



Greenhouse Gas Reporting Methodology 2024

Introduction

Dechra reports its greenhouse gas (GHG) emissions in line with the Greenhouse Gas Protocol. This includes both the *Corporate Accounting and Reporting Standard, Revised Edition (2015)* and the *Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)*. Adhering to these globally recognised standards enables Dechra to measure, monitor, and manage GHG emissions within a comprehensive and internationally consistent framework.

Our GHG accounting and reporting practices are guided by the GHG Protocol Principles, which serve as foundational criteria in our emissions decision-making:

- **Relevance**
- **Completeness**
- **Consistency**
- **Transparency**
- **Accuracy**

Dechra's GHG inventory is determined based on a financial control approach and is organised into the following categories:

- **Scope 1:** Direct emissions from owned or controlled sources
- **Scope 2:** Indirect emissions from the generation of purchased energy
- **Scope 3:** Other indirect emissions within the value chain
- **Outside of Scope:** Emissions beyond the standard Scopes 1, 2, and 3 definitions where applicable.

Dechra tracks Scope 1, 2 and 3 performances relative to a baseline year of 2021. The baseline years are representative of Dechra's normal operating conditions. Emissions are reported for a calendar year. Reduction targets have been approved by the Science Based Targets Initiative based on our baseline year, ensuring alignment with the latest climate science.

To maintain data consistency Dechra performs recalculations of baseline GHG data to ensure that emission changes reflect actual operational shifts, rather than impacts from structural changes (such as acquisitions, divestments, or mergers) or methodological adjustments (like error corrections or calculation updates). Recalculations are conducted according to an internal procedure with defined significance thresholds, and all adjustments are communicated as part of our annual reporting.

To enable a comprehensive assessment of our carbon footprint, we have implemented a new methodology for estimating emissions from newly acquired businesses. Until detailed emissions data can be fully integrated into our systems, we will utilise a pro-rata estimation approach based on pack unit production. This method provides a preliminary assessment of emissions and allows for a more accurate calculation once detailed data becomes available. This approach has been applied to California, a site we acquired in July 2023, in this methodology report.

Dechra reports emissions in **carbon dioxide equivalents (tCO₂e)** to ensure consistency across greenhouse gases with different climate impacts. This standard uses **Global Warming Potential (GWP)** values, which measure each gas's climate impact relative to carbon dioxide (CO₂) over

time. We follow the **IPCC (International Panel on Climate Change) Fifth Assessment Report (AR5)** GWP values over a 100-year period (GWP100), in line with **UNFCCC (United Nations Framework Convention on Climate Change)** guidelines.

Dechra uses various calculation methods for emissions reporting to capture the complexity of our business and value chain. We prioritise **primary data**, when primary data is unavailable, we use **secondary data**, including industry averages and proxy data models.

To improve accuracy, Dechra aims to progressively increase the use of primary data as methodologies advance. Emission factors are consistently updated at the start of each calendar year to maintain comparability across reporting periods.

This document outlines the full methodology for Dechra's GHG reporting.

Scope 1 Emissions

Definition: Scope 1 emissions are direct greenhouse gas (GHG) emissions from sources owned or controlled by Dechra.

For Dechra, Scope 1 includes GHGs from direct fuel combustion, fugitive emissions from processes and engineering (such as refrigerants and solvents), and fuel used in Dechra's commercial fleet (e.g. forklifts, trucks and shunters). All Dechra-owned sites are within the Scope 1 reporting boundary, as well as leased assets based on area, full time employees, lease duration, and data availability.

Direct fuel combustion emissions are calculated using data on fuel consumption from Dechra sites, collected in a centralised reporting system with integrated emission calculations. Emissions from natural gas, liquefied petroleum gas (LPG) and backup fuels (such as gas oil and heavy fuel oil) are calculated using **UK Government Greenhouse Gas Conversion Factors**.

Engineering Fugitive Emissions: These emissions are based on refills of F-Gas in equipment such as HVAC systems, chillers, and heat pumps or from unplanned losses (leaks etc). For corporate reporting, Dechra uses **GWP100 values** in line with reporting requirements.

