



# CVS Group plc

## Corporate Governance Framework

September 2023



# CVS Corporate Governance Framework

## Introduction

This framework provides an overview of the corporate governance structure, principles and practices of the CVS Group. Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Good corporate governance facilitates clear delegation of authority from the Board through to our Executive Committee and Senior Leadership, and beyond, to promote disciplined decision-making and ensure the effective execution of our strategic priorities.

Effective corporate governance is key to delivering the Group's strategy and ensuring the long-term success of the Group. CVS is committed to high standards of governance and best practice that are aligned to our strategy and risk appetite. To serve the interests of stakeholders, the corporate governance system is subject to review, assessment and improvement. CVS proactively adopts governance policies and practices designed to align the interests of the company and its stakeholders to promote the highest standards of ethical behaviour and risk management across the Group.

## Core Principles

CVS has adopted the 2018 UK Corporate Governance Code (the "Code") and details on compliance with the Code are set out in our Annual Report and Accounts. Further to this, the Directors of the Company have a duty to promote the success of its members as a whole under section 172(1) of the Companies Act 2006.

The Board has overall responsibility for establishing the Group's purpose, culture and strategy to deliver the long-term growth of the Group and generate value for shareholders. Good corporate governance facilitates clear delegation of authority from the Board through to our Executive Committee and Senior Leadership Group, and beyond, to promote clear disciplined decision-making and ensure the effective execution of our strategic priorities.

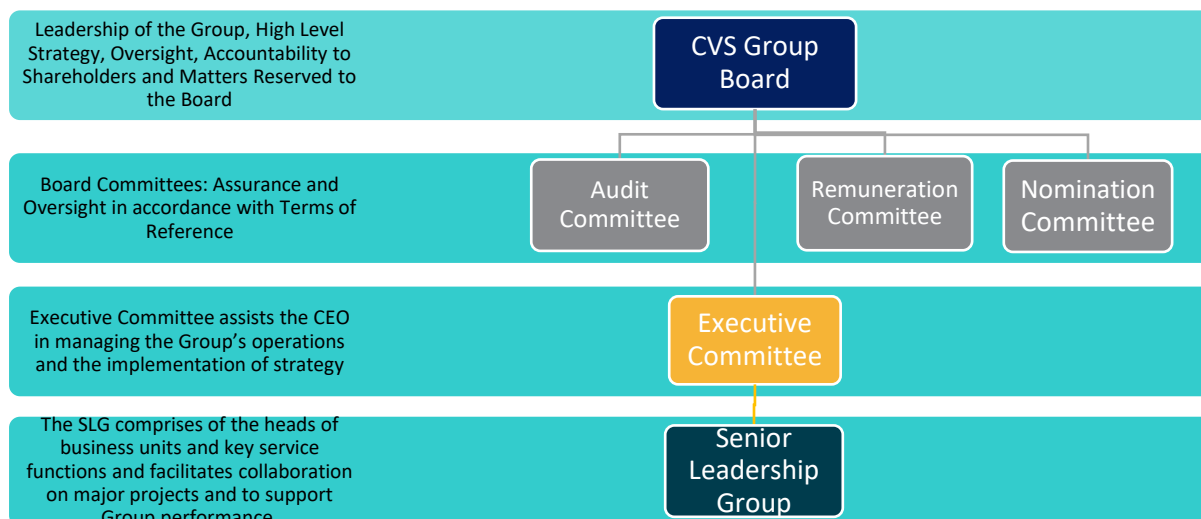
Our approach to corporate governance is guided by the following core principles:

Principle	Description
Conduct and Culture	The CVS Group Board sets the tone from the top and champions the Group's purpose to give the best possible care to animals and the Company's vision to be the veterinary company people most want to work for.
Stewardship	The Directors are stewards of the Group, exercising independent judgement in overseeing management and safeguarding the interests of shareholders.
Strategic Oversight	Members of the Executive Committee and Senior Leadership Group are key advisors to management, advising on strategic direction, objectives and action plans, taking into account business opportunities and risk appetite. The CVS Group Board actively engages in setting the long-term strategic goals for the Group, reviews and approves business strategies, financial objectives and financial and capital plans that are consistent with the strategic goals.
Risk Oversight	The Executive Committee oversees the frameworks, policies and systems to identify and manage risks to the business and seeks to embed a strong risk management culture throughout the Group.



