Task Force on Climate-related Financial Disclosures

Our Commitment to Climate Change

We support the Task Force on Climate-related Financial Disclosures (TCFD) framework, and our disclosures are consistent with its four TCFD core elements and the eleven recommended disclosures, in line with the compliance requirements of Listing Rule 9.8.6R(8) of the UK Financial Conduct Authority. The required disclosures are set out in detail along with an explanation where further information can be found on pages 69 to 75. Further information can also be found in our Sustainability Report which is published separately to this Annual Report.

We have disclosed our assessment of our compliance to the TCFD framework annually since 2020 and continue to apply it to describe our activities in 2023. All our business operations worldwide are in scope, unless otherwise stated. The framework applies a risk-based approach focusing on material risks and opportunities.

During the year, we have completed our initial review into all material Scope 3 emission categories, which has enabled us to establish our base year data, calculate our corporate footprint and submit our near term targets to the Science Based Targets initiative (SBTi) which are in the process of being validated. Our footprint is dominated by Scope 3 indirect value chain emissions with Scope 1 and 2 emissions together accounting for 8% of our footprint.

Further information on our **Science Based Targets** can be found on page 78

Governance

Climate change presents various economic, business and social risks which will affect our business over the short, medium and longer term. Given its importance, climate change is overseen at the highest level of the Company and integrated into business processes.

The Dechra Board is accountable for approving our Sustainability strategy and overseeing the delivery of our climate-related objectives, with Executive responsibility belonging to the Chief Financial Officer with support provided by the Group Sustainability Director and the Group HSE Director. Our Senior Executive Team (SET) is responsible for delivering on these objectives within their functional areas and business units.

At an operational level the Board and SET are supported by well established groups including a global cross-functional ESG Committee and associated sub committees (see the governance diagram in our Sustainability Report) who work with them to deliver our Sustainability strategy, and set objectives and targets which are aligned with the United Nations Sustainable Development Goals and SBTi. The outcomes from these groups were reported directly to the Board at meetings in February 2023 and June 2023. The Audit Committee also discussed and approved the TCFD disclosures for 2022 in August 2022, updated disclosures for 2023 in October 2023 and climate risk, which continues to be identified as a principal risk to the Group, in June 2023.

Given the importance of managing climate risk, factors relevant to it have been considered as part of the remuneration of the Executive Directors and SET since 2021. As part of their personal objectives within the annual bonus plan, which constitutes 10% of Executive Directors' and 5% of SET annual salary, each senior executive team member had an ESG objective in the 2023 financial year.

Identifying and Managing Climate Risk and Opportunity

To inform the wider Group risk management process of any specific risks and opportunities posed by climate change, and/or the transition to a low carbon economy, we have integrated climate assessments into the overall Group risk management process. As a Company with a global footprint and with operations across the entire animal health value chain, from research and development through to after-sales support, we are potentially exposed to a number of varied factors.

Climate Change and Our Strategy for Physical Risks

Understanding the potential impact of future climate scenarios, together with proactive mitigation, intervention plans and targeted investment, will help future proof our business and build resilience to protect our long term financial sustainability and continued supply of products to customers. It is critical to understand the physical hazards from climate change (e.g. extreme heat, floods and storm damage) and the risks to our value chain, which includes our workforce, local communities, suppliers, partners and customers as well as our physical assets. Working in a preventative way, we will implement planned response strategies and minimise interruptions from extreme weather events across our operations and value chain. During the 2022 financial year, we assessed the impact of climate risk to our business using the Intergovernmental Panel on Climate Change (IPCC) data under two transition scenarios and two physical scenarios over a 30 year time horizon; the first two modelled a positive scenario – Representative Concentration Pathway (RCP 1.9) indicating a 1.5°C temperature rise in accordance with the Paris Agreement and the second two (RCP 7.5) a 4°C temperature rise deemed to be a worst case which assumes that there will be no significant change in people's attitudes and priorities, or no major changes in technology, economics, or policies, so that normal circumstances are expected to continue unchanged.

Using these assessments we have screened climate impacts across our own business critical operations and identified that all were potentially exposed to some form of risk, with three sites warranting further assessment. We have prioritised our Pomona site for a more detailed review in the 2024 financial year due to the high risk of earthquake and increasing risk of extreme heat over the time horizon assessed. We will then review our Bladel and Somersby sites, both of which were identified as having an increasing risk of water scarcity in the medium to long term. We will now also start to focus on our strategic partners with a critical role in

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our value chain that are most exposed to climate-related hazards in our predictions, to understand their resilience to climate change and to work collaboratively across the animal health industry. This will include, but not be limited to, Contract Manufacturing Organisations (CMO's), Active Pharmaceutical Ingredient (API) producers, packaging suppliers and transport and distribution service providers.

