



aspen

H O L D I N G S

COMMUNICATION ON  
PROGRESS REPORT 2017



# Communication on Progress report

## Communication on Progress report in respect of Aspen's application of the United Nations Global Compact's 10 Principles for 2017

### Group Chief Executive's statement

#### Aspen's commitment to the UN Global Compact

Aspen became a signatory of the United Nations Global Compact ("the UN Global Compact") with effect from 31 July 2013 and is currently an active participant in this Compact. I am pleased to reaffirm our support of the 10 principles of the UN Global Compact in the areas of human rights, labour, environment and anti-corruption.

Regional ethics officers, appointed for each business in terms of our ethics management programme, are required to annually report on the application of these 10 principles in their regions and serve as a monitoring resource to ensure these are consistently applied. The regional ethics officers are also engaged with the key business leaders in their relevant operations to ensure that they understand these principles and recommendations and implement the processes and controls necessary to support them. The Company Secretary & Group Governance Officer monitors adherence to the Group's Code of Conduct and Ethics management principles and had overarching responsibility on reporting on the application of the 10 principles throughout the Group.

In our capacity as a participant of the UN Global Compact, we look forward to building on our existing reputation for respecting basic human rights, engaging in fair labour practices, being environmentally responsible and having a zero-tolerance approach to corruption.

My thanks must again go to the Social & Ethics Committee for providing guidance on the implementation of policies and procedures applicable to the Group as a whole in respect of the application of the letter and the spirit of the 10 principles set out in the UN Global Compact and monitoring the Group's performance in respect of this application.

This Communication on Progress report describes our actions to continually improve the integration of the UN Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

### Section 1 – Human rights principles

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

#### Assessment, policy and goals

Our adherence to fundamental human rights is enshrined in our Code of Conduct, available online, which confirms that "Aspen supports and respects the protection of internationally proclaimed human and employment rights" and confirms our commitment to respecting fundamental human rights and treating all employees and others with fairness, equality and respect to foster an open, transparent, and trusting environment which is free from prejudice, discrimination, bias, harassment and/or violation.

#### Implementation

The Aspen Code of Conduct, which requires the formal acceptance by every new Aspen employee, further provides that all employees are responsible for ensuring that Aspen upholds its commitments in respect of human rights.

All Aspen suppliers and service providers are required to agree to, or acknowledge, the Aspen Code of Conduct for suppliers and service providers when entering into new commercial agreements with Aspen, thereby ensuring that human rights are respected within our value chain.

#### Measurement of outcomes

We encourage employees and external stakeholders to report any breaches or suspected breaches of our Code of Conduct, including any possible human rights abuses or infringements in terms of our whistle-blowers' standard operating procedure. An independently monitored whistle-blowing hotline, Deloitte's Tip-Offs Anonymous, is operated to ensure that these incidents are brought to the Company's attention and these tip-offs can be made on an anonymous basis. All reported incidents are formally recorded and reported to the Social & Ethics Committee for consideration.

There have been no reports of human rights abuses or infringements during the past year (2016: nil).

There are a number of other human resource and ethics-related policy documents, procedures and statements applicable throughout the Group, which confirm our commitment to protecting basic human rights. These include, among others, the applicable grievance procedures, the Group's whistle-blower procedure and respective recruitment and selection policies.

Refer to pages 59 to 62 of Aspen's Integrated Report for the 2017 financial year for further information regarding our commitment to respecting human rights and promoting equality.

## Section 2 – Labour principles

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

### Assessment, policy and goals

The use of child labour, forced labour and/or compulsory labour is strictly prohibited by the Aspen Code of Conduct. This code also specifically confirms our commitment to the elimination of discrimination in respect of employment policies and practices. Freedom of association and the effective recognition to the right to collective bargaining is also assured in terms of this code.

### Implementation

The Aspen Code of Conduct, which requires the formal acceptance of every new Aspen employee, provides that all employees are specifically responsible for ensuring that we uphold:

- freedom of association and the effective recognition to the right to collective bargaining;
- the elimination of all forms of forced and compulsory labour;
- the effective abolition of child labour; and
- the elimination of discrimination in respect of employment policies and practices.

