

Merlin Vet Export Ltd Group

FRC, Corporate Governance Code

Board Leadership & Company Purpose.

The Board of Directors:

Mr Robert Anderson BVM&S MRCVS	- Group Chairman of Directors
Dr David W. Taylor BVM&S MRCVS FIOD	- Group Managing Director (RP)
Ms Niki Kinghorn BA	- Group Operations Director (D-RP)
Mr Christopher M. Bainton FIOD FCMI	- Non-Executive Director & Co-Sec
Mr Fraser Kerr CA	- Group Financial Adviser

Company Ethos: To provide our clients across the globe with the very best veterinary medicinal products, equipment and technical support.

Profitability: It's our intention to make Merlin Vet Export Ltd into a global brand recognised by our clients for providing exceptional goods and services at competitive prices.

Shareholders: The shareholders have maintained control of the company by virtue of the fact that most shares are held by the original investors or those who have sat on the main board or have held subsidiary board appointments. It is vitally important that the shareholders continue to feel that they are intimately involved with the company, both now and in the future.

Ethics: The ethical standards to which the veterinary profession holds itself are those same high standards to which we, as a company, hold ourselves. It's imperative that those ethics remain our focus. This is not just the view of shareholders but also that of the directors, management, and staff.

Dividends: The company's current dividend policy is 10% of post-tax profit distributed back to shareholders as a realistic return. This still allows for enough funds to be made available to management to increase and improve the level of goods and services that we provide to our clients.

Chairman's Report:

This will now form part of the annual financial reporting requirement and will be provided to all the shareholders prior to each AGM. In the past, this has not been felt to be necessary as the directors held the clear majority of the company's shares and so were able to see the company's trading position first-hand.

Board Effectiveness:

Assessment of the board's effectiveness by the shareholders has been straightforward as it was effectively only a self-assessment exercise, with no requirement to publish. From July 2020, there will not only be a requirement to assess the company's director's effectiveness but also to publish a statement that indicates how the current performance is being monitored and has been assessed and evaluated and continues to be monitored going forward.

Other Investors:

The only investors in the company to date have been the current shareholders or those who were at one-time board members. It may well be that in the future, other types of investment might be required to grow the company and it is noted that this will place additional and certainly more in-depth reporting requirements on the board.

Board Engagement:

In the past, the engagement of the board with the company's investors has been self-evident, as in the main, the directors were those same investors. Under a new regime, there is a potential requirement to ensure that this engagement is widened to better inform potential investors, banks and other lenders.

Leadership:

Merlin Vet Export Ltd has been well led by its founder and Managing Director, Dr David Taylor BVMS, MRCVS and the other experienced board members. However, it is possible that in the future additional impetus may be given to the company by bringing in a director that has experience in sectors outside of animal health.

The Division of Responsibilities.

Board role:

The role of the company's board is to strive both individually and collectively to ensure the effective and successful long-term future of the company. The directors attest that they will always endeavour to discharge their fiduciary duties and responsibilities competently and in a manner that is mindful of the best interests of the company.

- Board Responsibilities:*** The Chair seeks to look after the interests of the investors and to provide direction for the company. The Managing Director manages the day-to-day activities of the company in response to the clients' needs. Other board members respond as directed to meet the current and future requirements of the company.
- Chairman's role:*** The Chairman ensures that all the investors are conversant with all major issues and risks facing the company while providing the board with both direction and leadership. The chairman sets the meeting dates and ensures the directors' availability.
- Managing Director:*** The managing director's role is to manage the activities of the group on a day-to-day basis. He is accountable to the board for presenting such information that allows the board members to understand the company's current position on any given issue.
- Operations Director:*** The operations director manages the company's day to day activities in relation to both the acquisition and storage of medicinal products and the distribution of these goods and services to clients and customers around the world.
- Financial Advisor:*** The financial advisor is primarily responsible for providing the Managing Director with sufficient financial advice and information that he might safely manage the company. Further to that, the FD also has a responsibility to ensure that the directors are provided with all the necessary financial information such that they can perform their fiduciary duties to the company from an informed perspective.
- Non-executive Director:*** The main role of the non-executive director on the board is to challenge decisions constructively. The company's non-executive director is a consultant with almost four decades of experience in veterinary wholesale distribution and in operating a (GPO) Group Purchasing Organisation in the veterinary sector in both the UK and Ireland.

Composition, Succession & Evaluation.

- Board Composition:*** It is understood that the company's board should maintain a high percentage of active directors with a first-hand knowledge of first opinion veterinary practice in the UK. However, skills outside of veterinary practice are also recognised as having great potential value to the business. The board will continue to ensure that the pursuit of talent is not missed.

