

Corporate Social Responsibility

Glossary

Terms used within this section:



DVP EU

Dechra Veterinary Products Europe

HCM

Human Capital Management

LTAFR

Lost Time Accident Frequency Rate

MAT

Moving Annual Total

SET

Senior Executive Team

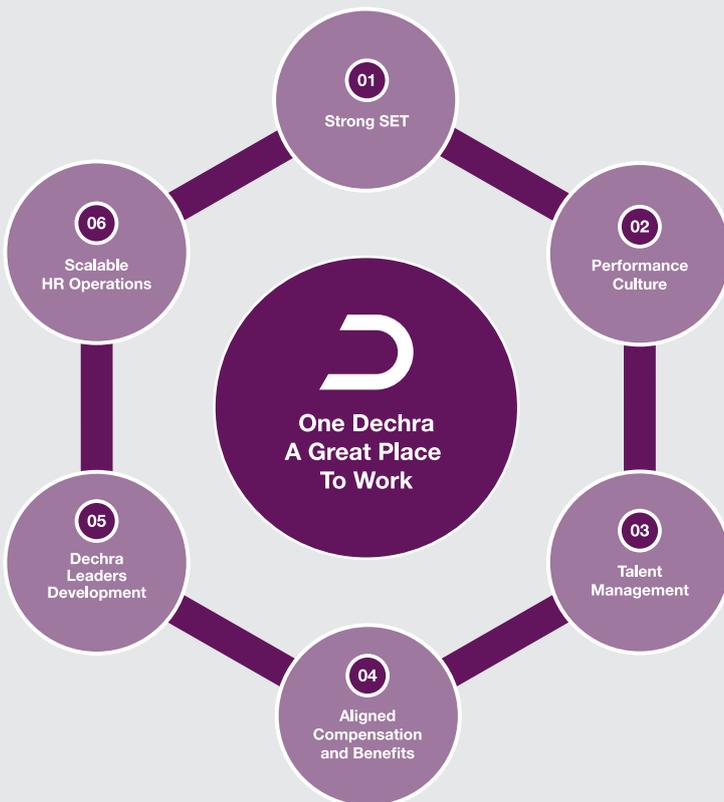


Tony Griffin
Managing Director, Dechra Veterinary Products EU



Katy Clough
Group HR Director

Our People Plan is designed to enable the Group to drive innovation, customer and shareholder value, accountability, and success through:



01

Develop the SET to provide world class leadership to the Group

02

Align employee efforts and improve execution through effective goal setting linked to reward

03

Attract, retain and develop the right talent in the right place at the right time

04

Develop equitable reward systems that drive accountability and reward high performance

05

Identify succession plans and create development plans to secure the future talent pipeline

06

Create simplified access to data and reduce manual effort

A responsible approach to our stakeholders and the wider community is considered by the Board to be important to the business. Our Corporate Social Responsibility strategy has three pillars: Our People, Our Community and Our Environment. The conduct of the business towards social, environmental, ethical and health and safety issues is recognised to have an impact on our reputation and therefore the

implementation and improvement of policies and systems are an ongoing priority within the business.

Our central logistics hub for Europe (Dechra Service Center) based in Uldum, Denmark, has published its first Corporate Social Responsibility Report building on its history of sustainability reporting in Denmark. In this first report it has focused on organising and

coordinating its CSR activities throughout all departments within the Dechra Service Center (DSC).

Tony Griffin is the nominated Director responsible for health, safety and environmental matters. However, the Board takes ultimate responsibility for Corporate Social Responsibility and is committed to developing and implementing appropriate

policies that create and maintain long term value for all stakeholders. Sound business ethics help to minimise risk, ensure legal compliance and enhance Company efficiency.

Our People

There has been significant progress made during the year on the People Plan.

• **One Dechra – A Great Place to Work**

During the year our employee base has expanded significantly from 869 to 1,288 following the acquisitions of Genera, Brovel and Putney. Our people integration plans have been underpinned by the roll out of the Dechra Values. A Group-wide intranet is under development which will be available to all staff in a number of different languages.

