

# CORPORATE GOVERNANCE REPORT

## FOR THE YEAR ENDED 31 MARCH 2022

### *A strong business requires strong governance*

*We aim to continually update our approach to corporate governance and we have ensured that governance remains central to delivering on our strategy and the successful operation of our business.*

### Chairman's introduction to governance

Dear Shareholders

I am pleased to introduce this section on governance, which describes the activities of the Board and its Committees during FY2021-22 and in the period since the end of the year and how we have ensured governance remains central to delivering on our strategy and the successful operation of our business.

This year we have developed expanded our reporting of ESG to include further information on our performance and strategy on diversity and emissions. We recognise the importance of this area and will continue to develop our future activities and reporting.

We have also taken steps to broaden our communication with private and small investors through live on-line presentations through our collaboration with Equity Developments. We have been delighted with the investor feedback and engagement from these sessions and plan to continue and build on this activity where possible.

As an AIM quoted company, our governance framework is underpinned by the AIM Rules and we have adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (the 'QCA Code') as the benchmark for measuring our adherence to good governance. In addition to the QCA Code, we monitor developments and guidance in the UK

Corporate Governance Code, applicable to main market listed companies, to keep abreast of matters which we feel could also be embedded as best practice as part of a progressive approach. We also review the Investment Association guidelines and seek to comply with these where applicable.

In the sections that follow, we set out our governance structures, along with an overview of how the Company complies with the Principles of the QCA Code and the Board Committee reports.

**Your support as shareholders is vital to the success of the Company and we intend to remain responsive to shareholder's views and to engage with you so that the Company will deliver on its and your objectives.**

Thank you for your continued support.

Yours sincerely

**Dr Andrew Jones**

Chairman  
30 August 2022





## Board of Directors



### Dr Andrew Jones

Chairman  
Nomination Committee Chairman  
Appointed 1 December 2017  
Year of Birth 1960

Andrew has over 35 years' commercial experience in the life science sector and has held a range of senior positions, including CEO Europe for Arysta Lifescience, CEO Phoqus Pharmaceuticals plc, Principal at Cap Gemini Ernst and Young. He started his career in ICI Agrochemicals (now Syngenta AG). He is Non-Executive Chairman of Downland Marketing Limited, a distribution franchise group supplying animal health and nutrition products to grassland animal farmers in the UK. He is also Non-Executive Chairman of RootWave (Ubiquitek Ltd) a UK company developing technology and products that use electricity to kill weeds to provide a sustainable alternative to chemical herbicides. Andrew has a BSc degree and PhD in agricultural biology.



### David Hallas

Chief Executive  
Appointed 1 April 2022  
Year of Birth 1964

David Hallas has over 30 years of experience in the animal health industry and is a qualified veterinarian. He was previously managing director of Sure Petcare, a wholly owned subsidiary of Merck Inc. providing digital based solutions to the companion animal sector with sales of over US\$170m. Prior to this role, he was Associate Vice President of MSD Animal Health with full P&L responsibility for mid Europe which comprised a group of 7 European countries with a combined revenue of over US\$450m; he has also held senior global, regional and business unit management roles in other animal health businesses within Merck, Schering Plough and Pfizer (now Zoetis) and lived and worked overseas including in the USA. David has substantial experience managing profitable growth through the introduction of new products, including vaccines, and successful merger and acquisition integrations.



### Christopher Wilks

Finance Director  
Appointed 3 September 2019  
Year of Birth 1964

Chris has considerable experience in the fields of both finance and science. Chris began his career after graduating from the University of Durham with a BSc in Applied Physics and Electronics. Initially he joined Marconi Space Systems, applying his degree skills to the design of power systems for spacecraft. He then trained as a Chartered Accountant at Arthur Young (now EY), and after qualifying as a Chartered Accountant in audit, he became a manager in its Corporate Finance team. Mr Wilks is a Fellow of the Institute of Chartered Accountants in England and Wales.

He is also currently a non-executive director (and Chair of the Audit Committee) of Kromek Group plc, an AIM listed worldwide supplier of radiation detection technology and was previously Chief Financial Officer of Signum Technology Limited, a leading group of specialised engineering businesses operating in the safety and critical service flow control sector, which he co-founded. Prior to Signum Technology, Mr Wilks was Chief Financial Officer at Sondex plc, a specialist manufacturer of technical instruments for the oil and gas industry.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022



### Anthony (Tony) Rawlinson

Independent Non-Executive Director  
Appointed 1 January 2015  
Resigned 9 August 2022  
Year of Birth 1957

Tony is a Chartered Accountant with over 30 years corporate finance experience advising smaller quoted companies. After spending 14 years at Henry Ansbacher & Co and Strand Partners, he co-founded Dowgate Capital Advisers in 2001 and led its growth and development. He was also Chairman of its AIM quoted parent Company, Dowgate Capital, which was sold to a competitor in a recommended transaction in 2009. In 2010 he co-founded Cairn Financial Advisers LLP, a Nominated Adviser to a number of AIM companies and a corporate advisory firm. Tony retired from Cairn in November 2020.



### Dr Frank Armstrong

Remuneration Committee Chairman  
Independent Non-Executive Director  
Appointed 1 May 2020  
Year of Birth 1957

Frank is a medical doctor, a Fellow of the Royal College of Physicians and a Fellow of the Faculty of Pharmaceutical Medicine. He is currently Non-Executive Chair of Faron Pharmaceutical Oy (AIM), Non-Executive Chair of BioCaptiva Limited, Non-Executive Chair of Enhanc3D Ltd, Non-Executive Chair of Bloomsbury Genetic Therapies Limited (BGT), a Non-Executive Director of Newcells Biotech Ltd and a Member of the Court of the University of Edinburgh. He has previously held Non-Executive roles in listed companies with Summit Therapeutics (AIM and NASDAQ), Redx Pharma (AIM), Mereo Biopharma (AIM and NASDAQ) and Juniper Therapeutics (NASDAQ). He started his career at ICI Pharma/Zeneca Pharma before moving to Bayer AG where he became head of worldwide product development.



### Tracey James

Audit Committee Chair  
Independent Non-Executive Director  
Appointed 1 December 2021  
Year of Birth 1962

Tracey is a Chartered Accountant who has spent 26 years with Grant Thornton UK LLP, with the last 14 years as an Audit Partner. Tracey was a member of Grant Thornton's Oversight Board and also served on the Audit & Risk and Pensions Committees. She was also previously Finance Director of Karl Storz Endoscopy Canada (1999-2000). Tracey is currently a Non-Executive Director and Chair of the Audit Committee at specialist Engineering and Technology recruitment solutions business, Gattaca plc. She is also a Non-Executive Director and Chair of the Audit Committee at CT Automotive Group PLC.

## Attendance at meetings

All Committee and Board meetings held in the year were quorate. Director's attendance during the year ended 31 March 2022 was as follows:

|  | Board    | Audit Committee | Remuneration Committee | Nomination Committee |
|--|----------|-----------------|------------------------|----------------------|
| <b>Number of formal meetings held</b>          | <b>7</b> | <b>4</b>        | <b>4</b>               | <b>3</b>             |
| Andrew Jones                                   | 7        | 4               | 4                      | 3                    |
| Marc Loomes* (resigned as CEO on 1 April 2022) | 7        | 3               | 0                      | 3                    |
| Chris Wilks                                    | 7        | 4               | 0                      | 0                    |
| Tony Rawlinson (resigned on 9 August 2022)     | 7        | 4               | 4                      | 3                    |
| Frank Armstrong                                | 7        | 4               | 4                      | 3                    |
| Tracey James (appointed 1 December 2021)       | 1        | 1               | 0                      | 0                    |

\*David Hallas was appointed as Chief Executive Officer on 1 April 2022.

Directors' service agreements set out the time commitment from each director. Executive Directors are expected to devote all or substantially all of their time to ECO and Non-Executive Directors are required to commit up to three days per month to ECO matters.

## Compliance with the Principles of the QCA Code

The Company's shares are traded on the AIM market of the London Stock Exchange and as such, the Company is subject to the continuing requirements of the AIM Rules for Companies. As stated in the Chairman's introduction, the Board has adopted the QCA's Corporate Governance Code. The following table summarises how we apply the ten principles of the QCA Code:

| QCA Principle   | Explanation   |
|---|---|
| 1 To establish a strategy and business model which promote long-term value for shareholders | The Board meets annually to review and approve the strategy for the Group. The strategic plan and business model are reviewed by the Executive Leadership Team on an ongoing basis with relevant operational and management updates being reported to demonstrate delivery and progress. Decisions of the Board are made in line with the strategic plan and business model for the Group. Further details of the Group's strategy can be found in the Strategic Report |

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022

| QCA Principle  | Explanation   |
|--|---|
| <p>2 To seek to understand and meet shareholder needs and expectations</p>   | <p>The Directors are committed to open communication with the Group's shareholders to ensure that they clearly understand its business, strategy and performance. The Board actively seeks dialogue with its shareholders via investor roadshows, one-to-one meetings and regular reporting. The Board believes that open communication with investors and analysts is the best way to ensure it understands what is expected of the Group in order to allow it to drive its business forward.</p> <p>The Company has an established programme of engaging openly with shareholders. Communications with shareholders are via its website, the publication of the Annual Report and the Interim Statement, trading and other announcements made on RNS and at the Annual General Meeting where the Board encourages investors to participate.</p> <p>The Group's website contains information on the Group's business, corporate information and specific disclosures required under AIM Rules for Companies and the QCA Code. Following the announcement of the Group's full year and half year results the Company makes presentations to institutional shareholders, private client brokers and investment analysts. Periodic meetings are held with existing and prospective institutional and other investors. Formal feedback from shareholder meetings is provided by the Group's broker and discussion of this feedback is an item on the Board's agenda.</p> |
| <p>3 To take into account wider stakeholder and social responsibilities and their implications for long-term success</p> | <p>The Board values the opinions of key stakeholders in the business and regularly seeks to ensure that the views of its employees, suppliers, customers and partners are known and where relevant to the success of our business they are acted upon.</p> <p>The Group recognises its responsibility to promote its success for the benefit of its stakeholders and understands that the business has a responsibility towards its shareholders, employees, partners, customers, suppliers and to the local community. The Board is also conscious that the tone and culture that it sets will impact all aspects of the Group and the way employees behave and operate. The importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives whilst, in particular, meeting the demands of a sophisticated customer base. The Company has close on-going relationships with a broad range of its stakeholders; monitors feedback from them and uses this to develop future policy.</p>   |

| QCA Principle  | Explanation  |
|--|--|
| <p>4 To embed effective risk management, considering both opportunities and threats, throughout the organisation</p> | <p>The Board is responsible for overseeing management’s activities in identifying, evaluating and managing the risks facing the Group and records them on the Group risk register.</p> <p>The Board is responsible for the Company’s system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the execution of the Company’s strategic objectives and business model. The Board monitors financial controls through the setting and approval of an annual budget and the regular review of management accounts. Management accounts contain a number of indicators that are designed to reduce the possibility of misstatement in the financial statements.</p> <p>The Board reviews the effectiveness of these systems. This is achieved primarily by a comprehensive review of risks which cover both financial and non-financial issues potentially affecting the Group and from discussions with the external auditor. Details of these risks, and their management, are contained in the Strategic Report.</p> <p>The Board has established an internal audit function to provide an independent, objective assurance and consulting activity designed to add value and improve the operations of the Group.</p> <p>Where the management of operational risk requires outside advice, this is sought from expert parties, and the Company has put measures in place to protect itself against supplier failure including insurance and buffer stock.</p> <p>Further details of our risk management, risks and internal controls can be found in the Strategic Risk section of the Strategic Report.</p> |

