

Sustainability  
Report 2023

# Making a Difference

The Veterinary Perspective



# Sustainability Report 2023

## Making a Difference Through an Integrated Approach

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## Introduction

# Placing Sustainability at the Heart of Everything We Do



### Welcome to Our 2023 Sustainability Report

Following the publication of our inaugural Sustainability Report last year, we are pleased to follow up with our second edition this year and take the opportunity to reflect back on another 12 months of progress against our Sustainability strategy.

In what has been an eventful year for the business, with challenging trading conditions and the offer to acquire the business by Freya Bidco Limited\*, we have maintained our commitment to operating in a way that creates long term value for all stakeholders and have further embedded Sustainability across the Group.

### Our Integrated Approach

This year, we have made a subtle but important change to how we think about and present the interaction between our corporate Strategic Enablers and our Sustainability strategy. We have historically regarded delivery of our growth strategy as being driven by the four enablers of Manufacturing & Supply Chain, Technology, People and ESG. However, such is the importance that we place on building a resilient, sustainable business capable of delivering superior long term performance, it became clear to us that ESG is no longer a standalone Strategic Enabler.

Rather, it has in fact become central to all that we do. In recognition of this we have taken the opportunity to re-position our Sustainability strategy such that it now serves as a fundamental underpin to delivering our growth strategy and, ultimately, our Purpose. Doing so will help deliver even better alignment between our corporate and Sustainability strategies and a clearer way of demonstrating their interdependencies.

Our long term approach to Sustainability, articulated through our Making a Difference strategy, remains centred around the four pillars of Business, Environment, People and Community. Over the pages that follow, we share more detail around our efforts in all these areas and how we continue to adapt to a changing world.

**Paul Sandland**  
Chief Financial Officer

\* Freya Bidco Limited is a newly formed company to be indirectly owned by (i) EQT X EUR SCSp and EQT X USD SCSp, each represented by its manager (gérant) EQT Fund Management S.à r.l. (collectively referred to as EQT) and (ii) Luxinva S.A.

## Highlights

**7.6%**  
Revenue invested in Research & Development

**Science Based Targets**  
Near term targets for Scope 1, 2 and 3 carbon emissions submitted to SBTi

**Living Wage or equivalent**  
Employer globally

**Innovative Investment**  
In a livestock methane reduction initiative



## Our Approach to Sustainability

# What Sustainability Means to Us

Our Making a Difference plan formalises our commitment to a long term Sustainability strategy, and has strong links with our Purpose and our Culture.

It provides a framework centred around four Sustainability pillars and a set of 11 objectives, helping to focus our efforts on making conscious choices and working with our stakeholders to become a more sustainable business.

➔ Read more about our Sustainability **Metrics and Targets** on page 7.

Sustainability is well embedded within the business and we are adopting an increasingly integrated approach when it comes to making strategic choices and how different parts of the business interact.

We believe that this approach will allow us to demonstrate, measure and improve our performance whilst having a positive impact in addressing the social, economic and environmental challenges the world is facing.









## Our Approach to Sustainability

# Sustainability in the Animal Health Market

There are several trends that influence how we integrate Sustainability in to our business, some of which are macro factors whilst others are specific to the industry in which we operate.

<p><b>Credible actions based on science</b></p> <p>Businesses are placing more focus on the need to transition to a low carbon economy, protect biodiversity and reverse nature loss. Increasing legislation and regulation will test the credibility, strength and depth of a company’s Sustainability commitments, who will be judged on the actions they take and not just the promises they make.</p>	<p><b>How we are responding</b></p> <p>We are taking a science based approach to our long term commitments, such as our pathway to net zero and targets for carbon emission reduction. We have also started developing an integrated environmental strategy to help us prepare for new reporting requirements such as the Taskforce on Nature-related Financial Disclosures. The need for scientifically valid objectives resonates strongly with our business given our investment in research and development and marketing our products based on the clinical benefits they are proven to deliver.</p>	<p><b>Link to Sustainability Strategic Pillars</b></p> 
<p><b>Supporting employee resilience</b></p> <p>There is a growing need for businesses to create a working environment that provides strong social connections and allows for mental, physical and emotional wellbeing. This is important to reduce employee stress and increase job satisfaction and productivity.</p>	<p><b>How we are responding</b></p> <p>Our people are our greatest asset and it is no coincidence that they form both a pillar of our Sustainability strategy and are also a Strategic Enabler to our growth strategy. From well established support networks such as our THRIVE programme through to newer initiatives such as flexible working arrangements and being recognised as a Living Wage (or equivalent) employer globally, we strive to help all Dechra employees be the best version of themselves.</p>	<p><b>Link to Sustainability Strategic Pillars</b></p> 
<p><b>Challenges faced by veterinarians</b></p> <p>Being a veterinarian can be challenging. There is a worldwide shortage of veterinarians and an increasing caseload given the rising demand for animal protein and increasing pet ownership. This is leading to burnout and stress within the profession rather than feeling of fulfilment resulting from their vocation.</p>	<p><b>How we are responding</b></p> <p>At Dechra, we believe that we share in the challenges faced by veterinarians, and that’s why we see things from ‘The Veterinary Perspective’. We offer innovative solutions, education and technical support so that veterinarians can do what they do best: provide the best possible clinical care to the animals they treat.</p>	<p><b>Link to Sustainability Strategic Pillars</b></p> 
<p><b>Growing awareness of Sustainability within the veterinary profession</b></p> <p>Whether a small independent farmer or a companion animal veterinarian working in a large corporate group, there is growing appreciation of the tools and training they need to drive Sustainability in their work and the value of doing so.</p>	<p><b>How we are responding</b></p> <p>We aim to be a responsible partner with regards to carbon emissions, waste reduction and responsible procurement. We have a number of live initiatives in specific areas such as product ordering patterns and transportation, and we recognise that collaboration across the industry will be crucial in achieving our long term net zero target given 92% of our current carbon footprint relates to indirect Scope 3 emissions.</p>	<p><b>Link to Sustainability Strategic Pillars</b></p> 

● Macro Trends ● Specific to our Industry

### Key to Sustainability Strategic Pillars





## Our Approach to Sustainability

# Sustainability is Embedded in Our Strategy



### More Than Just a Strategic Enabler

Sustainability is firmly embedded in the DNA of the Dechra business and is seen as crucial to delivering our growth strategy.

The re-positioning this year of ESG as a fundamental underpin rather than a standalone Strategic Enabler is more than just an act of ‘window dressing’ without any real meaning. It is a genuine reflection of the progress we have made over recent years and the extent to which we believe that building a resilient, sustainable business capable of delivering superior long term performance requires a truly joined-up approach.

### Developments This Year

In our inaugural Sustainability Report last year, we acknowledged that we are only at the start of a journey with regards to our Sustainability strategy and that many of the ambitions we have will take time to achieve. However, we committed to making continuous improvements each year and adopting an even more integrated approach within the business represents another important step.

We are making good progress against the commitments made in our Making a Difference plan. This covers the four pillars of Business, Environment, People and Community, and we believe the impact of our actions in these areas extends beyond just the financial performance of the business by contributing to wider economic, social and environmental resilience.

As part of our efforts to help create a more circular economy we are eliminating waste, implementing sustainable packing solutions and sourcing more sustainable materials. In addition, our near term carbon reduction targets have been submitted to the Science Based Targets initiative and are awaiting validation, representing an important milestone on our pathway to net zero by 2050.

### Increased Engagement Across the Group

We regularly communicate our Sustainability objectives and progress to all employees and in a variety of ways. We have a quarterly BeeCircular newsletter to keep the business informed of our latest Sustainability news, stories and information, and we have a dedicated internal hub called The Hive where regular updates and a blog provide ongoing content to keep Sustainability front of mind.

I also work closely with members of our Senior Executive Team to help guide the various teams on Sustainability related initiatives, including as part of our annual five year strategic planning process.

It has been rewarding to see the level of engagement and enthusiasm shown by employees from every level within the business and it is this support that will help Dechra to succeed with our Sustainability objectives over the coming years.

### Next Steps

We continue to believe that our Sustainability strategy is credible, with realistic but stretching targets. We also remain committed to being transparent in how we approach the challenges of creating value for multiple stakeholders during a time when the world around us is constantly changing.

Although I am delighted with the progress we have made this year, there remains much to do. However, with the support of people across the business, I am enthused by the prospect of our Sustainability initiatives having a positive impact on our business, our industry and our world in general.

In the coming year, we intend to reassess all aspects of our Sustainability strategy as we seek to achieve even better alignment with our Purpose, Values, brand and strategic objectives. This will provide us with an opportunity to evaluate which areas of our existing Making a Difference plan remain appropriate and which need to evolve with the wider business and the world in which we operate to strengthen our positioning and support our future success.

