Aspen Pharmacare Holdings Limited

Corporate Governance Statement 2013

Corporate governance statement

Aspen's corporate governance framework includes the structures, processes and practices that the Board of Directors use to direct and manage the Group's operations.

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.

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 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, while 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.

APPLICATION OF KING III AND COMPLIANCE WITH COMPANIES ACT

The Group's efforts to enhance its application of King III during the current financial year and to ensure its ongoing compliance with the South African Companies Act, 2008 ("Companies Act") effective from 1 May 2011, resulted in further incremental changes being made to the Group's governance structures and the adoption of the Company's Memorandum of Incorporation ("MOI") on 4 December 2012.

Statement of Governance Compliance

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. Appropriate systems are being put in place to address the management of information assets throughout the Group, thereby ensuring the application of these principles.

Highlights of significant governance changes

As indicated, the Group's corporate governance practices are reviewed on an ongoing basis to ensure alignment with internal developments and to ensure ongoing adherence to legislation, regulation and global governance trends. Further enhancements introduced during the year related to the implementation of a formal ethics management programme throughout the Group and the assessment of the Group's governance processes using the South African Institute of Directors' Governance Assessment Instrument.

THE BOARD OF DIRECTORS

Aspen is led by a unitary Board of Directors, currently constituted as required in terms of the Companies Act, the Company's MOI and the Board Charter.

There are no fixed term service contracts in place for the executive directors and their tenure is subject to the normal terms and conditions on which the Company appoints members of senior management.

Board composition, appointment and independence of non-executive directors

The Board currently comprises 10 directors, two of whom are executive directors with the remainder being non-executives. Five 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 ensures that there is a 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 non-executive directors collectively bring a wealth of

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skills, knowledge and experience from their own fields of business to the Board, ensuring that the Board's consideration of matters of strategy, policy and performance are always robust, informed and constructive. 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 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 MOI, 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 names of the directors who retire by rotation at the next annual general meeting appear in the notice of the 2013 annual general meeting – please refer to ordinary resolution 2 as set out in the notice of the 2013 annual general meeting. 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.

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. 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 is to turn 70 during the ensuing year has been invited by the Board to serve as a director for a further year.

The fees of the non-executive directors are independent of the Group's financial performance. In line with the requirements of the Companies Act, the fees payable to the non-executive directors for the 2013 financial year were approved by a special resolution of Aspen's shareholders at the Company's annual general meeting in December 2012. The fees payable to these directors through to the annual general meeting in 2014 will be approved at the Company's annual general meeting to be held on 3 December 2013.

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. A register containing the directors' declarations of interest is kept by the Company Secretary, 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 John Buchanan and Rafique Bagus was independently assessed by the Remuneration & Nomination Committee, due to them having served on the Board of Aspen for more than nine years. John Buchanan, a member of the Remuneration & Nomination Committee, recused himself from deliberations on this matter. This assessment concluded that their ongoing qualification as independent non-executive directors is beyond question and this conclusion was supported by the Board as a whole. A brief curriculum vitae, and the classification of each director, appears on pages 66 and 67 of the Integrated Report, available online.

Director induction, training and access to information

Newly appointed directors are required to participate in an induction programme co-ordinated by the Chairman together with the Company Secretary. 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 also 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 is also, with the assistance of the Group Legal 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, with a total of three sessions held during the past year. These sessions are presented by senior management or subject experts and are designed to keep directors updated on developments in the Group and the territories in which it operates as well as other relevant matters.

To facilitate the proper functioning of the Board, all directors have unrestricted access to all Group information, records, documents and facilities through the office of the Company Secretary, subject to the prior notification of the Group Chief Executive or, in his absence, the Deputy Group Chief Executive. In addition, non-executive directors have unrestricted access to members of management and, where appropriate, are entitled to access the external auditors without members of management being present. Directors, after discussion with the Chairman, may also seek independent professional advice at the Group's expense should they deem it necessary for the proper execution of their directorial role.