• **Strong Senior Executive Team (SET)**

The SET has responsibility for the overall leadership of the Group, driving the successful implementation and execution of the strategy and enabling cohesion and co-operation between the various business units, as well as setting the Dechra Values so that these are embraced at every level of the business.

During the 2016 financial year there have been a number of changes. In November 2015, Suzana Cross joined as General Counsel and Company Secretary; as a result of a restructuring after the acquisition of Putney in April 2016, Dr Anthony Lucas was appointed to lead Product Development across the Group. In readiness of the planned retirement of Mike Annice, a recruitment process commenced and Greig Rooney joined in July 2016 as Group Manufacturing and Logistics Director.

The SET comprises Ian Page, Chief Executive Officer; the Chief Financial Officer; Tony Griffin, Managing Director DVP EU; Suzana Cross, General Counsel and Company Secretary; Dr Susan Longhofer, Regulatory Affairs and Business Development Group Director; Dr Anthony Lucas, Group Product Development Director; Mike Eldred, President North America; Greig Rooney, Group Manufacturing and Logistics Director; Allen Mellor, Group IT Director; Katy Clough, Group HR Director and Giles Coley, Marketing Director DVP EU.

During the year, the SET met seven times and a significant proportion of time has been spent on the implementation and execution of the strategy.

• **Performance Culture**

The updated Performance Development Review (PDR) process was rolled out across the Group during the summer of 2014, with all employees being set objectives that link to the overall Company strategy. During the year a Human Capital Management (HCM) system has been implemented across the Group and automation of goal setting and PDRs is being rolled out to support managers by reducing administration, providing timely reminders and enabling sharing of goals across teams and departments.

• **Talent Management**

As Dechra continues to grow, attracting and selecting top talent is an important priority. With this in mind, a new careers website was launched in July 2015 which has helped to support the attraction of candidates to Dechra. We have also invested in the development of our social presence via LinkedIn, a business oriented social networking tool.

The talent pool of the Group has increased through our acquisitions and during the year there have been many opportunities to develop the skills of our existing employees identified on our succession plans through their involvement in the integration of our new teams.

• **Aligned Compensation and Benefits**

Planned tactical work has been undertaken to understand external benchmarks for senior managers and roles that have been identified as key to retain, together with an audit of existing benefits and compensation practices across the Group. Further alignment of compensation and benefits has taken place in our acquired businesses and there have been planned enhancements to benefits in some of our territories.

• **Dechra Leaders' Development**

We want to ensure that we retain our talented people and develop their skills in both functional and people management, which is key to supporting our continued growth. Over the course of the last financial year, Leadership Development Programmes have continued to be delivered in the Manufacturing, European and Product Development teams.

• **Scalable HR**

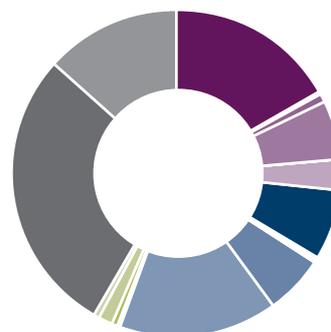
During the year a project was undertaken to implement the HCM system (for further information see Our People Case Study overleaf).

Employees by Business Unit



- Brovel 6%
- DVP EU 30%
- DVP US 8%
- Genera 17%
- Group 2%
- Manufacturing 29%
- PDRA 5%
- Putney 3%

Employees by Country



- Adriatic region 236
- Austria 3
- Belgium 11
- Denmark 72
- Finland 3
- France 38
- Germany 86
- Ireland 4
- Italy 5
- Mexico 74
- Netherlands 194
- Norway 4
- Poland 7
- Portugal 2
- Spain 16
- Sweden 9
- UK 358
- US 166

Corporate Social Responsibility

continued

Case Study:

Our People: HR System Implementation; 'Diamond'

A number of options have been considered over the last few years in various parts of the business to purchase and implement an HCM system, to provide:

- the underlying database and functionality to enable us to manage our people assets;
- a single point for all employee related data, automating key processes such as recruitment, compensation reviews and performance management;
- support for managing international policies, employees' roles and benefits; and
- tools and reporting capabilities to manage talent and succession within the organisation.

