

## DECHRA PHARMACEUTICALS PLC

### REMUNERATION COMMITTEE

#### TERMS OF REFERENCE

#### **1. Membership**

- 1.1 The Chairman and members of the Remuneration Committee (“the Committee”) shall be appointed by the Board, on recommendation of the Nomination Committee in consultation with the Chairman of the Committee.
- 1.2 The Committee shall comprise of at least three (3) non-executive directors. All members of the Committee should be independent non-executive directors. The chairman of the Company may also serve on the Committee as an additional member if he or she was considered independent on appointment as chairman.
- 1.3 The Chairman of the Committee shall be appointed by the Board, and shall be an independent non-executive, who should have served on the Committee for at least one year. The Chairman of the Committee shall not be the chairman of the Company. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.
- 1.4 The quorum of the Committee shall be two members and a duly convened meeting of the Committee at which a quorum is present shall be authorised to exercise all of the authorities, powers and discretions vested in or exercisable by the Committee.

#### **2. Secretary**

- 2.1 The Secretary of the Company or his or her nominee shall act as Secretary of the Committee and will circulate information and papers in a timely manner to the Committee to enable full and proper consideration to be given to the issues

#### **3. Attendance**

- 3.1 Only members of the Committee have the right to attend Committee meetings, but other persons may attend meetings or be present for particular agenda items if so invited by the Committee.
- 3.2 The Chief Executive shall be invited to attend meetings to discuss the performance of executive directors and make proposals as necessary.
- 3.3 The Chief Executive will also report to the Committee on significant group

wide changes in salary structure and terms and conditions affecting other employees at senior executive level.

#### **4. Frequency of Meetings**

- 4.1 The Committee shall meet at least twice a year and at such times as the Chairman of the Committee shall require.

#### **5. Authority**

- 5.1 The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.
- 5.2 The Committee is authorised by the Board to seek appropriate professional advice inside and outside the Group as and when it consider this necessary at the Company's expense.

#### **6. Duties**

- 6.1 The Committee shall carry out the duties below for the Group as a whole and the parent company:
- 6.1.1 have delegated responsibility for determining the policy for remuneration and setting the remuneration of the Company's Chairman, Executive Directors, and senior management (including the Company Secretary) in accordance with the Principles and Provisions of the UK Corporate Governance Code (the Code), and other factors such as legal and regulatory requirements. The objective of the policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regards to views of shareholders and other stakeholders.
- 6.1.2 the remuneration of Non-Executive Directors should be a matter for the Chairman and Executive members of the Board within the limits set in the Articles of Association. No Director or manager should be involved in any decisions as to their own remuneration.
- 6.1.3 establish remuneration schemes that promote long term shareholding by Executive Directors that support alignment with long term shareholder interests, with share awards subject to a total vesting and holding period of at least five years, and a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.
- 6.1.4 design remuneration policies and practices to support strategy and promote long term sustainable success, with executive remuneration aligned to the Company purpose and Values, clearly

lined to the successful delivery of the Company's long term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or share awards under appropriate specified circumstances.

- 6.1.5 consider the Code requirement for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture when determining the Executive Director Remuneration Policy and practices.
- 6.1.6 review workforce remuneration and related policies.
- 6.1.7 review the ongoing appropriateness and relevance of the remuneration policy.
- 6.1.8 within the terms of the policy and in consultation with the Chairman and/or Chief Executive, as appropriate, determine the total individual remuneration package of the Chairman, each Executive Director, and senior executives including bonuses, incentive payments and share options or other share awards. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking into account of the Company and individual performance, and wider circumstances.
- 6.1.9 shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board. However, the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants.
- 6.1.10 review the design of all share incentive plans for approval by the Board and, where required, shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards for Executive Directors and senior managers and the performance targets to be used.
- 6.1.11 work and liaise as necessary with all other Board Committees as appropriate.

## **7. Minutes**

- 7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 Draft minutes of Committee meetings shall be agreed with the Committee

Chairman and then circulated promptly to all members of the Board, unless it would be inappropriate to do so in the opinion of the Committee Chairman.

- 7.3 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

## **8. Engagement with Shareholders**

- 8.1 The Committee Chairman should attend the annual general meetings to answer any shareholder questions on the Committee's activities.
- 8.2 The Committee Chairman should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## **9. Reporting Responsibilities**

- 9.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on the nature and contents of its discussion, recommendations and actions to be taken.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary.
- 9.3 The Committee shall provide a description of its work in the Annual Report in line with the requirements of the UK Corporate Governance Code.
- 9.4 The Committee shall ensure that provisions regarding disclosure of information as set out in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the UK Corporate Governance Code, are fulfilled, and that a report of the Directors' remuneration Policy and practices is included in the Company's Annual Report and put to shareholders for approval at the Annual General Meeting as necessary.
- 9.4 If the Committee has appointed remuneration consultants, the Annual Report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company or individual Directors.
- 9.5 Through the Chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

## **10. Other Matters**

- 10.1 The Committee shall:
  - 10.1.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
  - 10.1.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

- 10.1.3 give due consideration to laws and regulations, the provisions of the Code and published guidelines or recommendations regarding the remuneration of Directors and the formation and operation of share incentive plans, the requirements of the FCA's Listing Rules, Prospectus and Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules, as appropriate;
- 10.1.4 arrange for periodic evaluation of its own performance; and
- 10.1.5 at least annually, review its constitution and terms of reference and recommend any changes it considers necessary to the board for approval.