

# Board of Directors



## Jan Boone

Non-Executive Chairman

### Appointment:

Jan was appointed Non-Executive Chairman of the Group in 2017 following the acquisition of Ecuphar NV.

### Committees:

Jan is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

### Responsibilities, relevant skills and experience:

As Chairman, Jan provides leadership of the Board, promoting a culture of openness and debate. He is Chief Executive Officer of Lotus Bakeries which is listed on Euronext Brussels and he brings significant experience of M&A, strategic development and change management.

Jan started his career at PricewaterhouseCoopers and holds a master's degree in Applied Economics from KU Leuven and a master's degree in Audit from the University of Mons-Hainaut in Belgium. Between 2000 and 2005, Jan served as Head of Corporate Controlling and Member of the Executive Committee of Omega Pharma NV. He became Managing Director of Lotus Bakeries in 2005 and Chief Executive Officer in 2011.

Jan also serves as a Non-Executive Director of Club Brugge KV.



## Jennifer Winter

Chief Executive Officer

### Appointment:

Jennifer was appointed as Chief Executive Officer of the Group in October 2018.

### Committee membership:

None; she attends some Committee meetings by invitation.

### Responsibilities, relevant skills and experience:

As CEO, Jennifer has responsibility for developing and executing Group strategy as approved by the Board and drives the performance and results of the Group. She manages Group operations in conjunction with the Leadership Team. With her background in the healthcare sector, including senior commercial roles at AstraZeneca and GlaxoSmithKline, she brings significant experience of product development, change management, marketing and communications.

Jennifer has a BSc in Physiology and Pharmacology from the University of Southampton.

She was a Non-Executive Director of Allied Irish Bank from 2004 to 2010, and Chief Executive Officer of Barretstown from 2003 to 2007, transforming it into a successful leading children's charity.

“ We have developed our governance structure to support the Group's long-term success and strategy for growth.”

Jan Boone, Non-Executive Chairman



## Chris Brewster

Chief Financial Officer and  
Company Secretary

### Appointment:

Chris was appointed Chief Financial Officer in 2012.

### Committee membership:

None; he attends the Audit and Risk Committee by invitation

### Responsibilities, relevant skills and experience:

As CFO, Chris has responsibility for financial planning and reporting, managing financial risk and overseeing risk management, treasury and internal controls. He develops and executes Group strategy in collaboration with the CEO, leading on the financial side of M&A and investor relations. He is also responsible for Group IT and Legal.

As a Chartered Accountant, Chris brings significant financial experience gained during his ten years at KPMG and as Group Accounting Manager at Findus and has gained significant animal health sector experience during his time with the Group.



## Chris Cardon

Non-Executive Director

### Appointment:

Chris was Chief Executive Officer of Ecuphar NV until its acquisition by the Group in 2017 and was an Executive Director of the Group until his move to a non-executive role in 2019.

### Committee membership:

None

### Relevant skills and experience:

As a Non-Executive Director, Chris brings significant experience of the animal healthcare sector and business development. He has a strong entrepreneurial background, establishing Mooss-Pharma NV in 1996. In 2001, when the OTC assets of Mooss-Pharma were acquired by Omega Pharma NV, Chris then founded Ecuphar NV to capitalise on opportunities identified in the animal health sector. He grew the company through a successful focus on product portfolio development until its acquisition by the Group in 2017.

Chris received the prestigious award 'Export Lion of Flanders 2005' in the Young Exporters category.

### Committee membership



Audit and Risk Committee



Remuneration and  
Nomination Committee



Chair of committee



By invitation

# Board of Directors CONTINUED



## Marc Coucke

Non-Executive Director

### Appointment:

Marc was appointed as a Non-Executive Director in 2017.

### Committee membership:

Member of the Remuneration and Nomination Committee

### Relevant skills and experience:

As a Non-Executive Director, Marc brings significant experience of maximising value creation and developing strategy. Marc founded Omega Pharma NV in 1987, developing the company into a leading pan-European OTC health and personal care business and serving as both Chairman and Chief Executive Officer. Following the sale of Omega Pharma in 2015, he invests via his private investment firm, Alychlo NV, in several listed and non-listed companies. He currently serves as Chairman of Mithra Pharmaceuticals and as Non-Executive Director of Fagron, both Belgian companies, in addition to a number of private companies.

Marc was awarded the EY Flemish Entrepreneur of the Year in 2002.



## Nick Downshire

Independent Non-Executive Director

### Appointment:

Nick joined the Board of Animalcare in 2008 when it was acquired by Ritchey plc.

### Committee membership:

Chairman of the Audit and Risk Committee

### Relevant skills and experience:

As a Non-Executive Director, Nick brings significant financial and audit experience and provides objectivity and analysis in chairing the Audit and Risk Committee. Nick is a qualified chartered accountant and worked in corporate finance and venture capital before becoming the finance director of a software company. He has held non-executive directorships in a diverse range of businesses in the insurance, agricultural, hospitality, education and technology sectors.

Nick runs a rural estate in Yorkshire and is Chair of Audit and Risk for the CLA (Country Land and Business Association), as well as acting as a Trustee for a number of charitable and land-related trusts. He is a council member and chairs the Audit and Risk Committee for the Duchy of Lancaster.

### Committee membership



Audit and Risk Committee



Remuneration and Nomination Committee



Chair of committee



By invitation



## Ed Torr

Independent Non-Executive Director  
Senior Independent Director

### Appointment:

Ed was appointed as a Non-Executive Director and Senior Independent Director in 2017 and was appointed Chairman of the Remuneration and Nomination Committee in February 2019.

### Committee membership:

Chairman of the Remuneration and Nomination Committee and member of the Audit and Risk Committee

### Relevant skills and experience:

As Senior Independent Director, Ed brings significant experience of business development and product development in the animal health sector.

He was part of the management buyout team that set up Dechra Veterinary Products in 1997 and an executive director on the board of Dechra Pharmaceuticals plc from 2000 until 2013, responsible for business development and managing the European business unit and instrumental in setting up the US business. Since 2014, Ed has independently advised various companies on sales and marketing structures, M&A opportunities, 'in' and 'out' licensing of products and investment opportunities within the veterinary and animal health sector.

He is Non-Executive Chairman of Agrimin Limited. In June 2020, he was appointed as a Non-Executive Director of Intervacc AB, a Swedish biotechnology company listed on Nasdaq Stockholm.

# Corporate Governance Statement



**Jan Boone**  
Non-Executive Chairman



**Strong governance is key to building a successful business.”**

## **An introduction from our Chairman**

As a Board, we recognise that strong governance is key to building a successful business and we have developed our governance structure to support the Group’s long-term success and strategy for growth.

We continue to apply the principles of the QCA Corporate Governance Code (the “QCA Code”). Our Corporate Governance Report on pages 42 to 45 sets out how we apply the QCA Code principles and explains how our Board and Committees operates.

## **The principles of corporate governance**

### **Compliance with the QCA Code**

The Board believes that it applies the ten principles of the QCA Code. We recognise the need to continue to develop our governance practices and disclosures in order to ensure that they support the growth and strategic progress of the Group and the effective application of the principles going forwards. Our governance structure provides a framework of clearly established roles, policies and procedures designed to support our compliance with the QCA Code, the AIM Rules and other legal, regulatory and compliance requirements which apply to the Group. The Board regularly reviews the structure to ensure that it develops in line with the growth and strategic plans of the Group. Further details of our corporate governance structure and activities are set out in our Corporate Governance report on pages 42 to 45.

