

Aspen governance overview

The King IV Report on Corporate Governance for South Africa, 2016™¹ ("King IV" or "the King Code") is the primary corporate governance code in South Africa and consists of a set of voluntary principles and leading practices with an "apply and explain" disclosure regime. The Listings Requirements of the JSE require listed companies such as Aspen to apply King IV – paragraph 8.63(a)(i) stipulates that issuers are required to disclose the implementation of the King Code through the application of the King Code disclosure and application regime. This document outlines how we have applied these principles and explains (along with our online King IV application register) how we have adopted the recommended practices contained in the code, seeking to promote and entrench the four primary corporate governance outcomes, namely ethical culture, good performance, effective control and legitimacy. Our corporate governance framework includes the structures, processes and practices that the Board of Directors use to direct and manage the Group's operations. 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.

The directors are of the opinion that the Group has applied the requisite King IV principles, with the intention to meet the four primary corporate governance outcomes, as more fully detailed in the schedule provided below:

		Reference for more information on our application of these principles
Principle 1	The governing body should lead ethically and effectively.	Page 01 of this document, the Social & Ethics Committee report and the Social & relationship capital section of the Integrated Report included in our Integrated Report as published annually.
Principle 2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Page 05 of this document, the Social & Ethics Committee report and the Social & relationship capital section included in our Integrated Report as published annually.
Principle 3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The Social & Ethics Committee report, the Social & relationship capital section of the Integrated Report and the Natural capital section included in our Integrated Report as published annually.
Principle 4	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The sections of our Integrated Report, as published annually, dealing with Our business model, Our sustainable business strategy, Our approach to sustainability, Our risks and opportunities, and Our strategic business performance.
Principle 5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	The sections of our Integrated Report dealing with Our approach to reporting, Our strategic business performance, Business segment overview, and Our capitals.
Principle 6	The governing body should serve as the focal point and custodian of corporate governance in the organisation.	Pages 01 to 06 of this report.
Principle 7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Pages 03 to 04 of this report, and Our Approach to governance and Board of Directors included in our Integrated Report, as published annually.

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Aspen governance overview

Principle 8	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	Pages 06 and 08 of this report.
Principle 9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	Page 06 of this report.
Principle 10	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	Page 08 of this report.
Principle 11	The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.	Page 08 of this report, Our risks and opportunities report in the Integrated Report, and the Audit & Risk Committee report as published annually.
Principle 12	The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	Page 08 of this report. and the Audit & Risk Committee report as published annually.
Principle 13	The governing body should govern compliance with applicable laws, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Pages 01, 03 and 07 of this report and the Social & relationship capital section in the Integrated Report as published annually.
Principle 14	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	The Remuneration review report in the Integrated Report as published annually.
Principle 15	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	Our approach to reporting in the Integrated Report, and the Audit & Risk Committee Report as published annually.
Principle 16	In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Engaging our stakeholders on in the Integrated Report, as published annually.

A detailed self-assessment of our application practices in respect these principles can be viewed here: <https://www.aspenpharma.com/corporate-governance-and-risk-management/>.

Review of governance practices

As indicated, our 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. Opportunities to introduce further enhancements to the Group's governance practices are continuously considered and implemented as appropriate. The Company has complied with its memorandum of incorporation, the provisions of the Companies Act (in particular Regulation 43 as promulgated in terms of this Act) and, in all material respects, complied with the laws of the countries in which Aspen does business, including the laws of South Africa, where the Company is incorporated. For more on our legislative compliance programme please refer to page 7 below.

The Board of Directors

We are led by a unitary Board of Directors, constituted as required in terms of the Companies Act, the Company's Memorandum of Incorporation, and the Board Charter.

Aspen governance overview

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. Directors assume collective responsibility for steering and setting Aspen's direction, approving all material policy considerations and short-, medium- and long-term strategic planning, overseeing and monitoring the implementation and execution of strategy by management, and ensuring accountability for organisational performance.

All directors are required to annually confirm adherence to our Code of Conduct which is available online or from the Company Secretary.

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. Six of these are considered independent non-executive directors within the criteria determined by King IV and constitute the majority of non-executive directors on the Board. To view the biographical detail of the directors currently serving on the Board please refer to the section titled Board of Directors here:

<https://www.aspenpharma.com/board-of-directors/>.