In September 2015 our Global HR team commenced building the framework for our new HR system, the 'Dechra Diamond Project'. The project team has been led by Katy Rawlinson, Group HR Business Partner, and forms part of the Group-wide Oracle project. The core HR project team comprised Alison Yeomans (UK), Marie Le-Masney (UK), Eva Søndergaard (Denmark), Annemette Sønderkov (Denmark), Marie-Helene Ariëns (the Netherlands), Eline Quist (the Netherlands), Stefan van der Linden (the Netherlands), and Chris Huettnier (US). They worked together to collate employee data from a number of sources across the Group to populate the new HR system and provide the basis for comprehensive Group HR reporting.

After a successful period of user acceptance testing, a number of months of system configuration and a training session, Phase I of the new system went live at the end of February 2016.

The new system implementation will deliver benefits across the Group including:

- **Consistency and Clarity** – allowing process standardisation resulting in comparable and consistent ways of working across the Group;
- **Stable Analytics** – standard HR data recording and reporting across the Group resulting in clear information being held about all Dechra's employees which will ultimately assist in understanding and better advising our people strategy; and
- **Modern, Reliable and Flexible Technology** – the system is the latest in Cloud technology and will allow employees and managers greater flexibility in, for example, booking and requesting holidays; completing performance appraisals; and changing personal details.

The system has subsequently been rolled out globally with employees and managers experiencing the benefits of self-service and the autonomy and flexibility this creates.

The project team are getting ready to launch Phase II; the Talent and Performance Management modules, which will be operational from the start of our 2017 financial year, performance reviews and the objective setting stage. Phase III will look at how we align various time and attendance and payroll systems to work with Oracle, particularly within our Manufacturing business units, and how we integrate our newly acquired companies.



Diamond

For a number of years the Group has reported labour turnover as a non-financial KPI using a standard formula as follows:

$$\frac{\text{Total number of leavers over the period}}{\text{Average total number employed over the period}} \times 100$$

The Group's target is to maintain employee turnover (Moving Annual Turnover (MAT)) at or below 15%. During the 2016 financial year this was 13.1% (2015: 12.2%), which represents an increase of 0.9%. This excludes the employees from Genera, Brovel and Putney.

It is the Company's policy to provide equal recruitment and other opportunities for all employees, regardless of age, sex, sexual

orientation, religion, race or disability. The Group gives full consideration to applications from disabled people, where they adequately fulfil the requirements of the role. Where existing employees become disabled, it is the Group's policy whenever practicable to provide continuing employment under the Company's terms and conditions and to provide training and career development whenever appropriate. In summary, we recognise that the success of the Group is dependent on our ability to attract, develop, motivate and retain skilled employees.

Informing and engaging our employees through internal channels of communication is of utmost importance to the Company. We have multiple channels of communication to provide both formal

and informal updates including a Group newsletter that is issued twice a year (following the half-yearly results and the year end results), intranets, management and team meetings at the respective business units. These ensure that our employees are informed of the financial performance of the Group, as well as the sharing of updates which are relevant to all Group employees such as the introduction of new technology, any management changes or restructuring, updates on corporate social responsibility activities, and progress in relation to our strategic objectives.

Business Ethics

The Board expects all of the Group's business activities to be conducted in accordance with the highest ethical standards and in full compliance with

all applicable national and international legislation; in doing so we aim to maintain a reputation for acting responsibly and with integrity. The Board has formalised these expectations into a policy known as the Code of Business Conduct (the Code) which applies throughout the Group. This Code was translated and circulated around the business together with the Anti-Bribery and Anti-Corruption Policy.

