

Corporate Social Responsibility



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Dechra Veterinary Products EU

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Glossary

Terms used within this section:

- DPM:** Dechra Pharmaceuticals Manufacturing
- LTAFR:** Lost Time Accident Frequency Rate
- MAT:** Moving Annual Turnover

A responsible approach to our stakeholders and the wider community is considered by the Board to be important to the business. Our Corporate Social Responsibility strategy has three pillars:

Pillar	Policy	Objectives
Our People	A great and safe place to work	Leverage the Dechra Values and culture Maintain high levels of employee engagement Maintain a reputation for acting responsibly and with integrity Culture of safe working practices
Our Community	To contribute to the social and economic welfare of the local communities in which we operate	Maintain and improve the knowledge and skills of veterinarians who prescribe and use our products Contribute towards charitable causes through the donation of time, products and skills
Our Environment	To adopt responsible environmental practices and to give consideration to minimising the impact of our operations on the environment	Eliminating waste sent to landfill Use energy more efficiently Contribute towards causes and projects which support our environment

The progress in relation to the above objectives is described further in this report.

The conduct of the business towards social, environmental, ethical and health and safety issues is recognised to have an impact on our reputation and therefore the implementation and improvement of policies and systems are an ongoing priority within the business.

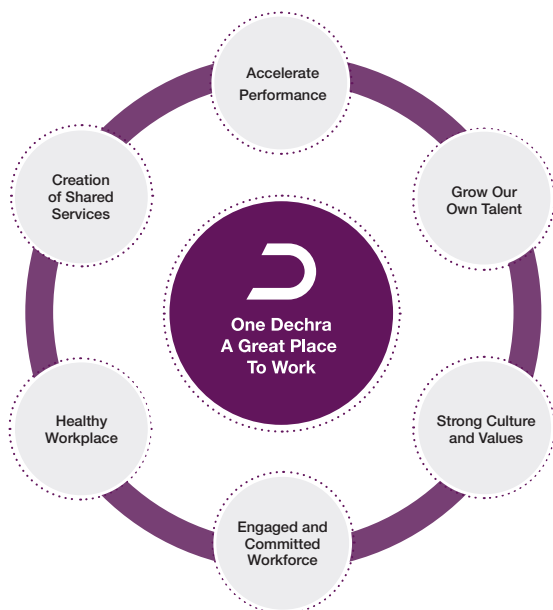
Tony Griffin is the nominated Director responsible for health, safety and environmental matters. However, the Board takes ultimate responsibility for Corporate Social Responsibility and is committed to developing and implementing appropriate policies that create and maintain long term value for all stakeholders. Sound business ethics help to minimise risk, ensure legal compliance and enhance Company efficiency.



Our People

Our original people plan was developed three years ago to support the delivery of the Group's five year plan. Significant progress has been made with the formation and development of a strong Senior Executive Team (SET); embedding of a performance culture; putting in place the building blocks for talent management; aligning compensation and benefits; carrying out leadership development and building a scalable HR Operation.

Earlier this year working closely with the SET and the Human Resources leaders, the people plan was adapted to support the delivery of the evolving business goals.



During this year we have focused on the ongoing integration of the three acquisitions that we made during the 2016 financial year. The growth of the Group has driven a need to simplify the commercial organisation structure to allow a strong focus on core sales and marketing activities delivering revenue goals. This has led to the commencement of the development of a shared infrastructure with the aims of controlling costs, avoiding duplication of effort and ensuring all parts of the Group are supported equally.

During the year, we have focused our efforts on:

- reorganising the Group following the acquisitions and recruiting key roles where we identified gaps in our talent pipeline;
- strengthening our succession plans across the Group identifying both high performers and those with high potential, putting in place structured development plans. We have reduced the reliance on individual contributors in many parts of the Group, and will continue to develop a consistent approach to the development of our key talent;
- strengthening the Human Resources team in North America and in Group Manufacturing and Supply to support the business; and
- working on the Group Manufacturing and Supply transformation programme, restructuring and retraining our manufacturing teams to prepare for the technical transfers across our sites.