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022

| QCA Principle  | Explanation   |
|--|---|
| <p>5 To maintain the Board as a well-functioning, balanced team led by the Chair</p>                                 | <p>The Board keeps under review its current balance and composition in order to ensure that it has a sufficiently wide range of skills and experience to enable it to pursue its strategic goals and address anticipated issues in the foreseeable future. The Board is supported by the Audit, Remuneration and Nomination Committees.</p> <p>The purpose of the Board is to ensure that the business is managed for the long- term benefit of all shareholders, whilst at the same time having regard for employees, customers, suppliers and our impact on the environment and the communities in which the Group operates. The full Board is responsible and accountable to the shareholders for the management and success of the Group and to provide effective controls to assess and manage risks in the Group.</p> <p>There is a formal schedule of matters specifically reserved for the Board that includes matters relating to strategy &amp; management; structure &amp; capital; financial reporting &amp; controls; internal controls; contracts; communications; board membership and other appointments; delegation of authorities and corporate governance.</p> <p>The Company has four non-executive Directors (from 9 August three, and it is intended that the number will return to four in due course), each considered to be independent by the Board. The Board meets on a minimum of 6 occasions with board meetings spread across each year which tie in as far as possible with the Group's financial reporting and trading calendars.</p> <p>The Board has an audit committee, a remuneration committee and a nomination committee each with delegated duties and responsibilities. Further details of the role of the board and the committees and how they operate can be found in the Chairman's introduction to governance and the Board Committee reports that follow this section.</p> |
| <p>6 To ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities</p> | <p>The Nomination Committee reviews at least annually the balance and composition of the Board and its Committees to ensure the skill and experience needed for successful operation are in place. Update training is undertaken periodically.</p> <p>The skills and experience of the Board are set out in their biographical details included within this corporate governance report and the Company's website and are considered by the Board as representing an appropriate range of capabilities needed to deliver the strategy of the Company for the benefit of its shareholders over the medium to long term. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. The Company Secretary is assisted by an external professional company secretarial services provider.</p>  |



| QCA Principle   | Explanation   |
|---|---|
| <p>7 To evaluate Board performance based on clear and relevant objectives, seeking continuous improvement</p> | <p>The Chairman evaluates the performance of the Board through a combination of questionnaires and one-to-one meetings with each Director. This process offers Directors an opportunity to discuss their contribution in terms of their skills and experience as well as identifying improvements or development to enhance the capabilities of the Board as a whole. Further details of the board performance review undertaken in the year are set out in this corporate governance report. Succession planning is recognised as a material topic for the Company and is the responsibility of the Nomination Committee that makes recommendations to the Board concerning Board appointments..</p>   |
| <p>8 To promote a culture that is based on ethical values and behaviours</p>                                  | <p>The Board aims to lead by example and make decisions that are in the best interests of the Group and its stakeholders as a whole. Our culture is underpinned by a clear set of values, which guide decision making at all levels in the business. The Board reviews and approves the Group's policies which are then implemented and communicated internally and externally to those who are expected to adhere to them.</p> <p>The Board recognises that its decisions will impact the corporate culture of the Group as a whole and that this will affect the performance of the business. The Board is also very conscious that the tone and culture that it sets will greatly impact all aspects of the Group and the way employees behave and operate. The importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives whilst, in particular, meeting the exacting demands of a sophisticated customer base. The Company's ethical approach to business is reflected in the way the Company has been able to develop long term and fruitful relationships with its clients.</p> <p>The Company seeks to ensure that responsible business practice is fully integrated into the management of all its operations and into the culture of all parts of its business. It believes that the consistent adoption of responsible business practice is essential for operational excellence, which in turn is expected to ensure the delivery of its core objectives of sustained real growth in future profitability.</p> |

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022

| QCA Principle  | Explanation   |
|--|---|
| <p>9 To maintain governance structures and processes that are fit for purpose and support good decision-making by the Board</p>                    | <p>The Board undertook a review of its governance and framework to ensure that the Group's governance structures remain appropriate and are fit for purpose in May 2022. This framework sets out leadership and embeds delegated responsibilities to enable informed and confident decision-making.</p> <p>The Company maintains appropriate governance structures and processes according to its size and complexity.</p> <p>There is a clear division of responsibility between the Non-Executive Chairman and the Chief Executive. The Chairman is responsible for running the business of the board and for ensuring appropriate strategic focus and direction. The Chief Executive is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Group.</p> <p>The role of the Independent Non-Executive Directors includes questioning and challenging the Executive Director and assisting where possible in developing strategic proposals, reviewing and commenting on the integrity of the Company's financial reporting systems and the information they provide; recommending appropriate standards of corporate governance; reviewing internal control systems; ensuring that risk management systems are robust and reviewing corporate performance and ensuring that performance is reported to shareholders.</p> <p>Compliance with the QCA Code and corporate governance requirements generally are reviewed on an on-going basis by the Board as well as part of the annual Board Effectiveness review process.</p> |
| <p>10 To communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p> | <p>The Board ensures that all stakeholders across the business are actively engaged through the relevant areas of responsibility. This includes making sure that the business as a whole upholds its values and monitors behaviour for acceptability.</p> <p>The Company recognises that meaningful engagement with its shareholders is integral to the continued success of the Group and the Company has actively engaged with shareholders through meetings, presentations and roadshows.</p> <p>The Board considers that the Annual Report and the Interim Report published at the half-year, play an important part in presenting all shareholders with an assessment of the Company's position and prospects. All RNS press releases are published on the Company's website. The Annual General Meeting is an opportunity for shareholders to meet and discuss the Company's business with the Directors.</p> <p>The Board is supported by the audit, remuneration and nomination committees, each of which has access to information, resources and advice that it deems necessary, at the Group's cost, to enable the committees to discharge their duties.</p>   |

## Leadership and the Board

### The Role of the Board

The Board comprises two Executive Directors and four independent Non-Executive Directors (including the Chairman).

The Board is responsible for providing effective leadership to promote the long term success of the Company. There is a formal list of matters reserved for the Board, that may only be amended by the Board. The key responsibilities of the Board include:

- setting the Company's vision and strategy;
- ensuring the necessary financial and human resources are in place to support implementation of the strategy;
- maintaining the policy and decision-making process through which the strategy is implemented;
- providing entrepreneurial leadership within a framework of good governance and risk management;
- monitoring performance against key financial and non-financial indicators;
- responsibility for risk management and systems of internal control; and
- setting values and standards in corporate governance matters.

### Division of Responsibilities

The responsibilities of both the Chairman and CEO are clearly defined and understood:

- The Non-Executive Chairman, Andrew Jones, has primary responsibility for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the shareholders. In addition, he maintains a strong focus on governance to ensure good practice is embedded in the day to day operations with good flows in communication and reporting. He maintains a regular dialogue with the CEO to ensure the business receives the support from the Board necessary to progress the strategy. The Chairman also meets with the Non-executive Directors as required. Shareholders have an opportunity to

engage with the Chairman and the Board at the Company's AGM.

- The CEO, David Hallas, is responsible for the day-to-day running of the business which includes implementation of the strategy. He is supported by an Executive Leadership Team ("ELT") who have management responsibility for the business operations and support functions. Relevant matters are reported to the Board by the CEO and, as appropriate, the FD and other ELT members.

The role of the independent Non-Executive Directors is to:

- provide oversight and scrutiny of the performance of the Executive Directors;
- constructively challenge to help develop and execute on the agreed strategy;
- satisfy themselves as to the integrity of the financial reporting systems and the information they provide;
- satisfy themselves as to the robustness of the internal controls;
- ensure that the systems of risk management are robust and defensible; and
- review corporate performance and the reporting of performance to shareholders.

### Board Committees

The Board has delegated and empowered three Committees: an Audit Committee, a Remuneration Committee, and a Nomination Committee. Each Committee has written terms of reference set by the Board, which are reviewed annually and are available on the Company's website. Membership of each Committee is determined by the Board on the recommendation of the Nomination Committee. Each Committee Chair reports to the Board on the activities considered and determined by the relevant Committee. A summary of the Committees' responsibilities and their work during the year can be found in the reports from the Committees appearing later in this section. The Committees are entitled to engage specific advisors as required to discharge their duties. In anticipation of the recruitment of the new CEO, during the year the Remuneration Committee engaged the services of AON Executive Compensation to benchmark the salary and other benefits of the CEO.

### Board Activities

The Board held five scheduled meetings during the year at which it considered all matters of a routine nature, structured through clear agenda setting, written reports and presentations from both internal members of staff as well as external advisors and consultants. In addition, there were two ad-hoc meetings of the Board to deal with non-routine business.