This Anti-Bribery and Anti-Corruption Policy was launched in the 2014 financial year (previously included in the Code of Business Conduct). The policy, training documents and guidance have been translated and rolled out across all of the Dechra territories. The e-learning platform, Delta, has been developed and the Anti-Bribery and Anti-Corruption course is the first mandatory company-wide training programme to be launched on this platform. All new relevant employees will be required to complete this course and existing relevant employees will be required to undertake regular refreshes of the course.

A Whistleblowing Policy is also in place whereby employees report, in confidence, any suspected wrongdoings within the business which they feel unable to discuss directly with local management.

Human Rights

Dechra is committed to upholding and respecting human rights both within our business and from our suppliers. However, Dechra does not currently have a separate human rights policy.

Modern Slavery

Our Modern Slavery Act disclosure will be published on our website within six months of the date of this report.

Health and Safety Policy

The Group attaches great importance to the health and safety of its employees and the

public. Management is responsible for and committed to the maintenance, monitoring and promotion of a policy of health and safety at work to ensure the care and well-being of its employees and on-site visitors.

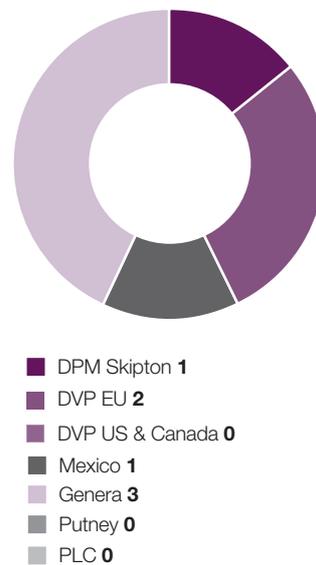
Any material health and safety issues or incidents that occur are discussed in detail at both business unit senior management meetings and PLC Board meetings. Discussions include details of incidents and any remedial action taken to mitigate or prevent recurrence. Twice a year a comprehensive health and safety report is presented at each of the business unit senior management meetings and subsequently reported to the PLC Board meeting the following month for discussion and review by the Directors.

The main sites within the Group have an active Health and Safety Committee comprising representatives from both management and employees. The workforce nominates employee representatives. These committees meet on a regular basis to carry out a review of risk assessments and standard operating procedures as well as investigating any concerns raised by individual employees. Each site has the requisite number of employees trained in health and safety legislation.

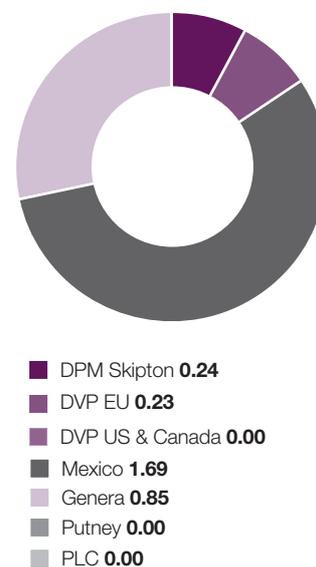
Our manufacturing site in Skipton, UK operates a Health and Safety Management system closely aligned to the requirements of OHSAS 18001:2007, which is the British Standard for occupational health and safety management best practice. It is anticipated that the formal accreditation will be applied for in the forthcoming financial year.

For a number of years the Group has reported Lost Time Accident Frequency Rate (LTAFR) as a non-financial key performance indicator (see page 45).

Number of Lost Time Accidents



LTAFR



Corporate Social Responsibility

continued

The LTAFR is a calculation of all injuries that are statutorily reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), normalised per 100,000 hours worked. This measure provides information to help monitor and control accidents and injuries to the workforce and is widely used

as a key performance indicator throughout industry. The Company reports LTAFR on the same basis as in previous years, that is absence or the inability of workers to conduct their full range of their normal working activities for a period of more than three working days after the day when the incident occurred. The acquired businesses,

Genera, Brovel and Putney, are included from the first full month that they become part of the Dechra Group. Over the course of the last 12 months the number of incidents has increased from one to seven; of these, four occurred in the acquired businesses. None of these incidents resulted in a work-related fatality or disability.

Our Community

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.

