

## KEY RISK MITIGATION ACTIVITIES RELATED TO THE GROUP'S STRATEGIC OBJECTIVES

Aspen's risk management objectives aim to sustainably support the effective pursuit of the Group's [Strategic Objectives](#). In accordance with the King III Code of Corporate Practice and Conduct, the Board of Directors of Aspen ("the Board") is responsible for the governance of risk. The Board has delegated this function to its Audit & Risk Committee and a formal review of material risks is conducted annually. Executive management teams are responsible for the formulation of responsive risk management plans and effective implementation thereof once these plans are approved by the Board. To this end, a formal risk management process is in place across the Group as found in the [Risk Management Report](#).

An overview of the Group's strategic objectives and related key risk mitigation activities is presented below.

<b>To deliver sustainable growth in earnings from a diversified portfolio of products and geographies</b>
<ul style="list-style-type: none"><li>• Aspen's growth strategy is based upon increasing the range of products in its portfolio and expanding the number of geographies in which it supplies medicines.</li><li>• This is supported by targeted promotional activities and a robust product pipeline to achieve organic growth complemented by strategic acquisitions of businesses and products.</li><li>• A number of the markets to which Aspen supplies medicines have favourable demographic trends and increasing access to medicines as strong growth drivers.</li><li>• Various new acquisitive investments have been announced during 2013 in alignment to the Group's strategic growth objectives, some of which have been completed and some of which remain to be completed. The integration of these transactions will further extend Aspen's product offering and geographic coverage in support of sustained growth. After completion, management focus shifts to effective integration of the acquired businesses, processes and people into the Aspen culture.</li></ul>
<b>To increase the direct promotion of products worldwide</b>
<ul style="list-style-type: none"><li>• The Group has established a sophisticated, centralised international supply chain structure which is continuously being enhanced to facilitate compliant and efficient supply of Aspen's growing portfolio of global brands across multiple territories.</li><li>• Preference is given to promotion of products by Aspen's teams of sales representative. Products are promoted and distributed through accredited third party distributors in those territories where a critical mass of sales volumes has not yet been reached and therefore investment in employed sales representatives is not considered to be feasible. The strategic feasibility of the distribution model is evaluated on an ongoing basis and commercial growth opportunities target an improvement in supply chain economies of scale.</li></ul>
<b>To supply customers and patients with high quality medicines at competitive prices</b>
<ul style="list-style-type: none"><li>• Supplied products address the medicinal requirements to treat prevalent diseases in each territory and, where feasible, niche products are supplied for specific health conditions.</li><li>• Decentralised regulatory departments manage the territory-specific regulatory requirements and pharmacovigilance processes to ensure product safety for customers.</li><li>• Quality assurance and quality management structures at the manufacturing facilities ensure that all supplied products are manufactured in accordance with GMP standards and in accordance with regulatory compliance requirements governing each supplied territory.</li><li>• Products are manufactured at accredited pharmaceutical facilities which meet and maintain regulatory compliance requirements and which support the Group's commercial objectives of cost effective and efficient product supply.</li><li>• Throughout the product lifecycle, and as part of the regulated processes governing the pharmaceutical industry, the quality and efficacy of products is monitored across the value chain.</li><li>• New products are launched only after all necessary regulatory and legislative requirements are met and product safety has been validated. This includes confirming adherence to packaging regulations and patent legislation.</li><li>• Close integration and collaboration between the regulatory, supply chain and manufacturing teams is promoted to ensure supply consistency of critical medicines.</li><li>• The Group Supply Chain Steering Committee monitors the efficiency of responsible product supply processes across all territories through Aspen's owned distribution network and through accredited third party distributors.</li><li>• Aspen supplies a comprehensive basket of branded and generic pharmaceutical and medicinal consumer products to customers. Generic products offer patients a cheaper alternative to the originator product, at the same quality and efficacy, once the patent for the originator molecule has expired.</li></ul>

