

Abbreviated corporate governance statement

In an environment of increasing regulatory pressure, the Board is ever mindful of the need to maintain an appropriate balance between the governance expectations of investors, regulators, government and other stakeholders, and the market demands that the Group delivers competitive financial returns to its shareholders.

Governance philosophy

Governance in the Group extends beyond mere legislative and regulatory compliance, and management strives to entrench an enterprise-wide culture of good governance aimed at ensuring that decisions are taken in a fair and transparent manner, within an ethical framework that promotes the responsible consideration of all stakeholders, whilst also holding decision-makers appropriately accountable. 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.

Corporate governance and application of King III

The Board is accountable to shareholders and other stakeholders and is ultimately responsible for the implementation of sound corporate governance practices throughout the Group. Aspen's Board of Directors is committed to ensuring that the Group adheres to high standards of corporate governance in the conduct of its business.

The directors are of the opinion that the Group has applied the requirements of King III and that it has applied 74 of the 75 mandatory corporate governance principles prescribed by the JSE Listings Requirements as more fully detailed in the King III application register available online. The application of the outstanding principle, which relates to the effective management of information assets, is receiving attention as appropriate systems are being put in place to address the management of information assets throughout the Group.

Role and function of the Board

A formally documented and approved Board Charter outlines the composition, scope of authority, responsibilities, powers and functioning of the Board. In addition, the Board functions in accordance with the requirements of King III, the provisions of the South African Companies Act, the Listings Requirements of the JSE and other applicable laws, rules or codes. The Board is responsible for, among other things, the following:

- ▶ approve and review the strategic direction of the Group and monitor the execution of strategic plans;
- ▶ monitor the financial performance of the Group and to approve annual and interim financial reports and capital distributions or dividends;
- ▶ identify and monitor key risk areas and review risk management strategies;
- ▶ ensure that the Company's Audit & Risk Committee is independent and that it has an effective, risk-based internal audit function;

- ▶ approve the appointment and replacement, where necessary, of the Group Chief Executive, the Deputy Group Chief Executive and certain other senior executives and to oversee succession planning in respect of these positions;
- ▶ approve the nomination of directors and to monitor the performance of all the directors, including the Chairman and the Group Chief Executive;
- ▶ oversee the governance of information technology;
- ▶ make decisions on key issues or matters at levels deemed material to the Group and to delegate authority for the day-to-day running of the business of the Group to management; and
- ▶ identify and oversee the Group's communication with key stakeholders.

Board leadership

The Board is currently led by Judy Dlamini, a non-executive director. In line with the recommendations of King III and in view of the fact that she is not classified as an independent non-executive director in terms of these recommendations, the Board has appointed Roy Andersen as the lead independent non-executive director. He also acts as Chairman in instances where the Chairman may have a conflict of interest. Both the Chairman and the lead independent non-executive director have formally mandated roles and responsibilities, are appointed annually by the Board after each annual general meeting and are subject to an annual evaluation of their performance.

The roles of the Chairman of the Board and the Group Chief Executive are separate and clearly defined, such that no individual director has unfettered powers of decision-making.

Composition of the Board

The Board currently comprises 11 directors, two of whom are executive directors with the remainder being non-executives. Six of these are considered independent non-executive directors within the criteria determined by King III and constitute the majority of non-executive directors on the Board.

The composition of the Board is carefully considered to ensure that there is an appropriate balance of power and authority in decision-making processes. Non-executive directors are appointed by the Board in terms of a formally documented and transparent process which takes place under the guidance of the Remuneration & Nomination Committee. Non-executive directors are selected on the basis of their skills, business experience, reputation and qualifications. Gender and racial diversity is also considered in the appointment of new directors.

The Deputy Group Chief Executive fulfils the role of full-time executive financial director and the appropriateness of the expertise and experience of this director is assessed and reported upon by the Audit & Risk Committee on an annual basis.

Board appointment and retirement processes

The appointment of any new director is considered by the Board as a whole on the recommendation of the Remuneration & Nomination Committee and in terms of a formally adopted policy, following rigorous and transparent appointment processes which include conducting the appropriate background confirmations. The terms and conditions of appointment of each of the non-executive directors are contained in a letter of appointment which, together with the Board Charter, forms the basis of the director's appointment. The Remuneration & Nomination Committee, consisting exclusively of independent non-executive directors and chaired by the Lead Independent Director, is responsible for making recommendations to the Board for the identification and removal of underperforming or unsuitable directors, should this prove necessary.

In terms of the Company's Memorandum of Incorporation, one-third of the non-executive directors retire by rotation at each annual general meeting. Directors who retire may, if eligible, offer themselves for re-election. The re-election of retiring directors by shareholders is subject to a recommendation by the Remuneration & Nomination Committee, following an evaluation of those directors' performance. Directors who may be appointed during a reporting period must have their appointments ratified at the next annual general meeting and as such the appointment of Maureen Manyama-Matome, who was appointed as a director with effect from 1 June 2014, is to be dealt with under ordinary resolution 2 as set out in the notice of the 2014 annual general meeting.

