

Social, Ethical and Environmental Responsibilities

A responsible approach to our stakeholders and the wider community is considered by the Board to be important to the business. 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 is ongoing.

Tony Griffin is the nominated Director responsible for health, safety and environmental matters. However, the Board takes ultimate responsibility for Corporate Social Responsibility and continues to be 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.

Social Responsibilities

The Board recognises that the Group has a responsibility to its stakeholders and therefore 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.

The Group operates a Donations Policy, which allocates up to £10,000 a year to be split between animal welfare charities, environmental charities and employee nominated charities. All employees within the Group are entitled to nominate a charity or a non-commercial organisation. During the financial year, £2,000 was donated to each of the chosen charities below:

Type of Charity	Charity	Description
Animal	Hillbrae Rescue Kennels	A family run concern based in Telford, Shropshire providing boarding kennels which cater for dogs, cats, small pets and birds. They also have rescue kennels where stray and abandoned dogs from Telford and Newport stay while waiting for their owners to reclaim them or until new homes are found.
	Roleystone Horse and Pony Sanctuary	A charity based near Dechra Pharmaceuticals Manufacturing Skipton that helps horses and ponies in need.
Employee	St George's Day Festival 2014	In support of the ABF The Soldiers' Charity, a charity which assists in the recovery and rehabilitation of injured war heroes.
	Pendleside Hospice	A hospice for terminally ill patients to ease the pressure on families and make their final weeks/months more comfortable for both the patient and their families.
	Manorlands Hospice, Oxenhope	Specialist palliative care providers in medical, nursing, and psychological care and treatment of people living with or affected by a serious or terminal illness. They focus on helping to resolve these problems whilst supporting family, carers and close friends.



Daniel Smith from Severn Hospice receives a cheque for £932 from Bob Parmenter ex DVP UK Country Manager.



Julie Sessford, a DPM employee, presenting a cheque to Roleystone Horse and Pony Sanctuary.

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 2014 financial year.

Animal Welfare

- As in previous years, many of our businesses have donated obsolete and/or short dated stock, damaged products and consumables to various charities, with the proviso that such stock is not provided to charities where the donation-in-kind could be sold to third parties. Dechra Veterinary Products UK (DVP UK) continued to provide assistance to a charity called Help the Street Cats of Morocco which it has been involved with since 2006 providing supplies in 2014 of *Alvegesic*, *Atipam* and *Sedator*.

Environment

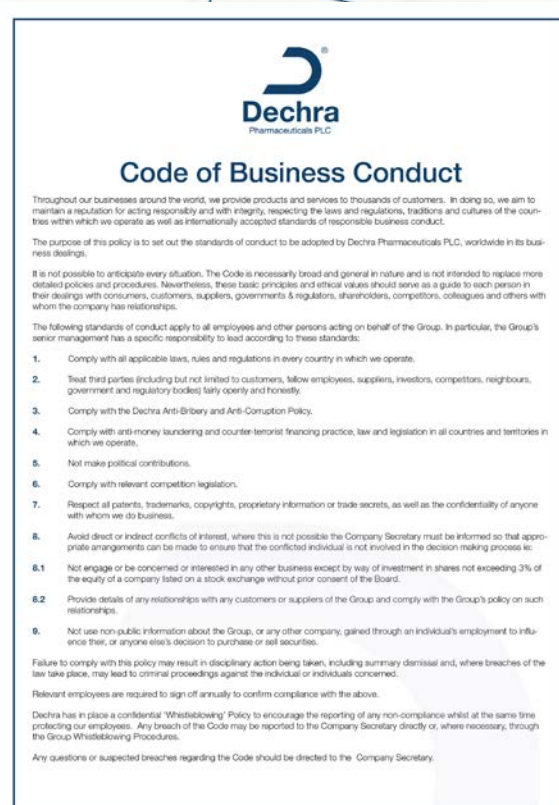
- Dechra Veterinary Products EU (DVP EU) has continued to donate DKK0.02 for every kilowatt per hour used for the period 2011 to 2015 to Energreen ApS for the construction of new green energy production facilities within Denmark.

Other

- Each year DVP EU nominates a Danish charity. This year they donated DKK2,200 to the Danish Cancer Foundation. Furthermore, as reported in the previous Annual Report, DVP EU has continued its sponsorship of three children through SOS Children's Villages.
- DVP UK employees celebrated the Best of Shropshire at a social event at their offices to raise money for Severn Hospice. The funds raised were matched by the Company and totalled £932.00 (see picture on previous page).