### Board support, meeting management and attendance

The Board and its Committees meet regularly on scheduled dates. In leading and controlling the Company, the Directors are expected to attend all meetings and their attendance for the financial year 2021-22 is shown in the Corporate Governance section of this report, immediately before the Compliance with the Principles of the QCA Code.

The Company Secretary plays a vital role in ensuring good governance, assisting the Chairman. Procedures are in place for distributing meeting agendas and reports so that they are received in good time, with the appropriate information. Ahead of each Board meeting, the Directors each receive reports which include updates on strategy, finance, including management accounts, operations, commercial activities, business development, risk management, legal and regulatory, people and infrastructure and on investor relations.

The Directors may have access to independent professional advice, where needed, at the Company's expense.

### Board Effectiveness

The Board conducts an assessment of effectiveness each year through a questionnaire in a process led by the Chairman. The questionnaire provides Directors with the opportunity to express their views on a variety of topics including: board leadership, effectiveness and accountability. The detailed findings of the evaluation are reviewed and actions generated. In addition, the Chairman has regular one-to-one meetings with Directors. A Board performance review was held in the financial year led by the Chairman where it was determined that the Board, its Committees and individual directors were felt to be working well with recommendations being made

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022

in relation to how the Board's agenda and performance could be evolved. In compliance with the QCA Code, succession planning was considered as part of the board effectiveness process. The Board appointed a new non-executive director in the period and a new CEO with effect from 1 April 2022. Appointments are made based on required expertise to match the needs of the business while bearing in mind the need to introduce diversity into the Board composition.

### Strategic Resources

The ELT includes representation from a wide range of disciplines, each leader identifies and manages the key resources and relationships in their respective areas.

### Ethical Behaviours

The Board ensures ethical values and behaviours are recognised and respected, promoting a strong culture of supporting our core values. These values are incorporated into our various codes which are made available on the Company Intranet and which the Board regularly reviews and updates. These codes include Employee code of conduct, human resources policies, Anti Bribery and Corruption, Modern Slavery policy, Health and Safety policies and Social Media policies.

### Board Induction, Training and Development

When appointed, new Directors are provided with a full and tailored induction in order to introduce them to the business and management of the Group. Throughout their tenure, Directors are given access to the Group's operations and personnel, and receive updates on relevant issues as appropriate, taking into account their individual qualifications and experience. This allows the Directors to function effectively with appropriate knowledge of the Group.

The Board is satisfied that each Director has sufficient time to devote to discharging his responsibilities as a Director of the Company.

### Re-election of Directors

All directors are put forward for re-election on a three-year rotational basis as set out in the articles of association of the Company.

The composition of the board of the directors in relation to diversity is set out in the Nomination Committee Report.

### Stakeholder engagement

The Board and its Committees recognise their responsibilities to shareholders and other stakeholders.

The Company communicates with shareholders through the Annual Report and Accounts, regulatory announcements, the AGM as well as meetings with existing or potential new shareholders. Annual reports as well as other regulatory announcements and related information are all available on the Company's website. The Company's brokers also publish research from time to time.

A list of the Company's significant shareholders can be found in the Directors' Report and in the investor section of the Company's website which is updated following formal notifications of movements to the Company.

The Company maintains regular communication and dialogue with other stakeholders such as employees, customers, suppliers and regulators to understand their needs and concerns and factors these requirements into its decisions and activities.

### Annual General Meeting ('AGM')

This year's AGM will take place on Monday 26 September 2022 at 11.30am at The Grange, 100 High Street, London, N14 6BN. Details of the resolutions to be considered at the AGM are contained in the Notice of Annual General Meeting.

### Voting Outcomes

The Company held its Annual General Meeting on 16 September 2021 following the financial year ended 31 March 2021. All resolutions proposed to the meetings were duly passed on a poll. There were no significant objections.

### Internal controls

There is a clearly defined delegation of authority from the Board to the Executive Leadership Team, with appropriate reporting

lines to individual Executive Directors. There are procedures for the authorisation of Research and Development, capital expenditure and other investments. Board review of progress in these investment initiatives, together with "milestone" achievement assessment is a regular feature of the Board agenda.

Internal controls are in place which are intended to provide reasonable assurance of the custodianship of assets, the recognition and measurement of liabilities, the maintenance of proper accounting records and the reliability of financial information used within the business.

The Group finance team manages the financial reporting process to ensure that there is appropriate control and review of the financial information including the production of timely financial information for Board meetings as well as for annual and half-yearly financial reporting responsibilities. Group Finance is supported by the operational finance team throughout the Group, who have responsibility and accountability for providing information in compliance with the policies, procedures and internal best practices.

The Company has in place a suite of codes and policies to promote good governance principles and ensure strong internal control processes throughout the Company. These include an overall code of conduct, and policies on anti-bribery and corruption, fraud, modern slavery, share dealing in ECO securities, the use of social media and business travel arrangements. These policies are communicated directly to all personnel by email, are re-enforced through periodic training and are available on the Group's intranet site.

Although the Board itself retains the ultimate power and authority in relation to decision making, the Audit Committee meets at least twice a year with external auditors to review specific accounting, reporting and financial control matters. The Committee also reviews the interim and final accounts and has primary responsibility for making a recommendation on the appointment, reappointment and removal of external auditors.

The Board has established an internal audit function to provide an independent, objective assurance and consulting activity designed to add value and improve the operations of the

Group. Activities of the internal audit function in the financial year are detailed further in the Audit Committee Report.

## Section 172 Statement

Under s172 of the Companies Act 2006, Company Directors have a duty to act in good faith that is likely to promote the success of the Company. This duty is for the benefit of the members as a whole, having regard to the likely consequences of decisions for the long-term. In addition, the Directors' duty must have regard to:

- a. The interests of the Company's employees
- b. The need to foster the company's business relationships with suppliers, customers and others
- c. The impact of the company's operations on the community and the environment
- d. The desirability of the company maintaining a reputation for high standards of business conduct, and
- e. The need to act fairly as between members of the company.

The Group actively engages with its stakeholders, taking account of and responding to their interests. Included within this active engagement are the stakeholders referred to in (a) to (e) above, regulatory bodies, taxation inspectorates, industry bodies and other compliance organisations.

As set out in the Corporate Governance report, the Directors have met on several occasions during the year ended 31 March 2022. Discussion topics at each meeting included the Group's response to the COVID-19 global pandemic, Research and Development, health, safety and environment, investor feedback, staff welfare concerns, customer and supplier feedback, capital investment and tax policy.

The activities of the Company have been described further in the various reports from the Chairman, Chief Executive, Committee Chairs and the ESG report. In each case employee impact, supplier and customer benefit and shareholder interests have weighed upon decisions made. Shareholder engagement this year has been active. The top 10 investors represent approximately 66% of the Company shares and investor meetings, investor calls together with regular trading updates throughout the year assisted with communication. The Company's stockbrokers provide feedback from shareholders and this feedback is discussed at the subsequent Board meeting.

The Group employed an average of 221 people during the financial year ended 31 March 2022 (2021 – 207). All company announcements were simultaneously circulated to all personnel. Communications of note during the year included the arrangements for remote and safe working during the Coronavirus pandemic, key new product announcements, new colleagues and retirements, new procedures and governance processes. In addition, all members of staff were invited to technical webinars, product launch discussions and presentations.

The Group is considering other ways to reduce its environmental impact; the Group's business model (largely outsourced manufacturing and research) is low impact. The Group has successfully traded through the "lockdown" period, utilising to a much greater extent electronic communications and these tools will continue to be exploited further helping with the Group's carbon footprint. Further details are contained in the ESG Report.

## Going concern

After making appropriate enquiries, the Directors have, at the time of approving the financial statements, formed a judgement that there is a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

This conclusion is based on a review of the resources available to the Group, taking account of the Group's financial projections together with available cash and a committed borrowing facility.

In reaching this conclusion, the Board has considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, the likelihood of their occurrence and the likely effectiveness of mitigating actions that the Directors would consider undertaking.

**Dr Andrew Jones**  
Non-Executive Chairman  
30 August 2022

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022

### ESG REPORT

ECO's purpose is to develop, register and supply high quality veterinary medicines and vaccines to improve the health and welfare of pigs and poultry providing sustainable livelihoods to producers.

We are committed to sustainability as an integral component of the Group's commitment to acting with the highest standards in its business dealings.

Core to our conduct is a set of ethical principles designed to:

1. Respect, protect and keep safe our people, customers, suppliers, collaborators, stakeholders and shareholders,
2. Protect the environment and
3. Enhance the reputation of the Group in its chosen field of business, animal health.

These principles ensure that we provide a safe and fulfilling work environment, create a business with whom other like-minded businesses will wish to collaborate, make a positive contribution to the communities in which we work, and enhance shareholder value.

ESG is recognised as being of key importance and is the responsibility of the Board of Directors, working through the business leadership team.

This inaugural ESG Report is divided into the three key areas of Social, Environment and Business Governance following on from last year's Sustainability Report. Details of ECO's approach to corporate governance is set out in the Corporate Governance Report.

Significant advances have been made in the ESG arena during the past year, fulfilling the commitments made in last year's report, specifically in the areas of voluntary environmental reporting, evaluating a baseline for DEL and Fair Tax Mark accreditation. 2022/23's objectives include working with specialist consultants to further establish the current position for the global business and to develop clear objectives and metrics for the next financial year working with the Board and the ELT.

### SOCIAL

We maintain regular communication and dialogue with our stakeholders such as employees, customers, shareholders, suppliers and regulators to understand their needs and concerns and factor these requirements into our decisions and activities. The ECO Employee Health and Wellbeing document is awaiting approval of the Board.

#### Our People

At ECO, we recognise that our people are our most important asset. We aim to attract and retain unique and diverse professionals by offering them a great place to work and the opportunity to grow, both professionally and personally.

Our commitment to diversity and inclusion is strongly rooted in our respect for local culture and practices. It is our practice to employ local teams to work with local people rather than head-office people working abroad on assignment which has created a unique sense of belonging among our employees. The Company follows the UK and relevant local laws including the Equality Act 2010 and the National Minimum Wage Act to ensure fair employment practices and complies with national legal requirements regarding pay, working hours and annual leave for our employees who are highly skilled individuals with specific training, expertise and experience.