Principle	Description
Accountability	The Group is committed to clear and comprehensive financial reporting and disclosure and has carefully defined the expectations and scope of duties of the Executive Committee and the Senior Leadership Group.
Continuous Improvement	The Group is committed to continuously improving its corporate governance principles, policies and practices.

## Our Governance Structure



## CVS Group Board

The CVS Group Board of Directors consists of eight members, including a Non-Executive Chairman and four independent Non-Executive Directors. The responsibilities of the Board members are set out in the chart below. The Board and its Committees have access to management and external advisers to assist them in discharging their duties.

The Board meets formally eleven times a year and meetings are planned around key events in the corporate calendar including interim results, full year results and the Annual General Meeting (“AGM”). In addition to the 11 scheduled Board meetings and other Committee meetings, the Non-Executive Directors make themselves available for ad-hoc meetings and Board calls to receive regular updates and to deal with specific projects or matters arising during the year.

The Chairman and Non-Executive Directors meet from time to time as appropriate without the Executive Directors present.

<b>Role</b>	<b>Name</b>	<b>Responsibility</b>
<b>Chair</b>	Richard Connell	The Chair is responsible for leading the Board and is responsible for its overall effectiveness in directing the Company. The Chair also facilitates constructive board relations and the effective contribution of all non-executive directors as well as ensuring that the directors receive accurate, timely and clear information as well as overseeing the governance framework.
<b>CEO</b>	Richard Fairman	The CEO is responsible for leading the Company's executives in managing the day-to-day operation of the Group. The CEO is accountable to and reports to the Board and is assisted in their role by the Group's Exco all of whom report directly or indirectly to the CEO.
<b>Deputy CEO</b>	Ben Jacklin	The Deputy CEO reports to the CEO and is responsible for overseeing and directing the day-to-day operations of the Group in addition to supporting the CEO with developing and implementing Group strategy.
<b>CFO</b>	Robin Alfonso	The CFO reports to the CEO and is responsible for the day-to-day management of the Group's finances, development and implementation of financial strategy as well as supporting the CEO with developing and implementing Group strategy.
<b>Senior Independent Director</b>	Deborah Kemp	The Senior Independent Director ("SID") provides advice and additional support and experience to the Chair
<b>Non-Executive Directors</b>	Richard Gray David Wilton Joanne Shaw	Non-Executive Directors provide constructive challenge, strategic guidance and specialist advice as well as holding management to account and being available to work with the Chair to resolve contentious issues.
<b>Company Secretary</b>	Scott Morrison	The Company Secretary acts as Secretary to the Board and its Committees and is responsible for ensuring that the Board has the policies, processes, information, time and resources it needs in order to function effectively and efficiently as well as supporting the Chair in developing and overseeing the governance framework.

## Matters Reserved to the Board

The Board has a formal schedule of matters reserved (Appendix One) for its approval which includes matters of strategy, structure and capital, financial reporting and controls, internal controls, contracts, board membership, remuneration, delegation of authority and corporate governance. Matters that fall outside of those reserved to the Board or its Committees fall within the responsibility and authority of the CEO, Deputy CEO and the CFO and are either reserved to them or delegated further through the Group's Delegated Authorities Policy.

## **Audit Committee**

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly monitored and reported, for meeting with the external auditor and for reviewing its reports relating to financial statements and internal control matters. The Committee also reviews the effectiveness of the Group's internal controls and receives reports from the Group's internal audit function in respect of its programme of internal audit reviews. The Audit Committee is chaired by David Wilton.

The CEO, Deputy CEO and the CFO are invited to attend meetings of the Audit Committee, but the Committee also meets with the auditor without the CEO, Deputy CEO and CFO being present at least once annually.

## **Remuneration Committee**

The Remuneration Committee seeks to develop the Company's executive remuneration arrangements appropriately taking due account of matters specified in the UK Corporate Governance Code and the Investment Association Principles of Remuneration in the light of the Company's growth and its status as an AIM 50 company.

The Committee is comprised of a minimum of three independent Non-Executive Directors and is responsible for assisting the Board in ensuring appropriate remuneration policies are in place for the Group, ensuring Executive Director remuneration is aligned to the strategic priorities of the Group and its performance and making recommendations regarding Long Term Incentive Plan terms, conditions and awards. The Remuneration Committee is chaired by Deborah Kemp.