## To practice good corporate citizenship

- Aspen's Social & Ethics Committee promotes adherence to the Employment Equity Act and BBBEE Codes in South Africa, to the 10 principles of the UN Compact and to the OEDC recommendations regarding corruption.
- Aspen's Code of Conduct prohibits prejudice, bias and harassment of people.
- All forms of discrimination, including discrimination of HIV/AIDS positive employees as well as the use of forced, compulsory and/or child labour are prohibited in accordance with the Code of Conduct.
- All employees are, subject to the relevant laws applicable to the Group, treated fairly and equally irrespective of gender, race, physical health, sexual orientation, individual belief systems and/or any other discriminatory grounds.
- Aspen's Code of Conduct applies to all employees and contracted third party business partners.
- All employees are free to belong to trade unions and collective bargaining units.
- All employees are free to participate in political processes in their personal capacity. Aspen, however, prohibits the implementation and/or promotion of political activities, political opinion and/or political influence in the workplace. In terms of its Code of Conduct Aspen does not make payments or other contributions to political parties, organisations or their representatives or take part in party politics.
- Employee wages are paid in accordance with rates negotiated with trade unions/collective bargaining councils and in alignment to legislated rates governing each territory
- Legislated working hours are complied with across business units.
- Aspen's CSI strategy supports South African projects which facilitate increased access to affordable primary healthcare to the underprivileged, healthcare initiatives addressing HIV/AIDS, TB and other non-communicable diseases, healthcare education and skills development and community upliftment programmes.
- In 2013 Aspen pioneered the Social Compact which is a collaboration between private South African healthcare companies and the South African government to address pertinent healthcare and educational needs in South Africa.
- Aspen's employees actively participate in the International Nelson Mandela Day held annually on 18 July.
- Aspen continues to be the largest supplier of HIV medicines to South Africa's public sector ARV tender – the largest State funded ARV programme in the world.
- Feedback from stakeholder engagement processes is monitored to ensure that Aspen is performing in accordance with key stakeholder expectations and incidents of actual or potential misunderstanding are addressed appropriately.
- The Group Governance Officer manages the ethics management programme, which has been implemented for the Group as a whole, under the direction of the Social & Ethics Committee. Appointed regional ethics officers monitor the ethics management processes in the different Aspen businesses.
- The Group regulatory function monitors the Group's compliance with all regulatory compliance requirements across all territories.
- The Group legislative compliance function supports business units to monitor adherence to applicable legislation, including patent regulations. Regional legislative compliance officers monitor legislative compliance at a business unit level and submit annual legislative compliance declarations to the Group Legislative Compliance Officer who, in turn, reports to the Board in respect of the Group's compliance with legislation.
- A fraud prevention policy and strategy is in place which entails the completion of formal fraud checklists by designated business unit representatives twice a year.
- An anonymous, independently monitored tip-offs hotline facility is in place and accessible to all stakeholders.
- A formal Group risk management process is in place and the Risk Forum monitors top inherent, residual and reputational risks against stakeholder expectations on behalf of the Audit & Risk Committee.
- The Group's internal audit function is independent of management and provides risk-based assurance on systems of internal controls and key business processes across the Group's businesses.
- External audits are conducted to monitor legal and regulatory compliance and, where required, external specialists are consulted on relevant technical matters to facilitate compliance.
- Aspen's South African and German manufacturing facilities are ISO 14001 certified. Steps are being taken towards enhancing environmental compliance at Aspen's other international facilities.
- The efficient and responsible utilisation of scarce resources such as electricity and water is promoted across the Group in accordance with the Group's Environmental Management Policy and formalised conservation projects are in place at the South African manufacturing facilities.

- Through the Group's sustainability reporting process, the Board monitors key performance indicators measuring the management of material issues across the Group.
- As a company listed on the JSE's Top 40 Index, Aspen actively participates in the JSE's annual Socially Responsible Index (SRI) process and is a qualified constituent on this index.
- Aspen's 2013 sustainability report has been assured by external assurers to validate the information disclosed to stakeholders.

#### **To achieve strategic advantage through our production capabilities**

- The implementation of best practice procurement principles and long-standing supplier relationships enables effective negotiation of production materials pricing, with reference to benchmarked prices.
- Homogenisation of manufactured product ranges enables optimisation of manufacturing efficiencies and technical expertise at designated facilities.
- Optimised volume throughput supports economies of scales and thereby improves the unit cost of products.
- A focus on continuous improvement projects aids manufacturing efficiencies and promotes identification of innovative solutions.
- Managing continuity and ongoing development of technical skills and experienced manufacturing staff is a competitive advantage.

#### **To continuously increase and improve our offering to healthcare professionals and patients through a prolific product pipeline**

- Aspen's product pipeline which has an IMS value of USD8.9 billion at 30 June 2013, represents the Group's future organic growth potential across targeted growth markets.
- Products for the pipeline cover a broad range of therapeutic categories to respond to the anticipated future medicinal needs of the potential patient base in each key territory.
- The feasibility of products in the pipeline is evaluated on an ongoing basis with reference to researched market intelligence.
- Value in the product pipeline is unlocked with the launch of new products after all necessary regulatory and legislative approvals, including compliance to patent legislation, have been met.
- Products are launched in accordance with a structured new product launch process which aims at first-to-market launches in a responsible manner.
- Additional resources have been employed by Aspen's new business development team to support the increased number of territories in which the Group operates.

