

Governance

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Our approach to governance

Governance in the Group extends beyond mere legislative and regulatory compliance. We strive to entrench an enterprise-wide culture of good governance aimed at ensuring fair and transparent decision-making within an ethical framework that promotes the responsible consideration of material stakeholders, while also holding decision-makers appropriately accountable.

The Board is the highest decision-making body for those matters that are of significance to the Group as a whole, due to their strategic, financial or reputational implications or consequences. It operates in terms of an approved Board Charter, which regulates the parameters within which the Board operates and ensures the application of the principles of good corporate governance in all its dealings. This charter also sets out the roles and responsibilities of the Board and individual directors, including the composition and relevant procedures of the Board. The charter is aligned to the provisions of all relevant statutory and regulatory requirements, including, among others, the Companies Act, the JSE Listings Requirements, King IV and the Company's Memorandum of Incorporation.

To support it in its broader oversight and governance role, the Board has three standing committees, each with their own terms of reference, which supports the Board's decision-making processes and through which it executes some of its duties, namely the Audit & Risk Committee, the Social & Ethics Committee and the Remuneration & Nomination Committee.

The Board concludes that the outcomes of each of the 16 principles outlined in King IV have been achieved. We focus on maturing and improving our practices in this regard, with specific emphasis on integrity, sustainability, remuneration, governance, combined assurance and stakeholder relationships.

Decisions by the Board, its committees and other governance structures throughout the Group are made in good faith to promote the success of the Group for the benefit of our stakeholders. In doing so, the Board considers, among other matters:

- medium- and long-term consequences of decisions on profit, people and the planet;
- the need to foster the Group's relationships with stakeholders including employees, regulators, suppliers, customers and governments;
- the impact of the Group's operations on communities and the environment; and
- maintaining the Group's reputation for high standards of business conduct and ethical behaviour and the need to act fairly in respect of shareholders and other stakeholders.

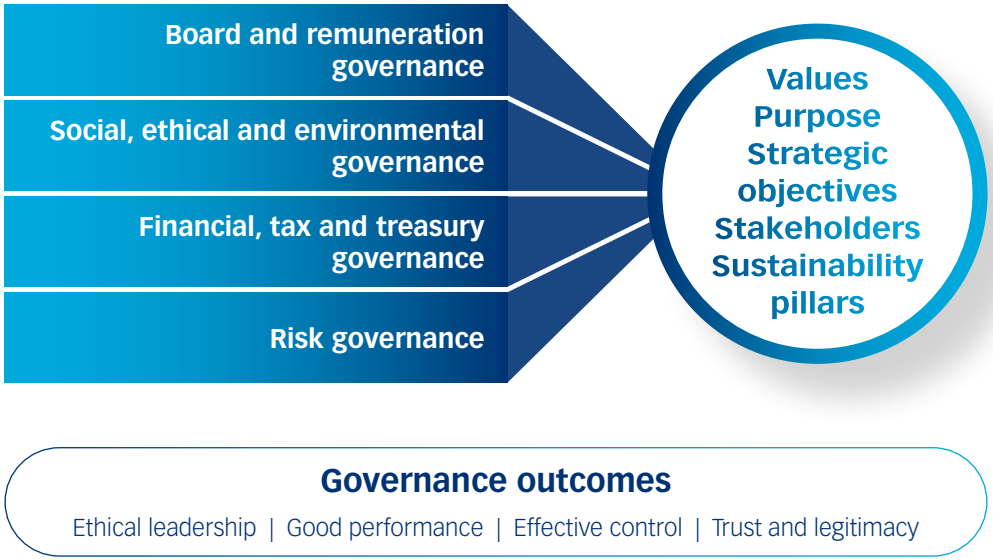
In line with the philosophy that good corporate governance is an evolving discipline, governance structures, practices and processes are actively monitored and revised from time to time to reflect best practice.