## **Nomination Committee**

The Nomination Committee is comprised of a minimum of three independent Non-Executive Directors. The Committee monitors and reviews Board composition, leads the process of Director appointments, carries out succession planning and scrutinises the performance of the Executive Directors. The Nomination Committee also reviews the other commitments of Directors and is satisfied that all Directors devote appropriate time to the Company's affairs. External search consultancies are used for the appointment of Non-Executive Directors. The Nomination Committee is chaired by Richard Gray.

## **Executive Committee**

The Executive Committee ("Exco") comprises the Group CEO, CFO, Deputy CEO, Group HR Director, Chief Veterinary Officer & Group Procurement Director. The Exco assists the CEO in managing the Group's operations and the implementation of strategy. The Exco meets on a monthly basis to set performance targets, monitor key objectives and commercial plans and evaluate opportunities and business initiatives. Executive Committee members report annually to the Board in person as well as providing monthly updates through the CEO, CFO and Deputy CEO Board reports.

## **Senior Leadership Group**

The SLG comprises of the heads of major business units and key service functions. The SLG meets on a monthly basis to collaborate and discuss major projects and Group performance.



## **Risk Management**

The Board has overall responsibility for ensuring risk is appropriately managed across the Group. The day-to-day identification, management and mitigation of risk is delegated to the Group's senior management.

Risk registers are prepared which evaluate the risks most likely to impact the Group. Colleagues across the business are involved in the preparation and regular reviews of these risk registers to ensure that all potential areas of risk are adequately identified, recorded and managed. Controls that are in place are assessed in order to determine the extent to which they mitigate risk and in circumstances where it is considered appropriate to reduce risk further, appropriate actions are determined.

The Audit Committee assists the Board to fulfil its corporate governance duties and oversees responsibilities in relation to financial reporting, internal controls and risk management structure. The Audit Committee is supported by the Internal Audit function which holds meetings with risk owners across the business, assesses the risk rating and documents the controls in place to mitigate each risk, and recommends improvements and corrective actions.

## **CVS Group Policies**

The CVS Group policy framework encompasses our Values, policies, procedures and guidelines on various key matters and risks to the Group's operations. Our framework reflects our purpose, vision key strategic pillars and our values which are supported by our commitment to upholding responsible and ethical business practices.

## **Delegation of Authority**

Delegation of authority across the CVS Group is set out in the Company's Delegation of Authority Policy.





## CVS Corporate Governance Framework

**Appendices:**

**Appendix One – Matters Reserved to the Board**



## Appendix One:

# Matters Reserved to the Board

## Summary

The board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The board should set the company's strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

Matters which the board considers suitable for delegation are contained in the terms of reference of its committees.

In addition, the board will receive reports and recommendations from time to time on any matter which it considers significant to the Company.

## Schedule of matters reserved for the board

1 STRATEGY AND MANAGEMENT	
1.1	Responsibility for the overall leadership of the Company and setting the company's values and standards.
1.2	Approval of the Company's strategic aims and objectives
1.3	Approval of the annual operating and capital expenditure budgets and any material change to them.
1.4	Oversight of the Company's operations ensuring: <ul style="list-style-type: none"><li>• Competent and prudent management;</li><li>• Sound planning;</li><li>• Maintenance of sound management and internal control systems;</li><li>• Adequate accounting and other records; and</li><li>• Compliance with statutory and regulatory obligations.</li></ul>
1.5	Review of performance in light of the Company's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
1.6	Extension of the Company's activities into new business or geographic areas.
1.7	Any decision to cease to operate all or any material part of the Company's business.
2 STRUCTURE AND CAPITAL	
2.1	Changes relating to the Company's capital structure including reduction of capital, share issues (except under employee share plans), share buy backs including the use of treasury shares.
2.2	Major changes to the group's corporate structure, including but not limited to acquisitions and disposals of shares which are material relative to the size of the group in question (taking into account initial and deferred consideration).
2.3	Changes to the Company's management and control structure.
3 FINANCIAL REPORTING AND CONTROLS	
3.1	Approval of the annual report and accounts
3.2	Approval of dividend policy.
3.3	Declaration of any interim dividend and recommendation of final dividend.
3.4	Approval of any significant changes in accounting policies or practices.