**Carina Kjellberg**  
Group Sustainability Director

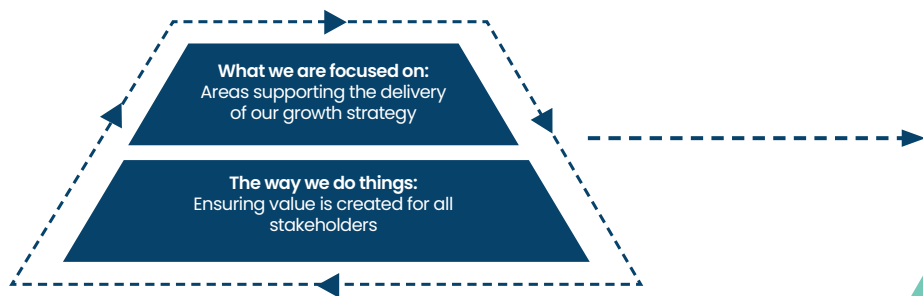


# Our Approach to Sustainability

## How We Make a Difference

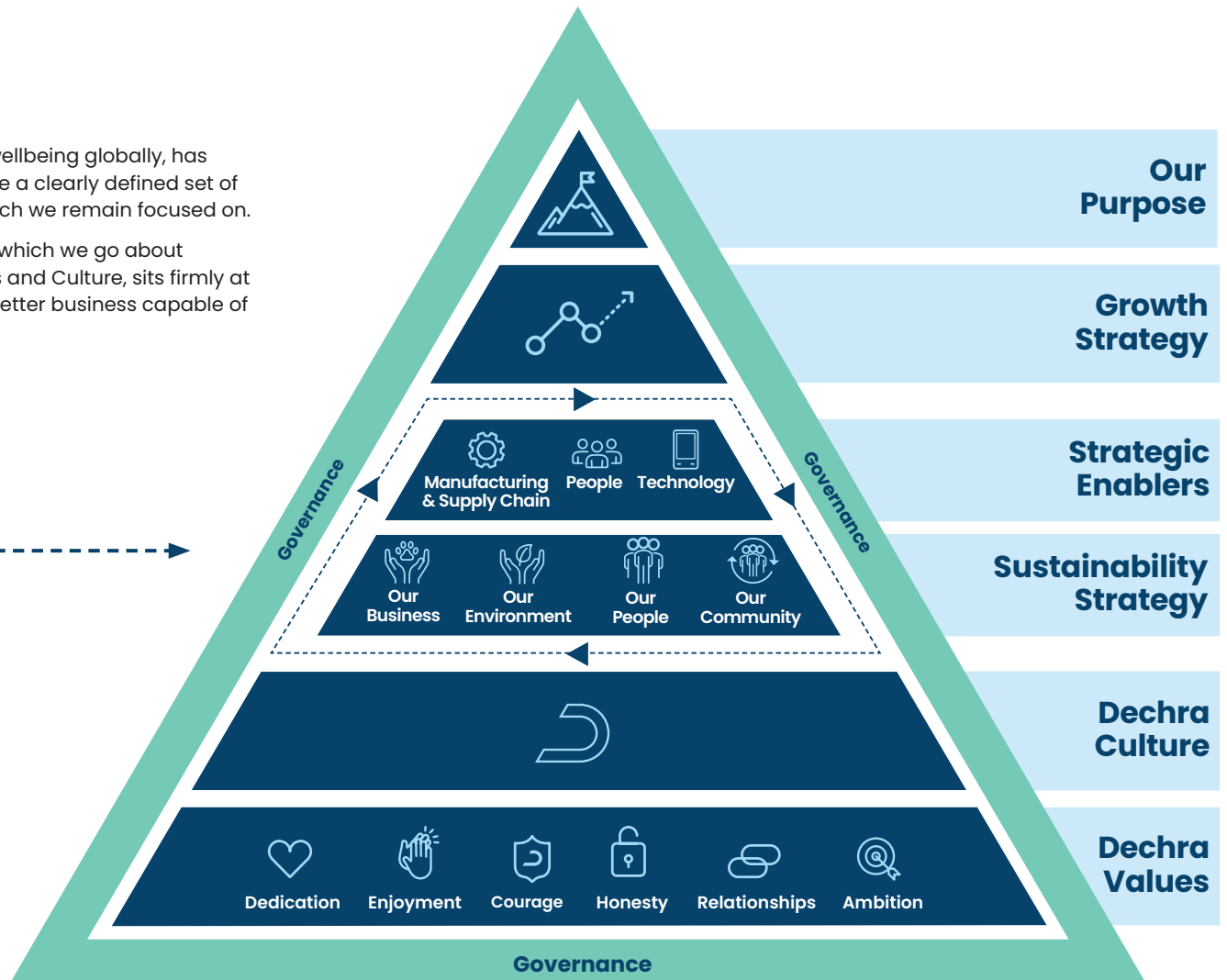
Our Purpose, the sustainable improvement of animal health and wellbeing globally, has not changed and nor has our growth strategy. We continue to have a clearly defined set of Drivers and Enablers that support delivery of that strategy and which we remain focused on.

Our Making a Difference Sustainability strategy reflects the way in which we go about delivering that growth strategy. It is closely aligned with our Values and Culture, sits firmly at the heart of all that we do, and helps position Dechra as an even better business capable of delivering long term value to all stakeholders.



“Sustainability has become increasingly central to strategic decision making across the Group.”

**Paul Sandland**  
Chief Financial Officer





## Our Approach to Sustainability

# Sustainability Metrics and Targets

In the 2022 financial year, we performed an initial in-depth materiality assessment across our Sustainability pillars which identified a total of 11 topics. For each topic, we considered what it meant to us and how it linked to the United Nations Sustainable Development Goals (SDGs).

Further details regarding our materiality assessment can be found in our 2022 Sustainability Report.



















Having considered the materiality assessment again, we continue to believe that the topics identified last year remain appropriate. However, we have taken the opportunity to critique the metrics and targets associated with each one so that they are more clearly aligned and remain relevant in the context of ongoing business performance and objectives.

### Notes on performance in the 2023 financial year

1. Our longer term target is to invest between 5% and 6% of revenue on R&D. However, for financial years 2023 to 2025 inclusive, we have committed to temporarily increasing this investment to between 7% and 8% to help drive further innovation and future growth.

2. The GHG emissions intensity ratio is calculated with reference to our Scope 1, 2 & 3 emissions reported historically under the GHG Protocol Corporate Accounting and Reporting Standard, which differs to our carbon footprint for the purposes of Science Based Targets. See our Annual Report for further details.

3. We did not meet our target to source 100% of our internally procured paper & wood from FSC sources by the end of June 2023, with 66% of our suppliers currently FSC approved. Wherever possible, we have endeavoured to adopt a localised approach to sourcing FSC materials and to work collaboratively with existing suppliers rather than adopt a blanket approach across all Dechra operations. This process has taken longer than anticipated, however we expect to achieve our target by June 2024.

Sustainability Pillar	Sustainability topic	Focus area	Objective	Link to United Nations SDGs	Target(s)	Performance in the 2023 financial year
 <b>Our Business</b>	Animal Health and Welfare	Ethical and sustainable products	Develop and promote products to improve animal health and welfare sustainably	 	Invest 5% to 6% of revenue on product development per annum	7.6% invested in Research & Development (see note 1)
	Customer Satisfaction	Supporting veterinary professionals	Maintain and improve the knowledge and skills of veterinarians	 	Provide 100,000 of continuous professional development (CPD) hours per annum	205,012 CPD hours provided globally
	Trust and Transparency	Ethics	Act with honesty and integrity		Perform value chain sustainability assessment by June 2030	Project remains on track
 <b>Our Environment</b>	Integrated Climate Strategy	Emissions, Land & water and Biodiversity	Reduce greenhouse gas (GHG) emissions and waste to landfill, use water responsibly and protect biodiversity	  	Reduce Scope 1, 2 and 3 emissions in line with climate science through the Science Based Targets initiative (SBTi); Achieve net zero by 2050; 100% FSC paper & wood by June 2023	13% reduction in GHG emissions intensity ratio (see note 2); Science based targets submitted to the SBTi; 66% FSC paper & wood (see note 3)
	Waste Management	Circularity	Recover, reduce, recycle, reuse		Zero to landfill by June 2025	Reduced waste sent to landfill from 7% to 5%
	Plastic Leakage	Responsible sourcing	Implement sustainable packaging and decrease plastic usage		Review full product range by June 2025	Project remains on track
 <b>Our People</b>	Wage Policy	Fair employment practices	Comply with national legal requirements regarding wages and working hours	 	Remain a Living Wage Employer or equivalent	Retained UK accreditation and pay relative to OECD standards
	Human Rights	Safe working practices	Reinforce health and safety practices, with a culture of zero harm	 	Zero lost time accidents (LTAs)	17 LTAs
	Equality in the Workspace	Fair employment practices	Eliminate the gender pay gap		Increase the number of women in senior and technical roles	Reduced gender pay gap from 1.7% to 1.3%
 <b>Our Community</b>	Community Involvement	Community activities	The donation of time and skills to local charities	 	100,000 community hours by June 2030	3,147 hours this year 7,537 hours cumulative
	Philanthropic Activities	Community donations	Maintain Regional Giving Committees to allow our people to make a difference locally		£5 million donated in cash or products by June 2030	£633,645 this year £1,361,297 cumulative





## Our Approach to Sustainability

# Effective Engagement Drives Sustainable Value For All Stakeholders



### Engagement with stakeholders is a vital component of our long term sustainability and success.

We have identified six key stakeholder groups that we believe are important to engage with regularly to continue to make Dechra successful: people, veterinary professionals, shareholders, suppliers, communities and regulatory authorities.

### Our Stakeholders

**People:** Our employees are our greatest asset and we aim to make Dechra a great and safe place to work by attracting, retaining and developing talent. We employ 2,457 people in 26 countries in a wide range of working environments so multi-channel communication is key to successful engagement. To achieve this, we host a Group intranet site, perform regular site visits by Senior Management, hold Town Hall meetings, engagement surveys, employee meetings with the Employee Engagement Designated Non-Executive Director, Lisa Bright, performance reviews, employee development and training and direct communication to all employees from the Chief Executive Officer.

**Customers:** Our customers are veterinary professionals operating in veterinary practices and major farming units. We engage with veterinary professionals to improve animal health and welfare. We provide high levels of technical support and educational training to develop a strong relationship with, and be recognised as an important partner to, veterinary professionals. Key engagement platforms are provided through the use of our innovative and effective products supplemented by daily engagement with our people, utilisation of the Dechra Academy, our

award winning online educational system, lunch and learns and technical support helpline.

**Shareholders:** Shareholder engagement is key to instilling trust and confidence, whilst also facilitating informed investment decisions. Understanding financial performance, strategic delivery and ESG performance form the basis of our engagement with this stakeholder group. Engagement is provided through the Annual Report and RNS announcements, the Annual General Meeting, investor presentations, corporate website and one-to-one meetings.

**Suppliers:** We aim to trade with honesty and integrity, and to source sustainable, ethically produced, quality raw materials and finished products. We provide fair trading terms and seek to establish long term trading relationships. We engage regularly through one-to-one meetings, perform quality audits, due diligence, Anti-Bribery and Anti-Corruption training and via our third party code of conduct.

**Communities:** We believe it is important to give something back to the communities in which we operate. Engagement includes support and participation in community activities, projects and initiatives, financial and product donations and through the provision of development and educational opportunities to local people through employment.

**Regulatory Authorities:** It is vital to our business that our products meet the highest possible safety and quality standards. Regulatory training is provided for employees and we engage with regulators via manufacturing facility inspections, market authorisation applications and Product Safety Update Reports (PSURs).