Board mandate

A formally documented and approved Board Charter outlines the composition, scope of authority, responsibilities, powers and functioning of the Board. The Board Charter is reviewed at least once annually to ensure that it remains relevant, appropriate and in line with governance best practice. The key responsibilities of the Board are, in the main, to:

- approve and review the strategic direction of the Group and monitor the execution of strategic plans;
- monitor and oversee major capital expenditure, acquisitions and disposals;
- consider financial reports and to review and approve annual budgets and business 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;
- review risk management strategies and ensure the implementation of effective internal controls;
- 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;
- 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 Chairman of the Board is appointed by the directors annually after each annual general meeting of shareholders, and remains in office for a period of one year at a time. The Chairman is absent during the discussion of, and the vote on, her reappointment.

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 Director. He also acts as Chairman in instances where the Chairman may have a conflict of interest. As with the chairmanship, the appointment of the Lead Independent Director is made by the Board annually, after each annual general meeting. Both the Chairman and the Lead Independent Director have formally mandated roles and responsibilities 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 one individual director has unfettered powers of decision-making.

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.

Board meetings

The Board meets at least once every quarter. Additional meetings may be convened to discuss specific issues which arise between scheduled Board meetings. The Board compiles an annual work plan to ensure all relevant matters for Board consideration are prioritised, included on the agenda and addressed at the appropriate time. Six meetings were held in the year under review.

The table on page 4 of this report sets out the attendance by directors at Board 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 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. A resolution passed in this manner is effective as at the date on which a majority of directors has signed and is formally noted at the next Board meeting.

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The table below sets out the attendance by the directors at these meetings:

Director	Board meeting 12 September 2012	Board meeting 4 December 2012	Special Board meeting 29 January 2013	Board meeting 7 March 2013	Special Board meeting 13 June 2013	Board meeting 26 June 2013
Roy Andersen	✓	✓	✓	✓	✓	✓
Gus Attridge	✓	✓	✓	✓	✓	✓
Rafique Bagus	✓	✓	✓	✓	✓	✓
John Buchanan	✓	✓	✓	✓	✓	✓
Kuseni Dlamini	✓	✓	✓	✓	✓	Apologies
Judy Dlamini	✓	✓	✓	✓	Apologies	✓
Abbas Hussain	✓	✓	Apologies	✓	Recusal	Apologies
Chris Mortimer	✓	✓	✓	✓	✓	Apologies
Stephen Saad	✓	✓	✓	✓	✓	✓
Sindi Zilwa	Apologies	✓	✓	✓	Apologies	✓

BOARD OF DIRECTORS

Judy Dlamini	Chairman, non-executive
Roy Andersen	Lead independent non-executive
Gus Attridge	Deputy Group Chief Executive
Rafique Bagus	Independent non-executive
John Buchanan	Independent non-executive
Kuseni Dlamini	Independent non-executive
Abbas Hussain	Non-executive
Chris Mortimer	Non-executive
Stephen Saad	Group Chief Executive
Sindi Zilwa	Independent non-executive

Audit & Risk Committee
John Buchanan*
Roy Andersen
Sindi Zilwa

Remuneration & Nomination Committee
Roy Andersen*
John Buchanan
Judy Dlamini
Kuseni Dlamini

Social & Ethics Committee
Sindi Zilwa*
Gus Attridge
Rafique Bagus
Judy Dlamini

** Committee chairman*

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. The Company Secretary is the secretary to all committees of the Board and assists in ensuring that the committees operate within the limits of their respective mandates, in terms of an agreed annual work plan and that a formal process of reporting is in place.

Regular meetings of the Board's committees are scheduled, in advance, in the Group's corporate calendar. In addition, any of the committees may convene *ad hoc* meetings should the business of the Group so require. The number of meetings held by each committee and the directors' attendance at those meetings appear in the reports of the committees in this Integrated Report. The Board committees report formally to the Board at each Board meeting following any meeting of a committee.

In line with the requirements of the Companies Act the members of the Audit & Risk Committee are required to be elected by shareholders at the next annual general meeting.

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.

Evaluation of Board performance

An evaluation of the performance of the Board, the Board committees, the Chairman, the Group Chief Executive, the Company Secretary and of each of the individual directors is conducted annually. The evaluations carried out in 2013 focused on the effectiveness of:

- the Board's composition, governance processes and procedures;
- the Board's committees in discharging their respective mandates;
- the Chairman of the Board;
- each of the directors and their individual contributions;
- the Group Chief Executive; and
- the Company Secretary.