We have continued to roll out our Human Resources system, Dechra Diamond, across the Group and have enabled the second phase of the project which supports the automation of some of the Personal Development Review process including goal setting and the annual review cycle. Our e-learning management system, Delta, has now been introduced in North America, supporting the online training and development of knowledge and skills of our staff.

Accelerate Performance:

Align employee efforts and drive productivity through effective goal setting, feedback and focus on development

Grow Our Own Talent:

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

Strong Culture and Values:

How we do things round here

Engaged and Committed Workforce:

A great place to work

Healthy Workplace:

Improving the working lives of our people

Creation of Shared Services:

Efficient infrastructure supporting commercial operations

In the year ahead we are planning to undertake our first Group-wide employee engagement survey to provide us with a baseline understanding of engagement levels and to identify any areas for improvement.


Our culture and Values are important to us and have helped to drive the Group's success. During the coming year we will be working with the leadership teams around the Group to define the core leadership competencies which we will use to recruit and develop our new and existing leaders.

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

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

The Group's target is to maintain employee turnover (Moving Annual Turnover (MAT)) at or below 15%. During the 2017 financial year this was 15.7% (2016: 13.1%), which represents an increase of 2.6%. The 2016 figure excludes the employees from Genera, Brovel and Putney. The increase has been driven by the organisational restructures as we integrate the acquisitions.

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

 Read **Strategic Enablers – People** on pages 41 to 43

Corporate Social Responsibility

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

Apprenticeships and Work Experience

Our Dechra Pharmaceuticals Manufacturing (DPM) facilities continue with the commitment to people development through a number of apprenticeships; at its Skipton facility there are six apprentices and at the Bladel facility there is one. The employees at Skipton are taking National Vocational Qualifications or university degrees as part of their apprenticeships. DPM also participates in work experience and currently has two people on internship, in Zagreb, who are working for one month in Quality Control and Pharmaceutical Development.

DVP EU offers internships at its UK operations, one in sales and marketing and one in corporate marketing. Both internships are for one year and are usually higher education students on their placement years.

Business Ethics

The Board expects all of the Group's business activities to be conducted in accordance with the highest ethical standards and in full compliance with all applicable national and international legislation. In doing so we aim to maintain a reputation for acting responsibly and with integrity. The Board has formalised these expectations into a policy known as the Code of Business Conduct (the Code) which applies throughout the Group. This Code is circulated around the business together with the Anti-Bribery and Anti-Corruption Policy.

The Anti-Bribery and Anti-Corruption Policy was launched in the 2014 financial year (previously included in the Code of Business Conduct). The policy, training documents and guidance have been translated and rolled out across all of the Dechra territories. During this financial year the Anti-Bribery and Anti-Corruption course has been launched on our e-learning platform (Delta), in nine languages, with 929 employees having access to the course. All new relevant employees will be required to complete this course and existing relevant employees will be required to undertake regular refresher training.

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

Human Rights

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

Modern Slavery

The Dechra Annual Report, the Code and the Values set out the Group's commitment to acting ethically and with integrity towards our employees and in all our business relationships. Under the Code and Dechra's Third Party Principles Policy we have specific principles and statements that cover ethical and human rights risks related to anti-bribery and corruption, human resources, modern slavery, child labour, non-discrimination and fair treatment.

Health and Safety

The Group attaches great importance to the health and safety of its employees and the public. The safety of our employees is paramount and that means continuing to reinforce good safety management practices as well as raising awareness of improved ways of working. Management are responsible for, and committed to, the maintenance, monitoring and promotion of a policy of health and safety at work to ensure the care and well-being of our employees and onsite visitors.

