



**Aspen Pharmicare Holdings Limited**

Annual Report 2012



## Social & Ethics Committee report

The Transformation Committee was reconstituted as the Social & Ethics Committee in March 2012, well before the deadline date for the establishment of this Committee in terms of the Companies Act (1 May 2012). The mandate of this reconstituted committee is to assist the Board in, *inter alia*, the following:

- reviewing and approving the policy, strategy and structure to manage social and ethics issues in the Group, including the application of the Aspen Group Code of Conduct;
- monitoring that subsidiaries develop policies, guidelines and practices congruent with the Group’s social and ethics policies;
- assessing and measuring performance in social and ethics areas with reference to the JSE SRI Index, employment equity legislation and regulations and the King III;
- considering substantive national and international regulatory developments as well as practice in the fields of social and ethics management;
- consulting and communicating with internal and external stakeholders with respect to social and ethics issues;
- ensuring that management has allocated adequate resources to comply with social and ethics policies, codes of best practice and regulatory requirements; and
- recommending such measures and/or activities which in the Committee’s opinion may serve to enhance the overall social and ethics objectives of the Group.

### Social & Ethics Committee Terms of Reference

The Social & Ethics Committee has adopted formal Terms of Reference as incorporated in the Board Charter which have been approved by the Board of Directors. The Terms of Reference are to be reviewed annually. The Committee has conducted its affairs in compliance with these Terms of Reference and has discharged its responsibilities contained therein.

### Social & Ethics Committee members and attendance at meetings

In accordance with the relevant provisions of the Companies Act and applying the recommendations of King III, the Social & Ethics Committee consists of a majority of independent non-executive directors, one of whom chairs the Committee’s meetings. The Deputy Group Chief Executive is also a member of this Committee. Members and the Chairman of this Committee are elected by the Board.

Senior executives of the Group attend meetings of the Committee as appropriate.

In accordance with the Terms of Reference, the Committee will meet at least four times annually, but more often if necessary. During the year under review, the Committee met twice. The following table of attendance at Social & Ethics Committee meetings reflects the Committee’s meetings held during the year and the attendance of these meetings by its members during the year:

Committee member	9 May 2012	21 June 2012
Sindi Zilwa (Chairman)	✓	✓
Judy Dlamini	✓	✗
Rafique Bagus	✓	✓
Gus Attridge	✗	✓

The Chairman of the Committee will represent the Social & Ethics Committee at the annual general meeting each year and report to shareholders as required in terms of the Companies Act.

The Company Secretary is also the Secretary of this Committee.

The following aspects fall within the specific remit of this Committee:

### BBBEE ASPEN’S BBBEE PHILOSOPHY

Aspen’s heritage and its most material business is South African. As such, Aspen is acutely aware of the need for

transformation in South African society in order to overcome the consequences of previous discrimination and to create an equitable society in which all individuals have equal opportunities, free from prejudice. By so doing, South Africa will benefit from the social reparation of past injustices and the added economic contribution of inclusive and unrestricted participation by all citizens.

To this end, Aspen is fully supportive of constructive measures introduced by government to facilitate effective transformation in South Africa. Aspen has embraced the BBBEE Codes and, through transformation, Aspen seeks to harness the strength and power of its diversity, respecting each person for his/her individuality. Aspen has embarked on a transformation journey and has made meaningful progress in this regard.

### THE SOCIAL & ETHICS COMMITTEE’S ROLE IN PROMOTING BBBEE

The primary role of the Social & Ethics Committee is to assist the Board in ensuring that it discharges its fiduciary duties and obligations in respect of the South African business’s transformation in accordance with approved policy. The Board recognises the critical role it has to play in the development and empowerment of historically disadvantaged individuals in South Africa and that transformation is essential to the economic and social sustainability of the country. The Social & Ethics Committee, which is responsible for developing and implementing the Group’s transformation strategy, while striving to ensure that management embraces transformation across the South African business, ensures alignment with the Department of Trade and Industry’s BBBEE Act, 2003/2004, and the associated Codes of Good Practice of 2007.

The Social & Ethics Committee has defined clear guidelines and objectives for each of the seven elements of the BBBEE Codes and has an ongoing responsibility to monitor and review all aspects of the Group’s BBBEE strategies.

