

## Linnaeus – Wates Corporate Governance

**Date issued: Thursday 30<sup>th</sup> June 2022**

For the year ended 31 December 2021, under the Companies (Miscellaneous Reporting) Regulations 2018, Linnaeus Veterinary Limited ('the Company') has applied the Wates Corporate Governance Principles for Large Private Companies ('Wates Principles'), published by the Financial Reporting Council ('FRC') in December 2018 and are available on the FRC website.

The Wates Principles provide a framework for the Board to monitor corporate governance of the Company and assess where governance standards can be raised to a higher level across the business.

The Company remains committed to ensuring effective governance is in place to deliver its core principles, being the foundation on which it manages and controls its business and provides the platform for sustainable profitability. Throughout 2022 the Board will continue to review and challenge how the Company can further develop the governance framework.

The table below details how the Wates Principles have been applied throughout the year.

Principle	Linnaeus response
<p><b>Principle One: Purpose and leadership</b></p> <p>An effective Board develops and promotes the purpose of a company and ensures that its values, strategy, and culture align with that purpose.</p>	<p><b>Purpose</b></p> <p>The Company, which is part of Mars Inc (the Group), partners with practices in every field of veterinary medicine to ensure the highest levels of patient care to achieve the Company's ultimate purpose of – A BETTER WORLD FOR PETS.</p> <p><b>Principles</b></p> <p>Five Principles form the foundation of how we do business and we put these at the centre of every decision we make. This means:</p> <ul style="list-style-type: none"> <li>• we are committed to <b>Quality</b> of work and contributions to society.</li> <li>• we embrace our <b>Responsibility</b> (as individuals and a company) to act now.</li> <li>• we base decisions on <b>Mutuality</b> of benefit to our stakeholders.</li> <li>• we harness the power of <b>Efficiency</b> to use our resources to maximum effect; and</li> <li>• we have the financial <b>Freedom</b> to make our own decisions, unrestricted by motivations of others.</li> </ul>

	<p>Regular communications are made to all Associates within the Company to highlight and reinforce these principles. Associates are encouraged to apply these in a meaningful way and express their views through annual engagement surveys and ongoing engagement with their line managers. Every Associate is encouraged to have meaningful conversations with their line managers on at least a monthly basis with development discussions at least twice a year.</p> <p><b>Values and Culture</b></p> <p>The Board leads by example in applying the Five Principles, with a strong emphasis on honesty and transparency. Behaviours are reinforced through the Company policies applied which all Associates must adhere to. Each Associate is required to undertake training and compliance assessments in relation to specific policies.</p> <p><b>Strategy</b></p> <p>The Company strategy is developed and implemented by the Chief Executive Officer and the Executive Team. It is cascaded to all Associates through quarterly meetings and ongoing internal communications to enable a collective responsibility and engagement in the Company's success.</p>
<p><b>Principle Two: Board composition</b></p> <p>Effective board composition requires an effective chair and a balance of backgrounds, experience, and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.</p>	<p>For the year ended 31 December 2021, the Board composed of the Chair, who is also the Chief Executive Officer and one Executive Director, the Chief Financial Officer. Additional governance is applied to the Board through Mars Inc, including the facilitation of objective debate to ensure effective decision-making. The separation of the Chair and Chief Executive Officer role is not considered to be required presently as this may result in inefficiency and confusion.</p> <p>The Chief Executive Officer is responsible for executing the strategy of the Company and leading the Executive Team.</p> <p><b>Executive Team:</b></p> <ul style="list-style-type: none"> <li>- Bart Johnson - Chief Executive Officer</li> <li>- Ray Reidy – Chief Financial Officer</li> <li>- Tim Richardson – Chief Operating Officer (appointed April 2022)</li> <li>- Emma Herbert – Chief Marketing Officer</li> <li>- Dr Andrea Jeffrey – Chief Nursing Officer</li> <li>- Professor Séverine Tasker – Chief Medical Officer</li> <li>- Russell Welsh - Business Development Director</li> <li>- Saskia Connell – People and Organisation Director</li> <li>- Marina Zain – Legal Director</li> <li>- Will Awde – Head of Strategy</li> </ul> <p>During the year there have been appointments to the Executive Team to support the balance of skills and experience, with Saskia Connell joining as People &amp; Organisation Director and Russell Welsh as Business Development Director. The composition of the Executive Team is appropriate for the size and nature of the business with all members contributing to a wide variety of experience.</p> <p>For details of the balance and diversity please refer to the Gender Pay Gap Report <a href="https://gbr.mars.com/about/gender-pay-gap-report">https://gbr.mars.com/about/gender-pay-gap-report</a></p>