## Our Approach to Sustainability

# Alignment to UN Sustainable Development Goals

Since 2020, we have chosen to link our sustainability strategy to the United Nations Sustainable Development Goals (SDGs) as we felt that this would provide an appropriate framework for our activities. When plotting the 17 goals against our Sustainability objectives, we found that we have the opportunity to positively contribute to a number of them but identified the following as being most closely aligned to our Making a Difference strategy.





# Our Progress: Case Studies

We are pleased with the progress we have made over the past 12 months on a number of our Making a Difference objectives. As explained earlier in this report, we are increasingly embedding Sustainability in to the wider business strategy and this level of integration can be seen in initiatives from the last year that have made a positive contribution to more than one area of our Sustainability strategy.

Two such examples are shown below, where we have outlined their interaction with our Sustainability pillars and topics. For more information on each, please see the pages that follow.



## Anti-Microbial Resistance

### Overview:

In recognition of the role we can play in the responsible use of antibiotics within animal healthcare, we have taken the opportunity to improve transparency with regards to our current position.

### Link to Sustainability Pillars:



Our Business



Our Environment

### Link to Sustainability Topics:

Animal Health and Welfare; Trust and Transparency; Integrated Climate Strategy; and Waste Management.

## Beyond the Value Chain

### Overview:

Beyond value chain mitigation is an important element of any integrated climate strategy and our initiative to help fund salt lick manufacturing units was a unique opportunity with both social and environmental benefits.

### Link to Sustainability Pillars:



Our Business



Our Environment



Our Community

### Link to Sustainability Topics:

Animal Health and Welfare; Integrated Climate Strategy; and Philanthropic Activities.



## Case Study

# Our Approach to Anti-Microbial Resistance

## What is Anti-Microbial Resistance (AMR)?

The term ‘microbes’ encompasses a number of different microscopic organisms such as bacteria, viruses and parasites. Some of these are important for our health whilst others cause disease. Anti-microbials, such as antibiotics, prevent and treat infections caused by microbes in humans and animals. Anti-microbial resistance (AMR) is the evolutionary process by which microbes evolve over time and develop resistance to these treatments, meaning medicines become less effective against them. This makes infections harder to treat, easier to spread and more likely to cause severe illness and death. Inappropriate and/or excessive use of anti-microbials creates a risk that it contributes to the development of AMR over time.

Historically, there have been three areas of concern regarding the overuse of antibiotics:

1. for growth promotion in animals, where an antibiotic is administered in low doses purely to change the bacterial population in the gut to enhance the growth of the animal, rather than to treat a disease;
2. to reduce the likelihood of transmission across an entire herd when just a few animals have fallen ill; and
3. as a substitute for good animal husbandry/welfare relating to poor infection prevention and control (such as lack of hygiene).

AMR in livestock resulting from practices such as those above can contribute to the potential spread of antibiotic resistant pathogens, and there has been growing recognition regarding the importance of prudent and responsible use of anti-microbials.

## Regulatory Backdrop

In seeking to address 1) above, in 2006 the European Union banned the use of antibiotics for growth promotion. Then, in January 2022, the Veterinary Medicinal Products Regulation (Regulation (EU) 2019/6) became effective and updated the rules on the authorisation and use of veterinary medicines in the European Union (EU). In particular, the Regulation sought to strengthen EU action to fight antimicrobial resistance through specific measures ensuring prudent and responsible use of antimicrobials in animals.

In effect, this regulation banned prophylactic and routine use of antibiotics in farming across the EU such that antibiotics can no longer be applied to compensate for poor hygiene and animal husbandry practices, thereby targeting the practices highlighted in 2) and 3) above.

This ban does not apply to the UK, although products exported to the EU must comply with its requirements. Although equivalent regulation does not currently exist in the United States, there is growing momentum.

## WHO guidelines on use of medically important antimicrobials in food producing animals

### Non-therapeutic use

#### Growth promotion

Animals are routinely given low doses of antibiotics for extended periods to increase feed efficiency and/or stimulate growth. May also prevent disease.

#### Prophylaxis

Routine group treatment of animals for extended periods of time where there is a high risk of infection, but no illness currently present.

### Therapeutic use

#### Metaphylaxis

Non-routine treatment of a group of animals that are in close contact with clinically infected animal(s).

#### Therapy

Non-routine treatment of animals with clinical evidence of infectious disease.

## The declining use of antibiotics in Europe

Governmental regulations and consumer preferences, such as a rising demand for antibiotic-free meat, have led to a decline in the desire to use antibiotics over recent years. This has contributed to the overall use of antibiotics in the EU declining significantly with this trend likely to continue, albeit at a slower pace.

In all large European food producing animal markets, there have been considerable improvements in the prudent use of antibiotics and overall antibiotic

consumption decreased by almost 50% between 2011 and 2020.

In the UK, use of antibiotics in farm animals decreased to the lowest recorded in 2021, with a 55% reduction since 2014. The UK is now one of the lowest users of antibiotics in Europe, and lower than any EU country with a significant livestock farming industry.

Sources:

European Medicines Agency ESVAC report

<https://commonslibrary.parliament.uk>





## Case Study

### Our Approach to Anti-Microbial Resistance continued

#### Overview of Dechra FAP Revenue

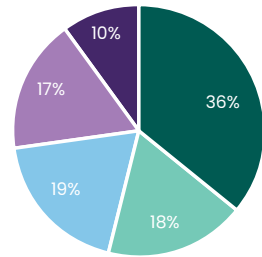
In the 2023 financial year, total Group net revenue was £761.5 million of which £89.0 million related to Food producing Animal Products (FAP).

Within our FAP revenue, the main product categories are as follows:

- **Water soluble antibiotics** mostly sold under our Solustab® range;
- **Other products containing antimicrobials**, largely relating to anti-infectives and locomotion;
- **Vaccines** for cattle, poultry and swine;
- **Anti-infectives and internal medicine** consisting of a number of different products, but which do not contain any antimicrobials; and
- **Other product categories** such as anaesthesia & analgesia and parasitology.

Against this context, whilst we accept that regulations restricting the use of antibiotics in food producing animals and shifting consumer preference towards plant based foods or animal products raised without antibiotics do represent risks, we do not believe that the risks arising from antimicrobial resistance will have a material impact on our business.

## FAP antimicrobials account for approximately 52% of all FAP sales and only 6% of total Group sales



- Water soluble antibiotics
- Other products containing antimicrobials
- Vaccines
- Anti-infectives & internal medicines that do not contain antimicrobials
- Other product categories

#### The Dechra FAP Portfolio

##### Current Make-up

The FAP antibiotics that we sell are used for treatment only, rather than prevention.

The European Medicines Agency's (EMA) Antimicrobial Advice Ad Hoc Expert Group (AMEG) has categorised antibiotics based on the potential consequences to public health of increased antimicrobial resistance when used in animals and the need for their use in veterinary medicine.

Almost all of our antibiotics are classified as C (Caution) and D (Prudence) using the

AMEG categorisation, meaning they are to be preferred if antibiotic treatment is necessary.

Dechra first entered the European FAP market with the acquisition of Eurovet in May 2012. Although FAP sales have grown in absolute value since then, they represented only 11.7% of Group sales this year compared to 19.6% when we acquired Eurovet.

Gross sales of FAP antimicrobials, both as a proportion of all FAP sales and total Group sales, have decreased between financial years 2015 and 2023, from 69% to 52% and 10% to 6% respectively.

In particular, we voluntarily discontinued sales of the antibiotic colistine even before the regulations banned its usage, as this was not seen as prudent with regards to AMR.

In the 2023 financial year, we entered the US FAP market for the first time via the acquisition of Med-Pharmex Holdings, Inc which has a small FAP portfolio containing antimicrobials.

#### Products Containing Antimicrobials

Our market leading *Solustab* range of water soluble antibiotics provide a reliable and stable product when added to drinking water and reduces the need for additional enhancing agents.

Within this range, the main brands are:

- Octacillin®, a powder containing amoxicillin for the treatment of diseases in swine and poultry;
- Soludox®, a powder containing doxycycline for swine and chickens; and

- Methoxasol®, a ready to use liquid medication containing the proven synergistic combination of sulfamethoxazole and trimethoprim to treat swine and poultry.

#### Other FAP Categories

Elsewhere in our FAP portfolio, Tri-Solfen® is a topical anaesthesia which multiple applications that helps to improve animal welfare when performing procedures such as piglet castration and tail docking, amongst others.

The main driver of FAP revenue growth over recent years has been our vaccines portfolio which, by its very nature, indirectly helps to reduce the use of antimicrobials. Moreover, our R&D pipeline has a number of potential new vaccine projects that, if successful, will diversify our portfolio further and help to prevent AMR moving forwards.

#### Looking Ahead

We do anticipate that the absolute sales of FAP, including those containing antimicrobials, will continue growing. However, we have an increasing focus on Companion Animal Products (CAP), including the major pipeline projects expected to launch over the coming years. As such, we expect the proportion of FAP sales, including those containing antimicrobials, as a proportion of total Group revenue to gradually decrease over time.



# Case Study

## Our Approach to Anti-Microbial Resistance continued

### Responsible Manufacturing, Promotion and Use of Antibiotics

The Dechra business model operates across the entire value chain including manufacturing, selling and ongoing technical support given to veterinarians who use our pharmaceuticals. This means we are uniquely placed to have a positive impact within the animal healthcare industry.

#### Manufacturing

All of our FAP water soluble antibiotics are manufactured in house at either our Bladel or Zagreb facilities. Within the very limited injectable antibiotics that we sell, the vast majority are also manufactured in house, with a small proportion manufactured at a third party Contract Manufacturing Organisations (CMO).

All sites perform local monitoring of the process effluent to remain compliant with any permits or licences and we have started a Pharmaceuticals in the Environment project to help us gain greater visibility over our manufacturing discharges.

### Promotion

Our products have never been registered for the purposes of growth promotion and we have never marketed antibiotic usage for this objective anywhere in the world.

Therefore, such indications have never been on the labels of any antibacterial products sold by Dechra, including in territories where these practices are still legal.

When promoting the *Solustab* range, we proactively highlight the product benefits in terms of ease of administration and consistency of result.

We do not incentivise sales representatives or third party distributors specifically on sales of antibiotic products.

As an alternative to antibiotics, we also offer an anti-inflammatory treatment, Solacyl®, to support the self-healing capabilities of animals. Where appropriate, this can be administered by the veterinarian to reduce the need to use antibiotics.