The evaluations were designed to gain an insight into how each of the directors of the Board believes the Board is meeting its objectives. The evaluations provided guidelines for evaluating the Board's effectiveness and focused on areas where the Board's performance may possibly be enhanced or improved, as well as assessing the individual contributions of the directors.

Responses were collated by the Company Secretary and reported to the Chairman and, subsequently, the Board. The Board found the results of these evaluations to be satisfactory.

The Company Secretary

The Company Secretary is also the Group Governance Officer and plays a pivotal role in the corporate governance of the Group. The Company Secretary 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. The Company Secretary is not a director of the Company and the Board has also satisfied itself of the fact that the Company Secretary continues to maintain an appropriate arm's-length relationship with the Board. Abbreviated biographical details of the Company Secretary are set out on page 67 of the Integrated Report.

All directors have access to the advice and services of the Company Secretary. The Company Secretary is appointed by and is accountable to the Board as a whole.

CORPORATE VALUES AND ETHICS

Aspen's values of Integrity, Innovation, Excellence, Commitment and Teamwork are fundamental to its business philosophy and guide the way the Group conducts its business and interacts with all stakeholders.

Further information in respect of the Group's ethics management programme and its Code of Conduct are contained in the report of the Social & Ethics Committee.

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

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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 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.

The Group Compliance Officer's function includes:

- identifying and advising the Group on existing and new legislation applicable to the Group's business in the jurisdictions where it operates companies; and
- developing and implementing the annual Legislative Compliance Audit Plan across the Group.

A Legislative Compliance Policy has been implemented and is reviewed as and when necessary.

The Group Compliance Officer, supported by internal and external counsel, monitors developments in legislation and the implementation of new legislation in jurisdictions where Aspen operates. The Group Compliance Officer reports to the Board on a quarterly basis and has unrestricted access to management, employees, activities and all information considered necessary for the proper execution of the legislative compliance function.

Based on the principal laws effective during the year, there are no material areas of non-compliance within the Group. No notable fines were incurred nor were there any prosecutions of Group companies or directors and officers for failure to comply with any applicable legislation or codes of conduct.

The Group voluntarily complies with a range of non-binding rules, codes and standards throughout the Group.

ENGAGEMENT WITH STAKEHOLDERS

The Board acknowledges it is ultimately responsible for the management of relationships with the Group's major stakeholders. The Board receives formal feedback from management on a quarterly basis as to the nature of interaction with stakeholders.

A summary of engagement with key stakeholders can be accessed 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.

A summary of the Group's risk management process, its key risks and corresponding mitigating activities can be accessed online in the Risk Management Report. The Group's strategic objectives and challenges in achieving these objectives are detailed on pages 12 to 17 of the Integrated Report, also available online.

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 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.

During the reporting period Ernst & Young performed an independent assessment of the Group's IT governance processes and the application of King III to these processes at specific operating subsidiaries. It was reported to the Audit & Risk Committee and Board that the sites reviewed were applying all the IT governance principles contained in King III to varying degrees of maturity. It was also reported that desired maturity levels for IT Governance throughout the Group had been established. It was further reported that IT Governance in the Group had improved over the past year and the desired maturity had been reached at a majority of the sites reviewed. Where this level had not been achieved, specific initiatives had been launched to reach the required level.

INTERNAL AUDIT

The Group's internal audit function 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.

The role of this function is more fully described in the internal audit charter as approved by the Board, read with the terms of reference of the Audit & Risk Committee. Further information regarding this function's activities and its focus for the year under review can be found in the Audit & Risk Committee report online.

DISPUTE RESOLUTION

In line with the Group's stakeholder engagement 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.

GOING CONCERN

The Board has assessed the Group's going concern status and is satisfied that it has adequate resources to continue operating for the next 12 months and into the foreseeable future, based on the following considerations:

- the appropriateness of the capital structure, funding and liquidity ratios of the Group, given the nature of the Group's business and operations;
- the Group's continued ability to meet solvency and liquidity requirements as set out in section 4 of the Companies Act; and
- the appropriateness of the going concern basis of reporting the Group's results and its likely continuing appropriateness for the ensuing 12 months.