### **Deliver growth**

The Board has collective responsibility for setting the strategic aims and objectives of the Group and our strategy is articulated on pages 10 to 13 and on our website, along with our business model on pages 16 and 17. In the course of implementing our strategic aims, the Board takes into account expectations of the Company’s shareholder base and also its wider stakeholder and social responsibilities.

The Board also has responsibility for the Group’s internal control and risk management systems. The Board regularly considers and reviews the risks and opportunities for the business and ensures that the mitigation strategies in place are the most effective

and appropriate to the Group’s operations. During the year, we have undertaken a review of the Group’s risk management framework and have set out details of our updated framework in our Principal Risks section on page 27 to 31.

## **Dynamic management framework**

The challenges presented by the COVID-19 pandemic, with travel restrictions and the requirement for COVID-safe working environments, have obviously impacted on the Board’s activities during the year. However, our positive culture and robust governance framework have enabled the Board to act quickly and support the Executive team in making important decisions. In making those decisions, the Board has been mindful of the impact on our stakeholders. Our statement setting out how the Directors have discharged their duty under s172 of the Companies Act 2006, which includes a description of how the Company has engaged with its key stakeholders, is set out on page 34 of the Strategic Report.

The Company operates an open and inclusive culture and this is reflected in the way that the Board conducts itself. Prior to the COVID-19 pandemic, the Non-Executive Directors attended the Group’s offices and other Group events and it is intended that this practice will continue once travel and group meeting restrictions have been lifted. With a relatively small employee base, such interactions mean it is relatively straightforward for the Board to promote and assess the desired corporate culture. The Board recognises the importance of promoting an ethical culture by leading from the top. The Group’s Code of Conduct which is applicable to the Board and all employees is our guide to doing business in the right way. It is complemented by more detailed rules and guidelines which are included in policies that cover the following areas: Good Business Practice, Respecting People, Safeguarding Information and Use of Information Technology. The Board also recognises the need to maintain a proactive focus on culture as the Group grows and we will continue our focus on corporate culture during the coming year. A more detailed explanation of the Board’s monitoring of culture is explained on page 45.



During the year, we continued to monitor the composition of the Board and consideration has been given to the appointment of an additional non-executive director at the appropriate time. Future appointments will continue to be on merit, with due consideration given to the need for diversity, and to complement the existing balance of skills and experience on the Board.

As Chairman, I consider the operation of the Board as a whole and the performance of the Directors individually. We are currently conducting a Board evaluation process. The Board will review and discuss the responses received and agree an action plan to take forward any recommendations.

### Build trust

The Board recognises the importance of disseminating clear and understandable information about the Group and its activities and maintaining regular dialogue with our stakeholders to ensure, and in turn to receive and consider, the views of our stakeholders. The Board receives information on the Group's employee engagement programme, including details of the results of the annual employee engagement survey, and regular feedback from the Executive team on their discussions with shareholders, potential investors, suppliers and partners and customers.

We will continue to monitor our application of the QCA Code and ensure that our governance framework continues to evolve in line with the strategic development of the Group and to understand the expectations of our stakeholders.

### Board capabilities

The Board consists of seven experienced Directors who collectively have considerable expertise in the following areas:

- Strong animal health and pharmaceuticals sector experience
- Leading organisational change and integration
- Managing a global supply chain
- New product development
- Business planning and development
- Corporate finance and mergers and acquisitions
- Financial and audit
- Marketing
- Governance and legal

### Jan Boone

Non-Executive Chairman

30 March 2021

# Corporate Governance Report

## Composition of the Board

The composition of the Board has been structured to ensure that no one individual can dominate its decision-making processes.

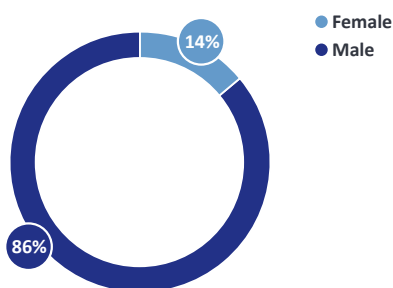
The Board currently comprises two Executive Directors and five Non-Executive Directors. The biographies of the current Directors can be found on pages 36 to 39.

Collectively, the Non-Executive Directors bring an appropriate balance of functional and sector skills and experience such that they are able to provide constructive support and challenge to the Executive Directors. The Directors believe that, collectively, the Board as a whole possesses the necessary mix of skills, experience, capabilities and personal qualities to deliver the strategy of the Group for the benefit of the shareholders and its wider stakeholders over the medium to long term.

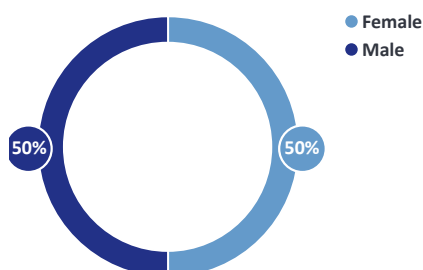
The Board recognises the benefits of diversity, including gender balance, and is committed to creating an inclusive culture, free from discrimination of any kind, and this extends to Board appointments.

A breakdown by gender of the Board and the Senior Executive Team is provided below.

### Board gender diversity



### Senior Executive Team



The Board also recognises that as the Group evolves, the mix of experience and skills on the Board may change and the Board composition will need to reflect that change. The Remuneration and Nomination Committee has responsibility for succession planning for Board Directors and other Senior

Executives and will increase its focus on this area as the Board and Senior Executive Team develops. Members of the Senior Executive Team and wider management team are invited to present at Board meetings throughout the year.

The Non-Executive Directors attend external events and seminars to receive updates on matters such as financial reporting requirements and corporate governance. The Company Secretary also ensures that the Board is updated as to developments to corporate governance practice and forthcoming changes to legislation or regulation which may impact on the Company.

## Independence

The Non-Executive Chairman, Jan Boone, and Senior Independent Director, Ed Torr, are considered independent and therefore the Board is compliant with the QCA Code, having at least two independent Non-Executive Directors. Although Nick Downshire has been a Director of the Company for more than ten years, the Board also considers him to be independent in character and judgement.

Following the acquisition of Ecuphar NV, 23.1% of the issued share capital of the Company is held by Ecuphar Invest NV in July 2017, an entity controlled by Chris Cardon, and a further 23.1% of the issued share capital is held by Alychlo NV, an entity wholly owned by Marc Coucke.

The Board is aware of its duty to hear the voices of, and protect the interests of, all shareholders and has put in place contractual arrangements with Ecuphar Invest NV and Alychlo NV, in the form of a relationship agreement in order to protect minority shareholder interests. A summary of the key terms of the relationship agreement is set out in the Admission document dated 24 June 2017 which is available on the Company's website ([www.animalcaregroup.co.uk](http://www.animalcaregroup.co.uk)).

## Appointments to the Board and re-election

The Board has delegated to the combined Remuneration and Nomination Committee the tasks of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed as Directors. Further details on the role of the Remuneration and Nomination Committee are set out in its report on page 49.

The Directors have the power to appoint Directors during the year but any person so appointed must stand for election at the next Annual General Meeting, as required by the Company's Articles of Association ("Articles").

In accordance with corporate governance best practice, all of the Directors will retire and offer themselves for re-election at the next Annual General Meeting. The Board considers that each of the Directors continue to make a valuable contribution to the Board and to demonstrate commitment to the Group.

## How the Board operates

The Board is responsible for the Group's strategy and for its overall management. The operation of the Board is documented in a formal schedule of matters reserved for its approval, which sets out the Board's responsibilities.