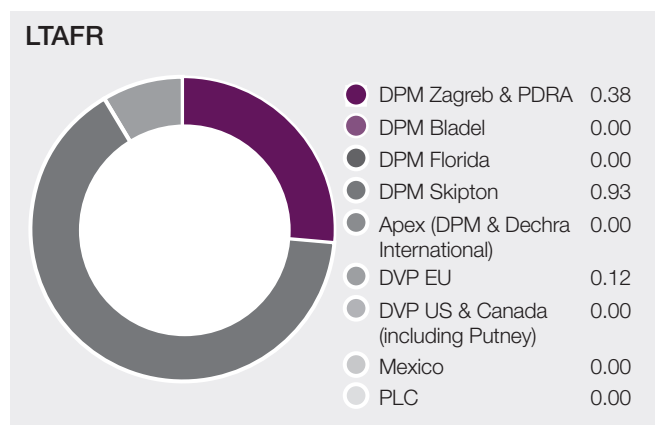
Any material health and safety issues or incidents that occur are discussed in detail at both business unit senior management meetings and PLC Board meetings. Discussions include details of incidents and any remedial action taken to mitigate or prevent recurrence. Twice a year a comprehensive health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

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

For a number of years the Group has reported Lost Time Accident Frequency Rate (LTAFR) as a non-financial key performance indicator (see page 31).

The LTAFR is a calculation of all injuries that are statutorily reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), normalised per 100,000 hours worked. This measure provides information to help monitor and control accidents and injuries to the workforce and is widely used as a key performance indicator throughout industry. The Group reports LTAFR on the same basis as in previous years, that is absence or the inability of workers to conduct their full range of their normal working activities for a period of more than three working days after the day when the incident occurred. The acquired business, Apex, was included from the first full month that it became part of the Dechra Group. Over the course of the last 12 months the number of incidents has decreased from seven to six. None of these incidents resulted in a work-related fatality or disability.

To continue to improve the safety performance across both existing and newly acquired facilities and to reflect the priority that is given across the business to safety, a proactive hazard awareness reporting initiative has been introduced and rolled out across DPM. In the first year 1,769 preventative safety items have been raised and discussed across the year with 1,476 being actioned and closed out.



Our Community

The Board encourages the business units to contribute to the social and economic welfare of the local communities in which they operate. It recognises that by taking voluntary action in this area it is helping to protect and develop its own business.

This is the sixth year in which the Group has operated a Donations Policy. All employees within the Group are entitled to nominate a charity or a non-commercial organisation. This year the number of nominations received exceeded our expectations and it was therefore decided to increase the overall donation spend from £20,000 to £30,000, which was split equally between the following 15 charities:

Type of Charity	Charity	Country	Description
Animal	The Rehabilitation Centre Silver	Croatia	The Rehabilitation Centre Silver trains assistance dogs to be used in the rehabilitation of disabled persons and children with developmental difficulties.
	Vida Silvestre Jesus Estudillo Lopez A.C. (El Nido)	Mexico	El Nido is the largest aviary in Latin America which is dedicated to saving hundreds of animal species, most of which are endangered birds. The donation will be used to support a project for the preservation of the great curassow which is a large pheasant-like bird from the Neotropical rainforests in danger of extinction.
	The Trusty Paws Clinic	UK	Provides free preventative care to dogs belonging to the homeless or vulnerably housed of Glasgow and London.
	The Underhound Railroad	USA	Rescues dogs from various parts of the country and transports them to the Northeast (primarily Maine) where they are fostered until matched with an adopter
	Frankie's Friends	USA	A non-profit foundation dedicated to finding cures and saving pets with cancer and other life-threatening conditions. The donation will provide lifesaving dialysis technology.
People	Children's House, Zagreb	Croatia	This charity provides children and young adults with accommodation, technical support and security, and training necessary for their development.
	Gornja Bistra Hospital	Croatia	A special hospital in Gornja Bistra which cares for children with chronic diseases, through specialist activities and hospitalisation in cases when adequate treatment cannot be provided at home.
	Jedni za druge	Croatia	Jedni za druge aims to prevent addiction and impulse control disorders, and to develop social and psychological rehabilitation and resocialisation.
	BROEN	Denmark	BROEN has as objective to support socially disadvantaged children and young people with membership fees and equipment for sports or other leisure activities. BROEN encourages children to socialise and be part of a positive community.
	Nederlandse Cystic Fibrosis Stichting	The Netherlands	The Nederlandse Cystic Fibrosis Stichting fights for a better quality of life for people who suffer from cystic fibrosis.
	Tell me your dreams	Mexico	This charity is focused on fulfilling the dreams of children who suffer from serious terminal illnesses.
	Soncek Murska Sobota,	Slovenia	Soncek is an association that brings together children suffering from cerebral palsy. Their aim is to provide as much as possible a normal life for these children, and includes many different therapies such as physiotherapy, therapeutic riding and swimming.
	Lotus Home	Sri Lanka	Lotus Home is an orphanage for disabled girls in Sri Lanka.
	Be Their Difference, Inc	USA	This foundation raises money to purchase toys to donate to the children's hospitals in Kentucky. The two major hospitals include Nortons Children's Hospital in Louisville and Kentucky Children's Hospital in Lexington.
Twin To Twin Transfusion Syndrome (TTTS)	USA	This foundation is dedicated to helping families affected by TTTS. They provide information for medical decisions, as well as emotional and financial support. There is also a huge resource for bereavement support for infant loss.	