We invest in healthy and safe workplaces and employee policies that protect our people which include the Employee Privacy Notice, GDPR Data Privacy Notice, Antiharassment and Bullying Policy, Flexible Working Policy, Business Travel, Health and Safety Policy Statement, Lone Working Policy, Parental Leave Policy and Display Screen Equipment Use Guidelines.

Further policies provide guidance for ethical work practices and include the Employee Code of Conduct, Anti-Bribery and Corruption and the Company's Modern Slavery Act Statement.

In addition, the Whistleblowing Policy and Fraud Policy support ethical work practices. There have been no incidents of whistleblowing or fraud during the current financial year.

The Board of Directors has overall responsibility for ensuring that the Fraud Policy

complies with our legal and ethical obligations, and that all those under our control comply with it. The CEO has primary and day-to-day responsibility for implementing this policy, monitoring its use and effectiveness, dealing with any queries about it, and auditing internal control systems and procedures to ensure they are effective in countering fraud. Management at all levels are responsible for ensuring those reporting to them understand and comply with this policy and are given adequate and regular training on it. The ELT safeguards the Group from fraud and corruption by establishing and maintaining a comprehensive system of internal controls to discourage perpetuation of fraud and to detect instances of fraud. Internal Audit is responsible for examining and evaluating the adequacy and effectiveness of internal controls, as audit procedures alone are not designed to guarantee the detection of fraud.

The Fraud Policy encourages the reporting of ethical concerns and actual or potential breaches of our policies or the law to the Group. Concerns are raised with line management unless they entail a potential breach of law or serious non-compliance with ECO policies in which case they should be reported to the CEO, the FD, the head of HR or the Chair of the Audit Committee.

To ensure engagement with the wider business, all ECO people are notified and provided full information by the CEO when interim and full-year annual reports are published, and new regulatory approvals are achieved as well as by the ELT or CEO when new starters join the company.

The spread of COVID-19 has caused the Company to modify its business practices (including instituting remote and hybrid work for many of the Company's employees), and the Company may take further actions as may be required by government authorities or as the Company determines are in the best interests of our customers, employees and business partners. Our continued growth has only been possible due to our ability to recruit and retain talented people representing diverse backgrounds, experiences, and skill sets. Our Group trading companies employ local nationals.

A new process for personnel training has been developed and implemented during the year. Training needs related to specific job roles have been identified by the ELT for all functions. This year, 98 signed training records

were returned out of just over 100 potential returns. Next year, the system will include the incorporation of these training records into the eQMS to further increase visibility and the potential for monitoring.

Mandatory pharmacovigilance training was expanded globally to include personnel in LATAM, SE Asia, China and Japan. ECO has approximately 110 Standard Operating Procedures (SOPs) across the business including Regulatory, Quality, IT and R&D; these are updated on an ongoing basis to meet both internal commitments and those of external regulatory authorities. Of these, 54 have been reviewed and/or updated, 10 retired and 41 are in the process of being reviewed.

### Diversity, Equity and Inclusion (“DEI”)

ECO’s DEI strategy falls under the remit of the Board along with the CEO, HR and the Executive Leadership Team. This first DEI report serves as a baseline to inform the upcoming year’s ESG programme intended to increase diversity, equity and inclusion at all levels in the Company.

As outlined in the ECO Corporate Governance Report, the Nomination Committee is responsible for the Board’s policy on diversity. ECO is a global company with a diverse and inclusive workforce. The Board recognises the benefits of diversity in its broadest sense and diversity of skills, background knowledge, international and industry experience, race and gender, amongst many other qualities, are taken into consideration when seeking to appoint new Directors to the Board.

ECO is committed to creating an inclusive environment for employees as outlined in the Equal Opportunities Statement and Diversity, Equity and Inclusion Policy. These policies aim to achieve equality by removing any potential discrimination in the way that employees are treated by fellow employees or the Company, including people of different sexual orientations, transgendered and transsexual people, people on the grounds of their sex and people of different races.

### Gender Breakdown

ECO recognises the value of gender diversity in business. Using internal data from March 2022, the female:male ratio within specific ECO groups was analysed to serve as a baseline. This data will inform the DEI strategy for the next

year, which will critically evaluate the various means by which ECO intends to increase gender diversity.

At Board level, Tracey James was appointed during the past year as a Non-Executive Director of the Board, making the female:male ratio 1:5 with 17% female and 83% male representation. On the Executive Leadership Team, there were no females on the team of eight. The commitment to promotion of gender diversity has already been signalled with the appointment of a female to the Executive Leadership Team shortly after the end of this financial year.



Within the ECO Animal Health Limited workforce, which includes Customer Services and Finance functions not captured elsewhere along with ECO Animal Health plc, Executive Leadership Team, LATAM, SE ASIA and EUMEAF which are also included in the relevant group and regional data, the gender breakdown is virtually evenly split between male and female employees.



Within the Sales Teams, the gender breakdown varies as shown in the graphs below.



In all but ECO Japan, the regions have more male than female employees. Traditionally, the pig and poultry sectors, and the veterinary surgeons and key accounts serving these, have

been male-dominated. ECO is committed to improving gender diversity across all regions, levels and functions of the Company and this will be through a combination of recruiting, retention and training programmes.

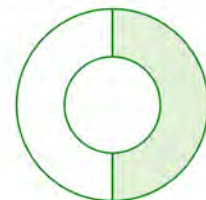
In the Global Operations Team, there are two male managers overseeing a team of eight filled positions. Of these, there are five females and one male resulting in a total team gender ratio of 5 females:3 males (63% females:37% male).

GLOBAL OPERATIONS TEAM Gender Breakdown



In the PDRA Team, there are 14 members with the Head being male. There are 7 females and 7 males in the team.

PDRA (Innovation) TEAM Gender Breakdown



### Other DEI elements

A survey of employees was carried out to develop a DEI baseline for this first ESG report. There were 68 responses from the 109 invited to participate, which was a 62% response rate. The survey will be repeated next year to measure the change from this baseline following the strategic actions taken to improve diversity. This data will serve as a baseline for the identification and development of objectives for the next financial year along with the metrics for measuring them.

### Ethnicity

Of the 68 respondents, 67% are White, 24% are Asian, 6% are Mixed or multiple ethnic backgrounds, 4% are Hispanic and Latino and 1% are Black.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022

### Gender Orientation

Forty respondents identified as men and 28 as women, with no respondents identifying as genderqueer or non-binary or as agender. One of 68 respondents identified as transgender or any other non-cis gender.

### Sexual Orientation

Sixty-four respondents identified as straight, two as bisexual, one as asexual and one preferred not to answer.

### Disability

Asked if they were a person living with a disability, there were 67 responses. Of these, 3 responded yes, 63 no and one preferred not to answer.

### Language

The majority (40 of 68) of respondents do not speak English as a first language. Some of the most prominently spoken languages at home include English, Spanish, French, Portuguese and Japanese.

### Religion

Half of the respondents identify as Christian, followed by almost 15% classifying themselves as Agnostic. In contrast, 10% have identified as Atheist. Hinduism and Buddhism constitutes 7% each, followed by approximately 3% identifying with Islam. 7% have preferred not to respond.

### Caretaker Status

Twelve of 68 respondents are caretakers of adults, with two preferring not to answer. Forty-two of 68 respondents are caretakers of children, with three preferring not to answer.

The Board is committed to improving diversity, equity and inclusion at all levels within the Group. Our intention is to establish a gender diversity support programme over the coming months and to continue to update stakeholders as progress is made.

### Our Community

#### Shareholders:

The Group communicates regularly with shareholders through the Annual Report and Accounts, Interim Statements, regulatory announcements, the AGM and other meetings.

Annual reports, regulatory announcements and related information are available to all stakeholders on the website.

The Board believes in responsible tax conduct and in paying our fair share of corporation tax. Discussions with the Fair Tax Foundation have taken place during the year and the ECO Animal Health draft tax policy has been updated to reflect the necessary changes to achieve the Fair Tax Mark accreditation. ECO is proud to have achieved Fair Tax Mark accreditation mid-July 2022.

#### Business Partners – Veterinary Surgeons, Producers and Distributors:

We recognise that our product and customer offerings to veterinary surgeons and producers must be of consistently high quality. We offer educational opportunities and programmes to veterinary surgeons and large pig and poultry producers. The topics are those which support a wider animal health and welfare agenda such as prevention and management of disease, biosecurity, Antimicrobial Resistance (“AMR”) and industry updates as well as how our products fit with these themes using globally recognised experts and our people with specialist knowledge. Many of these training sessions are hands-on, practical and delivered locally and include subjects such as poultry hatchery audits and respiratory lung lesion scoring workshops.

As the impact of the COVID-19 pandemic lessened, value-added services were continued through a hybrid mix of virtual meetings and events and face-to-face meetings.

The Group’s third party distributors are an integral part of our success. We have close relationships and offer technical and marketing support, training and educational customer events. In line with our values, our distributors must comply with local pharmaceutical laws and sector industry regulations including but not limited to those around bribery and corruption and pharmacovigilance.

Our Antibribery and Corruption Policy is available to all employees. The Board has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those under our control comply with it. The CEO has primary and day-to-day responsibility for implementing this policy, monitoring its use and effectiveness, dealing

with any queries about it, and auditing internal control systems and procedures to ensure they are effective in countering bribery and corruption. Management at all levels are responsible for ensuring those reporting to them understand and comply with this policy and are given adequate and regular training on it. Training in the areas of bribery and corruption for the sales managers who work with the Group’s distributors is planned for the next financial year.

#### The Wider Community:

The Group, like all businesses, has a responsibility to the wider communities in which we operate. Healthy pigs, poultry and laying hens make significant contributions to the protein volumes that feed the world. In addition to the negative welfare consequences, diseased animals, whether clinical or subclinical, grow more slowly, consume more feed and water, need more accommodation and space and require more treatments if not administered the most appropriate medication from the start than do healthy animals.

The Group manufactures and sells a novel antimicrobial containing the active product ingredient (API) tylvalosin under the registered tradenames Aivlosin® and Valosin®. We do not support or promote increased use of antibiotics but focus instead on awareness that if a macrolide antibiotic is the best treatment option (based on diagnostics and veterinary surgeon experience) then Aivlosin® is likely to be an ideal choice requiring a low milligram of medication per kilogram bodyweight use over a treatment course because of its low effective therapeutic dose and short treatment duration and having a very short withdrawal period.