Non-executive directors have no fixed term of appointment, however, the Board Charter provides for the automatic retirement of a director at the age of 70, provided that

shareholders confirm such re-appointment at the next annual general meeting. At the Board's discretion, the retiring director may thereafter be invited to serve as a non-executive director on a year-to-year basis. John Buchanan, who has turned 70 during the year, has been invited by the Board to serve as a director for the year and this re-appointment has been proposed to shareholders in terms of ordinary resolution 2 as set out in the notice of the 2014 annual general meeting.

Board committees

The Board has established the following Board committees, each with specific terms of reference, to assist it in the execution of its role:

- Audit & Risk
- Remuneration & Nomination
- Social & Ethics

All of the Board committees are constituted in accordance with the recommendations of King III and are chaired by an independent non-executive director.

The terms of reference of each of the Board committees are reviewed as necessary and specify the relevant committee's constitution, mandate, relationship and accountability to the Board. Detailed reports on the constitution, role and performance of each of the Board committees can be accessed online as follows:

- Audit & Risk
- Remuneration & Nomination
- Social & Ethics

The Audit & Risk Committee has been appointed in terms of the provisions of King III and the Companies Act and consists exclusively of independent non-executive directors. The members of this committee are elected by shareholders at every annual general meeting.

The table below reflects Board meetings held during the year and attendance at those meetings:

	Extra-ordinary meeting 3 July 2013	Board meeting 11 September 2013	Board meeting 3 December 2013	Board meeting 6 March 2014	Extra-ordinary meeting 16 April 2014	Extra-ordinary meeting 21 May 2014	Strategy meeting 25 June 2014	Board meeting 26 June 2014
Roy Andersen	✓	✓	✓	✓	✓	✓	✓	✓
Gus Attridge	✓	✓	✓	✓	✓	✓	✓	✓
Rafique Bagus	Apology	✓	✓	✓	✓	✓	✓	✓
John Buchanan	✓	✓	✓	✓	✓	✓	✓	✓
Kuseni Dlamini	Apology	✓	✓	✓	✓	✓	✓	✓
Judy Dlamini	✓	✓	✓	✓	Apology	✓	✓	✓
Abbas Hussain	✓	✓	✓	✓	Apology	✓	✓	✓
Chris Mortimer	✓	✓	✓	✓	✓	Apology	✓	✓
Maureen Manyama-Matome	n/a	n/a	n/a	n/a	n/a	n/a	✓	✓
Stephen Saad	✓	✓	✓	✓	✓	✓	✓	✓
Sindi Zilwa	Apology	✓	✓	✓	✓	Apology	✓	✓

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The tables below reflect committee meetings held during the year and attendance at those meetings:

Audit & Risk Committee member	10 September 2013	16 October 2013	21 October 2013	5 March 2014	24 June 2014
Roy Andersen	✓	✓	✓	✓	✓
John Buchanan (Chairman)	✓	✓	✓	✓	✓
Sindi Zilwa	✓	Apologies	Apologies	✓	✓

Social & Ethics Committee member	14 August 2013	18 November 2013	17 February 2014	4 June 2014
Gus Attridge	✓	Apologies	✓	Apologies
Rafique Bagus	✓	✓	✓	Apologies
Judy Dlamini	✓	✓	✓	✓
Sindi Zilwa (Chairman)	✓	✓	✓	✓

Refer to page 82 for meetings held and attendance at meetings of the Remuneration & Nomination Committee.

Board and committee meetings

The Board meets at least once every quarter. These meetings and the meetings of the Board's committees are held as scheduled, with additional meetings being convened to discuss specific issues which arise between scheduled meetings. Board meetings are convened by formal notice to the directors. There are comprehensive management reporting disciplines in place with strategic, financial, operational, risk and governance reports tabled. Meeting packs, containing detailed proposals and management reports, are distributed by the Company Secretary & Group Governance Officer to all directors in a timely manner in advance of scheduled meetings, and directors are afforded ample opportunity to study the material presented and to request additional information from management where necessary.

Decisions taken at Board meetings are decided by a majority of votes, with each director having one vote. Where resolutions need to be taken between Board meetings, a written proposal is circulated to all directors, and requires signature by a majority of directors to be valid.

The Board committees report formally to the Board at each Board meeting following any meeting of a committee.

Evaluation of Board performance

An evaluation of the performance of the Board, the Board committees, the Chairman, the Group Chief Executive, the Company Secretary & Group Governance Officer and of each of the individual directors is conducted annually. Evaluations are designed to gain an insight into how each of the directors of the Board believes the Board is meeting its objectives.

Independence of non-executive directors and conflicts of interest

The independence of the non-executive directors is tested on a regular basis to ensure that there are no business or other relationships which could materially interfere with a director's capacity to act independently. At least once annually, Aspen

actively solicits details of its directors' interests in the Group, their external shareholdings and other directorships so as to determine whether there are any actual or potential conflicts of interest. Directors are expected to consider whether any shareholding in the Company affects their independence and discuss the matter, if appropriate, with the Chairman. A register containing the directors' declarations of interest is kept by the Company Secretary & Group Governance Officer, circulated to all directors at least once per year and is available for inspection by any of the directors on request. In addition, the agenda at each scheduled Board meeting allows the Board to consider any conflicts arising from changes to the directors' declarations of interests. The Board has satisfied itself that no relationships exist which could adversely affect the classification of its independent non-executive directors, and accordingly that the classification of each of the directors is appropriate. The independence of non-executive directors who have served on the Board for longer than nine years is assessed annually.

