

Letter from the Chairman on Governance



Michael Redmond
Non-Executive Chairman

Dear Shareholder

On behalf of the Board I am pleased to present Dechra's Corporate Governance Report for the year ended 30 June 2014.

This has been a year of strategic transformation for Dechra, following the divestment of our Services Segment and subsequent refinement of our strategy focusing on being a pure international veterinary pharmaceutical and related products company. The Board understands the importance of ensuring that there is a strong governance framework in place, which underpins Dechra's ability to achieve its strategic goals, whilst still allowing the management of the business to exercise their skills and experience in an entrepreneurial manner. This report details the Company's governance framework and provides an overview of how the Company has applied the main principles of the UK Corporate Governance Code (the Code) throughout the year.

Leadership

During the year there were a number of Board changes: Neil Warner retired at the Annual General Meeting in October 2013, following which, Ishbel Macpherson was appointed as the Senior Independent Director and Julian Heslop as the Audit Committee Chairman; at the beginning of 2014 Ed Torr stood down as an Executive Director. Both Neil and Ed have played an instrumental part in the evolution and growth of Dechra and on behalf of the Board I would like to thank them for their commitment, loyalty and hard work for the business over the years.

In terms of my tenure as Chairman, it has been decided by the Nomination Committee that, given the changes to the Board over the past few years, it would be prudent for me to remain in position until the 2016 Annual General Meeting. This will allow the newly refreshed Board to settle into their roles and consolidate their understanding of the Group over a reasonable period of time. The search for my successor will be overseen by Ishbel Macpherson and will commence in early 2015.

Effectiveness

During the year Independent Audit Limited were commissioned to carry out an independent external evaluation of the Board and its Committees. The findings of the evaluation and the corresponding actions are detailed within the report. The Board will now work together over the coming year to implement the evaluation's recommendations. Overall, the Board was considered to have the requisite skills and experience necessary to take the business forward.

Accountability

The Board has worked alongside Deloitte LLP during the year to review and strengthen the risk assessment framework across the Group. The newly formed Senior Executive Team (SET) is seen as pivotal in ensuring that the risk framework is embedded across the Group, and the Board's rolling agenda now encompasses detailed reviews of each of the risks identified. Further detail in respect of this project can be found on pages 46 to 49.



Further detail in respect of the SET can be found on pages 32 to 33.



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The new Code provision requires the Directors to explain their responsibility for preparing the Annual Report and Accounts and confirm that they consider, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Group. The Audit Committee has been asked to assist in reviewing the process undertaken by management. Further detail in relation to this is included in the Audit Committee Report on page 81. Following assurance from the Audit Committee the Board is able to give this confirmation.

Relations with Shareholders

The Annual General Meeting will be held in London on 24 October and I would like to take this opportunity to encourage our shareholders to attend. As ever, it will provide investors with an opportunity to meet the Board and ask any questions that you may have in respect of the Group's activities.

Finally, should you have any questions in relation to the report, please feel free to contact me or the Company Secretary.

Michael Redmond

Non-Executive Chairman

8 September 2014