Aivlosin® is available only by veterinary prescription and is not licensed for use in human medicine. It is licensed for the treatment and metaphylaxis (disease control) of economically important diseases in pigs and poultry following strict regulatory procedures insisted upon by regional and local authorities.

The Group’s response to the globally important issue of AMR especially in the areas of Stewardship, Marketing and Distribution, Research and Development (R&D) and Manufacturing and Production are laid out in detail in an ‘ECO Animal Health Position Paper – Approach to AMR’ which is available on request.



The Group is a member of the UK National Office of Animal Health (“NOAH”), in turn a National Association Member of Animal Health Europe and Health for Animals, and an active member of the Livestock One Health Subcommittee which includes AMR in its remit. We recognise the vital importance of antimicrobials to both human and veterinary medicine and of the recommendations and classifications within the World Health Organisation, World Organisation for Animal Health and the European Medicines Agency antibiotic lists.

## ENVIRONMENT

We recognise the importance of incorporating environmental factors, alongside social, governance and commercial factors, into our overall investment and risk management framework. We also recognise the potential impact of our business operations on the environment and are committed to making a fair contribution to reducing this impact.

We aim to keep use of consumables to a minimum by promoting the effective and efficient usage of equipment, facilities, supplies and services. We encourage all our people to reduce wastage, not to print unnecessarily, to turn off excessive lights or heating/cooling equipment, to use water resources appropriately and to switch off any electronic equipment which is not in use. Confidential papers are shredded and recycled using an external recycling company. Batteries, including laptop batteries, are recycled. IT equipment is either revived and reused or collected by an external recycling company.

As part of our commitment to drive forward our climate journey, the Southgate office was recently refurbished which has helped to reduce the company’s energy footprint. These included installation of raised access floor particle board with greater thermal insulation rating, ceiling tiles with greater thermal insulation rating, new and more efficient hot water heater, Daikin VRV 2 pipe system with heat recovery system throughout the office to provide heating and cooling and LED lighting switched via presence detectors. In the bathrooms, new modern flushing systems were installed. In the kitchen, modern Bosch appliances with better EPC ratings than the old appliances were installed along with a boiling water tap.

During the COVID-19 lockdowns when business travel was not possible and our people were remotely working, the company’s energy footprint was lowered even further which could pave the way for exploring new ways of working to continue this trend.

Manufacturing and research functions are mainly outsourced which reduces our direct impact. This requires us to put in place a robust Supplier Code of Conduct to ensure the companies with which we work take their responsibilities as seriously as we do.

The Company’s tylosin API manufacturer has developed an industry-leading wastewater treatment system that exceeds local regulatory requirements and is now marketing the system to other producers who also wish to reduce their environmental impact on watercourses. The Group’s manufacturer conforms with the Chinese legislation requirements to stream-dry then incinerate biomass remaining at the end of API manufacture.

The establishment of minimum order quantities for shipments of finished goods has helped to reduce the amount of packaging and energy used for land, water and air transportation.

## Streamlined Energy and Carbon Report

This inaugural report will serve as a baseline for the further development of an environmental programme at the global level. ECO is a low energy user and thus exempt from mandatory climate reporting. However, in recognition of the importance of the environmental area and as a commitment to creating a baseline from which to improve, ECO has undertaken a voluntary, initial climate assessment focused on the UK operations in collaboration with an external climate consultancy, Enistic.

## Introduction, Context and Methodology

Under changes introduced by the Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, March 2019, large unquoted companies and large LLPs are obliged to report their UK energy use and associated greenhouse gas emissions as a minimum relating to gas, electricity and transport fuel, as well as an intensity ratio and information relating to energy efficiency action, through their annual reports. Limitations regarding energy reporting in Group subsidiaries has resulted in the current omission of reported global energy use. The SECR roadmap includes plans for future reporting of global energy use.

## Scope Of Works

The sites within scope were the 78 Coombe Road, New Malden, Surrey, UK, KT3 4QS and The Grange, 100 The High Street, Southgate, London, UK N14 6BN offices, referred to as ‘Surrey’ and ‘London’, respectively.

In addition, business mileage undertaken during the period in company-owned cars was converted to a carbon footprint.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022

### ECO's Offices Contributions

| Site  | Sites Within Scope |                    |                        |                 |        |
|---|--------------------|--------------------|------------------------|-----------------|--------|
|   | Size (square feet) | Size (% of estate) | Description            | Tenure          | Notes  |
| London  | 5,630              | 77%                | General Office Offices | Owned, in scope | Office |
| Surrey  | 1,697              | 23%                | General Office Offices | Owned, in scope | Office |
| Total applicable estate size (excludes out of scope properties) | 7,327              | 100%               | 350,000                |                 |        |
| Total estate size (including out of scope properties)           | 7,327              | 100%               |                        |                 |        |
| Number of sites   | 2                  |                    |                        |                 |        |

| Site   | Benchmarks of ECO's Energy Use |            |                   |                            |                           |                       |               |
|--------|--------------------------------|------------|-------------------|----------------------------|---------------------------|-----------------------|---------------|
|        | Type of building               | Size (sqm) | Energy used (kWh) | Energy used (kWh/sqm/year) | UK average (kWh/sqm/year) | Percentage of average | ECO Rating    |
| Surrey | General Office/Offices         | 158        | 4,453             | 28                         | 95                        | 30%                   | A – Excellent |
| London | General Office/Offices         | 523        | 24,836            | 47                         | 95                        | 50%                   | B – Good      |

### Carbon Intensity Measure

Combined, the two ECO offices are 7.3 thousand square feet. The ECO carbon footprint during this financial year was 20 tCO<sub>2</sub>e. Therefore, the ECO carbon intensity is 2.7 tCO<sub>2</sub>e per 1000 square feet.

### Factors Driving ECO's Fleet Carbon Emissions

| tCO <sub>2</sub> e emitted by ECO car fleet |                          | Fleet Details (000's kWh)    |                                 |       |
|---|--------------------------|------------------------------|---------------------------------|-------|
| Source                                      | Total tCO <sub>2</sub> e | Category                     | Subcategory                     | Total |
| Electricity                                 | 8.5                      | Transport – company vehicles | Hybrid car                      | 19    |
| Hybrid car                                  | 5.8                      | Transport – company vehicles | Medium car 1.4-2.0 litre petrol | 16    |
| Medium car 1.4-2.0 litre petrol             | 5.1                      | Transport – company vehicles | Medium car 1.7-2.0 litre diesel | 1     |
| Medium car 1.7-2.0 litre diesel             | 0.4                      |                              | Total                           | 36    |
| <b>Total</b>                                | <b>19.8</b>              |                              |                                 |       |

| Fuel type                           | Total Energy Consumption (Offices and Fleet) |                      |               |
|-------------------------------------|--|----------------------|---------------|
|                                     | Electricity kWh                              | Transport (kWh p.a.) | TOTAL         |
| London                              | 24,836                                       | –                    | 24,836        |
| Surrey                              | 4,453  | –                    | 4,453         |
| <b>Offices TOTAL</b>                |  |                      | <b>29,289</b> |
| <b>Transport – company vehicles</b> | –  | 35,709               | <b>35,709</b> |
| <b>TOTAL kWh</b>                    | <b>29,289</b>                                | <b>35,709</b>        | <b>64,998</b> |

### Statement Of Carbon Emissions

Statement of carbon emissions compliant with UK legislation set out in the Streamlined Energy and Carbon Reporting (SECR), 21 January 2021 covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and energy efficiency actions.

|                                  | This reporting period (Apr 2021 – Mar 2022) | Prior reporting period (Apr 2020 – Mar 2021) |
|----------------------------------|---|--|
| Total electricity use (Scope 2)  | 29,289 kWh                                  | n/a  |
| Total transport fuel (Scope1)    | 35,709 kWh                                  | n/a  |
| Total energy use (all sources)   | 64,998 kWh                                  | n/a  |
| Total carbon emissions (Scope2)  | 9 tCO <sub>2</sub> e                        | n/a  |
| Total carbon emissions (Scope 1) | 11 tCO <sub>2</sub> e                       | n/a  |
| Total carbon emissions           | 20 tCO <sub>2</sub> e                       | n/a  |
| Total estate                     | 7,327 sq ft                                 | n/a  |
| Carbon intensity ratio           | 2.7 kgCO <sub>2</sub> e per sq ft           | n/a  |

### Carbon And Energy Efficiency Actions

We are committed to responsible carbon management and will practise energy efficiency throughout our organisation, wherever it's cost effective. We recognise that climate change is one of the most serious environmental challenges currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions.

ECO has implemented the following policies in response to COVID-19 which increased the businesses' energy efficiency in the financial year.

- Moved to remote home working and then a hybrid model as restrictions eased.
- Implemented and encouraged the use of video conferencing.
- Reduced business travel

### Methodology used in the calculation of disclosures

ESOS methodology (as specified in Complying with the Energy Savings Opportunity Scheme version 6, published by the Environment Agency, 21.01.21) used in conjunction with Government GHG reporting conversion factors.

For carbon only related matters, the SECR methodology as specified in "Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting and greenhouse gas reporting" was used in conjunction with Government GHG reporting conversion factors.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022

### Business Governance:

We are committed to meeting high standards of business governance and risk management practices. This applies both to our own operations and our business partners. We have developed, and continue to update, strategies and procedures specific to our business for managing the main risk categories identified by our Board of Directors.

We recognise that in our industry, reputation and trust are of utmost importance. We strive to cultivate a strong culture of ethics throughout the company to ensure our clients' interests are always at the forefront of our activities. We are committed to preserving our high legal, ethical and moral standards and aim to foster and encourage a culture of strict compliance with local and international laws and regulations. Our Supplier Code of Conduct outlines the behaviours and responsibilities expected of our suppliers across the entire business.

We strive to provide best-in-class, scientifically proven, ethical solutions to optimise the health, productivity and wellbeing of pigs and poultry. We aim to do this sustainably, working in partnership with animal health professionals and livestock producers bringing value to all by improving animal husbandry around the world.

