a positive culture and openness across the organisation, awareness could be improved across all areas of the business. The points raised are being addressed via the new Code of Conduct training, the provision of investigator training and during the 2022 financial year the implementation of a third party managed confidential hot line.

Internal Audit Function

The Internal Audit and Risk Assurance function provides objective assurance and advice on the management of the Group's risks and its systems of internal control. Internal Audit operates a co-sourced arrangement with KPMG LLP (KPMG) with a mix of seconded and specialist resources to provide a flexible resource model and access to specialist expertise and language skills in worldwide geographies. In accordance with a five year plan to develop the Internal Audit function in line with projected business growth, an additional in-house resource has been recruited during the year.

Following the resignation of John Wilson in February 2021, a recruitment process has taken place to appoint a new Head of Internal Audit and Risk Assurance. We are pleased to confirm the appointment of Simon Hoolihan, who started on 28 June 2021. In the meantime, the Interim Head of Internal Audit and Risk Assurance, Gareth Edwards, has maintained continuity of the function and will remain with the Group until September 2021 to enable a full handover and smooth transition.

Internal Audit Plan

Internal Audit operates a three year assurance plan which seeks to provide balanced coverage of the Group's material financial, operational and compliance control processes. It consists of a rolling programme of core assurance activities, together with initial control reviews on new acquisitions and reviews of major business process and systems changes. The annual audit plan, which defines the specific assurance projects to be delivered each calendar year, is developed from the three year plan. The annual plan for the year to June 2022 was approved by the Committee in April 2021.

The Internal Audit process was amended in the 2020 financial year due to COVID-19, and all of the audits are currently being delivered virtually where practicable, which has significantly increased the time spent on each audit, and lead to delays in the completion of the work originally planned.

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

- Financial: Treasury, Baseline financial control framework, Tax Governance;
- Operational: IT Disaster Recovery and Resilience, Global Payroll implementation, Governance in Manufacturing and Supply Chain, Sales and Operational Planning, post-acquisition review processes; and
- Compliance: Group policy framework, Data Privacy, ABC third party programme together with South America Monitoring, Pharmacovigilance and a review of the How To Raise a Concern Procedure and controls.

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

Independence and Effectiveness of Internal Audit

During the year, the Committee reviewed the Internal Audit Charter and based on an assessment of the Internal Auditor's work, agreed that:

- the Internal Audit findings and reporting had well defined rating scales and were clear and concise;
- the function added value and additional assurance;
- Internal Audit constructively challenged management and displayed independence in providing their opinion and recommendations;
- the dual reporting lines into the Chief Financial Officer and Audit Committee Chairman worked well;
- the Internal Audit delivery was based on clearly defined audit plans which were adapted when relevant;
- the Internal Audit resources were lean but sufficient at the present time; and
- a clear Internal Audit plan, based on the major risks approved by the Board, was presented annually to and agreed by the Committee, as being well updated at each Committee meeting.

The Committee, based on this, concluded that the Internal Audit function was effective and independent.

External Auditor

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

Audit Plan

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

Independence, Effectiveness and Objectivity of the Audit Process

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

- the Committee's own assessment of the quality of the audit plan, the rigour of the audit findings and conclusions, the extent to which the External Audit Engagement Partner understands the business and constructively challenges management and the quality and clarity of the technical and governance review provided;
- the results of a questionnaire on external auditor effectiveness and efficiency (further detail on which is provided below);
- a report prepared by PwC setting out its processes to ensure independence and its confirmation of compliance with them; and
- the level of non-audit fees as a percentage of the audit fees paid to the external auditor, which were 7.6% (2020: 5.5%) in relation to services rendered by PwC.

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

Audit, Risk and Internal Control continued

The questionnaire covered a number of areas, including:

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

The results of the questionnaire were reported to the Committee at the meeting on 31 August 2021.