This is the fifth year in which the Group has operated a Donations Policy. All employees within the Group are entitled to nominate a charity or a non-commercial organisation. This year £20,000 was allocated, split among the following charities:

Type of Charity	Charity	Jurisdiction	Description
Animal	Viljandi Varjupaik	Estonia	Viljandi is a non-profit organisation providing animal shelters in Estonia. It employs three people who in 2014 dealt with 120 dogs and 432 cats.
	Vogel revalidatiecentrum Zundert	Netherlands	The PRC Zundert is an animal shelter providing a refuge for birds, which are released into the wild once treated. They also provide environmental education and awareness, working with schools, companies and environmental organisations.
	Sebastian County Humane Society	USA	The Sebastian County Humane Society purpose is the prevention of cruelty to animals, the relief of suffering among animals, placement of animals in responsible homes, and the extension of humane education.
Environmental	The Ocean Cleanup	International	Ocean Cleanup intends to test, further develop, and roll out a technique to clean the oceans of plastic. A feasibility study and proof of concept have already been carried out successfully. Currently a large scale study to measure the amount of plastic in the oceans is being undertaken. This will be followed by a large scale pilot study near Japan.
Other	Birmingham Children's Hospital Charity	UK	The Birmingham Children's Hospital Charity supports every area of the Birmingham Children's hospital.
	Himmunitas	Belgium	Himmunitas is a non-profit organisation which treats people who have diseases like autoimmune diseases, Lyme disease, multiple sclerosis or chronically exhaustion syndrome
	Operation Smile	International	Operation Smile is an international children's medical charity that performs safe, effective cleft lip and cleft palate surgery, and delivers postoperative and ongoing medical therapies to children in low and middle income countries.
	Gilchrist Services Hospice Care	USA	Gilchrist ensures that individuals with a life limiting illness, and their loved ones, receive the specialised physical, emotional, and spiritual care and support they need.
	Ty Hafon	UK	A charity which tries to ensure that every life limited child and young person in Wales lives a full family life. This involves offering a wide range of free care and support at its hospice and in the community for all the family. They also offer short break care to children and young people at the hospice so families can take time out from their caring duties.
	EASI (Equines Assisting Special Individuals)	USA	EASI is a non-profit organisation that offers equine therapeutic riding and equine assisted activities for people with disabilities or special needs. Their programme provides opportunities for growth and development through therapeutic, educational and recreational activities.
	RFV- Zollenreute e.v.	Germany	RFV-Zollenreute is a small, non-profit riding club which offers therapeutic riding to children from socially disadvantaged families.

In addition to the annual Group donation, each business unit has discretion to allocate funds to local community groups, employee nominated charities and/or animal welfare charities. Below is a selection of what has taken place during the 2016 financial year.

Donations in Kind

Type of Charity	Charity	Jurisdiction	Description
Animal	Help Street Animals of Morocco (HSAM)	Morocco	DVP UK continued to provide assistance to HSAM by providing supplies in 2016 of Alvegesic, <i>Atipam</i> and <i>Sedator</i> .
Animal	The Humane Society of Greater Kansas City & Great Plains SPCA	USA	PDRA US donated glucose testing equipment.
Other	The humanitarian organisation "Bread of Saint Ante"	Croatia	Donation of disinfectants.

Financial Donations

Business Unit	Jurisdiction	Amount	Description
DPM Skipton	UK	£601	Donations to Children in Need and Petal Cancer Research for Children.
DVP Canada	Canada	£1,783	Refer to case study: Our Community below.
DVP EU	Denmark	£240	Donations to community projects and the Danish Cancer Foundation.
DVP EU	International	£809	Continued sponsorship of three children through SOS Children's Villages.
DVP EU	International	£31,830	Refer to case study: Our Environment – Circle of Good
DVP EU	Germany	£687	Donations to various animal charities and a local community project.
Genera	Croatia	£7,876	Scholarships of high performing students without adequate parental care or with financial difficulties.
PLC	UK	£1,000*	Donation to Different Strokes.

* Donation made for the year ended 30 June 2016 but paid after the year end.