Head Office team volunteered their time on the Northwich section of the Trent and Mersey canal



The DPM team participated in a team building event in Den Bosch, the Netherlands which included a donation to a local charity

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Donations in Kind

In addition to the annual Group donation, each business unit has discretion to allocate funds to local community groups, employee nominated charities and/or animal welfare charities. Below is a selection of what has taken place during the 2017 financial year.

Type of Charity	Charity	Jurisdiction	Description
Animal	Help Street Animals of Morocco (HSAM)	Morocco	DVP UK continued to provide assistance to HSAM by providing supplies in 2017 of Alvegesic, <i>Atipam</i> and <i>Sedator</i>
Animal	El Nido	Mexico	Supply of veterinary products
People	Udruzenje Dijaliznih I Transplantiranih Pacijenata	Bosnia/Hertz	Disinfectants to patients with kidney transplantation

Financial Donations

Business Unit	Jurisdiction	Amount	Description
DPM Skipton	UK	£750	Donations to Children in Need and The Christie Charitable Fund, Manchester (specialised cancer hospital)
DVP EU	Germany	£659	Donations to Veterinarians without borders, Aulendorf carnival and Society for Cynological Research
DVP EU	International	£44,502	Circle of Good: Donations to World Wide Fund for Nature (WWF), Marine Conservation Society, Sea Life Centre Blankenberge and The Ocean Clean Up (refer to case study)
DVP UK	UK	£300	Donation to Jade the Street Vet, who provides free veterinary care in London for the pets of the homeless
Genera	Croatia	£572	Donation to the local fire service

Case Study:

Our Community – Dechra Academy for Veterinarians

Maintaining and improving knowledge and skills in an ever changing industry is a major driver behind the ongoing demand from the veterinary profession for high quality education. In a number of countries the number of hours that each veterinarian spends on Continuous Professional Development (CPD) each year is mandated by their professional organisation.

From Dechra's perspective, we are keen to ensure that the diseases our products treat are diagnosed, monitored and treated, and so education forms an intrinsic part of our marketing mix.

Our educational programmes have traditionally involved speakers, often eminent Key Opinion Leaders, presenting to groups of veterinarians face to face. We recognise that it is not always convenient for our customers to give up their evenings and travel to hear a speaker, so we have looked into ways to make education available at a time and place to suit them.

The Dechra Academy was first launched in 2010 to provide an e-learning environment for veterinarians, initially in the UK. The attraction of anytime, any place learning was huge and the launch was very successful with thousands of veterinary professionals registering to complete the courses within the first few weeks of launch.

Now there are over 35 courses in the Academy in a wide range of different formats from e-learning modules to webcasts and podcasts and the Academy is available globally. The attraction of this form of learning has not waned and we continue to receive a significant number of new registrations worldwide every year.

We do still run Dechra Academy Live events, our face to face meetings and webinars, but now we record these and offer them to other customers as webcasts accessed via the Academy.