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

Re-Appointment of External Auditor

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

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

External Audit Engagement Partner Rotation

In line with the FRC Ethical Standard, the External Audit Engagement Partner is rotated every five years. Following the 2020 financial year, the previous External Audit Engagement Partner, Andrew Hammond, stood down and Mark Skedgel was appointed by the Board on the recommendation of the Audit Committee.

Non-Audit Assignments

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

Since May 2018, the policy for the use of the auditors, PwC, for non-audit work, is capped at 30% for the ratio of non-audit fees to the audit fee and the underlying principle is that the external auditor should never be used where another professional firm can provide the same or similar service. This principle is stricter than the FRC guidance as it is expected that non-audit work performed by the external auditor will be limited to the review of the half-year accounts and any other work required to be carried out by the statutory auditor in accordance with legislation. The annual review of the policy was undertaken in April 2021 with the only change being the inclusion of a requirement for Audit Committee approval before appointing any employee who had worked on an audit of the Group in the previous two years. Previously, this had required the approval of the Chief Executive Officer, Chief Financial Officer and Audit Committee Chairman.

Should another professional firm be unable to provide the same or similar service, the Committee will continue to approve in advance any non-audit work carried out by the external auditor. In all instances the Committee will assess the qualification, expertise, independence and objectivity of the external auditor prior to granting approval. Safeguards are in place to provide for continued external auditor independence, including the use of separate teams to undertake any non-audit work (other than the review of the Half-Yearly Report) and the audit work. As such, non-audit fee spend is a standing item on the agenda for every Committee meeting.

A summary of audit and non-audit fees in relation to the year is provided in note 7 to the Group's financial statements. This shows that non-audit work carried out by the external auditor represented 7.6% (2020: 5.5%) of the annual audit fee. The 2021 other non-audit fees relate to the engagement of PwC (as statutory auditor) to provide an annual attestation to NOMA (the regulator in Norway) and to provide attestation of the R&D tax relief claim for Dechra Veterinary Products Srl (Italy), as such the services were permitted under the non-audit fee policy.

	2021 PwC	2020 PwC	2019 PwC	2018 PwC	2017 PwC
Audit fees including related assurance services (£m)	**1.4**	1.1	0.89	0.80	0.57
Non-audit fees (£m):					
Review of Half-Yearly Report	**0.1**	0.06	0.04	0.04	0.04
Other work	**0.006**	0.002	0.002	0.52*	0.05
Ratio of non-audit fees to audit fees	**7.6%**	5.5%	6.7%	70.0%	15.8%

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

Julian Heslop
Audit Committee Chairman
6 September 2021

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

Ishbel Macpherson Joined: 1 February 2013	8 8	**Lawson Macartney** Joined: 1 December 2016	8 8
Tony Rice Joined: 5 May 2016	8 8	**Lisa Bright** Joined: 1 February 2019	8 8
Julian Heslop Joined: 1 January 2013	8 8	**Alison Platt** Joined: 1 March 2020	8 8
Denise Goode 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. 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%). 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. 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. The Committee considers the level of payout is reflective of the overall performance of the Group in the year and is appropriate. 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. LTIP awards granted to Ian Page and Tony Griffin on 26 October 2018 are scheduled to vest on 6 September 2021: • as to 100% of the TSR element (one third of the total award) reflecting upper quartile performance; and • 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). 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. See page 132 for further details. 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. **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*. 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. **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. **Targets:** from 1 July 2021 financial and personal. From 1 July 2022 financial, ESG and personal.	All senior managers and professionals. Max. 40% of base salary. **Targets:** financial and personal.

