

Following the disposal of the Services Segment a review of the operational Board meetings has taken place and it has been agreed that six meetings a year will be held for DVP EU, DVP US, Manufacturing and Product Development. Furthermore, four Executive Board meetings have been scheduled. It is the intention that these meetings will be attended by the four Executive Directors, the Managing Directors of the operating businesses along with the IT and HR Directors.

The Company maintains an appropriate level of Directors' and Officers' insurance in respect of legal action against Directors.

Effectiveness

Board Balance and Independence

The Board recognises and understands the importance of balance and refreshment in terms of its composition. The following changes have taken place at Board level over the past 12 months:

- 】 the appointment of Tony Griffin (Managing Director of DVP EU) as an Executive Director on 1 November 2012;
- 】 the appointment of Julian Heslop (Non-Executive Director) on 1 January 2013;
- 】 the appointment of Ishbel Macpherson (Non-Executive Director) on 1 February 2013;
- 】 the appointment of Anne-Francoise Nesmes as Chief Financial Officer on 22 April 2013;
- 】 the resignation of Bryan Morton (Non-Executive Director) on 9 July 2012; and
- 】 the resignation of Simon Evans as Group Finance Director on 18 October 2012.

As previously stated, Neil Warner will retire as a Non-Executive Director at the 2013 Annual General Meeting having held a position on the Board for over ten years. As agreed with the major Shareholders the Chairman's position will be reviewed prior to the 2014 Annual General Meeting.

The Board considers that all the Non-Executive Directors are independent of management and free of any business or other relationship which could materially interfere with, or compromise, their ability to exercise independent judgement. This independence of mind provides them with the ability to challenge decisions and think strategically and is integral to the decision making processes of the Board.

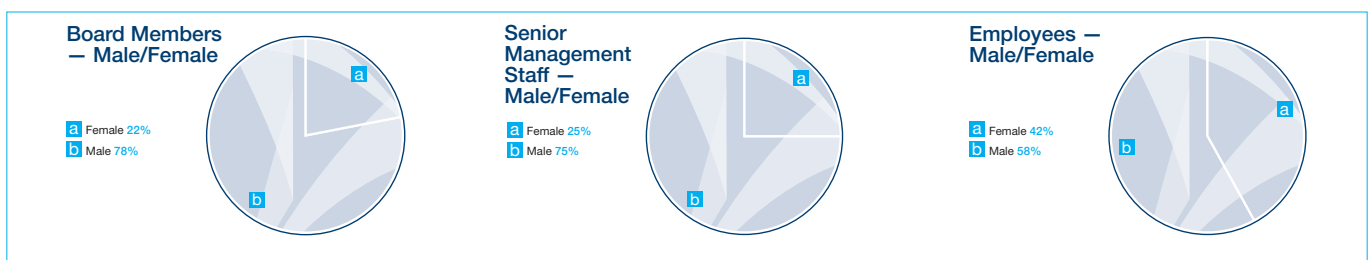
Diversity

The Board understands the importance of having a diverse membership and recognises that diversity encompasses not only gender but also background and experience. However, the Board does not have a formal diversity policy and is generally opposed to the idea of stated quotas for females. The Board believes that appointments should be made solely on merit, the key criterion being whether or not the appointee can add to or complement the existing range of skills and experience on the Board.

Notably, of the recent Board appointments, two out of the three have been female. Both of these appointments were made on merit, and not on gender. Both appointees were by far the strongest candidates for the positions and their skill set and overall experience fitted the objective role description approved by the Board at the outset of the recruitment process.

In terms of female representation across the Group: 22% of Board members (2012: nil); 25.0% (2012: 25.0%) of the senior management team; and 42% (2012: 44.8%) of the overall workforce are females.

Diversity in the Board and Beyond



Corporate Governance continued

Conflicts of Interest

Pursuant to the Companies Act 2006 all Directors have a duty to avoid a situation in which they have, or could have, a direct or indirect conflict of interest with the Company. The Articles of Association of the Company enable the Directors to authorise any actual or potential conflict of interest which could arise. There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. Firstly, only independent Directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision; secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will also be able to impose limits or conditions when giving authorisation if they deem this to be appropriate. During the financial year under review no actual or potential conflicts have arisen.

Information and Professional Development

Detail in respect of the information provided to the Board prior to each meeting is provided earlier in this report.

In order to ensure that the Board maintains its knowledge and familiarity with the Group's operations it is intended that at least one Board meeting per year is held at one of the Group's operational sites. During the year a Board meeting was held at Dechra Manufacturing, Skipton, and the main *Eurovet* facility (Bladel) in the Netherlands. The Board had an opportunity to be shown around both of these manufacturing facilities and meet with employees.

Any newly appointed Directors are provided with comprehensive documentation aimed at providing information in relation to the remit and obligations of the role, current areas under consideration for the Board and the latest broker reports. New Directors are also offered the opportunity to visit the various business units in order to allow them to meet with the executive teams and to be shown around the operations. All of the new Non-Executive Directors and Executive Directors appointed during the year visited the facilities at both Skipton and Stoke-on-Trent prior to their respective appointments. Meetings were also arranged with the Product Development and Regulatory Affairs Directors, the HR Director and the Managing Director and Quality Director of Dechra Pharmaceuticals Manufacturing.

