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. Dechra has consistently delivered on its strategic objectives resulting in a strong track record of growth. The Group’s strategy remains unchanged and is set out on pages 18 to 21 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, a 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 2019, 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 key aspects discussed by the Board during its strategy review included:

- our market strategy for the next five to ten years;
- our innovative product development strategy;
- our vaccines strategy;
- the overall manufacturing strategy; and
- responsibility matters including our future net zero carbon emissions strategy.

KPIs have been designed to measure progress and delivery of the strategic plan and our four growth drivers. Further details are provided on pages 34 to 35.

Entrepreneurial and Agile – Acquisition of Mirataz from Kindred Biosciences Incorporated

Dechra has a long history of growth through acquisition. This year, a collaborative group of Dechra employees across our Business Development, Commercial, Regulatory, Legal and Finance Teams worked together to meet an extremely short timeframe to close the transaction with Kindred Biosciences, Inc for the acquisition of Mirataz® (mirtazapine transdermal ointment). The highly agile team moved from the initial contact on 8 February 2020 to a fully completed acquisition by 15 April 2020. Dechra’s first commercial sale of Mirataz occurred on 22 April 2020.

Without the agility of the Dechra team members, this transaction would not have been possible. It is a great example of how Dechra can move quickly and meet the expectations of our business partners, behaving as entrepreneurial spirits and achieving the conclusion of the desired outcome for Dechra’s future.
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 global animal health and welfare

**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 achieve common success

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

**Entrepreneurial & Agile**
We move quickly to make decisions and have ‘light touch’ bureaucracy supported by strong governance. 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 and 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

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

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

**Entrepreneurial & Agile**
We move quickly to make decisions and have ‘light touch’ bureaucracy supported by strong governance. 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 and 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

**Our Culture Defined**

**Our Measures**

- Engagement survey helps to determine levels of employee engagement on a wide range of matters
- Employee engagement with the Board via designated Non-Executive Director
- External Culture audit planned with Great Place to Work for the UK
- Raise a Concern Reports
- Internal Audit Reports
- Moving Annual Turnover of Employees

Read more about Employee Engagement on pages 55 and 90
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 109 and the Strategic Report on pages 70 to 72.

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, the dividend policy, budget, internal controls and risk management and Group policies.

The schedule of matters is reviewed periodically and was last reviewed in December 2019 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.
Constructive use of the Annual General Meeting
Due to the COVID-19 pandemic we are asking all of our shareholders not to attend our Annual General Meeting for their own safety and that of others. The only shareholders physically attending are the Chief Executive Officer, Chief Financial Officer and Company Secretary. All other members of the Board are scheduled to attend the Annual General Meeting (the Meeting) via video conference. We request that any shareholders with questions submit these to the Board in advance of the meeting and, subject to appropriateness, the Board will look to respond to those questions on the website.

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.

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. Further details on how the Board considers key stakeholders can be found on pages 46 and 47.

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.

Shareholders
Principle: The Board’s principal role is to promote the long term success of the Company for the benefit of its shareholders.

- 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 new Remuneration Policy.

- All members of the Board attended the 2019 Annual General Meeting. This provided an opportunity for informal communications between shareholders and Directors.

- Board approval is required for significant announcements.

- The Company’s brokers provided a presentation supporting the case for the equity placing in June 2020 to the Board.

- The Chairman and Senior Independent Director are available to meet shareholders upon request.

Stock Code: DPH
Board Leadership and Company Purpose  

Employee Engagement

We appointed Lisa Bright to the Board in February 2019. During the recruitment process we had established that we were looking for someone who could take on the role of the Employee Engagement Designated Non-Executive Director (EED Non-Executive Director) who would represent the voice of our employees in the Boardroom. As part of Lisa’s onboarding to the Group she attended the Group Head office in Northwich, and has also visited our employees at our Logistics centre in Uldum, Denmark, where she had a number of meetings with key stakeholders in the business. She also attended several sessions for Non-Executive Directors taking on this new responsibility to share best practice.

Lisa worked closely with Katy Clough, Group HR Director, to determine the best approach. A proposal was taken to the Board for discussion and ultimately it was agreed that Lisa would meet with small groups of employees initially two or three times a year with a pre-determined agenda to discuss topics of Board relevance and then to have a broader employee led discussion. It was agreed that for practical purposes, meetings would be held in Europe and North America, with an initial pilot to take place in Skipton where we have an employee elected Works Council. Meetings were also scheduled to take place in Sansaw in the UK in May and at our facility in Zagreb in June 2020.

The pilot meeting took place in Skipton in December 2019. The meeting was well attended, and after an initial presentation by Lisa Bright to explain the reason for her role and what she hoped to achieve, we then worked through an agenda which covered the outcomes of the previous and most recent engagement surveys, any areas of concern, how improvements could be made and a plan on how to follow up on the actions discussed during the meeting.

Unfortunately, the pandemic has forced a postponement of the other two sessions planned for this financial year. However, a video conference meeting was held to follow up on the actions arising from the Skipton session with the management team. At this meeting, we discussed a summary of the actions taken at site, which included: improvement to internal communication; review of the QC laboratory; and an action on training and development. Lisa Bright will also attend a virtual Works Council meeting in September 2020 to understand first-hand what the impact has been for the employees.

In presenting the results of the engagement pilot to the Board, the following points were noted:

- feedback from the employees suggests the meeting was well received;
- it is important to delineate difference between Board and management remit during the sessions; and
- it would be useful for the EED Non-Executive Director to get a broader perspective on employee communications and, as such, now has access to the Company intranet which is the primary tool for internal communication.

We plan to resume the original schedule in the new calendar year and are planning a virtual alternative, but acknowledge that in person meetings are likely to generate greater trust and openness. Whilst we are limited to virtual meetings, we will focus on meetings in English speaking countries.

We are also planning on using internal communications to publicise the EED Non-Executive Director role more broadly to the wider organisation and we are planning a brief video with some comments from the Skipton Works Council team about their interaction and the value for them.
Employees
Principle: 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.

- The Board was provided with the results of the COVID survey.
- The Group HR Director provided an update to the Board in June 2020 on the actions taken by teams throughout the Group on the agreed priority actions emerging from the 2018 employee engagement survey.
- The Board met formally and informally with the Senior Executive Team (SET).
- Twice a year a comprehensive health and safety report is provided to the Board for its review.
- The Board were provided with updates from the Corona Committee on actions taken in respect of employee’s welfare and safety during the pandemic.
- Lisa Bright, the Non-Executive Director designated for employee engagement, provided two reports to the Board.

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

Customers
Principle: 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.

- Each of the SET members for DVP EU, NA, and International have provided in-depth presentations on their markets, customer requirements and customer consolidation.
- 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.

Community
Principle: 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.

- Twice a year a report of the Group’s CO₂ emissions are provided to the Board for its review.
- The Company Secretary provided an update of the progress of the CSR Committee in refreshing and implementing the ESG strategy.

Suppliers
Principle: 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.

- The Board reviewed and approved the Modern Slavery Statement.
- The Group Manufacturing and Supply Director presented to the Board and this included a discussion on the contract manufacturing organisation strategy.
- The Board reviewed and approved a number of material API contracts during the year.

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.

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
7 September 2020