These include matters relating to:

- The Group's strategic aims and objectives
- The structure and capital of the Group financial reporting, financial controls and dividend policy
- Internal control, risk and the Group's risk appetite
- The approval of significant contracts and expenditure
- Effective communication with shareholders
- Changes to Board membership or structure

## Board meetings

The Board met formally five times during the year. Non-Executive Directors communicate directly with Executive Directors and senior management between formal Board meetings and Board members are also invited to a Budget review meeting with senior management held in November each year.

Directors are expected to attend all meetings of the Board and the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. This requirement is also included in their letters of appointment. In the event that Directors are unable to attend a meeting, their comments on papers to be considered at the meeting will be discussed in advance with the Chairman so that their contribution can be included in the wider Board discussion. The Board is satisfied that each of the Non-Executive Directors devotes sufficient time to the business, in accordance with the time commitment requirements set out in their Letters of Appointment.

Directors are encouraged to question and voice any concerns they may have on any topic put to the Board for debate.

The Board is supported in its work by Board Committees, which are responsible for a variety of tasks delegated by the Board. There is also a Leadership Team composed of the CEO, the CFO and representatives from senior management whose responsibilities are to implement the decisions of the Board and review the key business objectives and status of projects.

The table below shows Directors' attendance at formal scheduled Board and Committee meetings during the year:

	Board	Audit and Risk Committee	Remuneration and Nomination Committee
Jan Boone	5/5	3/3	2/2
Chris Brewster	5/5	–	–
Chris Cardon	5/5	–	–
Marc Coucke	5/5	–	2/2
Nick Downshire	5/5	3/3	–
Ed Torr	5/5	3/3	2/2
Jennifer Winter	5/5	–	–

### Board decisions and activity during the year

The Board has an agreed schedule of activity for the financial year covering regular business updates and operational, financial and governance issues. Each Board Committee also has an agreed schedule of activity. This ensures that all areas for which the Board has overall responsibility are addressed during the year. These schedules of activity are reviewed at least once a year to ensure that matters are considered at an appropriate time.

Board and Committee agenda and papers are circulated to the Board in good time in advance of the meetings and each meeting is minuted.

The Board agenda includes the CEO's report and operations reports, financial reports, consideration of reports from the Board Committees and investor relations updates. In addition, key areas put to the Board for consideration and review during the year included:

- Trading updates
- New product development and opportunities
- Dedicated half day strategy session
- Presentations from members of the Leadership Team
- Approval of annual and half-year report and financial statements
- Review of budget
- Going concern and cash flow
- Briefing and review of conflicts of interest
- Board performance evaluation
- Review of AGM business
- Share Dealing Code
- Investor relations and share register analysis





# Corporate Governance

## Report CONTINUED

Details of the Board's key discussions and stakeholder considerations are set out in the Strategic report on pages 34 to 35.

### The Board Committees

The Board has delegated specific responsibilities to its two Board Committees, the Audit and Risk Committee and the Remuneration and Nomination Committee, which are each comprised of at least two independent Non-Executive Directors.

Each Board Committee has written Terms of Reference setting out their duties, authority and reporting responsibilities. These Terms of Reference were reviewed and approved by the Board during the year and are available on the Company's website ([www.animalcaregroup.com](http://www.animalcaregroup.com)).

Details of the operation of the Board Committees are set out in their respective reports below. Each of the Board Committees is authorised to obtain, at the Company's expense, professional advice on any matter within their Terms of Reference and to have access to sufficient resources in order to carry out their duties.

### Leadership / Senior Executive Team

As detailed in the CEO Review, in January 2021, we unveiled a new organisation structure designed to support delivery of our growth strategy, resulting in the move to a smaller and highly experienced Senior Executive Team (SET) comprising the CEO, CFO, North and South Region Directors, Group HR Director, Group Commercial Director and the newly created role of Strategic Product and Business Development Director. The team meets monthly and its responsibilities include tracking financial performance, progress against our strategic and operational objectives, leadership development, improving employee engagement and all aspects of the operational leadership of the organisation.

### External advisers

The Board seeks advice on various matters from its nominated adviser, and broker and corporate finance adviser, Panmure Gordon & Co, from its lawyers, Squire Patton Boggs, and from its corporate governance and company secretarial adviser, Prism Cosec, which also provides company secretarial support. On 1 February 2021, the Company announced the appointment of Stifel Nicolaus Europe Limited as the Company's nominated adviser and joint broker. Panmure Gordon continues to act as joint broker.

### Development, information and support

The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Company's advisers where appropriate. Executive Directors are subject to the Company's performance development review process through which their performance against predetermined objectives is reviewed and their personal and professional development needs considered. Non-Executive Directors are encouraged to raise any personal development or training needs with the Chairman or Company Secretary.

### Risk management

The Board has ultimate responsibility for the Group's risk appetite and risk management strategy and for reviewing the effectiveness of the Group's risk management structure. Oversight of risk management is undertaken by the Audit and Risk Committee which reports to the Board three times a year. During the year, the Audit and Risk Committee recommended a review of the risk management structure with a focus on risk reporting. Further details of the review and the strengthened risk management framework are set out in the Audit and Risk Committee Report on page 46 and in Our Principal Risks in the Strategic Report on pages 27 to 31.

### Internal controls

The Board has ultimate responsibility for the Group's system of internal controls and for the ongoing review of their effectiveness.

Systems of internal control can only identify and manage risks and not eliminate them entirely. As a result, such controls cannot provide an absolute assurance against misstatement or loss. The Board considers that the internal controls which have been established and implemented are appropriate for the size, complexity and risk profile of the Group.

The main elements of the Group's internal control system include:

- Close management of the day-to-day activities and financial performance of the Group by the Senior Executive Team and other senior management
- An organisational and IT systems structure with defined levels of responsibility and user access
- Specified contract approval levels and financial authority limits
- An annual budgeting process which is approved by the Board
- A monthly and quarterly reforecasting process which forms part of the financial performance review cycle
- Controls to ensure that the assets of the Group are safeguarded and that appropriate accounting records are maintained

The Board continues to review the system of internal controls to ensure it is fit for purpose and appropriate for the size and nature of the Company's operations and resources. The internal control procedures were in place throughout the financial year and up to the date of approval of this report.

### Board evaluation

The Board is conducting a formal performance evaluation process by way of a detailed questionnaire completed by each member of the Board to obtain the Directors' views on the effectiveness of the Board, its committees and on key governance areas. The responses will be collated and reviewed by the Chairman and a summary of the results presented to the Board at its June meeting.

### Succession planning

The Remuneration and Nomination Committee considers the issue of succession planning. Further details can be found in the Committee's report on page 49.

### Conflicts of interest

At each meeting of the Board or its Committees, the Directors are required to declare any interests in the matters to be discussed and are regularly reminded of their duty to notify any actual or potential conflicts of interest. The Company's Articles of Association provide for the Board to authorise any actual or potential conflicts of interest if deemed appropriate to do so.

### Independent professional advice

Directors have access to independent professional advice at the Company's expense. In addition, they have access to the advice and services of the Company Secretary who is responsible for advice on corporate governance matters to the Board and the Group's corporate governance and company secretarial adviser, Prism Cossec.

### Directors' and officers' liability insurance

The Company has purchased directors' and officers' liability insurance during the year as allowed by the Company's articles.

### Culture

The Board sets clear expectations concerning the Group's culture and values.

We believe that by encouraging the right way of thinking and behaving across the Group, we will reinforce our corporate governance culture, enabling us to conduct business ethically and responsibly, drive our growth- and customer-focused, people-led strategy and deliver value for our shareholders.