Our contribution to education has been recognised by our customers. In a recent survey*, Dechra's educational programme was highly rated by our UK customers for its quality and for our commitment to the industry. This ranking, along with the feedback from recent customer research, has given us a clear indication of what our customers need,



when they need it and how we can increase awareness and usage of our products. As a result, we are updating and improving the Dechra Academy ready for launch in the next financial year.

The new Dechra Academy will include:

- a new look and feel;
- improved navigation, simplifying the user journey; and
- increased integration with the Dechra website.

We are also investing in a number of new e-learning modules to ensure that we continue to meet our customers' demands for meaningful and relevant educational content.

* CPD Habits of Vets Across Europe, February 2017, CM Research Ltd.

Our Environment

Energy and Waste Management

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

Annual Waste Disposal Performance

	Bladel	Florida	Skipton	Zagreb
Recovered, recycled and reused	100.0%	43.0%	56.1%	86.6%
Landfill	—	57.0%	20.4%	—
Waste & Controlled Drugs	—*	—	23.5%	13.4%

*Recycled.

Our central logistics hub for Europe (the Dechra Service Center (DSC)) has continued with its annual contribution of DKK15,000 to Energreen ApS for the construction of new green energy production facilities within Denmark.

Greenhouse Gas Emissions

In order to determine our carbon emissions, we have used the GHG Protocol Corporate Accounting and Reporting Standard and have reported on emissions arising from those sources over which we have operational control (the exception being the inclusion of a third party manufacturer who leases part of our facility in Uldum, Denmark). Any acquisitions during the year are included from the first full month that they become part of the Dechra Group. The disclosures below encompass:

- **Scope 1:** includes emission from combustion of fuel and operation of facilities (excluding combustion of fuel from Company cars);
- **Scope 2:** includes emissions from purchased electricity, heat, steam and cooling; and
- **Vehicle emissions.**

Dechra has selected 'Tonnes of CO₂e per total £ million sales revenue' as the intensity ratio as this is a relevant indicator of the Group's growth.

	1 July 2016 to 30 June 2017	1 July 2015 to 30 June 2016	1 July 2014 to 30 June 2015
Scope 1	4,018	3,434	636
Scope 2	3,890	3,130	1,740
Vehicle emissions	1,618	1,511	1,241
Total Carbon Footprint (tonnes of CO ₂ e)	9,526	8,075	3,617
Intensity ratio (tonnes of CO ₂ e per £m)	26.5	32.6	17.8

As reported in last year's report the increase in the 2016 financial year was mainly attributable to the production of the nutrition supplement that is manufactured at Genera. This was explained in a case study in the 2016 Annual Report.

The intensity ratio has decreased by 6.1 tonnes of CO₂e per total £ million sales revenue. The decrease is partially due to the continued monitoring and optimising of the energy resources used at our manufacturing facilities and at the DSC. In January 2017 DSC installed light emitting diode type (LED) lighting in their warehouse and administration. On a yearly basis this change is expected to save DKK133,370 (approximately £15,640) with a return on investment of 1.4 years and annual kWh saving of 112,464 kWh.

At the beginning of 2017 the Melbourne facility in Florida, US upgraded its site with a retrofitting of the current lighting fixtures from conventional lighting to LED. On a yearly basis Melbourne expect to save a total of US\$10,043 and with a return on investment of 1.7 years and an annual return on investment of 55%. The Melbourne site has experienced a 32 tonnes reduction in CO₂ emissions per year.

The change at both sites will result in an expected 50,000 hours lamp lifetime saving and a 100% reduction in mercury levels in lighting. We are now working with a third party to make similar changes at the Bladel facility.

Case Study: Our Environment – Reduce Waste

The Active Pharmaceutical Ingredient (API) Amoxicillin is used in the production of Octacilline and Solamocta. Traditionally, this API is produced by a chemical method, which uses large amounts of organic solvents, and produces a large amount of waste. To minimise the environmental impact of this chemical production, Dechra tested and validated an alternative source who utilises an enzymatic process to produce Amoxicillin. The benefits from using the enzymatic Amoxicillin include using fewer solvents in the synthesis, less environment pollution and a reduction of energy consumption greater than 50%. This is a step to reduce the environmental impact from the production of antibiotics.