All Aspen suppliers and service providers are required to agree to, or acknowledge, the Aspen Code of Conduct for suppliers and service providers when entering into new commercial agreements with Aspen. In terms of this code each Aspen supplier or service provider warrants, to the best of its knowledge, that in relation to the performance of its obligations to Aspen:

- it does not employ, engage or otherwise use any child labour;
- it does not use forced labour in any form (prison, indentured, bonded or otherwise) and its employees are not required to lodge papers or deposits on starting work;
- it provides a safe and healthy workplace, presenting no hazards to its employees. Any housing provided by the supplier to its employees is safe for habitation. The supplier provides access to proper sanitation, clean water, food and emergency healthcare to its employees in the event of accidents or incidents at the supplier's workplace;
- it does not discriminate against any employees on any ground (including race, sexual orientation, religion, disability or gender);
- it does not engage in or support the use of corporal punishment, mental, physical, sexual or verbal abuse and does not use cruel or abusive disciplinary practices in the workplace;
- it pays each employee at least the minimum wage, or a fair representation of the prevailing industry wage (whichever is the higher) and provides each employee with all legally mandated benefits;
- it complies with the laws on working hours and employment rights in the countries in which it operates; and
- it is respectful of its employees' right to join and form independent trade unions and freedom of association.

All employees are free to belong to trade unions and relationships with trade union representatives, considered to be key stakeholders, are managed in a proactive and responsible manner by site human resources managers. Formal processes are in place to foster a culture of transparency and constructive engagement with trade union representatives in each territory.

### Measurement of outcomes

We encourage our employees and external stakeholders to report any breaches or suspected breaches of our Code of Conduct, including any possible human rights abuses or infringements in terms of Aspen's whistle-blowers' standard operating procedure. An independently managed anonymous tip-offs hotline is also operated to ensure that these incidents are brought to the Company's attention. All reported incidents are formally recorded and reported to the Social & Ethics Committee for consideration.

During the year, no incidents of discrimination, forced labour or compulsory labour were found to exist in the Group (2016: nil). These aspects are monitored in respect of all business units. In addition, there were no reported incidents in the Group where the rights of indigenous people were violated. Furthermore, no businesses in the Group have been considered to be at risk of violating human rights which protect child labour, forced or compulsory labour.

Employees across the Group are free to exercise their rights to belong to trade unions and collective bargaining councils – at year end approximately 23% of the Group's employees were members of a trade union and approximately 40% were represented by collective bargaining councils.

## Communication on Progress report continued

Refer to page 55 of Aspen's Integrated Report for the 2017 financial year for further information regarding the Group's commitment to respecting employee rights. Also refer to pages 55 to 57 for further information on Aspen's efforts around employee health, wellness and safety.

### Section 3 – Environmental principles

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

### Assessment, policy and goals

Consistent with our commitment as a responsible corporate citizen to contribute to sustainable development, Aspen's Code of Conduct confirms that we exercise a systematic approach to health, safety, quality and environmental management in order to achieve continuous performance improvement and compliance to relevant legislation, regulations and guidelines.

We recognise the importance of supporting global initiatives aimed at protecting the environment and conserving natural resources. Our environmental management philosophy, available online, advocates containment of the carbon footprint across the supply chain in a technically and economically feasible manner. This is further promoted in the Group's responsible corporate citizenship philosophy.

Our environmental management protocol also acknowledges that the responsible management of the environment is an integral part of the sustainability of our operations and confirms that environmental management, protection and conservation will be incorporated into our value chain and be promoted by the following principles:

- ensuring compliance with relevant environmental regulations and legislation governing the responsible manufacture and supply of our products;
- carrying out of environmental risk assessments to identify actual and potential environmental impacts emanating from our operations;
- conducting environmental risk assessments and/or audits to evaluate the level of environmental compliance and the effectiveness of the applied environmental management system;
- promoting the efficient use of resources such as energy, water, paper and production materials with due regard to the scarcity of natural resources and the environmental impact resulting from the utilisation and application of such resources in conducting our business activities;
- containment and reduction of our carbon footprint in our operations and in the broader supply chain in a technically and economically feasible manner through structured systems of environmental monitoring, reporting and management;
- monitoring and measuring the quality of air emissions and waste water discharge against benchmarked standards and legal requirements through accurate and effective systems of measuring, reporting and controls;
- the engagement of external experts or consultants to seek independent assurance on the levels of environmental compliance and/or for value-added advice on technically complex matters pertaining to environmental management;
- responsible management of waste through the selection of effective and feasible methods of waste disposal which are aligned to the waste hierarchy;
- implementing robust waste management control systems to safeguard raw materials, packaging materials and finished goods against unauthorised use and to ensure that these waste products are disposed of in accordance with required specifications in a controlled manner;
- promoting extended producer responsibility in a pragmatic manner and ensuring compliant waste management principles and practices are implemented throughout the supply chain until the final disposal of waste material by an approved and accredited waste management service provider; and
- enhancing environmental training and awareness for our employees and contractors to encourage responsible environmental practices in the workplace which, in turn, support the preservation of the broader environment within which the Company operates.