The Annual Financial Statements of the Group and the Company have been prepared on the going concern basis. These statements are available online.

As required by King III and the JSE listings requirements, Aspen has compiled a register explaining its application of the 75 King III principles in the table that follows.

Aspen King III application table

✓ = Applied
‡ = In progress

NUMBER	PRINCIPLE		HOW PRINCIPLE IS APPLIED OR OTHER RELEVANT EXPLANATION
Chapter 1 – Ethical leadership and corporate citizenship			
1.1	The board should provide effective leadership based on an ethical foundation.	✓	Governance in the Group extends beyond mere legislative and regulatory compliance. The Board and management strive 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, while also holding decision-makers appropriately accountable.
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	✓	Aspen's vision, "*To deliver value to all our stakeholders as a responsible corporate citizen that provides quality, affordable medicines globally*", encapsulates the Group's inherent approach of conducting business ethically, with integrity and with a commercial wisdom which strives to enhance the economic and social wellbeing of its investors, employees, customers and business partners. The Board is responsible for ensuring that this vision is met and that Aspen remains to be seen as a responsible corporate citizen.
1.3	The board should ensure that the company's ethics are managed effectively.	✓	A formalised ethics management programme has been implemented at all of the Group's businesses. This programme is managed by the Group Governance Officer under the direction of the Social & Ethics Committee.
Chapter 2 – Board and directors			
2.1	The board should act as the focal point for and custodian of corporate governance.	✓	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.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	One of the key responsibilities of the Board is to approve and review the strategic direction of the Group and monitor the execution of strategic plans, ensuring both the ongoing performance of the Group against set targets and its long-term sustainability. Aspen's risk management objectives aim to sustainably support the effective pursuit of the Group's strategy.
2.3	The board should provide effective leadership based on an ethical foundation.	✓	See 1.1

NUMBER	PRINCIPLE		HOW PRINCIPLE IS APPLIED OR OTHER RELEVANT EXPLANATION
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	✓	See 1.2
2.5	The board should ensure that the company's ethics are managed effectively.	✓	See 1.3
2.6	The board should ensure that the company has an effective and independent audit committee.	✓	The Audit & Risk Committee is constituted as a statutory committee in terms of the provisions of section 94 of the Companies Act and has an independent role with accountability to both the Board and shareholders. In applying the recommendations of King III, the Audit & Risk Committee consists of three independent, non-executive directors selected by the Board on the recommendation of the Remuneration & Nomination Committee. The Board elects the Chairman of the Audit & Risk Committee.
2.7	The board should be responsible for the governance of risk.	✓	The Board of Directors is responsible for governance of risk across the Group, for setting the risk appetite and for monitoring the effectiveness of Aspen's risk management processes. This responsibility is delegated to the Audit & Risk Committee.
2.8	The board should be responsible for information technology (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, which is ultimately responsible for IT Governance, 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 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.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	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 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.