A small portion of Dechra's Scope 1 emissions originate from the Company fleet, comprising trucks, shunters, and forklifts. To calculate these emissions, fuel consumption data for each vehicle type was multiplied by the appropriate UK GHG conversion factor. This approach enables accurate estimation of direct greenhouse gas emissions associated with the Company's fleet operations.

Scope 2 Emissions

Definition: Indirect emissions from the generation of purchased energy consumed by the reporting company that is electricity, imported steam, imported or district heat and cooling systems.

All Dechra owned sites are included within the **Scope 2** reporting boundary, along with leased assets that meet inclusion criteria

Dechra reports **both market based and location-based Scope 2 emissions** in accordance with the **GHG Protocol Scope 2 Guidance**, which mandates dual external reporting. **Market-based factors** reflect the specific energy mix at a given site, accounting for the residual energy mix the site sources from and any certified renewable energy it purchases. **Location-based factors**

represent the grid average emissions factor for the country or sub-region (e.g., in the US) where the site is located.

Energy usage data is collected globally across Dechra through a centralised reporting system, which includes built-in emission calculation features. Dechra is committed to purchasing renewable electricity globally via Renewable Energy Certificates (RECs), wherever feasible. This allows Dechra to report near zero **market-based Scope 2 emissions** for the purchased RECs. For calculating **location-based emissions**, a range of emission factors specific to each country or region are applied. Electricity generated on-site from solar photovoltaics is reported as zero emissions within both market and location-based reporting approaches.

In addition to Scope 2 emissions from electricity usage, Dechra also utilises imported steam and district heating and cooling. Where available, supplier-specific emission factors will be used; otherwise, emission factors independently chosen and verified by Ecometrica are used.

Scope 3 Emissions

Definition: Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Category 1: Purchased Goods and Services

Dechra uses a mixture of methodologies to calculate emissions associated with purchased goods and services and capital goods. A methodology hierarchy is applied enabling highest quality data to be used where available:

- Manufacturing data
- Spend-based data
- Supplier proxy data

Dechra calculates emissions associated with raw materials by multiplying product manufacturing data (e.g., weight) with specific emission factors for each material. This approach provides an estimate of the carbon footprint linked to raw material consumption.

For packaging materials, emissions are determined by multiplying spend data by emission factors specific to the material type, enabling an accurate assessment of the carbon footprint linked to packaging use.

Emissions from Contract Manufacturing Organisations (CMOs) related to raw materials, packaging, and Scope 1 and Scope 2 energy used during product manufacturing are estimated using a proxy. This involves apportioning Dechra's total emissions for the relevant categories based on manufacturing volumes.

For purchased services, emissions are calculated by multiplying spend data with emission factors for the relevant category, allowing Dechra to estimate the associated carbon footprint effectively.

Emissions from water use and discharge are calculated by multiplying the total volumes of water withdrawn and discharged by the corresponding emission factors.

Category 2: Capital Goods

To estimate emissions associated with capital goods, Dechra applies a spend-based methodology, leveraging independently sourced emissions factors. This approach calculates

greenhouse gas (GHG) emissions based on Dechra's capital expenditure on both intangible and tangible assets during the financial year, as recorded by the Group Finance team. For each category of capital goods, emissions factors from the EPA's Office of Research and Development (EPA-ORD) are applied to calculate the associated GHG emissions.

This methodology accounts only for capital expenditures that meet Dechra's capitalisation criteria: expenditures exceeding £1,000 (or local currency equivalent) with an expected useful life greater than one year. Operational expenditures that do not meet these criteria, and are thus not capitalised, are excluded from this emissions calculation approach.

Category 3: Fuel- and Energy-Related Activities

This category encompasses emissions from three distinct activities:

1. **Upstream emissions of purchased fuels**, covering:
 - **Stationary sources:** such as emissions from gas boilers.
 - **Mobile sources:** including emissions from the combustion of fuels by the Company vehicle fleet.
2. **Upstream emissions from purchased electricity, heat, steam, and cooling:** representing the emissions generated in the production and upstream supply chain of these energy sources before they reach Dechra's operational boundaries.
3. **Transmission and Distribution (T&D) losses:** emissions associated with energy losses that occur during the transmission and distribution of purchased electricity, heat, steam, and cooling from the supplier to Dechra's operational sites.

