Our external operating context

We operate in a highly regulated industry across multiple geographies. This complex and dynamic environment presents us with opportunities to increase our value contributed through an innovative and agile strategic approach, coupled with effective risk management.

We identify our emerging threats and opportunities based on an ongoing assessment of those global trends likely to have a material bearing on the Group's operating environment and business model. Early identification of these trends enables us to leverage opportunities or to proactively mitigate the possible resultant negative impacts.

Trends	Key factors	Our response

Access to healthcare and changing patient needs

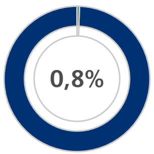
Trends

8,5 billion
projected world population by **2030**, ~**9,7 billion** by **2050** and peaking at ~**10,4 billion** by **2080**

Source: United Nations, July 2022

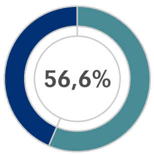
COVID–19 vaccine inequity

High income countries have to increase their healthcare spending by



on average to cover cost of vaccinating 70% of the population.

Low income countries have to increase their healthcare spending by



on average to cover cost of vaccinating 70% of the population.

Source: United Nations Development Programme, September 2022

Key factors

- Demographic shifts
- Developing countries have dramatically lower access to medicine
- Economic pressures
- Improved life expectancy
- Ineffective and/or inefficient healthcare systems
- Inequitable access to medicines
- Patients prioritising essentials
- Population growth
- Rise in non-communicable diseases
- Supply chain disruptions
- Increased focus on health security

Our response

Access to healthcare is one of the biggest challenges facing society. Our contribution, as a manufacturer and distributor of pharmaceuticals, is to endeavour to ensure there is an available supply of our high quality, affordable medicines which are accessible to patients who need them while ensuring the ongoing sustainability of our business.

Our product portfolio is comprised mainly of established, post-patent medicines and generics. We have made significant investments to not only meet modern regulatory requirements, but also to meet the changing needs of patients and provide value-for-money alternatives to new more expensive innovative medicines. Our products are competitively priced and have demonstrated clinical value.

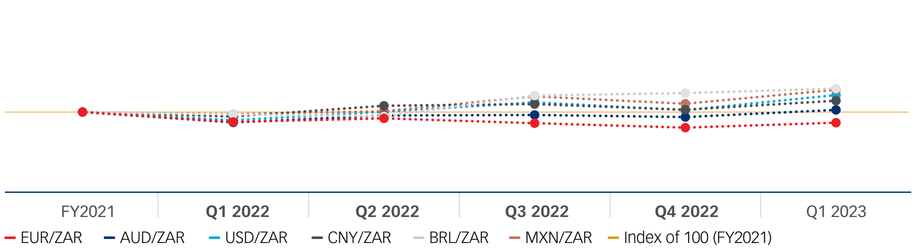
We have continued to invest in our manufacturing capacity and have expanded our capability in manufacturing niche products, including APIs and sterile FDF manufacturing. This includes adapting and enhancing our existing sterile manufacturing facilities to facilitate vaccine and other biological production. Following our production of over 225 million doses of COVID-19 vaccines for use on the African continent, we have concluded a collaboration agreement with Serum Institute to manufacture and make available certain vaccines to Africa. Our manufacturing facilities in Africa are positioned to support a solution of resolving Africa's dependency on pharmaceutical imports.

Our external operating context continued

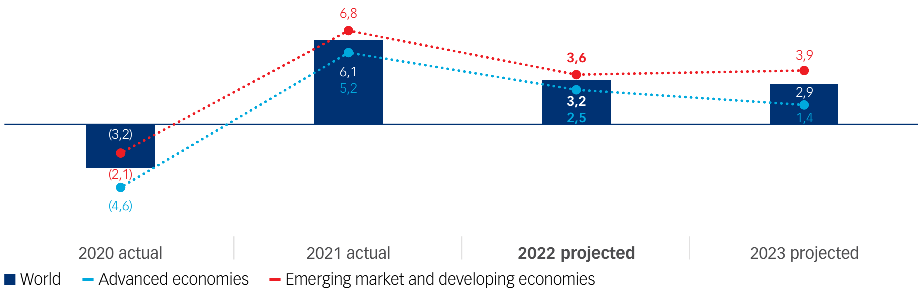
Trends	Key factors	Our response

Continued economic pressure

Average exchange rates for top six currencies by revenue contribution indexed to 100 (FY2021 = 100)



World economic outlook growth projections (growth rate)



Source: IMF World Economic Outlook Update, July 2022

Global inflation is forecast to reach

7,9%

in **2022**, and towards **5,0%** in **2023**, compared with **2001 – 2019 average** annual global inflation of **3,8%**

Source: Euromonitor, Quarter 2 2022

Key factors

- Energy crisis affecting many regions
- Exchange rate volatility
- Increased pressure on healthcare systems
- Inflationary pressures
- Patients prioritising essentials
- Socio-political conflict
- Growing inequality in several countries

Our response

While the pharmaceutical industry is fairly defensive, our diverse product portfolios comprise a number of essential and critical medicines which further reduce the impact of economic downturns on demand for our medicines. While we observe the inflationary effects, we have implemented strong cost management controls and our products are competitively priced, demonstrating clinical value. Also refer to the Group Chief Financial Officer's review on page 54.

