



adcock ingram



2022 Integrated Report

for the year ended 30 June



About this report

ADCOCK INGRAM AT A GLANCE

About this report	IFC
Organisational overview	02
Integrated thinking in our business model	04
Operating environment	06
Regulatory environment	10

GROUNDED IN GOOD CORPORATE GOVERNANCE

Board of Directors	12
Executive committee	13
Material matters	15
Governance	16
Risk management	24
Executing our strategy	36
Stakeholder engagement	40

OUR PERFORMANCE

Leadership review from our Chairperson and CEO	44
Financial review	49
Consumer	54
OTC	60
Prescription	66
Hospital	72

SUSTAINABILITY

Human Capital	81
Social and Relationship Capital	93
Intellectual Capital	98
Natural Capital	100

REMUNERATION	102
--------------	-----

SUMMARISED FINANCIAL RESULTS	120
------------------------------	-----

NOTICE OF ANNUAL GENERAL MEETING	132
----------------------------------	-----

CORPORATE INFORMATION	144
-----------------------	-----

REPORTING PRINCIPLES

During the period under review, Adcock Ingram was compliant in all material respects with the requirements of King IV™ (unless otherwise stated), the Companies Act, the Johannesburg Stock Exchange Limited Listings Requirements and acted in terms of its Memorandum of Incorporation (MOI). The Group subscribes to best practice governance. For more details, and an overview of the Group governance and structures, please see the corporate governance section from page 12 onwards.

The Group adheres to International Financial Reporting Standards (IFRS) in compiling its annual financial statements.

SCOPE AND BOUNDARY

Adcock Ingram's Integrated Report covers the financial year 1 July 2021 to 30 June 2022. Comparatives are for the year 1 July 2020 to 30 June 2021 and included where available.

The report is released at least 15 business days prior to the Company's Annual General Meeting to be held on 22 November 2022.

The report provides a general narrative on the performance of the Group which includes the holding company and its subsidiaries and joint ventures. The business in South Africa has a material impact on the overall sustainability of the Group. The Group's presence in India constitutes a small percentage of the Group's operations and is, for that reason, excluded from the operational review.

The B-BBEE assessment, as well as the employment equity statistics, exclude all non-South African companies and operations.



Adcock Ingram regards the presentation of this report as a valuable opportunity to engage with its stakeholders and to respond to issues raised by them.

The matters reported in the Integrated Report are considered by leadership throughout the year as being vital to the sustainability of the Group and include all material aspects up to the date of issue of this report.

The report also contains a summarised set of annual financial statements.

ASSURANCE

Adcock Ingram's Board of Directors subscribes to compliance with applicable laws and regulations in all jurisdictions in which the Group operates. It acknowledges its responsibility to ensure the integrity of the Integrated Report. The Board has accordingly applied its mind to the Integrated Report and, in its opinion, the report fairly presents the integrated performance of the Group.

ANNUAL FINANCIAL STATEMENTS 2022

The annual financial statements for the year ended 30 June 2022 were approved by the Board on 24 August 2022.

An independent audit of the Group's annual financial statements was performed by PricewaterhouseCoopers Inc. The full set of annual financial statements is available as a separate report on the Company's website www.adcock.com.

B-BBEE SCORECARD

The Group's B-BBEE status has been verified by Empowerlogic, an independent verification agency, for the codes of the B-BBEE Act. The B-BBEE level 2 rating is valid until 21 November 2022.

CARBON FOOTPRINT







The Group's carbon footprint in South Africa, has been determined by "Carbon Calculated" for the 2022 financial year.

OTHER INFORMATION




The rest of the Integrated Report has not been subjected to independent review or audit, and is derived from the Group's own internal records.

DOCUMENT NAVIGATION




CAPITALS

-  Financial Capital
-  Manufactured Capital
-  Natural Capital
-  Social and Relationship Capital
-  Intellectual Capital
-  Human Capital








STRATEGIC FOCUS AREAS

-  Operational excellences
-  Innovation and growth
-  Responsible corporate citizen






DIVISIONS

-  Consumer
-  Over the Counter
-  Prescription
-  Hospital

MATERIAL MATTERS

-  Regulatory environment
-  Relationships
-  Growth
-  Technology and information
-  Renewable energy
-  Human Capital
-  Transformation

PRIMARY NAVIGATION

-  Home page
-  Next page
-  Previous page
-  Previous view
-  Go to website



FEEDBACK

Your feedback is important to us and we welcome your input to enhance the quality of our reporting.

Please visit www.adcock.com or email investor.relations@adcock.com

Organisational overview

A SNAPSHOT



CONSUMER

Consumer competes mainly in the fast moving consumer goods (FMCG) space, selling a range of healthcare, personal care and homecare products and includes market-leading brands such as Panado, Epi-max, Bioplus and Plush.

OTC

Over the counter focuses on medicinal products sold predominantly in corporate and independent pharmacies, without a prescription, where the pharmacist plays a role in the product choice. Key brands include Corenza, Allergex and Citro-Soda.

PRESCRIPTION

The Prescription portfolio comprises products prescribed by medical practitioners, and specialised ophthalmic instrumentation and surgical products.

HOSPITAL

The Hospital division is a leading supplier of critical care products, including intravenous solutions, blood collection products and renal dialysis systems.



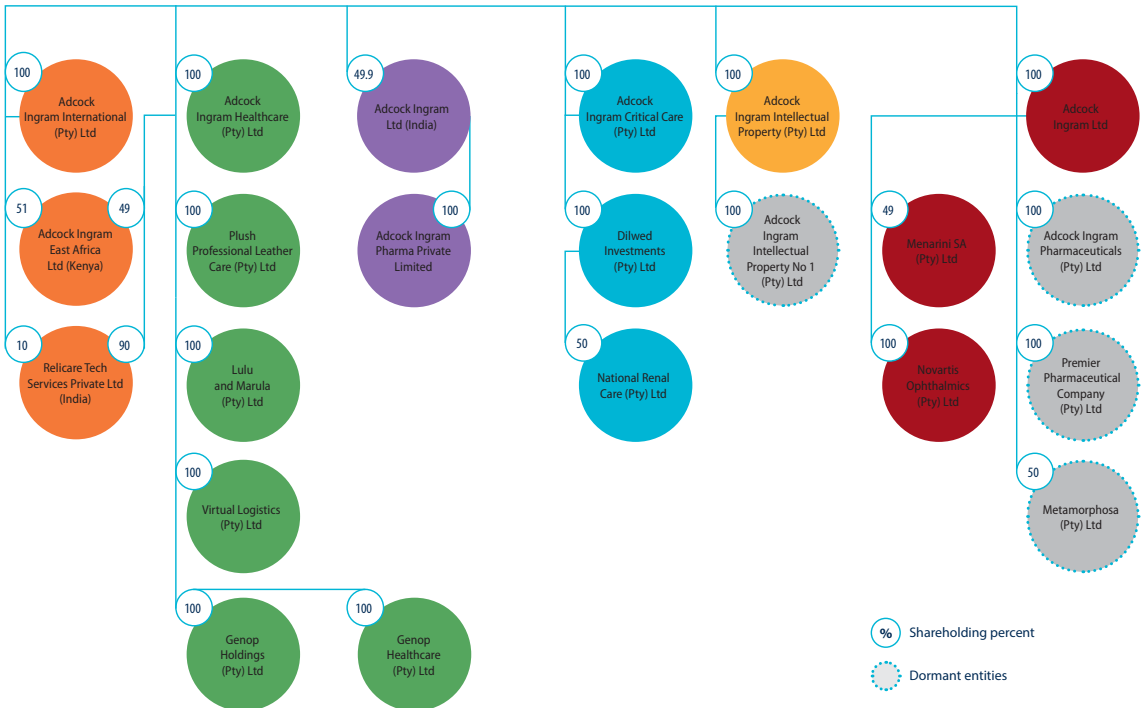
OUR MISSION

We are committed to providing quality products that improve the health and lives of people in the markets we serve

OUR CORE VALUES

EQUALITY	>	Practice non-discrimination and equal opportunities
INTEGRITY	>	Act with integrity at all times
RESPECT	>	Have respect for people, society and the environment
EMPOWERMENT	>	Believe in empowerment of our people, thus encouraging entrepreneurship, innovation and accountability
QUALITY	>	Provide quality products and services
TRANSPARENCY	>	Believe in transparency and open communication

ADCOCK INGRAM HOLDINGS LIMITED GROUP STRUCTURE



Integrated thinking in our business model

CAPITALS DEFINED

OUR INPUTS

Overlaying the business model, the Board applies good governance (page 12) in the execution of their duties, including:

FINANCIAL CAPITAL

FC

We use cash generated by our operations as well as debt financing to run our business and fund growth

The Group has **R345 million** in cash as well as access to working capital facilities of R1.75 billion to finance operations, expansions and acquisitions

HUMAN CAPITAL

HC

Consists of a diverse set of people with specialist skills, backgrounds and experience suitable for the needs of the Group

2 314 permanent employees

INTELLECTUAL CAPITAL

IC

Consists of our proprietary and licensed products, brands, dossiers, technologies, software, licences, and standard operating procedures

2 384 registered trademarks and **236 pending trademark** registrations in South Africa
21 registered patents

SOCIAL AND RELATIONSHIP CAPITAL

SR

Relationships with key stakeholder groups

As members of **Proudly South African** we share a commitment to an uplifting ethos that promotes social and economic change and progress in conjunction with key stakeholders

MANUFACTURED CAPITAL

MC

Compliant facilities producing quality products

3 manufacturing plants in South Africa
1 manufacturing plant (JV) in India
The Group also has access to various 3rd party manufacturers and various distribution centres/hubs throughout South Africa

NATURAL CAPITAL

NC

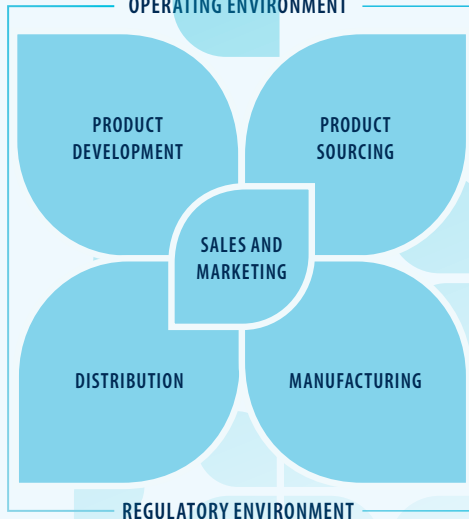
We require packaging material, raw products, water, fuel, electricity, land and air to conduct our activities and operations

Electricity usage **52 564 812: (kWh)**
Water usage **353 937: (KI)**
Industrial coal usage **3 940: (tonnes)**

The operating environment (page 6) as well as the regulated environment (page 10) in which Adcock Ingram operates, have a direct influence on the business model and business activities of the Group.

BUSINESS ACTIVITIES

OPERATING ENVIRONMENT



Product development

- Buy intellectual property
- Develop intellectual property
- Innovation

Product sourcing

- Raw materials sourced locally and internationally
- Finished goods sourced locally and internationally

Manufacturing

- Each owned facility has been built for specific formulations

Distribution

- In partnership with an outbound logistics service provider, warehousing and storage facilities are available across South Africa

Sales and marketing

- Sales and marketing activities are based on customer needs in four commercial divisions

- Actively managing the risk universe and identifying opportunities (page 24).
- Executing the strategy (page 36) by allocating resources and making trade-offs between Capitals.
- Taking the needs of all material stakeholders (page 40) affecting the activities or affected by the activities of the Group, into account.
- Overseeing the performance (page 44) of all operations.

OUTPUTS

INTENDED

A diversified basket of products spanning many therapeutic areas

UNINTENDED

Various waste products form part of the unintended output of the Group's operations

- 1 067 tonnes of waste to landfill
- 2 776 tonnes of waste recycled
- 72% recycled

Waste (%)

Category	Percentage
Total waste to landfill	28
Total recycled	72

Types of waste recycled (%)

Category	Percentage
Boiler ash	15
Wood	8
Plastic	29
Paper and cardboard	18
Other	30

CAPITAL OUTCOMES FOR STAKEHOLDERS

FINANCIAL CAPITAL

R232 million in taxes paid
R315 million in dividends paid
R45 million in interest paid

HUMAN CAPITAL

R1.4 billion in remuneration paid to employees, including share-based payments
R48 million spent on training

INTELLECTUAL CAPITAL

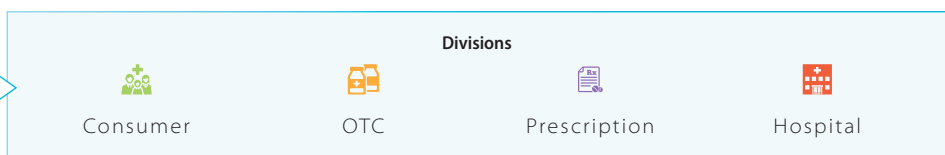
R210 million spent on additions to intangible assets

SOCIAL AND RELATIONSHIP CAPITAL

R23 million CSR and ED spend

MANUFACTURED CAPITAL

R120 million capex (maintenance and expansion)



Operating environment

AN OVERVIEW OF SOUTH AFRICA

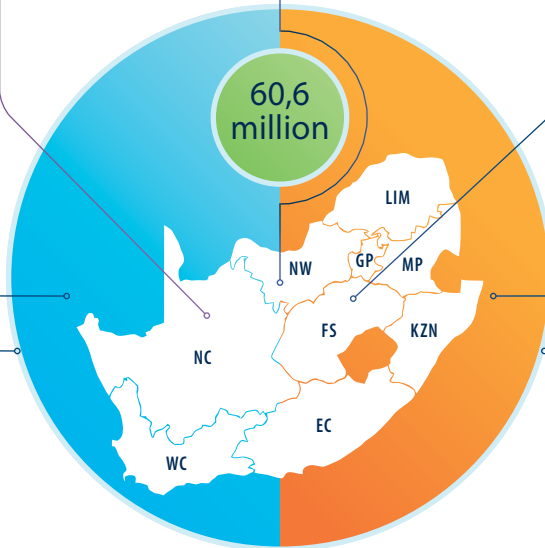
South Africa has one of the continent's biggest and most developed economies.



48,9% Male
(29,6 million)

28,1% Children
34,0% Youth

9 administrative districts



A population¹ of 60.6 million people of diverse origins, cultures, languages, and religions.



51,1% Female
(31,0 million)

28,7% Adults
9,2% Elderly

HEALTHCARE IN SOUTH AFRICA²

The local healthcare industry is known to be one of the most dynamic and complex in the world.

The public sector provides healthcare to ~80% of the population and accounts for approximately 48% of the total spend.

The private sector provides healthcare to ~20% of the population and accounts for approximately 50% of total spend.

2% of spend is provided by non-governmental organisations.

There are 8.45 million people living with HIV.

To address the above disparity, the government introduced the National Health Insurance (NHI) Bill and the Medical Schemes Amendment Bill to the public in June 2018, with the intention to ensure greater equity access to healthcare services.



¹ www.statssa.gov.za

² www.pwc.co.za/en/publications/south-african-healthcare-reimagined.html

STAKEHOLDERS INVOLVED IN THE HEALTHCARE INDUSTRY OF SOUTH AFRICA

The National Department of Health (NDoH) is the ultimate custodian of the healthcare sector in South Africa.

A high collaboration is therefore needed between the NDoH and several stakeholders who influence the healthcare industry in South Africa.

International donor agencies play a critical role in providing funding and resource support to the South African healthcare system.



The following key insights regarding the healthcare industry emerged from a recent study done by PwC:

National Health Insurance (NHI) will revolutionise South Africa's healthcare landscape and create opportunities for public-private collaboration and innovation

The COVID-19 pandemic has rapidly transformed the outlook of healthcare organisations in terms of their preparedness and resilience measures

The future of healthcare is brighter than ever with innovation and technical disruption progressing in leaps and bounds

The healthcare industry needs an increased focus on environment, social, and governance (ESG) initiatives and measurements

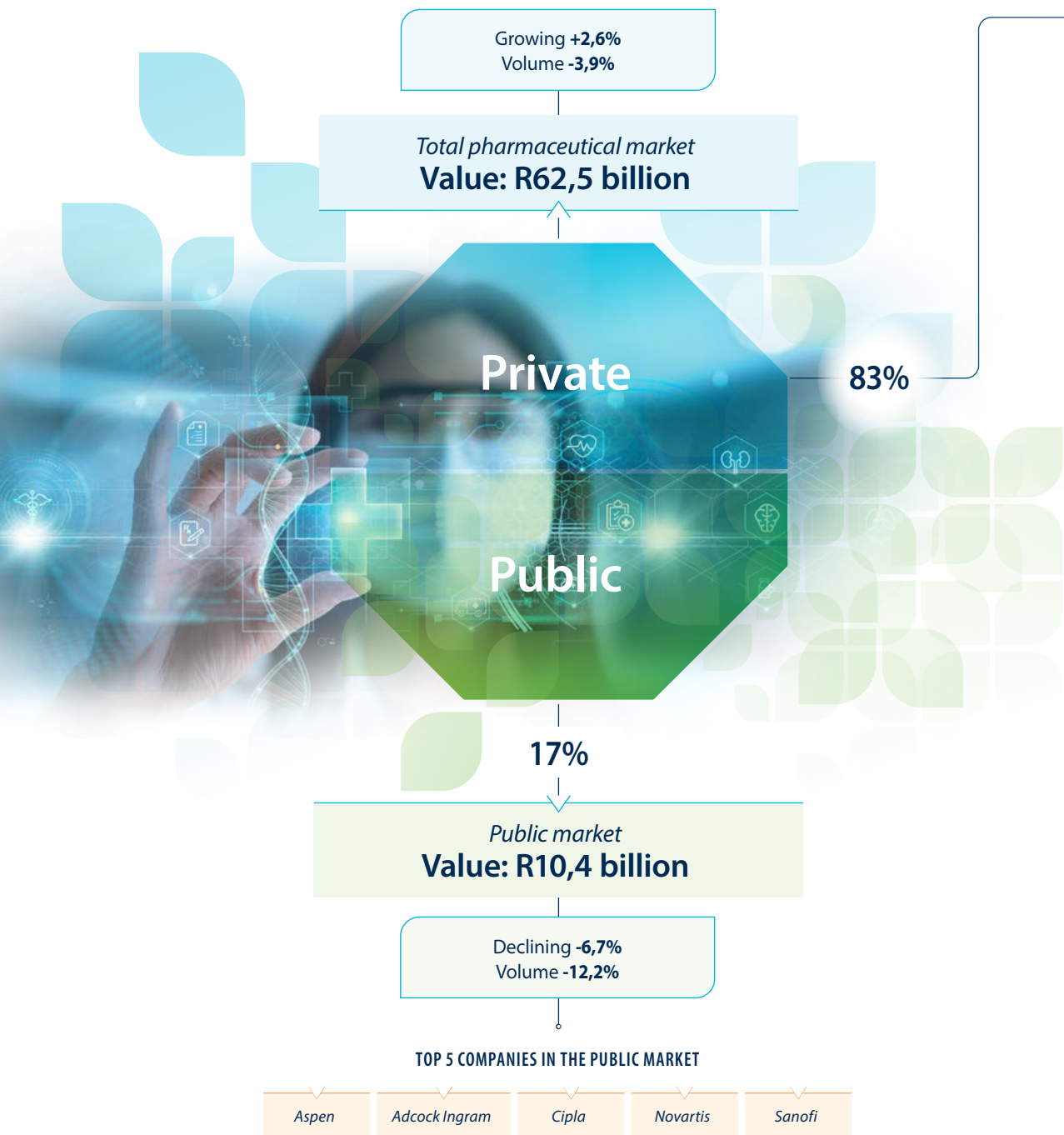
Cyber security is critical for all organisations and is becoming an increased threat as data volumes increase

Risks and threats that have been identified are the following:

- policy uncertainty;
- single exit pricing and restrictions within the Medical Schemes Act which does not allow the opportunity to develop low-cost benefits; and
- supply chain vulnerabilities.

Operating environment continued

LOCAL INDUSTRY AND PEERS¹



¹ IQVIA (TPM, MAT, June 2022).



672 (2021: 649) corporations are competing in the total Private market in South Africa

Private market
Value: R52,1 billion

Growing +4,8% Price +1,6%
Volume +1,3%
Mix +1,9%

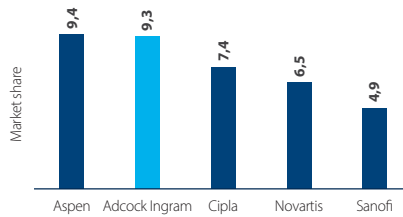
THE TOP 20 CORPORATIONS REPRESENT

70,6% of the total Private market value

THE TOP 10 CORPORATIONS REPRESENT

52,1% (2021: 53,0%) of the total Private market value

Top 5 companies in the Private market (%)

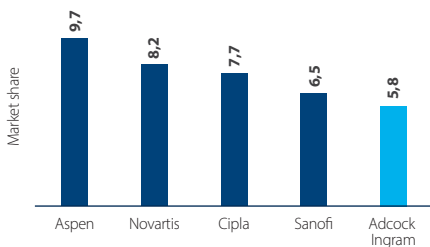


62%

Prescription market
Value: R32,2 billion

Growing +5,3%
Volume +2,5%

Top 5 companies in the Private Prescription market (%)

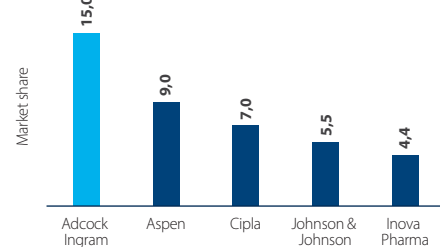


38%

OTC market
Value: R19,9 billion

Growing +3,8%
Volume +3,1%

Top 5 companies in the Private OTC market (%)



Regulatory environment

What stakeholders need to understand about the regulatory environment in which we operate

Various regulatory bodies / regulations inform the way in which a South African pharmaceutical company conducts business.



THE MEDICINES AND RELATED SUBSTANCES ACT, 1965 (ACT NO. 101 OF 1965), AS AMENDED (THE ACT)

SELLING OF PRODUCTS

The Act clearly defines the control of medicines and scheduled substances. Schedule 0 medicines can be sold in an open shop (i.e. supermarket) and Schedule 1 medicines and above must be sold in a pharmacy. Schedule 2 medicines and above should be kept behind the counter in a pharmacy, in a controlled area that is only accessible to authorised personnel who are allowed to sell these scheduled medicines.



THE SOUTH AFRICAN HEALTH PRODUCTS REGULATORY AUTHORITY (SAHPRA)

SAHPRA is an entity of the National Department of Health, created to safeguard public health by the licensing of safe, effective and good quality medicines (including Complementary Medicines and Health Supplements), medical devices, in-vitro diagnostics, radiation devices and radioactive materials and to license these manufacturers, wholesalers and distributors. SAHPRA is also responsible to maintain vigilance and ensure regulatory compliance of health products in South Africa. SAHPRA has three pillars to ensure that its mandate is executed: safety, quality and efficacy.

PRICING OF PRODUCTS

In 2004, the government introduced transparent pricing for medicines, including a single exit price (SEP) for medicines sold in the private sector. The SEP is the price at which a manufacturer must sell to all pharmacies, irrespective of volume sold. The introduction of the transparent pricing system in the Act ensured that no-one could supply medicine according to a bonus system, rebate system or any other incentive scheme (Section 18A), including sampling of medicines (Section 18B). However, there currently exists an exemption from SEP and Section 18A for Schedule 0 medicines. SEP aims to improve medicine price transparency, and ensure patients pay the same price for medicines irrespective of where they buy them – from pharmacies, hospitals or dispensing doctors.

The Minister of Health is required to determine, on an annual basis, the extent to which medicine prices may be adjusted.



SEP adjustment¹

= 70% x CPI

+ 15% x US\$ movement

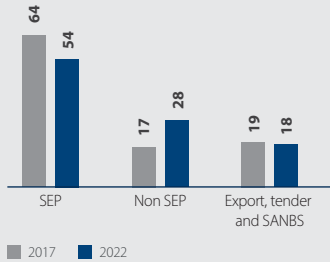
+ 15% x Euro movement

¹ This adjustment is however, at the Minister's discretion.

The Group has reduced its reliance on SEP regulated products over the last five years as follows:

Turnover split

(%)



MARKETING OF PRODUCTS

Schedule 0 and Schedule 1 medicines can be advertised to the general public for self-medication purposes. The advertising of Schedule 2 and above to the public is prohibited.



MANUFACTURING AND DISTRIBUTION OF PRODUCTS

The Act specifies that manufacturers, importers, exporters, wholesalers and distributors of medicines and medical devices must hold a licence. To hold a licence there must be the ability to comply with good manufacturing practice (GMP), good wholesaling practice (GWP) and/or good distribution practices (GDP). Application for such a licence from SAHPRA also requires application to the South African Pharmacy Council (to record the pharmacy as an entity and the registration of the Responsible Pharmacist) and the Department of Health (to obtain a licence for the premises wherein, or from which, such business shall be conducted). The Pharmacy Act 53 of 1974 describes certain requirements for pharmaceutical companies and the Responsible Pharmacist, under whose supervision pharmaceutical operations must be conducted and certain duties and responsibilities which must be performed by pharmacists, like manufacturing, release and distribution of medicines.

As a participating authority of the Pharmaceutical Inspection Cooperation Scheme (jointly known as PIC/S), SAHPRA requires that manufacturers, importers and exporters of medicines and related substances in South Africa meet the standards laid out in the PIC/S Guide to GxP² which combines guidelines for "good working practices" pertaining to various branches of the pharmaceutical industry including manufacturing, laboratory practices, storage and distribution. It is governed by the fundamental principles of GMP which serves to ensure quality, efficacy and safety of medicinal products. SAHPRA may revoke, amend or suspend a licence when a statutory condition of that licence is no longer being met.

² GxP is a collection of quality guidelines and regulations created to ensure that bio/pharmaceutical products are safe, meet their intended use, and adhere to quality processes during manufacturing, control, storage, and distribution.

THE MARKETING CODE AUTHORITY (MCA)

MARKETING OF PRODUCTS

The Marketing Code Authority (MCA) is an independent body with voluntary association, for the self-regulation of companies that market health products in South Africa. The MCA's Code of marketing practice is aligned with international best practice and requires members to apply the Code in all promotional activities concerning medicines, medical devices and IVDs. Enforcement of the Marketing Code will ensure that the promotion of health products in the healthcare industry to healthcare professionals and to the public is done in a responsible, ethical and professional manner.

Corporate governance

Leadership

INDEPENDENT NON-EXECUTIVE DIRECTORS



SIBONGILE GUMBI ⁽⁵⁰⁾
PHD IN PHARMACOLOGY, MBA
Appointed: 14 August 2019

M M M M



MATTHIAS HAUS ⁽⁷³⁾
MB CHB, MD, DCH, FCFP, HON FCMSA
FFPM (RCP), DIP OBST
Appointed: 1 June 2012

LD M C C M I



CLAUDIA MANNING ⁽⁵⁵⁾
PHD
Appointed: 24 November 2016

M M M M C



DEBBIE RANSBY ⁽⁴⁹⁾
CA(SA)
Appointed: 14 August 2019

M C M M



MICHAEL SATHEKE ⁽⁵³⁾
MB CHB, MMED (NUCLEAR
MEDICINE), FAMS, PHD
Appointed: 25 August 2020

M M M



BUSISIWE MABUZA ⁽⁵⁹⁾
BA, MBA
Appointed: 1 September 2022

M

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS



NOMPUMELELO MADISA ⁽⁴³⁾
BSC, BCOM (HONOURS), MCOM (FINANCE
AND INVESTMENT)
Chairperson
Appointed: 22 February 2021
Appointed as director: 23 November 2018

C I I M C I C



LULAMA BOYCE ⁽⁴³⁾
CA(SA), MCOM (FIN MGT)
Appointed: 23 May 2017

M



KEVIN WAKEFORD ⁽⁶²⁾
CA(SA)
Appointed: 27 August 2019

M I I M

- Board
- Audit Committee
- Risk and Sustainability Committee
- Human Resources and Remuneration Committee
- Nomination Committee
- Social, Ethics and Transformation (SET) Committee
- Acquisitions Committee

- C Chairperson
- LDI Lead independent director
- M Member
- I Invitee

SKILLS AND EXPERIENCE OF THE BOARD

- Accounting, auditing and taxation
- Commercial
- Compliance and governance
- Finance, mergers and acquisitions
- Human capital
- Leadership
- Medical and pharmaceutical
- Risk management
- Sustainability
- Technology and information governance



EXECUTIVE DIRECTORS



ANDREW HALL ⁽⁶⁰⁾

CA(SA), BPHARM
Chief Executive Officer

Since November 2015. Joined September 2007 as CFO. Appointed as director: 15 July 2008



DORETTE NEETHLING ⁽⁴⁸⁾

CA(SA), MCOM (TAXATION)
Chief Financial Officer

Since 23 February 2016.
Joined August 2007



BASADI LETSALO ⁽⁵⁹⁾

MPSYCH, CLDP, MLPC, MPHIL
Executive Director – Human Capital and Transformation

Since 25 August 2016. Joined January 2008



EXECUTIVE COMMITTEE



JASVANTI BHANA

BSC, MBBCH, MASTERS IN SPORTS MEDICINE
Medical Director



TOBIE KRIGE

BENG (IND ENG), MBA
Distribution Executive



ASHLEY PEARCE

DIP PHARM, BCOM
Managing Director – Prescription



SUDIER RAMPARSAD

MSC (BIOTECH), BSC
Managing Director – OTC



GAIL SOLOMON

IMM (MARKETING), BBA (MARKETING)
Managing Director – Consumer



FRANS CRONJE

BSC, NDIP (IND ENG)
Operations and IT Executive



NKOSINATHI MTHETWA

BSC (HONS), MASTERS IN PUBLIC HEALTH
Public Affairs Executive



LUCKY PHALAFALA

BACHELOR OF LAW (LLB)
Company Secretary and Head of Legal



COLIN SHEEN

MBA, BTECH, NDIP (MARKETING)
Managing Director – Hospital



TIM WALTER

BCOM, BCOM (HONS)
Mergers & Acquisitions,
Risk and Strategy Executive

SKILLS AND EXPERIENCE OF EXCO

- Accounting, auditing and taxation
- Commercial
- Compliance and governance
- Finance, mergers and acquisitions
- Human capital
- Leadership
- Legal
- Manufacturing
- Marketing
- Medical, science and pharmaceutical
- Public Health
- Regulatory
- Risk management
- Sustainability
- Technology and information governance

AVERAGE AGE:
55 YEARS

AVERAGE TENURE
WITHIN THE GROUP:
12 YEARS

Corporate governance continued

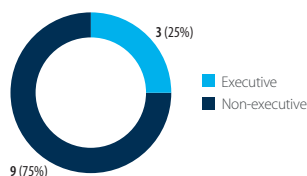
BOARD DIVERSITY

INDEPENDENCE

Policy: The Board should comprise a majority of non-executive directors, the majority of whom should be independent.

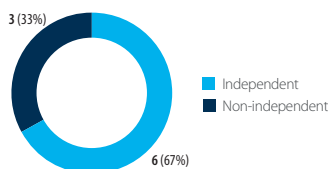
9 OUT OF 12
(75%) are non-executive directors

Executive and non-executive directors (%)



6 OUT OF 9
(67%) non-executive directors are independent

Non-independent and independent directors (%)



BOARD SIZE

Policy: The size of the Board should promote accountability and include a variety of skills.

THE SIZE OF THE BOARD HAS INCREASED BY ONE NON-EXECUTIVE DIRECTOR

DIVERSITY OF AGE

Policy: Executive directors are required to retire from the Company and Board at age 65. Non-executive directors are required to retire at age 70, but exceptions are allowed in terms of the Memorandum of Incorporation (MOI).

Average age:
55 YEARS

Younger than 60 years:
75%
(2021: 82%)

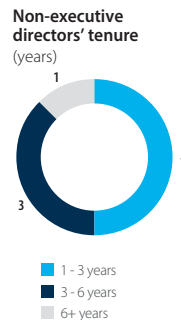
SUCCESSION AND DIVERSITY OF TENURE

Policy: Directors who have reached a nine (9) year tenure, should automatically retire from the Board, subject to appropriate succession and Board composition requirements being in place, but exceptions are allowed in the terms of the MOI. The Company's MOI provides that at least one-third of the non-executive directors retires by rotation every year and, if eligible, may offer themselves for re-election by shareholders.

Average tenure of all directors:
5.2 YEARS

Average Board tenure of executive directors:
8.8 YEARS

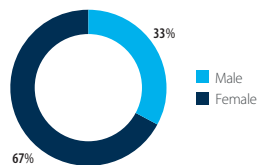
Average tenure of non-executive directors:
4.0 YEARS



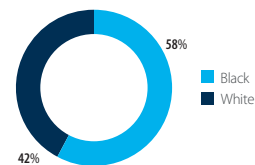
GENDER AND RACIAL DIVERSITY

Policy: The Board remains committed to the undertaking in its policy that, it shall not have less than 50% directors who are black and 30% females who are black.

Gender (%)



Race (%)



MATERIAL MATTERS FOR THE COMPANY

Material matters are those matters which the Board considers to substantively affect the organisation's ability to create value over the short-, medium- and long-term and have been identified and prioritised following an evaluation of the importance of their known or potential effect on value creation.

Consideration is also given to the possible effect on Adcock Ingram's strategy, governance, performance and future focus areas. These matters are accordingly prioritised, including the relevant disclosures to enable stakeholders to make informed decisions.

These matters take up most of the deliberation time at meetings. The Board continually deliberates their nature, any change thereto, the possible impact of the latest available information as well as the possible timing of the matter.



CHANGES TO THE REGULATORY ENVIRONMENT AND COMPLIANCE-RELATED MATTERS



RELATIONSHIPS WITH LICENSORS AND TECHNOLOGY PARTNERS



GROWTH OPPORTUNITIES THROUGH ACQUISITIONS AND PARTNERSHIPS



THE ENHANCEMENT OF TECHNOLOGY AND INFORMATION GOVERNANCE



USE OF RENEWABLE ENERGY AND INCREASE IN WATER STORAGE TO ENSURE SUSTAINABLE UTILISATION OF UTILITIES



HUMAN CAPITAL MATTERS INCLUDING SUCCESSION, SKILLS SHORTAGES AND RETENTION



TRANSFORMATION INCLUDING EMPLOYMENT EQUITY

MATERIAL MATTERS



Regulatory environment



Relationships



Growth



Technology and information



Renewable energy



Human Capital



Transformation

Corporate governance continued

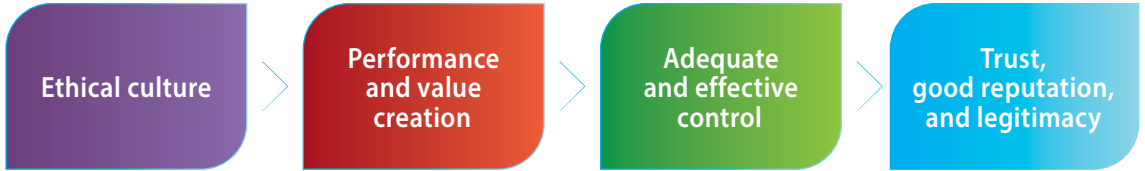
COLLECTIVE RESPONSIBILITY FOR PRIMARY GOVERNANCE ROLE

The main responsibilities of the Board, which fulfils the primary governance role are as follows:



COLLECTIVE COMMITMENTS TO STAKEHOLDERS

The Board's commitment to all stakeholders, detailed in the table below, can be summarised in the following main outputs:



Delegation of authority

The Board delegates authority to established board committees, as well as to the CEO, with clearly defined mandates. The Board's approved delegation of authority framework provides clarity and effective exercise of authority and responsibilities across the Company and its subsidiaries.

Trust, good reputation, legitimacy

Conducting the business based on fair commercial and competitive practices, in compliance with relevant laws and regulations.

Ethical culture

Achieving the highest standards of ethics by setting an example of ethical leadership, and managing ethics in the business. Transgression of ethical standards is a dismissible offence.

An effective and diverse Board and executive management team

Ensuring that the Board and management team are equipped with the right balance of knowledge, skills, experience, diversity, and independence to effectively carry out their responsibilities.

Sound and sustainable performance against strategy and transparent information sharing

Providing stakeholders and the investor community with clear, meaningful, and timely information about Adcock Ingram's operations and results to ensure stakeholders can make informed decisions.

Ensure the Company is a responsible corporate citizen

Continued focus on enhancing stakeholder inclusivity and the quality of the relationships, and actively pursuing transformation.

Management of sustainability matters

Proactively accepting responsibility for, and managing of, sustainability and environmental issues associated with its business.

Outcomes /
The Board's
commitment
towards
stakeholders

Effective control of the business

As the custodian of governance, ensure that performance evaluations are executed for improved performance and effectiveness, the remuneration philosophy is fair and transparent and the necessary internal and external assurances are obtained, where needed.