The Company Secretary and Chairman are aware of the ongoing requirement to review and agree with each Director their training needs. In order to assist with these training requirements the Company Secretary provides briefings for the Directors, where necessary, that cover a number of legal and regulatory changes and developments relevant to the Director's areas of responsibility. During the year these briefings included an update on the revised draft Directors' Remuneration Report Regulations and the new strategic report proposals. In addition, the Company Secretary informs the Directors of any external training courses which may be of relevance. It is currently considered that the mixture of internal briefings and external training courses satisfies the Directors' training needs; however, this will be reviewed on an ongoing basis.

Each Director is entitled on request to receive information to enable him or her to make informed judgements in order to adequately discharge their duties. In addition, all Directors have access to the advice and services of the Company Secretary and senior managers, and may take independent professional advice at the Company's expense in connection with their duties.

Nomination Committee

The Board has an established Nomination Committee to lead the process for Board appointments and to make recommendations to the Board. During the period the Nomination Committee comprised Michael Redmond (Chairman), Julian Heslop (appointed 1 January 2013), Ishbel Macpherson (appointed 1 February 2013), Dr Chris Richards and Neil Warner. The Chairman will not chair the Committee meeting if it is dealing with the appointment of his successor. Details of the work carried out by the Nomination Committee during the financial year have already been detailed in this report. The Nomination Committee normally meets once a year. During the financial year under review three additional Nomination Committee meetings were held in order to discuss and recommend the various Board appointments.

The terms of reference set out the Nomination Committee's role and the authority delegated to it by the Board. The terms of reference have been reviewed during the year; a copy is available on the Company website at www.dechra.com. The terms of reference include the following responsibilities:

- 】 to oversee the plans for management succession;
- 】 to recommend appointments to the Board;
- 】 to evaluate the effectiveness of the Non-Executive Directors; and
- 】 to consider the structure, size and composition of the Board generally.

Other significant commitments of the Chairman and the Non-Executive Directors were disclosed to the Board before appointment, the Board is notified of any subsequent changes. The letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office. Both the letters of appointment of the Non-Executive Directors and the service contracts of the Executive Directors will be on display at the forthcoming Annual General Meeting.

Board Evaluation

The Board undertakes an annual evaluation of its performance and that of its Committees.

▮ The 2011/2012 Board evaluation:

The evaluation process was reviewed in detail by the Chairman and the Company Secretary and discussed with the Board. It was agreed that, given the number of changes to the Board during the review period, an internal (rather than external) evaluation would be the most beneficial to the Company.

A detailed discussion document was then circulated to the Board covering the following areas: (i) Board composition; (ii) strategy review process; (iii) the format of Board meetings and the decision process; (iv) training and development; (v) the performance of the Board and the individual Directors; (vi) Corporate Governance; (vii) leadership and culture; and (viii) risk assessment. One to one meetings were then held by the Chairman with each of the Executive and Non-Executive Directors and Company Secretary. The evaluation of the Chairman was undertaken by the Senior Independent Director. The findings of the internal evaluation were then discussed with the Board in August 2012. Overall it was noted that no new issues of material significance had been raised during the review, rather input revolved around progress of the previous years' action points. The main action points were as follows:

Action	Progress
Board succession planning discussion and implementation	Two new Non-Executive Directors have been appointed during the course of the year. Furthermore, an additional Executive Director position was created by the appointment of Tony Griffin to the Board
Review of Board pack content and Board meeting discussion	Following the October 2012 strategy meeting the Board agenda was reviewed in order to increase focus on strategic matters. This was assisted by an updated programme of strategic matters for review during the year
Further development of the Group KPIs	This has not progressed to date but a review is now necessary given the recent disposal of the Services Segment
Post-acquisition reviews after 12 months	This has been tabled into the rolling agenda for the PLC Board Meetings

▮ The 2012/2013 Board evaluation

A discussion took place at the February 2013 Board meeting as to whether or not an external evaluation should be commenced during the 2012/2013 financial year given the Company's move in June 2012 to the FTSE 250. It was agreed that given the changes to the Board (as detailed above) an internal evaluation would again be carried out. However, an external evaluation will be undertaken during the 2013/2014 financial year. The results of the 2012/2013 evaluation will be reported in next year's Report and Accounts.

Re-election

On appointment, Directors are required to seek election at the first Annual General Meeting following appointment. At the forthcoming Annual General Meeting, Julian Heslop, Ishbel Macpherson, Tony Griffin and Anne-Francoise Nesmes, who were all appointed during the financial year, will offer themselves for election. All of the remaining Directors will retire and offer themselves for re-election, excluding Neil Warner. Each of the Directors standing for re-election has been subject to a formal evaluation. Each of the Directors continues to perform effectively and demonstrate commitment, not only in respect of their roles and responsibilities, but also in relation to the Group and its stakeholders. The Board therefore recommends that Shareholders vote in favour of their respective elections and re-elections.