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Case Study:

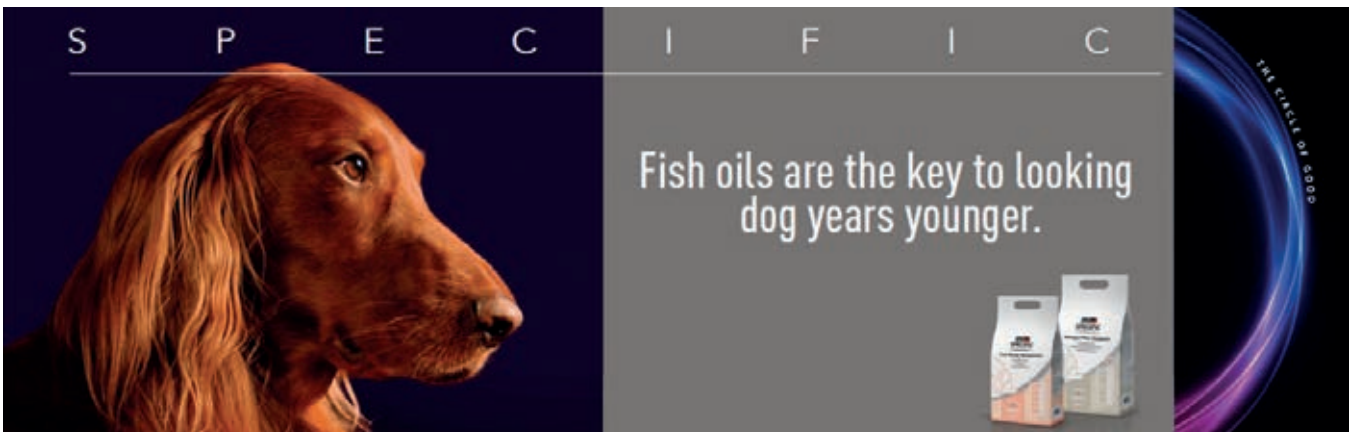
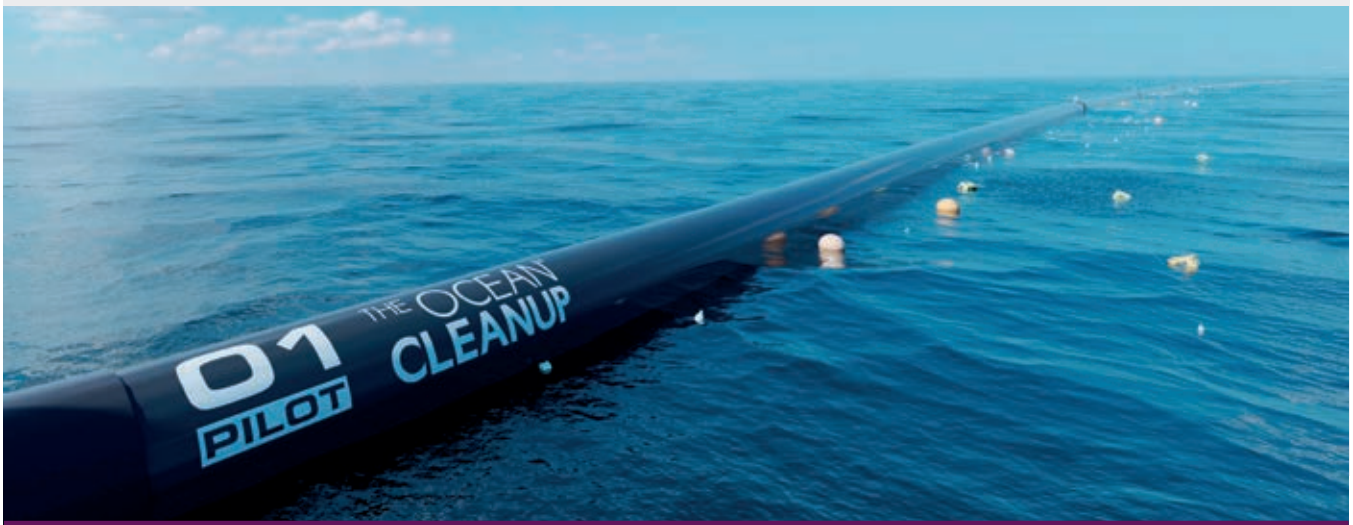
Our Environment – Ocean Cleanup