Corporate governance continued

OVERVIEW

We embrace governance as a business enabler for value creation. The leadership of Adcock Ingram strives to achieve optimal governance practices. The Board, as custodians of governance, are committed to, and continuously work on ensuring that Adcock Ingram has appropriate governance structures, processes and practices that entrench ethical, effective, and responsible leadership in the Board, at executive level, as well as throughout the Group.

As a pharmaceutical and healthcare company, we require a unique range of skills to ensure there is a balance of technical knowledge, commercial skills and experience. The Board, with the assistance of the Nominations Committee, determines the required composition of skills in response to the rapidly changing environment and shifts in the industry and Adcock Ingram’s strategic objectives. Having the appropriate mix of knowledge, skills and experience ensures that the Board members, as a collective, are well-equipped to guide the Company.

The Board’s commitment to governance and best practices constantly drives improvement in the way the business is managed and ensures decisions are taken openly and transparently within an ethical framework. The Group’s business model is underpinned by a governance philosophy that supports the creation of measurable value for all our stakeholders.

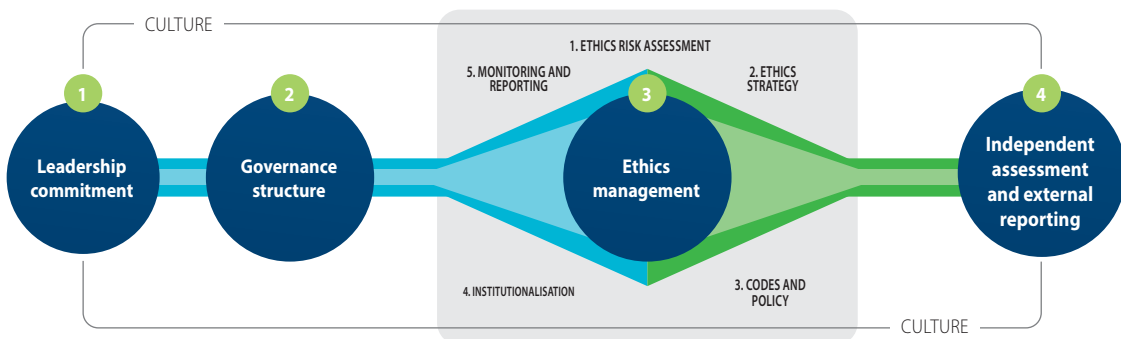
MEETINGS AND BOARD ATTENDANCE

	Board	Audit	Risk and Sustainability	Human Resources and Remuneration	Nominations	Social, ethics and transformation committee	Acquisitions
S Gumbi	4/4		4/4	3/3		3/3	
M Haus	4/4	4/4	4/4	3/3	2/2		2/2
C Manning	4/4	4/4		3/3	2/2	3/3	
D Ransby	4/4	4/4	4/4				2/2
M Sathegke	4/4		4/4		2/2		
N Madisa	4/4	3/4	3/4	3/3	2/2	3/3	2/2
L Boyce	4/4						
K Wakeford	4/4	4/4		2/3			2/2
A Hall	4/4	4/4	4/4	3/3	2/2	3/3	2/2
D Neethling	4/4	4/4	4/4			2/3	2/2
B Letsoalo	4/4			3/3	2/2	3/3	

ETHICAL CULTURE AND LEADERSHIP

The Board governs the ethics of the Company in a way that supports an ethical culture within the Company. Consequently, the Company has a zero-tolerance approach to unethical behaviour. Instilling an ethical culture is a business imperative, as it is about consistency and always doing the right thing.

Adcock Ingram subscribes to The Ethics Institute of South Africa’s recommended ethics framework as set out below:





Our Code of Conduct & Ethics is a value-based code aimed at governing the conduct of our employees and stakeholders. The SET Committee plays a key role in exercising oversight of the Company's ethics, ensuring that the Board is sufficiently equipped to deliver on its goal of maintaining a sustainable ethical culture within the Company. Although this responsibility has been delegated, the Board remains ultimately accountable for the way in which this is discharged by regularly reviewing and approving the following policies:

- Whistleblower Policy;
- Conflict-of-Interest Policy, which includes dealing in the Company's shares; and
- Code of Conduct & Ethics, that provides relevant guidance to Board members and employees.

WHISTLEBLOWING

A formalised ethics management programme, which incorporates a whistleblowing mechanism via Deloitte Tip-Offs anonymous, has been implemented and the effectiveness of this process is overseen by the Social, Ethics and Transformation (SET) and Risk Committees. Specific ethics-related issues reported are investigated and reported to the board committees to ensure sustained maintenance of an ethical foundation and culture. A whistle blower can contact the tip-off facility via one of the following six channels:

- Phoning the toll-free number;
- Fax;
- Email;
- Web portal;
- Post; or
- SMS text message (Deloitte will return the call).

The information provided by the whistle blower may result in a report which is sent anonymously via an online case management system to an independent investigator to facilitate the process. Investigations are conducted by Human Capital Management. However, investigations relating to fraudulent, sensitive, or financial matters are generally conducted by Internal Audit. Where necessary, advice and guidance will be obtained from the Group Legal Department. External investigators are used if necessary.

During the year under review, 80 contacts were received which resulted in 17 anonymous tip-offs via the tip-off line, resulting in the dismissals of five employees for the following conduct:

- theft of Company assets;
- falsifying of documents;
- creation of fraudulent suppliers and attempted creation of ghost employees; and
- falsifying of records in order to allow a family business to carry out services.



**Seen incidents of Theft? Bribery?
Fraud? Discrimination? Intimidation?**

**Report any wrongdoing to:
0800 212 762**

CONFLICTS OF INTEREST

Directors are required to avoid a situation where they may have a direct or indirect interest that conflicts with the Company's interests.

The Nominations Committee is responsible for assessing the independence of the directors on an annual basis. Independence is determined according to the Companies Act, JSE Listings Requirements and the recommendations of King IV.

Every Board and Board committee meeting is preceded by a declaration of interests on the matters that are on the meeting agenda. In a case where there are material interests, a director is excused from the meeting and does not participate in the decision-making on the matter. In addition, a general disclosure of interests is conducted on a quarterly basis and the interests register is maintained and kept by the Company Secretary.

The Conflict-of-interest policy further requires all employees to declare alternative business interests. Where there is a conflict of interest for an employee who is at management level, the CEO may consider approving such conflict with measures to limit the conflict.

Corporate governance continued

FUNCTIONING OF THE BOARD

In keeping with the spirit of effective leadership, the Board promotes strong principles of integrity within the Company, which aids in entrenching excellence in every facet of the business. The Board also provides continuous oversight of material matters, acting as an independent check and balance for the executive management team, whose main responsibility remains the management of the business. The directors are diverse in their academic qualifications, industry knowledge and experience which encourages robust debate at Board and committee level to ensure that appropriate and effective judgement and guidance are provided to management in delivering on the Company's strategic objectives.

The Board is governed by an approved Charter and the MOI, amongst others. The Charter regulates the parameters within which the Board operates and ensures the application of the principles of good corporate governance in all its dealings. The Charter sets out the roles and responsibilities of the Board and individual directors, the composition and relevant procedures of the Board, including the powers delegated to various Board committees and the relevant principles of the Group's approval limits and delegations of authority. The Charter ensures that there is a clear division of roles and responsibilities on the Board and that no Chairperson has a casting vote. The Charter is aligned with the provisions of relevant statutory and regulatory requirements, including, the Companies Act, the JSE Listings Requirements, King IV and the MOI.

CHAIRPERSON

As the Board is led by a non-independent non-executive Chairperson, in the objective and effective discharge of its governance role and responsibilities; a lead independent director is appointed to achieve a balance of power and reinforce accountability mechanisms on the Board. A clear separation of power exists between the Chairperson of the Board and the Chief Executive Officer.

COMPANY SECRETARY

The Company Secretary's primary role is to ensure that the Board is cognisant of its fiduciary duties and responsibilities. The Company Secretary plays a key role in providing guidance to the Board members on the execution of their duties.

All directors have unlimited access to the Company Secretary for advice to enable them to properly discharge their responsibilities and duties in the best interests of Adcock Ingram. The Company Secretary works closely with the Chairperson of the Board and has unfettered access to the chairpersons of the respective Board committees and executive directors, to ensure the proper and effective functioning of the Board

and the integrity of the Board governance processes, but maintains an arm's-length relationship with the Board and its members and is not a member of the Board.

The Company Secretary reports to the Board via the Chairperson on all statutory duties and functions performed in connection with the Company and administratively to the CFO. The assessment of the Company Secretary and secretarial function was conducted by the Board as part of the annual performance evaluation process. The Board can confirm that it has considered and is satisfied with the competence, qualifications, and experience of the Company secretary.

MEETINGS

The Board uses its meetings to discharge its governance and regulatory responsibilities. Board and Committee meetings are held quarterly, in line with the Group's financial reporting cycle and when deemed necessary, ad hoc meetings are held. Agendas follow an approved annual workplan and provide for the inclusion of important or urgent non-routine matters.

BOARD CHANGES/ SUCCESSION PLAN

The Board is committed to forward-thinking succession planning to ensure stability of leadership structures. There were no changes made to the Board composition during the year under review. However, the Nominations Committee considered the succession plan for the Board, and it was resolved that an additional independent non-executive director would be appointed to strengthen the Board and taking into consideration the imminent retirement of Prof Haus from the Board on 31 May 2023, due to him having reached the age of 70 and having been in the office for more than nine years.

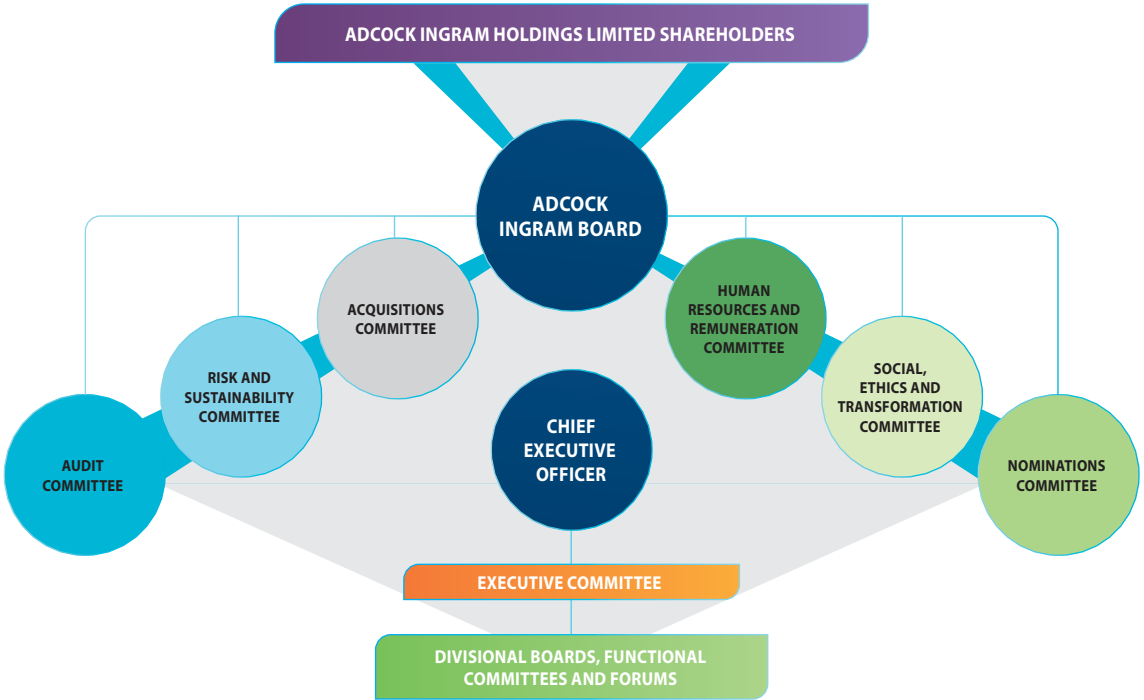
If deemed necessary and appropriate, the Board, on the recommendation of the NomCom, may extend a director's tenure, provided that the director is considered by the Board to possess unique skills which are required and desirable on the Board, and still adds value. Due to a majority of the non-executive directors having a tenure of less than three years on the Board, and the appointment of a new Chairperson to the Board, to ensure continuity, stability and the transfer of technical skills and institutional memory, Prof Haus' tenure was extended, after the nine-year period, by a further 24 months until 31 May 2023.

DIRECTOR DEVELOPMENT

Directors are encouraged to attend external director development and training programmes, at the cost of the Group, to ensure their knowledge of governance, amongst others, remains relevant. In addition, all newly appointed directors are required to participate in a Board induction programme that aims to holistically address all aspects of being a director, including an understanding of the JSE Listings Requirements, the legal and regulatory framework of the Company and the industry, Adcock Ingram's operations, and other matters deemed important in ensuring that the directors can adequately exercise their fiduciary duties. The induction programme also includes a tour of the Company's manufacturing and distribution facilities. In addition, the Board receives training via the Company Secretary who distributes appropriate and relevant training material to the Board members.

DELEGATION OF AUTHORITY

Our Delegation of Authority Framework provides role clarity by clearly delineating roles and areas of accountability and recognises the independent roles and duties required to effectively govern the Company. The authority and responsibility delegated to the lowest prudent management level is in accordance with the Company's values.



The membership of the various Committees was as follows:

Committee	BOARD	AUDIT	RISK	ACQ	REM	SET	NOM
MEMBERS	12	3	6	5	4	3	4
Non-executive directors							
Independent	6	3	4	1	3	2	3
Non-independent	3	-	-	2	1	-	1
Executive directors	3	-	2	2	-	1	-

Each Committee promotes strong principles of integrity within the Company while the Board remains the overall custodian of good corporate governance. There is a culture of delegation and trust by the Board with respect to the committees and the role they play in providing the Board with the necessary support and oversight of the Company. The Board is satisfied that the arrangements for delegation within its own structures promote independent judgement and assists with balance of power and the effective discharge of its duties. The Board is comfortable that the established committees are appropriate, relevant and adequate for the Group.

Although not a Board Committee, the Executive Committee (Exco), led by the Chief Executive Officer, is an integral committee as it is charged with the implementation of the strategy and is measured against strategy-aligned performance targets. Exco is a critical component in ensuring that the appropriate corporate culture permeates through the Group. The responsibilities of Exco are subject to the provisions of the Delegation of Authority Framework which provides for the assignment of authority, whilst enabling the Board to retain effective oversight.

Corporate governance continued

FOCUS AREAS FOR BOARD COMMITTEES

The key focus areas of the board committees are summarised below.

FOCUS AREAS IN 2022	
AUDIT COMMITTEE	<p>Considered the internal control environment of the Group and the integrity of financial reporting.</p> <p>Assessed the quality and effectiveness of the external auditor.</p> <p>Reviewed the annual financial statements and disclosures for appropriateness and integrity.</p> <p>Reviewed other external reports including those released on SENS.</p> <p>Considered the controls around the IT environment.</p> <p>Confirmed the application of a robust combined assurance process.</p> <p>Monitored compliance with all relevant legislative, regulatory and governance requirements.</p>
RISK AND SUSTAINABILITY COMMITTEE	<p>Oversaw the management of a Group-wide business risk assessment to identify the most significant commercial, financial, compliance and sustainability risks and implement processes and controls to mitigate these risks whilst also exploiting any opportunities that may present themselves.</p> <p>Gave specific attention has been given to information and technology, as well as cyber security.</p> <p>Assisted the Board in setting the risk strategy and policies in determining the Group's tolerance for risk.</p>
ACQUISITIONS COMMITTEE	<p>Considered proposed acquisitions and approved, where applicable, transactions in line with the strategy and financial guidelines.</p>
NOMINATIONS COMMITTEE	<p>Reviewed the Board and Committee composition and succession planning.</p> <p>Focused on recruiting additional independent non-executive director to enhance the existing skill, knowledge, and experience.</p> <p>Reviewed executive directors' succession planning.</p>
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE	<p>Evaluated the B-BBEE scorecard targets with specific focus on enterprise development and supplier development.</p> <p>Reviewed the robustness of health and safety protocols.</p> <p>Focused on employee wellness and COVID-19 vaccination campaigns.</p>
HUMAN RESOURCES AND REMUNERATION COMMITTEE	<p>Monitored the continued application of fair, responsible and transparent remuneration practices to promote competitiveness, achievement of strategic objectives, and positive outcomes in the short-, medium-, and long-term.</p> <p>Oversaw the implementation of the remuneration benchmark for the Company.</p> <p>Investigated and recommended a revised rule in the PBLTIS, to contain a retention element. This included shareholder engagement prior to the proposed implementation, to discuss the rationale of having awards subject to performance conditions and awards subject to retention, to mitigate flight risk. This was, however, not effected.</p> <p>Monitored remuneration fairness practices across the Group with reference to gender and race.</p>



BOARD APPRAISAL TO IMPROVE EFFECTIVENESS OF CONTROL

The Board conducted a comprehensive evaluation in 2021 which was facilitated by an independent service provider, and which is designed to identify areas of governance improvement. It involved a qualitative assessment of structures of leadership including the effect of then recent changes at the Board, dynamics in the boardroom including the culture, governance, nature of the relationship with stakeholders and efficacy of reporting.

In line with its Board Charter and King IV™, the Board and its committees conduct evaluations every alternative year. The Board committed to address the identified items in its workplan over the following two financial years.

During the year under review, the Board focused on addressing the key findings raised in the 2021 evaluations and the Board is comfortable with its progress in ensuring these are adequately addressed.

Key finding	Addressed through	Outcome
Strategy: A session to afford, especially new members, an opportunity to review the strategy.	A strategy session was held involving the Board, and the Managing Directors of the business units. Refer the Strategy section on page 36.	Completed
Composition: Strengthening of the Board to address identified skills gap.	The Nominations Committee has concluded the process. It was decided to appoint an additional independent non-executive director.	Completed
Delegation: A governance framework should be entered into between Bidvest and Adcock Ingram.	The Bidvest Group Governance Framework was considered and approved at a Board meeting.	Completed
Technology and information: evolution of strategy and governance, including capabilities, resources, and risks.	The IT Strategy and Landscape was presented to the Risk and Sustainability and Audit Committees.	Completed
Stakeholders: Invitees to meetings of committees and the Board to be re-evaluated.	The invitees to meetings of committees and the Board were re-evaluated and approved.	Completed
Structure: The succession plan for the Board should be formalised.	Once the new independent director commenced duties, the Board subcommittee composition and succession plan will be reviewed.	Completed

INFORMATION AND TECHNOLOGY (IT) GOVERNANCE

IT governance focuses on the performance, resource and risk management processes regarding information and technology. It includes the process used to monitor and control key decisions around information and technology for alignment with the overall business strategy and to ensure the delivery of value to stakeholders.

The Board assisted by both the Risk and Sustainability Committee and the Audit Committee promotes awareness of ethical IT governance, management culture and transparency, with internal audit providing independent assurance on the implemented frameworks, strategy, policy, procedures, and standards. The Risk and Sustainability Committee considers the technology and information risk register, including cyber security, on a regular basis.

KING IV

The Board has adopted a stakeholder-inclusive approach in the execution of its governance role and responsibilities and is guided continuously by its commitment to the principles of King IV™.

King IV™ recommendations are substantially entrenched in the Board's internal controls, policies, terms of reference and overall procedures and processes.

 The King IV™ disclosure can be found on www.adcock.com/documents/2022_KingIV.

Risk management

This report is presented by the Company's Risk and Sustainability Committee (Committee). The Group operates in an ever-evolving regulatory environment as well as navigating numerous external challenges, both locally and globally influenced. Over the last couple of years these included COVID-19, civil unrest, floods, conflict in eastern Europe impacting the supply chain, as well as the continued challenging macroeconomic conditions. These challenges highlight the importance of the Company's risk management process, and more importantly its agility and diligence in decision-making.

Roles and responsibilities

THE BOARD

The Board is responsible for the Group's risk governance which is achieved through the Risk and Sustainability Committee. The chairperson of the Audit Committee is also a member of the Risk and Sustainability Committee. The Board is updated on key risks and considers their residual level when formulating strategy, approving budgets and operational plans, and monitoring progress against business plan implementation. The Board ensures that an adequate level of assurance is provided on control processes related to significant risks. The Board has approved a policy that articulates and gives effect to its approach to risk governance.

THE COMMITTEE

The Committee has an independent role with accountability to the Board. It does not assume the functions of management, which remain the responsibility of the Executive Directors and senior management. The role of the Committee is to assist the Board to ensure that the Company implements an effective policy and plan for risk governance

that will enhance the Company's ability to achieve its strategic objectives; and that the disclosure regarding risk is comprehensive, timely and relevant.

The roles and responsibilities of the Committee are governed by a formal Terms of Reference, which is aligned with King IV™, and reviewed and approved annually by the Board.

Duties assigned to the Committee by the Board:

- Ensure an appropriate and effective control environment and clear parameters within which risk is managed.
- Oversee issues relating to operational sustainability.
- Oversee the conducting of a Group-wide business risk assessment to identify the most significant commercial, financial, compliance and sustainability risks and ensure that the necessary processes and controls to mitigate these risks have been implemented, whilst also exploiting any opportunities that may present themselves.
- Assist the Board in setting the risk strategy and policies in determining the Group's tolerance for risk.

COMPOSITION AND MEETINGS

The Committee consists of six (6) directors; four (4) are independent non-executive directors and two are executive directors. Four (4) scheduled meetings are held per year. A risk advisor from Marsh Risk Consulting (Adcock Ingram's risk advisors and insurance brokers), representatives from the external auditor, as well as various senior members of management, are permanent invitees to these meetings.

The Committee's composition, and meeting attendance during the year under review were as follows:

COMMITTEE MEMBERS	MEETING		MEETING ATTENDANCE
	ATTENDANCE	INVITEES	
CHAIRPERSON		N Madisa (Board Chairperson)	3/4
M Haus	4/4	J Smit (Marsh Risk Consulting)	4/4
MEMBERS		S Pietropaolo (Head Internal Audit)	4/4
S Gumbi	4/4	J Bhana (Medical Director)	4/4
A Hall	4/4	F Cronje (Operations and IT Executive)	4/4
D Neethling	4/4	T Walter (M&A, Risk and Strategy Executive)	4/4
D Ransby	4/4	K Ramnarian (PwC)	4/4
M Sathekge	4/4	G Niebuhr (PwC)	2/4
		R Jacobs (PwC)	2/4



PHILOSOPHY

Adcock Ingram is exposed to a broad range of risks that are inherent in pursuing and achieving sustainable growth. The Group's philosophy is not to entrench a compliance-driven process, but to rather develop a culture that views enterprise risk management (ERM) as a strategic enabler. This culture ensures proactive and appropriate action is taken, aimed at maximising opportunities and minimising adverse outcomes.

Adcock Ingram acknowledges that risk can never be totally eliminated, but is committed to ensure that the implemented ERM process aligns to best practices and adequately mitigates risks facing the business. This ensures that risk and control processes continuously evolve to improve decision-making.

Within each business unit and the Group as a whole, risk management processes have been designed and implemented to identify, assess, manage, monitor and report on significant risks on a continual basis. The Group views this approach as crucial in terms of achieving the appropriate balance between risk and reward. This enables management to protect the Group against avoidable risks and develop mitigating controls and plans related to unavoidable risks.

RISK GOVERNANCE

RISK IDENTIFICATION PROCESS

The ERM process is centrally coordinated by the Mergers & Acquisitions, Risk and Strategy Executive. As the Group's divisions have different product, market, operating and financial characteristics, the responsibility within the ERM process for identification of risks vests largely with the divisional management structures. The divisional risk registers are then analysed for any common or recurring themes across the Group. Functional executives and other specialists, including medical affairs, human capital, legal and tax, are consulted for their specific areas of responsibility.

The ERM process is conducted regularly in a systematic and formalised manner in a workshop type environment, with at least one of the four annual workshops using a "blue-sky" approach.

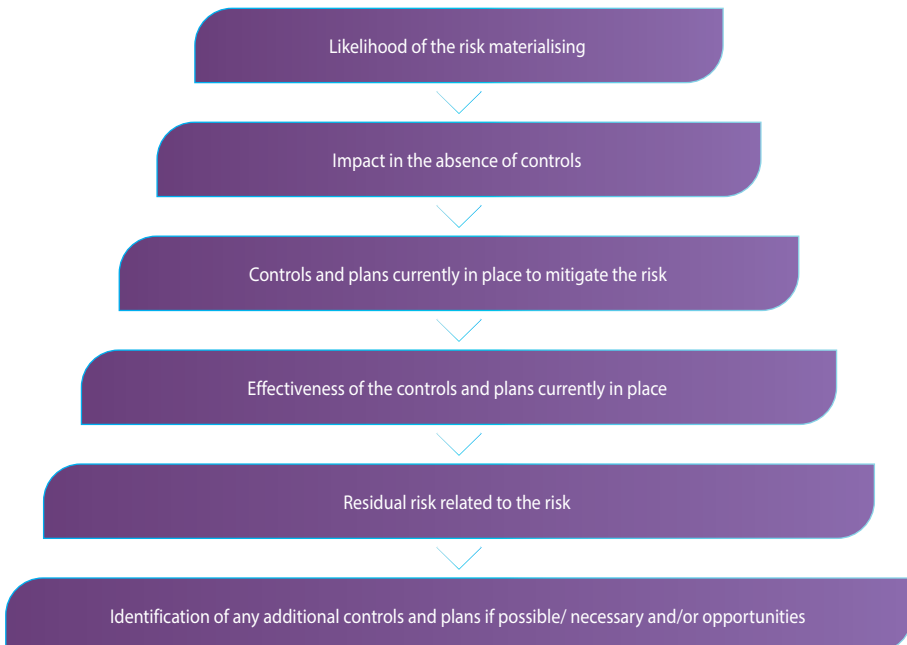
The workshops aim to identify:

- risks which may impact the achievement of strategic and business objectives; and
- other risks (such as operational risks) from various risk sources.

RISK MANAGEMENT PROCESS

Following the identification of risks, the aim is to manage and monitor the risks through the compilation of registers of significant risks. Risk registers, containing key business risks, are compiled, reviewed and updated on a quarterly basis. Registers are presented and discussed at various management levels and forums before they are presented and discussed at the Committee.

Once a risk is identified, the following is agreed:



Risk management continued

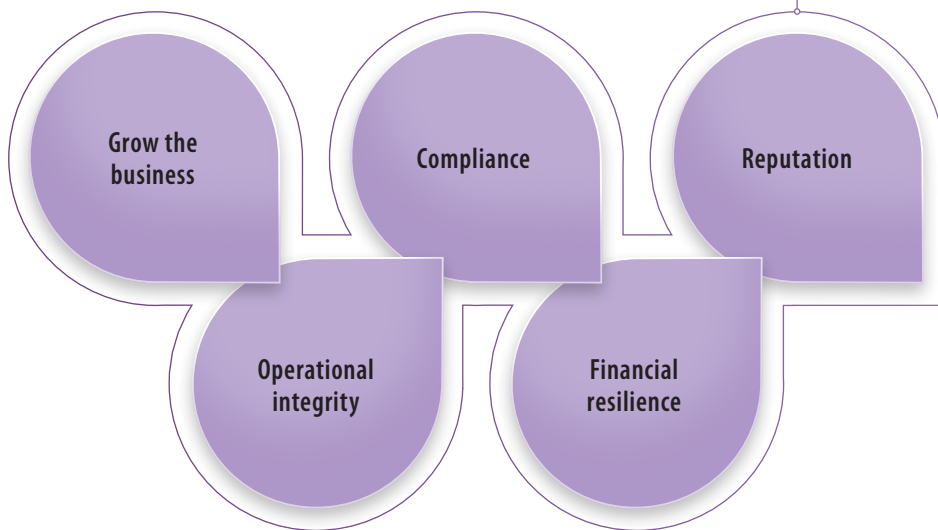
ADCOCK INGRAM RISK FRAMEWORK



As a company operating in the healthcare environment, the following main business drivers will preserve or enhance value for all stakeholders:

PRESERVE	ENHANCE
<ul style="list-style-type: none"> Regulatory compliance Drug and device safety Intellectual property Brand loyalty and reputation Customer service and trust Corporate governance Licences and technology partners relationships 	<ul style="list-style-type: none"> Growth in sales Market share growth Expand into new product portfolios Margin protection Innovation Increase in customer base and sales channels

The risk categories listed in the framework are areas of risks one would expect to find affecting a listed pharmaceutical and consumer healthcare organisation.



RISK ASSURANCE PROGRAM TO INFORM RISK THEMES AFFECTING VALUE

Combined assurance

The combined assurance model and process aims to optimise the assurance coverage obtained regarding key risk categories as well as key risks affecting the Company. The levels of assurance, provided by various assurance providers are:

FIRST LINE OF DEFENCE – MANAGEMENT

Activities and/or actions undertaken by management to obtain assurance that controls are effective and key risks are identified and adequately mitigated.

DIVISIONAL/FUNCTIONAL MANAGEMENT

Day-to-day identification, management and monitoring of risks:

- Design and implement the system of internal controls with regard to each division's operations in response to risks.
- Appropriate escalation of material risks via relevant governance structures.

Executive management, including the executive responsible for the facilitation and overseeing of risk management and compliance:

- Challenging and overseeing activities of divisional and functional executives.
- Design and implement policies and procedures as well as the strategy in response to material risks affecting the Group.

SECOND LINE OF DEFENCE – MANAGEMENT APPOINTED ASSURANCE PROVIDERS

Internal or external assurance providers who have been mandated by management to provide assurance that controls are effective and key risks are being adequately mitigated.

THIRD LINE OF DEFENCE – INDEPENDENT ASSURANCE PROVIDERS

Independent internal or external assurance providers that have been mandated at Board level to provide assurance that controls are effective and key risks are being adequately mitigated and escalated to the Board through the Risk and Sustainability Committee:

- Internal auditors
- External auditors (PwC)
- External risk and insurance consultants (Marsh)
- Other independent service providers such as the regulator

A review is done annually by internal audit on the overall risk management process to provide the Board and Committee with assurance over its effectiveness and robustness, by assessing the underlying processes within the businesses/departments against the requirements of the Group Risk Management Policy. Nothing has come to the attention of Internal Audit to indicate that the risk management process is not adequate and effective.

Risk management continued

INFORMATION AND TECHNOLOGY (IT) GOVERNANCE

IT governance focuses on the performance, resource and risk management processes regarding information and technology. It includes the process used to monitor and control key decisions around information and technology for alignment with the overall business strategy, and to ensure the delivery of value to key stakeholders.

Both the Committee and the Audit Committee promote the awareness of an ethical IT governance and management culture and provide transparency through regular reporting to the Board, with internal audit providing independent assurance on the implemented frameworks, strategy, policy, procedures, and standards.

The Committee considers the technology and information risk register on a regular basis.

The Board embraces the principle that technology and information should be

governed in a way that supports the Company in setting and achieving the Group's strategic objectives. The Board, through the Committee, is responsible for the governance of technology and information. The implementation and execution of effective technology and information management is delegated to management. The Operations and IT Executive regularly presents reports to the Committee on how these risks are approached and managed across the Group. Adcock Ingram has implemented several arrangements governing and managing technology and information including, but not limited to, putting in place a validation policy in terms of which technology and systems implementation are validated according to the Good Manufacturing Practices (GMP) and Pharmaceutical Inspection Co-operation Scheme (PIC/s) principles.

The effectiveness of technology and information management is monitored through a variety of internal systems including the following audit functions:

- Group Internal Audit performs audits on different parts of the Company to test the effectiveness of internal controls.
- Group Quality Assurance uses industry best practices to ensure continuous improvement of Adcock Ingram's quality systems, processes, technologies, infrastructure, regulatory compliance, and technical support.
- Audits conducted by SAHPRA and other regulators on the various Adcock Ingram sites include an element of assessing the technology infrastructure and controls.
- Audits conducted by pharmaceutical companies that make use of Adcock Ingram's infrastructure.
- Audits conducted by the external auditors in accordance with the law.
- The implementation of the Information Governance Policy.

KEY AREAS OF FOCUS DURING 2022

- Continuous improvement of the cyber security environment.
- Continuous improvements of a secure and efficient work-from-home environment.
- The completion of required infrastructure upgrades.
- Increased focus on factory metrics, dashboards, and reporting.
- Continuous application system enhancements and expansions.
- The technical environment integration of the Plush business.
- Phase 1 implementation of an electronic documentation management system.
- Phase 1 implementation of an integrated plant asset and maintenance management system at Wadeville factory.
- Digitalisation of certain business processes.

PLANNED AREAS FOR FUTURE FOCUS

- Further enhancements to the IT security environment.
- Continuous digitalisation of business processes.
- Continue with the roll-out of the electronic documentation management system across all parts of the business.
- Enhance systems and integration towards a pharma 4.0 systems environment.
- Upgrades of the technical environment as planned.

IT SECURITY STATISTICS¹

Malware detected on **0,2%** of inbound messages

Malware detected on **0%** of outbound messages



30% of inbound messages rejected

0% of outbound messages rejected

¹ Mimecast

RESPONSE TO THE KWAZULU-NATAL UNREST AND FLOODS

During the current financial year, Adcock Ingram's operations were impacted by two significant events in Kwazulu-Natal. In July 2021, widespread riots, looting, and unrest resulted in significant damage to property and infrastructure throughout the greater eThekweni region. As the region started to recover from this event, it experienced the worst floods in more than 30 years in April 2022. Thankfully Adcock Ingram's infrastructure was largely undamaged, but the events did result in disruption to the operations.

During both incidents, Adcock Ingram responded in ensuring that our logistics operations were able to return to normal as soon as possible, as per the disaster recovery plan. Measures taken included:

- Establishing a dedicated committee to co-ordinate our response measures to these abnormal events.
- Ensuring that staff welfare was front of mind by providing food hampers and bottled water to all staff.
- Increasing security at our facilities in the area. Additional security was also provided for high-value deliveries to known trouble-spots.
- During the height of the July unrest, a flight was chartered to deliver much-needed renal supplies to the province, for onward distribution to home-dialysis patients.
- Providing extended credit terms to pharmacies and retailers affected by the looting.
- R1 million was donated to ICPA to assist looted pharmacies in KZN.
- R2 million was donated to NPOs that assisted with disaster recovery efforts after the floods.