Climate Change and Our Strategy for Transition Risks and Opportunities

The nature of the risks and opportunities we face is not solely driven by the physical aspects of climate change. Regulatory, technical, and commercial changes in the markets in which we operate, are already resulting in pressures to reduce the greenhouse gas (GHG) footprint of specific pharmaceutical products.

To respond to the identified climate risks and opportunities, we are taking action across the Group, and are committed to:

- achieving science-based net zero GHG emissions by maximising our energy efficiency, shifting to renewable energy sources, and investing in beyond value chain mitigation activities (such as our recent investment in AgCoTech) to support the global objective to halve emissions by 2030 and achieve science-based net zero by 2050; and
- building resilience by managing the physical and transitional risks and opportunities from climate change in the value chain, through adaptation and business continuity planning.

As part of our 'Making a Difference' sustainability plan we have submitted our near term targets for Scope 1, 2 and 3 emissions to the SBTi and are awaiting validation. We remain committed to a long term target to reach science-based net zero emissions across our full value chain by no later than 2050. We will continue to transition to a low carbon business and since 2021 we have also supported the UN-backed Race to Zero.

Near Term Targets

- Reduce Scope 1, 2 and 3 GHG emissions in line with climate science through the SBTi
- Eliminate the remaining 34% of suppliers who are non FSC approved by June 2024;
- Zero waste to landfill by 30 June 2025;
- Maximise our transition to electric vehicles in our road fleet by end of June 2027; and
- Complete the AUD$6 million investment in AgcoTech by the end of June 2024, representing an investment in beyond value chain activities aiming to eliminate 100 million tonnes of CO_2 per annum by June 2032.

Further information on our **Science Based Targets** can be found on page 78

Long Term Targets

- Become science-based net zero by 2050.

We recognise that cross-sector collaboration and supplier engagement are essential to decarbonise pharmaceutical supply chains. To reduce our Scope 3 emissions we will need to engage our suppliers across our entire value chain as well as continuing to bring more of our manufacturing in-house.

For further information please refer to our Sustainability Report.

Risk or Opportunity	Time Horizon Short	Time Horizon Mid	Time Horizon Long	Potential impact	How it is managed
Key Physical Risks					
Increased frequency of extreme weather and climate-related natural disasters	●	●	●	Detailed manufacturing site-level climate risk assessments have been completed. Outcomes indicate potential for: • Increased exposure to extreme heat events. This risk has the potential to impact our manufacturing and logistic sites in North America, Croatia and Australia; • Heavy rainfall causing local flooding. This risk has the potential to impact our manufacturing and logistics sites in Florida, Skipton, Bladel and Australia; and • Increased risk of storms that can damage site structures. This risk has the potential to impact our manufacturing site in Florida. Risks relate primarily to disruption or delays at a site, along with potential for higher energy consumption and cost for cooling to maintain GMP compliance, delays and/or losses in distribution and damage to site infrastructure resulting in increased insurance premiums and reputational damage. We do not foresee a material business impact arising from these short term events.	Identified risks have been addressed in site continuity plans and/or incorporated into the site master plans. Any investments required are integrated into our financial planning process. For example to improve business resilience we are continuing to invest at our sites to mitigate reliance on third party energy suppliers via increased on-site use of solar panels complemented by emergency generators. During the financial year, solar panels were installed at our Skipton facility and we already have a significant solar power capability at our site in Zagreb. We also aim to mitigate risk by reducing the number of contract manufacturers we engage with and produce more of our own products in-house. We have a broad portfolio and therefore are not overly reliant on a small number of individual products. For those more important products, we look to dual source from CMOs or to manufacturer at two different in-house locations insofar as is possible. **Metrics:** Please refer to our Sustainability strategy update on page 68.