Directors' Remuneration Report continued

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

* Data provided for UK only
† 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 Our annual bonus incentivises the delivery of the long term strategy through the achievement of short term objectives. 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. Up to 10% of salary can be earned based on the achievement of personal objectives which reflect the priorities of the business, achievement of which is necessary to deliver the longer term strategy. Up to 5% of salary can be earned based on ESG measures.		Sales Growth Strong sales performance is required to maximise profit
Long Term Incentive Plan The LTIP is designed to reward the generation of long term value for shareholders. Performance measures reflect our long term objectives, including sustainable profit growth and the enhancement of shareholder value. Awards are based on growth in underlying 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. The application of a ROCE underpin focuses Executives on using capital efficiently and appropriately to allow the business to capitalise on growth opportunities in new territories and markets, whilst maintaining returns. The post vesting holding period aligns management with the long term interests of shareholders and the delivery of sustained performance. The performance conditions for LTIP awards made in respect of the year ended 30 June 2021 and future years include discretion to override formulaic outcomes.		Underlying Diluted EPS Growth Return on Capital Employed New Product Sales This measure encourages innovation, growth and sustainability

Alignment of Policy with Code

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

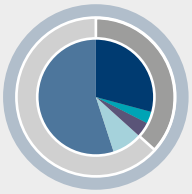
Principle	
Clarity: remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	Our remuneration arrangements are transparent and aligned with our Purpose, Values and strategy and our disclosures are clear to both our shareholders and our employees. Performance targets are set in line with Group budgets and plans and reviewed and tested by the Committee.
Simplicity: remuneration structures should avoid complexity and their rationale and operation should be easy to understand	We believe that our remuneration structures are as simple as they 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. • 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. • 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

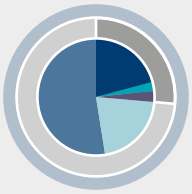
Executive Director Total Remuneration

Ian Page

2020



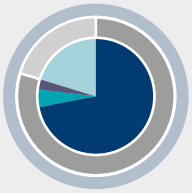
2021



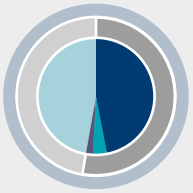
	2020	2021
Fixed		
Salary	29.3%	21.0%
Benefits	3.4%	2.6%
Pension	4.1%	2.9%
Performance-linked		
Bonus	8.2%	21.0%
LTIP	55.0%	52.5%

Paul Sandland

2020



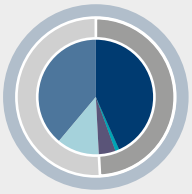
2021



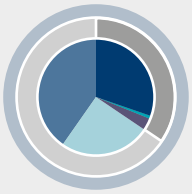
	2020	2021
Fixed		
Salary	72.0%	46.9%
Benefits	5.0%	4.4%
Pension	2.9%	1.8%
Performance-linked		
Bonus	20.1%	46.9%
LTIP	N/A	N/A

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 2021 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

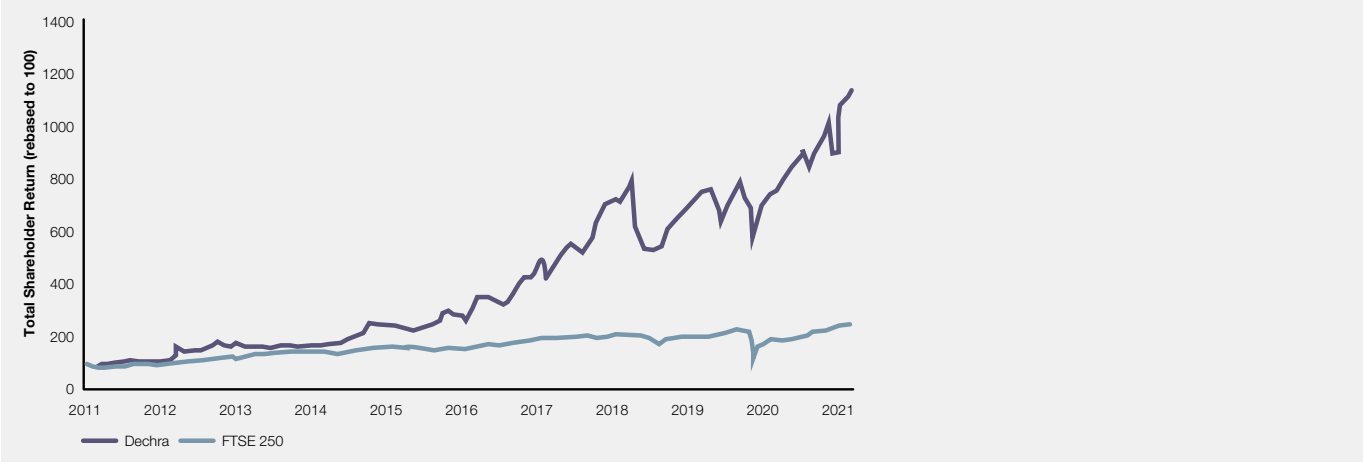
* Calculated using the share price as at 30 June 2021 and the fees as at 30 June 2021.