Case Study:

Our Community

In May 2016, wild fires raged through Fort McMurray, Canada causing serious damages to homes and the local environment. As a result hundreds of horses in the area were displaced. The Alberta Sales Manager, Nicole Dievert, wanting to help, worked with the local community to organise a hay and feed collection for the displaced horses. She also raised a cash donation of CAD 340, which was supplemented by a donation by DVP Canada bring the funds to CAD 3840.

Hay and feed were purchased, and with the help of a local haulage company, Nicole and volunteers drove four hours to a location selected by the Alberta Equestrian Foundation. 28 volunteers helped unload the hay working tirelessly over three hours. With energy and compassion, Nicole and a team of volunteers saved over 100 horses displaced from the fire.

Corporate Social Responsibility

continued



Case Study:

Our Environment – Circle of Good

The Circle of Good was developed as a positioning for the *Specific* brand of pet food because we believe pets deserve quality nutrition to support a healthy and happy life. The manufacture a quality diet requires quality ingredients that need to come from a healthy and sustainable environment. The main source of protein in our *Specific* range is fish.

To support this position, during 2015 financial year, DVP EU, out of the profit from the sales of *Specific*, committed to making donations to good causes that champion a healthy environment. As part of this commitment the Dutch and Belgian teams joined forces to look for a good cause that fitted with the philosophy of the Circle of Good. They chose the North Sea Foundation (NSF), as both teams have a similar vision, a willingness to share knowledge and collaborate. This resulted in an agreement between the two organisations for three years where Dechra has committed to financially and promotionally support their activities.

The mission of the NSF is to protect the North Sea and to use the sea's resources sustainably. With *Specific* containing a high proportion of fish by-products we are keen on organisations who

have sustainable fishing practices at the heart of their mission. The NSF has been in operation for over 35 years and since 2013, they have undertaken a Beach Cleanup Tour, where each year the foundation clean up the entire coast of the Netherlands in several stages during one month. This has become their most visible achievement to the general public and has been a great success, with lots of people volunteering to help collect rubbish and debris washed up from sea.

Both the Dutch and Belgian sales teams actively participated in beach clean-ups in August 2016, encouraging veterinarians and pet owners to join them – a true collaboration for the benefit of many.

The table below provides a summary of the financial contributions to the various charities, which were chosen by the respective teams:

Country	Charity	Amount
Belgium and the Netherlands	NSF	£11,167
Finland	WWF*	£670
France	WWF	£18,612
Norway	WWF	£401
Sweden	WWF	£980

* World Wide Fund for Nature

Our Environment

The Group recognises the importance of good environmental controls. It is the Group's policy to comply with environmental legislation currently in place, to adopt responsible environmental practices and to give consideration to minimising the impact of its operations on the environment.

Our Manufacturing site in Skipton (DPM, Skipton) has maintained its accreditation audit for BS EN ISO 14001:2004 International Environmental Management standard. This standard requires

organisations to have an environmental policy and an action plan for managing their impact on the environment. The business sets environmental objectives and targets to ensure that they continually improve their environmental performance relative to business efficiency and minimising the impact on their activities on the wider environmental media. DPM Skipton has:

- since 1 April 2016 become a 0% waste to landfill site. Previous landfill waste is now processed for energy recovery;

- improved significantly their waste recovery, reuse and recycling processes;
- implemented active energy efficiency programmes such as replacing non energy efficient lighting with industry best practice LED lighting; and
- investigated new technologies with a view to replacing or reducing energy consumption from the national energy supply networks.

DPM Skipton: Annual Waste Disposal Performance (Monthly Averages)

Average Waste Volumes in tonnes	Year Ending 30 June 2015	Year Ending 30 June 2016	%Variance over previous year	Target expectation
Recovered, Recycled & Reused volumes	8.7	11.59	+33.22%	+10% (Exceeded)
Landfill Volumes	8.83	5.95	- 32.62%	-10% (Exceeded)
Contaminated Waste & Controlled Drugs	6.84	5.49	-19.74%	-5% (Exceeded)
Total Waste Produced	25.85	24.01	- 7.12%	-5% (Exceeded)

The Skipton facility continues to comply with effluent discharge standards into local water supplies, which is subject to random monitoring by Yorkshire Water Authority. Standard operating procedures are in place to ensure that all contaminated

waste is disposed of under strict controls. Furthermore, all exhaust air is fully filtered from the manufacturing unit before discharge into the environment.