We have an adaptable distribution network supplying medicines to more than 115 countries and territories, reducing our exposure to market risks in any one country or risk to one currency. This is enabled by an effective supply chain model, supported by in-country distribution aimed at maximising the reliable supply to many geographies. We also hold a diversified portfolio of products from niche medicines to Anaesthetics, Thrombosis therapies, over the counter ("OTC"), consumer, branded and generic prescription products.

We continuously manage our net borrowings to ensure an optimal level of borrowings and manage the tenor and mix of our indebtedness to minimise the exposure to volatility against any one of the major currencies.

Our external operating context continued

Trends	Key factors	Our response
Climate change effects		
50% chance of average global temperature temporarily reaching **1,5°C** global warming threshold in next five years *Source: World Meteorological Organization, May 2022*	Climate change impacts (including the effects on human health and disease profile changes) Ecological changes Increased stakeholder focus on sustainable development and ESG Natural disasters Urbanisation	Responsible corporate citizenship and sustainability objectives underpin our strategy. We are in the process of developing a Sustainability and ESG strategy while re-evaluating our response to climate change risk. Our investment in our products ensures that they remain relevant and offer value to our patients. Disaster recovery and continuity plans have been developed and will be invoked should a catastrophe impact our ability to supply medicines.
Future of work impacting workforce management		
72% of employees consider work-life balance to be very important when looking for a new job *Source: Ergonomic Trends , July 2022*	Employees re-evaluating priorities Increased desire for work-life balance and flexibility Scarcity in high demand skills High recruitment and training costs	We have several ongoing organisational projects designed to position the Group to meet the dynamic environment. These include reviews of our operating models, structures and human resource management to design an organisation that is fit for purpose.
Rapid digitalisation		
38% of patients received virtual care during **2022** *Source: mHealth Intelligence, July 2022*	Increased cyberattacks Digitalisation of business processes Tele-medicine and digital medical tracking solutions Remote virtual care Viral false news	We are making significant investments in our digital resources and platforms to provide agile, world-class operating environments across our businesses. We continually advance our digital strategy, observe developments in this ever-evolving landscape and are flexible in our responses. A particular area of focus has been to strengthen the Group's cybersecurity posture.

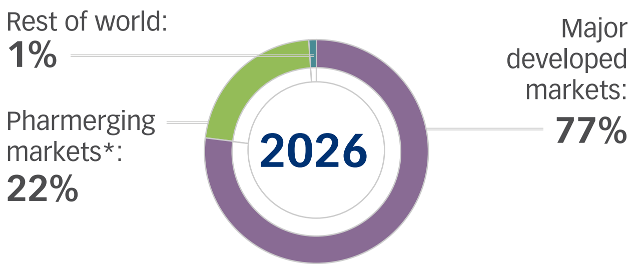
Our external operating context continued

Trends	Key factors	Our response

Pharmaceutical industry trends

Trends

Predicted market share by 2026



* *IQVIA defines pharmerging markets as those with per capital income below USD30 000 and a five-year aggregate pharmaceutical growth over USD1 billion.*

Source: Global Medicine Spending and Usage Trends, Outlook to 2026, IQVIA Institute, April 2022

5,2%
forecast CAGR of global pharmaceutical sales to **2027**

Source: Statista, August 2022

Key factors

- Consumer shifts
- Diagnosis of autoimmune disorders on the rise
- Medicine pricing pressures
- Slow growth as health systems gradually recover from COVID-19 impacts
- Value of medicines under increased scrutiny by patients, governments and other funders of healthcare

Our response

We understand that high ethical standards, strong corporate governance and a stakeholder-inclusive approach are essential to maintaining our reputation and successfully navigating the complex, dynamic and uncertain global environment in which we operate. A key issue for the pharmaceutical industry is to retain the trust of its stakeholders, including governments, regulators, patients and society at large. Through our various engagements with these stakeholders, we seek to improve on the credibility and rapport we have already established and look to find innovative solutions to the legitimate concerns they may raise with us. Refer to Engaging with our stakeholders on page 42.

Through our investment in manufacturing capabilities and capacity, we have increased manufacturing volumes and achieved optimisation of our operating model as well as focus on manufacturing efficiencies to provide for enhanced synergies, thereby unlocking value creation in the restrictive price environment. Pricing decisions are overseen by the Group's Pricing Committee, established to ensure an appropriate balance of responsible pricing and business sustainability.