The following were key focus areas and outcomes resulting from the Board's deliberations since our previous Integrated Report:

- Progressing the Group's achievement of its five strategic objectives which provide the foundation for us to deliver on our overall strategy of creating long-term value for our stakeholders;
- A long-term agreement was concluded with Serum Institute for Aspen to manufacture, market and distribute four Aspen-branded vaccines in Africa – an important milestone as Aspen seeks to optimise its sterile manufacturing capacity in Gqeberha;
- Continued investment in the expansion of its sterile manufacturing capacity in Gqeberha to produce vaccines and other steriles, including biological products;
- Unlocking value for shareholders by entering into a share buy-back programme which resulted in 10,2 million shares being acquired and cancelled, as well as the resumption of dividend payments to shareholders with the declaration of a dividend of 326 cents per ordinary share in September 2022;
- Additional focus on ESG, including the establishment of an Executive Sustainability Forum aimed at enhancing Aspen's approach to these aspects and ensuring that ESG performance measures are included in Group-wide executive incentive structures;
- Material business acquisition and disposal transactions, including the divestment of a portfolio of six South African products to Acino Pharma for a consideration of approximately R1,8 billion, and the acquisition of ENTT, an Australian company with a portfolio of products that treat a range of common ear, nose and throat problems, for a consideration of R386 million;
- Concerted succession planning activities resulted in cultivating a strong executive bench, including the appointment of Sean Capazorio as an executive director and Group Chief Financial Officer with effect from 1 January 2022; and
- Adoption of the Group's Information Security Policy and monitoring additional enhancements in the Group's cybersecurity resilience.

Further reading

- Aspen governance overview, including an explanation of the Board's mandate, its composition and other material governance practices, as well as a detailed King IV application register available online https://www.aspenpharma.com/corporate-governance-and-risk-management/
- Pages 105 to 107 of this report where we report on the key governance focus areas and outcomes for each of the Board's committees during the year under review



Our approach to governance continued

Board composition

Diversity of expertise

Policy: To create an experienced Board with the appropriate balance of knowledge and skills in areas relevant to the Group.

The following areas of expertise are relevant to Aspen:

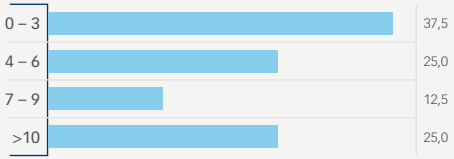


Succession and diversity of tenure

Policy: Periodic, staggered rotation of members so as to ensure the introduction of members with new expertise and perspectives, while retaining valuable industry knowledge, skills and experience and maintaining continuity.

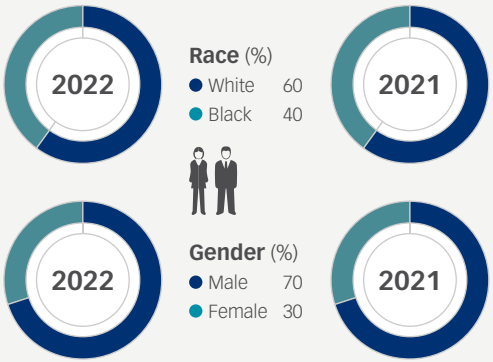
Succession planning makes provision for the identification, mentorship and development of future members.

Succession and diversity of tenure (%)



Gender and racial diversity

Policy: The Group's Gender Diversity Policy promotes a voluntary target of 40% female representation on the Board over a three-year period, while the Racial Diversity Policy promotes a voluntary target of 50% black representation on the Board over the same period.



Board size

Policy: To target a Board size that promotes accountability and encourages healthy, constructive debate and decision-making, while meeting regulatory and Memorandum of Incorporation requirements. The appropriateness of the Board size is evaluated annually by the Remuneration & Nomination Committee.

Diversity of age

Policy: Executive directors retire from their positions and from the Board at the age of 65. The Company's Retirement Policy does, however, make provision to extend the relationship beyond the normal retirement age. Non-executive directors, who are 70 years and older, retire at each annual general meeting and are proposed for re-election if recommended by the Board.