### ASPEN'S BBBEE PERFORMANCE IN 2012

In the current financial year, based on the verification recently completed by Empowerdex, the Group scored 79,7 points (2011: 75,8 points) equating to an "AA" value-adding rating with a procurement recognition level of 137,5%. An overview of the Group's progress towards compliance is outlined below:

BBBEE Codes	Progress	Target under the Codes	Verified scorecard rating (October 2012)	Verified scorecard rating (October 2011)
Ownership	Full ownership points were achieved due to BBBEE equity holding and benefits retained on prior year disposals of Aspen shares	20,0	22,0	22,0
Management control	Score maintained due to stability in numbers of top and senior black management	10,0	6,1	6,3
Employment equity	Score reduced due to more onerous scoring measures implemented in the year	15,0	8,9	11,1
Skills development	Level of skills spend maintained in the 2012 financial year	15,0	12,2	12,5
Preferential procurement	Score reduced due to more onerous scoring measures implemented in the year	20,0	16,3	17,5
Enterprise development	Funding of black-owned enterprises, for the purposes of acquiring an ownership stake in a pharmaceutical distributor, implemented with effect from July 2011	15,0	9,2	1,9
Socio-economic development	Increased spend on CSI projects which focus on the upgrading of clinics, improving access to healthcare and combatting HIV/Aids	5,0	5,0	4,5
Overall score		100,0	79,7	75,8

Aspen retained its "Level 3" contributor status in accordance with the Department of Trade and Industry's Codes of Good Practice, which have been revised recently to provide for increased targets under the Codes. Aspen's retention of this status, despite the increased targets, is considered a major achievement in its transformation objectives.

The Group's efforts in respect of employment equity, skills development, preferential procurement and socio-economic development are more fully dealt with in the Sustainability Report contained on pages 134 to 154 of this Annual Report.



During the year, in terms of the BBBEE Codes, the Group invested 38% of its total qualifying procurement spend in South Africa on locally based suppliers.

### Ethics management and code of conduct

Aspen has a zero tolerance approach to unethical behaviour and is committed to ensuring that the Group and its employees uphold Aspen's laudable reputation. The Group Code of Conduct governs the conduct of all Aspen's employees throughout the Group and is aligned with the Organisation for Economic Co-operation and Development recommendations regarding corruption. Furthermore, Aspen's service providers and suppliers are required to adhere to the Group's Code of Conduct in accordance with relevant clauses included in agreements with these stakeholders.

The areas covered by the Group Code of Conduct include:

- acting in accordance with Aspen's values;
- equitable treatment for all;
- acting as ambassadors of Aspen;
- business integrity;
- gifts, entertainment and bribery;
- integrity of qualitative and quantitative information;
- protection and use of property;
- business controls;
- confidential information;
- insider trading;
- safety, health, quality and the environment;
- competition law;
- political activities;
- compliance;
- accountability; and
- corporate governance.

## Social & Ethics Committee report continued

The Code of Conduct is available on the Company's website at [www.aspenpharma.com](http://www.aspenpharma.com).



In line with King III recommendations, a formalised ethics management programme has been initiated at all of the Group's businesses. This programme is managed by the Group Governance Officer under the direction of the Social & Ethics Committee and is aimed at:

- assisting the Audit & Risk Committee and the Social & Ethics Committee in assessing the Group's ethics profile, risks and opportunities; and
- assisting the Social & Ethics Committee to monitor implementation and compliance with the Group's policies which guide expected ethical behaviour.

Aspen's induction programme educates new employees on the ethics, values and the business philosophy of the Group. All new employees are given a copy of, and are required to sign an acceptance of, the Code of Conduct on commencement of their employment with the Group. The Code of Conduct is available to all employees on the Group's intranet and is also contained in the employee handbook.

The Group conducts its business in a highly regulated environment, however, one in which the potential for unethical marketing and promotional practices remains inherent. Aspen endorses the ethical marketing of medicines and subscribes to the rigorous application of the Marketing Code of Practice of the Pharmaceutical Industry Association of South Africa. The Group has a written policy on gifts and benefits in terms of which employees of the Group, including directors, are prohibited from accepting or giving gifts or hospitality that are not of a nominal value or participating in events sponsored by current or prospective customers or suppliers. Any employee

who receives a gift or other benefit exceeding the local currency equivalent of USD100 is required to disclose this in writing to the Company Secretary. Some types of gifts, benefits or entertainment are prohibited even if the value falls below this threshold. A Group-wide register of gifts is maintained by the Company Secretary and is noted by the Social & Ethics Committee on a periodic basis. This register is also made available for inspection by the Board or any member of senior management on request.