Key:
- Low Risk
- Medium Risk
- High Risk
- Opportunity

Time Horizons for Impact

Short term: 1 to 2 years

Mid term: 2 to 5 years

Long term: 5 to 25 years

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Risk or Opportunity	Time Horizon: Short	Time Horizon: Mid	Time Horizon: Long	Potential impact	How it is managed
Transition Risks and Opportunities					
Increased demand for low carbon products	●	●	●	Our customers will increasingly look to select suppliers based on their GHG footprint to reduce their own Scope 3 footprint, as part of their net-zero targets. Future revenue from our generic portfolio could be at risk should substitution become widespread before we are able to transition. We have an opportunity to gain market share if we can transition in the short term. The risks are currently deemed to be low and more likely to occur in a medium term timeframe on products which are 'me too' in nature.	As part of our Making a Difference plan we have committed to reach net zero emissions by no later than 2050, backed by science based targets. All new products brought to market for the first time now include a sustainability review pre-launch. This review will focus on utilising sustainable ingredients and packaging. In 2023 we have continued the project to screen the carbon footprint of our existing product range utilising an IT system to review the GHG footprint to help assess and manage risks and target interventions to reduce the environmental footprint of our products (initiated in 2022). **Metrics:** Please refer to our Sustainability strategy update on page 68.
Carbon pricing and future environmental taxation	●	●	●	There is uncertainty over the future environmental policy and fiscal landscape of many countries in which we operate. We anticipate increased regulation and other developments related to carbon pricing and broader environmental taxation over the medium to long term. Increased carbon pricing based on the International Energy Agency Net-Zero Emissions by 2050 scenario forecast which follows the 1.5°C warming pathway ($140/tCO2 by 2030). We do not foresee a material impact.	Our Making a Difference plan and associated net zero commitment will help to mitigate some exposure to future carbon pricing and environmental taxation for our operations and our wider value chain. Managed correctly, this may actually present a commercial opportunity where peers have yet to establish a path to decarbonisation and net zero. In the 2023 financial year we incorporated an internal carbon price of $100/Tco2 on emissions at all of our manufacturing facilities which will support our transition to net zero. In 2024 we will increase this to $140/Tco2. **Metrics:** Please refer to our Sustainability strategy update on page 68.

Risk or Opportunity	Time Horizon Short	Time Horizon Mid	Time Horizon Long	Potential impact	How it is managed
Transition Risks and Opportunities					
Supply-demand of renewable energy (power and heat)				Competition for renewable energy due to increased demand. Security of renewable energy supply due to impact of climate change. Access to clean heat alternatives to natural gas, such as biomethane, generally requires higher investment. Opportunity to adopt energy efficiency measures to reduce operating costs and exposure to future fossil fuel price/carbon price increases. We do not foresee a material impact.	Energy efficiency reviews are conducted across our sites and incorporated into our capital expenditure and financial planning processes and are a primary metric alongside return on investment: • Our management team at Zagreb holds the ISO 50001 accreditation, the international standard for Energy Management and have obtained planning permission to explore the potential viability of geothermal energy at the site as well as increasing the utilisation of solar energy. • Our Brazilian team reduced refrigerant gas losses in 2022 by 91.0% through collaboration with our European engineering and maintenance team. Transition to renewable power at all sites as quickly as possible including exploring the viability of solar panel utilisation at manufacturing sites beyond our existing installation at the Zagreb site and newly installed panels at our Skipton site. **Metrics:** Please refer to our Sustainability strategy update on page 68.
Change in raw material or sourcing cost				Costs and availability associated with low carbon products from core sectors, particularly in areas such as raw materials and packaging. There could be a significant risk associated with increased costs for using high carbon transport modes. Use of lower emission sources of energy will reduce costs and will reduce exposure to fossil fuel and carbon price changes. Use of more efficient production and distribution processes will reduce operational and logistical costs. We do not believe the net impact to be material as we envisage being able to pass on any increased costs to customers.	We have identified four key industries that are crucial to Dechra's value chain; chemicals/plastic, aluminium, pulp, and paper and glass. Risk assessments have been performed on each and we have started collaborating with key suppliers to mitigate transition risks and maximise transition opportunities. Commencing engagement with upstream and downstream partners to recognise sustainable performance during contract renewal processes. Many of the risks associated with incremental cost exposure are not unique to Dechra. They will also be faced by our peers and the wider animal health sector, which should encourage collaboration. Exploring positive recognition for sustainable ambition and performance within the procurement process. **Metrics:** Please refer to our Sustainability strategy update on page 68.

Monitoring Our Progress

We report on our GHG emissions and progress towards near and long term targets in line with the World Resources Institute GHG Protocol guidance for defining and calculating our GHG footprint. Our Sustainability Report reflects how we plan to decarbonise the business and by that, reduce exposure to transition risks and unlock future opportunities for the Group. During 2023, we were recognised for our efforts by being included in Sustainalytics' 2023 Top-Rated ESG Companies List.