The Board understands how important it is that it leads by example. The Group's Code of Conduct which is applicable to the Board and all employees is our guide to doing business in the right way. It is complemented by more detailed rules and guidelines which are included in policies that cover the following areas: Good Business Practice, Respecting People, Safeguarding Information and Use of Information Technology.

Board meetings are at different business units through the year which gives the Board the opportunity to engage with members of the management team and the wider employee base at meetings, lunches and dinners. During 2020, this practice was hindered by COVID-19 restrictions; the Board intends to reinstate these opportunities to engage with managers and the wider team as soon as possible as such interactions provide valuable insight into our corporate culture and assists the Board in monitoring and promoting a healthy culture throughout the business.

The Board also receives a report on the results of the annual employee engagement survey and the actions planned to address any issues raised.

We recognise the need to maintain a proactive focus on culture as the Group grows and we will continue our focus on corporate culture during the coming year.

### Relations with shareholders

The Group maintains communication with institutional shareholders through individual meetings with Executive Directors, particularly following publication of the Group's interim and full year results. We encourage our shareholders to attend our Annual General Meetings ("AGMs") and we give them the opportunity to pose questions to our Directors.

General information about the Group is also available on the Group's website ([www.animalcaregroup.com](http://www.animalcaregroup.com)). This includes an overview of activities of the Group and details of all recent Group announcements. The Non-Executive Directors are available to discuss any matter stakeholders might wish to raise, and the Chairman and independent Non-Executive Directors will attend meetings with investors and analysts as required.

A review of the share register is a regular item on the Board's agenda.

### Employee engagement

Due to the Company's relatively small employee base, the Non-Executive Directors are able to engage directly with employees and they attend meetings and dinners with some of the team.

During the year, the Group launched a number of new initiatives to enhance employee engagement. To support and maintain engagement with employees during the early stages of the pandemic, a COVID-19 survey was conducted to understand how teams felt supported by the Company and their direct line managers, and to understand any concerns or areas that required improvement. Regular catch-up calls were organised by Country Managers with their teams and regular online teambuilding activities were organised to engage and support employees.

To aid personal and team development, Insights Discovery sessions were set up to develop an environment of trust where people speak up and give honest feedback, learn about self-awareness and team awareness, thereby helping to improving the team communication and performance.

To support teams on their wellbeing, the Group launched an Employee Assistance Programme, which included a confidential counselling and information service to assist employees with personal or work-related challenges that may affect health, wellbeing or performance. This service offers employees 24 hours a day, 365 days a year access to telephone counselling, information services and free access to short-term face-to-face counselling with a professional counsellor.

Our 2020 Employee Engagement survey results showed an overall improvement on the 2019 results with an 11% increase in engagement levels despite the challenges of COVID-19. In particular, positive results were seen in terms of employee recognition, involvement in decisions affecting employees and the process of regular feedback across the Group.

Key focus areas for 2021 include the implementation of a cross-country communication focus group to allow our teams to feed into how we communicate, a talent management programme and a mentoring programme where senior leaders can mentor less experienced leaders. The Group also plans to launch a Workplace Ambassador Programme, with a cross-country group of employees from different departments, who will meet regularly with the Group HR Team to feed back ideas from the teams, update on employee wellbeing and engagement and to flag local concerns.

### Annual General Meeting

The Company's Annual General Meeting ("AGM") is scheduled to be held on Wednesday 9 June 2021. Further details of the arrangements for the AGM can be found in the Notice of 2021 Annual General Meeting which is available on the Company's website [www.animalcaregroup.com/investors/shareholder-centre/agm/](http://www.animalcaregroup.com/investors/shareholder-centre/agm/)

# Audit and Risk Committee Report



**Nick Downshire**  
Chairman of the Audit and Risk Committee



As Chairman of the Audit and Risk Committee, I am pleased to present the Committee's report for the year ended 31 December 2020."

On behalf of the Board, I am pleased to present the Audit and Risk Committee's report for the year ended 31 December 2020.

The Audit and Risk Committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored. Its role includes monitoring the integrity of the Group's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Company's internal control and risk management systems, and the appropriateness and effectiveness of the risk management framework and overseeing the relationship with the external auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). It is also responsible for establishing, monitoring and reviewing procedures and controls for ensuring compliance with the AIM Rules.

## Members of the Audit and Risk Committee

The Committee comprises three independent Non-Executive Directors:

- Nick Downshire (Chairman)
- Jan Boone
- Ed Torr

The Board is satisfied that Nick Downshire, as Chairman of the Committee, who is a qualified Chartered Accountant having worked in corporate finance and venture capital and is an experienced Non-Executive Director and Audit and Risk Committee chair, has recent and relevant financial experience.

The Committee met three times during the year and on one occasion since the year end and will continue to meet at appropriate times in the reporting and audit cycle and at such other times as is necessary to discharge its duties. Although only members of the Committee have the right to attend meetings, the Chief Executive Officer, Chief Financial Officer and external advisers may be invited to attend for all or part of the meeting.

## Duties

The main duties of the Committee are set out in its Terms of Reference which are available on the Company's website ([www.animalcaregroup.co.uk](http://www.animalcaregroup.co.uk)) and include the following:

- To monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, trading statements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements that they contain
- To review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems to identify, assess, manage and monitor financial risks, including the appropriateness and effectiveness of the risk management framework
- To consider annually whether the Company's size and activities are such that an internal audit function should be established and, if so, determine its remit and make a recommendation to the Board
- To consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, reappointment and removal of the Company's external auditor
- To monitor and review the external auditor's independence and objectivity, taking into account relevant statutory, professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services
- To develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant statutory, professional and regulatory requirements on the matter



- To review the arrangements for whistleblowing, enabling its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters
- To report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee reviews its Terms of Reference annually and the Board approved the current Terms of Reference on 9 December 2020.

The Committee oversees the Group's and its subsidiaries' internal financial controls and risk management systems, recommends the half and full-year financial results to the Board and monitors the integrity of all formal reports and announcements relating to the Group's financial performance.

The Committee challenges both the external auditor and the management of the Group and reports the findings and recommendations of the external auditor to the Board. The Committee meets to review the proposed audit work, review the results of the audit work and consider any recommendations arising from the audit.

#### Activities undertaken by the Committee during the year

The items of business considered by the Committee during the year included:

- Review of the 2019 financial statements and Annual Report
- Consideration of the impact and risk of COVID-19 on cash flows and liquidity of the Group
- Consideration of the external audit report and management representation letter
- Going concern and liquidity risks review
- Review and approval of the interim results
- Assessment of the need for an internal audit function
- Meeting with the external auditor without management present
- Review of the 2020 audit plan and audit engagement letter
- Review of external audit findings
- Review of auditor objectivity and independence and audit fees
- Litigation report and update
- Annual Review of Committee terms of reference

#### Review of Risk Management Framework

During the year, the Committee requested a review of governance with a focus on risk reporting. An advisory firm specialising in risk, The Value Circle, was appointed to undertake the review and to make recommendations to strengthen the risk management framework. As a result of this review, the Group has further strengthened its risk management framework built around the "Three Lines of Defence" model, ensuring that all parts of the business are engaged in the risk management process. Further details of the approach and how the framework has been strengthened are set out in Our Principal Risks on pages 27 to 31. The Committee reviews the Strategic Risk Heatmap and Horizon Scan and reports to the Board on its review three times a year. The Committee is satisfied that the strengthened risk management framework will enable the Board to monitor, manage and mitigate the critical risks in our strategic plan to the benefit of our stakeholders.