Aspen King III application table continued

NUMBER	PRINCIPLE		HOW PRINCIPLE IS APPLIED OR OTHER RELEVANT EXPLANATION
2.10	The board should ensure that there is an effective risk-based internal audit.	✓	The Board has delegated to the Audit & Risk Committee the responsibility of overseeing Internal Audit. This Committee considers and approves the internal audit charter and Internal Audit's annual risk-based audit plan.
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	✓	The Board acknowledges it is ultimately responsible for the management of relationships with the Group's major stakeholders and the importance of stakeholder perceptions on the Group's reputation. The Board has approved a stakeholder policy and receives formal feedback from management on a quarterly basis as to the nature of interaction with stakeholders.
2.12	The board should ensure the integrity of the company's Integrated Report.	✓	The Audit & Risk Committee fulfils an oversight role regarding the Group's Integrated Report and the reporting process, including the system of internal financial controls. This committee recommends the Integrated Report's approval to the Board.
2.13	The board should report on the effectiveness of the company's system of internal controls.	✓	Based on the results of the formal documented review of the design, implementation and effectiveness of the Company's system of internal financial controls conducted by Group Internal Audit, supported by approved outsourced internal audit service providers during the 2013 year and, in addition, considering information and explanations given by management and discussions with the external auditor on the results of their audit, the Board was satisfied that no material breakdowns in the functioning of the financial internal controls were noted during the year under review and the results of the audit tests indicate that the financial internal controls provide a sound basis for the preparation of financial statements. The internal audit process also did not highlight any material breakdowns in the functioning of the significant business systems of internal controls in operation that will have a material impact on Aspen business.
2.14	The board and its directors should act in the best interests of the company.	✓	In its deliberations, decisions and actions, the Board is sensitive to the legitimate interests and expectations of the Company's stakeholders. The Board as a whole acts in the best interests of the Group and its stakeholders.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	✓	The Board is aware of the requirements of the Companies Act regarding business rescue. The Board has established a risk management process that helps the Group to continuously evaluate both internal and external risks, threats and opportunities to ensure that the Company is operating optimally and is not in distress.

NUMBER	PRINCIPLE		HOW PRINCIPLE IS APPLIED OR OTHER RELEVANT EXPLANATION
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should also not fulfil the role of chairman of the board.	✓	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 Director. He also acts as Chairman in instances where the Chairman may have a conflict of interest. The roles of the Chairman of the Board and the Group Chief Executive are separate and clearly defined, such that no one individual director has unfettered powers of decision-making.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	✓	Aspen's corporate governance framework includes the structures, processes and practices that the Board of Directors uses to direct and manage the Group's operations. While retaining overall accountability and subject to matters reserved to itself, the Board has delegated to the Group Chief Executive and the Deputy Group Chief Executive the authority to run the day-to-day affairs of the Company subject to an approvals framework established by the Board.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	✓	The Board currently comprises 10 directors, two of whom are executive directors with the remainder being non-executives. Five 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.
2.19	Directors should be appointed through a formal process.	✓	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.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	✓	Newly appointed directors are required to participate in an induction programme co-ordinated by the Chairman together with the Company Secretary. The Company Secretary is also, with the assistance of the Group Legal 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. These sessions are presented by senior management or subject experts and are designed to keep directors updated on developments in the Group and the territories in which it operates as well as other relevant matters.

Aspen King III application table continued

NUMBER	PRINCIPLE		HOW PRINCIPLE IS APPLIED OR OTHER RELEVANT EXPLANATION
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	✓	The Company Secretary is also the Group Governance Officer and plays a pivotal role in the corporate governance of the Group. The Company Secretary 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 is satisfied that the Company Secretary is properly qualified and experienced to competently carry out the duties and responsibilities of Company Secretary.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	✓	An evaluation of the performance of the Board, the Board committees, the Chairman, the Group Chief Executive, the Company Secretary and of each of the individual directors is conducted annually.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	✓	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
2.24	A governance framework should be agreed between the group and its subsidiary boards.	✓	The Group operates according to an approval framework approved by the Board and each subsidiary board has approved such approval framework.
2.25	Companies should remunerate directors and executives fairly and responsibly.	✓	The Group remains cognisant of the importance of finding the proper balance between keeping its employees appropriately rewarded and motivated and balancing the financial considerations of the Group's shareholders in the medium term. The Group makes reference to independent surveys, publicly available economic data and marketplace intelligence both locally and internationally in endeavouring to set remuneration packages that are competitive as well as industry and market related.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	✓	The Board approves the remuneration report prepared by the Remuneration & Nomination Committee. The report discloses the remuneration of each individual director as required by the Companies Act.
2.27	Shareholders should approve the company's remuneration policy.	✓	The Company's remuneration policy, as approved by the Board on the recommendation of the Remuneration & Nomination Committee is tabled for a non-binding advisory vote at each annual general meeting of shareholders.

