

## 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
<b>Total 2021</b>	<b>2021</b>	<b>1,208</b>	<b>108</b>	<b>1,152</b>	<b>1,808</b>	<b>126</b>	<b>4,402</b>	<b>1,442</b>	<b>2,960</b>
<b>Total 2020</b>	<b>2020</b>	<b>1,047</b>	<b>82</b>	<b>293</b>	<b>1,264</b>	<b>115</b>	<b>2,801</b>	<b>1,244</b>	<b>1,557</b>

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

- 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.
- 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.
- Annual Bonus – this is the amount of cash bonus to be paid in respect of the financial year.
- Long Term Incentives – this is the value of any relevant long term incentives vesting where the performance period ended in the relevant period.
- 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.
- 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).
- 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.
- 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		% increase
	from 1 January 2021	Previous Salary	
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 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 Basispensioen) 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:

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

\* 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

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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†	200% of salary	32,128	£1,039,983	25%	1 July 2020 – 30 June 2023
Paul Sandland	150% of salary	13,901	£449,975	25%	1 July 2020 – 30 June 2023
Tony Griffin	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

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## 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
<b>Ian Page</b>	02-Mar-18	LTIP	N/A	39,904	–	10,495	29,409	–	Vested and exercised in the year <sup>1</sup>	2017–2020
	26-Oct-18	LTIP	N/A	46,168	–	–	–	46,168	Unvested <sup>2</sup>	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 <sup>3</sup>	2020–2023
<b>Tony Griffin</b>					–	–	–	–		
	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 <sup>2</sup>	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
<b>Paul Sandland</b>	15-Sep-15 <sup>4</sup>	Approved	£9.75	923	–	–	923	–	Vested	2015–2018
	19-Sep-16 <sup>4</sup>	Approved	£13.69	526	–	–	526	–	Vested	2016–2019
	19-Sep-16 <sup>4</sup>	Unapproved	£13.69	2,474	–	–	2,474	–	Vested	2016–2019
	02-Mar-18 <sup>4</sup>	Approved	£25.06	550	–	–	–	550	Vested	2017–2020
	02-Mar-18 <sup>4</sup>	Unapproved	£25.06	2,450	–	–	–	2,450	Vested	2017–2020
	26-Oct-18 <sup>4</sup>	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

- 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.
- Will vest on 6 September 2021 as to 73.8%
- 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.
- 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

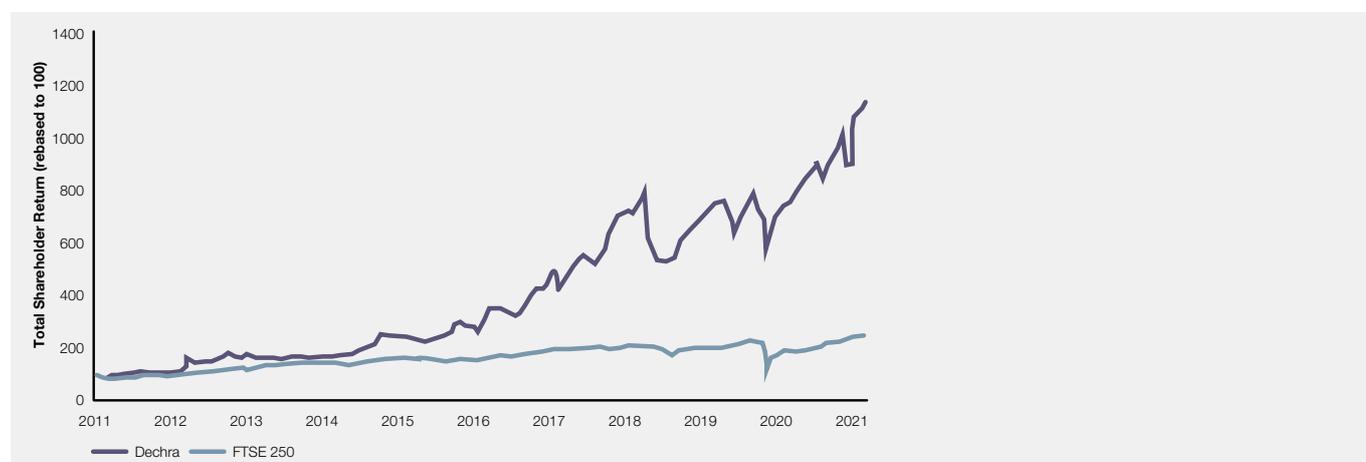
\* Calculated using the share price as at 30 June 2021 and the fees as at 30 June 2021.

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

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## 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 <sup>2</sup>	Tony Griffin <sup>3</sup>	Tony Rice	Ishbel Macpherson	Julian Heslop	Lawson Macartney	Lisa Bright	Alison Platt <sup>4</sup>	
Salary/fees	<b>2020–2021</b>	<b>32.8%</b>	<b>6.6%</b>	<b>10.0%</b>	<b>(0.9%)</b>	<b>9.0%</b>	<b>10.4%</b>	<b>6.5%</b>	<b>3.8%</b>	<b>8.8%</b>	<b>5.9%</b>
	2019–2020	(11.8%)	4%	N/A	6.8%	2.3%	3.2%	3.3%	4.0%	3.6%	N/A
Taxable benefits <sup>1</sup>	<b>2020–2021</b>	<b>(7.3%)</b>	<b>6.3%</b>	<b>20.8%</b>	<b>2.3%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
	2019–2020	16.3%	(1.7%)	N/A	(10.0%)	N/A	N/A	N/A	N/A	N/A	N/A
Annual bonus <sup>5</sup>	<b>2020–2021</b>	<b>137.3%</b>	<b>280.0%</b>	<b>292.9%</b>	<b>194.6%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
	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 <sup>1</sup>	106:1	76:1	40:1
2020	Option A <sup>1</sup>	75:1	58:1	31:1
2019	Option A <sup>1</sup>	139:1	107:1	56:1
2018	Option A <sup>1</sup>	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 <sup>1</sup> 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](http://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.

Name	Notice Period		
	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		Votes		Votes withheld
	for	% of vote	against	% of vote	
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