Average age:
56
years

Independence

Policy: To comprise a majority of non-executive directors, the majority of whom should be independent.



Board composition by classification (%)

Executive (2)	20
Non-executive (8)*	80

* *Of the 8 non-executive directors, 6 are considered to be independent non-executive directors.*

Board meeting attendance

	31 August 2021	8 December 2021	9 December 2021	8 March 2022	25 May 2022	24 June 2022
Kuseni Dlamini (Chairman)¤∞	✓	✓	✓	✓	✓	✓
Gus Attridge**	✓	✓	✓	N/A	N/A	N/A
Sean Capazorio*	N/A	N/A	N/A	✓	✓	✓
Linda de Beer#∞	✓	✓	✓	✓	✓	✓
Ben Kruger#¤	✓	✓	✓	✓	✓	✓
Themba Mkhwanazi∞	✓	✓	✓	Apology	✓	✓
Chris Mortimer	✓	✓	✓	✓	✓	Apology
Yvonne Muthien¤***	N/A	N/A	N/A	✓	✓	✓
Babalwa Ngonyama#	✓	✓	✓	✓	✓	✓
David Redfern	✓	✓	✓	✓	Apology	✓
Stephen Saad	✓	✓	✓	✓	✓	✓
Sindi Zilwa¤****	✓	✓	N/A	N/A	N/A	N/A

\# *Membership of the Audit & Risk Committee.*
∞ *Membership of the Remuneration & Nomination Committee.*
¤ *Membership of the Social & Ethics Committee.*
* *Appointed 1 January 2022.*
** *Retired 31 December 2021.*
*** *Appointed 10 December 2021.*
**** *Retired 9 December 2021.*

The average overall attendance rate of the Board meetings for the 2022 financial year was 94,9%.

Governance supporting our strategy

Audit & Risk Committee

Members

Babalwa Ngonyama (Chair)
Linda de Beer
Ben Kruger

Relevant stakeholders considered

Capitals

Further reading

- Committee mandate, role and responsibilities
- Audit & Risk Committee Report

Available online

Focus areas and outcomes for the year

- Providing oversight and direction of the Group's I&T strategies and policies, as well as the related risk and control environment;
- Mitigation of infrastructure technology security risks and oversight of the mitigation plans introduced to address the risk of material operational and disruptive incidents, by means of a number of digital initiatives including the establishment of a Cybersecurity COE and the implementation of the Group's Information Security Policy;
- Providing oversight in respect of digital strategy mapping out of the Group's five-year digital journey, developed to ensure our approach is aligned to our strategic objectives and cohesive across the Group. Key elements of this roadmap include significant investments in building our digital capabilities and modernising our ERPs, regulatory and compliance systems, manufacturing execution systems and collaboration tool;
- Ensuring the effectiveness, competency, capacity and independence of the Internal Audit function, as well as the expertise and experience of the Chief Audit Executive. Specific attention was given to the implementation of digitalised internal auditing initiatives, including the use of data mining and analysis;
- Reviewed the material risks facing the Group, obtaining assurance of the effectiveness of the risk management process and risk responses through the implementation of a combined assurance approach;
- Recommended the reappointment of EY as external auditor, and Derek Engelbrecht as the designated auditor, having satisfied itself of the capacity and independence of this firm and the designated auditor;
- Reviewed the Group's Integrated Report and the sustainability information as disclosed therein to evaluate the integrity of reported information and for consistency with the Annual Financial Statements; and
- Satisfied itself of the expertise and experience of the:
  - Group Chief Financial Officer, who performs the duties of the Company's Financial Director; and
  - Group's finance function and the senior members of management responsible for the Group's finance function.