### Use by Veterinarians and Farmers

We regard the responsible use of antibiotics as treating the right animals with the right antimicrobial at the right time and in the right dose.

To encourage the responsible use of antibiotics, we provide a range of training and support to employees and veterinarian customers including a:

- *Solustab* Support Tool that our sales team use when visiting customers;
- *Solustab* training module for employees on the internal education platform, Delta;
- solustab.eu website for use by veterinarians and farmers; and
- Dechra Academy module for veterinarians promoting an integrated approach to mastitis (herd management, early detection and targeted treatment). This includes the importance of proper diagnosis and sensitivity testing.

We have developed a dosing application for use by veterinarians in clinics and on farms to help minimise under and overdosing and spillage. We also offer sensitivity testing support via an antibiotic paper ring test for mastitis pathogens.

### Our Statement Regarding AMR in Food producing Animals

Despite all efforts by veterinarians and farmers to prevent disease, sometimes animals do get sick. Dechra believes these animals deserve to be treated, respecting the principles of prudent use of antibiotics.

Our products and services are designed to support responsible use. We do not have in-feed additives for blanket treatment, we offer water soluble products for the treatment of targeted groups and injectables for individual treatment, thereby minimising use. We offer diagnostics to identify the most targeted treatment protocol and to support veterinarians in calculating the correct dose.

Approximately 95% of our European FAP antibiotic sales are class D, which are first choice treatments according to the EMAs AMEG categorisation, as they pose the lowest risk to human health when being used in animals and are the lowest risk category of antibiotics with regards to the development of AMR.

The rest are in class C, which are products that can be used in case there is no effective treatment in class D. We do not sell products from class A, which should not be used in food producing animals.

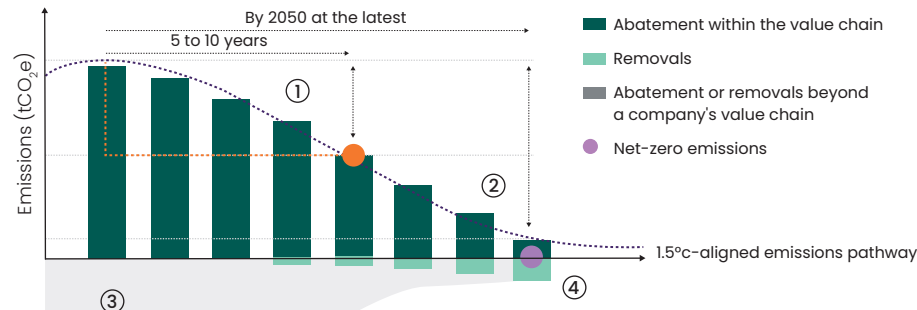




## Case Study

# Beyond the Value Chain

The Science Based Targets initiative (SBTi) set out four key elements of the net zero standards:



- To set near term SBTs:** 5 to 10 year emission reduction targets in line with 1.5°C pathways
- To set long term SBTs:** Target to reduce emissions to a residual level in line with 1.5°C scenarios by no later than 2050
- Beyond value chain mitigation:** In the transition to net zero, companies should take action to mitigate emissions beyond their value chains
- Neutralization of residual emissions:** GHGs released into the atmosphere when the company has achieved their long term SBT must be counterbalanced through the permanent removal and storage of carbon from the atmosphere

Source: Science Based Targets, SBTi Corporate Net-Zero Standard, April 2023.

As previously reported, we have been working towards the first two elements in the chart above. We have now submitted our science based targets to SBTi and they are currently being verified (further details can be found in the 2023 Annual Report).

In addition, during the year we were presented with an opportunity to accelerate the third element, Beyond Value Chain Mitigation (BVCM).

When reviewing BVCM opportunities the best projects are considered to be those that feature the following as mandatory requirements:

- inclusive of local stakeholders;
- deliver and verify sustainable development impacts;
- ensure best practice environmental and social safeguards;
- select sustainable development impacts relevant to business objectives and stakeholder concerns;
- focus on countries relevant to your supply chain, or consider projects in countries most vulnerable to climate change with lowest means to combat it; and

- activities that can avoid or reduce greenhouse gas emissions, or remove and store greenhouse gasses from the atmosphere.

### The AgCo Tech Opportunity

The opportunity was to invest in AgCo Tech Ltd, an Australian private limited company who provide practical help to livestock owners in developing countries. The investment of AUD 6.0 million (£3.3 million) will be paid in two equal tranches over the next 12 months to fund the building of the first manufacturing unit in Kenya and a second unit in Laos.

The investment will take the form of a loan which will be repayable, following a one year repayment holiday, over a six year period in the form of verified carbon credits (calculated at market value), which will be retired through our income statement upon receipt, as we do not intend to use these credits to offset our own emissions. The loan will attract interest, and Dechra will also take a 5% minority interest holding in AgCo Tech in return for the investment.

This opportunity is rare as it meets all of the above requirements. It provides practical help to livestock owners in developing countries to improve community wellbeing, the product improves cattle welfare and productivity and reduces methane intensity and emissions as well as generating verified carbon offsets, and the offsets created provide a potential income stream for AgCo Tech which allow them to deliver the product for free to farmers in need, generating social and environmental benefits.

It is also aligned to the recent output from COP 27, which stated the need to reduce carbon and methane emissions simultaneously whilst also supporting those on the front line of climate change. Methane has more than 80 times the warming power of carbon dioxide over the first 20 years after it reaches the atmosphere, meaning even though CO<sub>2</sub> has a longer lasting effect, methane sets the pace for warming in the near term.

AgCo Tech's verified carbon credits meet United Nations Framework Convention on Climate Change (UNFCCC) guidelines and each Certified Emission Reduction (CER) is equivalent to one metric tonne of carbon dioxide avoided or removed from the atmosphere from Clean Development Mechanisms (CDM). CDM projects are set out to achieve two goals:

- to reduce greenhouse gas emissions; and
- to support sustainable development in developing countries.

In addition to the environmental benefit of this investment, it is also strongly aligned with our Sustainability target to donate £5 million over a ten year period to 30 June 2030. Due to the philanthropic nature of the investment we will not look to profit from this investment, with any income being reinvested in other climate stewardship projects.



# Performance



## Our Business

# Providing Sustainable Products, Education and Technical Support

### Summary

#### Why It Matters:

We are a veterinary pharmaceutical company; our priority is the health and welfare of animals and everything we do is with this priority in mind.

#### Our Objectives:

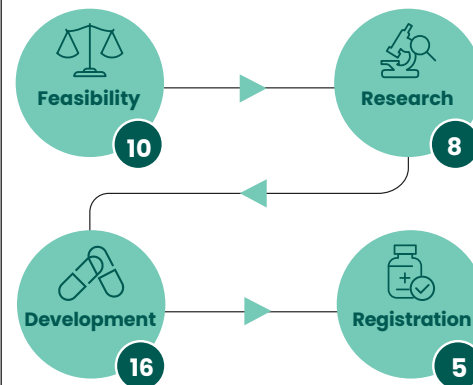
- Develop and promote products to improve animal health and welfare sustainably
- Maintain and improve the knowledge and skills of veterinarians
- Act with honesty and integrity

#### Our Performance:

- 7.6% of revenue invested in R&D
- 205,012 of CPD hours provided globally
- Value chain sustainability assessment ongoing

### Develop and Promote Products to Improve Animal Health and Welfare Sustainably

The development of innovative new products that sustainably improve animal health and welfare is closely aligned to our Purpose and fundamental to our future success. Our pipeline of products are targeted at providing veterinary professionals with solutions for their clinical needs, particularly with regards to unmet or under serviced cases seen in companion animals.



#### Linkage to SDGs



Delivering a strong and robust pipeline with a focus on novelty is one of the Group's strategic objectives. In order to meet this objective, last year we committed to invest between 7% and 8% of revenue on product development per annum for the next three financial years.

We are pleased to report that we have made good progress on our pipeline again this year and, following the acquisition of Piedmont Animal Health, Inc in July 2022, our investment in R&D has increased significantly to £57.5 million this year, representing 7.6% of revenue.

Most of this spend relates to the development of existing molecules, many of which have already been developed for use in humans and for which we are now exploring possible use cases in animals. This contrasts with the speculative, early stage research performed by many other pharmaceutical companies in both human and animal healthcare.

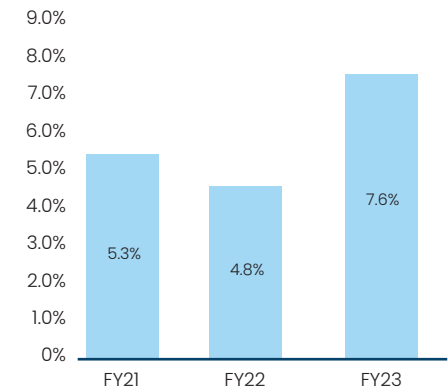
We have a proven track record of successful pipeline delivery and our pipeline is currently the strongest it has been at any point in our history.

Several global product approvals have been achieved during the year, most notably Zycosan®, a novel treatment for equine

lameness for use in the US market, and a number of developments with regards to Tri-Solfen®, a welfare product for use in food producing animals that has many possible applications.

We have also made good progress with our partnership with Akston Biosciences to develop a breakthrough long acting insulin for dogs and cats. This remains on track for a calendar year 2026 approval of the dog product and, if successful, would represent a significant milestone within the animal healthcare industry.

#### R&D Investment







# Performance continued



## Our Business

### Maintain and Improve the Knowledge and Skills of Veterinarians

Our relationship with veterinarians is crucial to our business. As such, we provide added value services in the form of educational programmes and technical support to maintain and improve the knowledge and skills of veterinarians who prescribe and use our products. These services are designed to be highly complementary to the broad range of products that we offer, and help us to become the partner of choice with many veterinarians in the therapeutic areas in which we operate.

#### Educational Programmes

We deliver education through many channels, including conferences, practice meetings, lunch and learns, and our online digital e-learning environment, the Dechra Academy. Veterinary professionals are able to claim continuous professional development (CPD) (or continuous education (CE) in the US) points towards maintaining their qualifications by attending our events, making them highly attractive.

The Dechra Academy helps veterinary professionals across the globe to expand their knowledge and keep up-to-date with the latest thinking through completely free, engaging learning experiences. With over ten years of experience educating veterinary professionals, we are passionate and proud to provide reputable, modern learning resources which help veterinary professionals

continuously evolve their knowledge. We organise a number of educational events and webinars throughout the year covering a range of therapeutic subject matters, for example dermatology and endocrinology, where we are regarded as the market leader.

