

# 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 Voedselbank, 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**

**13.5%**

**Lost Time Accidents**

**3**

**Employees who completed GPTW survey**

**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

<b>Moving Annual Turnover of Employees</b>	Retention of employees is an indicator of a positive culture
<b>Employee engagement with the Board via designated Non-Executive Director</b>	Provide an update on employee views and any concerns raised
<b>Raise a Concern Reports</b>	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
<b>Health and Safety Updates</b>	Enables the Board to assess the effectiveness of our safe working practices and behaviours
<b>Engagement survey</b>	This helps to determine levels of employee engagement on a wide range of matters and provides oversight of the implementation of the Values
<b>Internal Audit Reports</b>	Identifies any actions required in relation to deviations of Values and Culture
<b>Approval of Group Policies such as Code of Conduct</b>	Enables the Board to monitor that the policies reflect the Values and Culture of the Group
<b>External Culture audit with Great Place to Work for the UK</b>	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

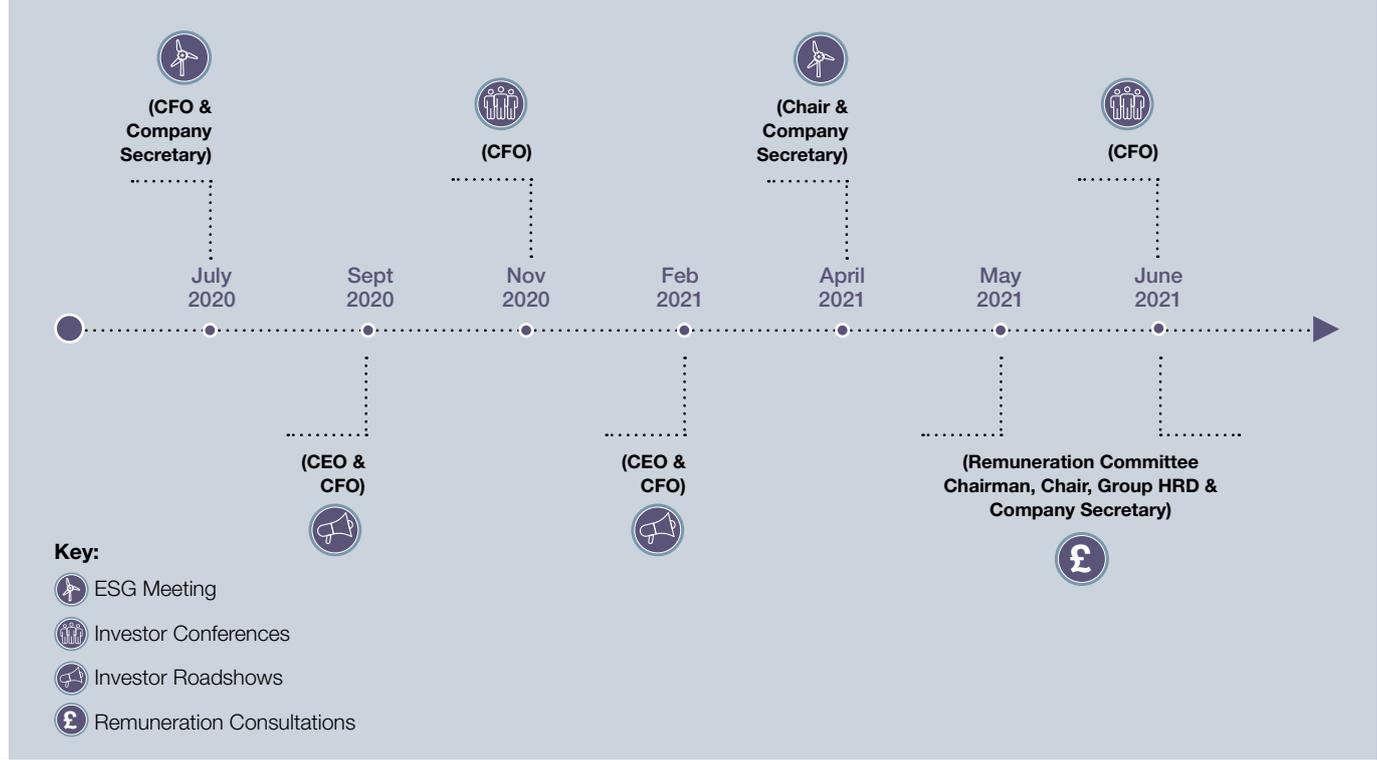
The Board is responsible, under section 172 of the Companies Act 2006, for promoting the long term success of the Company for the benefit of its shareholders, having regard for its stakeholders.

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.

## 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<sub>2</sub> 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.

## 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.

## 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