# Audit and Risk Committee Report CONTINUED

## COVID-19

During the year, the Committee considered the impact and risk of COVID-19 on the cash flows and liquidity of the Group, particularly in relation to the preparation of the Group's financial statements on a going concern basis. It assessed the future prospects of the Group, taking into account the Group's current financial position and principal risks and considering forecasts of future trading, including working capital and investment requirements for 12 months from the reporting date, that take into account reasonably possible changes in trading performance, in particular a 'severe but plausible' downside scenario in respect of the potential impact of COVID-19 post year end. Further details are included in the Chief Financial Officer's review and note 3 Summary of Significant Accounting Policies.

## Role of the external auditor

The Committee monitors the relationship with the external auditor to ensure that auditor independence and objectivity are maintained. As part of its review, the Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services is provided in note 24 to the Group's Consolidated Financial Statements.

Having reviewed and assessed the auditor's independence and performance, the Committee recommended to the Board that a resolution to reappoint PricewaterhouseCoopers LLP as the Group's external auditor be proposed at the forthcoming Annual General Meeting.

## Audit process

The external auditor prepares an audit plan for its review of the full-year financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Committee. Following its review, the external auditor presented its findings to the Committee for discussion. No major areas of concern were highlighted by the external auditor during the year; however, areas of significant risk and other matters of audit relevance are regularly communicated.

## Internal audit

The Committee has undertaken its annual review of the need for an internal audit function and continues to be of the view that, given the size and nature of the Group's operations and finance team, there is no current requirement to establish a separate internal audit function.

## Significant issues considered in relation to the financial statements

As part of the monitoring of the integrity of the financial statements, significant issues and accounting judgements identified by the finance team and the external audit process are then reviewed by the Committee and reported to the Board. The significant issues considered by the Committee in respect of the year ended 31 December 2020 are set out below:

Carrying value of goodwill and intangible assets of the Group and the carrying value of investments held by Animalcare Group plc	Consideration of the carrying value of goodwill and intangibles assets and the assumptions underlying the impairment review. The judgements in relation to the valuation primarily relate to the assumptions underlying the cash flows of the long-term business plans, including revenues from the R&D pipeline, the discount rate and the long-term growth rate. The assumptions are sensitised to demonstrate there is adequate headroom between the recoverable amount and the carrying value of the asset being tested for impairment.
Recognition and valuation of judgemental provisions	Determining the appropriateness of the assumptions used in the recognition and valuation of judgemental provisions which relate mainly to inventory, customer rebates, restructuring and integration.
Presentation of underlying profit adjustments	A review of the appropriateness of items disclosed as non-recurring items, including amortisation of acquired intangibles, restructuring and integration costs.
Accounting and disclosure for the acquisition of STEM Animal Health and associated licensing deal with Kane Biotech	A review of the Purchase Price Allocation exercise prepared by a third party and appropriateness of the accounting and disclosures in relation to the equity accounting and licensing arrangements.

The Committee was satisfied that each of the matters set out above had been fully and adequately addressed by the Executive Directors, appropriately tested by the external auditor and that the disclosures made in this Annual Report and Accounts were appropriate.

## Risk management and internal controls

The Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. As explained above, the Group has strengthened its risk management framework during the year. Further details of the Group's system of internal controls can be found in the Corporate Governance report on page 44. The Committee is satisfied that the risk management framework and internal control systems are operating effectively.

## Share dealing

The Group has adopted a share dealing code in conformity with the requirements of Rule 21 of the AIM Rules. All employees, including new joiners, are required to agree to comply with this code.

## Whistleblowing

The Group's whistleblowing procedures under which staff may report any suspicion of fraud, financial irregularity or other malpractice were reviewed and updated during the year.

## Nick Downshire

Chairman of the Audit and Risk Committee

30 March 2021

# Remuneration and Nomination Committee Report

I am pleased to present our Remuneration and Nomination Committee report which sets out details of the composition, structure and operation of the Committee, our work during the year, our remuneration policy and remuneration paid to Directors during the year.

## Members of the Remuneration and Nomination Committee

The Committee comprises three Non-Executive Directors, two of which are considered independent:

- Ed Torr (Chairman)
- Jan Boone
- Marc Coucke

The Committee considers Group strategy when recommending the appointment of Directors and setting and reviewing remuneration.

The Committee meets at least twice a year and at such other times during the year as is necessary to discharge its duties. Although only members of the Committee have the right to attend meetings, other individuals, such as the Chief Executive and external advisers, may be invited to attend for all or part of any meeting.

## Duties

The Committee works closely with the Board to formulate remuneration policy and to consider succession plans and possible internal candidates for future Board roles, having regard to the views of shareholders. The main duties of the Committee are set out in its Terms of Reference, which are available on the Company's website ([www.animalcaregroup.co.uk](http://www.animalcaregroup.co.uk)) and include the following responsibilities:

## Nomination

- Reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes necessary;
- Considering succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Company; and
- Leading the process for all potential appointments to the Board and making recommendations to the Board in relation to potential appointments.

## Remuneration

- Setting remuneration for the Executive Directors, including pension rights and any compensation payments;
- Approving the design of, and determining targets, for performance-related pay schemes and approving the total annual payments made under these schemes; and
- Recommending and monitoring the level and structure of remuneration for senior management.

## Principal activities during the year

The Committee considered the following matters:

- Review of Executive Directors' remuneration
- Review of Non-Executive Directors' fees
- Performance criteria for the Long Term Incentive Plan ("LTIP") and future awards under the LTIP
- Review of performance of the Executive Directors
- Review of Board composition
- Succession planning
- Board evaluation
- Re-election of Directors at the AGM
- Review of the Committee's terms of reference
- Training and Development requirements of Directors
- Review of Non-Executive Directors' time commitment
- Review of Committee plan for 2021

## Activities in 2021

The Committee approved a salary increase of 2% for the Executive Directors, Jennifer Winter and Chris Brewster, with effect from 1 January 2021, which was in line with the average increase for the wider workforce.

The Committee has started a process to benchmark remuneration for Executive Directors and the Senior Executive Team. The Committee will also give consideration to Board composition, in particular with regard to the number of independent Non-Executive Directors.

## COVID-19

Due to the uncertainty during the outbreak of the COVID-19 pandemic, the Executive Directors agreed in March 2020 to the deferral of the payment of their FY2019 bonuses. In September 2020, the Remuneration and Nomination Committee agreed that, in recognition of the Executive Directors' performance in 2019 and their

management of the business through the challenging environment of the COVID 19 pandemic from March 2020, the FY2019 bonus payments would be paid to the Executive Directors.

Grant of options under the Long Term Incentive Plan (LTIP) would usually be made after the announcement of the final results for the previous financial year. However, due to the outbreak of the pandemic and the Board's decision to defer the payment of a final dividend, these grants were deferred. A grant of nil-cost options under the LTIP were made in November 2020, details of which are set out on page 53.

## Activities for 2021

The Committee has considered the FY2020 bonus awards for the Executive Directors and reviewed performance against Group financial performance targets (75% weighting) and personal objectives (25% weighting) relevant to their own areas of responsibility. The Committee noted that not all financial performance criteria were met due to the impact of the COVID-19 pandemic; as a result the Committee agreed to award 50% of the Group financial performance element of the bonus award. The Committee agreed that personal objectives had been met in full.

Further details on the annual bonus are set out in the Directors' Remuneration Report on page 50.

## Diversity

The Company's policy is that recruitment, promotion and any other selection exercises will be conducted on the basis of merit against objective criteria that avoid discrimination. No individual should be discriminated against on the grounds of race, colour, ethnicity, religious belief, political affiliation, gender, age or disability, and this extends to Board appointments.