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. The Committee also takes into consideration: • pay increases within the Group more generally; and • Group organisation, profitability and prevailing market conditions.	Whilst no formal performance conditions apply, an individual's performance in role is taken into account in determining any salary increase.

Maximum Opportunity

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

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

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

Element: Retirement Benefits

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

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

Maximum Opportunity

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

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

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

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

Element: Benefits

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

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

Maximum Opportunity

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

Element: Annual Bonus

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

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

Maximum Opportunity

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

Directors' Remuneration Report 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. 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. Non-Executive Directors are not eligible to participate in any of the Company's share schemes, incentive schemes or pension schemes. Non-Executive Directors may be eligible to receive benefits such as travel and other reasonable expenses.	Fees are set taking into account the responsibilities of the role and expected time commitment. Non-Executive Directors are paid a basic fee with additional fees paid for the chairing of Committees. An additional fee is also paid for the role of Senior Independent Director and may be paid for other responsibilities or time commitments. Where benefits are provided to Non-Executive Directors they will be provided at a level considered to be appropriate taking into account the individual circumstances.

Recruitment Remuneration Policy

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

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

- Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.
- Pension will only be provided in line with the above Policy.
- The Committee will not offer non-performance related incentive payments (for example a 'guaranteed sign-on bonus').
- Other elements may be included in the following circumstances:
  - an interim appointment being made to fill an Executive Director role on a short term basis;
  - if exceptional circumstances require that the 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

Directors' Report and Other Disclosures

The Directors present their annual report on the affairs of the Group, together with the audited Group financial statements for the year ended 30 June 2021. Certain disclosure requirements, which form part of the Directors' Report, are included elsewhere in this Annual Report as permitted by section 414C of the Companies Act 2006. They are incorporated by reference into this Directors' Report as follows:

Disclosure	Section of the Annual Report	Page Number
Review of the Group's business during the year and any likely future developments	Strategic Report	**24 to 27**
Strategy	Strategic Report	**20 to 23**
Business Model	Strategic Report	**16 to 18**
Details of acquisitions and disposals during the year	Strategic Report	**26 and 35**
Going concern, viability statements and risk management	Strategic Report Governance Report	**35, 76 to 78, 83** **116**
Section 172 statement and Stakeholder Engagement	Strategic Report Governance Report	**48 to 50** **95 to 97**
Diversity	Corporate Responsibility Statement Governance Report	**62** **107 to 109**
Approach to employees with disabilities	Corporate Responsibility Statement	**62**
Company Employees	Corporate Responsibility Statement	**58 to 64**
Environmental matters including Greenhouse Gas Emissions and Streamlined Energy & Carbon Reporting	Corporate Responsibility Statement	**65 to 68**
Social, community and human rights issues	Corporate Responsibility Statement	**73 to 75**
Corporate Governance Statement	Governance Report	**87**
Board of Directors details	Governance Report	**88 and 89**
Financial risk management (including the exposure to price, credit and liquidity risk)	Financial Statements	**192 to 199**
Post-balance sheet events	Financial Statements	**209**

Amendment of the Articles of Association

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

Significant Agreements/Change of Control

As detailed in the Going Concern Statement on page 35, the Group has bank facilities with a group of banks comprising Bank of Ireland (UK) plc, BNP Paribas, Fifth Third Bank, HSBC Bank plc, Credit Industriel et Commercial SA (CIC Bank), Raiffeisen Bank International AG and Santander UK plc (the Banks). These bank facilities include a change of control provision whereby a change of control of the Company could result in the withdrawal of these bank facilities.