NUMBER	PRINCIPLE		HOW PRINCIPLE IS APPLIED OR OTHER RELEVANT EXPLANATION
Chapter 3 – Audit committee			
3.1	The board should ensure that the company has an effective and independent audit committee.	✓	All members of the Audit & Risk Committee are regarded as independent directors. The members of the Audit & Risk Committee are appointed annually by the shareholders at the AGM.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	✓	The Remuneration & Nomination Committee, through its nomination process, ensures that members are sufficiently qualified and experienced in matters such as financial and sustainability reporting, internal financial controls, external and internal audit processes, corporate law, risk management, financial sustainability issues, IT governance as it relates to integrated reporting and governance processes.
3.3	The audit committee should be chaired by an independent non-executive director.	✓	The chairman of the Audit & Risk Committee is an independent non-executive director.
3.4	The audit committee should oversee integrated reporting.	✓	The Audit & Risk Committee considers the Group's Integrated Report and the sustainability information as disclosed in this report and in the Sustainability Report to evaluate the integrity of reported information and for consistency with the Annual Financial Statements.
3.5	The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	✓	The Audit & Risk Committee ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	✓	As part of its formal processes, the Audit & Risk Committee considers and satisfies itself of the expertise and experience of the Deputy Group Chief Executive who performs the duties of the Company's Financial Director. The committee also does this in respect of the appropriateness of the expertise and adequacy of resources of the Group's finance function and experience of the senior members of management responsible for the Group's finance function, including the Group Finance Officer.
3.7	The audit committee should be responsible for overseeing of internal audit.	✓	The Audit & Risk Committee is responsible for overseeing Internal Audit and has considered and approved the internal audit charter and Internal Audit's annual risk-based audit plan.
3.8	The audit committee should be an integral component of the risk management process.	✓	Oversight of the Group's risk management function has been assigned to the Audit & Risk Committee.

Aspen King III application table continued

NUMBER	PRINCIPLE		HOW PRINCIPLE IS APPLIED OR OTHER RELEVANT EXPLANATION
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	✓	The Audit & Risk Committee annually satisfies itself that the external auditor is independent of the Group, as required by the Companies Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance is sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. The committee annually nominates the appointment of the external audit firm and the designated auditor responsible for performing the functions of auditor, to shareholders for appointment.
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	✓	The Audit & Risk Committee Chairman reports back to the Board subsequent to each committee meeting. Annually the Chairman of the committee prepares an Audit & Risk Committee report to shareholders and represents the committee at the annual general meeting.
Chapter 4 – The governance of risk			
4.1	The board should be responsible for the governance of risk.	✓	The Board of Directors is responsible for governance of risk across the Group, for setting the risk appetite and for monitoring the effectiveness of Aspen's risk management processes. This responsibility is delegated to the Audit & Risk Committee.
4.2	The board should determine the level of risk tolerance.	✓	Specific risk tolerance levels are set annually by the Audit & Risk Committee and approved by the Board.
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	✓	The Board of Directors is responsible for governance of risk across the Group, for setting the risk appetite and for monitoring the effectiveness of Aspen's risk management processes. This responsibility is delegated to the Audit & Risk Committee.
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	✓	The Board considers risk management to be a key process in the responsible pursuit of strategic objectives and in the effective management of related material issues across the Group. The Executive Risk Forum supports the Audit & Risk Committee with the administration of the Group risk management process. Aspen's management culture is underpinned by effective risk identification and mitigation activities which are applied, on a day-to-day basis, through a system of internal controls, monitoring mechanisms and relevant stakeholder engagement activities. In accordance with the Group's risk philosophy, business activities and business plans are aligned to the Group's governance, economic, environmental and social aspirations.