- Succession:*** The board recognise that fresh eyes and new perspectives can enhance the ability of a company to spot those challenges that it might otherwise have missed. The existing nine-year guideline on the longevity of service on a board by both chairman and non-executive directors is not expected to be exceeded. However, as yet, a realistic training regime has yet to be established for a new board appointee and that deficiency is seen as a board priority to address.
- Communication:*** The communication within the company is enhanced by a system of open CRM and e-mails. Only Salus is currently outside of the existing CRM system. It is intended that in the next update we will include Salus.
- Accountability:*** The board will produce, with the aid of the FD, a quarterly report outlining the current business and financial position of the company. This report will detail any substantial risk facing the company and the actions taken to mitigate or minimise those risks. The board will give sight of this report to its auditors along with its management accounts.
- Shareholder relationship:*** We aim to foster an open dialogue with our investors and lenders. This includes taking steps to ensure that our board members have a good understanding of their views and that shareholders are kept well informed.
- Board Appointments:*** The directors can co-opt a new board member by simple resolution. This appointment would then be ratified at the next AGM, where all directors stand for annual re-election.
- Board Meetings:*** It's a company requirement that the board of directors meet once a month, not including the AGM. When face to face meetings are not an option, online meetings, with similar periodicity, will replace them.
- Commitment:*** The company's directors are required to set aside enough time to meet the needs of their position.
- Development:*** Induction of new board members requires a more formal approach for the future. To this end, a briefing document should be prepared for any new appointee indicating their duties and responsibilities, together with any necessary training requirements. This should also form part of all director's knowledge/skills refresher course.

Information & Support: The board will ensure that they are and will be supplied, in a timely manner, with all the required reports and information that empowers the directors to make informed decisions.

Evaluation: From 2020 the board of directors will review and publish its own performance, indicating the challenges encountered and the actions taken by the board to mitigate the risks posed by these challenges. These include, where it is deemed necessary, seeking independent assessment of the directors' skill set, activities, and performance.

Director Elections: All directors will stand for re-election at each AGM. At which time written confirmation will be presented to the shareholders by the Chairman and forming part of his report that each director's performance is acceptable and has been effective. Biographical information must also be made available to shareholders to allow them to take an informed view on any new board appointments.

Audit, Risk & Internal Control.

Financial Reporting: The Financial Advisor will ensure the company's auditors receive monthly management figures. These will form the basis of the quarterly reports to the board allowing them to take a fair, accurate and balanced view of the company's position.

Business Reporting: A monthly directors report will include a view on all the projects undertaken, progress and timescales. A synopsis of this report could then be made available to the shareholders. Minutes of board meetings are shared with our accountants/ auditors and our financial advisor.

Risks: The assessment of the financial, legislative, and trading risks to which the company is exposed will always remain the board's primary concern. While the requirement obviously exists for an element of group borrowing, the predominate use of retained profit for inward investment is still felt to be prudent even during a time of low-cost finance.

Risk Management: Management and supervisory oversight in relation to risks is provided by the directors. Where feasible, a board statement will include how any risks has been managed and mitigated.

Audits: The company has in place checks and balances including our own internal audit function. These provide management with the tools to monitor banking, stock and performance and

provide clear company oversight. To meet medicines legislation requirements, monthly reconciliation reports are required. Effectively these require Vetcel to carry out an internal audit validating the monthly sales data against our purchase invoices. We also have external auditors who then validate our internal systems, controls, and management oversight.

Disclosure:

Regarding disclosure, our accountants and auditors have oversight of the monthly transactions of the company. Our IT department provides these figures once the month-end is closed off. The strength of this is that both the FD and our accountants have month-by-month, real-time data, on the performance of all three companies in the group. We intend that any sponsorship payments and all donations both of a charitable and or of a political nature will be disclosed in our annual report. Our reconciliation reports are held ready for inspection by MHRA, VMD and the Home Office all of whom have inspectors who visit regularly to validate all our records. Any adverse findings are published publicly, in the form of improvement notices.

Staff Involvement:

Staff are encouraged to be involved through our policy of open management. Decisions relating to staff are made with their involvement.

Group Managers & Department Heads:

Ms Julie Brooksby	- Salus PAM Manager	- Driffield, East Yorkshire.
Ms Anne Bainton	- Vetcel GPO Manager	- Kincardine, Fife.
Ms Helen Mathews	- Veterinary Adviser	- Earlston, Scottish Borders.
Ms Christine Betts	- Pharmacist and (RP)	- MVE Group.
Ms Peony Che	- Manager	- Hong Kong (SQP).
Mr Jonathan Baker	- IT & Accounts Manager	- Kincardine, Fife. (SQP)
Ms Helen Baker	- Vetcel Accounts	- Kincardine, Fife.
Ms Catherine Dickson	- Group Accounts	- Earlston, Scottish Borders.
Mr Donald Ramsay	- Field Sales Manager	- Kincardine, Fife.
Ms Rebecca Davidson	- Merlin Accounts	- Earlston, Scottish Borders.
Ms Fiona Hogg	- Warehouse Manager	- Earlston, Scottish Borders.

Remuneration:

The company has a policy of paying above the minimum wage and have signed up to supporting the living wage as a fair return for labour. We have carried out an internal audit with our employment law advisors to ascertain that our salaries and employment contracts are, and are seen to be, free from discrimination, be that sexual orientation, age, race, religion, disability, colour or gender. We create our remuneration packages & contracts to meet the needs of the task. We do so

with the assistance of our employment consultants but without the involvement of any interested parties. The bonus scheme that has been adopted is one that rewards all staff in the same manner, and none are therefore more equal than others. Those directors with such a substantive shareholding that it might be considered potentially board influencing have their salary package including bonuses and additional share options published as part of the annual accounts.

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Amended April 2021