Each component is calculated by applying emissions factors specific to the type of fuel or energy source and supply chain stage, using recognised emissions data sources which are independently chosen and the most appropriate both geographically and temporally.

Category 4: Upstream Transportation and Distribution

In the model used by Dechra, the transportation of finished products from manufacturing sites to distribution centres and from distribution centres to customers or third party distributors was modelled as upstream emissions because the costs were paid by Dechra. This aligns with the recommendations of the Science Based Targets initiative (SBTi), which advises that the categorisation of emissions should be based solely on who pays for the associated transportation and distribution (T&D) activity.

Category 4 emissions are obtained by applying a distance-based method. Activity data are collected from freight carriers for air, sea, and road transport, with emissions calculated based on the freight unit of measure, tonne-kilometre (t.km). T.km values are derived by multiplying the gross weight of each shipment by the distance from origin to destination, with distance calculated using the most specific location data available (e.g., postcode, state, or country). Gross weight is obtained either from the freight carrier's reports or Dechra's internal database, enabling consistency in data sources and accuracy in emissions estimates

Emissions are calculated by applying UK Government Conversion Factors, specific to each freight mode, to account for both direct and upstream emissions. For air freight, emissions calculations also incorporate non-CO₂ climate impacts, such as radiative forcing effects from water vapour, contrails, and nitrogen oxides (NOx). Emissions associated with third party

warehouse storage are calculated using floorspace representative leased spaces, using a relevant emissions factor independently selected by Ecometrica.

Category 5: Waste Generated in Operations

Dechra collects data on routine waste, final finished product returns (commercial returns), and construction waste across all global sites through a centralised reporting system. The system includes integrated emissions calculations based on the specific waste disposal route, such as recycling, incineration with energy recovery, and incineration without energy recovery. Each waste type is classified according to its European Waste Catalogue (EWC) code to ensure standardised categorisation.

Emissions are calculated using waste-specific emission factors and UK Government Conversion Factors for each disposal route and waste type. Where direct weight measurements are unavailable, estimations are made using proxy data, including waste bin volume, collection frequency, waste type, and waste density. Density conversion factors are sourced from the regulatory studies to ensure consistency and accuracy in these estimations.

Category 6: Business Travel

Air Travel: Air travel activity data is primarily sourced from Dechra's travel booking agent (TPE). Emission calculations are based on flight distance, cabin class, and incorporate both direct and upstream emissions. The UK Government Conversion Factors are employed to calculate emissions, considering not only CO₂ but also non-CO₂ climate impacts such as radiative forcing from water vapor, contrails, and NO_x. For any travel where TPE data is unavailable, air travel data is collected locally through site-specific or local travel booking agents.

Hotel Stays: Hotel stay activity data is collected via TPE. However, for the purposes of Science Based Target we have excluded this from our dataset.

Grey Fleet: Grey fleet activity data, encompassing employee-owned vehicles used for business purposes, is collected through TPE. Direct and upstream emissions are calculated by multiplying the distance travelled (km) by UK Government Conversion Factors. In cases where TPE is unavailable or business travel is not expensed, grey fleet travel data is collected locally through site-specific reporting.

Car Rental: Car rental activity is currently not reported due to a lack of data availability through TPE.

Trains: Train travel activity is currently not reported due to a lack of data availability through TPE.

Category 7: Employee Commuting

Due to the unavailability of primary employee commuting data, emissions associated with employee commuting are estimated based on the number of full-time employees (FTEs) at each Dechra site. A global emission factor, derived from UK BEIS factors, is applied to an estimated average commuting distance and transport mode, which is based on data from Transport Statistics Great Britain. To account for variations in work patterns across different functions (e.g., operational vs. enabling), assumptions are made regarding the proportion of time employees spend commuting. Dechra currently does not account for emissions related to homeworking due to data limitations.

Category 8: Upstream Leased Assets

Assessed as not relevant due to no upstream leased assets.