Succession planning

The Board has delegated succession planning for the Group Chief Executive, Deputy Group Chief Executive and senior executives to the Remuneration & Nomination Committee with direct input, as appropriate, from the Chairman and the Group Chief Executive. Succession plans are integrated into the key performance areas at management and executive levels and reported to the Board annually.

Standards of directors' conduct

Directors conduct themselves in accordance with the Aspen Code of Conduct and act consistently in performing their common law and legislative duties of care, skill and diligence, giving due consideration to their fiduciary responsibilities towards the Company.

Company Secretary & Group Governance Officer

The Company Secretary & Group Governance Officer plays a pivotal role in the corporate governance of the Group. He is appointed by and is accountable to the Board as a whole. He attends all Board and committee meetings and provides the Board and directors, collectively and individually, with guidance on the execution of their governance role. The Board has considered and is satisfied with the qualification, competence and expertise of the Company Secretary & Group Governance Officer. He is not a director of the Company and the Board has also satisfied itself of the fact that he continues to maintain an appropriate arm's length relationship with the Board.

All directors have access to the advice and services of the Company Secretary & Group Governance Officer.

Director development

Newly appointed directors are required to participate in an induction programme co-ordinated by the Chairman together with the Company Secretary & Group Governance Officer. In addition to providing an orientation in respect of the Group's operations, directors are guided in their fiduciary duties, provided with information relating to the relevant statutory and regulatory frameworks and introduced to key members of management. The programme makes directors aware of relevant policies such as those relating to dealing in the Company's securities, the duty to declare conflicts of interest and the Company's Code of Conduct.

The Company Secretary & Group Governance is also, with the assistance of the Group Legal Officer & Group Compliance Officer, responsible for ensuring that directors are kept abreast of relevant legislative and regulatory developments as well as significant information impacting the Group's operating environment. Training sessions for non-executive directors are held regularly and are presented by senior management or subject experts. These sessions are designed to keep directors updated on developments in the Group and the territories in which it operates as well as other relevant matters.

Legislative compliance

The Board is ultimately responsible for overseeing the Group's compliance with laws, rules, codes and standards in terms of King III. The Board has delegated to management the responsibility for the implementation of an effective legislative compliance framework and processes as envisaged by King III. The Board has considered the compliance framework that has been established by management and has satisfied itself that it is adequate for the requirements of King III. Aspen has appointed a Group Legal Officer & Group Compliance Officer who fulfils the function of Group Compliance Officer in providing the Board with assurance that the Group is compliant with applicable laws and regulations. This is an independent, objective assurance and consulting activity designed to give operational effect to the principles of King III.

Stakeholder engagement and dispute resolution

The strength of the Group lies in its ability to foster and maintain strong relationships with its stakeholders through transparency and effective communication. The Board of Directors is committed to sustaining Aspen's established credibility and rapport among its stakeholders – this commitment is dealt with in more detail in its Stakeholder Engagement Report available online. In line with this policy, conflict and dispute resolution is dealt with through constructive dialogue with the relevant parties. Where this preferred method does not result in adequate resolution of the matter, external legal advisers, mediators and/or arbitrators are engaged to expedite resolution.

Corporate citizenship

Aspen's vision to deliver value to its stakeholders as a responsible corporate citizen that provides high quality, effective, affordable medicines and products globally is contained in its Responsible Corporate Citizenship Philosophy which is available online.

Risk governance

Risk management is an embedded attribute of Aspen's corporate culture and is inherent to all its business decisions, activities and transactions. Risk management is considered to be a prerequisite to the sustainability of the Group. As such an integrated approach to risk management is implemented giving due consideration to economic, environmental and social indicators which impact the Company and its stakeholders. Both the opportunities and threats underlying each identified risk are considered to ensure a balanced outcome between risk and reward for the sustainability of the Group as a whole. Aspen's risk management objectives aim to sustainably support the effective pursuit of the Group's strategy.

IT governance

IT systems have an essential role to play in the implementation of the Group's strategy and the effectiveness of these systems is reported to the Board on a quarterly basis. The Board has adopted an IT governance charter in accordance with the King III recommendations and has appointed a Chief Information Officer to discharge the duties contained in this charter. An IT Steering Committee has been established to ensure that the Group's IT strategy is aligned with the Group's business objectives and to oversee the implementation and maintenance of the Group's IT governance. This steering committee meets periodically, comprises representatives from both the Group's businesses and functions and is chaired by the Deputy Group Chief Executive.

Internal audit

The Internal Audit is an independent, objective assurance and consulting activity aimed at assisting Aspen to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, internal control and governance processes.