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. Aspects such as gender and racial diversity and the achievement of the targets the Board has set itself in this regard are also considered in the appointment of new directors. The non-executive directors collectively bring a wealth of 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.

While non-executive director appointments are based on merit and overall suitability for the role, the Remuneration & Nomination Committee remains appreciative of Aspen's status as a multinational pharmaceutical company and diversity considerations when making recommendations for appointment to the Board. The Board further recognises that, as a South African-based company, it is important to consider the gender and racial diversity of the Board and as such the current aspirational targets are set at 40% female representation and 50% black representation in the number of directors who serve on the Board in line with the Board's gender and racial diversity policy. These targets will be reviewed from time to time to ensure broader representation into the future.

The terms and conditions of the 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. Newly appointed non-executive directors are required to provide details of their professional commitments outside of Aspen and a statement that confirms that he or she will have sufficient time available to fulfil the responsibilities ascribed to directors. 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.

While no formal staggered rotations arrangements are in place, the Company's Memorandum of Incorporation requires that 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 annual general meeting for that 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.

Aspen governance overview

Although the non-executive directors have no fixed-term contracts of appointment, 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, provided that shareholders confirm such reappointment at the next annual general meeting. The Group has, in addition, adopted a formal policy imposing limitations on the tenure of independent non-executive directors beyond nine years. Each such director will retire automatically on the ninth anniversary of their appointment but may be invited to serve as a non-executive director on a year-to-year basis, provided that shareholders confirm such reappointment at the next annual general meeting. The independence of such a non-executive who has served on the Board for more than nine years will

be rigorously assessed by the Board before a recommendation is made to shareholders to support the director's reappointment. An overall cap of 12 years has been set on independent non-executive director tenure.

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 each financial year are approved in advance by a special resolution of Aspen's shareholders at the Company's annual general meeting each year. The fees payable to these directors through to the next annual general meeting and the recommendations to shareholders in this regard are included in the notice of annual general meeting.

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, we actively solicit details of our 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 interest or in respect of any of the matters to be dealt with at that meeting. The Board, upon consideration of this register and any disclosures made at a meeting, satisfies 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.

Abbreviated biographical details and the classification of each director appear in the Integrated Report, and full curriculum vitae are available online.

Director induction, training and access to information

Newly appointed directors are required to participate in an induction programme coordinated 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 our Code of Conduct.

The Company Secretary is also, with the assistance of the Group Executive: Legal and Group Head: Ethics & Compliance, 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 (at least four times a 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.

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.

Aspen governance overview

Board mandate and key outcomes

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 as and when required to ensure that it remains relevant, appropriate and in line with governance best practice. The following is a summary of the regular activities undertaken in the performance of the Board's responsibilities:

- Approve and review the strategic direction of the Group and monitor the execution of strategic plans to ensure the Group achieves its objectives in this regard;
- Identify and oversee the Group's communication and the constructive engagement with key stakeholders;
- Monitor and oversee major capital expenditure, acquisitions and disposals as reported in the Integrated Report;
- Consider financial reports and review and approve annual budgets and business plans;
- Monitor the financial performance and the achievement of approved KPIs relating to the Group's capitals and approve annual and interim financial reports and the dividend payable to shareholders;
- Identify and monitor key risks;
- Review risk management strategies and ensure the implementation of appropriate mitigation strategies;
- Review the performance of the Board, its committees, the Chairman, the Group Chief Executive, the Deputy Group Chief Executive and oversee succession planning in respect of the executive management team, with the assistance of the Remuneration & Nomination Committee; and
- Make decisions on key issues or matters and delegate authority for the day-to-day running of the business of the Group to management in line with an approved Group approvals framework.

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, his reappointment. The Board also appoints a lead independent non-executive director to act as Chairman in instances where the Chairman may become unavailable in the short- to medium-term or have a conflict of interest. As with the chairmanship, the appointment of the lead independent non-executive director is made by the Board annually, after each annual general meeting.

Both the Chairman and the lead independent non-executive director have formally mandated roles and responsibilities and the Chairman is subject to an annual evaluation of their performance. The evaluation of the Chairman's performance is coordinated under the direction of the lead independent non-executive director.

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 in respect of Board and committee membership, the Group Chief Executive, Deputy Group Chief Executive, and other 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 executive management level and reported to the Board annually.

Board meetings

The Board meets at least quarterly, with additional meetings being 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.

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.

Aspen governance overview

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 approval 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 have approved and is formally noted at the next Board meeting.

