

Nomination Committee Report



Tony Rice Nomination Committee Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present my first report of the Nomination Committee (the Committee) having succeeded Michael Redmond as Chairman in October 2016.

During the year the Committee focused on the recruitment of a Non-Executive Director, Senior Executive Team (SET) succession planning and the leadership needs of the Group. As a result of this the Committee believes that the Company has a stable and experienced SET to lead the development and implementation of this strategy and that the Board continues to have the appropriate skills, knowledge and experience to oversee the effective delivery of our strategy.

The following report provides an overview of the work carried out during the year under review.

Dechra's stance in relation to diversity is detailed in the Corporate Governance Report on page 70.

Should you have any questions in relation to this report or the Committee, please contact me or the Company Secretary.

Tony Rice

Nomination Committee Chairman
4 September 2017

Committee Membership and Attendance

The membership of the Committee, together with appointment dates and attendance at meetings during the year, is set out on page 68 of the Corporate Governance Report. Other attendees at the meetings include the Chief Executive Officer, the Group HR Director and the Company Secretary (who acts as secretary to the Committee).

The Chairman does not chair the Committee meeting if it is dealing with the appointment of his successor. The Senior Independent Director, Ishbel Macpherson, takes the chair when required.

Role and Responsibilities

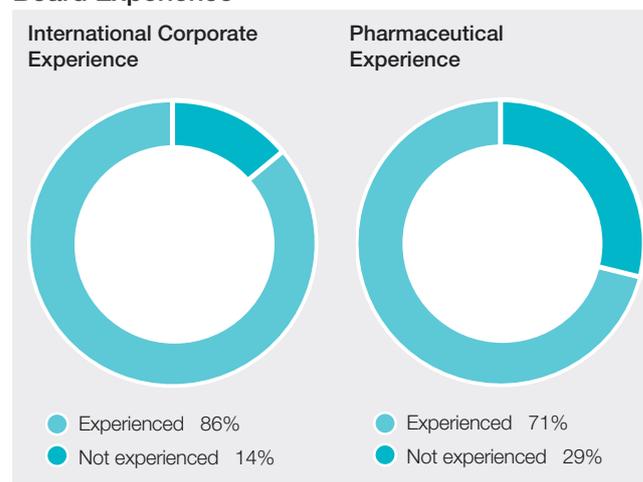
The main role and responsibilities of the Committee are set out in the written terms of reference, which are available on the Company website at www.dechra.com. The Committee's terms of reference are reviewed on an annual basis and during the 2017 financial year this took place at the February meeting. An overview of the terms of reference is detailed on page 69 of the Corporate Governance Report.

Principal activities of the Committee during the year included:

• Recruitment of Non-Executive Director

The Committee had a number of unscheduled meetings during the 2017 financial year due to the recruitment process for a Non-Executive Director, which commenced in the 2016 financial year. An independent recruitment consultancy, Odgers Berndtson (Odgers), was retained to assist and was provided with a role description detailing the skills and experience required for the position of a Non-Executive Director. To assist Odgers with the understanding of the requirements of the role, they met with the Chief Executive Officer, the Managing Director of DVP EU and the Chairman during the previous financial year resulting in a long list of candidates being identified for interview. One of the criteria was that the candidates should have life-science or pharmaceutical experience to fill the experience gap left on the Board by Michael Redmond's retirement. All of the candidates had a broad range of experience across the life-science and pharmaceutical sectors, with 50% of them being non-UK residents. Following a rigorous recruitment process, which was led by Michael Redmond, our previous Chairman, Lawson Macartney was appointed to the Board on 1 December 2016. Lawson is a qualified veterinarian and has over 30 years' of experience gained in the global pharmaceutical industry which has brought a depth of knowledge, and expertise of product development to the Board. Further details relating to his background and experience can be found on page 65.