The Board recognises the benefits of diversity, including gender diversity, on the Board. Appointments will be made on merit but with due consideration to the need for diversity and to ensure there is an appropriate balance of skills and experience within the Board. The Board currently consists of 86% (six) male and 14% (one) female members. The Senior Executive Team currently consists of 50% (three) male and 50% (three) female members.

## Ed Torr

Chairman of the Remuneration and Nomination Committee

30 March 2021

# Directors' Remuneration Report

The following disclosures are made in accordance with best practice governance standards as an AIM company and to provide transparency about how our Directors are rewarded.

This report covers the financial year ended 31 December 2020.

## The Remuneration and Nomination Committee

The Board has delegated certain responsibilities for executive remuneration to the Remuneration and Nomination Committee ("the Committee"). Details of the Committee, its remit and its activities are set out on page 49.

The Committee is, among other things, responsible for setting the remuneration policy for Executive Directors and the Chairman, and recommending and monitoring the level and structure of remuneration for senior management.

## Remuneration policy

The objective of the remuneration policy is to promote the long-term success of the Company, having regard to the views of shareholders and stakeholders.

In formulating remuneration policy for the Executive Directors, the Committee considers a number of factors designed to:

- Have regard to the Director's experience and the nature and complexity of their work in order to pay a competitive salary, in line with comparable companies, that attracts and retains Directors of the highest quality;
- Reflect the Director's personal performance; and
- Link individual remuneration packages to the Group's long-term performance and continued success of the Group through the award of annual bonuses and share-based incentive schemes.

## Executive Directors

Current components of the Executive Directors' remuneration are base salary, annual bonus and share-based incentive schemes.

## Base salary

Base salary is reviewed annually by the Committee. There were no changes to base salaries during the year.

## Annual bonus

The Committee has agreed performance conditions for the annual bonus of the Executive Directors based on the achievement of certain financial and operational KPIs. Each Executive Director has performance conditions related to the profitable growth of the Group and additional performance conditions relevant to their own areas of responsibility.

For the CEO, 75% of the bonus award is aligned to achievement of Group financial performance targets (budgeted revenue (30%) and EBITDA (30%)) and 25% is dependent on achievement of personal objectives. The maximum bonus opportunity is 50% of salary.

For the CFO, 75% of the bonus award is aligned to achievement of Group financial performance targets (budgeted revenue (30%) and EBITDA) (30%) and cash conversion (15%)) and 25% is dependent on achievement of personal objectives. The maximum bonus opportunity is 40% of salary.

## Long Term Incentive Plan

A Long Term Incentive Plan, the Animalcare Group plc Long Term Incentive Plan 2017 ("the LTIP") was approved by the Board in June 2017. A summary of the LTIP was set out in the circular sent to shareholders on 24 June 2017 which is available on the Company's website ([www.animalcaregroup.com](http://www.animalcaregroup.com)).

Grant of options under the LTIP would usually be made after the announcement of the final results for the previous financial year. However, due to the outbreak of the COVID-19 pandemic and the Board's decision to defer the payment of a final dividend, the grants were deferred for consideration later in the year. On 17 November 2020, the Board approved the grant of nil-cost options under the LTIP over a total of 377,120 ordinary shares with a nominal value of 20p per share ("the Options") to be awarded to the Executive Directors and to members of the Leadership Team. Details of the nil-cost options granted to the Executive Directors are set out on page 53.

The LTIP awards will normally vest three years after the date of grant subject to the following performance criteria being met over the three-year financial period ending 31 December 2023. The Options will vest to the extent the following performance conditions based on EPS and TSR are met:

Earnings Per Share growth	Extent to which EPS tranche will vest
Less than 3%	0%
3%	25%
8%	100%
Between 3% and 8%	Between 25% and 100% on a straight-line basis

## Rank of the Company's TSR compared to the Comparator Group

Rank of the Company's TSR compared to the Comparator Group	Extent to which the TSR tranche will vest
Upper quartile or above	100%
Between median and upper quartile	Pro rata between 25% and 100% on a ranking basis
Median	25%
Below median	0%

50% of the option award will be subject to the EPS performance condition and the remaining 50% will be subject to the TSR performance condition. Accordingly, if one of the performance conditions is met but the other is not, the Option award will vest in part. The details of the LTIP are set out in note 26 to the consolidated financial statements.

Non-Executive Directors are not eligible to participate in the LTIP.

## Other benefits

A range of benefits may be provided including company car allowance, private medical insurance, life assurance, travel insurance, general employee benefits and travel and related expenses. The Committee also retains the discretion to offer additional benefits as appropriate, such as assistance with relocation, tax equalisation and overseas tax advisory fees.

### Service agreements and termination payments

Details of the Executive Directors' service agreements are set out below.

Director	Date of contract	Unexpired term	Notice period by Company	Notice period by Director
Chris Brewster	24 January 2012	Rolling contract	6 months	6 months
Jenny Winter	2 August 2018	Rolling contract	6 months	6 months

The Executive Directors may be put on gardening leave during their notice period, and the Company can elect to terminate their employment by making a payment in lieu of notice of up to the applicable notice period.

### Letters of appointments

Details of the Non-Executive Directors' letters of appointment are set out below.

Director	Date of contract	Renewed on	Term expires	Notice period by Company	Notice period by Director
Jan Boone	17 June 2017	30 June 2020	2023 AGM	3 months	3 months
Nick Downshire	17 June 2017	30 June 2020	2023 AGM	3 months	3 months
Ed Torr	17 June 2017	30 June 2020	2023 AGM	3 months	3 months
Marc Coucke	17 June 2017	30 June 2020	2023 AGM	3 months	3 months
Chris Cardon <sup>1</sup>	24 July 2019	–	2023 AGM	3 months	3 months

1. Chris Cardon was an Executive Director of the Company from 17 June 2017 until 24 July 2019.

### Employees' pay

Employees' pay and conditions across the Group are considered when reviewing remuneration policy for Executive Directors.

### Non-Executive Directors

The remuneration payable to Non-Executive Directors (other than the Chairman) is decided by the Chairman and Executive Directors.

Fees are designed to ensure the Company attracts and retains high-calibre individuals. They are reviewed on an annual basis and account is taken of the level of fees paid by other companies of a similar size and complexity. Non-Executive Directors do not participate in any annual bonus, share options or pension arrangements. The Company repays the reasonable expenses that Non-Executive Directors incur in carrying out their duties as Directors. There were no changes to the fees payable to the Chairman or Non-Executive Directors in the year.

### Remuneration policy for 2021

The remuneration policy for 2021 will operate as follows:

Role		Basic salary/fee £'000s	Maximum bonus potential
<b>Executive</b>			
Jennifer Winter	Chief Executive Officer	306	50%
Chris Brewster	Chief Financial Officer	209	40%
<b>Non-Executive</b>			
Jan Boone	Chair	70	–
Nick Downshire	Chair of Audit and Risk Committee	40	–
Ed Torr	Chair of Remuneration and Nomination Committee	45	–



# Statutory Information

The following information includes disclosures required by the AIM Rules and UK company law in respect of Directors who served during the year to 31 December 2020.