	<p>The Board delegates certain activities to the Executive Directors managing key functions, this includes the Clinical Board and the Capital Investment Committee.</p>
<p><b>Principle Three: Director responsibilities</b></p> <p>The Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.</p>	<p>The Company has a governance framework, including documented terms of reference for the Board, Executive Team and Committees, operating rules, policies, and delegations of authority. The terms of reference clearly set out the overall leadership responsibility and matters reserved for its consideration and approval.</p> <p>The Board and Committees consider quarterly reports on business and financial performance, key strategic risks and opportunities, operational matters, market conditions, human resources, legal, compliance, audit, and regulatory matters.</p> <p>Reports on the Company's financial position are prepared by the Group's centralised Finance function and are externally audited by Hazlewoods LLP on an annual basis.</p> <p>Independent reviews are performed by the Group Internal Audit team, with financial and business control related findings and actions taken to address or remediate findings presented to the Executive Team.</p>
<p><b>Principle Four: Opportunity and risk</b></p> <p>A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight to identify and mitigate risks.</p>	<p><b>Opportunity</b></p> <p>Strategic opportunities are routinely considered with the following examples:</p> <ul style="list-style-type: none"> <li>• Investments and upgrades of clinics, creating new opportunities for future growth and success, with state-of-the-art facilities to provide innovative treatments for pets with faster diagnosis.</li> <li>• Investments in medical equipment to support growth plans.</li> <li>• Appointment of Chief Operating Officer, Tim Richardson, in April 2022 to oversee the operational performance of Linnaeus.</li> <li>• Commitment to attaining International Society for Feline Medicine (ISFM) cat friendly accreditations. Ongoing commitment to feline care across the group, reducing the stress for cats and making veterinary visits easier for cat owners.</li> <li>• Open Access Publication Charge (OAPC) initiative, a funding scheme that supports the costs for Associates to publish their research in scientific open access journals ensuring that research is freely available across the veterinary profession and the scientific community. This promotes the sharing of knowledge and a wider application of clinically relevant findings that can contribute to making A BETTER WORLD FOR PETS.</li> <li>• Introduced a pioneering professional development strategy for nursing which offers training and development into leadership roles for nurses which were traditionally unlikely to be open to them. As nursing populations are overwhelmingly female, we believe this programme will bring about a greater diversity of roles at senior leadership level and help to narrow the pay gap.</li> <li>• Sustainability – ongoing investment to support our ambition to become a role model in the industry in taking environmental responsibility. Environmental opportunities for our referral and</li> </ul>

	<p>primary care practices include:</p> <ul style="list-style-type: none"> <li>• Access to sustainability-focused open-forums for all practices</li> <li>• Become carbon literate and calculate their carbon footprint</li> <li>• Work towards an Investors in the Environment (iiE) accreditation</li> <li>• Wider awareness and reduction in use of antibiotics</li> <li>• Sustainable procurement choices</li> <li>• Improved waste management</li> </ul> <ul style="list-style-type: none"> <li>• Companywide reward package reviews, resulting in an Equal Family Leave policy and Enhanced Sick Pay help to ensure Linnaeus is attracting and retaining the highest calibre of Associates.</li> </ul> <p><b>Risk</b></p> <p>Risk management is the responsible of each Executive Team member. Current and forward-looking risks are tracked and monitored on a regular basis with ownership, current controls, and additional actions to mitigate risks clearly defined.</p> <p>Modern Slavery Act disclosure details our efforts to address forced labour, including modern slavery and human trafficking, which are core components of our global human rights strategy and programs.</p> <p>Anti-facilitation of tax evasion policy demonstrates our commitment to ensure that we do not assist our customers, suppliers, other business partners, employees and contractors to engage in aggressive tax avoidance.</p>
<p><b>Principle Five: Remuneration</b></p> <p>A Board should promote executive remuneration structures aligned to the long-term sustainable success of a company, considering pay and conditions elsewhere in the company.</p>	<p>The remuneration of the Company Directors and specific Executive Team roles is defined by the shareholder, Mars Inc. For the remainder of the Executive Team the remuneration, including fixed and performance-related elements are approved by the Company Directors.</p> <p>The remuneration is designed to attract, retain and motivate Executives of the highest quality, encouraging them to deliver exceptional business performance aligned to the Company strategy. Any decisions in relation to Executive remuneration is made with clear understanding of the developments to pay and conditions in the wider workforce.</p>
<p><b>Principle Six: Stakeholder relationships and engagement.</b></p> <p>Having regard to their views when taking decisions.</p> <p>Directors should foster effective stakeholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.</p>	<p>Linnaeus has several key stakeholders, including Associates, customers, suppliers, its shareholder, and the wider community.</p> <p><b>Associates</b></p> <p>As highlighted previously, the Company understands the importance of Associates to the long-term success of the business. The annual engagement survey monitors Associate satisfaction with actions in response cascaded via the Senior Leadership Team, line managers and a quarterly update is delivered to all Associates in which they can directly ask questions of the Executive Team to hold them accountable.</p> <p><b>Customers</b></p> <p>The Company is committed to providing the highest standards in pet</p>

care. One measure the Group uses to determine how well its strategy is being implemented and positive customer outcomes are being achieved is through customer feedback. The Company has a clearly defined customer complaints process which includes sharing learnings and identifying actions to prevent reoccurrences.

## **Suppliers**

Our suppliers are required to adhere to the Mars Supplier Code of Conduct. This contains globally aligned standards and is rooted in international law.

As a Company, we believe it is important to pay our suppliers promptly and on time for the service they provide. The intention is that suppliers are paid in line with their agreed payment terms.

## **Shareholder**

As a wholly owned subsidiary, the Board duly considers the views of its ultimate shareholder and the interests of the Group as part of any major decisions and transactions undertaken by the Company. The Company's Directors provide the primary channel of communication between the Company and the Group.

## **Community**

We are committed to helping create a safe, healthy, and sustainable world for our clients, Associates, and the communities in which we operate. Our ambition is to become a role model in the industry in taking environmental responsibility. We are the first veterinary group to partner with the Investors in the Environment (iE) accreditation scheme, with over 27 of our practices currently taking part in the programme. This scheme was created to help businesses reduce their environmental impacts. We have two hospitals at Green level which is the highest level of accreditation and are the only two practices or hospitals in the industry to have reached that accolade. We have plenty more at Silver and Bronze. Our Central Support office received bronze level accreditation in May 2021.