Our flagship product Aivlosin® is marketed and distributed in more than 70 countries around the world. Promotion and communications with distributors, subsidiaries and customers highlight the need for diagnosing infection before treatment, using preventative methods such as management and vaccines to reduce the risk of animals becoming sick and using antimicrobials responsibly when they are needed.

With the end-user in mind, the R&D pipeline is focused on preventative vaccines and biologicals along with further claims and variations for Aivlosin®. In this way, we will contribute to making available a wider range of options for veterinary surgeons, pig and poultry producers and their animals in the future.

### Product Development:

We develop medicines and vaccines to improve the health and welfare of pigs and poultry. Product development for both new products and significant changes to existing products is initiated by the Global Project Leader with the development of a Business Case. This is presented to the Executive Leadership Team for approval of an initial project assessment. The project then progresses through the process under the supervision of the Global Project Leader and Project Team. Examples include new marketing authorisations for Aivlosin® in China and a poultry vaccine licensing deal between ECO and Ghent University.

The scientific studies required to obtain marketing authorisations are determined by the regulatory authorities and supported by published literature and laboratory testing where possible. Protocols for trials placed at Universities and Contract Research Organisations are reviewed by animal welfare committees focused on the health of animals. All stakeholders subscribe to the application of the principles of reduce, refine and replace for animal testing.

### Manufacturing:

The Group complies with all the requirements of operating within the highly regulated pharmaceutical industry. The contract manufacturers are under the direct control of the Group with contractual obligations and operate in accordance with Good Manufacturing Practice (GMP) guidelines. For example, we work with an exclusive API contract manufacturer in the production of tylvalosin. This manufacturing plant is registered to the US Food and Drug Administration ("FDA") standards and by many other national authorities. It has passed routine inspections every two to three years since first being FDA-registered in 2009. We perform manufacturing plant audits and inspections at a minimum of every three years either directly or via an independent, qualified third-party. UK-based manufacturing personnel visit the plant twice per year and while in the plant make observations in line with the Modern Day Slavery Statement.

Due to COVID-19 travel restrictions, we have been unable to send UK-based personnel to the plant. However, members of staff based in China have continued to perform routine GMP audits and to carry out training on topics including quality, production, etc. at least once a quarter. During this financial period, at least three GMP audit visits were made. In addition, training courses were performed for plant employees on topics such as data integrity (MHRA Guidance), cleaning validation (FDA/EMA/ISPE/PDA Guidance) and remote evaluation (FDA/EMA/PDA Guidance). A European, independent consultant company is hired to conduct a GMP audit inspection of the site once every two to three years. Over the past year, because of COVID-19 restrictions, this company used the team from their Chinese subsidiary to carry out the GMP audit inspection in June 2021; following the audit visit, the auditor concluded that the ECO quality management system is well-managed and follows the Chinese, EU and US regulatory requirements. Observations made during the visit are addressed through a managed CAPA system.

All batches of API are subject to third-party independent Quality Control laboratory testing when entering countries for manufacture into final Aivlosin® product.

The Chinese joint venture Zhejiang ECO-Biok Animal Health Products Co. Ltd is currently building a new plant which will manufacture finished goods to supply the Chinese market. The new plant will comply with updated animal medicine GMP regulations coming into force during 2022.

### Product Promotion:

We are members of our UK industry professional body NOAH and comply with their Code of Practice. Product information provided to our customers is aligned to the Summary of Product Characteristics ("SPCs") and is factual, fair and not designed to mislead. All customer materials including brochures, posters and publications go through an internal review process involving technical and regulatory review with final sign-off by the CEO.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022

### AUDIT COMMITTEE REPORT

Dear Shareholder

On behalf of the Audit Committee (the 'Committee'), I am pleased to introduce the Audit Committee Report. As a company admitted to AIM, we are guided by the QCA's Audit Committee Guide and, when appropriate to do so, look to the UK Corporate Governance Code 2018 and to investor guidelines for best practice.

In this report we set out the Committee's responsibilities and report on the activities of the Committee during the year.

#### Aims and objectives

The Committee monitors the integrity of the Financial Statements of the Interim and Annual Reports and formal announcements relating to the Group's financial performance, including advising the Board that the Annual Report taken as a whole is fair, balanced and understandable. It reviews significant financial reporting issues, key judgements and accounting policies and disclosures in financial reports, reviews the effectiveness of the Group's internal control procedures and risk management systems and considers how the Group's internal audit requirements shall be satisfied, making recommendations to the Board. It reviews the independent auditor's audit strategy and implementation plan and its findings in relation to the Annual Report and Interim Financial Statements. It monitors the relationship with the Group's independent auditor including the consideration of audit fees and independence.

Members of the Committee have access to the Company Secretary who attends and minutes all meetings. To enable the Committee to discharge its duties effectively, the Company Secretary is responsible for ensuring the Committee receives high-quality, timely information. The Chairman of the Committee works closely with the FD and the finance department to ensure papers for meetings are comprehensive and comprehensible. When appropriate to do so, the Committee seeks the support of external advisers and consultants.

### Membership of the Committee

During the year to 31 March 22, the responsibilities of the Committee Chair were transferred to Tracey James from February 2022, who joined the Group as Independent Non-Executive Director in December 2021. Until his resignation on 9 August 2022, Tony Rawlinson retained responsibility as independent Non-Executive Director on the Audit Committee alongside Frank Armstrong and Andrew Jones.

Appointments to the Committee are made by the Board following recommendations from the Nomination Committee. Only members of the Committee have the right to attend meetings. All four members of the Committee have a mix of knowledge and skills gained through their experience of business, management practices including risk, the industry sector and have recent and relevant financial experience. The CEO, FD and the Internal auditor are invited to attend all meetings, while other senior financial people will attend as appropriate. The external auditor also attends the meetings to discuss the planning and conclusions of their work and meet with the members of the Committee without any members of the executive team present after each meeting. The Committee can call for information from management and consults with the external auditor directly if required.

### Operation of the Committee

The Committee reviews and updates the Terms of Reference regularly, to conform to best practice, which are subject to approval by the Board. The Terms of Reference are available on the Group's website as well as in hard copy format from the Company Secretary. Each year, the Committee works to a planned programme of activities, which are focused on key events in the annual financial reporting cycle and other matters that are considered in accordance with its Terms of Reference.

It provides oversight and guidance to contribute to the ongoing good governance of the business, particularly by providing assurance that shareholders' interests are being properly protected by appropriate financial management, reporting and internal controls. The Committee approves the terms of all audit and non-audit services provided by the Group's Auditors to ensure audit objectivity is maintained.

The main activities of the Committee during the period since the last Report were as follows:

- Reviewing the management and reporting of financial matters including key accounting policies.
- Reviewing the Annual Report and Accounts and advising the Board on whether, when taken as a whole, it is fair, balanced, and understandable and provides shareholders with the information necessary to assess the Company's position and performance, business model and strategy.
- Considering the appointment of external auditors and the frequency of re-tendering and rotation of the audit.
- Overseeing the relationship with, and the independence and objectivity of, the external auditors.
- Setting policy in relation to the use of the external auditors for non-audit services.
- Advising the Board on the Group's appetite for and tolerance of risk and the strategy in relation to risk management and reviewing any non-conformances with these.
- Reviewing the Group's risk management and internal control systems and their effectiveness.
- Reviewing the Group's procedures for detecting fraud, bribery and corruption and ensuring arrangements are adequate for employees to raise concerns.

### Internal Audit

The Internal Audit function within ECO was formed in January 2020, with the aim of seeking to improve processes within the business and identify areas where the greatest risks lie. Internal Audit acts independently to evaluate and improve the effectiveness of operations, risk management, control and governance processes.

Internal Audit was heavily involved in three significant off-Audit Plan pieces of work: mapping the financial processes across the business for the purposes of use within the Financial Position and Prospects Procedures Memorandum; facilitating the external audit; and working with senior management to build a robust Enterprise Risk Management Framework.



Internal Audit Completed the Financial Controls UK Audit and the Overseas review is in progress. Internal Audit followed up on corrective actions from previous reviews with only one major findings outstanding relating to the completeness and review of the bank register. The plan for the current year includes a review of the Financial Controls at the Joint Venture in China, Employee Framework and GDPR, with an external specialist review of Cyber and Information Security.

The committee review the findings of the internal audit reviews, ensuring findings are scrutinised and remediation plans are regularly reviewed by the Committee where appropriate.

## Risk management and Internal Controls

The Board has primary responsibility for the Group's overall approach to risk management and systems of internal control and has delegated its oversight to the Committee.

During the year, the Committee has reviewed and reported on the identification, evaluation and management of risks facing the business and has considered the effectiveness of associated processes and controls to ensure a healthy balance between the risk we face and harnessing the opportunities that align with strategy to grow a strong and sustainable business. At least once a year, the Board also reviews risk management and those risks the Board is not prepared to take are either avoided or, as far as possible, are mitigated and/or transferred to insurers. The

responsibilities surrounding risk management and internal control systems are designed to meet the needs of the size and complexity of the business. It takes into account the applicable requirements of regulators in the various markets in which the business operates as well as the legal requirements of being a UK company admitted to AIM. Internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material loss or misstatement.

The key components of the current systems of internal controls are:

- Clearly communicating Eco's values and strategy to ensure these are understood and people know what is expected.
- Developing business and financial plans that support the strategy.
- Reviewing policies and procedures to ensure these remain fit for purpose.
- Strengthening controls and internal processes.
- Regular reporting of actual performance relative to goals, budgets and forecasts.
- Ensuring there is a structure of accountability
- Training and monitoring.

## Whistleblowing

The Group has a Whistleblowing Policy and procedures to help with the detection and prevention of fraud. Published on the Group's

Intranet, the Policy provides all employees access to a confidential forum in which it is possible to raise concerns about potential and perceived improprieties. Provided it is appropriate to do so, the process is managed by the Company Secretary. The outcomes of any investigations carried out in accordance with the Policy is reported to the Committee. There were no whistleblowing notifications or events during the year ended 31 March 2022.