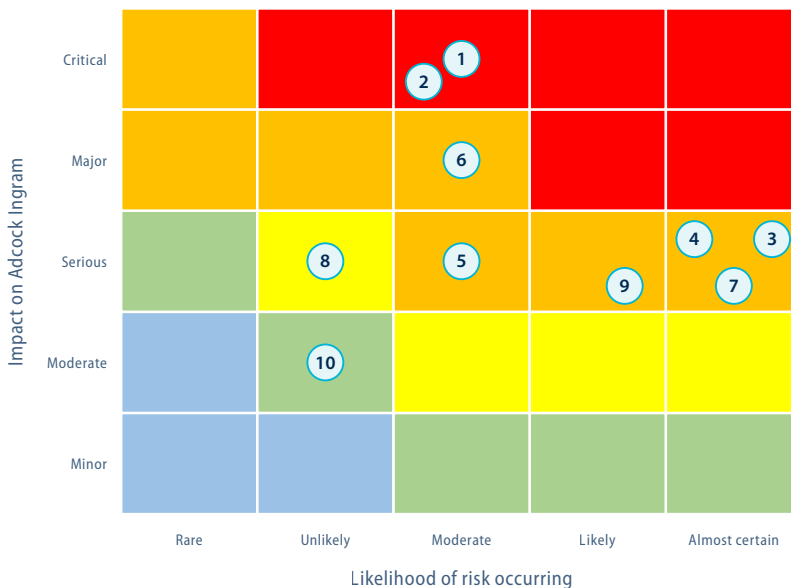
KEY RISKS FACING OUR BUSINESS

The following are the top risks applicable to the Group and include the various lines of defence to promote transparency and accountability across the entire ERM value chain:

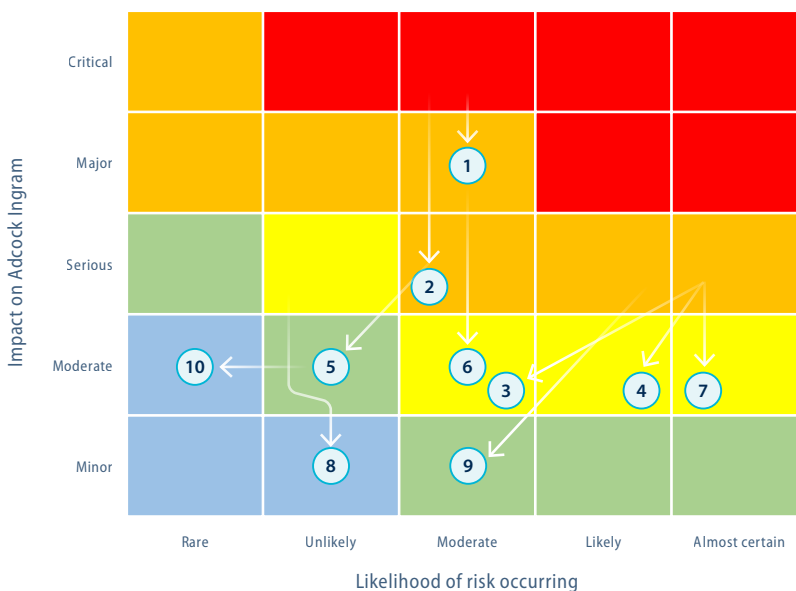
Risk	Level 1 Management Assurance			Level 2	Level 3	Board committee	
	Exco	Division	Divisional/ Functional Executive	Management appointed service providers	Independent assurance providers		
1	Sustainability of licensing, distribution and supply agreements	✓	✓	MDs/Legal	Third party legal counsel/ Independent economists		Risk and Sustainability
2	Large portfolio of relatively old molecules	✓	✓	MDs/M&A/ Medical		SAHPRA	Acquisitions Risk and Sustainability
3	Highly regulated industry	✓	✓	GQA & Medical / Legal /MDs	Multinational and principal auditors/ Third party legal counsel	SAHPRA	Risk and Sustainability
4	Weak economic environment	✓	✓	Finance/MDs	Andisa	Internal audit/ Marsh	Risk and Sustainability Audit Social, Ethics & Transformation
5	Product recall	✓	✓	QA & Medical		SAHPRA	Risk and Sustainability
6	IT environment vulnerability	✓	✓	Information Technology	An ethical hacker	PwC/Internal audit	Risk and Sustainability Audit
7	SEP increases not in line with rising costs	✓	✓	Finance/ MDs/M&A			Acquisitions Risk and Sustainability Audit
8	Inability to maintain service levels and market share	✓	✓	Distribution/ MDs	Multinational and principal auditors	Internal audit/ IQVIA	Risk and Sustainability
9	Human capital risks relating to the labour market, scarcity of skills, and retention	✓	✓	HC&T / Legal	Third party legal counsel	Internal audit/DG Capital	Social, Ethics & Transformation Human Capital and Remuneration
10	Impact on our competitiveness should we not achieve the required B-BBEE accreditation	✓	✓	HC&T / Legal	Empowerlogic	Dtic	Social, Ethics & Transformation



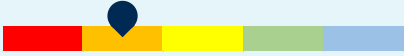
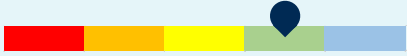


Risk management continued

MAPPING OF UNTREATED KEY RISKS















MAPPING OF KEY RISKS AFTER APPLICATION OF CONTROLS





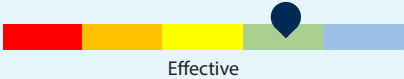
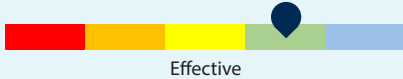


Risk:	1. SUSTAINABILITY OF LICENSING, DISTRIBUTION, AND SUPPLY AGREEMENTS	2. LARGE PORTFOLIO OF RELATIVELY OLD MOLECULES
Strategic pillar which mitigates this risk:	 INNOVATION AND GROWTH	 INNOVATION AND GROWTH
Mitigating controls:	<p>Ongoing maintenance of partner and supplier relationships.</p> <p>Negotiation and conclusion of multi-year partnership agreements.</p> <p>Broad portfolio of products across multiple price points and treatment areas to mitigate the potential loss of any one partner.</p> <p>Regular contract and progress reviews, and audits by partners.</p>	<p>Ongoing new business development activities to diversify the product portfolio.</p> <p>Pursuit and signature of partnerships for the licensing and distribution of new products.</p> <p>Product innovation and line extensions within existing brands.</p> <p>Engagement with relevant stakeholders to promote the responsible use of codeine-containing products.</p>
Quality of existing controls:	 <p>Partially effective</p>	 <p>Effective</p>
What we achieved during 2022:	<p>Successfully re-negotiated the NovoNordisk and Lundbeck sales and distribution agreements.</p> <p>Concluded a 5-year sales and distribution agreement with Novartis for their local ophthalmic portfolio.</p>	<p>Acquired a range of Prescription and OTC brands from Aspen Pharmacare.</p> <p>Prescription launched a total of 12 new products during the year and successfully concluded a sales and distribution agreement with Novartis for their ophthalmic portfolio.</p> <p>OTC concluded an agreement with Mundipharma for the distribution of Betadine and Teejel.</p> <p>Consumer acquired a range of personal care products from Peppina and launched a number of new brand- and line-extensions during the year.</p> <p>Ongoing engagement with to SAHPRA and other stakeholders on the Codeine Care Initiative.</p>
Opportunities identified as a result of this risk:	<p>Successful management of a partner agreement, together with strong working relationships can result in the agreement expanding to additional products or treatment areas.</p>	<p>Diversification into new, more-modern molecules and treatment types.</p> <p>Diversification into non-codeine based analgesic treatments.</p> <p>Expansion into adjacent product categories (e.g. homecare).</p>
Capitals impacted:		

Risk management continued



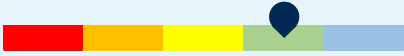



Risk:	3. HIGHLY REGULATED INDUSTRY	4. WEAK ECONOMIC ENVIRONMENT
Strategic pillar which mitigates this risk:	 OPERATIONAL EXCELLENCE	 OPERATIONAL EXCELLENCE / RESPONSIBLE CORPORATE CITIZEN
Mitigating controls:	<p>Robust policies and procedures, audits, quality assurance and group quality control systems, both at internal and supplier facilities.</p> <p>Constant interaction with the regulator and industry bodies.</p> <p>Maintain fully compliant supply chain, with required investment into facilities.</p> <p>Regular facilities and supplier audits.</p> <p>Ongoing portfolio diversification into less regulated areas.</p>	<p>Maintaining a well-diversified and affordable product portfolio.</p> <p>Continued focus on cost control and containment throughout the business.</p> <p>Stand-by power in place at all key sites, with increased focus on installing renewable energy supply at key sites.</p> <p>Additional water storage tanks are in place at high water usage sites.</p> <p>Hedging of all foreign-denominated purchases.</p> <p>Ongoing diversification of product portfolio and innovation.</p>
Quality of existing controls:	 <p style="text-align: center;">Effective</p>	 <p style="text-align: center;">Effective</p>
What we achieved during 2022:	<p>Clayville ophthalmic facility received its operating license in December 2021.</p> <p>Successfully completed several audits from multinational partners with no significant findings.</p> <p>High standard of regulatory compliance in all pharmacovigilance and promotional activities.</p> <p>Non-regulated revenue now comprises 28% of total business revenues, bolstered by the inclusion of Plush, Epimax, Peppina and the Abbott range of new rapid diagnostic tests.</p>	<p>Achieved revenue growth of 12%, and an improvement in the gross margin to 35.1%</p> <p>Solar photo-voltaic electricity generation was installed at the Midrand and Cape Town sites.</p> <p>Projects for the installation of solar generating capacity at Clayville and Durban is in the planning phase.</p> <p>Successfully navigated the July 2021 unrest and April 2022 floods with minimal damage, losses, or disruption to operations.</p>
Opportunities identified as a result of this risk:	<p>Expansion into less regulated segments (e.g. homecare, vitamins and supplements, pathology).</p>	<p>The risks posed by using the Durban harbor as the main port for imported goods prompted the Group to trial, and then permanently adopt imports of product through the Cape Town and Gqeberha harbors.</p>
Capitals impacted:		

Risk:	5. PRODUCT RECALL	6. IT ENVIRONMENT VULNERABILITY
Strategic pillar which mitigates this risk:	 OPERATIONAL EXCELLENCE	 OPERATIONAL EXCELLENCE
Mitigating controls:	<p>Vigilant and thorough quality assurance management of all product releases, post importation testing and stability testing.</p> <p>Compliant pharmacovigilance reporting service to record, monitor and report adverse reactions or quality issues from healthcare practitioners and patients.</p> <p>Quarterly quality management reviews performed at each site.</p> <p>Regular independent third-party audits (from regulators and license partners) of manufacturing and distribution sites.</p> <p>Professional, competent, and experienced regulatory management team to co-ordinate and manage any potential quality failure and/or recall situation.</p>	<p>Cyber-security action plan constantly reviewed and updated.</p> <p>Installation and maintenance of firewalls, antivirus software and regular penetration tests conducted.</p> <p>Annual penetration test by ethical hacker.</p> <p>Disaster recovery plans in place with bi-annual backup and recovery tests conducted.</p> <p>Appropriate controls implemented to facilitate a work-from-home environment as required.</p> <p>A competent team of IT professionals.</p>
Quality of existing controls:	 <p style="text-align: center;">Effective</p>	 <p style="text-align: center;">Effective</p>
What we achieved during 2022:	<p>Successfully executed two minor product recalls during the financial year.</p>	<p>No known instances of hacking or intrusion into the Adcock Ingram network during the year.</p> <p>All areas for improvement from ethical hacker's previous audit successfully implemented.</p> <p>Implementation of artificial intelligence solutions to monitor networks, usage logs and access points for suspicious behavior.</p>
Opportunities identified as a result of this risk:	<p>Quality and formulation issues identified on a product are proactively tested against other products with similar ingredients/formulations.</p>	<p>As cybersecurity threats develop and evolve rapidly, the Group's information and technology security team are constantly evaluating the latest threats and which technology platforms, coupled with the appropriate changes to the control environment, can be deployed to counter these threats.</p>
Capitals impacted:		

Risk management continued

<p>Risk:</p>	<p>7. SEP INCREASES NOT IN LINE WITH RISING COSTS</p>	<p>8. INABILITY TO MAINTAIN SERVICE LEVELS AND MARKET SHARE</p>
<p>Strategic pillar which mitigates this risk:</p>	 <p>OPERATIONAL EXCELLENCE / INNOVATION AND GROWTH</p>	 <p>OPERATIONAL EXCELLENCE / INNOVATION AND GROWTH</p>
<p>Mitigating controls:</p>	<p>Diversification into non-price regulated products.</p> <p>Regular meetings with industry bodies, and the Department of Health Pricing Committee.</p> <p>Purchasing forward cover for all foreign-denominated purchases.</p> <p>Ongoing expense management.</p>	<p>Implementation of:</p> <ul style="list-style-type: none"> digital and remote customer engagement technologies, in line with the latest trends and consumer preferences; and appropriate marketing and sales strategies across the organization. <p>Service level agreement with key logistics service provider, with regular monitoring of service levels achieved.</p>
<p>Quality of existing controls:</p>	 <p>Effective</p>	 <p>Effective</p>
<p>What we achieved during 2022:</p>	<p>SEP increase of 3.5% implemented in January 2022.</p> <p>Average price increase of 1.5% achieved.</p> <p>Improved levels of recoveries achieved at Wadeville during the year.</p> <p>Maintained number two (2) market share position in the private market.</p>	<p>98.5% service level achievement on deliveries to customers.</p> <p>Continued use of e-detailing, electronic calling, and electronic launches of new products.</p> <p>Piloted the use of electronic patient information leaflets accessed via QR codes on certain product packaging.</p> <p>Increase of product sales via e-commerce channels.</p>
<p>Opportunities identified as a result of this risk:</p>	<p>Continued expansion into non-price regulated healthcare products such as pathology, nutrition and vitamins and supplements.</p> <p>Increase throughput at manufacturing facilities.</p>	<p>The use of digital customer interfaces and social media marketing platforms are increasingly being used to engage with customers, both to provide information and to receive feedback and comments regarding our products.</p>
<p>Capitals impacted:</p>		




<p>Risk:</p>	<p>9. HUMAN CAPITAL RISKS RELATING TO THE LABOUR MARKET, SCARCITY OF SKILLS AND RETENTION</p>	<p>10. IMPACT ON COMPETITIVENESS SHOULD REQUIRED B-BBEE LEVEL NOT BE ACHIEVED</p>
<p>Strategic pillar which mitigates this risk:</p>	<p> RESPONSIBLE CORPORATE CITIZEN</p>	<p> RESPONSIBLE CORPORATE CITIZEN</p>
<p>Mitigating controls:</p>	<p>Ongoing employee engagement including labour forums at each site.</p> <p>Engagement with trade unions on an ongoing basis, with multi-year wage agreements with the bargaining council.</p> <p>Strike action and contingency plans maintained.</p> <p>Short- and long-term incentive schemes in place for various management levels.</p> <p>Succession planning in place for key positions.</p> <p>Ongoing training and development of employees.</p>	<p>All elements of the scorecard are integrated into the Executive Director: HC and Transformation's work-plan.</p> <p>Focused on:</p> <ul style="list-style-type: none"> - migration of procurement spend to B-BBEE compliant suppliers; - gender and racial representation at Board and management level; and - investment in various enterprise and supplier programmes to diversify risk and maximise B-BBEE points. <p>Action plan in place to align any acquired businesses to Adcock Ingram B-BBEE practices and scorecards.</p>
<p>Quality of existing controls:</p>	<p></p> <p>Effective</p>	<p></p> <p>Highly effective</p>
<p>What we achieved during 2022:</p>	<p>No strike action occurred during the 2022 financial year.</p> <p>Implemented e-learning courses in collaboration with the University of the Witwatersrand.</p> <p>Continued with a further intake of graduate internships.</p> <p>Implemented a holistic wellness programme.</p>	<p>Achieved Level 2 B-BBEE rating in November 2021.</p> <p>Maintained high levels of inclusivity and diversity on the Board.</p> <p>Continued our partnership with Optimum Learning Technologies for artisan training, contributing to the upskilling of artisans in several industries.</p> <p>Increased preferential procurement spend.</p>
<p>Opportunities identified as a result of this risk:</p>	<p>Due to the scarcity of skills, ongoing development of our internal management team is viewed as a priority, essentially "growing our own timber" to provide the next generation of leaders.</p>	<p>The training programme for artisans not only contributes towards increasing the overall pool of technical skills in the country, but will also supply a means towards upskilling Adcock Ingram's artisans to improve the overall operational functionality of our facilities.</p> <p>Although the primary aim of the MyWalk initiative is to provide school shoes to underprivileged children, the materials used in the manufacturing of these shoes are fully recycled, and reduces volumes at landfills, and therefore environmentally friendly.</p>
<p>Capitals impacted:</p>	<p></p>	<p></p>

Executing our strategy

2022 STRATEGY REVIEW

During the past year, Adcock Ingram conducted a review of its strategy, which included an assessment of the progress over the past five years against the existing strategy, a review of the key current and expected macroeconomic, social, technology, regulatory and other trends affecting South Africa and the local pharmaceutical industry, as well as a critical assessment of the appropriateness of the existing strategy and changes required to ensure that Adcock Ingram remains competitive and relevant to all stakeholders.

The outcome from this review was, whilst the existing 3-pillar strategy was largely fit for purpose, some adjustments were required to ensure the Group maintains its relevance and competitive advantage. The changes to the three pillars are set out below:

EXISTING PILLAR	REVISED PILLAR	RATIONALE FOR CHANGE
 <p>BUILDING ON THE FOUNDATION</p>	 <p>OPERATIONAL EXCELLENCE</p>	<p>Although Adcock Ingram focuses on the South African market, it is competing against global players. The businesses operations therefore need to be executed productively and efficiently to allow us to operate at the same efficiency as our competitors.</p>
 <p>GROWTH AND EXPANSION</p>	 <p>INNOVATION AND GROWTH</p>	<p>Whilst the need for growth through partnerships and acquisitions remains vital, the role of innovation in driving product development and differentiation is increasingly important to meaningfully differentiate our offerings to the market.</p>
 <p>TRANSFORMATION</p>	 <p>RESPONSIBLE CORPORATE CITIZEN</p>	<p>The existing pillar had largely focused on maintaining and improving Adcock Ingram's contribution towards transformation in the South African context, with a strong focus on B-BBEE. The Group recognizes that, in order to address the requirements of ESG, the focus needs to broaden into areas beyond B-BBEE including environmental sustainability, making a positive social impact on the communities we serve and ensuring our governance structures comply with the highest standards.</p>

THE KEY STRATEGIC INITIATIVES UNDER EACH PILLAR ARE:

The reporting back of progress against our strategy will be ordered according to the updated strategic pillars:



OPERATIONAL EXCELLENCE

- | | |
|---|--|
| <ul style="list-style-type: none"> • Sales and marketing excellence • Regulatory compliance • Maintain service levels • Cost control • Extracting manufacturing efficiencies | <ul style="list-style-type: none"> • Key staff and leadership retention • Targeted investment in technology and operational automation • Driving a culture of diversity and inclusion, responsibility, accountability and fun |
|---|--|



INNOVATION AND GROWTH

- | | |
|--|--|
| <ul style="list-style-type: none"> • In a low-growth, regulated environment, our aspirations will not be achieved through organic growth alone. | <p>Growth will be achieved through:</p> <ul style="list-style-type: none"> • partnerships • product development • expansion of distribution • acquisitions of brands, portfolios, and/or businesses <p>Ongoing development of the generic product pipeline</p> |
|--|--|



RESPONSIBLE CORPORATE CITIZEN (ESG)

- | | |
|---|---|
| <ul style="list-style-type: none"> • Where this pillar previously focused largely on addressing injustices from the past, the focus now broadens towards ensuring that Adcock Ingram contributes meaningfully towards a more ethical, sustainable and inclusive future for all South Africans: | <ul style="list-style-type: none"> • leading and acting ethically and with integrity • improving environmental sustainability through reductions in our water, carbon and waste footprint • achieving representativity in our workforce (gender and race) • improving supply chain transformation of local, ethical suppliers • B-BBEE (transformation) remains a key component of this pillar |
|---|---|

Executing on our strategy continued



OPERATIONAL EXCELLENCE

SALES AND MARKETING EXCELLENCE	REGULATORY COMPLIANCE	MAINTAIN SERVICE LEVELS	COST CONTROL
<ul style="list-style-type: none"> Achieved growth in revenue of 12%. The OTC “war-on-shelves” campaign was successful in improving visibility and sales through pharmacies. Packaging revitalisation executed for Plush, GynaGuard and Epi-max. Increased marketing campaigns for key consumer brands, including Panado, Epi-max, Plush and ProbiFlora. 	<ul style="list-style-type: none"> Maintained existing high standard of regulatory compliance. Ongoing digitisation of records and processes in line with GMP and Pharma 4.0 standards. Successful completion of a number of audits by SAHPRA, other regulators and multi-national corporations across all sites. Introduction of digital product information via QR codes on packaging. 	<ul style="list-style-type: none"> 98.5% service level achieved in customer deliveries. Maintained supply of products during the July 2021 unrest in Gauteng and KwaZulu-Natal, as well as during the floods in the latter during April 2022. 	<ul style="list-style-type: none"> Operating expenses growth of 10%, below the growth in sales. Achieved working capital growth below that of sales. Prudent capex.

MANUFACTURING EFFICIENCIES	STAFF AND LEADERSHIP RETENTION	DRIVING A CULTURE OF DIVERSITY, INCLUSION, RESPONSIBILITY, ACCOUNTABILITY AND FUN	INVESTMENT IN TECHNOLOGY AND OPERATIONAL AUTOMATION
<ul style="list-style-type: none"> Completion of the new Aeroton gowning area and other GMP enhancements. Clayville sterile facility approved for production of eye drops. Improved adherence to production plans, and resultant improvement in recoveries at Wadeville and Clayville plants. Implementation of Near Infrared Spectroscopy (NIRS) testing of raw materials in factories. Use of various new technologies in laboratories to improve the speed and accuracy of testing. 	<ul style="list-style-type: none"> All executive directors and executive members retained. Succession plans in place for key management roles. In excess of R1.5 million invested in management training, including enrolling 15 middle managers on the Management Advanced Programme at Wits Business School. 	<ul style="list-style-type: none"> Conducted an extensive COVID-19 vaccination drive across all sites, resulting in 86% of employees receiving vaccinations. Implemented a “return to office” programme for employees who had been working from home at the height of the pandemic. Support provided to those employees affected by the KZN unrest and floods. Support offered for employees affected by mental health issues. 	<ul style="list-style-type: none"> Roll-out of first phase of document management solution in the Hospital business. Phase 1 implementation of enterprise asset management (EAM) system. Implementation of electronic customer credit application and verification systems. Automated vendor onboarding and verification tool integrated to ERP system.



INNOVATION AND GROWTH

PARTNERSHIPS	PRODUCT DEVELOPMENT	EXPANSION OF DISTRIBUTION	M&A	DEVELOPMENT OF PRODUCT PIPELINE
<ul style="list-style-type: none"> • Concluded a 5-year agreement to market and distribute Novartis' ophthalmic range in SA. • Partnered with Mundipharma to market and distribute the Betadine and Teejel products through OTC. • Successfully renewed long-standing partnerships with Novo-Nordisk and Lundbeck. • Manufacture and supply the Spar Germex range of cleaning products. • Conclusion of distribution deal with Karo Pharma to market and distribute their products locally. 	<ul style="list-style-type: none"> • Relaunch of Stopayne tablets (after an 8 year hiatus). • Launch of: <ul style="list-style-type: none"> • Panado Paediatric syrup sachets; • Bioplus stimulant free range; • Plush thick and thin bleach range; • ProbiFlora Fit for School paediatric range; and • Gummi Vites Sugar-free. 	<ul style="list-style-type: none"> • Increased sales through e-commerce retailers. • Launch of Exuviance skincare range in more than 50 Sorbet salons. • Obtained listings of Consumer products in all Shoprite Usave and limited Food Lover's Market stores. • Increase of sales of consumer products through wholesalers, in turn increasing distribution into the informal trade. 	<ul style="list-style-type: none"> • Acquired a further portfolio of brands from Aspen. • Acquired range of personal care and VMS brands from Peppina. 	<ul style="list-style-type: none"> • Total of 12 product launches in the Prescription division. • Launch of various new products by OTC. • Expanded the pipelines of the OTC and Consumer divisions.



RESPONSIBLE CORPORATE CITIZEN

LEADING AND ACTING ETHICALLY	ENVIRONMENTAL SUSTAINABILITY	WORKFORCE REPRESENTATIVITY	SUPPLY CHAIN TRANSFORMATION	B-BBEE
<ul style="list-style-type: none"> • Won the Standard Bank Top Women-Empowered Company Corporate Citizenship Award. • The OTC division was recognised by The Independent Community Pharmacy Association (ICPA) for their contributions to pharmacies affected by the July 2021 KwaZulu-Natal unrest. 	<ul style="list-style-type: none"> • Installation of solar photo-voltaic electricity generation at Midrand and Cape Town sites. • Implemented a programme to measure and manage waste in the business. • MyWalk initiative manufactured 64,000 pairs of shoes from recycled drip-bags. • Adcock Ingram compliant with the Extended Producer Responsibility regulations of the Department of Environmental, Forestry and Fisheries. • Achieved an average score of 98.5% across all sites for the Environmental Control System (ECS) audits that are independently conducted by Marsh Consulting. 	<ul style="list-style-type: none"> • 50% of permanent staff are women, with 85% of employees being black. • 73% of management employees are black. • Won the Standard Bank Top Women-Empowered Company in Health and Pharmaceuticals Award. • 23 graduates absorbed into full-time positions. 	<ul style="list-style-type: none"> • Successfully navigated the disruptions in the global supply chain caused by COVID-19 (and more recently the conflict in Eastern Europe), with no significant stock outages. • R127 million spent with Qualifying Small Enterprises (QSE's) and R144 million with exempted micro enterprises. • Spend with black-owned entities increased to R590 million with R49 million spent with black female-owned businesses. 	<ul style="list-style-type: none"> • Achieved Level 2 accreditation (Nov 2021). • Ongoing initiatives in place to maintain this level of accreditation.

Stakeholder engagement

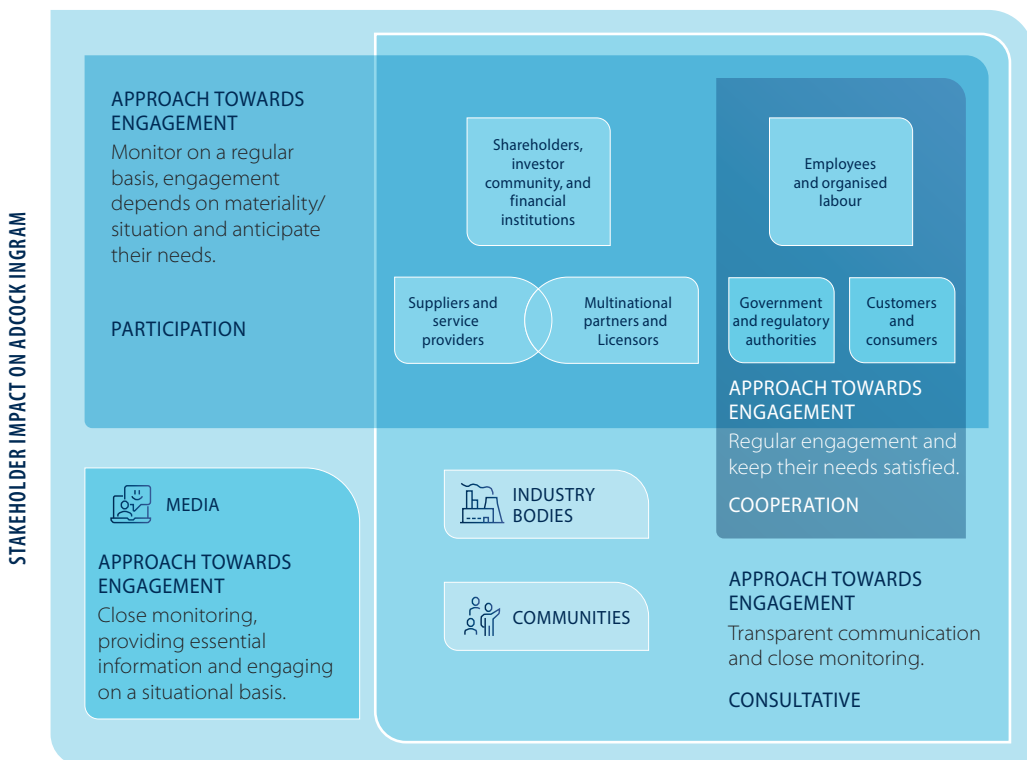
At Adcock Ingram, we always seek to understand our stakeholders' needs and expectations to identify synergies with our aspirations and formulate mutually satisfying responses. Hence, we carefully developed a comprehensive stakeholder management relations policy, as a framework for upholding our commitment to social and relationship capital.

IDENTIFICATION OF KEY STAKEHOLDERS

STAKEHOLDERS (GROUPS OR INDIVIDUALS) HAVE BEEN IDENTIFIED AND GROUPED AS FOLLOWS:	ANOTHER APPROACH TO ENSURE ALL KEY STAKEHOLDERS WERE CONSIDERED WAS TO IDENTIFY:
<ul style="list-style-type: none"> those affected by Adcock Ingram's business activities, outputs or outcomes; or those whose actions can affect Adcock Ingram's business activities, outputs or outcomes, and the Company's ability to create value over time. 	<ul style="list-style-type: none"> internal stakeholders – those directly affiliated with the Company as they would normally be regarded as key; and external stakeholders – which could include groups like trade unions, customers and government.

Following this approach, the following key stakeholder groupings were identified and mapped according to either their level of influence on the Company, or vice versa. Adcock Ingram's approach to stakeholder engagement is based on the level of influence by the Company, and influence on the Company.

ADCOCK INGRAM IMPACT ON STAKEHOLDERS





ASSESSMENT OF QUALITY OF THE RELATIONSHIP

The frequency and the nature of communication with stakeholders determines the quality of the relationship and is measured over four intervals, from having no relationship to having a strong and beneficial relationship.



STAKEHOLDER DETAILS

The following table sets out the methods of engagement, the needs and expectations, the value derived from the relationship, as well as the assessed quality of the relationship.

METHOD OF ENGAGEMENT	NEEDS AND EXPECTATIONS	CONTRIBUTION TO VALUE CREATION
		
1. CUSTOMERS AND CONSUMERS SR		
<p>Personal visits to customers by sales personnel, managers and executives.</p> <p>Other interactions include:</p> <ul style="list-style-type: none"> • continuing professional education; • customer surveys; • a customer call centre; • advertising and promotional activities; • brand websites; • consumer focus groups; and • education campaigns. 	<p>Supply of safe, quality, efficacious and affordable medicines through appropriate channels.</p> <p>Ethical, factual and professional interactions with healthcare practitioners.</p> <p>Improving our service levels.</p> <p>A business partnership, supportive for sustainable businesses.</p>	<p>Business growth through premium service levels and brand loyalty.</p> <p>Customers provide extensive footprint through their expansion initiatives.</p> <p>Prescribers' loyalty to our products.</p>
		
2. EMPLOYEES AND ORGANISED LABOUR HC		
<p>Internal communications including:</p> <ul style="list-style-type: none"> • corporate e-mails; • screensavers, and plasma screens; • quarterly newsletters; and • updates on the intranet where employees can also access relevant policies and procedures. <p>Training and development initiatives.</p> <p>Site management/shop steward meetings, site forum employment equity meetings, trustee meetings and conferences.</p>	<p>Employees expect the following:</p> <ul style="list-style-type: none"> • job security; • a stimulating and rewarding work environment; • prospects of career growth; • health, wellness, and safety at the workplace; • diversity, inclusivity and belonging; and • equal pay for equal roles. 	<p>A well-motivated employee base, living the Adcock Ingram values, forms the foundation of our success as an organisation.</p> <p>Employees taking part and are proud of the Company's contribution to society.</p> <p>An integrated wellness offering, supporting employees through various challenges, including but not limited to, financial advice, mental health, and trauma.</p> <p>Regular engagement with organised labour maintains open communication and a productive workforce.</p>

Stakeholder engagement continued

METHOD OF ENGAGEMENT	NEEDS AND EXPECTATIONS	CONTRIBUTION TO VALUE CREATION
<div style="display: flex; justify-content: space-between; align-items: center;">  <div style="text-align: center;"> <h3>3. GOVERNMENT AND REGULATORY AUTHORITIES</h3> </div> <div style="text-align: right;">  </div> </div>		
<p>Government engagement strategies are in place for dialogue with national, provincial, and local government leaders as well as the South African Pharmacy Council (SAPC).</p> <p>Engagement with South African Health Products Regulatory Authority (SAHPRA) is key to facilitate efficient product registration and compliance in all aspects, including manufacturing.</p>	<p>Participate, influence, and contribute towards a sustainable pharmaceutical industry that continues to serve the healthcare needs of all South Africans.</p> <p>Compliance with all applicable legislation and regulations.</p> <p>Growth and social upliftment of the communities in which we operate.</p>	<p>The regulatory body provides us with a license to operate and manufacture in line with the regulatory framework.</p> <p>Supply quality and affordable medicines to promote access to medicines for the benefit of society.</p>
<div style="display: flex; justify-content: space-between; align-items: center;">  <div style="text-align: center;"> <h3>4. SHAREHOLDERS, INVESTOR COMMUNITY AND FINANCIAL INSTITUTIONS</h3> </div> <div style="text-align: right;">  </div> </div>		
<p>The Johannesburg Stock Exchange news service (SENS) announcements.</p> <p>Press releases.</p> <p>Face-to-face meetings.</p>	<p>Open and transparent communication.</p> <p>Implement business strategy and structure for sustainable returns whilst managing risk, identify growth opportunities and follow good governance practices.</p> <p>Update on organisation's financial and operational performance.</p>	<p>Open dialogue on important matters, builds trust in the business and strengthens access to financial resources when needed.</p>
<div style="display: flex; justify-content: space-between; align-items: center;">  <div style="text-align: center;"> <h3>5. MULTINATIONAL PARTNERS AND LICENSORS</h3> </div> <div style="text-align: right;">  </div> </div>		
<p>Attendance and promotion at conferences and congresses to share best practice with relevant parties.</p> <p>Personal contact and interaction.</p> <p>Commercial reviews with partners.</p> <p>Quality and regulatory audits by partners.</p>	<p>Building brands using our marketing expertise, sales and distribution network, offering a flexible service that reaches healthcare professionals.</p> <p>Achievement of commercial goals; alignment with international best practice standards for product promotion and regulatory adherence.</p>	<p>Partnerships are founded on marketing and distribution agreements that allow the Company to enter or expand into new therapeutic categories.</p>

CAPITALS

Financial Capital

Natural Capital

Intellectual Capital

Manufactured Capital

Social and Relationship Capital

Human Capital

METHOD OF ENGAGEMENT	NEEDS AND EXPECTATIONS	CONTRIBUTION TO VALUE CREATION
 <p>6. SUPPLIERS AND SERVICE PROVIDERS</p> <p>Personal contact and consistent interaction at operational and management levels.</p> <p>Supplier days conducted to empower suppliers.</p>	<p>Conduct business in an ethical, open, honest, and transparent manner.</p> <p>A mutually beneficial and sustainable relationship, including timeous payments and fair terms for both parties.</p> <p>Timeous payments to support growth of small and medium-sized enterprises (SMEs).</p>	 <p>Providing good quality raw materials and finished products as required by pharmaceutical standards.</p> <p>Assist in avoiding stock-outs of products and reliability of service delivery.</p> <p>Suppliers aligned to the country's B-BBEE imperatives with focus on emerging enterprises and black, women-owned businesses.</p>
 <p>7. COMMUNITIES</p> <p>Engagement through:</p> <ul style="list-style-type: none"> the Group's Corporate Social Responsibility programmes; and initiatives undertaken by each operating division. 	<p>Continuous support towards projects addressing the interests and needs of the communities in which we operate, to enhance social and community upliftment.</p>	 <p>Engagement with communities affords us an opportunity to understand and contribute to their needs, with a specific focus on health, education and environmental issues.</p>
 <p>8. INDUSTRY BODIES</p> <p>Various memberships including:</p> <ul style="list-style-type: none"> Pharmaceuticals Made in South Africa (PHARMISA); Pharmaceutical Task Group (PTG); Marketing Code Authority (MCA); and Industry Task Group (ITG). 	<p>Membership in good standing, participation to contribute towards industry position statements and responding on regulatory issues and health policy matters.</p>	 <p>Influence policies to create a sustainable local manufacturing pharmaceutical industry that services the healthcare needs of South Africa.</p> <p>The Company can have a relevant position and on policy.</p>
 <p>9. MEDIA</p> <p>Press releases, SENS announcements, media interviews and responses.</p>	<p>Good corporate citizenship through transparent and responsible reporting and disclosure.</p>	 <p>Brand reputation. Awareness of new products. Corporate image/reputation.</p>

Leadership review from our Chairperson and CEO

INTRODUCTION

Adcock Ingram continues to be a leader within the South African pharmaceutical industry. The Group owns, produces, and distributes a diverse range of pharmaceutical, medical and consumer products, which was further expanded in the current year. In addition, through the Group's local production facilities and manufacturing capacity, it remains committed to healthcare in South Africa in line with our mission of providing quality products to improve the health and lives of people in the markets we serve.

The COVID-19 pandemic taught us to be innovative and flexible in a rapidly changing environment. This external, and largely uncontrollable event has influenced the demand for many of our products, both positively and unfavourably, forcing us to adapt quickly and respond to the needs of our customers and suppliers. The exceptional growth reported in the current year is proof of our people's ability and the resilience of our product portfolio.



"Panado, the Group's number one brand, performed exceptionally well, reaching landmark annual sales in excess of R500 million, benefiting from a unique marketing opportunity executed during the COVID-19 vaccination drive."

ECONOMIC ENVIRONMENT

There has been a cautious spotlight on the South African economy, impacted by the uncertainty of the macroeconomic environment and global growth prospects which have significantly weakened since the start of the war in Ukraine, marked by increased energy, food and commodity prices, and soaring inflation, with the United Nations expecting that this will undermine a full, inclusive, and sustainable recovery from the pandemic. Monetary policy stances by most major central banks have resulted in increased borrowing costs, adding further constraints, including in developing countries.

South Africa has not been exempt, and experienced consumer price inflation sharply increasing to 7.8% in July 2022, and the gross domestic product (GDP) decreasing by 0.7% in quarter two of the 2022 calendar, with year-on-year real GDP of just 0.2%. Fuel prices were also hiked several times during the past year and continue to be a major contributor to price increases of basic household essentials. The official unemployment rate in June 2022 was 33,9%, and according to the expanded definition of unemployment sits at 44,1%.

These statistics take into consideration the economic impact of the unrest and looting experienced in July 2021 in Gauteng and KwaZulu-Natal, as well as the devastating floods that occurred in KwaZulu-Natal in April 2022.

INDUSTRY OVERVIEW

The pharmaceutical industry is highly regulated, and the Company places an enormous amount of emphasis on maintaining a high standard of compliance throughout the business, in order to deliver quality, safe and efficacious products.

In January 2022, the industry was awarded a single-exit-price adjustment of 3.5%. These consistently low annual adjustments continue to put pressure on our margins and do not reflect the cost increases experienced in our operations in raw materials and packaging, transportation, utilities, and wages. Virtually all active pharmaceutical ingredients are sourced internationally and denominated in foreign currency, thereby being impacted by the fluctuation of the Rand.

The Pharmaceutical Task Group has engaged with the national government's Pricing Committee and submitted representation from the pharmaceutical industry regarding the 2023 single-exit-pricing and how best to align the SEP with cost increases.

The Company, on a regular basis, continues to engage with the regulatory body, the South African Health Products Regulatory Authority (SAHPRA), on various matters, and more recently has submitted the requested information to the regulatory body regarding the safety and efficacy of the use of codeine in the population younger than 12 years.