#### **To provide a safe, challenging and rewarding environment for our employees**

- Safety compliance at manufacturing facilities is monitored against OHSAS 18001 international standards and structured plans are in place to address required compliance improvement areas at the facilities in Australia, Latin America and East Africa. Aspen's facilities in South Africa and Germany are OHSAS 18001 certified.
- Safety management systems and safety representation structures are in place across manufacturing business units in the Group.
- Safety performance indicators are measured and monitored across all facilities.
- Tailored safety management systems are in place at non-manufacturing sites.
- Continuous improvement of existing safety and health systems are promoted on an ongoing basis to ensure continued safety of employees and third parties visiting Aspen's sites.
- Safety KPIs have been subject to external assurance during 2013.
- The Group's human resources strategy is aligned to meet business requirements for the attraction, retention and development of high calibre employees.
- Aspen's Group human resources function has recently been reviewed and appropriately resourced to meet the changing needs of a growing and globalised business.
- A project is in progress to address the consistent implementation of revised human resources policies and procedures, which have already been implemented in South Africa, across Aspen's international businesses.
- The Group Human Resources Executive Forum monitors the progress of the human resources strategic plan, transformational objectives for the South African business and key employee performance indicators.
- Decentralised human resources departments are in place across all business units and receive support from the Group human resources function.
- The Remuneration & Nomination Committee monitors succession and retention plans for directors and key

executives throughout the Group.

- Male and female employees are offered equal opportunities for career advancement and earning potential. In South Africa, in accordance with the BBBEE Codes, the promotion of historically disadvantaged individuals, including females, is promoted.
- Training and development plans are designed to bridge identified skills gaps at the business unit level in alignment to the Group's strategic objectives, to expand the Group's pool of scarce skills and to groom Aspen's future leaders. These programmes are in place in South Africa and will be receiving additional focus in Aspen's international businesses.
- Employees are recruited in accordance with a formalised process which is applied across the Group.
- Employee benefits are benchmarked by the Group human resources function for market related remuneration and reward structures.
- Employee wellness programmes are in place across the Group to provide employees with healthcare insurance facilities, onsite primary healthcare services and Employee Assistance Programmes at manufacturing facilities and initiatives to promote HIV/AIDS, TB and general healthcare awareness amongst employees.
- Voluntary HIV/AIDS tests and counselling programmes are offered to employees in South Africa and East Africa where the disease is prevalent.

#### **To achieve superior returns on investment for our shareholders over the long term**

- Key financial performance indicators are aligned to the Group's objectives and monitored against the Group's annual performance targets.
- The Group benchmark's its financial performance and the credibility of its investment case against its peers in the global pharmaceutical industry.
- Acquisitive opportunities are carefully evaluated with reference to the Group's strategic objectives and business model, potential synergies as well as projected revenue accretion, cashflows and profitability.
- A strong preference is given to financing transactions through debt to prevent the dilution of shareholder value through the issue of equity.
- Investor expectations are monitored and managed through active engagement with fund managers and equity analysts.
- The Group is committed to delivering returns to shareholders through distribution of annual dividends where such distribution does not impede the Group's cashflows to fund growth opportunities.
- The Group's upholds its responsible corporate citizenship philosophy and good reputation at all times in the pursuit of its financial performance targets.

#### **To be alert to opportunities to enhance the value of the Group for its stakeholders**

- The Group Chief Executive and Deputy Group Chief Executive are responsible for the effective and feasible implementation of approved strategic objectives while the Board formally evaluates the sustainability of the Group's overall strategy against stakeholder expectations.
- The Group's organic growth strategy is driven by ongoing investment in intellectual property to sustain the value of the Group's product pipeline and through the responsible launch of new, relevant and affordable products.
- Market intelligence is harnessed to identify growth opportunities and to assess the ongoing feasibility of the Group's new business development strategy.
- In-market product acquisition and/or licensing opportunities are evaluated on an ongoing basis and entered into, where feasible, to support inorganic growth objectives in each geographic segment.
- Strategic relationships with multinational pharmaceutical companies and other emerging peers are developed and nurtured to pursue mutually beneficial opportunities for growth.
- The Group's strategic objectives are realised through aligned regional sub-strategies. Regional management teams are accountable for the achievement of targeted growth objectives.
- The Group engages with investors and analysts through one-on-one meetings, investor conference calls and results presentation road shows. Investor feedback is monitored to align expectations to the Group's forecast performance and to ensure that there is a good understanding of the Group's strategy.
- Stakeholder engagement processes are applied in the normal course of day-to-day business activities as appropriate and, on a quarterly basis, a formal stakeholder engagement reporting process is in place to monitor key stakeholder activities conducted across the Group, arising material issues, the effectiveness of management's response to such issues and the potential impact to the Group's risks.