We differentiate ourselves from our competitors by focusing on challenging and interactive educational experiences. Each Dechra market has its own tailored Academy with courses that are relevant to their veterinary professionals and, where possible, our educational resources are accredited by local professional and regulatory bodies.

We now have a total of 109,691 registered users (2022: 97,192) and 945 individual courses (2022: 730) on the Dechra Academy, which is available in 24 markets.

During the year, we provided 20,196 hours of CDP via our Dechra Academy and a further 184,816 hours of in-person training events.

#### Technical Support

We offer a wide range of products, including several that treat complex and less frequently occurring disorders such as Cushing's and Addison's disease, which can be treated through our products Vetoryl® and Zycortal® respectively. The provision of high quality technical support on these products is a service that the veterinarians truly value, evidenced by the sheer number of calls made to our technical support line last year.

For further information on our Technical Support read our 2023 Annual Report.

### Act with Honesty and Integrity

As part of our commitment to acting with honesty and integrity, we are working towards a full value chain sustainability assessment by financial year 2030.

This involves engaging with employees from across the Group, bringing together different departments and functions to build a clear picture of how we work with suppliers, partners and customers.

Given the scope of this work, it is another good example of how sustainability is being integrated in to our broader business strategy.

Although this is a long term project, we have made further progress over the past year. The Group Sustainability Director is responsible for overall delivery of the project and provides regular updates to the Chief Financial Officer, the Board and the ESG Committee to ensure that we remain on track with meeting our target date, whilst at the same time progressing our other Sustainability initiatives.



### Case Study

#### Tri-Solfen®

One of our key focus areas is to develop and promote innovative, ethical, and sustainable products that improve animal health and welfare. A recent product launch in the UK which upholds this strategy is Tri-Solfen®.

Tri-Solfen® is an innovative anaesthetic and antiseptic gel for local application during and following castration of piglets, which also helps prevent infection around the wound. It was originally developed and launched in Australia and is now used in a number of countries for a variety of treatments. The gel is easy to administer, fast acting (effective in just 30 seconds) and has successfully treated more than 100 million animals in Australia, New Zealand and Portugal, where it is licensed for disbudding, dehorning, castration and general wound treatments in cattle, sheep, pigs, and horses.

The presence of Tri-Solfen® in our extensive anaesthesia and analgesia range helps provide veterinarians with new options for local anaesthesia and pain management. We continue to work on developing a sterile application for EU registration and pursue authorisations in other territories as we seek to help improve animal welfare globally.



# Performance continued



## Our Environment

# Committed to Minimising Our Environmental Footprint

### Summary

#### Why It Matters:

We recognise the importance of good environmental practices across our operations.

#### Our Objectives:

- Reduce GHG emissions and waste to landfill, use water responsibly and protect biodiversity
- Recover, reduce, recycle and reuse
- Implement sustainable packaging and decrease plastic usage

#### Our Performance:

- 5% waste sent to landfill
- 13% reduction in GHG intensity ratio\*

\*The GHG emissions intensity ratio is calculated with reference to our Scope 1, 2 & 3 emissions reported historically under the GHG Protocol Corporate Accounting and Reporting Standard, which differs to our carbon footprint for the purposes of Science Based Targets.

#### Linkage to SDGs



### Emissions, Land and Biodiversity and Water

Environmental impacts go beyond emissions and there is a need for all companies to act on a broad range of nature-related risks. Managing and mitigating these impacts will require us to take a holistic and integrated approach to our environmental strategy.

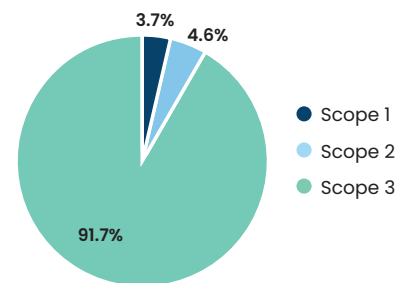
Our key objectives are to reduce greenhouse gas (GHG) emissions, use water responsibly, source sustainably and protect biodiversity.

#### GHG Emissions

We have concluded our initial review into all material Scope 3 emission categories, which has enabled us to establish our base year data, calculate our corporate footprint and submit our near term targets to the Science Based Targets initiative (SBTi), which are currently being validated. Our corporate footprint for the purposes of Science Based Targets is shown for the calendar year, with the base year being 2021.

Our total footprint of 157kt Co2e is dominated by Scope 3 (indirect value chain emissions), with Scope 1 and 2 combined only accounting for 9%.

Base Year Carbon Footprint



We have now baselined our Scope 3 emissions and this year we report on 11 categories within Scope 3. The largest categories and their shares relative to our total footprint are Category 1 purchased goods and services (65%) and Category 4 upstream distribution (9%). The remaining categories consist of various other upstream and downstream activities (capital goods, employee commute, business travel, downstream distribution, waste in operation as well as end of life sold products).

Further details on our commitment to reduce our emissions can be found in the 2023 Annual Report and within this report.

#### Land and Biodiversity

Forests provide the materials commonly used in our packaging solutions.

By collaborating closely with our suppliers, we want to play our part to make responsible forest management the norm, to stop deforestation, enhance biodiversity and support people who depend on forests for their livelihood. Responsibly managed forests also play a vital role in climate change mitigation.

While deforestation poses serious supply chain risks, mitigating those risks with sustainable sourcing practices is a huge business and environmental opportunity. It is important to establish a robust no-deforestation commitment and engage constructively with suppliers.

We will continue to secure and develop responsible sourcing standards that include environmental, social, and animal welfare criteria.

We set a target of 100% FSC paper by June 2023, which we have not met, having achieved 66%. Wherever possible, we have endeavoured to adopt a localised approach to sourcing FSC materials and to work collaboratively with existing suppliers rather than adopt a blanket approach across all Dechra operations. This process has taken longer than anticipated, however we expect to achieve our target by June 2024.



## Performance continued





# Our Pathway to Net Zero

Dechra is committed to reducing Scope 1, 2 and 3 carbon emissions in line with climate science through the Science Based Targets initiative (SBTi).

Our near term targets were submitted to the SBTi during the year and we are committed to achieving net zero by 2050.

In order to be resource efficient, it is essential to increase energy efficiency and reduce the energy intensity of our processes. To reach our reduction targets for Scope 2, we will continue to focus on increasing the share of renewable energy in our operations by procuring renewable electricity alongside our implementation of solar panels.

A key focus area will be to engage with our supply chain and improving visibility of our Scope 3 emissions across our supply chain and contracted manufacturing partners. To strengthen this collaboration, we have included environmental questions in our new third party onboarding tool. This will enable us to collate environmental information on our third parties and tailor our communications accordingly.

Emissions Hotspot	Objective	Actions
<b>Scope 1 and 2 GHG emissions</b> 	Generate and procure 100% renewable electricity across all sites  Transition from natural gas to electric at manufacturing sites	Implementation of energy transitions plans  Procurement of renewable electricity from the grid  Invest into solar panels at Bladel (the Netherlands), Melbourne (US), Skipton (UK), Zagreb (Croatia) and Sommersby (Australia)  Explore opportunities for geothermal energy at Zagreb
<b>CMO &amp; internal products (category 1)</b> 	Collaborate with our raw material suppliers and CMOs to set their own science based targets  Replace high emission materials with lower carbon alternatives  Increase the proportion of internally manufactured products  Reduce packaging emissions	Initiate supplier engagement programme  Focus on innovation and Eco-Design  Technical transfer of external produced products  Utilise packaging assessment tools  All paper and wood material FSC-certified by June 2024  Transition to mono-material and reduce plastics
<b>Transportation (category 4)</b> 	Reduce GHG emissions of our transportation operations	Optimise the sourcing and distribution of purchased and sold goods to reduce overall travelled distance  Electrify and increase alternative fuels of hired road transportation  Migrate air transportation to sea based alternatives
<b>Waste (category 5)</b> 	Waste from operations to be eliminated, reused, recycled or recovered where possible; any remaining waste to be incinerated with energy recovery	Waste management plans, including target of zero to landfill by June 2025



# Performance continued

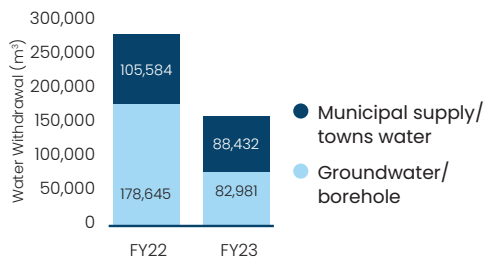


## Our Environment

### Water

The vital role of water in all aspects of our lives and growing concerns over scarcity and quality have increasingly highlighted the need for sustainable water management. Our manufacturing sites aim to use water responsibly so that usage does not negatively affect the communities where they operate, by diminishing the supplies of clean water or degrading the quality of that water. Our water consumption is low in comparison with other manufacturing sectors. Water is used from two sources: groundwater/borehole and municipal supply/town's water.

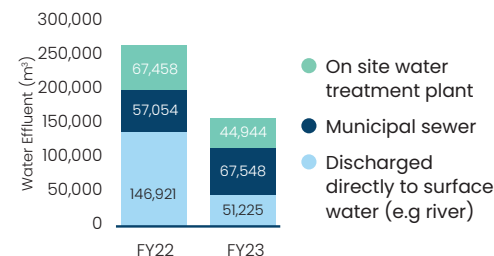
Water Withdrawal Source (all in-house manufacturing sites)



Purified water is not only an essential raw ingredient in our finished products but is also used for equipment cleaning and product heating or cooling. We recognise that using large quantities of water has associated environmental impacts including energy used for pumping and treating water, plus generation and disposal of effluent. Therefore, we are focusing on minimising the volume of water used and reducing ground

water abstraction at our manufacturing sites. Water withdrawal across manufacturing reduced by 40% in the 2023 financial year, excluding Med-Pharmex. This is a reduction in water withdrawal of over 110,000 m3 water. At our Zagreb facility a project to install a recirculation system on the water line used for equipment cooling has allowed the site to reduce the abstraction of water by 55%, with a corresponding reduction in effluent generation. The site has reduced the use of ground water/borehole water by over 90,000 m3 in the 2023 financial year. At Manufacturing sites, any contaminated water generated throughout the production process is disposed of as process effluent. Any waste water with the potential to adversely impact the environment must be appropriately managed, controlled and treated prior to release in accordance with current regulatory requirements. To prevent cross contamination and to enable product reconciliation, used process equipment is generally drained, vacuumed or wiped clean prior to being washed. This reduces contamination washed to the effluent stream.