PERFORMANCE

The Group has delivered an excellent operational and financial performance, and recorded trading profit of more than R1.1 billion in the year under review. Improved demand has been seen for our over-the-counter (OTC) and consumer healthcare products, with the return of a more normalised cold and flu season.

The Group achieved healthy growth of 12% in turnover, supported by new product innovation and the launch and onboarding of several new products across the Group. An exchange rate benefit together with an advantageous sale mix, resulted in the gross margin for the Group improving to 35.1%.

Operating expenditure increased by 10%, predominantly because of the higher variable selling and distribution expenses, related to the improved turnover, as well as increased investment in marketing of our flagship brands and behind new product launches. An exceptional increase of 22% in trading profit was recorded and cash generation was outstanding this year.

LIVING THE STRATEGY

Adcock Ingram conducted a review of its strategy to ensure relevance to all its stakeholders. In the main, the three-pillar strategy was found to be fit for purpose, but some enhancements were identified. The Transformation pillar was expanded to "Responsible Corporate Citizen", recognising that, to better address the wide requirements of ESG, the focus needs to broaden into areas beyond B-BBEE. Focus areas now include environmental efforts, making a positive social impact on the communities we serve and ensuring our governance structures comply with the highest standards.

The Group's four commercial business units, although operating autonomously and independently of each other, are aligned to the implementation of the overall business strategy.

Our *Consumer Division* competes in the healthcare, personal care and home care segments of the market, and the portfolio includes products in analgesia, energy, dermatology, vitamins, minerals and supplements, shoe care

MPUMI MADISA
Chairperson

ANDREW HALL
Chief Executive Officer



Leadership review from our Chairperson and CEO continued



and home cleaning. This Division delivered a remarkable performance during the year, and reported an increase in turnover of 23%, including a sterling performance from Panado, which performed exceptionally by reaching a landmark annual sales value in excess of R500 million.

The Division's other flagship brands, including Epi-max, Compral, Plush and ProbiFlora all showed excellent growth. The Division showed exceptional innovation and marketing activities that resulted in trading profit growth of 49%. Growth and expansion are core to success of the Division, and it acquired a range of products from Peppina in December 2021, to complement the personal care basket.

Focusing on innovation, the Division launched sugar-free variants in its Gummy Vites range that also includes a multivitamin product. The well-known Epi-max brand launched four variants of an emollient wash, and the GynaGuard portfolio expanded its range to include larger pack sizes on the washes and introduced a teen range.

Partnerships play an integral role in the growth of the Group, and in June 2022 benefiting from a relationship with Karo Pharma in the Prescription Division, the *Consumer Division* concluded a commercial agreement for the sales, marketing, and distribution rights of E45 in South Africa. It is anticipated that the sale of this iconic brand will commence in the second half of the 2023 calendar year.

Our *OTC Division* is the market leader in the pain, coughs, colds and flu, digestive and allergy therapeutic categories through the pharmacy channel in South Africa. In Schedule 1 and 2 in pharmacy the Division has a market share of 20%; 30% by

volume. The Sponsors of Brave campaign continued its momentum, recognising healthcare professionals who are doing phenomenal work within their communities. Community pharmacies play a key role in the delivery of primary healthcare.

The Division's portfolio of winter products was severely impacted by the COVID-19 pandemic in the previous two financial years. However, due to the increased prevalence of colds and flu, we are pleased with the performance of this particular portfolio, which has seen a great deal of recovery.

The Division's turnover improved by 19%, and a number of brands, including Citro-Soda, Allergex, Corenza-C, Alcophyllex and Dilinct delivered double digit ex-factory growth.

The commercial team has implemented strategies within both corporate and independent pharmacies that have been impactful. As a result, trading profit increased by 9%, a commendable result and evidence that our cough, cold and flu brands have emerged from the pandemic with their equity intact.

Our *Prescription Division* markets a portfolio of branded and generic medicines, specialised ophthalmology equipment and surgical products, and also promotes numerous products on behalf of multinational partners. The turnover for the Division improved by 7%, aided by a steady increase in elective surgeries, and visits to dispensaries and healthcare practitioners post the relaxation of COVID-19 lockdown levels.

Eight of the top 10 "Branded" Prescription products, and three of the top four Generics are in growth. In its first complete financial year of sales since its launch in the prior year, Blutzima, which was the first rituximab biosimilar launched in South Africa, exceeded R50 million in sales, at the same time significantly reducing the cost of treatment for patients.

The Division has expanded on its partnerships, and entered into a sales, marketing and distribution agreement with Novartis, effective 1 March 2022. The portfolio includes 13 ophthalmic products that historically generate annual revenue in excess of R200 million. During the last quarter of the financial year, the Division launched Dexilant on behalf of Takeda. Dexilant is a new chemical entity in the proton pump inhibitors space in South Africa, giving patients 24-hour relief of heartburn symptoms.

Our *Hospital Division* is the leading manufacturer and supplier of critical care and hospital products in South Africa. Turnover increased by 6%, aided by the on-boarding of a portfolio of renal products from Roche Specialised Pharmaceuticals. There was improved demand for a number of products due to the increased number of general hospital admissions and elective surgeries as the pandemic eased. The business also benefited from its partnership with Abbott Diagnostics to supply a range of COVID-19 rapid testing diagnostic kits. However, the welcome but significant decline in COVID-19 related hospitalisations resulted in far less demand for acute renal dialysis products. Trading profit for the Division improved by 2%.



MANUFACTURING

Our manufacturing facilities are at the core of the operations, underpinned by strict regulatory compliance and meeting the highest quality standards. All our manufacturing facilities are accredited by the regulator, SAHPRA, and in addition, regular site inspections from relevant third parties are conducted to ensure compliance at our facilities.

The high-volume liquids, effervescent and powders facility in Clayville has delivered a factory performance with improved throughput relative to the prior year. The facility was able to achieve this performance despite regular interruptions in the supply of municipal water. The production of the first commercial batches of Allergex Eye Drops in the new sterile facility, has been completed and we are currently awaiting approval from the regulator before the product is released into the market.

The liquids, creams and ointments facility in Wadeville has shown good improvement in throughput. The production levels at the facility will be further increased in the new financial year by transferring products from a contract manufacturer into the facility. The low award from the National Department of Health in the recent ARV tender requires the oral solid dosage section of the Wadeville facility to be reconfigured for shorter runs, and it is planned to be a back-up site to Bangalore.

The Critical Care facility in Aeroton has shown a satisfactory performance. The facility is undergoing regulatory improvements and infrastructure upgrades to maintain regulatory compliance and continue to meet the required quality standards.

DISTRIBUTION

Our Distribution department remains an integral part of our operations and achieved average on-time delivery of 98.5% to customers. This, despite having to deal with incidents of unrest on the crucial N3 highway between the Durban port and Gauteng, as well as periods of flooding in KwaZulu-Natal. Home deliveries to renal patients continued through innovative ways during these challenging periods, ensuring the needs of patients were met. Through our partnership with RTT, a specialised logistics company, the focus remains on maintaining customer service levels, regulatory compliance, and cost containment.



ESG JOURNEY

The Group is making progress in regard to our efforts to reduce our carbon footprint, by making use of renewable energy. Solar panels have been installed at our head office and main distribution centre in Midrand, as well as at our distribution centre in Cape Town. The distribution centre in Durban, as well as our Clayville manufacturing facility, are both expected to be utilising solar energy before the end of the 2022 calendar year. The latter installation will provide the factory with approximately 30% of its daytime energy usage.

The Group also embarked on various waste management initiatives to reduce the waste to landfill. To ensure that ESG receives appropriate management attention, ESG metrics have been included in the short- and long-term performance targets in the 2023 financial year.

Leadership review from our Chairperson and CEO continued

TRANSFORMATION

The Company achieved a Level 2 B-BBEE rating in November 2021. We will continue to focus on upskilling our workforce, our enterprise and supplier development programme, and expanding on our corporate citizenship projects that we support. The Group, through Gift of the Givers and World Vision, supported communities that were affected by the floods in KwaZulu-Natal, and also contributed to the Independent Community Pharmacy Association emergency fund following the civil unrest that took place in July 2021.



BOARD

We have a strong Board, comprising a diverse mix of skills, experience, gender, and racial profiles, that acts as the custodian of our corporate governance framework, and ensures that this is stringently adhered to throughout the operations of the business. The Board is committed to ensuring that the Group adheres to the highest standards of accountability and ethics, and has the responsibility to lead the Group competently, and with integrity, to ensure fairness, accountability and transparency, and to create value for all our shareholders.

WAY FORWARD

It is expected that 2023 will be another challenging year, particularly considering the weakness in the local currency and poor growth prospects. Consumers are likely to remain under pressure because of rising food, transport and energy costs. Our focus in this environment, outside of driving demand, is on margin management.

We will continue to seek out opportunities to expand our product range through acquisitions of brands and businesses, partnerships, and innovation within our portfolio.

APPRECIATION

We are grateful for the support from our Board members, our regulator SAHPRA, customers, shareholders, suppliers, partners, and employees, all of whom have played an integral part in the Group's success over the last year.



Financial Review

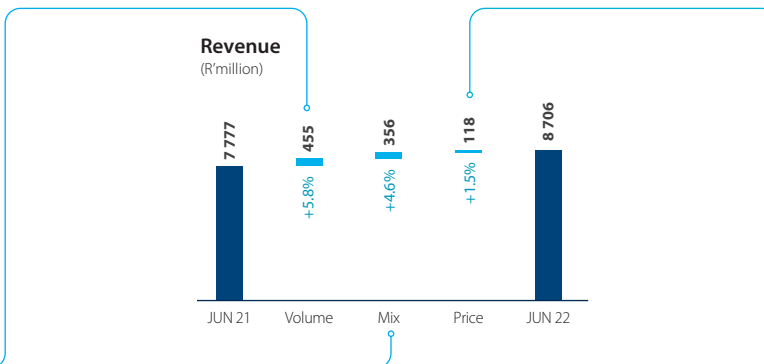
“The Adcock Ingram Group delivered an exceptional operational and financial performance for the year ended 30 June 2022, driven by improved demand for its over-the-counter (OTC) and consumer healthcare products.

The Group achieved healthy growth in turnover, which with some benefit from the exchange rate and an advantageous sales mix, has yielded an exceptional increase in trading profit and excellent cash generation.”



DORETTE NEETHLING CHIEF FINANCIAL OFFICER

Revenue increased by R929 million (11.9%) to R8.7 billion, made up as follows:



Volume 5.8% (R455 million)

Organic volumes increased mainly due to the improved demand for over-the-counter and consumer healthcare products.

Mix 4.6% (R356 million)

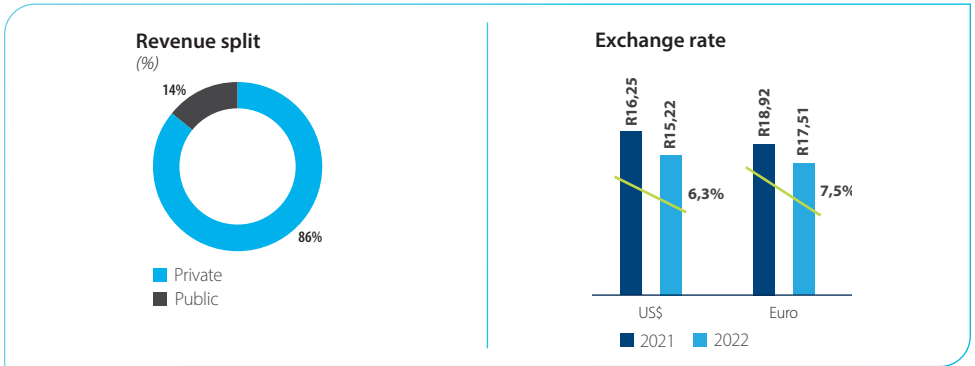
The main contributors include the addition of the Roche Renal portfolio, the range of ophthalmology products from Novartis, the launch of the first biosimilar (Blitzima) and other products in the Prescription division, and the onboarded product portfolios from Aspen, Mundipharma and Peppina.

Price 1.5% (R118 million)

Inflationary increases were realised in the OTC and Consumer businesses, but reduced by price deflation in both the Renal segment of the Hospital Division, and the ARV segment in the Prescription Division.

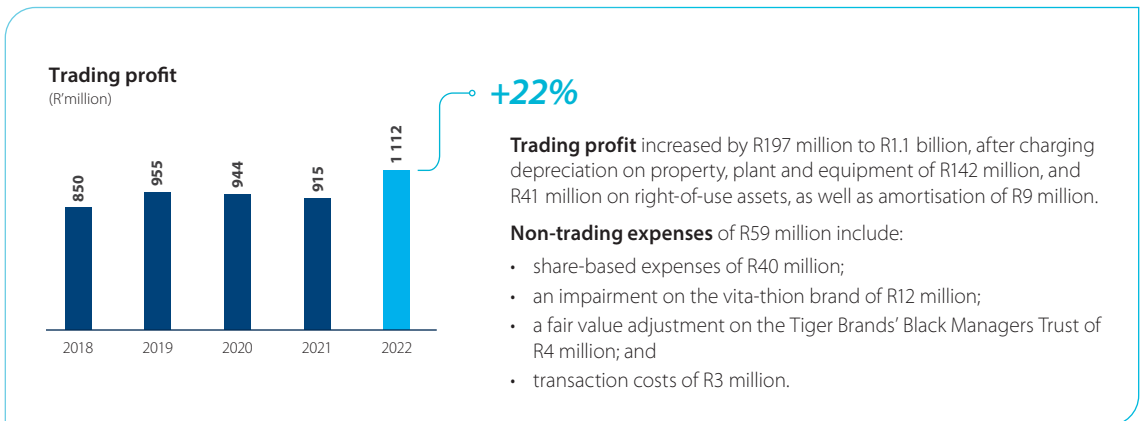
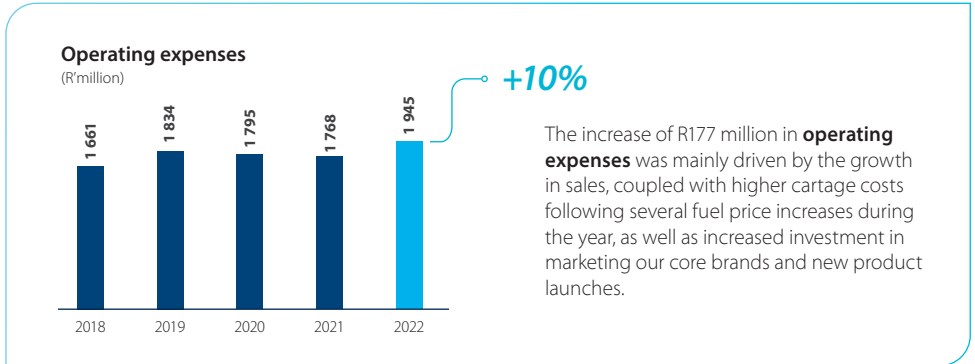
Financial Review continued

The revenue split by sector and gross margin impact are as follows:



The gross margin improved from 34.5% to 35.1%, as higher production costs, including salaries and utilities were offset by a favourable product sales mix and a stronger exchange rate, which directly impacts on the imported component of goods. With

59% of FEC's in US\$ and 40% in Euro – the weighted cost of our basket of all currencies decreased by 6.9%, with the movement in the US\$ and Euro between the current and prior financial year, depicted above.



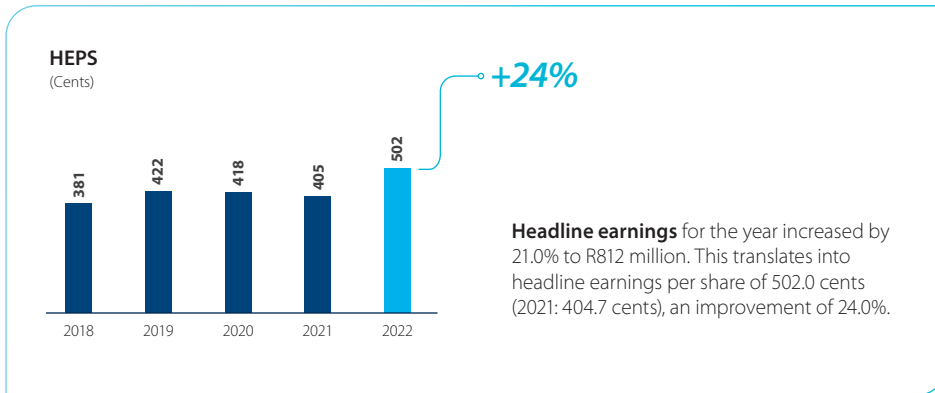


Net finance costs for the year are R41 million, and include IFRS 16 finance costs of R28 million.

Equity accounted earnings for the year of R87 million, include the results of the joint ventures:

- National Renal Care (NRC) (JV with Netcare), which reported a decline of 1.6%, and
- India (JV with Medreich) which declined by 15%, due to the increase in the cost of paracetamol and the discontinuance of a government export incentive.

The effective tax rate, adjusted for equity accounted earnings is 29.7%, with non-deductible expenditure causing the increase over the statutory rate.

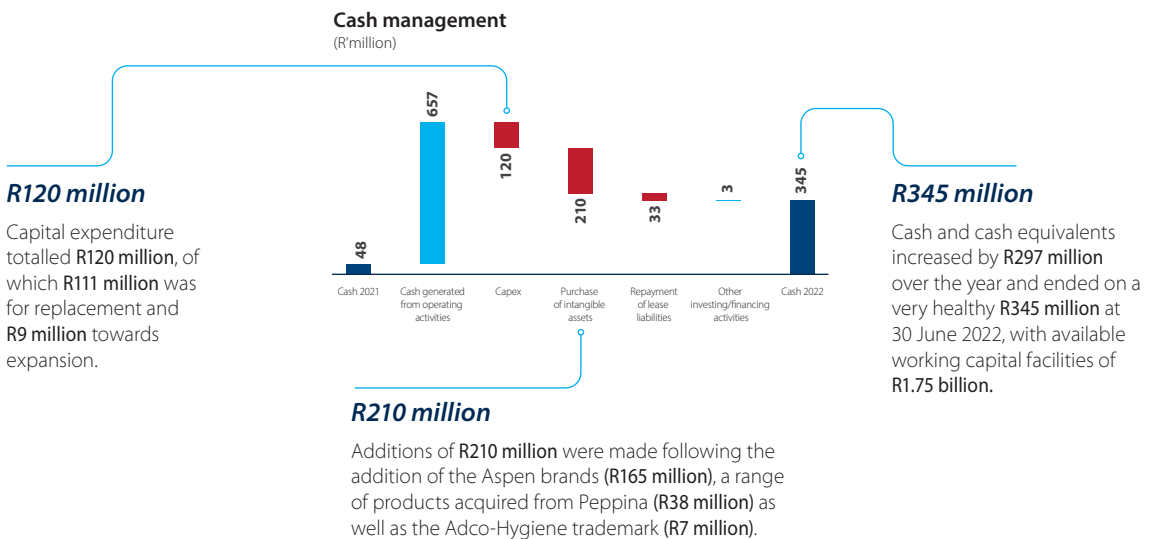


Working capital

Days in inventory increased due to higher safety inventory held to address global supply constraints and to service the increased demand for OTC and consumer healthcare products, as well as the on-boarding of the Novartis and newly launched products.

Government debt makes up 16% of the trade receivables with 54% of this customer's total outstanding amount due within 60 days or less.

Category	2022	2021
Inventory days	133	123
Debtors days	58	60
Creditors days	60	61



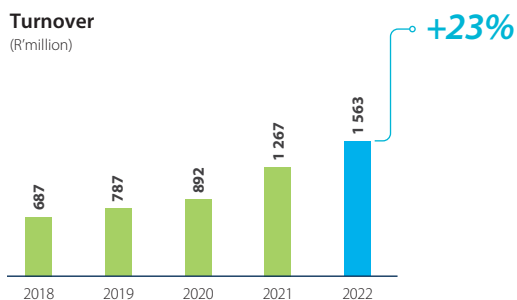
Financial Review continued



Consumer

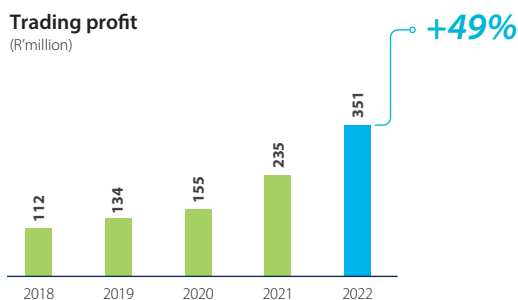
Turnover

(R'million)



Trading profit

(R'million)



Turnover increased by R296 million (R182 million on a like-for-like basis) as a mix benefit of 11.6% was realised following the inclusion of the Epi-max brand for the full year, compared to six months in the prior year and the acquisition of a range of brands from Peppina, effective 1 December 2021. Volumes improved by 7.0% with key brands posting healthy growth, most notably Panado which benefited from the COVID-19 vaccination campaign and reached a landmark annual sales value in excess of R500 million. An average price increase of 4.7% was realised.

A gross margin improvement was realised, driven by an improvement in the exchange rate and an advantageous sales mix.

Trading profit ended on an impressive R351 million, 49% ahead of the prior year, 28.7% like-for-like.

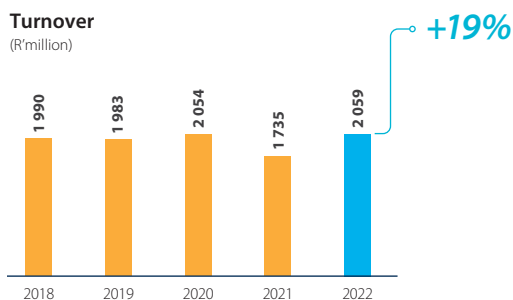
The results over the past five years indicate that the strategy of increasing our non-price-regulated basket of products is effective.



Over the Counter

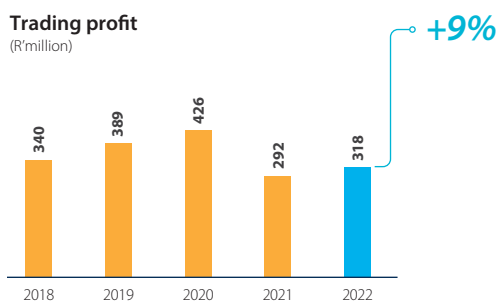
Turnover

(R'million)



Trading profit

(R'million)



Turnover increased by R324 million, returning to the pre-COVID level of the 2020 financial year. Volumes improved by 14.3% following the relaxation in COVID-19 restrictions, which resulted in improved demand across the cough and cold basket, with the adverse impact of the absence of a cold and flu season in the prior year evident. Flagship brands like Citro-Soda, Allergex, Alcophyllex and Corenza-C all posted double-digit ex-factory growth. The business benefitted from an average price increase of 5.7%, whilst mix declined by 1.2%.

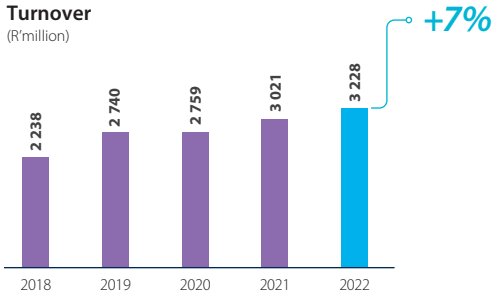
The gross margin ended lower than the prior year, impacted by the rate of acceleration in the cost of raw materials and utilities and wages. The Clayville facility also suffered from regular water supply interruptions during the year, impacting recoveries.

Trading profit increased by R26 million to R318 million.

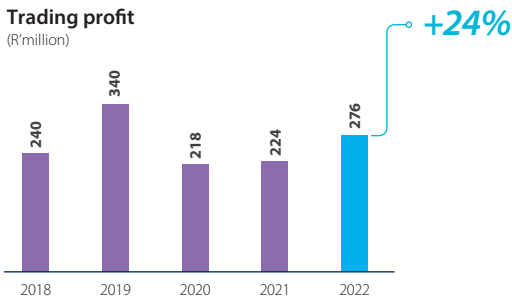


Prescription

Turnover
(R'million)



Trading profit
(R'million)



Turnover improved by R207 million, and 10.5% on a like-for-like basis (excluding the impact of the move of Epi-max). Volumes increased by 3.3% following the relaxation of lock-down restrictions and a steady increase in elective surgeries. Price deflation in the ARV segment resulted in an average price increase of only 0.8%. Mix, excluding the removal of Epi-max, contributed 6% to the increase and includes the on-boarding of the 13 ophthalmology products from Novartis, effective 1 March 2022.

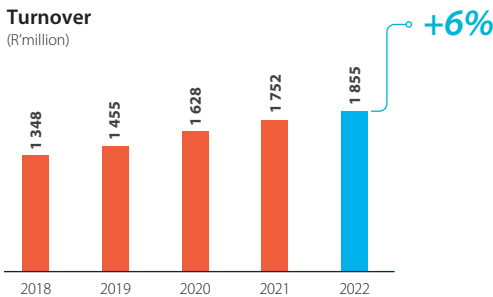
The gross margin ended in line with the prior year.

Trading profit increased by R52 million and is 24% ahead of the prior year.

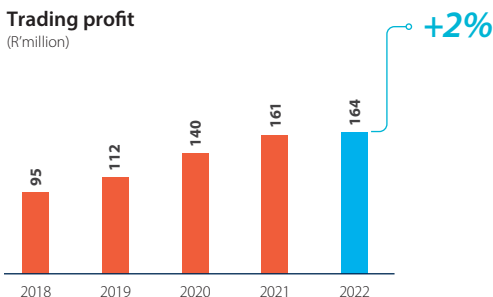


Hospital

Turnover
(R'million)



Trading profit
(R'million)



Turnover improved by R103 million to R1.9 billion, driven by a change in mix which contributed R166 million, including the on-boarding of the Roche renal portfolio effective February 2021, as well as the addition of rapid diagnostic test kits on behalf of Abbott Diagnostics and an infant nutrition range for the public sector from Sanulac. Selling prices were decreased in the Renal business, following the strengthening of the rand, as agreed with customers when prices had been increased during the previous financial year (when the Rand deteriorated). This resulted in overall price deflation of R66 million, with organic volumes almost flat.

The gross margin ended in line with the comparative year and trading profit improved by 2%.



Consumer

INPUTS

HC HUMAN CAPITAL

- 39 - Factory staff**
- 90 - Sales, marketing and administration employees**

IC INTELLECTUAL CAPITAL

Top brands include:

Panado	Plush
Epi-max	Bioplus
Compral	Probi flora
Cepacol	Gummy Vites
GynaGuard	Viral Guard

MC MANUFACTURED CAPITAL

The Plush shoe care facility

- **2.6 million** shoe-care units

Pharmaceutical finished products are sourced from:

- **Adcock Ingram's** facilities: **Wadeville, Clayville and Bangalore;**
- **Third party manufacturers;** and
- **International supply** chain partners.

NC NATURAL CAPITAL

Purchased by Plush facility:

- **1 147 kilolitres** of water
- **162 365 kWh** of electricity

SR SOCIAL AND RELATIONSHIP CAPITAL

Memberships include:

- Pharmaceuticals Made in South Africa (PHARMISA);
- Cosmetics Toiletries & Fragrances Association (CTFA);
- Aerosol Manufacturers Association of South Africa; and
- Consumer Goods Council of South Africa.

Regulatory bodies include:

- The Marketing Code Authority (MCA);
- The South African Health Products Regulatory Authority (SAHPRA); and
- Department of Health - Foodstuffs, Disinfectants & Cosmetics Act.

THE DIVISION'S OPERATING MODEL

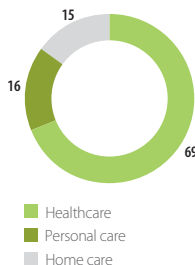
OUR BUSINESS ACTIVITIES

The division focuses on the marketing, selling and distribution of healthcare, personal care, and homecare brands, where these brands are primarily aimed at the consumer who is making the final purchase decision.

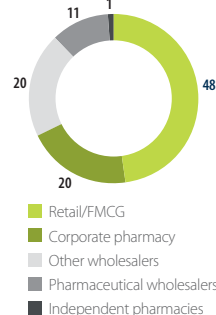
The range of market-leading brands is represented in various categories in:

- healthcare (analgesic, energy, colds & flu, gut health, nutrition, and vitamins & supplements);
- personal care (intimate care, hand and body, and hair care); and
- home and shoe care.

Revenue split by category (%)



Revenue split by customer (%)



OUR CUSTOMERS AND MARKETS

Almost all the sales are into the private market in South Africa, as the division does not sell anything into the public sector and very little of the product gets exported. The division operates across all LSMs and recorded an average selling price per unit of R36.52 (2021: R33.90).

The brands in the division are sold to customers across most channels, including, but not restricted to:

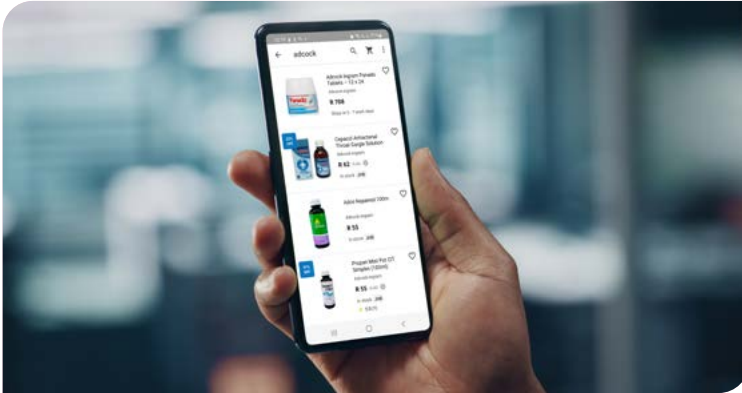
- pharmacy (corporate pharmacy, pharmaceutical wholesale and independent pharmacy)
- retail stores (comprise most of the large retailers as well as forecourts)
- wholesale (includes corporate as well as independent Cash and Carry)
- many speciality stores.



Lauren Shimmin
Financial Director



Gail Solomon
Managing Director



CURRENT TRENDS IN OUR MARKETS (POST PANDEMIC) ^{1,2,3}

- In response to the economic hardship, which has been exacerbated by the pandemic, 61% of South African consumers are cutting back on spending with all income levels being affected, and 69% of consumers are more frequently looking for sales and promotions.
- South African consumers have one of the highest trade-down rates globally, visible across all categories, with household cleaning supplies at the top of the list.
- Whilst brick-and-mortar stores remain the key channel for shoppers in South Africa, online shopping has become more popular over the course of the past two years. 13% of consumers in South Africa started online shopping since the outbreak of the pandemic a trend seen across all income tiers.
- Wellness priorities are driving consumers to become more intentional with the products they put in and on their bodies, and use in their homes.
- The COVID-19 pandemic has driven an increase in focus and demand for self-care products as consumers take more proactive steps to manage their healthcare. Consumers are now more empowered, with increased access to health and beauty products and services that drive self-diagnosis and self-medication.
- Prevention has taken precedence. A focus on functional food, especially immunity-related ingredients, can help to meet consumers' most immediate needs.
- Retailers are becoming increasingly better at developing shopper-centric innovation informed by data and analytics to attract an ever-demanding shopper, hence the rise in app-based technology.
- Retailers have also stepped up to answer shoppers' needs for value through regular and persistent value promotions, loyalty savings and rewards and an abundance of private label offerings.
- The demand for convenience is evolving quickly with convenience strategies culminating in store formats and executions such a closer-to-home formats.
- Sustainability continues to be at the forefront of retailer strategies with new initiatives being rolled out frequently such as sustainable packaging solutions, plastic usage reduction, increased renewable energy usage and contributions to broader climate initiatives.
- Whilst the severe supply chain bottle necks seem to be relaxing considering the easing of restrictions globally, the impact of COVID-19 is expected to linger into the near-term future driven by issues such as global economic recession, labour shortages and imposed restrictions.
- Shipping costs are expected to remain relatively high; limitations to export (such as palm oil restrictions in Indonesia) and large importers purchasing commodity volumes in mass are likely to push up costs in the short term.
- Retailers will continue to focus internally on a squeeze for margin and intelligent supply chain models, which will continue to increase pressure on manufacturers.

THE DIVISION'S RESPONSE TO THESE FLUID CHANGES IS VISIBLE IN THE FOLLOWING AREAS:

- The implementation of an e-commerce strategy which resulted in exceptional growth in the channel, as the number of listings and e-tailer sign ups increased.
- Increasing availability and convenience across retailer online channels with targeted campaigns on app channels such as Checkers Sixty60 and Pick 'n Pay ASAP.
- New product launches within the children's vitamins, supplements and minerals category; Gummy Vites select range and Probi flora Fit for School expanding the brands offering within the immune category.
- Providing consumers with a holistic in-store shopping experience that fulfils wellness needs with the winter focus on "Own Your Health".



REFERENCES:

- ¹ Stretched South African Consumers put health and sustainability on the shopping list, McKinsey March 2022.
- ² Consumer Healthcare Trends 2022, Clarkston Consulting 2022
- ³ Euromonitor, Wellness Redefined: Healthy Eating in a Post-Coronavirus World Aug 2020

CONSUMER continued

OUR OUTPUTS

MC PRODUCT

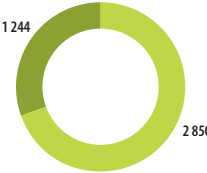



**2 181 742 units, or
178 226 kg**
of shoe care products

**Average utilisation
during the year
91%**

NC WASTE

Waste (kg)

4 094 kg
Total waste

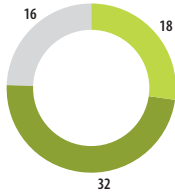
- Recycled
- Moved to landfill

OUR OUTCOMES

OUR OUTCOMES

FC Top 10 brands' turnover:
R1,450 million
(2021: R933 million)

Contribution to group results (%)



Turnover + 23%

Trading profit + 49%

- Turnover
- Trading profit
- Total assets

IC INTELLECTUAL CAPITAL

MARKET SHARE

CATEGORY	Market share	Category position
Analgesics/Pain (S0)	38.6%	2
Probiotics	31.9%	1
Energy supplements	31.1%	2
Intimate care (feminine hygiene)	48.5%	1
Hand and body (constructed class - emollient and aqueous)	34.7%	1
Home care (Shoprite Checkers, Spar & PnP)	4.3%	4
Shoe care (Shoprite Checkers, Spar & PnP)	22.3%	2

¹ Source - IRI MAT June 2022 - Modern Trade



PERFORMANCE

PAIN¹

During the pandemic, the demand for analgesic self-medication rose, allowing the analgesic market to consistently deliver strong growth. Panado, Adcock Ingram's largest brand, competing in analgesics, experienced a surge in usage as paracetamol was recommended in the treatment of COVID-19 as well as for post-vaccination pain management. Even as lives return to normal in the post-pandemic period, demand for pain medication is expected to continue to rise steadily. Analgesics are therefore expected to continue to be a popular choice for many ailments. Market growth is also being driven by different product formats being offered by analgesic brands. Consumers are thus being offered an expanded selection of choices to suit their pain-relief needs, budgets and preferences. Panado drives innovation in the market as it offers unique formats such as 5ml sachets, effervescent and capsules.



ENERGY

The energy market has recovered as lockdown restrictions have eased. Consumers are now turning to energy supplements to regain strength after exercise, taking advantage of their nutritional benefits and ease of use. Market growth is attributed to the population shifts toward urban areas, long workdays, and emerging interest from female consumers, as energy supplements and energy drinks are used to complement this new fast paced urban lifestyle. Bioplus is ranked as the leading energy brand in South Africa³, with a core focus on on-the-go formats such as sachets, energy drinks and chews. Bioplus has positioned itself as an energy brand to meet most consumer needs and occasions of use. The brand performance can be attributed to a strong distribution and above the line strategy.



GUT/PROBIOTICS

Increasing demand of dietary supplements and preference towards healthy foods, probiotics for immunity boosting, a rising geriatric population, and growing awareness regarding the health benefits of consuming probiotics, are some of the major factors anticipated to drive the growth of the probiotic market². ProbiFlora has retained its market leadership position in the market, with 32%³ market share, which has been achieved by driving focus in the self-select space across a vast product range. Market growth can also be attributed to the introduction of new product formats as consumers show a preference for probiotics to be delivered in formats such as gummies, fizzy powders and chewables⁴. ProbiFlora has most recently launched a chewable probiotic tablet fortified with vitamin C, a first in its class.

VITAMIN, MINERAL AND SUPPLEMENTS (VMS)

As a result of the COVID-19 pandemic, consumer demand for immune-boosting vitamins and minerals has received a boost. Products containing immunity-boosting ingredients and claims continue to grow, whilst new product formats and packaging are expected to be a focus on innovation in the coming years⁵. Whilst immunity remains a high focus, the category trends indicate a high awareness of ingredients and their benefits. The launch of the Bioplus Vit-ality daily vitamins and supplements range has allowed Adcock Ingram to penetrate this growing category, whilst the launch of the new Gummy Vites select range offers immune boosting products within the kids' segment.