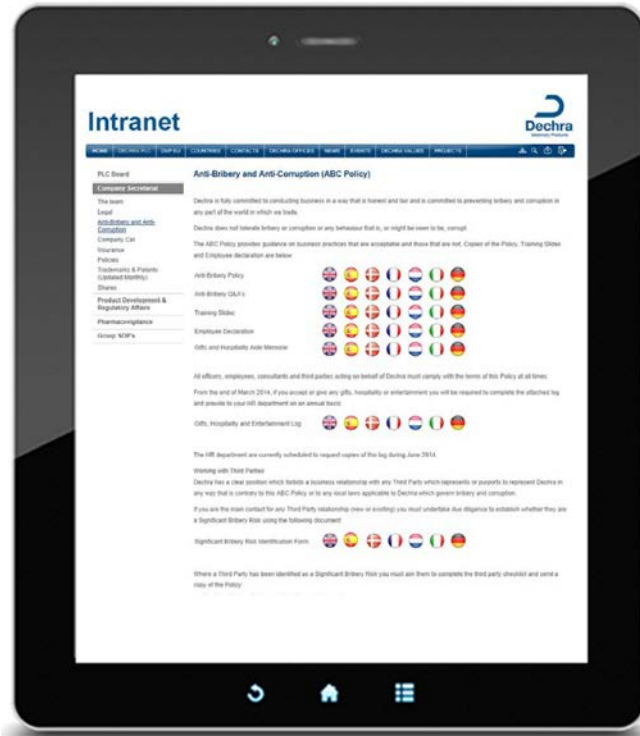
Business Ethics

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 which applies throughout the Group. This code was translated and circulated around the business along with the Anti-Bribery and Anti-Corruption Policy. The Code of Business Conduct was reviewed in March 2014.



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A separate Anti-Bribery and Anti-Corruption Policy was launched during the 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.



A whistleblowing policy is also in place whereby employees report, in confidence, any suspected wrongdoings within the business which they feel unable to discuss directly with local management. Details of the whistleblowing policy are detailed on the Company website at www.dechra.com.

The Dechra Values (Values) were launched in June 2011 across the business. Further information can be found on the Company's website at www.dechra.com. The Board fully endorses these Values and believes that they encapsulate Dechra's business ethics and set standards that all employees should strive to achieve and ultimately exceed.

All business units have implemented the Values into their operations. Both Dechra Veterinary Products UK and Dechra Pharmaceuticals Manufacturing (DPM) Skipton recognise an employee each month who has demonstrated the Values in their individual roles. Employees are nominated by their co-workers, with the chosen employee receiving an award. Every three months a winner is chosen from the previous three months' winners and receives an additional award.



Bill McGranaghan, a warehouse employee at DPM Skipton, receiving the quarterly award from David Needham.

Employees

We recognise that the success of the Group is dependent on our ability to attract, develop, motivate and retain skilled employees. For a number of years the Group has reported labour turnover as a non-financial KPI using a standard formula as follows:

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

The Group has established a target of no more than 15% Moving Annual Turnover; during the 2014 financial year we reported 16.8% (2013: 16.1% (restated to exclude the Services Segment)). This represents an increase over the previous year and is attributed to the closure of the manufacturing facility at Uldum, Denmark.

DPM Skipton is registered with 'Investors in People' and has continued in its commitment to people development through a number of apprentices embarking on the Modern Apprenticeship Scheme. Such employees are assisted in achieving National Vocational Qualifications as part of their apprenticeship, usually work-based but also involving literacy and numeracy modules.

It is the Company'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 Company's terms and conditions and to provide training and career development whenever appropriate.

Ensuring our teams are kept informed of key business issues is of paramount importance to the Company and we have multiple channels of communication internally to provide both formal and informal updates and feedback mechanisms. The Company also operates an internal Intranet site which is used to update employees on Group news. Dechra also actively encourages employee involvement in the Company's performance through an SAYE Sharesave Scheme. This Scheme has continually had high levels of engagement from our UK based employees.

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.

Health and Safety Policy

The Group attaches great importance to the health and safety of its employees and the public. The 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 its employees and on site visitors.

Any material health and safety issues or incidents that occur are discussed in detail at both the business unit board meetings and the PLC Board meetings. The discussions include details of the incident that took place and also details of any remedial action which has been taken in order to mitigate or prevent a recurrence of the incident. Twice a year a comprehensive health and safety report is presented at each of the business unit board meetings and subsequently reported to the PLC Board meeting the following month for discussion and review by the Directors.

Each unit within the Group has 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. During the financial year the Health and Safety Managers at the Bladel and Skipton Manufacturing sites have been working together to produce standardised documentation and processes as well as sharing best practices.

Skipton is now commencing the process for OHSAS 18001:2007 which is the British Standard for occupational health and safety management best practice and hopes to implement it fully within three years.

For a number of years the Group has reported Lost Time Accident Frequency Rates (LTAFFR) as a non-financial key performance indicator (see page 45). The LTAFFR is a calculation of all injuries that would be 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 Company reports LTAFFR on the same basis as in previous years, that is over-three day incidents. Over the course of the last 12 months the number of accidents has decreased from 2 to 1 (the previous year's figure has been restated to exclude the disposed Services Segment), none of which resulted in a work-related fatality or disability.