Aspen does not make payments or other contributions to political parties, organisations or their representatives or take part in party politics. Employees are free to participate in the political process in their private capacity provided it does not constitute a breach of the principles set out in the Code of Conduct and/or the relevant employee's obligations to Aspen under contracts of employment and does not negatively influence their productivity or the credibility of the Group.

### Tip-Offs Anonymous Hotline

Aspen endeavours to promote a culture of openness and transparency throughout the Group and employees and other stakeholders are encouraged to report unethical conduct and other transgressions of which they become aware.

An independently monitored whistleblowing hotline, Deloitte's *Tip-Offs Anonymous*<sup>®</sup>, has been rolled out to employees across the Group's businesses, whereby employees can report suspected fraud and/or activities which are considered to be transgressions of the Group's Code of Conduct. Tip-offs training and awareness sessions are conducted periodically to promote utilisation of the facility where necessary. The Tip-offs service has also been extended to key customers and suppliers

in the South African business. The introduction of this service to selected suppliers and customers at Aspen's International businesses is at various stages of progress in accordance with an implementation plan.

All logged calls were reported to relevant managers timeously. Corrective action has been implemented in all instances to improve controls and to prevent recurrence of the incident.

### Conflicts of interest

The Board has adopted a formal policy to regulate conflicts of interest and trading in the Company's securities. The latter policy, which incorporates the requirements of the JSE Listings Requirements and the Securities Services Act, 2004 (as amended), prohibits any trade in the Company's shares by any director or employee of the Group during a closed period. The Group currently has two formal closed periods, commencing 24 hours prior to the close of the interim reporting period (31 December) and the financial year-end (30 June) up to the end of 24 hours after the respective results announcement is made. In addition, the Group may declare other closed periods or restrict dealing in the Company's shares at any other time if directors and employees have access to potentially price-sensitive information which is not in the public domain.

At all other times, directors (including directors of any of its material subsidiaries) and the Company Secretary may only trade with prior written approval from the Chairman. Such approval is sought and co-ordinated through the office of the Company Secretary. An announcement of all directors' share dealings is published in compliance with the JSE Listings Requirements.

### Human rights and labour practices

Aspen's Code of Conduct requires all employees and others to be treated with fairness, equality and respect to foster an open, transparent, progressive and trusting environment which is free from prejudice, discrimination, bias, harassment and/or violation. The reference to discrimination includes gender, race, physical health, sexual orientation and/or belief systems. All employees sign the Code of Conduct.

During the year the Social & Ethics Committee reviewed those policies and procedures which apply to the Group as a whole to ensure that these were aligned and in accordance with the letter and spirit of the 10 principles set out in the UN Global Compact. These principles deal, *inter alia*, with human rights and basic labour rights. Minor changes to these policies and procedures were proposed and accepted by the Board.

Suppliers and service providers are required to sign the Ethical Standards and Human Rights Undertaking which is contained in all new supplier and service provider contracts. In signing this document, signatories warrant that:

- they do not use or engage in child labour;
- no forced or indentured labour is used;
- a safe and healthy workplace is provided for employees;
- employees are not unfairly discriminated against;
- no corporal punishment, any form of abuse nor cruelty is applied nor supported;
- each employee is paid at least a minimum wage or a fair representation of the prevailing industry wage;
- all laws on working hours and employment rights relevant to the business are complied with; and
- employees are free to join and form independent trade unions and have the freedom of association.

In accordance with BBBEE Codes in South Africa, Aspen's Transformation Policy promotes employment equity and the provision of advancement opportunities to historically disadvantaged individuals. During the year, no incidents of discrimination were identified in the Group (2011: zero).

Aspen's employees are free to belong to employee trade unions and collective bargaining groups. A detailed explanation on Aspen's recognition of employees' rights to belong to trade unions and collective bargaining groups is provided in the Sustainability Report, on pages 134 to 169 of this Annual Report.



The following aspects also fall within the remit of the Social & Ethics Committee:

- environment, health and public safety, including the impact of the activities of the Group and its products and services (these issues are more fully dealt with in the Sustainability Report as contained on pages 134 to 169 of this Annual Report); and
- consumer relationships, including advertising, public relations and compliance with consumer protection laws.



Aspen's vision to deliver value to its stakeholders as a Responsible Corporate Citizen that provides quality, effective, affordable medicines and products globally is contained in its Responsible Corporate Citizenship Philosophy which is available online at [www.aspenpharma.com](http://www.aspenpharma.com).



**Sindi Zilwa**  
Social & Ethics Committee Chairman

22 October 2012