¹ Euromonitor, Analgesics in South Africa 2021 ² The Probiotics Market Report; Brand Essence March 2022 ³ IRI MAT June 2022

⁴ Trust your gut: Are novel probiotic formats boosting SA's probiotics market? Zawya, 24 March 2021 ⁵ Euromonitor, Vitamins in South Africa 2021.

CONSUMER continued

PERFORMANCE CONTINUED

HAND & BODY

Epi-max competes in a highly competitive market that is cluttered with many multinational players. Despite this, it has managed to achieve double digit growth year on year. Epi-max is in the top six skincare – hand and body products in South Africa competing with major players like Nivea, Vaseline and Ingrams. Epi-max is the market leader of emollient creams with a 43%¹ market share. Its strong heritage and well-known reputation at doctor level has translated into a strong consumer presence with a trusted formulation.



HOME CARE

Plush competes in a highly competitive home care market, which saw key categories benefit from the emergence of COVID-19, namely laundry care, dishwashing, bleach, surface care and toilet care. The home care market has seen growth slow down through the last year as shoppers have returned to schools and offices, leading to fewer cleaning occasions at home.

SHOE CARE

Shoe care has seen a resurgence through 2022 as consumers return to work, school and social interactions, following the COVID-19 pandemic. The category has delivered double digit value and volume growth, as has Plush. Plush has gained volume share in the market, a result of focussed execution as we endeavour to be the shoppers' first choice at point of purchase. Our everyday pricing is competitive and while we have maintained our market share lead in the Suede Renew sub-category, our gains across Max paste are what have driven our share gains. A packaging update across the range, as well as a continued focus on growing our distribution through wholesale, will ensure we continue to drive growth across our shoe care business and the category.



¹ IRI MAT June 2022

ANALYSING THE OUTCOMES 2022 ACHIEVEMENTS



- The division's growth was largely driven by a sterling performance on Panado, driven by the vaccination programme and with consumers' continued trust in and loyalty to the brand for all pain needs. Other key brands such as Epi-max, Compral, LCC, Cepacol and Probiflora all showed excellent growth.



- Adcock Ingram Consumer saw in-market growth of 7% (IRI June 2022, Modern Trade).
- Innovation included the launch of sugar free variants into its Gummy Vites range, an immunity variant – Creche Protect, as well as a multi vitamin product. Epi-max launched three variants of emollient wash, one for adults, one for baby and junior, as well as a sensitive skin oatmeal option. GynaGuard



expanded the brand with several offerings, including larger pack sizes on their washes as well as a teen body wash range. In June, Plush launched a thick and a thin bleach, with three fragrances in each.

- The acquisition of a range of products in the hand and body, vitamin and supplement, energy, cough and cold and hair care categories was concluded.
- Growth was recorded on the top brands and a recovery in the sun care and feminine hygiene ranges was seen but offset by a slowdown in the immunity portfolio.
- The division's transformation initiatives encompassed projects which focussed on environmental sustainability, improved access to healthcare products, community upliftment and community rehabilitation:
 - A partnership with LIV Creative, providing young females within the LIV village, access to re-usable sanitary pads.
 - The "Give back Friday" campaign through Lulu and Marula, resulting in 200 additional Marula trees being planted on a Marula farm in Gauteng, driving sustainability and increasing local business support.
 - Panado launched the "A Dose of Care" campaign, as part of its CSR strategy. Panado shared "A Dose of Care" to the Ntuzuma community who were severely impacted by the KZN floods. To provide relief to the families, Adcock Ingram alongside the Espresso morning show donated parcels with daily essentials including school stationery, toiletries, water and food, specifically targeting families with children, trying to get back on their feet.
 - The "Cash Van" initiative, which increases the ease of access and convenience of buying the division's products directly from cash vans at wholesaler prices within the informal trade sector.



OUTLOOK

- The division's objective remains to be the consumers' choice for healthcare, home care and personal care, with its base of trusted heritage brands. It will continue to use its base of strong brands to leverage new launches within those brand portfolios.
- Focus will be on initiatives to reduce the above normal cost increases from suppliers.
- The division continues to seek opportunities to close the portfolio gaps in the non-regulated space in healthcare, home care and personal care.
- New markets, channels, and adjacent categories will be targeted.
- The "Cash Van" initiative will continue to drive access into the emerging markets as we improve on our distribution within that market.
- The Panado "A Dose of Care" campaign will continue, allowing the division to reach caregivers nationwide and giving back to the community.

A dose of care.





Over the Counter (OTC)

INPUTS

HC HUMAN CAPITAL

525 factory and laboratory staff
128 sales, marketing and **administration** employees

IC INTELLECTUAL CAPITAL

Top brands include:

Adco-dol	Allergex
Adco-Linctopent	Citro-Soda
Adco-Mayogel	Corenza C
Adco-Napamol	Dilinct
Alcophyllex	Scopex

MC MANUFACTURED CAPITAL

The Clayville facility, accredited with:

- **South Africa** (SAHPRA) • **Kenya** (PPB)
- **Malawi** (PMPB)

Capacity

- **28 million** effervescent tablets
- **600 tonnes** effervescent granules and powder
- **12 million litres** oral liquids
- **Average utilisation** during the year (excluding eyedrop facility): **70%**

Finished products are also sourced from:

- Adcock Ingram's facilities: Wadeville and Bangalore;
- Third party manufacturers; and
- International supply chain partners.

The split is as follows:

Adcock Ingram	82%
Third parties	18%

NC NATURAL CAPITAL

Purchased:

- **118 400 kilolitres** of water
- **20 805 912 kWh** of electricity

SR SOCIAL AND RELATIONSHIP CAPITAL

Memberships include:

- Pharmaceuticals Made in South Africa (PHARMISA).

Regulatory bodies include:

- The Marketing Code Authority (MCA); and
- The South African Health Products Regulatory Authority (SAHPRA).

THE DIVISION'S OPERATING MODEL

OUR BUSINESS ACTIVITIES

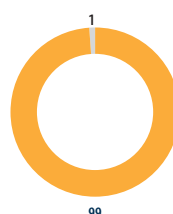
The Adcock Ingram Over the Counter (AI OTC) division manufactures, markets, and sells medication with a focus on brands sold predominantly in retail pharmacy, where the consumer investigates self-treatment options and the pharmacist plays a role in the product choice. Pharmacist-initiated therapy is therefore the main driver of product use in the schedule 1 (S1) and schedule 2 (S2) space. This satisfies the growing need for primary healthcare in South Africa.

Revenue split (%)



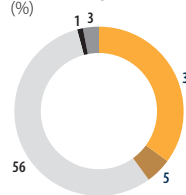
Local
Export

Revenue split (%)



Private
Public

Local private revenue split (%)



Corporate Pharmacy
Independent pharmacies
Pharmaceutical wholesalers
Other wholesalers
Retail

OUR CUSTOMERS AND OUR MARKETS

Customers, across the country include:

- Pharmacies
- FMCG channel

Markets served:

- Public sector
- Private sector



Yudhveer Singh
Financial Director



Sudier Ramparsad
Managing Director



The now very well-established AI OTC Sponsors of Brave campaign continues to recognise healthcare professionals who are doing exceptional work in their communities and has shared this ambition with the broader consumer fraternity through targeted social media campaigns. Retail Pharmacy is recognised as being pivotal towards the delivery of primary healthcare. Through a focussed above-the-line strategy, pharmacies are publicly showcased whilst also honouring everyday South African residents for their bravery in inspiring hope and care.

CURRENT TRENDS IN OUR MARKETS (POST PANDEMIC)

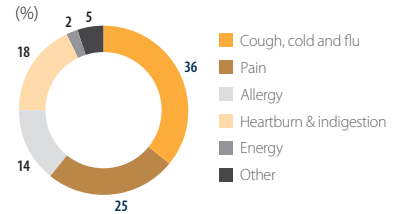
- Local manufacture in South Africa has been impacted due to erratic supply of critical APIs. The supply of paracetamol out of China and India was throttled with a concomitant significant increase in the price of this widely used API. This posed supply challenges as the use of paracetamol post the administration of the COVID-19 vaccines is encouraged by healthcare professionals to treat any pain and/or fever related symptoms.
- Longer lead times were requested from out of country supply chain partners.
- As the COVID-19 vaccine became available and lockdown levels relaxed, shopping in malls picked up and corporate customers indicated an increase in footfall in their pharmacies as these stores mainly operate out of larger shopping centres.
- It was no different for the independent pharmacy, where improved shopping practices surfaced as many South African residents worked-from-home and shopped closer to their residences. Both sectors of retail pharmacy also benefitted from administering vaccines from their outlets which led to an increase in spontaneous "off-the-shelf" purchases.
- Traditional seasonal trends in disease presentation were erratic. For the first four waves of the coronavirus infection and in line with the restrictive COVID-19 lockdown measures instituted by the South African government, the cough, colds and flu season which features annually during the winter months did not transpire as the population adhered to social and physical distancing restrictions. However, during December 2021 just as the Omicron variant emerged, consumers and patients started to present with flu-like symptoms requiring retail pharmacies to stock up with products that would treat cough, colds and flu. This trend extended into 2022.
- During July 2021, opportunistic looting in the Kwa-Zulu Natal (KZN) and Gauteng provinces occurred for over 10 days. Disruption was evident in the operation of hundreds of retail pharmacies that were looted and/or destroyed, some beyond recovery. This not only impacted on the sales of pharmaceuticals but restricted the delivery of primary healthcare service to consumers and patients. The Independent Community Pharmacy Association (ICPA) raised funds amounting to over R8 million which enabled the swift restoration of the retail operations of at least 72 affected pharmacies. Adcock Ingram was a key contributor in funding and offering mental wellness support to victims (associated with pharmacies) of the unrest.
- The KZN province suffered further losses in April 2022 as flooding devastated the lives of many residents. Food, water and other key provisions were in short supply throughout the province and access to medical services compromised.
- The already burdened consumers' discretionary spend has been hit significantly with the recent increase in fuel prices. The self-care OTC environment will have to adjust to the ever-changing socio-economic landscape.

DISTINCT FEATURES

The division operates across a diverse self-care spectrum, with five major therapeutic categories that drive demand for our products. The division's product portfolio includes various iconic brands, across a variety of disease areas, throughout a wide affordability spectrum, as it operates across all LSMs.

The division is well placed to defend its market leadership, in the following therapeutic areas:

Revenue by segment



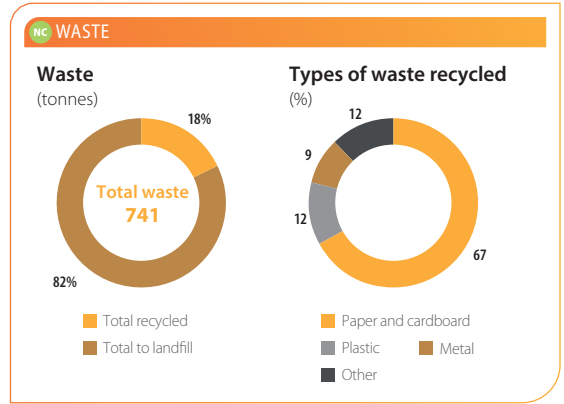
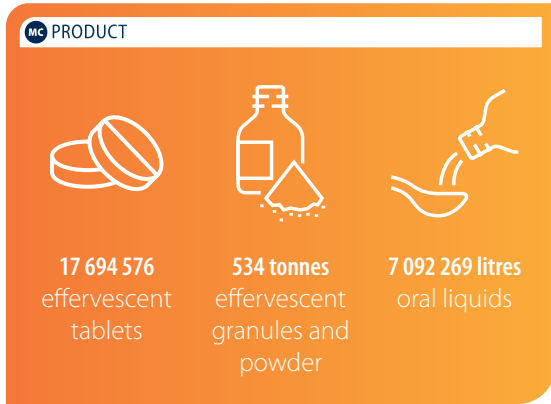
Average selling price per unit sold:

R20.02 (2021: R20.40)



Over the Counter (OTC) continued

OUR OUTPUTS FROM CLAYVILLE



OUR OUTCOMES



IC MARKET SHARE¹

Category	Market share	Category position
Volume	20%	1
Value	30%	1

¹ IQVIA (TPM MAT June 2022 S1 and S2)



PERFORMANCE

COUGH, COLD AND FLU

The cough, cold and flu market has been negatively impacted due to a stunted flu season during the first four COVID-19 waves of infection in South Africa. The fifth wave mimicked in many ways the “common flu” season and consumers had to replenish their medicine chests very unexpectedly during the warmer summer months. The division’s portfolio recorded an increase of 29% in ex-factory sales over the prior year. Corenza C remains the market leader and is a stalwart go-to treatment in the division’s cough, cold and flu basket.



Valued at more than **R250 million**

PAIN

The treatment of pain poses a major medical challenge for the consumer and healthcare professional as it takes a terrible toll on ailing individuals and on the funding mechanisms of the healthcare system at large.

The division’s pain portfolio remains the market leader in OTC pharmacy and contains both premium and economy brands. This offers the pharmacist and consumer a broad spectrum of analgesic choice in acute and chronic pain management.



The digestive portfolio is worth **R263 million**

HEARTBURN AND INDIGESTION

The heartburn and indigestion category is relevant to the division with high efficacy brands such as Citro-Soda and Adco-Mayogel, with the latter recording double digit growth. These products are trusted by healthcare practitioners and consumers, with both performing strongly in retail pharmacy and FMCG, reflective in the portfolio growing ahead of the market and 16% ex-factory.

The digestive portfolio is growing in market at 7.6% (IQVIA, TPM, MAT June 2022).

OTHER THERAPEUTIC AREAS

AI OTC and Mundipharma partnered in July 2021 to promote the Betadine range - a large player in the personal care market. Cross-merchandising opportunities were optimised whilst also creating improved real-estate on pharmacy shelf for another product, Teejel.



ALLERGY

With the onset of the COVID-19 pandemic, a large section of the global population presented with respiratory related allergies, including allergic rhinitis and sinusitis (Research and Markets, February 2022 (<http://www.researchandmarkets.com>). This was similarly evident in South Africa based on field-intelligence gathered by the division’s sales force and reflected in the 18% ex-factory sales growth.

The division’s allergy portfolio is worth R269 million. Allergex is the market leader in this category, valued at R248 million, and growing in market at 13.4% (IQVIA, TPM, MAT June 2022). The allergy portfolio also comprises other brands such as Levogex (levocetirizine), Ceticit (cetirizine) and Adco-Desloratidine (desloratidine).

The gender-based-violence (GBV) scourge continues to plague the South African nation. Consistent with legacy campaigns, the Allergex promotional thrust continues to draw attention and raise awareness in an attempt to rid our country of GBV.



ENERGY

Throughout the pandemic, consumers were influenced by social media as to supplementation in this category. The energy portfolio includes the legendary brand, Vita-thion as well as Liviton.

Over the Counter (OTC) continued

ANALYSING THE OUTCOMES

2022 ACHIEVEMENTS

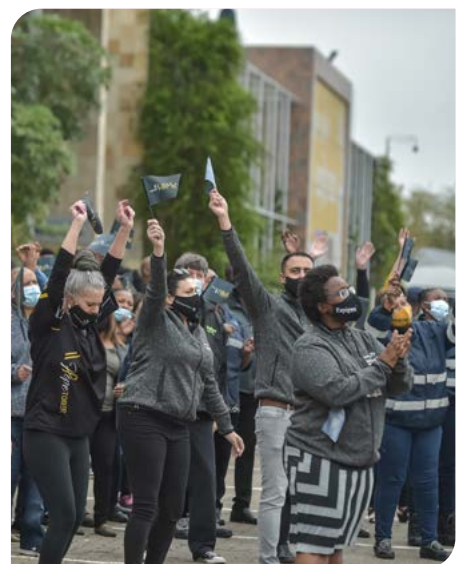
- The creative “War on Shelf” sales campaign has produced amazing results and we have seen innovative marketing initiatives, ensuring conspicuous above-the-line (ATL) exposure of all iconic brands.



- Self-care education and awareness through social media has become a prerequisite of all brands in the division with a strong alignment to the more traditional avenues of promotion.
- Contingencies in supply chain deliverables helped to significantly curb out-of-stock levels, managing backorders at a satisfactory level despite the non-traditional seasonal surge in influenza. The listing of alternate sources of supply is an ongoing focus for the procurement department.
- The onboarding of the Mundipharma range of hygiene and personal care products was concluded, with customers enthused as to the availability of these brands.

- The division became a partner of choice for a number of multinational and local companies looking to entrench their product assets in the private retail pharmacy sector.
- The well-recognised Adcock Ingram OTC Sponsors of Brave platform has energised employees, customers and consumers alike, inspiring a culture of UBUNTU.

- The division's Enterprise Supplier Development beneficiaries are gaining traction and growing as small independently black female-owned entities, whilst employment equity representation within the middle and senior management segments is firm.



OUTLOOK



- The division will continue to focus on attracting new B2B partners, who are looking to collaborate with the leading OTC company in South Africa, that demonstrates tailored knowledge, insights and perspectives in self-care.
- A number of new product launches is expected in the next financial year, and together with brand development, will expand the division's product-mix and increase its presence on shelf.
- Continuous improvement in management of people, including talent retention, succession planning and employment attractiveness of new talent with scarce skills, is pivotal to drive performance.
- The reduction of waste to landfill at the Clayville factory is a social and economic imperative.

• Continued focus on being a responsible corporate citizen, by

- *strengthening the existing black female-owned ESDs to becoming more sustainable*
- *listing and procuring from local black-owned business vendors at various levels of the value chain*
- *build on current levels of Corporate Social Responsibility made possible through the AI OTC Sponsors of Brave platform.*





Prescription division

INPUTS

HC HUMAN CAPITAL

307 factory and laboratory staff

301 sales, marketing and administration employees

IC INTELLECTUAL CAPITAL

Top brands include:

Genpayne	Adco-Zolpidem
Synaleve	Advantan
Estrofem	Activelle
Myprodol	Mypaid Forte
Alzam	Blitzima

MC MANUFACTURED CAPITAL

The Wadeville facility, accredited with:

- South Africa (SAHPRA)

Capacity

• **2.7 million** oral liquids

• **250 tonnes** creams/ointments

• **1 billion** tablets and capsules

• Average utilisation during the year:

• Creams **46%**

• Liquids **48%**

• Tablets **23%**

Finished products are also sourced from:

- Adcock Ingram's facilities: Clayville and Bangalore;
- Third party manufacturers; and
- International supply chain partners.

The split is as follows:

Adcock Ingram	29%
Third parties	71%

NC NATURAL CAPITAL

Purchased:

• **48 205 kilolitres** of water

• **9 948 403 kWh** of electricity

SR SOCIAL AND RELATIONSHIP CAPITAL

Memberships include:

- Pharmaceuticals Made in South Africa (PHARMISA); and
- Pharmaceutical Task Group (PTG).

Regulatory bodies include:

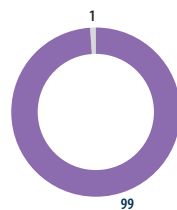
- The Marketing Code Authority (MCA)
- The South African Health Products Regulatory Authority (SAHPRA)

THE DIVISION'S OPERATING MODEL

OUR BUSINESS ACTIVITIES

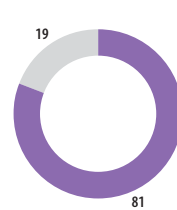
The division focuses on building and offering a broad range of medicines in targeted therapeutic areas for patients consulting healthcare professionals, where prescriptions are generally required. The Genop business, which is a specialised instrument, surgical and pharmaceutical products enterprise, focuses on servicing the ophthalmic, optometry and skincare segments in Southern Africa.

Revenue split (%)



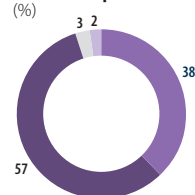
Local
Export

Revenue split (%)



Private
Public

Local private revenue split (%)



Corporate Pharmacy
Wholesaler
Independent Pharmacy
Retail/FMCG

OUR CUSTOMERS AND OUR MARKETS

Customers, across the country include:

- specialists
- general practitioners
- hospitals;
- pharmacies; and
- wholesales

Markets served:

- Public sector
- Private sector



Nolwazi Vilakazi
Financial Director



Ashley Pearce
Managing Director



CURRENT TRENDS IN OUR MARKETS (POST PANDEMIC)

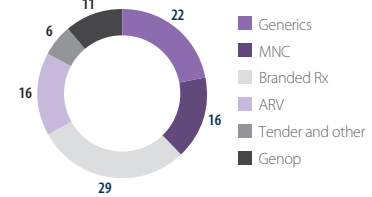
- COVID-19 continued to have a significant impact on the patients' ability and willingness to visit healthcare practitioners especially in the first half of the financial year (July – December) and hence script generation remained low. An improvement in access, as the restrictions were lowered in calendar 2022, led to an improved position. Funder interventions with increased restrictions on access to innovative medicines is now the established practice and the major corporates are focussing on house brands and in-house sourcing of generic medicines.
- Biosimilar products continue to improve access to high value medicines, at a lower cost.
- Increased use of digital health technologies, such as machine learning, digital applications to manage wellness and diseases, as well as remote interactions with healthcare providers, will continue to accelerate how pharmaceutical companies engage within the sector.
- Challenges remain with SAHPRA to improve the timelines for registration of new and generic medicines.
- The economic squeeze has led to more patients downgrading their medical aid scheme, which results in lower access to new and innovative medicines.
- Growth in corporate pharmacies and corresponding house brand strategies will continue to limit the introduction and growth of generics within this channel.
- A shift back to healthcare provider (HCP) engagement, to traditional face-to-face (FTF) engagement, with a smaller blend of multichannel communication modes.
- Digital transformation within the sector including telemedicine and telehealth initiatives continue to grow.
- Transformation of the traditional model of pharmaceutical sales forces, characterised by smaller sales teams with more diverse, specialised skill sets to service health care providers.
- Potential disruptions in the pharmaceutical supply chain across the world.

DISTINCT FEATURES

The division offers a comprehensive and diverse portfolio of prescription brands, ranging from quality affordable branded and generic medicines to innovator brands. These include the Company's own intellectual property brands as well as those marketed on behalf of multinational partners, including Leo Pharma, Novo Nordisk, Sandoz, Lundbeck, Novartis and Takeda.

This allows the division to offer full scale patient solutions in the therapeutic categories it represents, enabling the division to achieve market leadership in the pain, women's health, urology, dermatology and osteoporosis categories. The scope in therapeutic offering, commercial footprint, and coverage of key customers, positions the division as an attractive partner to multinational companies.

Revenue by segment (%)

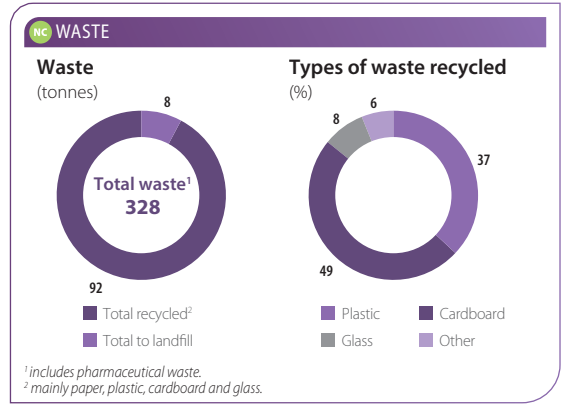
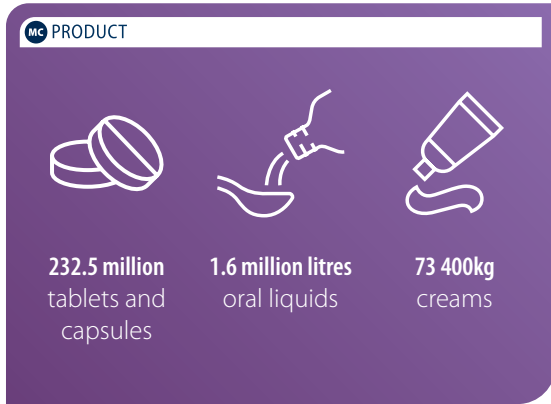


The division recorded an average selling price per unit sold of **R96.08** (excluding Genop)



Prescription division continued

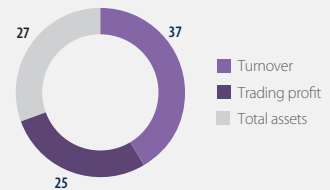
OUR OUTPUTS FROM WADEVILLE



OUR OUTCOMES

FC Turnover: **+7%**
 Trading profit: **+24%**
 Top 10 brands' turnover:
R1,117 million
 (2021: R1,120 million)

Contribution to the Group results
(%)



IC MARKET SHARE¹

Category	Market share	Category position
Volume	14.2%	1
Value	6.7%	4

¹ IQVIA MAT June 2022



PERFORMANCE

PAIN

The pain portfolio includes leading, well-known brands such as Mypaid Forte, Myprocam, Synaleve, and Myprodol. The comprehensive portfolio offers healthcare professionals and patients effective pain solutions for mild to severe acute and chronic pain, including pain associated with cancer and auto-immune diseases, in a variety of dosage forms such as oral, topical, parenteral, and transdermal.

Maintained the position as the leading prescription pain franchise in the country, three of the division's pain brands feature in the top 10 brands within the non-narcotic analgesic market. Synaleve exceeded R140 million in ex-factory sales this year.



WOMEN'S HEALTH

This portfolio recognises and celebrates the uniqueness of women and includes treatments for conditions that occur more frequently in women. These include symptoms related to menopause, vaginal dryness, urinary tract infections (UTIs), osteoporosis as well as oral contraceptives. As the leading women's healthcare franchise in the country, with a 30% market share, the portfolio offers flexible, high-quality treatment options to meet the needs of South African women through specific stages of their journey through life and empowering them to make informed decisions about their health.

The urology portfolio, which includes well-known brands such as Urispas and Urizone, is the market leader in the treatment of urinary tract infections, with a 26% market share¹, despite a number of fosfomycin generics being launched during the year by competitors.

CENTRAL NERVOUS SYSTEM (CNS)

Mental health has been thrust into the spotlight due to COVID-19, which had a significant impact on the mental health of many people. New realities like working from home, temporary unemployment, and the lack of physical contact with other family members, friends and colleagues meant taking care of our mental (as well as our physical) health has become even more important. This franchise remains a partner of choice for multinational companies and offers treatments for a wide range of psychiatric and neurological disorders.

Stresam, a treatment option for anxiety, has demonstrated excellent ex-factory internal growth of 25% in 2022, and in-market¹, at 14%, whilst Adco Venlafaxine has continued to gain market share within the Venlafaxine category growing at 115% against the market decline of 1.2% in this molecule.

Other key brands which are promoted and/or distributed for multinational partners are Cipramil, Ciprallex and Fluaxol on behalf of Lundbeck.

The CNS franchise has the second largest growth (7%) among the top 6 competitor companies and is growing 4% faster than this market¹.

Towards the end of the financial year, the division entered the ADHD market with the launch of two new products from one of its global partners, Medice. These included Medikinet (methylphenidate) as well as Amfexa (dexamphetamine), which both have innovative benefits for the patient and will look to treat unmet needs in the current treatment protocols for ADHD in South Africa.

DERMATOLOGY

As the leading medical dermatology franchise with well-known brands like Advantan, Fucidin, Protopic, Dovobet and SBR, we offer treatments for a wide range of dermatological conditions including eczema, fungal and bacterial skin infections, psoriasis, acne, and dry skin. Advantan remains the leading topical corticosteroid brand in the market with a 31%¹ value share. As a result of successful down scheduling to S2, Fucidin Topical now holds the number 2 position¹ in its class as the OTC strategy is rolled out with a 21% market share. Dovobet, the only fixed dose combination anti-psoriasis product remains the leader¹ with 77% (ointment) value share in the market, whilst Dovobet gel holds 10% value share¹.

The dermatology franchise remains the leading business¹ in the constructed class with a share of 22%.



Prescription division continued

PERFORMANCE

GASTROENTEROLOGY

This portfolio comprises principal or partner brands for the treatment of reflux disease, mild to moderate ulcerative colitis and haemorrhoids. The portfolio has brands in a variety of formulations including oral, rectal suppositories and topical ointment. This portfolio includes prescribed leading brands in the markets where they compete, such as Topzole and Scheriproct.

During the financial year, the division launched Dexilant (dexlansoprazole) on behalf of Takeda, the first new chemical entity in the proton pump inhibitors (PPIs) space in South Africa for a number of decades for the treatment of gastroesophageal reflux disease and erosive esophagitis, giving patients complete 24-hour relief of heartburn symptoms.

ARVS

The ARV portfolio includes a range of antiretroviral products indicated for the prevention and treatment of HIV and is currently the fourth-largest ARV franchise in the private sector, with a 9% value market share¹.

This portfolio continues to face intense generic competition in the private sector and pricing pressure from funders with a greater number of generic entrants within this market driving down reference pricing.

GENERICS

This portfolio is the largest within the Prescription division and includes a portfolio of medicines across therapeutic areas such as CNS, Cardiovascular, Pain, Gastroenterology and Dermatology. Genpayne is the leading brand in the portfolio with an in-market value of R196 million and growth of 10%. The aim within the portfolio is to ensure that patients have access to a comprehensive basket of products at competitive prices. This requires constant engagement with suppliers to manage product profitability and sustainability.



market value of
R196 million

OPHTHALMOLOGY

During the second half of the year, the division signed a multi-year sales, marketing and distribution agreement with Novartis for a leading portfolio of 19 ophthalmology products including Cilodex, Patanol, and Tobradex. The portfolio has annual sales exceeding R200 million and together with the division's existing portfolio of ophthalmic products including Spersadex Comp, Spersallerg and Xailin, puts Adcock Ingram's ophthalmology portfolio as the leading portfolio in the market.

BIOLOGICS

The division, along with its partner, Celltrion Healthcare, successfully launched the first infliximab and rituximab biosimilars in South Africa. These launches gave Adcock Ingram a footprint within the biologics market and allow for competition with some of the top pharmaceutical products in the country. Biological medicines are very expensive and thus inaccessible to many patients suffering with serious autoimmune and oncological conditions. Biosimilar products are cost effective alternatives that provide similar efficacy and safety to originator products. Extending the access of treatment to more patients is the goal of biosimilar therapy. Blitzima (rituximab), managed to exceed R50 million in ex-factory sales in its first year of launch and successfully brought down the cost to patient for treatment using this molecule by over 25%.

GENOP

With the relaxation of COVID restrictions and the lifting of bans on elective surgeries during the financial year, the eyecare business showed a decent recovery as numbers of cataract and other ophthalmic surgical procedures increased. The skincare business continued to perform strongly in its market as it focussed on expansion in the aesthetic skincare market by partnering with the Sorbet group to introduce Johnson and Johnson's Exuviance skincare brand across its national network of stores. The business represents several well-respected and market-leading brands from its international partners, including Johnson and Johnson (J&J Vision and Neostрата), DORC, Nidek, Heidelberg, Oculus, BV1, Heliocare and Dermapan.





ANALYSING THE OUTCOMES

2022 ACHIEVEMENTS

- The division remains committed to building its relationships with its multinational partners, and during the year successfully renewed and strengthened existing partnerships and pipelines with Novo Nordisk and Takeda.



- The division signed a multi-year sales marketing and distribution agreement with Novartis on a leading portfolio of 19 ophthalmology products with annual sales exceeding R200 million resulting in Adcock Ingram now having the leading ophthalmology portfolio in the market.



- During the last quarter of the year, Dexilant, a new chemical entity, was launched on behalf of Takeda.

- An agreement was concluded with Karo Pharma regarding the distribution of Pevaryl, Gyno-Pevaryl and Pevisone.
- On behalf of Zambon, Adcock Ingram was successfully awarded a two-year tender on Urizone (fosfomycin).
- Continued financial support was provided to the following corporate social responsibility projects:
 - Witkoppen healthcare mobile clinic - the mobile clinic provides access to basic quality healthcare services for the Diepsloot and Msawawa informal settlements.
 - Hlokomela wellness project in Hoedspruit - provides basic healthcare services in the community of Hoedspruit. It is available to farmers, farmworkers, sex workers, foreign migrants and local community members.
 - LumoHawk foundation – the division continued to support the foundation’s “Vision 2020 project” during the year, providing not only financial support but also technical support and guidance when required. This project is aimed at testing children’s eyesight in underprivileged areas and providing those in need with spectacles.

OUTLOOK

- In the face of a highly evolving pharmaceutical market, overlaid with the economic and social impact that the COVID-19 pandemic has had on the economy and its people, the division aims to strengthen its focus and offering in the generics business, ensuring that it continues to offer patients affordable, quality, and relevant generic medicines.
- Delivering on the multinational strategic partnerships remains key, with the major focus on continuing to deliver value to our partners that have confirmed their long-term partnership with the division, such as Takeda, Lundbeck, Biocodex, and Leo Pharma. The recently signed Novartis ophthalmic agreement continues to build on this platform.



- Achieving launch excellence remains the cornerstone of our focus, as we launch into a number of first to market opportunities in the division, in the CNS, women’s health and generic areas. In women’s health, the division is set to build a robust family planning portfolio, further empowering women to make key decisions on their health and contraceptive choices.



Hospital division

INPUTS

HC HUMAN CAPITAL

583 manufacturing, engineering, plant maintenance, facilities, and laboratory employees
97 sales, marketing and administration employees

MC MANUFACTURED CAPITAL

The **Aeroton** facility, accredited with:

- South Africa (SAHPRA)
- Kenya (PPB)

Average utilisation during the year: **92%**

The split of purchases below

	Cost of goods
Aeroton	59%
Third parties	41%

NC NATURAL CAPITAL

Purchased:

- **172 855 kilolitres** of water
- **13 628 500 kWh** of electricity
- **3 940 tonnes** industrial coal

SR SOCIAL AND RELATIONSHIP CAPITAL

Memberships include:

- Pharmaceuticals Made in South Africa (PHARMISA);

Regulatory bodies include:

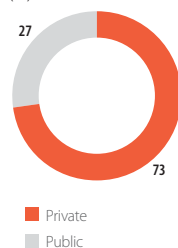
- The Marketing Code Authority (MCA)
- The South African Health Products Regulatory Authority (SAHPRA)

THE DIVISION'S OPERATING MODEL

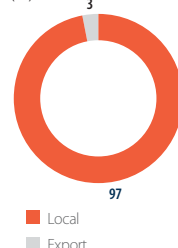
OUR BUSINESS ACTIVITIES

Adcock Ingram Critical Care (AICC) is a leading manufacturer and supplier of hospital and critical care products in Southern Africa. Products are offered through multiple portfolios and across a wide range of customer channels. The business is a fully integrated operation which spans from regulatory, through manufacturing, to marketing, sales, and distribution. Beyond its world-class commercial capability, AICC manufactures an extensive range of products in its unique dual process factory which comprises a comprehensive plastic extrusion plant together with a fully accredited pharmaceuticals manufacturing facility.

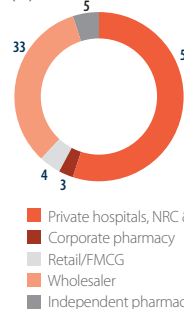
Revenue split (%)



Revenue split (%)



Local private revenue split (%)



OUR CUSTOMERS AND OUR MARKETS

Customers, across the country include:

- Hospitals
- Pharmacies
- General practitioners
- Renal dialysis centres
- Clinics
- Blood centres
- Physiotherapists
- Biokineticists
- Orthotists
- Kinesiologists

Markets served:

- Public sector
- Private sector



Mohamed Mangel
Financial Director



Colin Sheen
Managing Director

CURRENT TRENDS IN OUR MARKETS (POST PANDEMIC)

- Funding pressure is experienced across the entire sector as private health insurers had to manage the post-COVID recovery of funds through a tough operating climate, inflationary pressures, and a largely stagnant medical aid members' base.



- With limited hospital groups and a few medical schemes dominating the environment, the use of formularies and formulary compliance keeps increasing in an attempt to manage costs with regards to pharmaceuticals, devices and medical consumables.

• Funders are placing increased pressure on hospitals regarding patient admissions and patient stays, resulting in reduced hospital bed days and reduced admissions.

- An increased use of day clinics and homecare, as funders and consumers/patients continue to manage hospital, surgical, pharmaceutical and specialised price inflation.
- Hospital groups implemented increased cost controls to tighten up on non-funded expenses.
- Managed care interventions, which focus on comprehensive care, home care rehabilitation and out-of-hospital recovery, are also on the increase.

- Regulations increased, including those now required for the previously unregulated device environment.

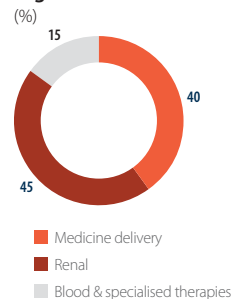


OUR DISTINCT FEATURES

AICC is a progressive healthcare company, ever evolving and continues to broaden its portfolios. At the centre, AICC holds a solid market leadership position in intravenous solutions, renal therapies and blood transfusion therapies, where it continues to be the largest supplier of blood collection bags to the South African National Blood Services (SANBS). Other business portfolios include small volume injectables, infusion systems, anaesthesia, nutrition, haemophilia, specialised pharmaceuticals, sports science and a vast range of hand and surface disinfectants.