Our service centre in Denmark (DSC) is constantly monitoring and optimising its energy resources, and has implemented the most energy efficient equipment possible whenever it has been both practically and financially viable. It is currently changing

all of its lighting to LED lighting, which is calculated to provide a return on investment within two years, providing an estimated service life of 50,000 hours (or 12 years). DSC is also investigating a system to monitor the use of its electricity, heat and water on a daily basis to enable it reduce consumption in specific areas and time slots.

DSC has continued with its annual contribution of DKK15,000 to Energreen ApS for the construction of new green energy production facilities within Denmark.

Greenhouse Gas Emissions

This is third year that Dechra has collated and reported on its Greenhouse Gas Emissions.

Methodology

In order to determine our carbon emissions, we have used the GHG Protocol Corporate Accounting and Reporting Standard and have reported on Greenhouse Gas Emissions arising from those sources over which we have operational control. The disclosures below encompass:

- **Scope 1:** includes emission from combustion of fuel and operation of facilities (excluding combustion of fuel from Company cars);

- **Scope 2:** includes emissions from purchased electricity, heat, steam and cooling; and

- **Vehicle emissions.**

UK Government's Conversion factors for Company Reporting 2015 have been used to convert Dechra's usage into a carbon dioxide equivalent, and Dechra has selected 'Tonnes of CO₂e per total £ million sales revenue' as the intensity ratio as this is a relevant indicator of the Group's growth.

	1 July 2015 to 30 June 2016 (Acquired businesses)	1 July 2015 to 30 June 2016 (Existing business)	1 July 2015 to 30 June 2016 (Total)	1 July 2014 to 30 June 2015	1 July 2013 to 30 June 2014 restated*
Scope 1	2,800	634	3,434	636	613
Scope 2	1,212	1,918	3,130	1,740	1,712
Vehicle emissions	136	1,375	1,511	1,241	1,165
Total Carbon Footprint (tonnes of CO₂e)	4,148	3,927	8,075	3,617	3,490
Intensity ratio (tonnes of CO ₂ e per £m)	191.2	17.4	32.6	17.8	18.0

* Figures stated to take into account corrections made to our carbon footprint calculations as well as the inclusion of new business.

The intensity ratio has increased by 14.8 tonnes of CO₂e per total £ million sales revenue, from the table above it can be seen that the increase is attributable to the acquisitions and in the main this is due to the production of a nutrition supplement that is manufactured at Genera. Please refer to case study below.

Case Study:

Our Environment – Special Nutrition Supplement Production

The production of the nutrition supplement, a pellet based feed, uses approximately 80% of the natural gas and approximately 40% of the electricity consumption at the Genera site. The equipment required for the production of this supplement operates 24 hours a day, 7 days a week, 11 months of the year.

The production process involves pellets being loaded into a coater unit and being tumbled on a rotating drum whilst a coating liquid sprays through nozzles onto their surface. Hot drying air is used to evaporate the solvent leaving behind a layer of coating.

The heating process utilises steam produced by the central boilers, whereas electricity is used for the coating of the pellets and the supply of compressed air. The compressed air is used in the manufacturing processes throughout the site.

Once the pellets have sufficient coating they are discharged from the machine and any moisture evaporated from the product is exhausted with the drying air and recycled and heated for re-use.

The coating spray solution is ethanol based, and on completion of the coating, the ethanol vapour is extracted into a recovery plant which recycles 95% of the ethanol back into the production process. To meet environmental legislation, the site has an ethanol recycling unit which alone consumes approximately 60% of the energy utilised in this production area.