Water Effluent (by discharge route)



### Circularity

One of our key focus areas is the prudent use of all natural resources, minimising waste in all activities, reducing the amount of waste to landfill by the appropriate disposal of waste. Our objective is to reduce, reuse, recycle and recover.

### Waste

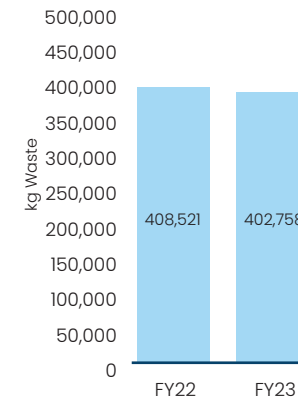
Total waste, which includes waste from all activities across Dechra's manufacturing and logistic sites, can fluctuate according to production volumes, project activities and obsolete stock/packaging material clearances. Our goal is therefore to make responsible decisions to minimise waste at source and reduce the environmental impact of treatment/disposal for any remaining waste, whilst continuing to support the efficient management, development and growth of the business. For this reason, we have selected two indicators for waste which we aim to improve:

- percentage of hazardous waste generated of total waste generated; and
- percentage of waste which is recovered and recycled of total waste generated.

### Hazardous Waste

Waste contaminated with pharmaceutical products is often classified as hazardous waste. Waste management for Manufacturing and Logistics facilities must be carefully controlled in order that any hazardous substances, or contaminated materials are disposed of correctly. In the 2023 financial year, hazardous waste volumes decreased by 1.4%.

Hazardous Waste Volumes



The overall percentage of hazardous waste reduced to 12% of total waste (2022: 23%). The reduction in the hazardous waste volumes across Manufacturing has been supported by improved classification and segregation of hazardous waste across the sites. In Manufacturing sites, hazardous waste is generated from general production and laboratory analysis waste, whereas in Warehousing most hazardous waste is associated with stock disposals. The fate of waste significantly influences the environmental impact. For waste that cannot be eliminated at source, Dechra has set a strategic goal to achieve zero waste to landfill by June 2025, and will look to achieve this by reusing, recycling or recovering waste where these options are available. Our approach to responsible waste management is formalised in a Group HSE Standard.

In the 2023 financial year the total volume of waste, including waste from internal





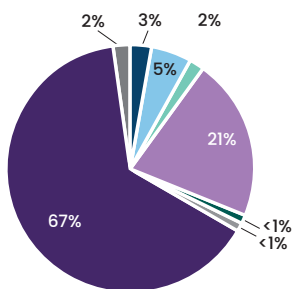
# Performance continued



## Our Environment

operations, new acquisitions and waste generated through construction projects was 94% higher. When these additional waste sources are excluded, total waste volumes decreased by 2%. Waste recovery, recycling and reuse rates improved from 89% to 93%, and when waste from the new site in California is excluded this increases to 95%. California is currently adopting our improved waste management practices, including diversion of waste from landfill. The portion of waste materials for reuse and recycling increased significantly from 42% in the 2022 financial year to 69% in 2023. This has been achieved by directly targeting Manufacturing sites to increase waste recycling and reuse.

### Waste Fate



- Disposed of by incineration (no energy recovery)
- Disposed of to landfill
- Recovery – composting/anaerobic digestion
- Recovery – incineration with energy recovery
- Recovery – solvent recovery
- Recovery – reclamation components (acids/dases/metals)
- Recycling – materials recycling
- Reused materials or components directly reused

For residual waste which cannot be reused, recycled or recovered, waste incineration (no energy recovery) is used, or as a last resort, waste is disposed to landfill. Waste for disposal reduced to 7% (2022: 11%).

Most significantly, the percentage of waste landfilled reduced to 5% (2022: 7%). This drops to 2.5% when waste from the new California site is excluded.

### Responsible Sourcing

Packaging is a key component of Dechra's value chain in order to protect the quality of our products from a legal, regulatory and customer perspective. We are therefore cognisant that we must focus on improving the use of materials that are better for the environment as well. Our approach to packaging and materials can be divided into the areas reduce, replace, recycle, and reuse.

During the financial year, we have implemented a packaging assessment tool to drive sustainable innovation and implement improvements. This tool provides access to robust environmental data, supporting our departments to make smarter and more resilient design decisions. The assessment tool has been fully tested and has been rolled out globally from August 2023.

Furthermore, the tool will support us to measure the environmental footprint of different packaging options and give environmental metrics that will action sustainable improvements throughout our current product portfolio.

For example, the Brazilian team used the assessment tool in a drive to remove the plastic trays used for its vaccines and to improve productivity. Comparing the plastic tray to a carton box resulted in saving of approximately 10 tons of CO2 per annum. This change is also enabling an automation of the packaging line, which will increase productivity by at least 250%, from three packs to eight packs per minute. In addition, there is a cost saving as the unit price for the plastic tray is more expensive than the carton.

We have previously reported that we launched our first dry diets in innovative new recyclable packaging, making Specific® one of the first pet food brands to use recyclable packaging for dry foods in November 2020. Until now, non-recyclable, multiple layer, laminated packaging with different types of plastic was the only way to do this. The mixing of different plastic types makes these bags non-recyclable.

The difference for the new *Specific* recyclable bags is that they are made from a single type of plastic, with a barrier between the layers. This makes it much more widely recyclable and still retains the same features as standard packaging in terms of handling and food protection.

As well as being more widely recyclable our bags are:

- lighter than PET/PE laminates of the same thickness; and
- stronger than PET/PE laminates of the same thickness

Our packaging has independent certification 'Certified as Made for Recycling' with a score of 19/20 (Very Good) by Interseroh, global recycling specialists.

We have found a supplier of this recyclable packaging who is able to meet all of our needs. We have 174 individual pieces of dry food packaging. Of these, 110 have already had recycled bags printed and shipped to the markets. The remaining items will be moved over to recyclable bags during the 2024 calendar year.



## Task Force on Climate-related Financial Disclosures

# Our Response to Climate Change

**We welcome the opportunity to be transparent about what we consider to be the risks and opportunities arising from climate change and how we plan to respond to those factors to create a more resilient business.**

Full details about our approach to climate change can be found in the Task Force on Climate-related Disclosures (TCFD) section within our 2023 Annual Report, but we have summarised below the key conclusions resulting from the four themes within the TCFD recommendations.

Governance	Strategy	Risks and Opportunities	Metrics and Targets
<ul style="list-style-type: none"> <li>The <b>Dechra Board</b> is accountable for approving our Sustainability strategy and overseeing the delivery of our climate-related objectives</li> <li>Executive responsibility belongs to the <b>Chief Financial Officer</b> with support from the Group Sustainability Director</li> <li>The <b>Senior Executive Team (SET)</b> is responsible for delivering on these objectives within their functional areas and business units</li> <li>Factors relevant to managing climate risk are specifically included in the <b>bonus objectives</b> of each Executive Director and SET member</li> </ul>	<ul style="list-style-type: none"> <li>We have assessed the potential impact of climate change over a <b>30 year</b> time horizon under two scenarios:               <ul style="list-style-type: none"> <li><b>1.5°C</b> temperature rise</li> <li><b>4°C</b> temperature rise</li> </ul> </li> <li>Our <b>Making a Difference</b> plan has been developed and is designed to help us transition to a low carbon business</li> <li>Our near term greenhouse gas (GHG) emission reduction targets have been <b>submitted to the Science Based Targets initiative (SBTi) and are currently being validated</b></li> <li>We are also supporters of the UN backed <b>Race to Zero</b> campaign</li> </ul>	<ul style="list-style-type: none"> <li>Following an extensive review of the possible impact of climate change on the Group’s business model, we have identified four key risks and one opportunity:               <ul style="list-style-type: none"> <li><b>one physical risk</b> resulting from the increased frequency of extreme weather and climate-related natural disasters</li> <li><b>three transition risks</b> relating to carbon pricing and future environmental taxation, the supply-demand of renewable energy and the change in raw material or sourcing cost</li> <li>a possible <b>opportunity</b> from the increase in demand for low carbon products</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>We report our Scope 1, 2 and 3 GHG emissions on page 76 of the 2023 Annual Report</li> <li>We have six climate-related targets as follows:               <ol style="list-style-type: none"> <li>Reduce <b>Scope 1, 2 and 3</b> GHG emissions in line with climate science through the SBTi</li> <li>Achieve <b>net zero</b> by 2050</li> <li>Eliminate the remaining 34% of suppliers who are <b>non-FSC approved</b> by June 2024</li> <li>Zero <b>waste</b> to landfill by 2025</li> <li>Transition to <b>electric vehicles</b> by June 2027</li> <li>Complete the <b>AUD\$6 million investment</b> in AgCoTch by June 2024</li> </ol> </li> </ul>



# Performance continued



## Our People

# Supporting the Wellbeing and Development of Employees

### Summary

#### Why It Matters:

Our people are our greatest asset. Our objective is to continue to be a purpose focused business driven by high performing and committed teams.