Task Force on Climate-related Financial Disclosures

TCFD Compliance

The below provides an explanation of where in this Annual Report (or other relevant document or location in respect of supplementary information) the various TCFD recommended disclosures can be found:

	Dechra's Current Status	Links to More Information on Key Developments
Governance		
Describe the Board's oversight of climate-related risks and opportunities.	Our Board and SET are supported by well established groups including a global cross-functional ESG Committee and associated sub committees to monitor the execution of our sustainability strategy.	• TCFD statement • Page 109 • Sustainability Report pages 21 to 28
Managing climate-related risks and opportunities.	Our Chief Financial Officer is responsible to the Board for the development and performance of our climate strategy and related risks and opportunities, as part of his overall responsibilities. The ESG committee coordinates management of physical and transitional risks and opportunities.	• TCFD statement • Page 103 • Sustainability Report pages 2 and 21
Strategy		
Describe the climate-related risks and opportunities which have been identified over the short, medium, and long term.	Physical risks from climate change are primarily disruption or delays to manufacturing or distribution and increased liability insurance premiums and reputational damage. Transition risks and opportunities are primarily regulatory and market changes, and/or pressure and ability to reduce product carbon footprints and decarbonise our value chain.	• TCFD statement • Page 87 • Sustainability Report page 21
Describe the impact of climate-related risks and opportunities on the businesses, strategy, and financial planning.	We are taking Group-wide action to reduce our GHG emissions from our global operations by 2030 (from a 2021 base year). We are committed to reducing Scope 1, 2 and 3 emissions in line with climate science through the SBTi to fully prepare for a low carbon economy. Near term targets have been submitted and are awaiting validation. We have disclosued our transition plan to science-based net zero.	• TCFD statement • Page 78 • Sustainability Report pages 18 and 21
Describe the resilience of the strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We are building resilience against a worse-case scenario (RCP 7.5) in our supply chain by investing in at risk sites, supply chain design and inventory levels to manage interruption risks. No material business impact from short term events is foreseen. Value chain decarbonisation, with net zero targets aligned to a 1.5°C scenario, will secure low carbon business resilience with the opportunity to continue to add scale.	• TCFD statement • Sustainability Report page 21

	Dechra's Current Status	Links to More Information on Key Developments
Risk Management		
Describe the processes for identifying and assessing climate-related risks.	Climate assessments integrated into overall Group risk management inform the Group of specific risks and opportunities posed by climate change and/or the transition to a low carbon economy.	• TCFD statement • Page 80 • Sustainability Report page 21
Describe the processes for managing climate-related risks.	Identified risks are owned by the responsible SET member and addressed in local site continuity plans or by technical mitigation in site master plans. Short, mid and long term financial planning includes required investments. Our 'Making a Difference' plan includes initiatives aimed at reducing our GHG footprint, mitigating some physical and transition risks and making our business more resilient to climate change.	• TCFD statement • Page 87 • Sustainability Report page 21
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management.	Identified risks are managed locally and escalated to the SET member responsible and Board level if material.	• TCFD statement • Page 80 • Sustainability Report page 21
Metrics and Targets		
Disclose the metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process.	Our GHG footprint for the full value chain (Scopes 1, 2 and 3) for our base year (calendar year 2021) are disclosed in our Annual Report and Accounts and separately in our Sustainability Report. Scope 3 includes 15 categories, of which 11 categories are material to Dechra. Our Scope 2 emissions have been calculated on a market based approach.	• TCFD statement • Pages 76 to 78 • Sustainability Report pages 07, 17 and 21
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	We have continued to disclose our GHG emissions relating to emissions arising from sources over which we have operational control as in previous financial years. In addition we have disclosed our expanded base year carbon footprint emissions which have been submitted to SBTi along with our targets for verification. The related risks can be found in this TCFD report and Understanding Our Key Risks.	• TCFD statement • Pages 76 to 78 • Sustainability Report pages 07, 17 and 21
Describe the targets used to manage climate-related risks and opportunities and performance against targets.	Relevant metrics and KPI's disclosed in our Annual Report and Accounts and separately in our Sustainability Report reflect the extent of decarbonisation and thereby reduced exposure to transition risks as well as showing future opportunities. We have also disclosed our proposed pathway to net zero.	• TCFD statement • Pages 68 and 78 • Sustainability Report pages 07, 18 and 21