	17 August 2021	30 August 2021	1 October 2021	21 October 2021	23 November 2021	31 January 2022	25 February 2022	24 May 2022	20 June 2022
Babalwa Ngonyama (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Linda de Beer	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ben Kruger	✓	✓	✓	✓	✓	✓	✓	✓	✓

The overall average attendance for the Audit & Risk Committee meetings held during the year was

100%

Governance supporting our strategy continued

Remuneration & Nomination Committee

Members

Linda de Beer (Chair)
Kuseni Dlamini
Themba Mkhwanazi

Relevant stakeholders considered

Capitals

Further reading

- Committee mandate, role and responsibilities available online
- Remuneration review as published on pages 109 to 135 of this report

Focus areas and outcomes for the year

- Appointing a successor for Gus Attridge, with specific reference to his role as Financial Director. To this end Sean Capazorio was appointed the Group Chief Financial Officer and the Finance Director with effect from 1 January 2022. This followed an internal and external recruitment, screening and selection process;
- Ongoing evolution of the Group's remuneration philosophy, policies, practices to align remuneration and incentive practices, in particular measurements with the Group's strategic objectives, with specific reference to achieving the following outcomes in the current year:
  - Ensuring that the performance targets, award conditions and vesting criteria for short- and long-term incentives in respect of executive directors and the rest of the Group executives were aligned to Group's remuneration philosophy and best practice; and
  - Considering the disclosure of our remuneration philosophy, polices, practices and actual performance against pre-set targets to transparently address the information needs expressed by shareholders.
- Succession and capacity of the Group Executive Committee and next layer of management; and
- Assessment of the performance of the Board, its committees, individual directors and the Group Executive: Governance & Communications (Company Secretary), this year conducted through an internal process following an extensive external process in 2021. Areas for improvement that were raised mostly related to the need for more formalised strategy setting processes, a focus on the digitalisation of the Group and ongoing efforts to ensure appropriate executive succession planning.

	12 July 2021	5 August 2021	31 August 2021	8 March 2022
Linda de Beer (Chair)	✓	✓	✓	✓
Kuseni Dlamini	✓	✓	✓	✓
Themba Mkhwanazi	✓	✓	✓	Apology

The overall average attendance for the **Remuneration & Nomination Committee** meetings held during the year was

91,6%

Governance supporting our strategy continued

Social & Ethics Committee

Members

Ben Kruger (Chair)
Kuseni Dlamini
Reginald Haman
Yvonne Muthien

Relevant stakeholders considered

Capitals

Further reading

- Committee mandate, role and responsibilities
- Social & Ethics Committee Report

Available online

Focus areas and outcomes for the year

- Reviewed the Group's strategy in approaching ESG, sustainability and corporate citizenship to ensure that the matters falling within the Committee's area of responsibility were appropriately and accurately reported upon, and that the appropriate internal or external assurance over these matters was obtained where necessary;
- Provided oversight and guidance in respect of the employee engagement survey conducted throughout the Group to gauge employee satisfaction aspects, understand areas of concern and to measure net promoter scores;
- Considered the Group's ongoing response to the COVID-19 pandemic from an employee, patient and SED perspective, ensuring that support was directed to initiatives launched to provide assistance in combatting the disease and its impacts;
- Reviewed reports on tip-offs and alleged ethics breaches from other sources received during the year and how these had been dealt with;
- Evaluated and monitored our performance in respect of SED and how we operate in the communities we do business in;
- Monitored progress against B-BBEE targets, the EE and skills development plans for our South African businesses, and considered the external verification of our empowerment activities; and
- Obtained internal assurance in respect of the Group's Ethics & Compliance programmes.

	19 August 2021	19 November 2021	17 February 2022	8 June 2022
Ben Kruger (Chair)*	✓	✓	✓	✓
Kuseni Dlamini	✓	✓	✓	✓
Reginald Haman	✓	✓	✓	✓
Yvonne Muthien**	N/A	N/A	N/A	✓
Sindi Zilwa***	✓	✓	N/A	N/A

The overall average attendance for the Social & Ethics Committee meetings held during the year was **100%**

* *Mr Kruger was appointed as Chair of the Committee with effect from 9 December 2021.*
** *Ms Muthien was appointed as a member of the Committee with effect from 8 March 2022.*
*** *Ms Zilwa stepped down as a Chair and member of the Committee with effect from 9 December 2021.*