Board Experience



Nomination Committee Report

• SET Succession Planning and Leadership Needs of the Group

The Group HR Director regularly presents to the Committee on the Company's succession planning and talent development programme. A regular review of succession planning takes place across the Company, with a particular focus given to the SET succession. The process of documenting the performance/potential axis across each function's top tier supports the decisions about the organisation design and structure. The results of this review are presented to the Committee, who discuss the succession plan for the SET at least annually.

For Executive Directors and the SET, plans are in place for sudden, unforeseen absences, for medium term orderly succession and for longer term succession as well as supporting significant acquisitions that require full time Dechra leadership during the integration phase. These plans are then used as the basis for personal development plans for the identified employees and to ensure, looking forward, that we have the right people to deliver our strategy.

The Committee has also discussed emergency succession planning, and is developing a framework to clearly identify individuals capable of covering key management roles on an interim basis. All these individuals will receive, or have received, the necessary coaching to ensure they have the required skills to provide any critical support when needed.

Over the last three years, one of the elements of our People Plan has focused on the continual development of the SET to provide world class leadership to the Group (as detailed on page 49). We encourage regular contact between members of the SET and the Board, with all SET members presenting to the Board at least once a year, leading site visits of their respective businesses and attending one-to-one sessions with Non-Executive Directors to discuss specific issues when applicable.

We have a coherent Leadership Development strategy which ensures that our SET has the capabilities required to manage the business effectively, and our organisation has a strong breadth of candidates for key leadership positions.

In considering the Leadership needs of the Group, we have chosen to focus on two key areas:

- Defining the current talent map of the organisation enabling us to share knowledge about our talent base, identify risks, gaps and to plan development of our future talent.
- Understanding the organisation's current capability versus the needs of the future strategic direction of the Group.

Through acquisitions, recruitment and internal promotion we now have a stable and experienced SET, with clearly defined roles. Dechra has increasingly focused on the centralisation of support services, to allow the Business Unit leaders to focus their efforts on their core businesses. This has identified a gap in the SET and we are currently recruiting for a Group Marketing Director to complete the team.

• Governance

Following an internal evaluation, further details of which are provided on page 72 of the Corporate Governance Report, the Committee has concluded that each of the Directors seeking re-election continues to be an effective member of the Board. At the forthcoming Annual General Meeting, Lawson Macartney and Richard Cotton, who were appointed to the Board on 1 December 2016 and 3 January 2017 respectively, will offer themselves for election, and all of the remaining Directors will retire and offer themselves for re-election.

Tony Rice

Nomination Committee Chairman
4 September 2017

Case Study:

Tony Rice Induction

Before I was appointed as Chairman of the Board in October 2016, I served as a Non-Executive Director for six months. This period of time gave me an excellent opportunity to get to know the Company and understand the business. Michael Redmond, as the retiring Chairman, spent invaluable time with me sharing his long standing experience of the Company's history and established strategy, ensuring a smooth handover of responsibilities.

In my initial months, I had a series of conversations with Ian Page to help me understand his approach, priorities and how he allocates his time, as well as the major milestones that led to the success of Dechra and the evolution of the strategic drivers.

In addition, I have had many opportunities to meet with the SET, both on a one-to-one basis as well as a collective. This has enabled me to understand their areas of responsibility and the various elements of the business. This has included:

- the process of identifying and filtering new product opportunities and the overall development of the product pipeline; and
- the key financial dynamics and priorities for the Company.

My first Board meeting was held at the Sansaw site, where I had the opportunity to meet with key members of the DVP EU sales and marketing team and European regulatory team seeing first hand the technical capability required to support the wide range of products. This gave me an opportunity to understand better the market dynamics and marketing approach. I was also able to learn about the various European regulatory processes and the significant work required to take our products to market.

I have also visited the manufacturing facility in Skipton, which provided me a better understanding of the approach to quality and integrity of batch production processes, and an appreciation of the regulatory systems required to maintain FDA standards. I have subsequently visited the manufacturing facilities at Bladel and Croatia.

I have enjoyed my first year at Dechra and the induction provided has given me a better understanding of Dechra, its product development, registration and manufacturing process, and its routes to market utilising its experienced sales and marketing teams.