## Directors' remuneration

The following table summarises the gross aggregate remuneration of the Directors who served during the year to 31 December 2020:

£'000		Salary and fees	Annual bonus	Benefits	Pension	Total
<b>Executive Directors</b>						
Jenny Winter <sup>1</sup>	<b>2020</b>	<b>300</b>	<b>94</b>	<b>14</b>	–	<b>408</b>
	2019	285	71	14	–	370
Chris Brewster <sup>2</sup>	<b>2020</b>	<b>205</b>	<b>51</b>	<b>13</b>	<b>25</b>	<b>294</b>
	2019	205	41	13	25	284
<b>Non-Executive Directors</b>						
Jan Boone	<b>2020</b>	<b>70</b>	–	–	–	<b>70</b>
	2019	70	–	–	–	70
Chris Cardon <sup>3</sup>	<b>2020</b>	<b>35</b>	–	–	–	<b>35</b>
	2019	159	–	–	–	159
Marc Coucke	<b>2020</b>	<b>40</b>	–	–	–	<b>40</b>
	2019	40	–	–	–	40
Nick Downshire	<b>2020</b>	<b>40</b>	–	–	–	<b>40</b>
	2019	40	–	–	–	40
James Lambert <sup>4</sup>	<b>2020</b>	–	–	–	–	–
	2019	20	–	–	–	20
Ed Torr <sup>5</sup>	<b>2020</b>	<b>45</b>	–	–	–	<b>45</b>
	2019	43	–	–	–	43
<b>Total</b>	<b>2020</b>	<b>735</b>	<b>145</b>	<b>27</b>	<b>25</b>	<b>932</b>
	2019	862	112	27	25	1,026

1. Jennifer Winter's salary was increased from £285k to £300k with effect from 1 January 2020. Benefits comprise a car allowance (£10k) and private medical insurance (£4k).

2. Chris Brewster's benefits comprise a car allowance of (£10k) and private medical insurance (£2.5k).

3. From 1 January to 23 July 2019, Chris Cardon's salary was £250,000. On his change of role to Non-Executive Director on 24 July 2019, it was agreed that he would receive an annual fee of £35,000, which was prorated for 2019 from the date of his change of role. Prorated salary for 2019 was converted to GBP at the Group 2019 average rate of £1:€1.14. The fee for 2020 were calculated in GBP and paid in euro at the Group 2020 average rate of £1:€1.14.

4. James Lambert resigned as a director on 25 June 2019.

5. Ed Torr receives an annual fee of £40,000 and an additional fee of £5,000 for his chairmanship of the Remuneration and Nomination Committee. In 2019, the Committee fee was prorated following his appointment as Committee chair.



## Share options

The individual interests of the Executive Directors under the LTIP are set out below:

	Date of grant	First exercise date	Number of LTIP nil cost options awarded	Total options held
Jennifer Winter	06/06/19 17/11/20	06/06/22 31/12/23	177,750 165,761	<b>343,511</b>
Chris Brewster	06/06/20 17/11/20	06/06/23 31/12/23	76,636 66,848	<b>143,484</b>

During the year, a total of 144,511 options over ordinary shares were also granted to members of the former Leadership Team.

## Directors' interests in the share capital of the Company

The Directors' interests in the share capital of the Company as at 31 December 2020 and the movements during the year are set out below:

Director	Number of shares held as at 1 January 2019	Acquired/ (disposed) during the period	Number of shares held as at 31 December 2020	Percentage of ISC as at 31 December 2020
Jan Boone	50,171	–	50,171	0.08
Chris Brewster	280,513	–	280,513	0.47
Chris Cardon	13,857,213	–	13,857,213	23.07
Marc Coucke	13,857,213	–	13,857,213	23.07
Nick Downshire	1,031,529	–	1,031,529	1.75
Edwin Torr	107,455	–	107,455	0.18
Jennifer Winter	–	–	–	–

In addition, as at 1 January 2020, Nick Downshire had a non-beneficial interest of 190,446 shares; as at 31 December 2020, he had a non-beneficial interest of 190,446 shares.

There were no changes in the Directors' interests in shares between 31 December 2020 and 30 March 2021.

## Ed Torr

Chairman of the Remuneration and Nomination Committee

30 March 2021

# Directors' Report

The Directors present the Directors' Report, together with the audited financial statements of the Group and the Company for the year ended 31 December 2020.

## Principal activities

Animalcare Group plc is a public limited company incorporated in England and Wales with registered number 01058015, which is listed on the Alternative Investment Market ("AIM") of the London Stock Exchange.

The principal activity of the Group during the period was the development, sale and distribution of licensed veterinary pharmaceuticals and identification products and services to companion animal, production animal and equine veterinary markets.

## Statutory information contained elsewhere in the Annual Report

Information required to be part of the Directors' Report can be found elsewhere in this document, as indicated, and is incorporated into this report by reference:

Results in the Chief Financial Officer's review on pages 22 to 26.

The Corporate Governance statement on page 40.

The Group's financial risk management objectives in the Corporate Governance Report on pages 42 to 45.

The Directors' remuneration report can be found on pages 50 to 53.

Details of the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk can be found in note 24 of the Financial Statements.

Details of the salaries, bonuses, benefits and share interests of Directors in the Directors' Remuneration Report on pages 50 to 53.

Section 172 statement, the key issues and stakeholder considerations discussed by the Board during the year and how the Company engages with its stakeholders are set out on page 34 of the Strategic Report.

Directors' responsibility statements on page 57.

Likely future events are disclosed within the Strategic Report on pages 20 to 26.

Post balance sheet events are set out in the Strategic Report on page 26 and in note 29.

## Dividend

On 25 March 2020, the Group announced that payment of the final dividend had been deferred with the aim of supporting our financial strength and providing a platform to continue progressing opportunities during the global COVID-19 pandemic. This decision by the Board had the effect of retaining an additional approximately £1.4m in cash. As announced in September 2020, the Board reviewed this deferral and decided to retain the £1.4m to support investment for growth, a proportion of which were and will be invested in Stem Animal Health Inc, the Group's new venture with Kane Biotech Inc.

An interim dividend of 2 pence per share was paid on 20 November 2020.

Reflecting the Board's continued confidence in the Group, as well as the resilient performance for the year ended 31 December 2020, the Directors are recommending a final dividend of 2.0 pence per share, giving a total dividend for the year of 4.0 pence per share. The final dividend will be paid on 2 July 2021, subject to shareholder approval at the Company's 2021 AGM, to shareholders on the register at close of business on 4 June 2021.

## Directors

The names of the current Directors of the Company and their biographical details are shown on pages 36 to 39. There were no changes to directorships during the reporting period.

## Share capital structure

The Company's issued share capital as at 31 December 2020 was £12,011,432.20 divided into 60,057,161 ordinary shares of 20 pence each. There were no changes to the Company's issued share capital during the year or between 31 December 2020 and the date of this report.

The Company's ordinary shares rank *pari passu* in all respects with each other, including for voting purposes and for all dividends. Ordinary shareholders are entitled to receive notice of, and to attend and speak at, any general meeting of the Company. On a show of hands, every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll, every shareholder who is present in person or by proxy shall have one vote for every share they hold. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies. Further information on the voting and other rights of shareholders

are set out in the Company's Articles of Association, which are available on the Company's website ([www.animalcaregroup.com](http://www.animalcaregroup.com)).

Other than the general provisions of the Articles of Association (and prevailing legislation), there are no specific restrictions on the size of a holding or on the transfer of any class of shares in the Company. No shareholder holds securities carrying any special rights or control over the Company's share capital.

## Authority for the Company to purchase its own shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Act. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

At the AGM on 30 June 2020, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 6,005,716 of its ordinary shares. The Company has not repurchased any of its ordinary shares under this authority, which is due to expire on the date of this year's AGM.

## Research and development

Our new product development programme is key to the future long-term growth and success of the Group and we are committed to the development of new and innovative products to meet the needs of our customers. Further information in relation to product development can be found in the Chief Executive Officer's Review. During the period under review, the Group incurred research and development expenditure, including additions to intangibles of £4.0m (2019: £4.7m).