Board committees

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

- Audit & Risk;
- Remuneration & Nomination; and
- Social & Ethics.

These Board committees are constituted, after a thorough consideration of the allocation of roles and associated responsibilities, in accordance with the Companies Act and recommendations of King IV 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 composition, 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 Integrated Report as published annually and available online.

The Board committees report formally to the Board at each Board meeting following any meeting of a committee. All directors are entitled to attend any committee meetings as observers.

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

Detailed reports on the composition, role and performance of each of the Board committees are available online.

Evaluation of Board performance

An evaluation of the performance of the Board, the Board committees, the Chairman, the Group Chief Executive, the Deputy Group Chief Executive, the Company Secretary and each of the individual directors is carried out each year and focuses 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 Company Secretary; and
- Governance processes in general.

These evaluations may be facilitated either externally or internally and are designed to gain insight into how each of the directors of the Board believe the Board is meeting its objectives. The evaluations provide guidelines for evaluating the Board's effectiveness and focus on areas where the Board's performance may possibly be enhanced or improved, as well as assessing the individual contributions of the directors.

Responses are collated and reported to the Remuneration & Nomination Committee and, subsequently, the Board. Areas for improvement that are raised as part of the board assessment process and the manner in which these issues are being addressed are monitored by the Board, with assistance from the Remuneration & Nomination Committee.

Aspen governance overview

The Company Secretary

The Company Secretary plays a pivotal role in the corporate governance of the Group. He attends all Board and committee meetings and provides the Board and directors, collectively and individually, with guidance on the execution of their governance roles. The Board has considered and is satisfied with the qualification, competence and expertise of the Company Secretary. He is not a director of the Company and the Board has also satisfied itself of the fact that he continues to maintain an appropriate arm's length relationship with the Board. Abbreviated biographical details of the Company Secretary are set out in 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

Our values of integrity, excellence, commitment, innovation and teamwork are fundamental to our 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 Social & Ethics Committee report, published annually and available online.

Insider trading

Aspen's insider trading policy prohibits directors, prescribed officers, the Company Secretary, and their associates from dealing in securities relating to the Company in closed or prohibited periods or without receiving the required written clearance. In instances where directors, prescribed officers or the company secretary have dealt in securities, such dealings are required to be disclosed within certain prescribed time frames and in order for the required announcements to be made.

Legislative compliance

The Board is ultimately responsible for overseeing the Group's compliance with laws, rules, codes and standards in terms of King IV. The Board has delegated to management the responsibility for the implementation of an effective legislative compliance framework and processes as envisaged by King IV.

The Board considers the compliance framework that has been established by management and satisfies itself that it is adequate for the requirements of King IV. The Group Head: Ethics & Compliance provides the Board with assurance that the Group is compliant with applicable laws and regulations. The Board considers and ensures it is satisfied with the qualification, competence and expertise of the Group Head: Ethics & Compliance. This role is an independent, objective assurance and consulting activity, designed to give operational effect to the principles of King IV.

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

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.

Engagement with stakeholders

The Board acknowledges that 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 report on how we have engaged with our stakeholders during the year is provided in the Integrated Report, as published online and available at <https://www.aspenpharma.com/investor-information/>.

Aspen governance overview

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. Our risk management objectives aim to sustainably support the effective pursuit of the Group's strategy.

On an annual basis, our internal audit function conducts an independent audit of the Group's risk management process on behalf of the Audit & Risk Committee, to confirm that the Group's risk management process, risk management systems, and risk governance structures are effective. Other sources of combined assurance supporting the Group's risk mitigation processes are also considered and these include external specialist functions, legislative and regulatory compliance, IT systems and financial controls.

The Group's strategic objectives and challenges in achieving these objectives are detailed in the Integrated Report. An explanation of our key risks and opportunities is also provided in the Integrated Report.

Combined assurance

The level of combined assurance provided is determined by the effectiveness of the risk response activities and the impact of such risk to the Group. Significant areas of overlap of assurance gaps that are identified during the year are reported to the Board, and the Board receives confirmation that the levels of assurance are considered appropriate.

Delegation of authority

The Board sets the direction and parameters for the matters reserved for itself and those delegated to the executive directors, by annually approving a formal delegation of authority policy. This policy addresses the authority to appoint senior executives. The Board annually satisfies itself that the adopted authority framework contributes to role clarity and the effective exercise of authority and responsibilities.