### Implementation

Aspen's Board monitors the status of environmental risks through review of material environmental management performance indicators at scheduled intervals. The Social & Ethics Committee assists the Board in monitoring the adequacy of environmental management systems in the Group and the extent to which these comply with relevant legislation.

Designated business unit executives are responsible for ensuring compliance with all relevant environmental legislation and implementation of our environmental management philosophy, as appropriate. Under the direction of the Group Strategic Operations Executive, the Group SHE Department monitors the alignment of business unit environmental management systems to the Group standards, develops and promotes our environmental management protocol and monitors environmental legislative compliance across the Group's manufacturing facilities.

The Aspen Code of Conduct for suppliers and service providers also requires that our suppliers and service providers undertake responsibility for conducting business in compliance with applicable environmental laws and regulations when performing their obligations to Aspen and ensuring that they conduct their business in an environmentally conscious manner and, insofar as is feasible, from renewable resources, while minimising the resources used and waste generated by them.

### Measurement of outcomes

Refer to the Aspen Integrated Report, specifically pages 63 to 67, for the full details in respect of the Group's efforts to protect the environment and to conserve natural resources.

### Section 4 – Anti-corruption principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

#### Assessment, policy and goals

We have a zero-tolerance approach to unethical behaviour and are committed to ensuring that the Group and its employees uphold our laudable reputation. The Group Code of Conduct governs the conduct of all employees throughout the Group and is aligned with the Organisation for Economic Cooperation and Development recommendations regarding corruption.

We fosters honesty, integrity and fairness in all aspects of our business and expects the same in our relationships with all those with whom we do business.

We are committed to the fight against bribery. As a result, it is unacceptable for any employee or agent of Aspen to directly or indirectly offer, pay, solicit or accept bribes in any form.

#### Implementation

A formalised ethics management programme has been implemented at all of the Group's businesses. This programme is managed by the Company Secretary & 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.

Our 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.

We conduct our business in a highly regulated environment, however, one in which the potential for unethical marketing and promotional practices remains inherent. We endorse the ethical marketing of medicines and adhere to the principles contained in the marketing codes to which we subscribe. During the year, we completed an extensive review of our marketing practices and developed a Group Code of Marketing Practice. This code, which was released in July 2017, is aimed at ensuring that any promotional activities and interactions with Healthcare Professionals ("HCPs"), other healthcare staff, government officials, regulatory officials, patient groups, media and the general public are carried out in a responsible, ethical, professional and legal manner. Specific training on the implementation of this code is being rolled out across our operations.

This year we strengthened our stance on bribery and corruption as outlined in our Code of Conduct by implementing an anti-bribery and anti-corruption policy, applicable to all our employees and our suppliers, service providers, consultants, agents or any third parties authorised to act on our behalf. This policy is aligned to the OECD's recommendations on corruption and prohibits any employee or agent of Aspen from directly or indirectly offering, paying, soliciting or accepting bribes in any form. Read with our gifts and benefits policy, it also prohibits the acceptance 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 & Group Governance Officer. 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 & Group Governance Officer 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.

We do 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.

We endeavour 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.

## Communication on Progress report continued

An independently monitored whistle-blowing hotline, Deloitte's Tip-Offs Anonymous, has been made available 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 implementation of this service to selected suppliers and customers at Aspen's International businesses is in progress. The details in respect of this hotline are available on our website.

The Board has adopted a formal policy to regulate conflicts of interest and trading in the Company's securities.

### **Measurement of outcomes**

All logged tip-off calls and internal reports with regard to possible incidents of fraud, theft and corruption were reported to the responsible functionaries within Aspen. Corrective action has been implemented where necessary to improve controls and to prevent recurrence of any incidents found to be in breach of our stated policies and Code of Conduct.

Quarterly reports detailing the tip-offs received, how these tip-offs have been investigated, and the corrective measures taken, are submitted to the Audit & Risk Committee and Social & Ethics Committee as appropriate. During the year, one material breach was reported through the whistle-blowing process. This involved a fraud perpetrated by two senior members of management at one of our businesses. Following a thorough investigation, both employees were dismissed and the matter reported to the relevant authorities. No other material incidents of fraud, theft or corruption were reported during the year.

A review of the effectiveness of the Group's ethics management programme was performed during the year and the programme was found to be effective in all material respects.

Refer to pages 2 and 3 of Aspen's Social & Ethics Committee report available online for more information on its approach to unethical conduct, including corruption, and the Group's ethics management programme.