The Transport Risk Committee assesses risks relating to the Group fleet and establishes control procedures, including regular licence checks of all individuals who are able to drive Company vehicles, investigations into all accidents and a disciplinary procedure for speeding offences. Due to the disposal of the Services Segment the size of the fleet has reduced and there is no longer a commercial fleet. This has led to the committee's terms of reference being reassessed during the year and the number of meetings reduced to two a year.

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Environmental Policy

The Group recognises the importance of good environmental controls. It is the Group's policy to comply with environmental legislation currently in place, adopt responsible environmental practices and give consideration to minimising the impact of its operations on the environment. Since the 2013 Annual Report DPM, Skipton has achieved the ISO 14001:2004 Environmental Standard Certification. This standard requires that organisations have an environmental policy and an action plan for managing their impact on the environment. Once certified, the business is committed to a programme of continuous improvement which is reviewed annually with a view to ensuring that progress is maintained.

The independent assessment of Dechra, which was conducted by the leading certification body, the British Assessment Bureau, confirmed that the site at Skipton demonstrates good environmental controls that have reduced its impact on the environment. As a result, DPM can now display the prestigious British Assessment Bureau ISO 14001 Certification Mark which demonstrates its conformity with the standard.

The award has revealed that Skipton's 'back-office' activities, which are not always evident to our customers, are environmentally friendly, from quotation to delivery of our products and services. There have been extensive benefits of obtaining the ISO 14001 standard which have included:

- Streamlining the business waste management procedures and reducing the amount of waste that goes to landfill with the resulting cost reductions to the business;
- Increasing the amount of recycling and re-use of materials, for example 15 tonnes of metal have been recycled and the business is in the process of appointing a contractor to recycle all of its non-landfill waste; and
- Reducing the organisation's overall carbon footprint.

The award also means that DPM is clearly established as one of the leaders in its field and it is anticipated that having this accreditation will improve Skipton's ability to attract more international pharmaceutical manufacturing business.

Waste

In respect of waste, the Group is a registered member of the Waste Packaging Obligations Regulations compliance scheme. The general waste is sorted for collection by third party waste management companies. DPM Skipton monitors its waste management as part of the site's commitment to improve its recycling rates and direct waste into its correct waste streams with a view to ensuring compliance with regulatory requirement and to protect the environment. The site has set a target to increase its recycling rate by 10%, reducing waste to landfill by end of the 2015 financial year and the introduction of a further recycling project. This facility continues to comply with, and exceed, effluent discharge standards into local water supplies, which is subject to random monitoring by Yorkshire Water Authority. Standard operating procedures are in place to provide that all contaminated waste is disposed of under strict controls. Furthermore, all exhaust air is fully filtered from the manufacturing unit before discharge into the environment. DVP EU is legally obliged to submit an environmental impact report to the Danish Ministry of Environment on an annual basis.

Greenhouse Gas Emissions

This is the first year that Dechra has collated and reported on its Greenhouse Gas Emissions.

Methodology

In order to determine our emissions, we have used the GHG Protocol Corporate Accounting and Reporting Standard and have reported on Greenhouse Gas Emissions arising from those sources over which we have operational control. The disclosures below encompass:

- Scope 1: includes emissions 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.

The UK Government's Conversion Factors for Company Reporting 2013 for the period 1 July 2013 to 31 May 2014 and the UK Government's Conversion Factors for Company Reporting 2014 for June, have been used to convert Dechra's usage into a carbon dioxide equivalent, and Dechra has selected 'Tonnes of CO₂e per total £m sales revenue' as the intensity ratio as this is a relevant indicator of the Group's growth.

As this is the first year Dechra has reported on Greenhouse Gas Emissions there is no prior year's data to compare. The figures (excluding the Services Segment) provided below will be used as the baseline data for future reporting.

Greenhouse Gas Emissions (including the Services Segment) for the period 1 July 2013 to 30 June 2014 from:	Tonnes of CO₂e
Scope 1 (including HGV and Commercial vehicles)	1,007
Scope 2	1,547
Vehicle emissions	1,267
Total Carbon Footprint (tonnes of CO₂e)	3,821
Intensity ratio (tonnes of CO ₂ e per £m)	15.8

Greenhouse Gas Emissions (excluding the Services Segment) for the period 1 July 2013 to 30 June 2014 from:	Tonnes of CO₂e
Scope 1	609
Scope 2	1,438
Vehicle emissions	1,244
Total Carbon Footprint (tonnes of CO₂e)	3,291
Intensity ratio (tonnes of CO ₂ e per £m)	17.0

The intensity ratio is higher for the continuing operations due to the dilution impact of the Services Segment divestment.