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4.5	The board should ensure that risk assessments are performed on a continual basis.	✓	The integrated risk management model considers strategic, operational, financial and compliance risks. Reputational risks and uncertain risks, which are inherent to Aspen's business and to the pharmaceutical industry in general, are also identified, monitored, mitigated and recorded. The Board, through the Audit & Risk Committee, conducted a formal and detailed assessment of risks twice during the 2013 year. In future this detailed process will be conducted annually with formal quarterly monitoring of the Group's top risks.
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	✓	The identification and evaluation of uncertain risks facing each business unit is formally discussed by the Executive Risk Forum with regional executive management teams. A report of uncertain risks is presented to the Audit & Risk Committee. Following a comprehensive review of risks and mitigating controls at the Audit & Risk Committee meeting, the committee formulated an overall conclusion and submitted a formal risk review report to the Board. The committee's report included an opinion on the overall status of material inherent, residual, reputational and uncertain risks as well as the adequacy of related mitigating controls.
4.7	The board should ensure that management considers and implements appropriate risk responses.	✓	Formal risk registers and risk reports are prepared by business unit management teams and include detailed risk mitigation plans in response to identified risks. The Audit & Risk Committee evaluates the effectiveness of management's response to key risks facing the business, including adequacy of insurance cover to mitigate transferred risks. Consideration is also given to the organisational structure to support effective and consistent implementation of the Group's risk management policy and related processes. The boards of directors at the subsidiary companies are responsible for oversight of the risk management processes implemented at the relevant business units and for monitoring the effectiveness of the implemented risk management system.
4.8	The board should ensure continual risk monitoring by management.	✓	The Executive Risk Forum monitors the effectiveness of implemented risk mitigation plans on a day-to-day basis on behalf of the Audit & Risk Committee.
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	✓	The Group's Internal Audit function performs an independent, annual review of the Group's risk management and risk governance processes to assure ongoing effectiveness against international best practice.

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NUMBER	PRINCIPLE		HOW PRINCIPLE IS APPLIED OR OTHER RELEVANT EXPLANATION
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	✓	The Board discloses the Group's key risks and the mitigating activities relevant to these risks in the Integrated Report.
Chapter 5 – The governance of information technology			
5.1	The board should be responsible for information technology (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, which is ultimately responsible for IT governance, on a quarterly basis.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	✓	An IT steering committee has been established to ensure that the Group's IT strategy is aligned with the Group business objectives and to oversee the implementation and maintenance of the Group's IT governance.
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	✓	See 5.2.
5.4	The board should monitor and evaluate significant IT investments and expenditure.	✓	The IT steering committee monitors the performance of all major IT projects in the Group and reports on these to the Board on a quarterly basis.
5.5	IT should form an integral part of the company's risk management.	✓	IT governance and risk management is integrated into the Group's risk management framework.
5.6	The board should ensure that information assets are managed effectively.	‡	Standard information security procedures are in place. Information is managed according to business requirements and personal information is identified on the system where it resides. As part of the roll out of the Information Security Management System a high level Information Classification Framework will be implemented for each Aspen business. Information Security and Management is, from a technical perspective, built in to all new systems by default. Clear data maps are developed as part of the design of new systems.
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	✓	The Audit & Risk Committee assists the Board in reviewing the risks in respect of IT and in the carrying out of its IT responsibilities. A formal evaluation of IT risks is conducted as part of the annual risk reporting process across all business units.

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Chapter 6 – Compliance with laws, codes, rules and standards			
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	The Board is ultimately responsible for overseeing the Group's compliance with laws, rules, codes and standards in terms of King III.
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	✓	The Company Secretary is, with the assistance of the Group Legal 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, with a total of two sessions held during the year. These sessions are presented by senior management or subject experts and are designed to keep directors updated on developments in the Group and the territories in which it operates as well as other relevant matters.
6.3	Compliance risk should form an integral part of the company's risk management process.	✓	The Group's risk management process encompasses all classes of risk, including compliance.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	✓	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 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.

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NUMBER	PRINCIPLE		HOW PRINCIPLE IS APPLIED OR OTHER RELEVANT EXPLANATION
Chapter 7 – Internal audit			
7.1	The board should ensure that there is an effective risk-based internal audit.	✓	An effective risk-based Internal Audit function has been established. The purpose, authority and responsibilities of the Internal Audit function are defined in the Board-approved internal audit charter that is consistent with the Institute of Internal Auditors' definition of internal auditing, and the principles of King III.
7.2	Internal audit should follow a risk-based approach to its plan.	✓	The Audit & Risk Committee is responsible for overseeing Internal Audit and has considered and approved the internal audit charter and Internal Audit's three-year strategy plan, as well as the annual risk-based audit plan.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	✓	A written assessment regarding the effectiveness of the system of internal controls and risk management is tabled to the Audit & Risk Committee annually.
7.4	The audit committee should be responsible for overseeing the internal audit.	✓	The Audit & Risk Committee is responsible for overseeing Internal Audit and has considered and approved the internal audit charter and Internal Audit's annual risk-based audit plan. The Chief Audit Executive is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the Audit & Risk Committee at each committee meeting. Copies of the detailed reports are also provided to the Audit & Risk Committee together with an overall summary of the audit result for each audit. The Chief Audit Executive has direct access to the Audit & Risk Committee, primarily through its Chairman, and attends Audit & Risk Committee meetings by invitation.
7.5	Internal audit should be strategically positioned to achieve its objectives.	✓	The Group's internal audit function 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.