In 2015 the Circle of Good was developed as a positioning for our *Specific* brand of pet food. The Circle of Good includes a commitment to contribute up to 5% of its profits to environmental causes, in particular marine sustainability. The underlying principle of the Circle of Good is that *Specific* uses the finest ingredients, foremost amongst these being fish, to create products that deliver genuine health benefits for pets. This creates products that veterinarians are proud to recommend and from which owners see the benefits in their healthy pets. Reinvesting a proportion of the profits into the environment that provides these ingredients supports the process and completes a Circle of Good.

A range of activities have been supported by the Circle of Good initiative including WWF – Baltic Sea in Scandinavia; North Sea Foundation in the Netherlands and Belgium with a beach clean-up tour; The Finnish Association for Nature Conservation; WWF Club PME in France; The Sustainable Seas Foundation in Sweden and Keep Sweden Tidy Foundation; and beach clean-ups with the Marine Conservation Society in the UK.

In 2017 The Ocean Cleanup (TOC) was added to the initiatives supported by *Specific*. TOC is an imaginative, international and ambitious scheme offering a potential solution to what was previously seen as an intractable problem, that is the removal of millions of tons of plastic from the world's oceans, which damage ecosystems and enter food chains. To clean this up using vessels and nets will cost billions of dollars and take thousands of years to complete. TOC aims to use the natural ocean currents and winds, developing a network of floating U-shaped screens that catch and channel the plastic to a central point where it can be removed from the ocean and shipped to shore for recycling. Computer models predict that TOC will be able to remove 50% of the plastic waste in the Pacific in just five years.

Going forward, *Specific* is looking to source all of its fish from accredited sustainable sources; it already has this for the majority of its fish oil and packaging is also under review to reduce material weight.



Case Study:

Our Environment – Cleanaural

Historically production of Cleanaural, one of the care products, was undertaken at our small manufacturing facility located alongside the logistics hub in Uldum, Denmark. In 2013 following the closure of this manufacturing facility, production was moved to a lower cost Contract Manufacturing Organisation (CMO) located in Florida, US. Although manufacturing was carried out in Florida, the bottles and nozzles were still supplied from Denmark, as they had been specially designed and manufactured in Denmark. This meant a journey of over 4,600 miles one way moving empty bottles from Europe to US, the bottles being filled in the US, then transported over 4,600 miles back to the logistics hub before onward distribution into Europe. Therefore, a single bottle would have travelled more than 9,200 miles before it was distributed to the final customer.

Following the five year Dechra Manufacturing and Supply Chain strategic plan it was decided to make use of the geographical location and skilled workforce of our Zagreb manufacturing facility in Croatia. We wanted to ensure security of supply chain and the quality and cost improvements for the product. The plan was to source and produce the product in Croatia and then send to the logistics hub in Denmark, resulting in a total journey of around 1,000 miles compared to the 9,200 previously.

This transfer process has resulted in significant investment in staff training and upskilling in Croatia. In addition, the technical teams have looked at the manufacturing process and have made improvements to the production methods. The site had to seek regulatory approval for the manufacturing facility, and in December 2016 it received the GMP licence to operate from the Agency for Medicinal Products and Medicinal Devices of Croatia (HALMED).

In March 2017, we successfully achieved the technology transfer from the CMO facility in USA with the first production arriving in our Danish logistics hub in April 2017, months ahead of the original plan. The team have also undertaken a project to source bottles and caps locally in Croatia to have a tighter supply chain in place. We have been working closely with the CMO to ensure they maintain our USA supply chain and provide a dual supply source.

The result of this transfer means we can support the commercial ambition of the Group by reducing our cost of goods.

Furthermore, the 90% reduction in unnecessary movement of goods means a dramatic CO₂ emission reduction.