AICC continues to expand into adjacent portfolios which includes growth in oral and injectable analgesics, additional injectable pharmaceuticals, immunosuppressants, enteral nutrition, wound-care, orthopaedics, and expansion into sports medicine.

Revenue by segment



Hospital division continued


OUR OUTPUTS

MC PRODUCT

						
25.5 million IV bags	27.5 million ampoules	1.3 million pour bottles	0.3 million glass bottles	0.8 million blood packs	Extrude more than 1 330 metric tons of PVC sheeting and tubing	

MC WASTE

Waste
(tonnes)

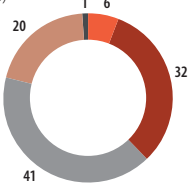


Total waste!
2 396

100%




■ All waste recycled

Types of waste recycled
(%)



20 32 41 1 6

■ Cardboard ■ Plastic (all)
■ Ash ■ Wood
■ Other

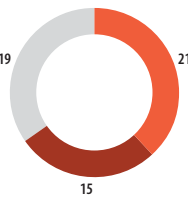
BOILER ASH WASTE
THE STORY OF NOXMAN BRICKWORK

Coal is used at Adcock Ingram Critical Care to act as fuel and fire the boilers, which is needed for the sterilisation of the intravenous fluids. Boiler ash is the biggest contributor to waste at the Division, but through an initiative whereby Noxman Brickwork collects all boiler ash on a daily basis, all of this waste is put to good use. Boiler ash, when combined with supplementary materials, are converted bricks.

OUR OUTCOMES

FC Top 10 brands' turnover:
R1,108 million
(2021: R1,019 million)

Contribution to group results
(%)



21 15 19

■ Turnover
■ Trading profit
■ Total assets

Turnover
+6%

Trading profit
+2%

PERFORMANCE

MEDICINE DELIVERY

Sales in this segment of the business increased by 5%, following the relaxation of the lock-down levels and an increase seen in hospitalisations.

LARGE VOLUME PARENTERALS (LVP)

The LVP Portfolio reflected growth of 4% with the private sector contributing 55% of sales.



SMALL VOLUME PARENTERALS (SVP)

Total SVP portfolio reflected a decline of 2%, largely driven by:

- a decline in the demand for COVID driven products, which resulted in an inflated base; and
- a decline in formulary listings, as the portfolio continues to face intense generic competition in the private sector with a bigger number of generic entrants.

The private sector contributes 65 % to the portfolio, growing at 2%.

PAIN AND ANAESTHESIA

This portfolio increased by 18% due to the increase in elective procedures post COVID.

RENAL

The division comprises the following portfolios:

- peritoneal dialysis (PD), which remains the largest and the preferred first approach in the public sector;
- speciality pharma (SP);
- haemodialysis (HD); and
- continuous renal replacement therapy (CRRT).

Sales in this segment improved by 7%, despite the reduction in hospitalised COVID-19 cases which resulted in a decrease in the use of CRRT. The onboarding of the Roche renal portfolio compensated for the decline in each of the other dialysis treatment modalities. AICC remains the largest supplier of CRRT equipment and consumables in South Africa.



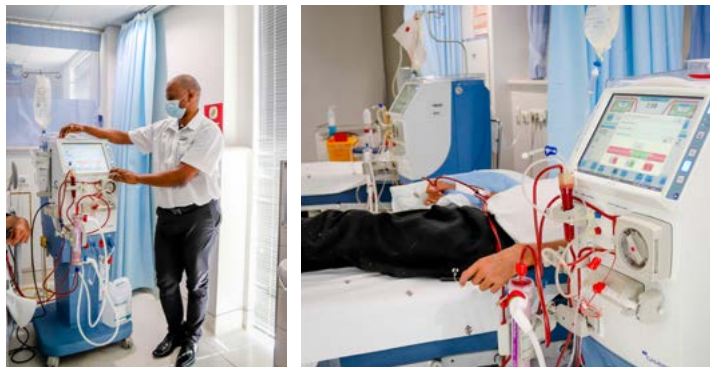
BLOOD AND SPECIALISED THERAPIES

TRANSFUSION THERAPY

The portfolio reflected 10% growth, with increased demand for cryoprecipitate production in the first half of the year and the resumption of blood donation drives post-COVID. The business continues to foster close associations with its key customer, SANBS.

PATHOLOGY

Partnering with Abbott Rapid Diagnostics gave AICC immediate access to SAHPRA approved COVID-19 Rapid Ag tests. The launch of this product coincided with the resurgence of COVID-19's second and third waves, which created significant demand for a product in a non-laboratory setting. The overall portfolio reflects growth in excess of 37%.



SPORTS SCIENCE AND REHABILITATION

This category reflected little growth as sales were negatively impacted by COVID-19 lockdown restrictions, including the impact on sporting events, gyms, and school sport activities. As the lockdown regulations were eased, the portfolio has seen a gradual increase in sales.

The primary target audience for this portfolio is healthcare professionals with a bias to human movement like physiotherapists, chiropractors and biokineticists.

Hospital division continued

ANALYSING THE OUTCOMES

2022 ACHIEVEMENTS

• Adcock Ingram maintained its strong supply association with SANBS, a relationship which spans more than 50 years.

• Maintaining its market leading position across the LVP, SVP, renal and blood portfolios. In renal it continues to be the leader in PD, HD and CRRT.

Rural renal patient using a home dialysis kit



• AICC's disinfectant business remains strongly positioned and it has expanded its offering through an alliance with Spar, supporting a variety of their household consumer formulations.



• AICC has progressed several innovations through the current year, supporting ambitions beyond its anchor businesses and aspirations into adjacent categories including:

- sports medicine, rehabilitation, and recovery;
- an expanded strategic alliance with Roche; and
- continuously evolving business opportunities in pathology with several alliances and offerings, following the established success through COVID-19 testing.

OUTLOOK

- AICC will maintain its close relationships with all stakeholders to continue building trust and demonstrate its commitment to deliver according to their expectations. It is committed to maintain its uncompromising attention to customer service in supply, delivery, service and communications.



- The division will maintain its close relationship with government and support communities throughout South Africa, in providing quality healthcare and lifesaving products, affordable to everybody.

- AICC will continue to concentrate efforts on nurturing focussed portfolios with key attention on product mix, line extensions, process efficiencies and people.
- AICC will continue to grow its market-leading position in both established, as well as newly penetrated therapy areas, and will attempt to expand into adjacent categories through licensing, partnerships, and strategic alliances.
- AICC will maintain its focus of being a responsible citizen through:
 - social upliftment and contribution to communities
 - water saving initiatives
 - power solutions, including reduction and sourcing alternative energy suppliers
 - a focus on waste reduction, recovery, and recycling.

CASE STUDY – ORGANIC WASTE

THE STORY OF INDALO HEALTH AND WELLNESS

The Indalo Health and Wellness farm was started by Mr Sicelo Mokhele who was born in Welkom in the Free State. He worked as a professional nurse for most of his life, mainly based on the mines. As a nurse he used to assist with the communal farm in Welkom where he developed more interest in having his own farm. When he retired, he invested his money in a farm which he bought in Zeerburkom. There he farms with livestock of cows, and pigs, as well as with vegetables. Unfortunately, his livestock was stolen, and he closed his farm down.

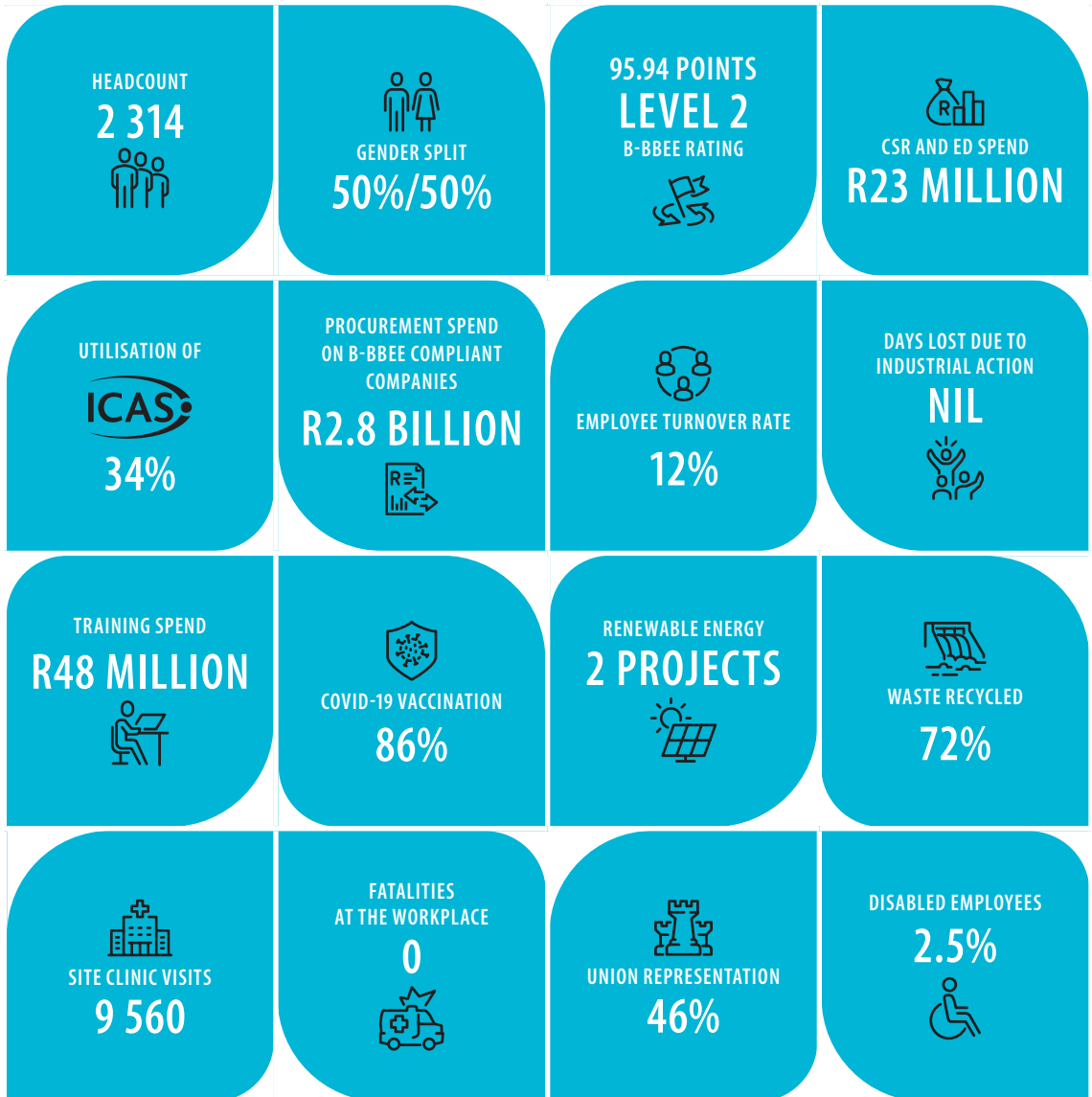
A few years later he started again on a small communal site in Soweto, planting vegetables and started gardening. Slowly he was able to buy pigs and goats. To date he has kept the farm going and is selling prepacked prepared vegetables to the community. He also sells his livestock on a small scale to the community.

It is through the support received from the canteen at Adcock Ingram Critical Care, that he can sustain his livestock, by collecting the organic waste, twice a week, to feed the pigs and the goats.



Sustainability

A snapshot



Sustainable development enables Adcock Ingram to grow in a responsible way and within a framework that safeguards the business for current and future generations. It requires identification and active management of issues that could materially affect the long-term sustainability of our Group in the context of all stakeholders, including shareholders,

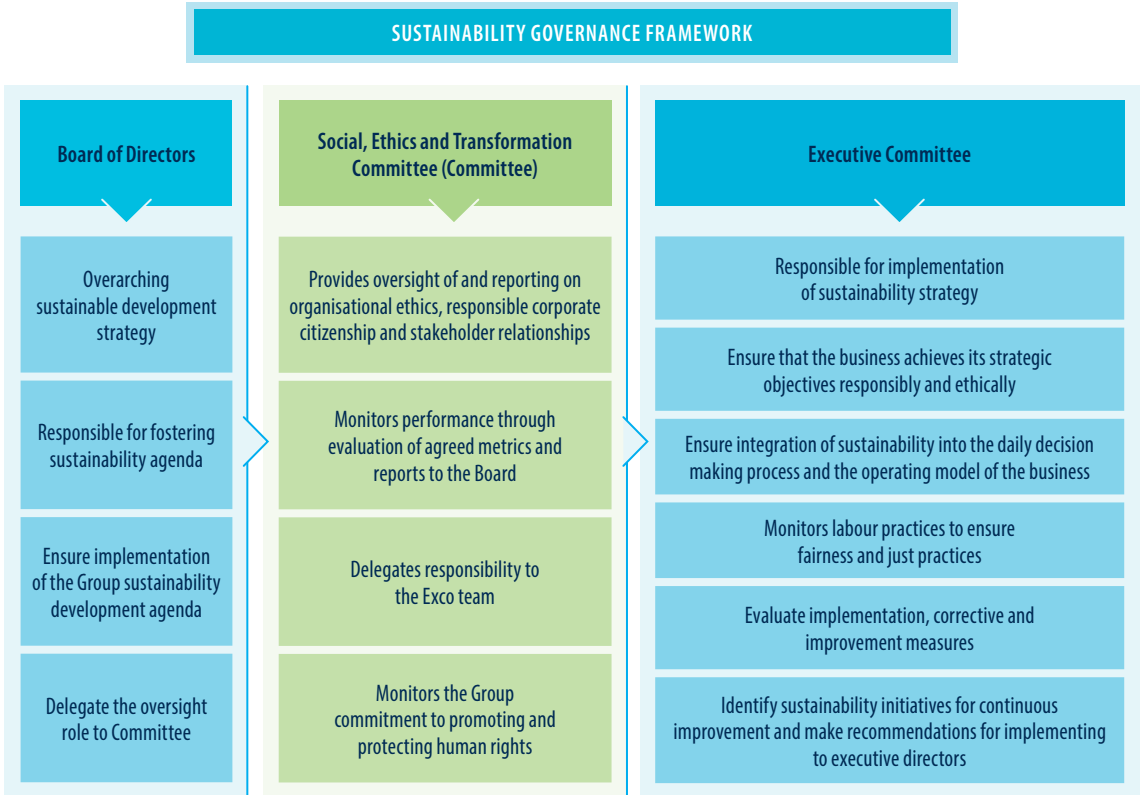
customers and consumers, employees, suppliers, regulators, government, organised labour and our communities.

Our approach is guided by the KING IV™ Report on Corporate Governance, JSE Listing Requirements, requirements of the Companies Act 71 of 2008 and the global reporting index standards.



GOVERNANCE

Sustainability matters are governed through the following structure and framework:



COMMITTEE

The Committee functions within the ambit of annually reviewed Board approved terms of reference and meets at least three times a year.

The Committee consists of two independent non-executive directors and one executive director. The Chairperson of the Board, CEO, CFO, executive of public affairs, head of internal audit, corporate communications manager and representatives from Marsh Consulting (risk advisors) are invited to attend all meetings of the Committee.

Attendance at the Committee meetings was as follows:

COMMITTEE MEMBERS	MEETING ATTENDANCE
CHAIRPERSON	
C Manning	3/3
MEMBERS	
S Gumbi	3/3
B Letsoalo	3/3
INVITEES	
N Madisa (Chairperson of the Board)	2/3
A Hall (CEO)	3/3
D Neethling (CFO)	2/3
N Mthethwa (Public affairs executive)	3/3
J Smit (Marsh risk advisor)	2/3
S Pietropaolo (Head of internal audit)	3/3
K Singh (Corporate communications manager)	1/3
T Wentworth (Group financial manager)	1/3

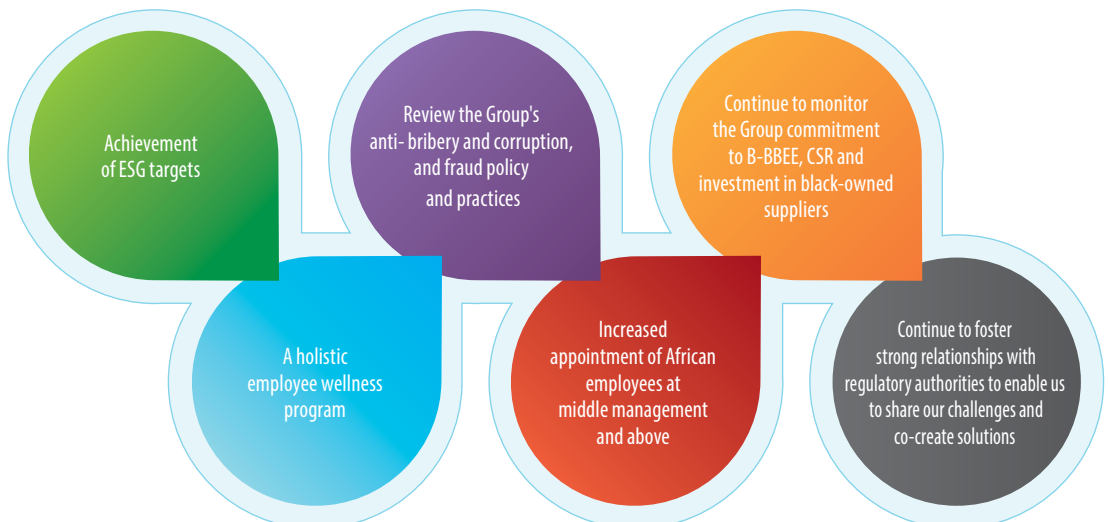
Sustainability continued

KEY ACTIVITIES OF THE COMMITTEE FOR THE REPORTING PERIOD

During the year, the Committee reviewed the following matters in line with its mandate to ensure effective and ethical leadership, including cascading it to the business.



FUTURE FOCUS AREAS





HC Human Capital

OUR PEOPLE

The Group's unique culture gives it a competitive advantage and positions it as one of the leading South African healthcare companies. As a culture-driven organisation, our values and culture underpin and inform employees' conduct and behaviour. Our culture is a glue in uniting employees as a collective force. This has never been more relevant than since the start of the COVID-19 pandemic at which time people endured highly stressful circumstances as the pandemic exerted elevated pressure on the physical, cognitive, emotional, and financial well-being of our employees and their families.

It is in this context that we must support them holistically and provide an enabled environment so that they can continue to perform in extraordinary ways during extraordinary times. Even in moments of despair, our employees demonstrated grit, resilience, adaptability, unwavering dedication and perseverance, despite COVID-19 fatigue, stress and anxiety. We salute and remain grateful for their commitment during those trying times.

DASHBOARD

	30 June 2022	30 June 2021
WORKFORCE PROFILE		
Total number of permanent employees (excluding full time contractors (FTC))	2 314	2 223
Gender split		
Male	1 149 (49.6%)	1 130 (50.8%)
Female	1 165 (50.4%)	1 093 (49.2%)
Race split		
African	1 515 (65.5%)	1 415 (63.7%)
White	329 (14.2%)	330 (14.8%)
Indian	186 (8.0%)	189 (8.5%)
Coloured	284 (12.3%)	289 (13.0%)
Diversity		
Black male	1 026 (44.3%)	993 (44.7%)
White male	123 (5.3%)	137 (6.2%)
Black female	959 (41.5%)	900 (40.5%)
White female	206 (8.9%)	193 (8.7%)
Management level		
Females	669 (56%)	586 (49%)
Black females	481 (40%)	413 (37%)
Disabled employees		
	59 (2.5%)	42 (1.9%)
Types of employees		
Total guaranteed package (TGP)	1 371 (55.8%)	1 278 (53.9%)
Bargaining unit (BRG)	943 (38.4%)	945 (39.9%)
Fixed term contract (FTC)	141 (5.8%)	147 (6.2%)
Average age of employees		
	42 years	42 years
Average length of service of employees		
	9 years	9 years
Employee turnover		
	12%	16%

Sustainability continued

	30 June 2022	30 June 2021
UNION REPRESENTATION		
Employees with union membership	1 071 (46%)	1 081 (49%)
Breakdown of union representation:		
GIWUSA	544	542
CEPPWAWU	343	360
SACWU	184	179
EMPLOYEE CONDUCT		
Number of disciplinary cases	367	213
Number of dismissals	25	26
Number of whistle-blowing incidents	17	16
EMPLOYEE WELL-BEING		
ICAS utilisation	34%	29%
Employees with medical aid	51%	51%
Site clinic attendance	9 560	9 913
Number of employees tested for HIV	474	209
Number who tested positive	9	4
Number of sick days taken	15 711	15 819
EMPLOYEE INCOME DIFFERENTIAL		
Average annual remuneration of the top 10% earners	R1 350 027	R1 292 460
Average annual remuneration of the bottom 10% earners	R174 424	R171 886
Vertical gap between the highest and lowest paid worker	56.0	47.8
Employee minimum wage	R10 942	R10 650
LEARNING AND DEVELOPMENT		
Total spend on skills development	R47.8 million	R47.9 million
Training spend on black employees as a % of payroll	3.1%	3.2%
Spend on skills development on black employees	R40.0 million	R39.9 million
Training spend on employees with disabilities as a % of payroll	0.40%	0.35%
Spend on study assistance	R650 567	R212 712
Tax deduction claimed for learnerships	R5.1 million	R5.2 million

TALENT MANAGEMENT

Developing and retaining our own timber is an approach that has served the Group well and will continue to be a core initiative. Sourcing the right critical skills and expertise externally is also important. Stringent pre-employment assessment at strategic levels ensures required skill levels are maintained. The current turnover rate across the Group is 12%, generally lower than employee turnover in South Africa. The Group continues to improve its retention rate to mitigate the effects of the war for talent by refining our employee value proposition, capacity building programs, learning and development initiatives, enhancing incentive frameworks and embedding an empowering and supportive culture. The Human Capital team continuously conducts health check interviews to determine engagement levels, as well as push and pull factors for employees. These health check interviews include exit interviews, post placement interviews, and stay discussions.



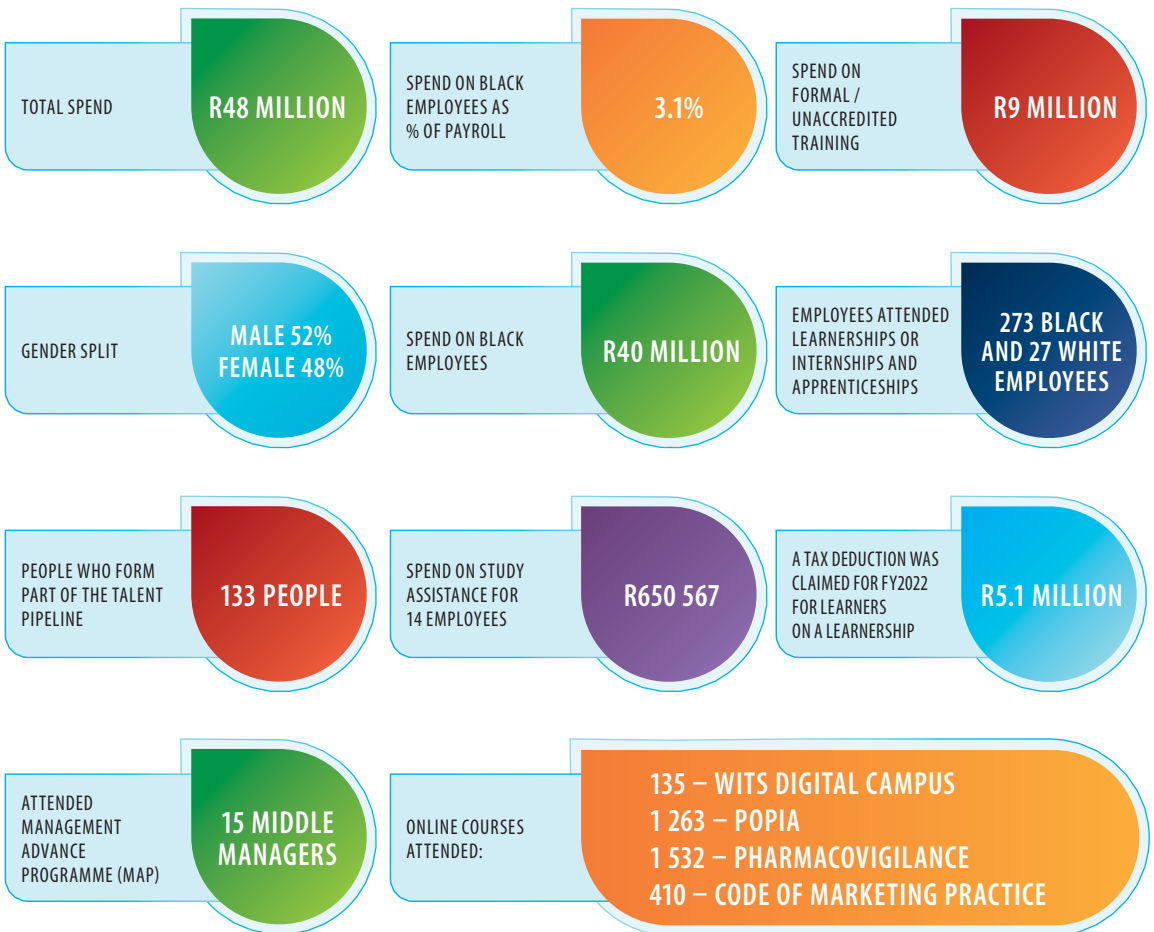
LEARNING AND DEVELOPMENT

Adcock Ingram invests significantly in the development and upskilling of its employees to enhance employee performance, boost employee productivity, reduce employee turnover and improve Company culture.

A snapshot of learning and development (skills development) spend

Adcock Ingram is committed to the learning and development of all employees to ensure they have the necessary knowledge and skills to perform their jobs in the most effective and competent way. In addition, the Company strives to create an adequate depth of skills, knowledge, and competencies to meet future business requirements. To achieve this, the Company provides appropriate forms of learning and development by:

- ensuring all compliance, health and safety training is completed as per requirements (compliance);
- assisting employees with further education as well as training and development opportunities that are of benefit to them within the Company, in the capacity in which they are employed (individual development); and
- supporting skills development programmes and various learnership programmes (Group initiatives).



Sustainability continued

TALENT PIPELINE

Adcock Ingram continues to make a meaningful contribution towards mitigating skills shortages through learnerships and internships. Our established pipeline of young and emerging talent aims to provide a bench for critical and scarce skills in the Group. The programmes are built on their qualification as a base, and provide practical workplace experience combined with theoretical knowledge.

The talent pipeline consists of the following programmes:

Current intake						Percentage absorbed from the previous intake
Type of programme	Number of participants	Race composition	Gender composition	Duration		
Apprenticeship programme	9	100% A	67% M, 33% F	3 years		100%
Learners living with disabilities (Project management NQF level 4 and Stores and Warehouse NQF level 3)	23	96% A, 4% C	56% M, 44% F	12 months		65%
Graduate development programme (Project Management NQF level 4)	46	98% A, 2% W	61% M, 39% F	12 months		100%
Workplace experience for third party graduates, working under guidance of a mentor and coach	30	100% A	50% M, 50% M	12 – 24 months	n/a, previous intake not eligible	
Youth Employment Scheme (YES) for non-B-BBEE purposes	11	100% A	36% M, 64% F	12 months	n/a, previous intake not eligible	
Pharmacy intern programme (Pharmacy Council)	7	71% A, 29% C	29% M, 71% F	12 months		n/a, enter community service after completion
Junior pharmacist programme	7	72% A, 14% C, 14% I	100% F	12 months		100%

A= African, C= Coloured, I = Indian, W = White
M= Male, F = Female
n/a = not applicable

FULL-TIME EMPLOYEES

Adcock Ingram also provides a learnership programme to our employees.

The learnership programme consists of the following:

Programme	Number of participants	Race composition	Gender composition
Apprenticeship	15	100% A	100% M
Adult Education and Training (AET)	12	75% A, 25% C	17% M, 83% F
Manufacturing Management	32	91% A, 9% C	66% M, 34% F
Stores and Warehouse NQF 3	14	100% A	50% M, 50% F
Pharmacist Assistance (Basic)	39	100% A	36% M, 64% F
Pharmacist Assistance (Post Basic)	8	75% A, 25% C	25% M, 75% F

A= African, C= Coloured, I = Indian, W = White
M= Male, F = Female

CASE STUDY: GROWING OUR OWN TIMBER

On 17 May 2022, the Group welcomed a group of graduates, pharmacy interns and junior pharmacists to the Adcock Ingram stable as part of our initiative to develop young talent. The development and growth of our young talent is a key objective of our Human Capital strategy and aligned to our mantra of “growing our own timber”.

The graduates have proudly achieved qualifications ranging from Masters in Biochemistry and Public Health to various science, law, engineering, logistics and marketing degrees. The pharmacy interns and junior pharmacists all completed their BPharm qualification.

The young talent was given inspirational messages from our Executive Director for Human Capital and Transformation, Ms Basadi Letsoalo, and Cole Davids, a seasoned entrepreneur, motivational speaker, and life coach who has delivered keynote addresses at Harvard and Oxford Universities. Cole is the founder of Youth Unplugged and Co-Founder of the Pillar 5 Group (www.pillar5group.co.za). He is also a consultant to the private sector, civil-society organisations and government departments on entrepreneurship, development and mentorship.

Three employees who started as an intern or a graduate gave the graduates a taste of their experience of their time with Adcock Ingram, namely Lauren Chetty (a pharmacist in Wadeville), Ruven Segadevan (Compliance manager) and Nicole McKenzie (Marketing in Plush).

The function was well attended and, in addition, over 50 managers and mentors attended online.



Speaker Cole Davids, with Ruven Segadevan (left) and Lauren Chetty (right).

Sustainability continued

ONLINE LEARNING

Following the lessons learned during the pandemic, online training courses continued during the current financial year, and Adcock Ingram funded 135 employees on various courses through Wits Digital Campus, with examinations completed by the middle of May 2022. The composition of the employees on the courses is 89% black, 64% African and 60% of all participants are female.

Of the 135 learners, 93% successfully completed the course. The courses that employees enrolled for:

Course	# Learners per course
Advanced Project Management	10
Business Communication Skills	15
Business Leadership Coaching	7
Corporate governance	1
Critical Systems Thinking	2
Customer relations building	4
Digital marketing	7
Governance and ethics	3
Health and Safety Representative Training	5
Integrated Thinking and Value Creation	1
Logistics and Supply Chain Management Practice	17
Managing Labour Relations	8
Managing finance for business operation	3
Operations Management Practice	14
Principles of Management	13
Principles of Project Management	24
Sustainability assurance	1
Total learners	135

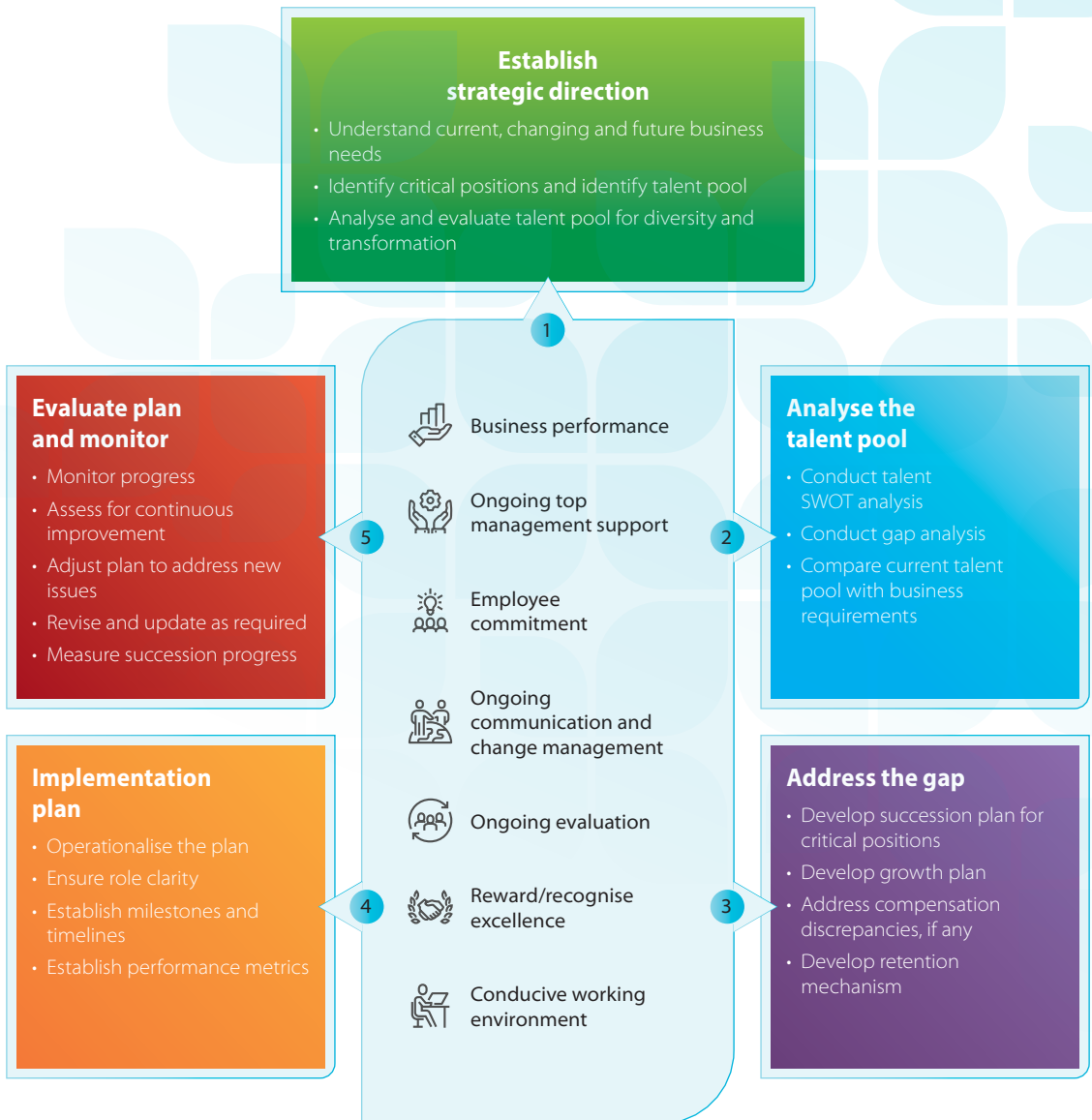
LEADERSHIP DEVELOPMENT

Due to the pandemic, the usual allocation of junior and middle managers to attend the Management Advancement Programme (MAP) from the Wits Business School was put on hold in 2020 and 2021. The intake in 2022 consists of 15 middle managers, 40% male and 60% female, and 46% African, 14% Indian and 40% White. MAP aims to develop effective business leaders by providing a solid foundation in all business disciplines.

SUCCESSION MANAGEMENT

A succession plan assists the Company to adopt a proactive approach in filling vacant critical roles and includes a smooth transition plan to ensure leadership changes do not interrupt major business initiatives. Senior leadership possesses unique expertise and skills sets, which are often difficult to replace and are key contributors in achieving the organisational goals. It is in this context that succession management is imperative for business continuity.

Adcock Ingram follows the following succession model:



During this year, the focus of succession was on the executive directors and executive management team. The Human Resources and Remuneration Committee actively reviews the successors bi-annually in terms of bench strength, readiness level, diversity, and flight risk to ensure the continued proactive readiness of the succession process.

Sustainability continued

EMPLOYEE WELLNESS

Due to the challenging conditions under which our employees have operated as an essential service during the pandemic, it has become imperative to prioritise our employee wellbeing, providing them psychological and emotional support, while ensuring that they are protected from COVID-19 infections. Adcock Ingram provided COVID-19 vaccines on site, as well as transport to vaccination facilities, to facilitate employees being vaccinated. To date, 86% of our employees have received at least one dose of COVID-19 vaccine.

INTEGRATED WELLNESS

Adcock Ingram implemented an integrated wellness approach to reduce employee health-related costs, augment productivity, increase employee retention and consequently improve job satisfaction. The following progress is worth noting in each dimension of wellness:

Emotional

Emotional wellness is the ability to successfully deal with life stressors and adapt to change and difficult times.

Progress for the year

- ICAS attended to 227 cases by offering counselling, 75 managerial referrals and 27 life management services.
- Top 3 problems identified were: relationship issues (130), mental health (125) and organisational and managerial issues (67).
- 447 employees attended 10 sessions on mental health that were conducted by a psychologist, these sessions were aimed at dispelling the stigma associated with mental health and educating employees how to navigate challenging events.
- 817 employees attended online sessions on stress, burnout and anxiety.
- 95 group trauma interventions were held.
- Risk cases in Adcock Ingram: 4.9% as % of cases compared to Consumer Services Sector of 5.5%

Social

Social wellness refers to the bonds/ connection we have and how we interact with others.

Progress for the year

- The Company sponsored ICAS access to all independent pharmacy owners, their staff and families since September 2021. The pharmacy owners are deeply appreciative of this type of service.
- The Prescription division sponsor the South African Depression and Anxiety Group (SADAG) helpline. Depression, anxiety, family issues, relationship issues and stress accounts more than 50% of the calls. 54% of the callers are between 19 and 30 years of age.