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

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

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

Directors

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

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

Director Insurance and Indemnities

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

Overseas Branches

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

Directors' Report and Other Disclosures continued

Political Donations and Expenditure

No political donations were made during the year ended 30 June 2021 (2020: nil). The Group has a policy of not making any donations to political organisations or independent election candidates or incurring political expenditure anywhere in the world as defined in the Political Parties, Elections and Referendums Act 2000.

Research and Development

The Group has a structured development programme with the aim of identifying and bringing to market new pharmaceutical products. Investment in development is seen as key to strengthen further the Group's competitive position. Further information in relation to product development can be found on pages 42 to 45. The underlying expense on this activity for the year ended 30 June 2021 was £32.4 million (2020: £28.4 million) and a further £1.5 million (2020: £1.8 million) was capitalised as development costs.

Results and Dividends

The results for the year and financial position at 30 June 2021 are shown in the Consolidated Income Statement on page 161 and Consolidated Statement of Financial Position on page 163 The Directors are recommending the payment of a final dividend of 29.39 pence per share which, if approved by shareholders, will be paid on 19 November 2021 to shareholders registered at 29 October 2021. The shares will become ex-dividend on 28 October 2021. An interim dividend of 11.11 pence per share was paid on 7 April 2021, making a total dividend for the year of 40.50 pence per share (2020: 34.29 pence per share). The total dividend payment is £43.8 million (2020: £36.5 million).

Share Capital

The issued share capital of the Company for the year is set out in note 25 to the Consolidated Financial Statements. As at the end of the financial year 108,215,323 fully paid ordinary shares were in issue, which included 204,363 ordinary shares issued during the year in connection with the exercise of options under the Company's share option schemes.

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

At the Annual General Meeting of the Company held on 27 October 2020, the Company was authorised to purchase up to 10,801,676 of its ordinary shares, representing 10% of the issued share capital of the Company as at 10 September 2020. No shares were purchased under this authority during the financial year. A resolution will be put to shareholders at the forthcoming Annual General Meeting to renew this authority for a further period of one year. Under the proposed authority shares purchased may be either cancelled or held in treasury.

The Directors require authority from shareholders to allot unissued share capital in the Company and to disapply shareholders' statutory pre-emption rights. Such authorities were granted at the 2020 Annual General Meeting and resolutions to renew these authorities will be proposed at the 2021 Annual General Meeting.

Substantial Interests in Voting Rights

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

	30 June 2021		**12 August 2021**	
	Aggregate voting rights	Percentage	**Aggregate voting rights**	**Percentage**
Fidelity Management & Research	8,826,812	8.16	**8,892,852**	**8.22**
BlackRock Inc	6,529,279	6.03	**6,516,001**	**6.02**
Standard Life Aberdeen	6,375,951	5.89	**6,228,929**	**5.76**
The Vanguard Group, Inc	4,826,425	4.46	**4,841,912**	**4.47**
Grandeur Peak Global Advisors	3,709,575	3.43	**3,628,263**	**3.35**
Corporate Stakeholders (Netherlands)	3,670,625	3.39	**3,670,625**	**3.39**
Royal London Mutual Assurance Society	3,597,344	3.32	**3,533,800**	**3.27**

Auditor

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

Audit Information

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

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

Melanie Hall
Company Secretary
6 September 2021

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group Financial Statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

Directors' Confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are set out on pages 88 and 89 confirm that, to the best of their knowledge:

- the Group Financial Statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company Financial Statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Signed by order of the Board.

Ian Page
Chief Executive Officer

Paul Sandland
Chief Financial Officer
6 September 2021