## Articles of Association

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association. Amendments to the Articles of Association of the Company may be made by Special Resolution of the shareholders.

## Financial instruments and risk management

Disclosures regarding risk management and financial instruments are provided within the Strategic Report and in note 24 to the Consolidated Financial Statements on page 98.



### Directors' indemnities and liability insurance

The Company's Articles of Association (the "Articles") provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers. The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the period and these remain in force at the date of this report.

The Group purchases and maintains directors' and officers' liability insurance for the benefit of its Directors, which was in place throughout the year ended 31 December 2020 and remains in place at the date of this report. The Company reviews its level of cover annually.

### Political donations

No political donations were made during the year (2019: £nil).

### Modern Slavery

In compliance with the Modern Slavery Act 2015, the Company's Modern Slavery Statement can be found on the Company's website at [www.animalcaregroup.com](http://www.animalcaregroup.com)

### Stakeholder engagement and key decisions

Details of the key decisions and discussions of the Board during the year and the main stakeholder inputs into those decisions are set out in the Strategic Report on pages 32 to 35.

### Employees

The Board recognises that the Group's performance and success are directly related to our ability to attract, retain and motivate high-calibre employees. We are committed to linking reward to business and individual performance, thereby giving employees the opportunity to share in the financial success of the Group. Employees are typically provided with financial incentives related to the performance of the Group in the form of annual bonuses. The Board also recognises employees for their contribution through the use of employee incentive plans and share plans within overall remuneration.

Applications for employment by disabled persons are given full and fair consideration. When existing employees become disabled every effort is made to provide continuing employment wherever possible.

In response to the COVID-19 pandemic, the Company initiated a new Employee Assistance Programme in 2020, providing all employees with comprehensive 24/7 support and wellbeing services. Further details on employee engagement and our culture can be found on page 45.

### Environment

We are aware of the impact our business has on the environment and it is our aim to ensure that we minimise any adverse impacts from our operations.

Given the nature of its activities, the Group's direct impact on the environment is relatively modest. Nonetheless, policies and standards are in place which aims to minimise this impact wherever possible. These include:

- Compliance with all relevant national legislation as a minimum standard
- Employment of practical energy efficiency and waste minimisation measures
- Policies in relation to purchase and use of vehicles to minimise environmental impact
- Provision of Office 365 across the Group, including communications and video conferencing to reduce business travel.

Greenhouse gas emissions and kWh consumption data for the financial year for Animalcare Ltd, the Group's UK trading subsidiary, is set out below:

Scope	Activity	Tonnes CO <sub>2</sub> e	kWh
Scope 1	Company car travel	20.2	83,998
	Grid-supplied		
Scope 2	electricity	10.3	44,127

### Energy Intensity measure

Tonnes CO<sub>2</sub> per £m revenue

Tonnes CO <sub>2</sub> e	
2020	2.1

# Directors' Report

## CONTINUED

We have used the UK Government GHG Conversion Factors for Company Reporting 2020 to calculate our total CO<sub>2</sub> emissions figures.

Animalcare Ltd has achieved carbon neutral status as part of its commitment to run its business sustainably. The Company undertook a detailed assessment of its carbon emissions in 2020 and has worked to reduce them, while also instituting offsetting measures, such as tree-planting, to enable it to become carbon neutral. Animalcare's carbon emissions assessment report was undertaken by Carbon Footprint Ltd. Some of its highest carbon-emitting activities related to business travel and have been reduced as a result of the COVID-19 pandemic but Animalcare is continuing to adopt measures, such as virtual meetings, to ensure that emissions in this area do not rise again once travel restrictions are lifted.

### Significant shareholdings

The Company has been notified of the following interests or is otherwise aware of the following interests, representing 3% or more of the issued share capital of the Company as at 1 March 2021:

Name of holder	No. of ordinary shares	% holding
Alychlo NV	13,857,213	23.07
Ecuphar Invest NV	13,857,213	23.07
Liontrust Asset Management	6,975,389	11.61
BGF Investment Management Limited	2,153,331	3.58
Canaccord Genuity Wealth Management	2,103,407	3.53

### Relationship agreement

On 23 June 2017, the Company entered into a relationship agreement with Panmure Gordon, the Company's nominated adviser and broker as at the date of the agreement and Alychlo NV and Ecuphar Invest NV ("the Substantial Shareholders"). The Substantial Shareholders together own more than 40% of the Group's total issued share capital. The Relationship Agreement is intended to ensure that the Company will at all times be capable of carrying on the business independently of each of the Substantial Shareholders and their respective Shareholder Groups (being the Associate of the Substantial Shareholders) and all transactions and arrangements between i) the Company and ii) each of the Substantial Shareholders, and the members of their

respective Shareholder Groups will be at arm's length and on normal commercial terms.

The Board confirms that, save as explained below, at all times since it was entered into:

- the Company has complied with its obligations under the Relationship Agreement; and
- so far as the Company is aware, the Substantial Shareholders and their respective Shareholder Groups have complied with the provisions of the Relationship Agreement.

The Relationship Agreement will continue for as long as the Ordinary Shares as defined in the Relationship Agreement are admitted to trading on AIM and the Substantial Shareholders together with their respective groups are interested in voting rights representing, in aggregate, 25% or more of total voting rights attaching to the Ordinary Shares (provided that, if the interest of a Majority Vendor together with its associates falls below 5%, the Relationship Agreement shall cease to apply to that Majority Vendor).

The Relationship Agreement requires the Substantial Shareholders to ensure that there are four independent Non-Executive Directors on the Board at any one time. Since June 2019, there have only been three independent Non-Executive Directors on the Board. Having regard to the composition of the Board and the advice received from the Company's advisers, the Company and the Substantial Shareholders are of the opinion that the provisions in the Relationship Agreement requiring a fourth appointment should be waived while the composition of the Board remains as it is currently, noting that, following the change in Christiaan Cardon's status from Executive to Non-Executive Director, there are five Non-Executive Directors, three of whom are Independent Non-Executive Directors.

The Company changed its nominated adviser in January 2021 and it is proposed that the Relationship Agreement will be amended in due course to reflect this change.

### Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore continued to be adopted in preparing the financial statements.

In reaching this conclusion the Directors have undertaken an assessment of the

future prospects of the Group, taking into account the Group's current financial position and principal risks. This review considered forecasts of future trading, including working capital and investment requirements for 12 months from the reporting date that take into account reasonably possible changes in trading performance, in particular a 'severe but plausible' downside scenario in respect of the potential impact of COVID-19 post year end. Further details on the potential impact of COVID-19 and the conclusion thereon are included in the statement on going concern in note 3 on page 70.

### Disclosure of information to auditor

Each of the persons who is a Director at the date of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and resolutions seeking to reappoint them and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

### Annual General Meeting

The Company's Annual General Meeting is scheduled to be held on Wednesday 9 June 2021. The Notice of 2021 Annual General Meeting, including the resolutions to be proposed, is set out in a separate Notice of Meeting which accompanies this report and is available on the Company's website [www.animalcaregroup.com/investors/shareholder-centre/agm/](http://www.animalcaregroup.com/investors/shareholder-centre/agm/)

### Approval

The Strategic Report on pages 10 to 35 and this Directors' Report on pages 54 to 56 were approved by the Board on 30 March 2021.

Approved by the Board and signed on its behalf by

### Chris Brewster

Chief Financial Officer and Company Secretary

30 March 2021

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement of the Directors in respect of the Annual Financial Report

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

### Chris Brewster

Chief Financial Officer and Company Secretary

30 March 2021