Financial

Financial wellness refers to one's relationship with money and the ability to handle financial emergencies.

Progress for the year

- Brochures from ICAS on financial topics like "Top 10 money actions that lead to financial success" and "Easy come easy go, understanding your money personality" have been distributed to employees to improve their financial literacy and debt savviness.
- ICAS assisted 6 cases on debt management solutions, 4 on credit and budgeting and 2 on savings and investment.

Intellectual

Intellectual wellness implies the person's ability to welcome new perspectives, ongoing learning in order to expand knowledge and skills.

Progress for the year

- Podcasts, puzzle games, competitions and various webinars were made available to employees to attend and a link was provided to access the recording after the webinar.
- The themes covered, amongst others, were leading and managing performance during a crisis, work life integration and digital leadership.

Occupational

Occupational wellness is the personal fulfilment and enrichment from one's work.

Progress for the year

The following occupational health visits to the clinic were recorded:

- Pre- and post-employment and annual medicals (2 240 visits), 45% female and 55% male.
- Injury on duty (IOD) and follow up visits (197 visits). The top three types of IOD visits are minor body injuries (35), cuts (9) and burns (5).
- COVID-19 related issues, testing and monitoring of symptoms. To date, 1 213 rapid tests have been conducted at our sites, 181 tested positive (15%).
- 650 flu vaccines administered.

Physical

Physical wellness is the ability to maintain a healthy quality of life without undue fatigue or physical stress. Recognising the need for physical activity, diet, sleep and nutrition.

Progress for the year

- The physical dimension consists of primary health care and a follow-up visit to the clinic on site. Four clinics are available to our employees at Clayville, Wadeville, Aeroton and Midrand.
- A total of 4 806 visits for primary health care have been recorded with 15% of the visits to the doctor and 85% to the occupational nurse.
- Female visits make up 61% and male 39%.
- The two top reasons for follow-up visits to the clinic was blood pressure checks and respiratory tract infections.
- Onward referrals include 220 to a GP/clinic, 74 to a hospital, 30 to a psychologist and 239 to another specialist.
- The clinics monitored 305 (155 female and 150 male) employees with chronic conditions and three were newly diagnosed with chronic conditions.
- The top 3 conditions reported are high blood pressure, diabetes and asthma.
- A total of 474 HIV tests were conducted over the past year, of which 465 were negative (98%) and nine positive (2%). The clinics currently monitor 71 employees who are HIV positive as part of the co-morbidity programme.
- The gym was re-opened in May 2022 to encourage regular exercise.
- The canteens are encouraged to provide healthy meal offerings.

Environmental

This dimension refers to provision of a safe workplace, and a pleasant stimulating environment that supports employee well-being.

Progress for the year

Various surveys were conducted to ensure the safety of employees and compliance of the working environment. These surveys include air emissions (annually), noise, ergonomics, ventilation and hazardous chemical surveys (every 2 years). The following surveys were conducted:

- A stack emissions survey was done in May 2022 and results show that Clayville is well below the prescribed maximum emissions (e.g. 18.34 mg/Nm³ for Boiler #19 and 9.88 mg/Nm³ prescribed maximum).
- A lighting survey was conducted in February 2022 at Midrand to measure and evaluate illumination in the work space. No major findings were recorded.
- A baseline risk assessment was conducted on the activities involved in receiving, storing and dispatching of product at the Adcock Ingram Durban warehouse.

Medical waste from the clinics is removed using specialised companies to ensure compliance.

Sustainability continued

MANAGING COVID-19 IN THE WORKPLACE

Since the start of the COVID-19 pandemic, 945 cases were reported with 11 tragic fatalities. In the current year 438 cases were reported, thankfully with no fatalities. During all levels of lock-down, the objectives were to:

- prioritise employee safety and wellbeing;
- ensure business continuity;
- continue with the corporate social responsibility (CSR) mandate;
- ensure unhampered supply of our products; and
- increase manufacturing of essential products.

During the past year the COVID-19 Crisis Committee (CCC) engaged monthly to discuss:

EMPLOYEE SAFETY AND WELLBEING:

- aligning with the World Health Organisation (WHO), Department of Health (DOH) and government regulations and protocols;
- continued correspondence from the CEO and business leaders on non-pharmaceutical protocols for example: mandatory wearing of masks, social distancing, regular sanitising and avoidance of the three C's (closed spaces, crowded places and close contact with others);
- vigilant checking of visitors' health status before entering the sites was mandatory, including for all employees;
- implementing a corporate communications strategy called VAXXY to educate and raise awareness on the merits of vaccination, including hosting VAXXY days at various sites (including the factories) to drive vaccinations;
- encouraging vaccinations across the business units;
- focussing on extending to full vaccination, including a booster dose;
- providing guidance on gatherings and conferences and urged attendees to be vaccinated;
- constantly reminding employees about the importance of ICAS as a platform to utilise for wellness advice and assistance; and
- ensuring that the Occupational Health Nurses at all the manufacturing sites, as well as Midrand, frequently called employees and their family members who were affected by COVID-19 to support them psychologically.

BUSINESS OPERATIONS AND CONTINUITY:

- ensuring Exco oversight on COVID-19 plans and operations;
- monitoring the pandemic and business performance continuously;
- reviewing and renewing of divisional business continuity plans;
- tactics to mitigate the impact of COVID-19's third, fourth and fifth waves;
- constantly virtually contacting with employees working from home to assess work progress, performance and offer support where warranted; and

- constantly reviewing of working arrangements. All factory and distribution employees were on-site during the pandemic, and employees in the field adhered to each customer's preference of either face-to-face or digital interaction. From 1 April 2022, all employees returned to the office and/or the field.

COVID-19 VACCINE

A survey to gauge employees' views on mandatory COVID-19 vaccinations was conducted in February 2022. Views were provided via anonymous online or paper-based questionnaires. The survey with 1 522 (59%) participants revealed:

- 86% are currently vaccinated;
- 79% agreed that having all employees vaccinated makes the workplace safer; and
- 64% support a mandatory vaccination policy.

A mandatory vaccination policy was not implemented, considering the number of vaccinated employees being close to the initial 90% target.

The percentage of employees vaccinated as at 30 June 2022 is 86%, with 80% fully vaccinated and 16% of employees have received booster shots.

The vaccination campaign, 'Vaccination is Caring' was undertaken. The purpose was to create awareness and educate employees about the registration and vaccination process and to allay their fears about vaccination. The following tactics were employed to ensure our employees are vaccinated:

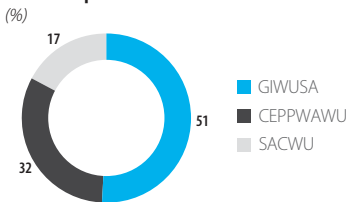
- Through animated screensavers, Vaxxy, the Vaccine Warrior, the mascot for the campaign was introduced. The tagline 'Shesha, vaccinate to save lives' was used together with the 'Be Brave, Register and Get Vaccinated' slogan;
- Posters were disseminated in different languages for better understanding. Boom gates branding was completed. All employees were given branded face masks for protection;
- Vaccination ambassadors were flighted weekly on TV screens and screensavers to encourage vaccination;
- Weekly competitions and brain-teasers were conducted to educate and inculcate a vaccination practice;
- Vaccine awareness training workshops were held at different manufacturing sites to educate and thwart fears about vaccination. Post training, the majority of employees showed interest for vaccination; and
- Promotion of access to healthcare was established whereby Dis-Chem vaccinated employees on site.

EMPLOYEE RELATIONS

Treating all our stakeholders fairly is at the heart of the Group's values. The Group is committed to a workplace free from discrimination, compliant with relevant legislation, with open communication between managers, employees, and organisational labour. This enables workplace grievances to be avoided or speedily resolved.

Our employees have freedom of association with 45% of our employees in South Africa belonging to unions including three major sector unions depicted below:

Union representation



During the year under review, the following initiatives were implemented to build a sound relationship with organised labour.

- Relationship building workshops.
- Industrial relation training provided to managers focusing on organised labour. The training focused on managing workplace disputes, poor performance and the chairing of disciplinary hearings.
- Regular updates on changes in legislation.
- Attendance and participation of shop stewards at the transformation site forums and the national transformation site forum.
- Consultation with unions on the legislation pertaining to the essential services designation.
- Monthly meetings between management and shop stewards to address issues of mutual interest.
- Solicited organised labour's views on the possibility of implementing a mandatory vaccination policy.
- A workshop for shop stewards and employees' representatives on effective management of substance abuse in the workplace; as well as training on POPI Act.

No days were lost during the financial year due to industrial action.

EMPLOYEE ENGAGEMENT

The following activities were implemented to improve engagement, morale, productivity levels and commitment to the organisation:

LEADERSHIP AND ACCESSIBILITY

- Leadership visibility and accessibility to advise and provide business strategic direction.
- CEO regularly communicates to employees on strategic updates and important matters.
- Utilising internal newsletters; AdcoSay, Ubuntu and poster campaigns like "YOU MATTER" and "IT MATTERS WHAT YOU DO" to educate, inform and create a sense of belonging.
- Townhall meetings were held at factories and in certain business units to update employees on business performance, strategic and operational factory plans.
- Conferences were held across commercial divisions to revise divisional strategies, launch new products, and to empower and upskill commercial teams.

CELEBRATING MILESTONES AND COMPETITIONS

- OTC regional sales managers displayed their activities and achievements during the "War on Shelf" competition which aimed at increasing product visibility and demand.
- The Consumer recognition programme aims at recognising outstanding performance, good behaviour and attitude.
- The Independent Community Pharmacy Association (ICPA) recognised OTC at their congress, acknowledging their contribution in assisting retail pharmacies post the civil unrest in July 2021.
- An engagement survey was conducted for Plush employees to gauge morale level post the business integration. Feedback was provided to employees and plans are in place to address areas of concern.
- An executive management team adventure with spouses/partners was undertaken to encourage team building and cohesion and acknowledge spouses/partners for their ongoing support.
- Solar implementation at Midrand head office.
- A key milestone was achieved and celebrated by Consumer when Panado registered in excess of R500 million in sales.
- CHIETA accredited the Clayville and Aero-ton sites for apprentice training for the next three years.
- "Month-end-socials" are held in Midrand to encourage a culture of inclusivity.
- To welcome employees back to the office on 1 April 2022, employees were encouraged to dress up in their "working from home" attire. Prizes were awarded to the "best dressed" employees.
- In commemorating Youth Day (16 June), employees were encouraged to wear their old school uniform. Prizes were issued to the top three best dressed females and males.

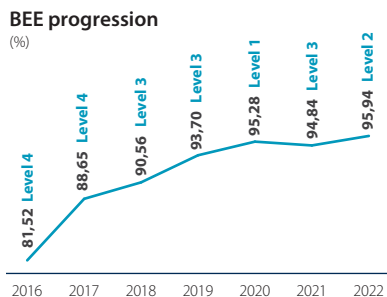
Sustainability continued

TRANSFORMATION

Adcock Ingram's journey and commitment precedes the promulgation of the B-BBEE legislation and rises above compliance with the codes. We recognise the moral, societal and economic imperative to embrace and support transformation in South Africa and to be valuable and relevant participants in the South African economy and society in which we operate. Transformation progress is measured annually by Empower Logic (external verification agency) against the generic B-BBEE scorecard.

The effectiveness of our transformation journey is evidenced by the timeline below:

EMPOWERLOGIC	
Broad Based Black Economic Empowerment Verification Certificate	
A Consolidated Verification Certificate Issued to	
Adcock Ingram Holdings and Subsidiaries	
Level 2 Contributor	
Measured Entity	
Company Name	Adcock Ingram Holdings and Subsidiaries
Registration Number	2007/016236/06
VAT Number	4770242057
Address	1 New Road Midrand South Africa 1685
B-BBEE STATUS	
B-BBEE Status Level	Level 2



HEALTH AND SAFETY

EMPLOYEES

South African operations

LTIFR = lost time injury frequency rate
RIFR = medical cases plus lost time injuries

Due to the importance of health and safety in the Group, Health & Safety Committee meetings continued to take place monthly as opposed to the minimum requirement of four (4) meetings per annum provided for by the Occupational Health & Safety Act, 85 of 1993.

An increase in lost time, medical and first aid cases, was reported during the year, as on-site operations increased, with the addition of temporary staff at some of the sites. Management remains focused on health and safety and continues to reduce injuries.

	2022	2021
Fatalities	Nil	Nil
Lost time cases (injuries)	29	16
LTIFR	0.37	0.45
Medical cases	17	15
RIFR	1.10	1.25
First aid cases	221	191

FACILITIES

Marsh Consulting (Pty) Limited continued to conduct annual **risk control standards** grading audits at all Adcock Ingram sites. In conducting these audits, the sites are assessed in terms of:

- preparedness and performance with regard to risk control in the organisation;
- fire defence;
- security;
- emergency planning;
- occupational health and safety; and
- motor fleet.

All Adcock Ingram sites were audited with the highest rating being 99.7%. Minor shortcomings, where identified, were addressed.

During the **environmental risks** control audits, Adcock Ingram's sites are rated with regards to:

- their performance in environmental leadership;
- environmental management implementation;
- operational management;
- monitoring and review; and
- specific operations.

All Adcock Ingram sites were audited with the highest rating being 100%. As in the case of the risk control standards grading audits, minor shortcomings, where identified, were addressed.

SR Social and relationship capital

Our social and relationship capital is underpinned by good corporate citizenship and our commitment to environmental, social sustainability and good governance (ESG) principles to ensure that we improve the health and lives of all South Africans. Our purpose guides our strategy, behaviors, and actions towards delivering long-term value. Operating a successful and sustainable business requires a thriving economy, well-functioning society and a healthy environment.

Adcock Ingram also focuses on its contribution towards goals 1, 3, 4, 5, and 13 of the United Nation's Sustainable Development Goals (UNSDGs). The main beneficiaries of these efforts are communities, people seeking healthcare services in public and private sectors, small, medium and micro enterprises (SMME) suppliers, our employees, victims of recent disasters in KwaZulu-Natal as well as victims of gender-based violence across the country.



CORPORATE CITIZENSHIP

At Adcock Ingram, we focus on the competitive business world and equally on the societies we operate within. We have accelerated our efforts in transformation, diversity and inclusivity, social and economic development, and public health and safety.

Our mission is to provide quality products that improve health and lives of people in the markets we serve. However, we are also committed to improve the escalating youth unemployment levels, small and medium enterprise development, and the overwhelming task to empower communities to become self-sufficient – we can only achieve these national priorities through collaborative efforts with

government, regulatory authorities and other key stakeholders.

Our transparent engagement with all levels of governments, local suppliers, authorities and fence-line communities safeguard the dialogue and discourse. The success of our stakeholder engagement is centered around the Company's integrity to take full responsibility and accountability where necessary and hold our partners equally accountable to their commitments.

As a leading pharmaceutical company, we do more than produce quality products. Throughout the operations of the business, we are focused on our ethos of 'Adding value to life' for all South Africans.



Sustainability continued

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Adcock Ingram's CSR program falls into the Responsible Corporate Citizenship strategic pillar. The CSR platform established in the BEE framework consists of four elements, each of which have a distinct developmental purpose, and includes the following elements:

- skills development;
- preferential procurement;
- enterprise and supplier development; and
- socio-economic development.

ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD)

Adcock Ingram has a wide range of suppliers for services and raw material for manufacturing, from SME businesses to well established corporations. SMEs have a vital role to strengthen the macro-economy and job creation at local community level. During the year, more than R13.9 million was contributed to support SMEs in the form of enterprise and supplier development (ESD) programs. These funds were contributed through unsecured, interest-free loans.

The enterprise development entities are empowered to acquire the capabilities and financial independence they require to enter the value chain to support a preferential procurement strategy across multiple sectors.

The following enterprises were supported during the year:

All suppliers are treated equally with dignity, transparency and ethical practices

R13.9 million was contributed to support SMEs during the year

KAMEE-TEK is a channel partner of Improchem, a business of AECL, which provide water solutions with a focus on water security www.kamee-tek.com

The Metamorphosis Company aims to provide solutions to optimise the workplace and enhance the collective and individual career experience by providing a platform aimed at engaging employees, corporates, and entrepreneurs around new workplace dynamics. www.themetamorphosis.co.com

Tlowana Water offers a wide range of technical services solutions for water and wastewater treatment applications, assisting clients to achieve water and wastewater related efficiency, and compliance. www.tlowana.co.za/tlowana-water

Viro-Gen has developed an important body of research following a scientific breakthrough at a leading medical university in South Africa. They discovered the antiviral properties of a certain protein which can be used to treat and prevent HIV and other infections. Viro-Gen is set to deliver the world's first therapeutic vaccine for HIV and AIDS and potentially other retroviruses. www.viro-gen.com

SOUTHERN BASADI

Southern Basadi, meaning Women of the South, is a black-women-owned cooperative specialising in logistics and transportation services. They are the engine behind the flagship project MyWalk, providing services of collecting used drip bags and tubing from the participating Netcare Hospitals and transporting it to a factory site that manufactures the recycled school shoes in Germiston. Southern Basadi is a beneficiary of the Adcock Ingram supplier development program for further business growth, customer base expansion and job creation. They are one of several SMEs supported by Adcock Ingram for social sustainability and economic growth in South Africa.

20 Netcare hospitals in Gauteng are currently participating in recycling polyvinylchloride (PVC) used bags.

Since inception, Southern Basadi collected 59.3 tons of healthcare waste from participating Netcare hospitals.



SOCIO-ECONOMIC DEVELOPMENT (SED)

SED contributions consist of monetary and/or non-monetary contributions initiated and implemented in favor of beneficiaries with the objective of facilitating income generating activities for targeted beneficiaries.

Adcock Ingram supports various community projects through non-profit organisations (NPOs) with public benefit status, across different provinces in South Africa.



Below is a summary of the SED related projects, amongst others, underway in communities:

 www.witkoppen.org.za	<p>Witkoppen Clinic provides comprehensive, high quality primary healthcare, mental healthcare and social welfare services (including HIV counselling and testing, TB screening and treatment, antenatal and postnatal care) and has been operating since 1946.</p>	
 www.gracevision.org.za	<p>Grace Vision's primary goal is to reduce the prevalence of low vision, blindness due to cataracts, refraction issues and glaucoma by providing comprehensive eye-care to communities who cannot afford medical care.</p>	
 www.smilefoundationsa.org	<p>The Smile Foundation's mission is to transform the lives of children affected by facial abnormalities and severe burns through the best possible surgical and psychological care.</p>	
 www.lumohawk.co.za	<p>The Lumo Hawk Foundation supports the educational needs, and at times the sporting needs too, of previously disadvantaged children and their communities in South Africa.</p>	
 www.hlokomela.org.za	<p>Hlokomela was established in 2005 in response to research that highlighted a critical need for health care among farm workers and other vulnerable populations in the greater Hoedspruit area. The project operates an HIV/Aids educational and treatment programme.</p>	
 www.hst.org.za	<p>The Health Systems Trust's mission is to drive change for comprehensive and equitable health systems through research and capacity development.</p>	
 www.tears.co.za	<p>The TEARS Foundation, founded in 2012, uses technology innovatively in the scourge against domestic violence, sexual assault and child abuse.</p>	

Sustainability continued

ADCOCK INGRAM'S RESPONSE TO CIVIL UNREST AND FLOODS

CIVIL UNREST

In July 2021, the provinces of KwaZulu-Natal and Gauteng experienced social unrest, which was accompanied by riots and looting of goods from shops and storage warehouses. Adcock Ingram was one of the corporates that donated with empathy and supported the affected communities with food

parcels and donated funds to the Independent Pharmacy Emergency Fund, part of the Independent Community Pharmacy Association Fund to rebuild pharmacy establishments. The funds assisted more than 50 pharmacies to open their doors and serve their communities.



FLOODS

During April and May in 2022, the coastal areas in KwaZulu-Natal experienced unprecedented tropical rainfall that resulted in severe flooding and damage to infrastructure, people's homes, roads and schools. Adcock Ingram partnered with non-profit organizations such as Gift of the Givers, World Vision and the South African Medical and Education (SAME) Foundation to support the disaster recovery efforts in the province. A total amount of R2 million was donated through these NPOs and social partners to support the rebuilding of schools and healthcare facilities damaged by the storms.

MEMBERSHIP OF VARIOUS PROFESSIONAL BODIES AND INSTITUTIONS

Adcock Ingram's employees are encouraged to join various professional bodies and institutions that offer knowledge and networking opportunities. Adcock Ingram as an organisation, and its people belong and contribute to the following associations:

HC Human Capital

- Health and Welfare Sector Education and Training Authority (HWSETA)
- Labour Affairs Association of the Pharmaceutical Industry (LAAPI)
- National Bargaining Council for the Chemical Industry (NBCCI)
- The Chemical Industries Education and Training Authority (CHIETA)
- Transport Education and Training Authority (TETA)
- South African Rewards Association (SARA)

MC Manufactured Capital

- Cosmetic, Toiletry and Fragrance Association (CTFA)
- Pharmaceuticals Made in South Africa (PHARMISA)

IC Intellectual Capital

- Board of Healthcare Funders (BHF)
- College of Medicine of South Africa (CMSA)
- Health Professions Council of South Africa (HPCSA)
- Industry Task Group (ITG)
- Pharmaceutical Society of South Africa (PSSA)
- Pharmaceutical Task Group (PTG)
- Society of Cosmetic Chemists SA (COSCHEM)
- South African Association of Pharmacists in Industry (SAAPI)
- South African Pharmacy Council (SAPC)
- The South African Health Products Regulatory Authority (SAHPRA)

SR Social and Relationship Capital

- Institute for Strategic Relations South Africa
- Marketing Code Authority (MCA)
- Pharmaceutical Crime Task Group
- Proudly South Africa
- Public Relations Institute for Southern Africa (PRISA)

FC Financial Capital

- Chartered Institute of Management Accountants (CIMA)
- Financial Reporting Investigations Panel (FRIP)
- Independent Regulatory Board for Auditors (IRBA)
- Information Systems Audit and Control Association (ISACA)
- Institute of Internal Auditors South Africa (IIA)
- South African Institute of Chartered Accountants (SAICA)
- South African Institute of Professional Accountants (SAIPA)



AWARDS

PANADO DOES IT AGAIN



Panado
A dose of care.



SEPTEMBER 2021:

Panado is the winner of the Headache Medication Category, taking Platinum Status, (1st place) in the new annual Rapport "Jou Keuse" Awards 2021.

OCTOBER 2021:

PANADO is the winner of the HEADACHE REMEDIES AND PAINKILLERS: Tablets Category as measured in the 2020/2021 Ask Afrika Icon Brands Survey. Bioplus also won the Vitamins and Supplements Category award

NOVEMBER 2021:

(November 2021): BabyYumYum Panado won the Best Pain & Fever Buster for Kids (GynaGuard and Epimax also won in their respective categories).



SEPTEMBER 2022:

Rapport Newspaper- Panado Your Choice Platinum status (Jou Keuse) 2022 Award

AUGUST 2022:

Panado has been voted as one of SA's no1 Township brands - The 2022/2023 Ask Afrika Kasi Star Brands™ Headache Remedy Tablets Category winners.



Sustainability continued

IC Intellectual capital

Intellectual capital refers to the knowledge, capability, skills, and processes inherent to the organisation, operating specific systems and software, whilst contributing to innovation and stability of the Group's portfolio of products. The Group is also the owner of a vast range of well-known trademarks and brands.

KNOWLEDGE AND SKILLS SET	LICENCES AND ACCREDITATIONS	TRADEMARKS AND PROPRIETARY PROCESSES	POLICIES AND PROCEDURES
<p>The medical department includes a unique group of professionals with areas of expertise in the fields of medicine, pharmacy, pharmaceutical development, chemistry, and business management. It includes:</p> <ul style="list-style-type: none"> • two (2) medical doctors; • five (5) Doctors of Philosophy (specialising in a wide variety of pharmaceutical and scientific disciplines); • 47 pharmacists; and • 32 scientists <p>to further complement the expertise base of the department.</p> <p>The department is also the centre of Adcock Ingram's institutional knowledge through which technical and professional support to the business units is provided to ensure unified and harmonious functioning of Adcock Ingram's commercial activities.</p>	<ul style="list-style-type: none"> • DMD maintains: all licenses with SAHPRA, the Department of Health and South African Pharmacy Council; • Maintains R&D accreditation with the WHO; and • complies to GMP requirements of all global partners. 	<p>At 30 June 2022, the Group's intellectual property rights portfolio consisted of:</p> <ul style="list-style-type: none"> • 2 384 registered trademarks; • 21 registered patents; and • 236 trademarks in process of being registered. <p>All proprietary knowledge is protected through several licensing agreements and confidentiality disclosure agreements.</p> <p>As all pharmaceutical development projects are conducted mostly by an in-house R&D facility, with restricted access to proprietary knowledge in formulation and process design, the Company's intellectual property is well protected.</p> <p>The GQA function, which is centrally managed, also ensures that knowledge management is well controlled through its Quality Management Systems.</p>	<p>The department develops and maintains a framework of standard operating procedures, policies and processes which governs the execution of ethical, scientific, and risk-based decision-making, enabling compliance in Adcock Ingram.</p> <p>Critical scientific intellectual property is generated from the implementation of function-specific procedures within each department which adds value to the needs of multiple internal and external stakeholders:</p> <ul style="list-style-type: none"> • the dossiers of products provide medicines regulatory authorities with evidence of the quality, safety and efficacy of any Adcock Ingram product to support the approval and maintenance of registration and allow sale of the product in those countries; • product quality review reports identify variations in manufacturing processes which drives proactive interventions to mitigate any risks to the quality of a product; • the audit management program for new and current suppliers, ensures only approved suppliers conforming to the correct quality, are used by the various manufacturing sites and business units; • approved quality agreements defining quality responsibilities are in place for all suppliers; • pharmacovigilance and medical information reports form part of post-marketing surveillance activities which are pivotal in ensuring the appropriate and safe use of Adcock Ingram products; and • quality-by-design-inspired development reports translate into cost and time efficient regulatory approvals, technology transfers and the routine commercial manufacture of robust products of consistent quality.



Due to the regulated environment in which the Group operates, a skills set is required with the necessary technical knowhow regarding drug management and development. Therefore, Adcock Ingram's Drug Management and Development (DMD) department forms the heart of Medical Affairs (MA) including Market Access, Regulatory Compliance (RC), Group Quality Assurance (GQA), and certain Research and Development (R&D) activities.

SYSTEMS AND SOFTWARE	INNOVATION AND PORTFOLIO STABILITY	RELATIONSHIP MANAGEMENT
<ul style="list-style-type: none"> • Various information systems are used, including the following: • eCTD docuBridge® which enhances efficiencies in the electronic management of dossiers by streamlining the cross-referencing and decision-making processes for all stakeholders reviewing the information therein. It enables efficient and effective life cycle management of dossiers. • DrugTrack, a regulatory information management and tracking system is implemented for the standardisation and harmonisation of product data, tracking of dossier regulatory activities and commitments, ease of product reporting on new products, variations and product lists. • Minitab® statistical software is currently used for stability assessments and shelf-life predictions which accelerate the pharmaceutical development process and directs pre-emptive actions in managing the stability programme of the Group. It also generates quality control charts and process capability indices for the evaluation of manufacturing process efficiencies and consistencies. Product trends for product quality review reports is currently being explored as it would allow proactive solutions to be formulated to guide the need for process optimisations or amendments. • Caliber® QAMS is a validated electronic quality management system (QMS) which enables the cross-functional assessment of individual components of the system, thus ensuring that all stakeholders are consistently involved in decision-making and the related outcomes, while maintaining effective record-keeping. • Oracle Argus®, a safety case management system, allows the pharmacovigilance team to adhere to the strict local and global regulation standards, while offering efficient case processing via automations and powerful, user-friendly analytic reports. 	<p>The South African-based R&D operations are actively involved in supporting the innovations pipeline that accelerates pharmaceutical development for the local market.</p> <p>In addition to facilitating the innovation pipeline, maintenance of the current portfolio is promoted through a continuous lifecycle management approach that incorporates technological advancements in pharmaceutical development and ensures that the portfolio is compliant to transitions in the regulatory environment.</p> <p>The department further assists the current portfolio by providing cost-effective solutions and supports risk mitigation through dual sourcing.</p> <p>Collaboration between the GQA function and the R&D function ensures further sustainability of the current Adcock Ingram portfolio, by facilitating adequate knowledge transfer to internal and contract manufacturing facilities.</p> <p>Artwork design and management is an essential process in the supply of a pharmaceutical product which essentially ensures a standardised form of conveying safety and efficacy information to enable healthcare professionals and patients to make informed decisions.</p> <p>The regulatory compliance function supports packaging innovation, and continued compliance of artwork and marketing material to the Group's product portfolio in accordance with the requirements of the Medicines and Related Substances Act 101 and the Code of Marketing Practice.</p>	<p>Through relationships with industry experts, Adcock Ingram has access to a wide pool of knowledge, skills and experience which extends well beyond its own head count.</p> <p>The regulatory compliance team has active membership in the industry or trade associations such as:</p> <ul style="list-style-type: none"> • PHARMISA (Pharmaceuticals Made in South Africa); • ITG (Industry Task Group); • associated working groups (Complementary Medicines, Medical Devices, and Pharmacovigilance); and • Marketing Code Authority, <p>as well as professional associations such as:</p> <ul style="list-style-type: none"> • SAAPI (South African Association of Pharmacists); and • SAPRAA (Southern African Pharmaceutical Regulatory Affairs Association). <p>This provides a platform for converging ideas and for effective lobbying of regulatory bodies to best serve the interest of patients in accessing affordable medicines of the highest quality.</p> <p>The GQA department regularly interacts with current Good Manufacturing Practice (cGMP) specialists of international acclaim through training as well as by hosting, leading and observing cGMP audits. A diverse set of these shared experiences may thus be utilised to improve or enhance the knowledge, policies and procedures in Adcock Ingram which drives the quality of products.</p> <p>World-renowned local and global physicians are invited by the Medical Affairs department to form advisory boards for new product launches to ensure credibility of the scientific product information disseminated to health professionals.</p> <p>Robust engagements with the key clinical societies on the data for new treatment options assist in ensuring that the South African treatment guidelines are updated in line with international best practice.</p> <p>Market Access engages with the stakeholders in the medical schemes industry from the regulator (Council of Medical Schemes), administrators of medical schemes, and relevant clinical societies. These engagements, provide key insights that feed into launch success, broadening access for patients and positioning Adcock Ingram for the changing market access landscape.</p> <p>To maintain high standards of technical performance and to contribute to ensuring the provision of medicines to treat priority diseases in low-income countries, the R&D department participates in the World Health Organisation (WHO) Programme which promotes an increase in the availability of high-quality medicine testing services.</p>

Sustainability continued

NC Natural Capital

According to the United Nations, "climate change refers to long-term shifts in temperatures and weather patterns. These shifts may be natural, such as through variations in the solar cycle. But since the 1800s, human activities have been the main driver of climate change, primarily due to burning fossil fuels like coal, oil and gas, which produces heat trapping gases. Burning fossil fuels generates greenhouse gas emissions that act like a blanket wrapped around the Earth, trapping the sun's heat and raising temperatures. The consequences of climate change now include, among others, intense droughts, water scarcity, severe fires, rising sea levels, flooding, melting polar ice, catastrophic storms and declining biodiversity."

South Africa is lying within a drought belt, and potential changes in the climate may have significant impacts on the South African society and economy.

Higher temperatures and a reduction in rainfall expected because of climate change will reduce already depleted water resources, contributing to an increasing number of droughts in the country. South Africa's development is highly dependent on climate-sensitive sectors such as agriculture and forestry and increases in temperature and reductions in rainfall could threaten the productivity of these sectors.

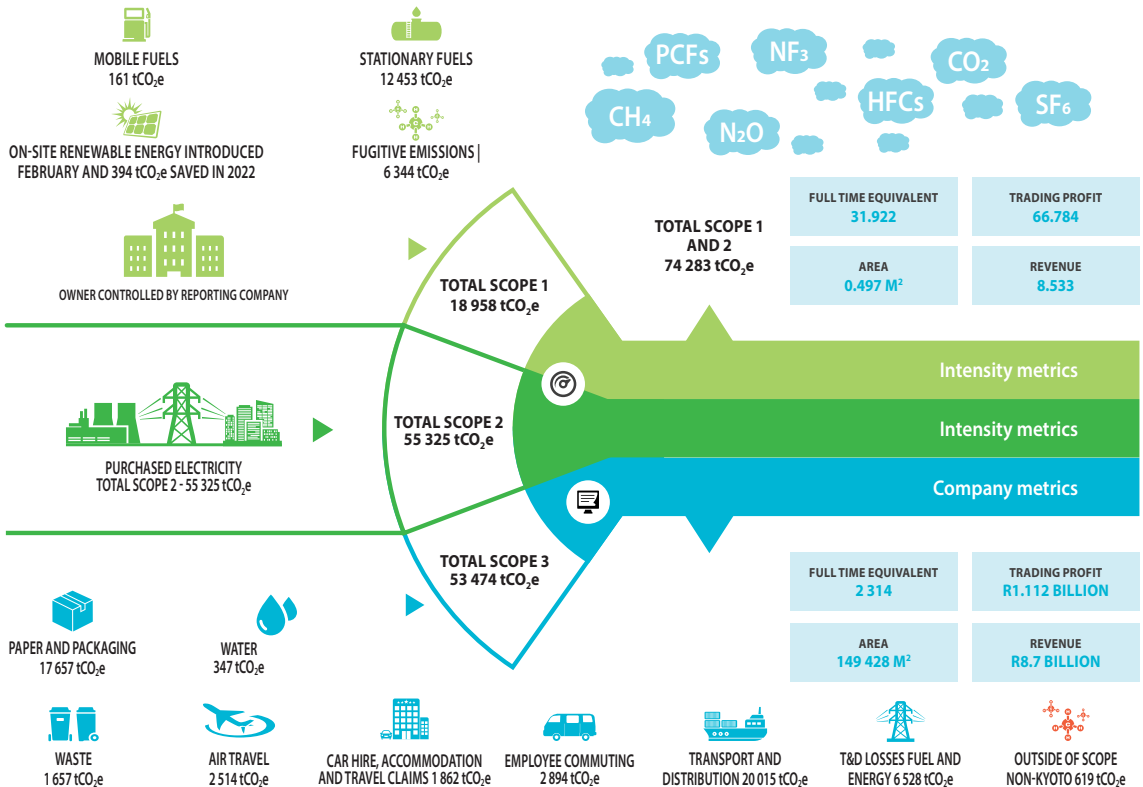
A Climate Change Bill (Bill) was gazetted during the year and forms the first legal framework in South Africa to respond to the impacts of climate change, which

given the increase in the frequency and severity of droughts and floods across the country, seems like perfect timing, whilst acknowledging the urgent threat that climate change presents.

Adcock Ingram, as a responsible corporate citizen, is aware of the urgent imperative to seek ways to reduce our carbon footprint towards neutrality via strategies including greater recycling of waste, increased use of renewable energies, (especially as non-renewable energy is the most significant component of the Group's footprint) and the use of greener technologies in production and supply chain processes.

SUMMARY OF ADCOCK INGRAM'S EMISSIONS AND METRICS

Figure 1 is a summary of the emissions and Company metrics reported





Boundary	Methodology used
This Carbon Footprint Report covers emissions from the business activities of Adcock Ingram’s South African operations, including its offices, warehouses, distribution centres, and subsidiaries Genop and Plush.	All reports have been prepared using the GHG Protocol ¹ Corporate Accounting and Reporting Standard methodology.

¹ It is important to note that under the GHG Protocol, the reporting of both Scope 1 direct emissions and Scope 2 indirect emissions is compulsory. All Scope 3 emissions, (i.e., those from supply chain activities), are reported at the discretion of the Company.

NOTABLE CHANGES YEAR-ON-YEAR

- An increase in stationary fuel is linked to an 11% increase in coal used in the production process at Critical Care.
- An increase in fugitive emissions from the prior year was primarily due to the large volume of N2O reported by Clayville (9 570 kg and 2 852 tCO₂e) mainly due to the new sterile facility commissioned at Clayville during the current year.
- A 91% decrease in mobile fuel emissions was due to the recategorisation of fleet vehicles to Scope 3 business travel. Sales representative staff own their vehicles and are issued with fuel cards. In the prior year these vehicles contributed 1 759 tCO₂e to mobile fuel emissions.
- Electricity consumption only increased by 1% from the prior year, with an increase in the emission factor contributing the remaining 3% of the increase over the prior year.
- Business travel increased in part due to the recategorisation of employee fuel cards (previously categorised as mobile fuel), adding 1 663 tCO₂e to business travel emissions, but also due to increased travel after the lifting of Covid-19 travel restrictions.
- Employee commuting increased as a consequence of the increase in the employee base and as a result of the lifted lock-down levels.
- The total actual tonnes of packaging reported increased by 15%. However, the carbon emission increase was 55%, largely due to the change in the mix of packaging products (more plastic, less paper and more glass as well as a significant increase in the glass emission factor (increase of 70%)). Furthermore, packaging and paper reported for the prior year relied on estimations (due to non-availability of information). There have been significant improvements in the current year with regards to the accuracy and completeness of reporting (not least regarding the mix of plastic formulations used, which can vary significantly in terms of emission factors). The new Hyperion non-financial database system implementation in April 2022, will result in continuous improvements in this area going forward.
- The decrease in Waste reported resulted from a combination again of the improved reporting and tracking system mentioned above, but also because of the appointment of an Environmental Sustainability Officer, leading to improved monitoring and tracking, as well as a concerted effort from the business to improve on waste recycling initiatives.
- Municipal water consumption decreased by 1%, however an increase in the emission factor (linked to the increase in the electricity emission factor) has caused a slight increase in emissions.
- The 24% increase for electricity transmission and distribution losses mainly resulted from an increased emission factor in this category.
- Only Wadeville reported R22 air conditioning refills in the current year, whereas in the prior year Clayville, AICC and Distribution also reported R22 refills. The “outside of scopes” category does vary quite substantially year-on-year, depending on whether refilling occurs.
- The area and scope (facilities and processes measured) was in line with the prior year.