## Fair, balanced and understandable

The content and disclosures made in the Annual Report are subject to a verification exercise by management to ensure that no statement is misleading in the form and context in which it is included, no material facts are omitted which may make any statement of fact or opinion misleading, and implications which might be reasonably drawn from the statement are true. The Committee was satisfied that it was appropriate for the Board to approve the Financial Statements and that the Annual Report taken as a whole is fair, balanced and understandable such that it allows shareholders to assess the Group's position and performance against the Group's strategy and business model.

There is a repeat of the qualification in the Audit Report relating to non-attendance at certain stock counts in respect of the at 31 March 2020 due to COVID-19 restrictions.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022

### Significant issues

The Committee reviewed the key judgements applied to a number of significant issues in the preparation of the Financial Statements. The review included consideration of the following:

| Issue   | How the committee addresses  |
|---|--|
| Revenue Recognition and discount accounting               | <p>The Group has well-developed accounting policies for revenue recognition in compliance with IFRS15 as shown in Note 2 and 4 to the Financial Statements. The Group has one main source of revenue representing direct sales of animal pharmaceutical products into UK, European and global markets. The Group recognises revenue at the point its performance obligation is met, which may occur at different points in the revenue cycle dependent on contractual terms and shipping methods. Certain revenue arrangements include the offering of volume and other discounts to customers.</p> <p>The Committee receives reports from management and from the auditors to evidence that the policies are complied with across the Group.</p>  |
| Prior Year Adjustment                                     | <p>During the close of the year ended 31 March 2022, the Group became aware of material foreign tax liabilities that fall due in a foreign jurisdiction on the import of goods, and would have fallen due in previous periods. The Group was not previously aware of these foreign taxes, nor had it recognised a cost and liability in the financial records for the years ended 31 March 2021, 31 March 2020 or periods prior. These liabilities are deductible for foreign corporation tax purposes.</p> <p>The Group has estimated the total liabilities due, including interest, and the related foreign corporation tax impact, and their effect on the prior periods' consolidated financial statements, on the basis that full disclosure is made to the relevant tax authority.</p> <p>These adjustments are detailed in note 3 of the financial statements.</p>  |
| Intangible assets capitalised and development expenditure | <p>The Group's accounting policy for intangible assets is included within the accounting policies in note 2 and the components of intangible assets are set out in note 12.</p> <p>In practice, work that is undertaken to build towards regulatory approval for a new treatment claim using Aivlosin, existing approved vaccines or other technologies, or an approval for marketing existing technologies or applications in a new geographical market can be viewed as starting at the full development phase and are likely to meet the capitalisation criteria whereas costs in relation to some of the Group's recently announced projects, on vaccine development, for example, are likely to meet the capitalisation requirements once they are approved internally to commence the full development phase, subject to careful consideration of residual technical feasibility/risk.</p> <p>Goodwill and intangible asset impairment calculations (including assumptions about future performance of the Group) and sensitivities are undertaken at least annually by management and reviewed by the Board and the Committee. Based on the impairment reviews as at 31 March 2022 and reflecting on the decisions arising from management's detailed review of operations, the Committee agreed with management's recommendation that the impairment of three R&amp;D projects, comprising a horse paste anti-parasitic project and two minor legacy Aivlosin® programmes was appropriate. The projects, whilst viable, were of lower return than other programmes and were therefore de-prioritised. The total impairment in the year ended 31 March 2022 was £2.1m (2021 - £Nil).</p> <p>The Committee also considered and agreed the appropriateness of the sensitivity analysis disclosures.</p> |
| Accounting for and disclosure of non-underlying items     | <p>The Committee considered the accounting for and disclosure of non-underlying items (see note 6 to the Financial Statements). The Committee reviewed with management and discussed the accounting and disclosure with the Group's auditors. The Committee concluded it was content with the accounting for and disclosure of non-underlying items.</p>   |
| Going Concern   | <p>The Group continues to prepare its Financial Statements on a going concern basis, as set out in Note 2.1 to the Financial Statements on page 68. Management produces working capital forecasts on a regular basis. The Board reviews those forecasts, particularly ahead of the publication of Interim and Annual results. The Board continue to scrutinise the Group's detailed economic forecasts in light of the changing economic conditions created by the current crisis in Ukraine and the COVID-19 pandemic to ensure that all relevant events and conditions are being incorporated that might affect both short, medium and long-term performance. Having reviewed the forecasts as at the date of this Report, the Committee concluded that it was appropriate for the Group to continue to prepare its Financial Statements on a going concern basis.</p> <p>Further headroom is provided in the Group's assessment of going concern as a result of putting a £10m Revolving Credit Facility in place which is in addition to the existing £5m overdraft facility. The RCF expires in 2026.</p>   |



Shareholders' attention is drawn to the section titled 'Responsibilities for the financial statements and the audit' in the Report from the independent auditor on pages 55 to 61 about specific areas as reported by the independent auditor to provide its opinion on the Financial Statements as a whole.

### Independent auditor: reappointment

The appointment of the independent external auditor is approved by shareholders annually. The independent auditor's audit of the Financial Statements is conducted in accordance with International Standards on Auditing (UK) ('ISAs'), issued by the Auditing Practices Board. There are no contractual obligations that act to restrict the Committee's choice of external auditor.

In September 2021, the Board proposed and shareholders approved at the AGM, the reappointment of BDO LLP as the Group's registered independent public accounting firm for the financial year ended 31 March 2022.

The assessment of the effectiveness of external auditors is an ongoing process involving regular discussion with key stakeholders within the Group, engagement with and feedback from the external auditors themselves, and consideration by the committee of the performance of the external auditors. Having considered the effectiveness and performance of the independent auditor, the Committee recommended to the Board the reappointment of BDO LLP as independent auditor of the Company for the next financial year.

### Independent auditor: services, independence and fees

The independent auditor provides the following deliverables as part of its statutory audit services:

- A report to the Committee giving an overview of the results, significant contracts, estimates, judgements and observations on the control environment
- An opinion on whether the Group and Company Financial Statements are true and fair

- An internal controls report to the Committee, following its audit, highlighting to management any areas of weakness or concern highlighted through the course of their external audit work

The Committee regularly reviews all fees for non-audit work paid to the independent auditor. Details of these fees can be found in Note 6 to the Financial Statements. Non-audit fees were £nil in both 2022 and 2021. The Committee concluded that the level of non-audit fees, which represent 0% (2021: 0%) of the audit fees for the Group, did not have a negative impact on BDO's independence. The Committee will continue to keep the area of non-audit work under close review, particularly in the context of developing best practice on auditors' independence.

The Committee regulates the appointment of former colleagues of the independent auditor to positions in the Group. The independent external auditor also operates procedures designed to safeguard its objectivity and independence. These include the periodic rotation of the senior statutory auditor, use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all our people.

The independent external auditor reports to the Committee on matters including independence and non-audit work on an annual basis.

#### Tracey James

Audit Committee Chair  
30 August 2022

## REMUNERATION COMMITTEE REPORT

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to introduce the Remuneration Committee Report. As a company admitted to AIM, we are guided by the QCA's Remuneration Committee Guide and, when appropriate to do so, look to the UK Corporate Governance Code and to investor guidelines for best practice.

In this report we set out the Committee's responsibilities and report on the activities of the Committee during the year.

### Membership of the Committee

The Remuneration Committee comprises Dr Frank Armstrong (Chairman), Dr Andrew Jones, Tracey James and Tony Rawlinson (resigned 9 August 2022). Tracey joined the Committee on her appointment as a Non-Executive Director on 1 December 2021.

### Role of the Remuneration Committee

On behalf of the Board, the Remuneration Committee reviews and determines the pay, benefits and other terms of service of the Company's Executive Directors (CEO and FD) and the ELT. The Committee also keeps under review the broad compensation strategy with respect to all other Company employees.

The terms of reference of the Committee are set out on the Company's website.

### Strategic alignment and Remuneration Policy

The Committee's aim, as in previous years, is that the rewards that can be earned provide a competitive level of incentive and are appropriate for a Company of comparable size and complexity at each level of performance. To this end, the Committee considers appropriate goals from time to time which it believes will best ensure delivery of the Company's short and long term objectives and ensure alignment with stakeholder interests.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022

### Remuneration in practice

The basic structure of remuneration comprises a basic salary, Annual Bonus Plan and a share based incentive and a pension plan. From 1 April 2021, the share based incentive arrangements for the ELT and Executive Directors comprises awards from the new LTIP and to members staff of market priced share options from the Company's established Share Option Scheme. The Executive Directors are also eligible to participate in the Company's Deferred Bonus Plan ("DBS") that has been established to allow the Remuneration Committee to require a significant part of the annual bonuses awarded to the Executive Directors to be deferred in exchange for nominal cost share awards.

Executive directors, the ELT and members of staff also benefit from private medical and permanent health insurance. In addition, all

Executive Directors are covered under the Company's life assurance policy.

The Group also makes contributions to defined contribution pension schemes for the benefit of members of staff, executive directors and the ELT. The assets of the scheme are held separately from the Group and are independently administered by insurance companies. The Group also operates a legacy defined benefit scheme in the UK. Further information on these pension arrangements is set out in note 24 to these accounts.

### Remuneration during the year ended 31 March 2022

The financial year ended 31 March 2022 continued to be challenging, operating in a global pandemic and running the business remotely in a hybrid environment with few

opportunities for face to face meetings or country visits.

The Remuneration Committee considered the performance of the Executive Directors in the financial year against the criteria of the Annual Bonus Scheme that comprised a 70% element of basic salary according to the financial performance of the Company and a 30% element of basic salary according to performance against personal objectives.

The Executives' personal goals were set in consideration of operating during the COVID-19 pandemic.

In the financial year the Company underperformed against the financial goals set out in the Annual Bonus Scheme and this was reflected by the Remuneration Committee in the Executive's bonus award.