Category 9: Downstream Transportation and Distribution

In the model currently used by Dechra, the transportation of raw materials from suppliers was modelled as downstream emissions because the costs were paid by the supplier. This aligns with the recommendations of the SBTi, which advises that the categorisation of emissions should be based solely on who pays for the associated T&D activity. The GHG Protocol applies slightly different criteria, stating that transportation emissions qualify to be categorised as downstream emissions only after the point of sale and when the associated costs are not covered by the reporting company. Therefore, emissions from procuring raw materials should fall under Category 4 as upstream emissions.

Category 9 emissions are obtained by applying a distance-based method. Country of origin data is obtained for all raw materials and packaging, with emissions calculated based on the freight unit of measure, tonne-kilometre (t.km). T.km values are derived by multiplying the gross weight of each shipment by the distance from origin to destination, with distance calculated based on the most specific location data available (e.g., postcode, state, or country).

Emissions are calculated by applying UK Government Conversion Factors, specific to each freight mode, to account for both direct and upstream emissions. Category 9 transportation is assumed to be split as 90% sea freight and 10% road transport, with relevant emissions factors applied to each leg of the journey.

Category 10: Processing of Sold Products

Assessed and not relevant as no further processing of sold products takes place for any of Dechra's products.

Category 11: Use of Sold Products

Use of sold products emissions, were calculated by multiplying the weight of propellant gas in aerosols sold during the reporting period by an independently verified carbon emissions factor, provided by Ecometrica. This approach aligns with SBTi guidelines for estimating direct use-phase emissions from sold products. While indirect use-phase emissions were not considered significant in this case, they may be included in future analyses where deemed relevant.

Category 12: End-of-Life Treatment of Sold Products

End-of-life treatment of sold products emissions were estimated based on the weight of packaging materials used for products sold during the reporting period. Weights were derived from internal conversion factors relating spend to weight. All packaging waste was assumed to be disposed of in landfills, and emissions were calculated using default emission factors for landfill disposal. While this approach provides a reasonable estimate, future refinements may consider more detailed data on packaging materials and disposal methods.

Category 13: Downstream Leased Assets

Assessed and not relevant as Dechra does not have any downstream leased assets

Category 14: Franchises

Assessed and not relevant as Dechra does not have any franchises.

Category 15: Investments

Dechra had one investment, Animal Ethics, which has no building and the employees work from home. Therefore, the scope 1 and 2 emissions of this entity was modelled as zero emissions.

Data and Methodology Improvements

- Category 1: To enhance the precision of raw material emissions calculations, Dechra transitioned from a method relying on Bill of Materials (BOMs) multiplied by batch numbers to a more accurate approach utilising consumption reports directly from local Enterprise Resource Planning (ERP) systems. This shift provides a more granular view of actual raw material usage, leading to more reliable emissions estimates.
- Category 4: In 2022, Dechra improved the accuracy of refrigerant truck emissions calculations by implementing a more granular classification of products transported under refrigerated conditions. This refinement led to a reduction in estimated emissions compared to the previous year. Progress has been made in improving the accuracy of logistics data, particularly for operations in America and Brazil. These advancements will contribute to more reliable emissions calculations for these regions.
- Category 6: The implementation of a global travel and expense booking system (TPE) in FY2023-FY2024 has improved the accuracy of business travel emissions data. This system provides granular information on travel modes and distances, enabling more precise calculations.
- Category 7: To further refine the accuracy of employee commuting emissions, Dechra plans to conduct a comprehensive global commuting survey. This initiative will gather improved information on employee transportation modes, frequencies, and distances travelled. By incorporating this data, the Company will achieve a more representative assessment of commuting-related emissions.
- Category 11: In the planned re-baselining process, Dechra will incorporate emissions associated with isoflurane and sevoflurane products. This inclusion will provide a more comprehensive assessment of the company's overall environmental impact.
- Category 1 and 12: Dechra is committed to optimising its packaging practices and improving data accuracy. The company has planned a product review using a packaging assessment tool to collect more detailed packaging weight data and will collect more detailed packaging weight data. This initiative will enhance the accuracy of emissions calculations for categories 1 and 12.