#### Our Objectives:

- Comply with national legal requirements regarding wages and working hours
- Reinforce health and safety practices with a culture of zero harm
- Eliminate the gender pay gap

#### Our Performance:

- Maintained the Living Wage or equivalent globally
- Reduced the gender pay gap to 1.3% in Dechra Limited
- 17 Lost Time Accidents

### Fair Employment Practices

As a responsible business, we are committed to paying the Real Living Wage (or its equivalent) to all our employees on a global basis and we continue to support our people with the challenges they are facing as a result of the cost of living crisis. In line with our usual practice, salaries were reviewed with effect from 1 January 2023. We adopted a tiered approach with the lower paid members of the workforce receiving higher increases which were weighted taking into account specific country inflation. The average increase across the Group was 6.6%. In the UK all employees earning a base salary of less than £45,000 received a minimum increase of 7%. During the current financial year, we have also introduced other benefits for our UK workforce, including:

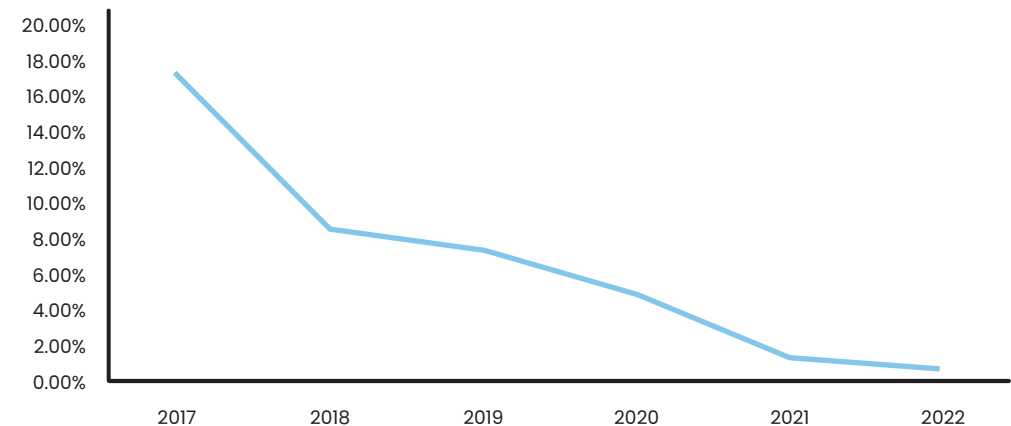
- an online GP service to support the health and well-being of the workforce;
- a cash plan for medical benefits; and
- a reduction in the working week by 1.5 hours for our UK manufacturing employees via a reduced working week or a nine day fortnight, whilst maintaining pay and benefits at current levels.

In addition, in July 2022, we increased the employers contribution to the UK Company Pension Scheme to 8% of base pay and introduced flexibility as to the permitted level of employee contribution to address cost of living pressures.

In the UK, only one of our subsidiaries, Dechra Limited, is required to report under Gender Pay Gap regulations, and we are pleased to report that our gender pay median gap has reduced from 17.7% in 2017 to 1.3% in 2022.

We pride ourselves on our fair and honest recruitment process; however, we acknowledge that we need to do more to support our females into technical and senior positions. Over the last 12 months in particular, we have focused efforts around our talent attraction and development together with benchmarking and reward.

Gender pay median gap in Dechra Limited



### Linkage to SDGs





# Performance continued



## Our People

### Safe Working Practices

Our approach is to reinforce a strong culture of health and safety within a zero harm environment therefore we report all accidents which keep people away from work even for one day. This is our lost time accident frequency rate (AFR) expressed per 100,000 hours worked. In the 2023 financial year, we have experienced 17 LTAs resulting in an AFR of 0.41 compared to 0.36 last year (13 accidents). Fourteen of these accidents occurred within our Manufacturing sites, with three of the accidents occurring in the newly acquired facility in Pomona, California. Ten of these accidents were influenced by unsafe behaviours and this will be addressed throughout the coming year through the continued delivery of our B-Safe behavioural safety programme for leaders.

In addition, there were four contractor accidents reported in Brazil. There were no fatalities (employees or contractors). The Permit to Work system is being implemented by all sites under the coordination of the Group Engineering Community of Practice. This permit system includes live compliance checks which must be carried out during the works, to ensure contractors are adhering to all permit controls.

### Behavioural Safety

The 2023 financial year is the first year of our new Behavioural Safety programme, B-Safe, which has been rolled out across the Manufacturing sites in a phased approach. Each site was asked to cascade the training to leaders and set their own schedule for B-Safe walks which should target each trained leader to conduct one safety walk/talk each month focussing on discussing Safe and Unsafe behaviours with employees and contractors. Each walk is expected to take approximately one hour to encourage a thorough and deep conversation.

Over 70 leaders have been trained, which represents over 200 hours of training for leaders across the group, focussing on safety leadership and safe behaviours. We set an annual target of '90% completion of site plan' to drive consistency and encourage leaders to do regular and thorough scheduled safety walks. Any walks conducted above this currently do not count towards achievement of the target as it is the regularity of the conversations with employees that the target is trying to encourage. However, many leaders have conducted multiple walks each month.

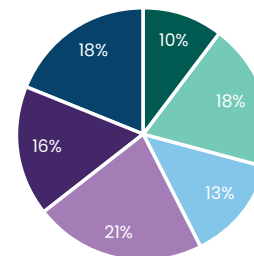
Performance is 85% when only one walk per leader per month is included. However, when including all B-Safe walks conducted at any time, the sites exceeded the target, having achieved 94%.

Following each B-Safe walk, leaders are asked to record their observations and conversations in our Assure safety app.

This includes recording the number of Safe and Unsafe acts/observations they have made during their walk/talk. Over 4,000 safe observations have been made versus approximately 700 observations of unsafe behaviour.

This means that 84% of the time our employees are following the safe systems of work and working safely. For the 16% of observations where unsafe acts have been observed we expect Managers to discuss the safe procedure and gain commitment with the employee to follow this or work together to find a safer solution.

This immediate real-time observation and resolution of unsafe behaviours is the key to building trust in the organisation and achieving a Zero Harm workplace.



- Reactions of People
- Knowledge and Application of Procedures
- Use of PPE
- Adherence to Housekeeping Standards
- Positions of People
- Selection and Use of Tools and Equipment

The most frequent unsafe act was 'Adherence to housekeeping standards' (21%), which is a failure to set, understand and follow housekeeping standards and can lead to slips and trips. Now that B-Safe plans are established at the sites, understanding the trends within the B-Safe programme will be a focus for the 2024 financial year and setting activities in place locally to tackle clusters of unsafe acts.





# Performance continued



## Our People

### Case Study: World Safety Day

We recognise that we need to take regular and deliberate actions to raise awareness of health and safety standards to our employees and contractors, therefore we implement a plan of activities to continuously reinforce a culture of safety across our global business.

In 2023 we ran our first annual Safety Day, which was held on the same day as the United Nations World Day for Safety and Health at Work. Manufacturing sites were encouraged to participate in this important awareness day by planning activities to boost engagement and education. All sites planned activities which refocussed on core proactive safety activities such as hazard reporting, B-Safe walks and reinforcing the Dechra Safety Principles, but in addition sites brought imagination and fun into their plans serving healthy meals, conducting walking meetings, delivering training and signing our Safety Commitment Posters.

#### Safety Day: Londrina, Brazil

Our Londrina team in Brazil is well known for injecting energy and team spirit into everything they do, so it was no surprise that they went the extra mile on Safety Day.

Their activities involved all Londrina site employees and were not only educational, but also fun. The Brazilian mobile Sales Team were also included in the plans for the day, launching a new vehicle safety checklist to



educate them on the safety of their vehicles and how to drive with care when on the road for business purposes.

To launch Manufacturing's activities for the day, the Londrina site restaurant was decorated and served a special healthy breakfast.

The entire team was then invited to get involved with an outdoor exercise class; an opportunity to learn how to stretch, keep fit, and prevent ergonomic injuries.

The fun continued with a safety treasure hunt, where teams competed to find the hazards that had been strategically placed across the site.

A giant human safety board game was designed by the site, which quizzed players on key safety controls critical to preventing serious accidents.



Questions included:

- How many Life Saving Rules do we have at Dechra
- Tell us four kinds of PPE that we must use
- What speed are vehicles allowed to drive on Dechra sites

Focusing further on health and wellbeing, our Londrina teams also benefited from free and voluntary health checks such as blood pressure and blood sugar levels to detect diabetes, and also were able to receive flu vaccinations.

Finally, the site came together to watch a play followed by a video about safety. Professional actors delivered an entertaining play about a worker who did not follow safety rules.

Employees from the Filling Department topped the day off with a video they produced themselves showing all the hazards they could face in a normal working day and precautions that must be followed to prevent injury. Their video ended with a powerful message from sons, daughters, and spouses/partners asking their loved ones to come home safely.

Creativity, energy, and a determination to keep everyone safe were sentiments that ran throughout the day. All site employees signed the Safety Commitment Poster, demonstrating their commitment to work safely so that everyone at Dechra Brazil goes home healthy and safe at the end of every working day.



# Performance continued



## Our Community

# A Localised Approach to Giving Something Back

### Summary

#### Why It Matters:

We believe that it is important to give back to the communities in which we live and operate.

#### Our Objectives:

- The donation of time, products and skills to local charities
- Maintain Regional Giving Committees

#### Our Performance:

- £432,181 cash donations
- £201,464 product donations
- 3,147 hours spent in the community

### Community Activities

We encourage our employees to engage in community activities, in particular in the fields of animal welfare, human service and environmental stewardship. Each year we give every employee one day in the community and this year our teams achieved 3,147 hours of service.

A selection of the ways in which Dechra employees made a difference in communities across the globe are below:

#### PDRA

The Greensboro Product Development team are one of our newest teams, joining Dechra in July 2022 when Dechra acquired Piedmont Animal Health Inc, so it is particularly pleasing to be able to share the story of their community activity.

One group of 10 spent the day working for Habitat for Humanity of Greater Greensboro with the other five people volunteering at the local homeless shelter/soup kitchen. The group with Habitat installed insulation in the walls and ceiling of a new home that was being built. The team worked hard and accomplished a lot more than was expected. Habitat homes have high energy efficiency standards to minimise the burden on low

income families. At the end of the day, a name tag for each person was placed inside the walls of the home, ensuring that all volunteers who helped in construction will always be a part of that home. All team members expressed great enthusiasm and were proud of their accomplishment.

The second group spent a morning at Potters House, part of Greensboro Urban Ministry’s homeless shelter. Some worked in the food pantry helping clients select food to take home to their families whilst others helped serve over 280 customers who came to pick up their lunch for the day. For many of these families, this is the only meal they will have each day. The team members who took part were very thankful for the opportunity.

The extended PDRA leadership team who were visiting Zagreb for a meeting joined PDRA Zagreb in their community day cleaning Lake Rakitje. The original plan was to clean the surrounding area of Lake Orešje; however, there had been a couple of clean up actions prior to the teams arrival so rather than cancelling the event, the team illustrated agility and quickly found another location, the nearby Lake Rakitje. The team started off by warming up with some light cardio and stretching in order to get the blood flowing and good energy rolling. After

the warm up, everyone started walking and looking for litter. While walking, the team unfortunately saw some dead turtles and birds, who likely died of eating plastic and other rubbish, and it really helped the team realise why it was important to keep the lake area clean.