### Directors' remuneration

The aggregate remuneration payable to the Directors in respect of the period was as follows:

|              | Salary or Fees |        | Other  |        | Pension |        | Bonus  |        | Total Remuneration |        | Share Based Payments |        | Total  |        |
|--------------|----------------|--------|--------|--------|---------|--------|--------|--------|--------------------|--------|----------------------|--------|--------|--------|
|              | 2022           | 2021   | 2022   | 2021   | 2022    | 2021   | 2022   | 2021   | 2022               | 2021   | 2022                 | 2021   | 2022   | 2021   |
|              | £000's         | £000's | £000's | £000's | £000's  | £000's | £000's | £000's | £000's             | £000's | £000's               | £000's | £000's | £000's |
| M. Loomes    | 311            | 306    | 3      | 4      | 9       | 10     | 42     | 220    | 374                | 540    | 65                   | 1      | 430    | 541    |
| C. Wilks     | 240            | 236    | 1      | 1      | 23      | 23     | 12     | 148    | 276                | 409    | 47                   |        | 323    | 409    |
| A.Jones      | 77             | 75     |        |        |         |        |        |        | 77                 | 75     |                      |        | 77     | 75     |
| A.Rawlinson  | 50             | 60     |        |        |         |        |        |        | 50                 | 60     |                      |        | 50     | 60     |
| F. Armstrong | 46             | 41     |        |        |         |        |        |        | 46                 | 41     |                      |        | 46     | 41     |
| T. James     | 15             |        |        |        |         |        |        |        | 15                 |        |                      |        | 15     |        |

The Remuneration Committee has determined that the deferral arrangements of a portion of the Executive Directors' bonuses in accordance with the Annual Bonus Plan should be adopted and applied to the bonuses awarded in respect of the year ended 31 March 2022.

Accordingly, one third of the bonus amount set out above in respect of Chris Wilks for the period will be settled in an award of nominal price shares, subject to a three year vesting condition and malus and claw-back provisions. In addition, 20% of the bonus amounts payable to ELT members will be deferred and settled in an award of nominal price shares subject to the same provisions.

In relation to Marc Loomes who resigned as CEO and as a director on 1 April 2022, and retired from the Company on 30 June 2022, the Remuneration Committee has determined that the above deferral arrangements will not apply to the FY2022 annual bonus payable to Marc Loomes and that, in the relation to the award of 22,973 nominal paid shares made on 24 September 2021 to Marc Loomes under the terms of the Deferred Bonus Plan ("Share Award") concerning the deferral of one-third of Marc Loomes FY2021 annual bonus, such Share Award shall vest in full and be capable of exercise within 12 months of retirement date.

## Directors' interests

Details of Shareholdings as at 30 June 2022 was as follows:

|                   | Number of shares | Cost    | Notes        |
|-------------------|------------------|---------|--------------|
| Marc Loomes       | 233,244          | 384,999 | <sup>1</sup> |
| David Hallas      | 33,000           | 38,610  | <sup>2</sup> |
| Christopher Wilks | 150,095          | 241,829 |              |
| Andrew Jones      | 7,500            | 24,750  |              |
| Frank Armstrong   | 3,000            | 9,720   |              |

<sup>1</sup> An interest in 200,000 ordinary shares was transferred to M Loomes on 7 March 2022, pursuant to the grant of an option over these shares by persons connected with Peter Lawrence, the former Chairman of the Company on 7 March 2019. The transfer value at the time of vesting is included in this table and was the basis for PAYE assessment.

<sup>2</sup> David Hallas was appointed as CEO on 1 April 2022 and these shares were purchased by him on 12 May 2022

No Director held any shares in the company on 31 March 2021.

Details of share option awards, awards under the Company's Long Term Incentive Plan ("LTIP") and awards under the Deferred Bonus Plan ("DBS") at 31 March 2022 and 31 March 2021 are set out below:

|                                   | Date of grant | Number of shares |           | Option price per share (p) |
|-----------------------------------|---------------|------------------|-----------|----------------------------|
|                                   |               | 31-Mar-22        | 31-Mar-21 |                            |
| <b>Share options</b>              |               |                  |           |                            |
|                                   | 12-Apr-18     | 3,900            | 3,900     | 545.00                     |
| Marc Loomes                       | 15-Sep-16     | 400,000          | 400,000   | 435.00                     |
|                                   | 18-Dec-15     | 350,000          | 350,000   | 312.50                     |
| <b>LTIP's</b>                     |               |                  |           |                            |
| Marc Loomes                       | 28-Apr-21     | 87,901           |           | 5.00                       |
| Christopher Wilks                 | 28-Apr-21     | 64,824           |           | 5.00                       |
| <b>Deferred bonus plan shares</b> |               |                  |           |                            |
| Marc Loomes                       | 24-Sep-21     | 22,973           |           | 5.00                       |
| Christopher Wilks                 | 24-Sep-21     | 14,782           |           | 5.00                       |

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2022

### Remuneration Structure for Year ended 31 March 2022

The key elements of the Company remuneration structure are as follows:

#### Overview

The Company's remuneration structure has been designed to bring the Company into line with best remuneration practice and to improve the alignment of senior leadership with shareholder interests, thereby supporting future value creation. In particular the share incentive arrangements will in due course bring the share dilution limits back into alignment with best practice.

#### Annual bonus plan

- The Annual Bonus Plan applies to both executive directors and the ELT;
- Maximum and on-target awards will, as previously, be kept in line with those of comparable companies as shown in recent AIM remuneration surveys. On target awards are set at 60% of base salary and maximum possible awards are capped at 100% of base salary;
- Performance assessments are split as to 35% linked to growth in profit before tax, 35% linked to ROCE with the 30% remainder linked to the achievement of personal targets set by the committee. The committee may change these objectives from year to year. The proposed personal objectives for the CEO and FD in the current year (FY22) are focused around business performance, growth and corporate governance;
- Awards to the Executive Directors under the Annual Bonus Plan include a deferred element (33 % of any such award) that will be settled in shares which will vest after 3 years subject to malus provisions in the year of the award and clawback provisions during the 3 year vesting period for the deferred element. Awards under the Annual Bonus Plan (non-deferred element, being 67% of the award) are settled in cash through the payroll after the AGM. The deferred element of any bonuses awarded to the ELT is 20% with 80% settled in cash after the relevant Annual audit is completed.

#### Long term incentives

- The LTIP applies to both executive directors and the Executive Leadership Team
- Vesting of awards made under the new LTIP will be over a 3 year period and will be subject to achievement of performance conditions; these conditions include a comparison of the Company's Total Shareholder Return ("TSR") to an absolute TSR growth target set by the Committee (75% weighting) and achievement of R&D targets (25% weighting).
- LTIP awards will be subject to malus (during the vesting period) and clawback (in the 3 years following vesting) provisions.
- All other members of staff will continue to be eligible to be awarded market priced options. The terms of the existing unapproved staff share option scheme rules ("USOS") have been amended for future grants to allow for any future gains to be settled in shares or cash (at the Committees' discretion) to reduce dilution of the Company's share capital.

#### Share ownership

Executive directors are subject to share ownership targets to achieve over time. These targets, in line with market guidance, have been set by the Remuneration Committee at 125% of basic salary for the CEO and 100% of salary for the FD. This percentage is 120% (CEO, Marc Loomes) and 101% in respect of the FD (Christopher Wilks), at 30 June 2022.

#### Other Information

Remuneration of the Non-Executive Directors is determined by the Chairman and the CEO. The Non-Executive Directors are not entitled to annual bonuses, employee benefits or participation in share option schemes. However, they may be paid additional fees in the event that their workloads are significantly in excess of their contractual obligations. No changes are proposed for the current financial year.

The Chairman's remuneration is determined by Remuneration Committee in conjunction with the CEO. However, the Chairman is not entitled to vote on the matter.

The Executive Directors are employed under rolling service contracts. The services of all Executive Directors may be terminated by the Company or the individual giving 12 months' notice. Non-Executive Directors are retained

under Letters of Appointment. Non-Executive director appointments may be terminated by either the Company or the individual giving 3 months' notice, or immediately in the event that the director is not re-elected by shareholders at an AGM.

The Executive Directors' service agreements and the Non-Executive Directors' appointment letters are available for inspection by shareholders at the Company's registered office and at the Company's AGM.

#### Dr Frank M Armstrong

Remuneration Committee Chairman  
30 August 2022

## NOMINATION COMMITTEE REPORT

The Nomination Committee comprises all the Non-Executive Directors and the CEO.

### Main responsibilities

The terms of reference of the Committee are set out on the Company's website. The main responsibilities of the Committee are as follows:

- Regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board.
- Giving full consideration to succession planning.
- Keeping under review the leadership needs of the organisation.
- Being responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Reviewing the results of the Board performance evaluation process that relate to the composition of the Board.
- Formulating plans for succession for both Executive and Non-Executive Directors.
- Nominating membership of the Audit and Remuneration Committees.
- The re-election by shareholders of Directors under the annual re-election provisions and of the retirement by rotation provisions in the Company's Articles of Association.
- Any matters relating to the continuation in office of any Director at any time including the appointment or removal of any Director to Executive or other office.

Before any appointment is made by the Board, the Nomination Committee evaluates the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment.

### Activities during the year

The Committee met three times during the year.

A major activity for Committee was the process for search and recruitment of a successor to Marc Loomes, whose intention to retire was announced on the 26 July 2021. The Committee developed a specification for the role based on a consideration of the strategy and future needs of the Company. The extensive process was supported by a leading executive search consultancy. Following a recommendation by the Nomination Committee, the Board was pleased to announce the appointment of David Hallas as the new CEO on 18 January 2022. He took up his appointment on 1 April 2022 and brings with him extensive experience managing profitable growth through the introduction of new products, including vaccines, and successful merger and acquisition integrations.

The Committee had also identified the need for extra Non-executive resource with relevant financial expertise to continue to improve corporate governance to take over as chair of the Audit Committee when the existing chair stood down. Following a search and recruitment process, again supported by an external search firm, the Company was pleased to announce on 1 December 2021, the appointment with, immediate effect, of Tracey James as Non-executive Director. Tracey is a highly experienced Chartered Accountant who has spent 26 years with Grant Thornton UK LLP, with the last 14 years as an Audit Partner and is also an experienced Non-executive Director. She assumed the Role of chair of the Audit Committee in February 2022.

The Nomination Committee is very pleased that the addition of Tracey James to our Board has improved our gender diversity at Board level.

The Nomination Committee and Board noted the findings of the initial ESG report and recognise the importance and benefits of diversity and will continue to ensure we look for opportunities to develop and improve our approach throughout the Company

#### Dr Andrew Jones

Nomination Committee Chairman  
30 August 2022