<b>3.5</b>	Approval of treasury policies including foreign currency exposure and use of financial derivatives.
<b>3.6</b>	Approval of material unbudgeted capital or operating expenditures (outside pre-determined tolerances).
<b>4</b>	<b>INTERNAL CONTROLS</b>
<b>4.1</b>	Ensuring maintenance of a sound system of internal control and risk management including: <ul style="list-style-type: none"> <li>• Receiving reports on, and reviewing the effectiveness of, the Company's risk and control processes to support its strategy and objectives.</li> <li>• Approving procedures for the detection of fraud and the prevention of bribery.</li> <li>• Undertaking an annual assessment of these processes; and</li> <li>• Approving an appropriate statement for inclusion in the annual report.</li> </ul>
<b>5</b>	<b>CONTRACTS</b>
<b>5.1</b>	Approval of major capital projects above £5m and oversight over execution and delivery
<b>5.2</b>	Contracts which are material strategically or by reason of size, entered into by the Company or, in the case of a subsidiary, recommendations for approval, in the ordinary course of business, for example bank borrowings above £10 million and acquisitions or disposals of fixed assets (including intangible assets such as intellectual property) above £10 million.
<b>5.3</b>	Contracts of the Company or any subsidiary not in the ordinary course of business, for example loans and repayments above £5 million; [foreign currency transactions above £1 million]; major acquisitions or disposals above £10 million.
<b>5.4</b>	Other major investments including the acquisition or disposal of interests of more than (3) percent in the voting shares of any company or the making of any takeover offer.
<b>6</b>	<b>COMMUNICATION</b>
<b>6.1</b>	Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.
<b>6.2</b>	Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
<b>6.3</b>	Approval of press releases concerning matters decided by the board.
<b>7</b>	<b>BOARD MEMBERSHIP AND OTHER APPOINTMENTS</b>
<b>7.1</b>	Changes to the structure, size and composition of the board.
<b>7.2</b>	Ensuring adequate succession planning for board and senior management so as to maintain an appropriate balance of skills and experience within the company and on the board.
<b>7.3</b>	Selection of the chairman of the board and the chief executive.
<b>7.4</b>	Appointment and removal of the Company Secretary
<b>7.5</b>	Appointment, reappointment or removal of the external auditor to be put to shareholders for approval in general meeting, following the recommendation of the audit committee.
<b>7.6</b>	Appointments to boards of subsidiaries.
<b>8</b>	<b>REMUNERATION</b>
<b>8.1</b>	Determining the remuneration policy for the directors, company secretary and other senior executives.
<b>8.2</b>	Determining the remuneration of the non-executive directors, subject to the articles of association and shareholder approval as appropriate.
<b>8.3</b>	The introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.

<b>9 DELEGATION OF AUTHORITY</b>	
<b>9.1</b>	The division of responsibilities between the Chairman, the Chief Executive and any other executive directors, which should be clearly established, set out in writing and agreed by the board.
<b>9.2</b>	Approval of the delegated levels of authority, including the Chief Executive's authority limits (which must be in writing).
<b>9.3</b>	Establishing board committees and approving their terms of reference, and approving material changes thereto.
<b>9.4</b>	Receiving reports from board committees on their activities.
<b>10 CORPORATE GOVERNANCE MATTERS</b>	
<b>10.1</b>	Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual directors and the division of responsibilities.
<b>10.2</b>	Considering the balance of interests between shareholders, employees, customers and the community.
<b>10.3</b>	Review of the Company's overall corporate governance arrangements.
<b>10.4</b>	Receiving reports on the views of the Company's shareholders to ensure that they are communicated to the board as a whole.
<b>10.5</b>	Authorising conflicts of interest where permitted by the Company's articles of association.
<b>11 OTHER</b>	
<b>11.1</b>	The making of political donations.
<b>11.2</b>	Approval of the appointment of the Company's principal professional advisers.
<b>11.3</b>	Prosecution, commencement, defence or settlement of litigation, or an alternative dispute resolutions mechanism involving above £1 million or being otherwise material to the interests of the Company.
<b>11.4</b>	Any decision likely to have a material impact on the Company including, but not limited to, financial, operational, strategic or reputational.
<b>11.5</b>	This schedule of matters reserved for board decisions.