Not only did they clean up the lake, but many people used this event as an opportunity to get to know each other in an informal way and others decided to strengthen their business relationships and arranged a few meetings. By the end of the day, the team collected a lot of rubbish and there was a lot of positive feedback from the volunteers. The team spent a day outdoors in the fresh air, walked a few thousand steps, and cleaned up the lake area while enjoying the beautiful nature and animals along the way.



#### Linkage to SDGs





# Performance continued

## Our Community

### DPM&S

The DPM&S Fort Worth Team spent a day volunteering at the Tarrant Area Food Bank (TAFB) Distribution Center. TAFB supplies nutritious food to partners in 13 North Texas counties. Fort Worth had two teams volunteering. The morning team sorted, inspected and packaged over 6,816 meals. They sorted food, small appliances, paper products, and all kinds of household items. The afternoon team sorted and packed over 14,705 pounds of potatoes. The Fort Worth Team really enjoyed volunteering and spending time outside of the site together. There was a great amount of teamwork between all departments.



### DVP EU

At our Oudewater site in the Netherlands, all employees volunteered at Ipse de Bruggen, Zwammerdam. On this estate, 480 adults with disabilities live in different homes. The team got involved in painting, help with moving, overdue jobs, and made the gardens ready for winter. The team also worked at the animal farm, and Dechra's veterinarian team members answered questions from the residents about the animals.

where possible. They ran a competition of the strangest item found with the team in Northern Denmark winning as they found a freezer in the local woods.

The Adriatic Region's colleagues teamed up with the Slovenian Forest Service and offered their help in collecting seeds. The collection and provision of seed is currently the bottleneck of restoration, as there is not enough seeds in the seed banks. The team collected more than 11 kg of seeds, representing almost a tenth of the total collected this year, and they found the day very interesting and an educational experience. The seeds collected are intended for the restoration of over one hectare of

The Nordic team, covering Denmark, Finland, Norway and Sweden, had sustainability at its heart when planning their team activity. They arranged a litter pick up in each team members' location, which meant that everyone could participate individually or join their team members in a central location



destroyed forests in Goriški Kras on the border with Italy, which had been destroyed in the fires of July 2022.

### DVP International

Some of our Australian employees spent time volunteering at the Wyong Neighbourhood Centre. The team cooked 260 individual meals that were frozen and made available to the homeless within the community.





# Performance continued



## Our Community

### DVP NA

The DVP Mexican team gave back to their communities by performing a variety of volunteer activities. This year the team of 41 employees provided support to:

**VIFAC:** an association that helps women in a vulnerable state during their pregnancy. The Dechra team participated with sorting food and clothing, and also helped with the organisation of the administrative archives.

**Fundación Mosaico:** a school for children with Down Syndrome, Autism, or other disabilities that provides integration programs into working life. Dechra team members supported the maintenance and painting of the facilities.

Unidos por la misma pasión: a shelter for more than 90 stray and/or abused dogs, where the Dechra team provided their time and support with kibble, dishes, leashes, and beds.

**Selva Negra:** an organisation that protects species and restores ecosystems. Being the second state where most colleagues reside, our team visited the facilities to help with reforestation and maintenance.

The US Regional Sales Meeting attendees in Denver, Charlotte, and Atlanta used their crafting skills to participate in volunteer activities benefiting charities Operation Gratitude and Project Our Town.



During the Denver meeting, representatives from Project Our Town visited to tell the team about the local animal charities benefiting from our volunteer project that afternoon: Moms and Mutts – Colorado Rescue for Pregnant and Nursing Dogs, Do Over Dogs, and Mile High Dachshund Rescue. The team made dog toys for each of these Denver area charities, including snuffle balls, rope chews, and woobie blankets, all of which will be given to rescue dogs in need.

At the Charlotte and Atlanta meetings, the participants made paracord lanyards and battalion bears benefiting Operation Gratitude, an organisation which sends care packages to help boost the morale of the military and their families. The items we made will be included in the care packages; the lanyards intended for service members or first responders, and the bears will be given to children of military personnel who are deployed overseas.

Everyone was thrilled about being able to use some of our time together to give back to meaningful charities, and hope that our final products put a smile on the recipients' faces (or maybe a wag in their tails).

### Community Donations

We have operated a Group Donations scheme for 13 years, and in the last two years we have empowered our employees by setting up decentralised regional giving committees. In addition, each business unit has the discretion to allocate funds and/or products to local community, environmental and/or animal welfare charities.

During the 2023 financial year a total of £633,645 was donated which includes £201,464 of product donations. Product donations are generally short dated product.







# Governance

The Board takes ultimate responsibility for the Group’s sustainability strategy and is committed to developing and implementing appropriate policies that create and maintain long term value for shareholders. Paul Sandland, Chief Financial Officer, is the Executive Director responsible for ESG, and Carina Kjellberg was appointed as the Group Sustainability Director in March 2021.

## Board

The Board is accountable for approving our Sustainability strategy and overseeing the delivery of our climate-related objectives.

The Board or the relevant Committee reviews all key policies/handbooks on an annual basis, these include the Code of Conduct, Health and Safety Policy, Travel and Entertainment Policy and How to Raise a Concern Procedure.

The Board receives six-monthly updates from the Group HSE Director, which includes the activities of the Health, Safety & Wellbeing Committee. The Board is provided with ESG updates at each of its meetings and the Group Sustainability Director presents the strategy and progress on its implementation on a yearly basis. The Board has oversight of the climate related risks and opportunities as part of the wider risk management and internal control framework. To enhance our commitment towards TCFD reporting further, a dedicated TCFD team has been established.

## SET

Our Senior Executive Team (SET) is responsible for delivering on the climate-related objectives within their functional areas and business units. Each SET member had an ESG objective as part of their personal objectives within the 2023 financial year annual bonus plan. The SET own the risk management process and is responsible for managing specific Group risks. Climate risk has been identified as a principal risk and has been discussed with each SET member.

## The Dechra Board

The Board is responsible for the oversight of Dechra’s material sustainability impacts, risks and opportunities

### Board Committees

#### Audit

The Audit Committee reviews certain of the Group’s systems and controls in relation to our business ethics (Fraud, ABC, etc) and the adequacy and security of the company’s arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

#### Remuneration

The Remuneration Committee reviews Dechra’s Executive Directors and the SET’s performance in relation to meeting sustainability goals in relation to the achievement of their bonus targets.

### Board Committees

#### ESG

Oversee the development of and to make recommendations to the Board regarding the Group’s Sustainability strategy, establish objectives and targets for the Group’s ESG activities and oversee the measurement and reporting of performance against these targets. Oversee the activities of the committees that it has delegated authority to.

#### Health, Safety & Wellbeing Committee

Recommend and monitor the implementation of priorities to management and employees to achieve Zero Harm across the Group; actively monitor, measure, review and report on Health, Safety and Wellbeing compliance and performance.

The ESG committee has delegated authority to the Health, Safety & Wellbeing Committee and the following:

#### ActNow Ambassadors

(Over 90 employees from across the business)

Responsible for the acceleration of sustainable development within Dechra.

#### Sustainable Packaging Committee

This committee looks at each stage of the packaging life cycle from cradle to grave, to understand how Dechra can reduce its environmental impact when sourcing packaging materials through to the post-consumer choices during disposal.

#### Global Transport Logistics

Responsible for optimisation and improvement of warehousing, logistics and distribution at Group level through sustainable and smart solutions including reduction of emissions, alternatives to fossil fuel, sea transportation and volume optimisation.

#### Regional Giving Committees

(17 Committees)

Responsible for the allocation of their allotted funds to charities that meet Dechra guidelines throughout the year, whether this be to one charity or a number.

## Senior Executive Team (SET)

Responsible for implementing the ESG strategy within their functions/businesses.



# Governance continued

## ESG Committee

The ESG Committee is made up of representatives from across the Group. The ESG Committee met four times during the year.

### The key duties of the Committee are to:

- oversee the development of and to make recommendations to the Board regarding the Group’s ESG strategy;
- establish objectives and targets for the Group’s ESG activities and oversee the measurement and reporting of performance against these targets;
- review and approve any ESG related policies and their implementation and to monitor and review their ongoing relevance and effectiveness;
- make recommendations to the Group in relation to projects, or elements of a project, that will or may have significant ESG impact;
- identify the ESG matters that do, or are likely to, affect the Group and/or its overall strategy;
- monitor current and emerging ESG trends and relevant regulations and review their impact on the strategy, operations and reputation of the Group and, where necessary, update ESG strategy and policies; and
- work with the Head of Internal Audit and Risk Assurance to identify and mitigate ESG risks.

## Group Sustainability Director

The Group Sustainability Director reports directly into the Chief Financial Officer, and is responsible for advising the Board and the Group on Sustainability issues and strategy.

During the 2023 financial year, she provided a detailed update on the Science Based Target initiative (SBTi) submission, which included an overview of the near term targets and our ambition to work towards Taskforce for Nature-related financial disclosures. The update also covered the improved internal communications with the establishment of an employee blog (the Hive) to increase awareness and collaboration, progress against our Sustainability KPIs and an introduction to our partnership with a third party Sustainability specialist.



See our Corporate Governance Report in our **2023 Annual Report** for more information

## Index of Further Information

	Topic	Covered by	Location of Additional Information
<b>Environmental</b>	Emissions	Our Pathway to Net Zero Scope 1, 2 and 3 Emissions KwH Energy Consumption	Sustainability Report & Annual Report
	Effluents and Waste	Waste Fate and Hazardous Waste Circularity	
	Land, Water and Biodiversity	Water Consumption FSC Paper Strategy	
	Climate Strategy	Climate Governance TCFD	
<b>Social</b>	Human Capital	Talent Management and Engagement Talent Attraction, Development and Retention Diversity, Inclusion & Equality Fair Employment Practices and Freedom of Association Safe Working Practices	Human Rights Policy, Code of Conduct & Annual Report
	Communities	Donations Beyond the Value Chain	
	<b>Governance</b>	Business Ethics	Code of Business Conduct Third Party Code of Conduct Modern Slavery ABC Tax Policy Risk and Internal Controls
Corporate Governance		Board composition and Structure Audit Remuneration Stakeholders	
Product Governance		Product Development Product Promotion Product Safety	

# The Veterinary Perspective