



**Aspen Pharmacare Holdings Limited**

Social & Ethics Committee Report 2013



# Social & Ethics Committee Report

The mandate of the Social & Ethics committee is to assist the Board in, *inter alia*, the following:

- reviewing and approving the policy, strategy and structure to manage social and ethics issues in the Group, including the application of the Aspen Group Code of Conduct;
- monitoring that subsidiaries develop policies, guidelines and practices congruent with the Group’s social and ethics policies;
- assessing and measuring performance in social and ethics areas with reference to the JSE SRI Index, employment equity legislation and regulations and King III;
- considering substantive national and international regulatory developments as well as practice in the fields of social and ethics management;
- consulting and communicating with internal and external stakeholders with respect to social and ethics issues;
- ensuring that management has allocated adequate resources to comply with social and ethics policies,

codes of best practice and regulatory requirements;

- reviewing the Sustainability Report to ensure that the matters falling within the Committee’s area of responsibility are appropriately and accurately reported upon and that the appropriate internal or external assurance over these matters is obtained where necessary; and
- recommending such measures and/or activities which in the Committee’s opinion may serve to enhance the overall social and ethics objectives of the Group.

### Social & Ethics Committee Terms of Reference

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

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

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

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

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

Committee member	29 August 2012	15 November 2012	15 February 2013	4 June 2013
Sindi Zilwa (Chairman)	✓	✓	✓	✓
Judy Dlamini	✓	✓	✓	✓
Rafique Bagus	✓	✓	✓	✓
Gus Attridge	✓	✓	Apologies	✓

## Social & Ethics Committee Report continued

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

The Company Secretary is also the Secretary of this Committee.

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

### Ethics management and code of conduct

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

The areas covered by the Group Code of Conduct include:

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

The Code of Conduct is available online.

In line with King III recommendations, 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 and is aimed at:

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

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

The Group conducts its business in a highly regulated environment, however, one in which the potential for unethical marketing and promotional practices remains inherent. Aspen endorses the ethical marketing of medicines and subscribes to the rigorous application of the Marketing Code of Practice of the Pharmaceutical Industry Association of South Africa. The Group has a written policy on gifts and benefits in terms of which employees of the Group, including directors, are prohibited from accepting or giving gifts or hospitality that are not of a nominal value or participating in events sponsored by current or prospective customers or suppliers. Any employee who receives a gift or other benefit exceeding the local currency equivalent of USD100 is required to

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

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

### Tip-Offs Anonymous® Hotline

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

An independently monitored 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 introduction of this service to selected suppliers and customers at Aspen's International businesses is at

various stages of progress in accordance with an implementation plan. The details in respect of this hotline are available online.

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

#### Conflicts of interest

The Board has adopted a formal policy to regulate conflicts of interest and trading in the Company's securities. The latter policy, which incorporates the requirements of the JSE Listings Requirements and the Financial Markets Act, 2012, prohibits any trade in the Company's shares by any director or executive employees of the Group during a closed period. The Group currently has two formal closed periods, commencing 24 hours prior to the close of the interim reporting period (31 December) and the financial year-end (30 June) up to the end of 24 hours after the respective results announcement is made. In addition, the Group may declare other closed periods or restrict dealing in the Company's shares at any other time if directors and employees have access to potentially price-sensitive information which is not in the public domain.

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

compliance with the JSE Listings Requirements.

#### Human rights and labour practices

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

The Social & Ethics Committee monitors the implementation of policies and procedures which apply 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. These principles deal, *inter alia*, with human rights and basic labour rights. To confirm its support of these principles, Aspen became an active participant of the UN Global Compact with effect from 31 July 2013. In its capacity as a signatory to the Compact, Aspen looks forward to building on its existing reputation for respecting basic human rights, engaging in fair labour practices, being environmentally responsible and having a zero tolerance approach to corruption.

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

- they do not use or engage in child labour;
- no forced or indentured labour is used;
- a safe and healthy workplace is provided for employees;
- employees are not unfairly discriminated against;

- no corporal punishment, any form of abuse nor cruelty is applied nor supported;
- each employee is paid at least a minimum wage or a fair representation of the prevailing industry wage;
- all laws on working hours and employment rights relevant to the business are complied with; and
- employees are free to join and form independent trade unions and have the freedom of association.

In accordance with BBBEE Codes Aspen's Transformation Policy promotes employment equity and the provision of advancement opportunities to historically disadvantaged individuals. During the year, no incidents of discrimination were identified in the Group (2012: zero).

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

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

- environment, health and public safety, including the impact of the activities of the Group and its products and services (these issues are more fully dealt with in the Sustainability Report available online); and
- consumer relationships, including advertising, public relations and compliance with consumer protection laws.

## Social & Ethics Committee Report continued

### Promoting BBBEE in South Africa

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

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

Aspen retained its "Level 3" contributor status for the 2013 financial year in accordance with the Department of Trade and Industry's Codes of Good Practice. More information on Aspen's BBBEE philosophy and its performance in this respect for 2013 is available online.

### Environment, health and safety

The Committee monitors the Group's activities in respect of the environment, health and safety (including employee and public) and does so while having regard to any relevant legislation, other legal requirements or prevailing codes of best practice. For more information regarding the Group's activities in this regard please refer to the Sustainability Report which is available online.

### Responsible corporate citizenship

Aspen's vision to deliver value to its stakeholders as a responsible corporate citizen that provides quality, effective, affordable medicines and products globally is contained in its responsible corporate citizenship philosophy which is available online.

The Social & Ethics Committee monitors the Group's performance against this vision and makes recommendations to the Board to meet the expectations of various stakeholders of the Group. The committee also considered, and was satisfied with, progress made in dealing with how the company engages with consumers and the status of consumer relationships, including advertising, public relations and compliance with consumer protection laws, in as far as these are applicable to Aspen.



**Sindi Zilwa**

Social & Ethics Committee Chairman

21 October 2013