NUMBER	PRINCIPLE		HOW PRINCIPLE IS APPLIED OR OTHER RELEVANT EXPLANATION
Chapter 8 – Governing stakeholder relationships			
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.	✓	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 amongst its stakeholders.
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	✓	A Group policy and guidelines for managing stakeholder engagement, based on international best practice and approved by the Board has been published on the Company website. A structured system of engagement exists to ensure the timeous communication of accurate and relevant information to each stakeholder group in a consistent manner. Executive management is entrusted with the responsibility for implementation of the stakeholder engagement policy through a robust and consistent system of communication with identified stakeholder groups.
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	✓	The Board has adopted a stakeholder-inclusive governance approach. Business leaders at the Group's subsidiary companies (or their equivalent) are mandated to liaise with the people and operations stakeholder groups to ensure that the specific expectations of a diverse stakeholder base are met.
8.4	Companies should ensure the equitable treatment of shareholders.	✓	The Company supports transparency, best-practice disclosure, consistent communication and timeous dissemination of consistent information to all shareholders. The legitimate interests of minority shareholders are protected in accordance with the Companies Act and JSE Listings Requirements.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	✓	The open door policy at Aspen facilitates ongoing interaction and promotes internal stakeholder participation. Meetings, forums, awareness sessions and electronic communication are just some of the interaction methods available to internal stakeholders. External stakeholders can liaise with the Group using the following channels: (a) Aspen's online enquiry form; (b) using direct contact details of the corporate and regional offices for specific information; (c) the Aspen customer care line; (d) the independently monitored tip-offs hotline; (e) direct access to the Group Investor Relations Manager, Group Company Secretary, Group Risk & Sustainability Manager or the Group Corporate Communications consultant; and (f) access to publically available corporate information through the Group Company Secretary.
8.6	The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible.	✓	The Group's approach to conflict/dispute resolution is through constructive dialogue with the relevant parties. Where this preferred method does not result in adequate resolution of a matter, external legal advisers, arbitrators and/or mediators are engaged to expedite resolution.

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NUMBER	PRINCIPLE		HOW PRINCIPLE IS APPLIED OR OTHER RELEVANT EXPLANATION
Chapter 9 – Integrated reporting and disclosure			
9.1	The board should ensure the integrity of the company's Integrated Report.	✓	The Board reviews and approves the Integrated Report subsequent to its review and recommendation by the Audit & Risk Committee. Structured authorisation and review processes are in place, which include external and internal assurance reviews.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	✓	The Audit & Risk Committee considered the Group's Integrated Report and the sustainability information as disclosed in this report and in the Sustainability Report to evaluate the integrity of reported information and for consistency with the Annual Financial Statements. The Audit & Risk Committee has discussed the sustainability information with management. Reporting is prepared in line with recognised guidelines that include International Financial Reporting Standards, King III and the Global Reporting Initiative ("GRI G3.0").
9.3	Sustainability reporting and disclosure should be independently assured.	✓	During the 2013 financial year the Audit & Risk Committee considered the results of the sustainability audit conducted by Environmental Resources Management, and limited assurance engagements performed on selected key performance indicators by Environmental Resources Management, PricewaterhouseCoopers Inc, as the Group's external auditors and Group Internal Audit. The committee was satisfied that the sustainability information, as presented in the 2013 Integrated and Sustainability Reports, is reliable, consistent and fairly presented.