FUTURE FOCUS AREAS

To improve reporting and the response to climate change the following focus areas have been identified:

- continue to implement the use of renewable energy systems such as solar power, as electricity makes up half of the Group’s carbon footprint;
- review the waste reporting processes and test data integrity;
- identify specific projects to reduce overall waste to landfill; and
- automate electricity and water meter readings.

Remuneration report

This report provides an overview of the Group's approach to remuneration with particular focus on the executive directors and the non-executive directors (NEDs).

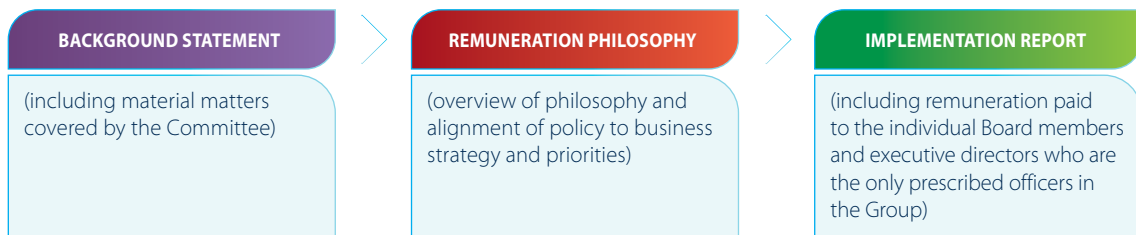
The remuneration report is continuously evolving, driven by macro and socio-economic factors, regulations, and practical considerations.

Disclosure is provided in compliance with the requirements of the relevant South African legislation, the Companies Act 71

of 2008, applicable JSE listings requirements and the principles and recommended practices of King IV™.

This report is presented on behalf of Group's Human Resources and Remuneration Committee (Committee), which is appointed by the Board. The Committee ensures that the Group's remuneration aligns to the achievement of its strategic objectives over the short, medium, and long term.

At a glance our remuneration report comprises of the following three sections:



PART 1: BACKGROUND STATEMENT

The success of the Group is to some extent dependent on its ability to attract, develop, motivate, and retain a competent pool of talent in a highly competitive skilled market. Among the various programs to support this imperative, is a competitive remuneration policy. Adcock Ingram believes in a performance-based ethical culture, good corporate governance, and corporate social responsibility.

With an ever-increasing focus on executive remuneration and different views on what is acceptable or not, it is crucial that remuneration in Adcock Ingram subscribes to the following principles:

- remunerate for performance that strives to support the Group's short-term and long-term objectives;
- ensure alignment of the long-term Group strategy and shareholders' interests;
- set an appropriate balance between fixed and variable remuneration, and short-term and long-term rewards;
- continuously build confidence and trust in our reward outcomes through high standards of reward governance and engagement on our remuneration practices with shareholders; and
- deliver fair and responsible remuneration through regular reviews of remuneration differentials.

SHAREHOLDER ENGAGEMENT

Historically, shareholders have strongly supported the Group's remuneration policy. The Committee promotes shareholder engagement and will take the necessary steps if 25% or more of total votes exercised by shareholders at the upcoming (November 2022) Annual General Meeting (AGM) are against the remuneration policy, implementation report or remuneration proposed for the NEDs. At the AGM held on 23 November 2021 and in accordance with the recommendation of King IV™, shareholders were presented with non-binding resolutions to endorse the Group's remuneration policy, implementation report and NED fees. The voting outcomes were as follows:

VOTING OUTCOMES

Resolution	2019	2020	2021
Remuneration policy	95.97%	95.70%	89.77%
	4.03%	4.30%	10.23%
Implementation report	97.21%	96.90%	88.12%
	2.79%	3.10%	11.88%
Remuneration payable to non-executive directors	98.58%	100.00%	99.89%
	1.42%	0.0%	0.11%

■ For ■ Against



BUSINESS PERFORMANCE AND IMPACT ON REMUNERATION DURING THE REPORTING PERIOD

During further waves of COVID-19 infections, trading challenges and looting and arson during the civil unrest in July 2021, particularly in the KwaZulu-Natal area, management continued to show deep commitment and care for our customers, shareholders, and employees. Adcock Ingram encourages all employees to get vaccinated and hence there was added focus on employee wellness. During the year under review, the Board and management remained focussed on driving profitability, cost containment and increasing value to shareholders.

EXTERNAL ADVICE RENDERED TO THE COMMITTEE

During the year, the Committee requested assistance from an external, independent remuneration advisor, DG Capital, which provided support with the following services:

- annual salary increases for executive directors;
- benchmarking of executive management, including executive directors’ remuneration;
- target setting for short-term incentives (STI) and STI allocations for executive directors and executive management, including the mix of remuneration at “on target” and “stretch” levels;
- setting of performance-based long-term incentive scheme (PBLTIS) metrics and providing guidance on quantum allocation for executive directors and executive management (Exco);
- benchmarking of NED fees;
- selection of an appropriate comparator group for remuneration; and
- reviewed remuneration reporting.

The Committee is satisfied that DG Capital is independent and objective.

GOVERNANCE MANDATE, COMMITTEE COMPOSITION AND MEETING ATTENDANCE

The membership of the Committee consists of four non-executive directors. The majority of the members and the chair of the Committee are independent, in line with the Committee’s terms of reference and as recommended by King IV™. The terms of reference are reviewed annually to remain relevant and in line with best practices and are approved by the Board.

All members command a wealth of business acumen and remuneration experience. The chief executive officer and the executive director for human capital and transformation are permanent invitees to all meetings, but do not vote. No invitee may participate in or be present when matters pertaining to their own remuneration are discussed or decisions are taken.

The Group company secretary is the secretary of the Committee. The Committee met three times during the reporting year in line with its annual plan and where necessary additional meetings may be held.

As outlined in the Committee’s terms of reference, the duties and responsibilities of the Committee are:

- remuneration governance;
- executive directors and executive management remuneration;
- executive succession management; and
- non-executive director remuneration.

The Board is satisfied that the Committee is adequately capacitated with the necessary knowledge, skills and experience of its members.

The composition and meeting attendance during the year under review were as follows.

COMMITTEE MEMBERS	MEETING ATTENDANCE
CHAIRPERSON	
M Haus	3/3
MEMBERS	
S Gumbi	3/3
N Madisa	3/3
C Manning	3/3
INVITEES	
A Hall (CEO)	3/3
B Letsoalo (ED: Human Capital and Transformation)	3/3
K Wakeford (non-executive director)	2/3
N Daitz (DG Capital)	3/3

Remuneration report continued

KEY ACTIVITIES AND DECISIONS OF THE COMMITTEE DURING THE YEAR (UP TO 30 JUNE 2022)

The Committee considered the following matters and took the following key decisions:

ELEMENT	KEY ACTIVITIES
ANNUAL SALARY INCREASES	<ul style="list-style-type: none"> Approved the overall average increase for employees on total guaranteed packages (TGP). Deliberated on the comparator group for proper and fair executive remuneration as proposed by DG Capital. Reviewed the executive directors benchmarking exercise done by the independent external remuneration advisor. Approved the remuneration for executive directors.
NED FEES	<ul style="list-style-type: none"> Recommended for approval to the Board the fees as recommended by DG Capital, of non-executive directors.
SHORT-TERM INCENTIVES (STIs)	<ul style="list-style-type: none"> Discussed and agreed the STI payout in relation to the financial year ended 30 June 2021 for executive directors and Exco, which was paid on 1 September 2021. Recommended CEO discretionary incentives to the Board for recognition of talent in junior management, support and key roles. Reviewed and approved the STI metrics for financial year 2022.
LONG-TERM INCENTIVES (LTIs)	<ul style="list-style-type: none"> Approved the PBLTIS allocations for financial year 2022 for executive directors, Exco, critical and key talent.
SUCCESSION MANAGEMENT	<ul style="list-style-type: none"> Reviewed succession planning and development plans for executives, including initiatives to address the shortage of African talent and females in the talent pool.
SHAREHOLDER ENGAGEMENT	<ul style="list-style-type: none"> Discussed and analysed voting results of the November 2021 AGM. Engaged shareholders on the rationale to possibly review the weighting for the PBLTIS to 75% performance share plan and 25% retention share plan. Subsequently this was not presented to shareholders for approval at the November 2021 AGM, as it was not supported by certain minority shareholders.
REMUNERATION GOVERNANCE	<ul style="list-style-type: none"> Reviewed the terms of reference of the Committee. Reviewed and amended the annual work plan in line with the revised terms of reference. Reviewed and approved the 2021 remuneration report (including the policy) and implementation report before inclusion in the Integrated Report. Deliberated on the incorporation of an environmental, social and governance (ESG) framework in the incentive schemes.
TALENT MANAGEMENT	<ul style="list-style-type: none"> Reviewed employee engagement initiatives e.g. wellness programs, development programs and COVID-19 risk mitigation plans.

The Committee is satisfied that it has fulfilled the requirements of the terms of reference and that the Group's remuneration philosophy and policies are aligned with the strategy and best practice in the market.

FUTURE FOCUS AREAS

- Succession management for the Exco team, with particular focus on African and female talent.
- Strengthen and embed the ESG framework in the remuneration philosophy.
- Agree on ESG targets for the PBLTIS for executive directors and other participants.
- Strong focus and continued commitment to fair and responsible remuneration across the dimension of race, gender, and differentials of pay between executives and other employees.



PART 2: REMUNERATION POLICY

Our remuneration policy is aimed at building a competitive, collaborative, high performance and innovative business, with an entrepreneurial culture that attracts, retains, motivates, and rewards high performing employees. It is a tool to ensure that the business creates value in a sustainable manner within the economic, social, and environmental context in which the Group operates. It promotes the achievement of the Group strategic objectives within the Group risk appetite boundaries, supports an ethical culture and responsible corporate citizenship across all Group activities, and drives financial and non-financial business imperatives.

The policy strives to achieve a fair and sustainable balance between competitive total guaranteed package (TGP), short-term incentives and long-term incentives. The policy is updated regularly to ensure that our operating model and strategic objectives comply with relevant legislation and King IV™ principles.

THE REMUNERATION PRINCIPLES

The remuneration principles outlined below underpin our remuneration policy and philosophy. They embed a fair and equitable remuneration process and are aligned to the Group values (refer page 3).

- Our remuneration framework is designed to attract, motivate, and retain talented individuals who possess the appropriate skill set, experience, and attitude to execute our strategy.
- We pay for performance by aligning incentive outcomes to performance and value created by individual contribution. In this context, we apply malus and clawback features to discourage inappropriate conduct.
- We match the long-term interest of our employees and shareholders by ensuring that incentives-based rewards are earned by achieving challenging performance targets consistent with shareholders’ interest over a short- and long-term horizon which are aligned to market best practice.
- We continuously build confidence and trust in our reward outcomes through robust reward governance, engagement on our disclosures with shareholders, internal transparency, and effective communication.
- We offer fair, responsible, and equitable remuneration governed by the principle of equal pay for work of equal value, including addressing any income disparities based on gender or race.
- We embrace good governance and adopt best practice.
- Our pay practices are designed to focus on achieving agreed deliverables that are qualitative and quantitative and to attain desired behaviours that enable transparency in differentiating individual rewards.

FAIR AND RESPONSIBLE REMUNERATION

Our remuneration principles are cemented on fair, reasonable, responsible, competitive, and equitable remuneration.

<p>FAIR REMUNERATION IS</p> <ul style="list-style-type: none"> • Impartial. • Free from: discrimination, favouritism, and self-interest. • Free from: prejudice on grounds including race, gender, and sexual orientation. 	<p>RESPONSIBLE REMUNERATION IS</p> <ul style="list-style-type: none"> • Remuneration funded by, and linked to, the creation of value over the long term in a way that is transparently reported to internal and external stakeholders. • Approved within appropriate levels of authority. • Subject to independent oversight.
<p>Malus and clawback remain essential features of our remuneration policy.</p>	
<p>MALUS (PRE-VESTING)</p> <p>The ability to reduce or nullify an award that has not yet accrued or vested to an individual.</p>	<p>CLAWBACK (POST VESTING)</p> <p>The ability to recover and seek repayment of awards already paid or vested to the individual.</p>

Trigger events for malus and clawback include, but are not limited to:

- material misstatement of financial results;
- gross misconduct e.g. fraud, dishonesty;
- material failure of risk management; and
- material breach of an obligation to the Group.

Remuneration report continued

MARKET BENCHMARKING

In line with general market practice, all elements of remuneration including salary increases, STI payments and benefits are reviewed annually against the relevant industry and market benchmarks and relevant salary surveys, to ensure that remuneration levels and practices are appropriate and competitive and consider factors affecting the Group's financial performance, the sector in which the Group operates and dynamics specific to South Africa.

We target a median (50th percentile) position of the market TGP data for all employees that meet the requirement of the job. In exceptional cases, remuneration may be at, or above, the upper quartile (75th percentile) to attract and retain employees with niche experience, unique skills, extraordinary performance or to achieve our transformation mandate.

During the reporting period, the Group utilised external independent advisors to provide advice regarding the competitiveness of the remuneration mix (TGP, STI and LTI) of executive directors and executive management. To benchmark pharmaceutical roles, the Company utilises

the services of Deloitte consulting. For non-pharmaceutical roles the Group utilises the national market data and salary surveys.

The Committee annually reviews and recommends to the Board the approval of salary increases of executive directors, the company secretary, and head of internal audit. The Committee provides authority to the CEO to review and approve salary increases of other executive management within a stipulated overall increase.

To the extent possible, the Group strives to reward exceptional performance through STIs at the upper quartile when targets are achieved. Bias towards variable pay is intended to drive extra-ordinary performance, shareholder value, employee engagement and retention. The following factors of the Group are however also taken into consideration:

- the ability to pay incentives (affordability); and
- internal equity.

THE BENCHMARKING PROCESS CONDUCTED BY DG CAPITAL

During the benchmarking process for executive directors and executive management, remuneration was benchmarked against an appropriate comparator group of companies.

This comparator group was determined using the following metrics:

METRICS
FINANCIAL
Market capitalisation
Revenue
Total assets
EBIT
EMPLOYEE
Number of employees
Total cost of employment

An appropriate comparator group and weighted average of the group was selected as follows:

COMPARATOR GROUP	COMPANY	WEIGHTING
SIMILAR SIZED COMPANIES	Omnia Holdings	60%
	Astral Foods Limited	
	Oceana Group Limited	
	ADvTECH Limited	
	Nampak Limited	
	Libstar Holdings Limited	
	Mpact Limited	
	Invicta Holdings Limited	
	Sea Harvest Group Limited	
	Afrocentric Investment Corporation Limited	
Hudaco Industries Limited		
DIRECT COMPARATOR GROUP	Aspen Pharmacare Holdings Limited	20%
	Life Healthcare Group Holdings Limited	
	Clicks Group Limited	
	Netcare Limited	
	Dis-Chem Pharmacies Limited	
	RCL Foods Limited	
BIDVEST ¹ SIMILAR POSITION	AVI Limited	20%
	RFG Holdings Limited	

¹ Rationale being Bidvest is the majority shareholder of Adcock Ingram. Consequently, a similar position as their divisional Exco was utilised.

BENCHMARKING METHODOLOGY

Based on the comparator group data, executive remuneration was compared to the market for all remuneration types (TGP, STI, LTI). The overall pay and mix were analysed as follows:

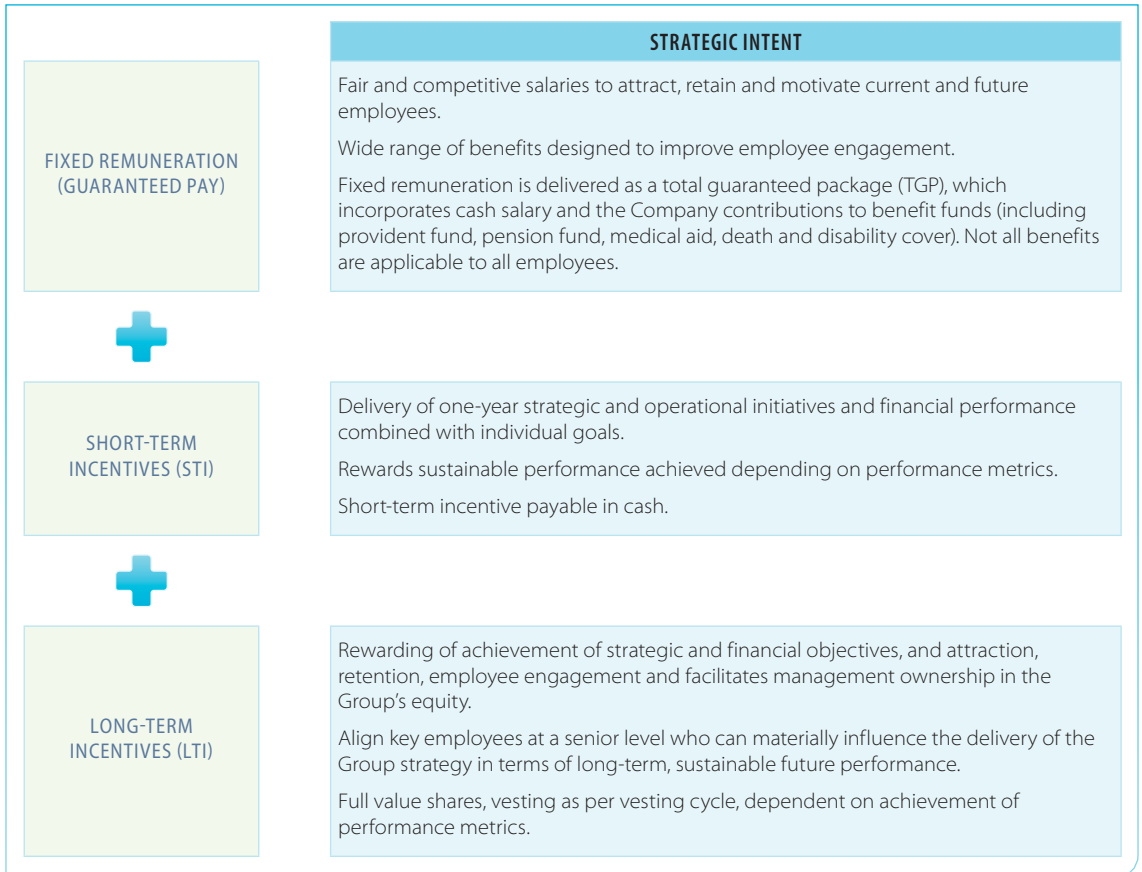
- TGP position (upper quartile, median and lower quartile);
- STI and STI multiples (on target and stretch);
- LTI and LTI multiples (on target and stretch); and
- Overall remuneration mix (on target and stretch).

Feedback was provided as to how Adcock Ingram compares against the market. Where appropriate, TGP, STI and LTI adjustments were recommended for consideration by the Committee.

The outcome of the benchmarking exercise revealed that the remuneration mix of the executive directors required adjustment because they were below the benchmark. In this regard:

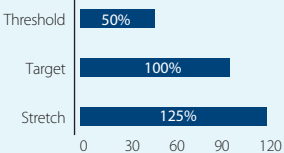
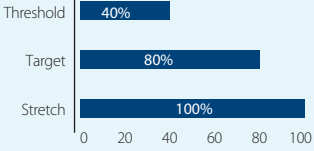
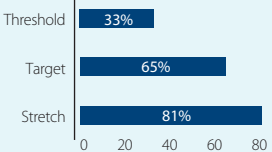
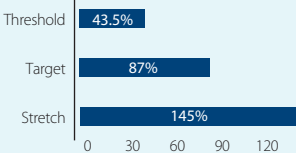
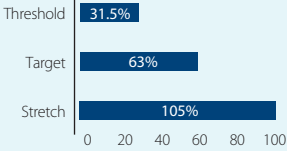
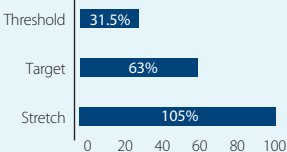
- The CEO was at the lower quartile of the market and required a substantive increase to be at the median; and
- The CFO and ED: HC and Transformation required an adjustment to be at the median of the comparator group.

ELEMENTS OF TOTAL REMUNERATION:



Remuneration report continued

BELOW IS THE ABRIDGED FRAMEWORK

	FIXED REMUNERATION	VARIABLE REMUNERATION	
	GUARANTEED PAY AND BENEFITS	SHORT-TERM INCENTIVES (STI)	LONG-TERM INCENTIVES (PBLTIS)*
ELIGIBILITY	All permanent employees	Executive directors, executive management and key employees in critical roles	Executive directors, executive management and key employees in critical roles
PERFORMANCE PERIOD	Ongoing	One year	Three to four years
MECHANICS	CPI, market-survey, TGP positioned at the market median and benchmarked against the comparator group, business performance, individual performance and affordability	<p>Formula directed based on a % of the participant's TGP and job level, with Committee discretion.</p> <p>% of TGP applicable for the executive directors:</p> <p>CEO</p>  <p>CFO</p>  <p>ED</p>  <p><i>Malus and clawback provisions applicable.</i></p>	<p>Formula directed based on a % of the participant's TGP and job level, with Committee discretion.</p> <p>% of TGP applicable for the executive directors:</p> <p>CEO</p>  <p>CFO</p>  <p>ED</p>  <p>The actual average achieved over a three-year period is compared to the set targets for the same period to determine the level of achievement. Linear vesting between threshold, target and stretch intervals is applicable.</p> <p><i>Malus and clawback provisions applicable.</i></p>

* performance-based long-term incentive scheme



	FIXED REMUNERATION	VARIABLE REMUNERATION	
METHOD OF DELIVERY	Cash	Cash	Full value shares, with the option to convert into cash
TIMING OF DELIVERY	Monthly with increases usually granted in December	Annually in September	As per the vesting cycle, 75% vesting after 3 years and 25% after 4 years. If none of the performance conditions have been fulfilled, no conditional share awards vest.
PERFORMANCE MEASURES	Individual performance targets	<p>Financial and non-financial metrics. The executive director's metrics and weighting include:</p> <ul style="list-style-type: none"> trading profit (30%) return on funds employed (ROFE) (20%) headlines earning per share (HEPS) (20%) additional performance metrics (APM) (30%), which include targets such as B-BBEE, business resilience, growth, and innovation <p>All metrics are standalone and measured and assessed individually.</p>	<p>Financial and non-financial metrics. The executive director's metrics and weighting include:</p> <ul style="list-style-type: none"> HEPS (40%) ROFE (20%) environmental (10%) governance (10%) social (20%) <p>All metrics are standalone and measured and assessed individually. The metrics and weightings are the same for all participants, including executive directors.</p>
AGGREGATED EXECUTIVE DIRECTOR'S REMUNERATION MIX ON TARGET FOR 2022	34%	29%	37%

Remuneration report continued

The detailed remuneration framework is as follows:

REMUNERATION	
GUARANTEED PAY To attract, retain and engage high calibre talent with the optimum mixtures of competencies.	
BASIC SALARY	BENEFITS
<ul style="list-style-type: none"> Market related salary tailored to the content of the roles, individual skills, experience, performance and internal benchmarking. 13th cheque guaranteed for bargaining unit employees (BRG). TGPs are reviewed annually against market data and benchmarked against market median. Increases are awarded in December each year to non-bargaining unit employees and in July to bargaining unit members. The actual percentage increases awarded to non-bargaining unit employees are determined by considering CPI, Group business performance, market trends, affordability, and external benchmarks. 	Market competitive suite of benefits offered as part of TGP, including: <ul style="list-style-type: none"> provident fund vehicle insurance travel allowance group life insurance disability cover funeral benefits medical aid* fuel cards** shift allowance** Non-financial benefits offered, including: <ul style="list-style-type: none"> employee wellness programme learning and career development opportunities, including study assistance
VARIABLE PAY To motivate and retain executives and key employees in critical roles to achieve short and long term financial and non-financial (strategic and operational) objectives of the Group.	
STI Reward individual performance measured for a period of up to one year	
To motivate and reward employees for the achievement of the Group's short-term/one year financial and non-financial objectives in areas they influence:	
Commercial divisions (Consumer, OTC, Prescription and Hospital): <ul style="list-style-type: none"> trading profit (40%) ROFE (15%) HEPS (15%) for managing directors APMs (30% weighting) are in place, and include targets such as market share, new business development, innovation and transformation. 	
Distribution: <ul style="list-style-type: none"> trading profit (40%) expense management (15%) stock write-offs (15%) on-time delivery (15%) relationship management (15%) 	
Other executives <ul style="list-style-type: none"> trading profit (ranges from 20%–50%) ROFE (ranges from 0%–20%) HEPS (ranges from 0%–20%) APMs (ranges from 40%–60%) and include targets such as regulatory and legal compliance, transformation, cyber security, manufacturing output and quality and growth. 	
The threshold concept was introduced in the 2021 financial year and continued in 2022 financial year. The threshold is based on a reasonable minimum outcome expected for each business unit to keep beneficiaries motivated and engaged.	
Pay-out for achieving threshold is set at 50% of the target pay-out.	
Number of participants = 68	
CEO STI DISCRETION: Amount approved annually by RemCom and paid to employees who exhibited extraordinary performance.	

VARIABLE PAY

LTI

Motivate management and key talent to achieve long-term performance and to enhance retention

SCHEMES:

PBLTIS

A performance based long-term incentive scheme that aims at incentivising and retaining critical employees and increasing management equity.

The granting of conditional annual awards to identified employees is based on the following aspects:

- critical nature of the role;
- necessity to retain the individual;
- ability of the individual to drive strategy and performance; and
- size and complexity of the role.

Performance period and vesting date:

Vesting of the conditional share awards is subject to performance conditions being satisfied over the performance period (three years). To the extent the performance metrics have been met, 75% of the conditional share awards will vest after three years and 25% after four years.

If none of the performance conditions have been fulfilled, no conditional share awards will vest.

Performance conditions:

The metrics and weighting include:

- HEPS (40%)
- ROFE (20%)
- environmental (10%)
- governance (10%)
- social (20%)

Number of participants = 46

Tiger Brands Black Managers Trust (BMT):

For the retention of Black Managers through the Tiger Brands Limited B-BBEE transaction implemented in 2005. Adcock Ingram employees who were employed prior to Adcock Ingram been separately listed on the JSE, form part of the scheme. Vested rights were issued subject to various lock-in periods.

102 remaining participants

OTHER:

SALES STAFF:

For the achievement of sales targets, sales incentives are paid to qualifying sales employees on a quarterly basis. Number of participants = 534

OVERTIME:

Overtime paid to employees as per operational requirements.

* Medical aid is not compulsory for employees, although employees are encouraged to belong to a medical aid of their choice. For BRG employees the Company subsidises 50% of the medical aid.

** Depending on role and responsibilities.

Remuneration report continued

PERFORMANCE OUTCOMES FOR THE SHORT-TERM INCENTIVES PAID IN SEPTEMBER 2021

As reported in the previous integrated report and explained to the shareholders engaged with, the Group discloses the STI performance on a historical basis and STI targets include both financial and non-financial metrics. The performance outcome is shown below:

The Commercial divisions (Consumer, OTC, Prescription and Hospital) were measured against the following metrics and related weightings during the 2021 financial year:

- trading profit (40%);
- HEPS (10%);
- ROFE (15%); and
- For managing directors, additional performance metrics (35% weighting) were introduced in the past year, based on the individual's position and include targets for market share, new business development and factory performance, as examples.

For the Commercial divisions, the following achievement against the performance metrics was achieved and payments were made in September 2021, based on the performance for the year ended 30 June 2021:

Business Unit	Trading profit	HEPS	ROFE	Additional performance metrics	Amount paid R'm	Number of beneficiaries
Consumer	Stretch	Stretch	Stretch	Partially achieved	4.6	11
OTC	Threshold	Stretch	Target	Partially achieved	2.0	5
Prescription	Target	Stretch	Stretch	Partially Achieved	3.4	12
Hospital	Stretch	Stretch	Stretch	Fully Achieved	3.7	9

Corporate participants were measured against the following:

- trading profit (20%–50%);
- HEPS (0%–20%);
- ROFE (0%–20%); and
- additional performance metrics (20%–60%) and include targets for transformation, factory performance, and regulatory compliance.

For Corporate participants the following payments were made in September 2021 (excluding the executive directors):

Business Unit	Trading profit	HEPS	ROFE	Additional performance metrics	Amount paid R'm	Number of beneficiaries
Corporate	Target	Stretch	Stretch	Partially achieved	7.7	19

The Distribution department was measured against the following:

- trading profit (40%);
- on-time delivery (15%);
- expense management (15%)
- stock write-offs (15%); and
- other service delivery related performance metrics (15%).

The performance outcome is listed below:

Business Unit	Trading profit	On time delivery	Expense management	Write-offs	Service	Amount paid R'm	Number of beneficiaries
Distribution	Target	Achieved	Achieved	Achieved	Achieved	1.0	3

A discretionary amount of R4 million, approved by the Committee, was paid out to 123 employees who exhibited extraordinary performance.

PART 3 – IMPLEMENTATION OF THE REMUNERATION POLICY

ADHERENCE TO THE REMUNERATION POLICY

The Committee monitored the implementation of the Remuneration Policy and adjustments were made to the STI and LTI performance conditions to expand the non-financial factors, to include some environmental, social and governance metrics. The threshold concept which was introduced in the prior financial year for the STI payment, whereby a minimum performance level should be achieved to qualify for a portion of the payment, was retained for the current financial year.

FAIR AND RESPONSIBLE REMUNERATION

Adcock Ingram's commitment to address the internal wage gap is evidenced by the historically higher increases for those employees in the bargaining unit, compared to the middle and senior management increases. During the current financial year, employees in the bargaining unit and other employees were granted a 5% increase, effective July 2021 and December 2021, respectively. In the prior financial year, other employees did not receive an increase due to the adverse impact of COVID-19; a 7% increase was granted to the bargaining unit.

EXECUTIVE DIRECTORS

The executive directors are currently regarded as the only prescribed officers of the Group. No fees for services as director, consulting or other fees were paid in the current or prior year and no profit-sharing agreements are in place with any director.

SERVICE CONTRACTS FOR EXECUTIVE DIRECTORS

The Group policy is to employ each executive director under a permanent employment contract which is subject to a three-month notice period.

SHAREHOLDING

AG Hall held 21 433 shares (2021: 21 433) in the Company, consequent to the exercise of certain equity options. There has been no change in this since year-end.

FIXED REMUNERATION

The table below provides an analysis of the total guaranteed pay (TGP) in the current financial year, compared to the prior financial year.

	Basic salary R'000	Contributions to defined contribution plan R'000	Total guaranteed pay R'000
2022			
AG Hall	6 180	350	6 530
D Neethling	3 757	350	4 107
B Letsoalo	3 170	495	3 665
	13 107	1 195	14 302
2021			
AG Hall	5 383	350	5 733
D Neethling	3 487	350	3 837
B Letsoalo	2 912	562	3 474
	11 782	1 262	13 044

Remuneration report continued

Variable remuneration

SHORT-TERM

The following table provides the minimum and maximum short-term incentive, as a percentage of TGP, for which each of the executive directors can qualify in relation to the 2022 financial year, based on the outcome of each measurable metric.

	Threshold	Target	Stretch
AG Hall	50%	100%	125%
D Neethling	40%	80%	100%
B Letsoalo	33%	65%	81%

The set metrics for each of the directors as well as the weighting of each metric, are as follows:

	Trading profit	HEPS	ROFE%	AMP ¹	B-BBEE ² score	Total
AG Hall	30%	20%	20%	15%	15%	100%
D Neethling	30%	20%	20%	15%	15%	100%
B Letsoalo	30%	20%	20%	10%	20%	100%

¹ This metric includes the execution of strategy, innovation and business resilience. To be assessed by the Board.

² Depends on the achievement of the final B-BBEE score.

The short-term incentives are dependent on the Group's performance as well as individual additional performance metrics.

Based on the current year's performance and as depicted in the table below, the Group has met its stretch targets for trading profit, ROFE and HEPS. The individual APM targets have been met.

	Financial			Strategy, innovation and business resilience	B-BBEE Score	2022 Pay out R'000	% of TGP	2021 Pay out R'000
	Trading profit	HEPS	ROFE %					
AG Hall	Stretch	Stretch	Stretch	Stretch	Stretch	8 875	125%	6 664
D Neethling	Stretch	Stretch	Stretch	Stretch	Stretch	4 300	100%	3 607
B Letsoalo	Stretch	Stretch	Stretch	Stretch	Stretch	3 088	81%	2 568
						16 263		12 839

The full amount of R16.3 million has been fully provided for in the year ended 30 June 2022, although payment will only be made in September 2022.

The prior year incentives of R12.8 million, which related to the prior year's performance, were fully provided for in the year ended 30 June 2021, and were paid in September 2021.

ROFE: return on funds employed **APM:** additional performance metrics



LONG-TERM INCENTIVES WITH NO PERFORMANCE CONDITIONS

Details of share options granted in Adcock Ingram (or otherwise as indicated) are as follows, with no new options granted in terms of these schemes during the year:

	Offer date	Offer price R	Balance at the beginning of the year	Exercised during the year	Balance at the end of the year	Vested as at 30 June 2022	Value ¹ as at 30 June 2022 R
AG Hall							
Equity	17/06/2014	52.20	58 334	–	58 334	58 334	–
	26/08/2015	41.94	58 334	–	58 334	58 334	450 338
	26/08/2016	42.30	133 334	–	133 334	133 334	981 338
	24/08/2017	57.73	200 000	–	200 000	133 332	–
			450 002	–	450 002	383 334	1 431 676
Phantom	28/08/2018	65.46	200 000	–	200 000	66 666	–
Total			650 002	–	650 002	249 994	1 431 676
D Neethling							
Equity	17/06/2014	52.20	20 000	–	20 000	20 000	–
	26/08/2015	41.94	30 000	–	30 000	30 000	231 600
	26/08/2016	42.30	100 000	–	100 000	100 000	736 000
	24/08/2017	57.73	150 000	–	150 000	100 000	–
			300 000	–	300 000	250 000	967 600
Phantom	28/08/2018	65.46	150 000	–	150 000	50 000	–
Total			450 000	–	450 000	150 000	967 600
B Letsoalo							
Equity	17/06/2014	52.20	15 000	–	15 000	15 000	–
	26/08/2015	41.94	15 000	(15 000)	–	–	–
	26/08/2016	42.30	30 000	(30 000)	–	–	–
	25/11/2016	42.08	75 000	(75 000)	–	–	–
	24/08/2017	57.73	120 000	–	120 000	80 000	–
			255 000	(120 000)	135 000	95 000	–
Phantom	28/08/2018	65.46	120 000	–	120 000	40 000	–
BMT TBL	31/01/2008	47.85	3 500	(3 500)	–	–	–
OCE	31/01/2008	16.46	905	–	905	905	25 376
AIP	31/01/2008	16.31	13 742	–	13 742	13 742	458 296
TBL	01/07/2012	47.85	7 734	(6 000)	1 734	1 734	163 325
OCE	01/07/2012	16.46	2 001	–	2 001	2 001	56 108
AIP	01/07/2012	14.89	4 534	–	4 534	4 534	157 647
			32 416	(9 500)	22 916	22 916	860 752
Total			407 416	(129 500)	277 916	157 916	860 752

¹ – Based on closing share price as at 30 June 2022

AIP – Adcock Ingram Holdings Limited

OCE – Oceana Group Limited

TBL – Tiger Brands Limited

Remuneration report continued

Details of options exercised are as follows:

2022		Offer date	Offer price R	Exercise price R	Number of options	Gain realised of exercising options ¹
B Letsoalo						
Equity						
		26/08/2015	41.94	52.00	15 000	150 900
		26/08/2016	42.30	52.00	30 000	291 000
		25/11/2016	42.08	52.00	75 000	744 000
					120 000	1 185 900
BMT	TBL	31/01/2008	47.85	153.64	3 500	370 265
	TBL	01/07/2012	47.85	153.55	6 000	634 200
					9 500	1 004 465
Total					129 500	2 190 365

There were no options exercised during the prior year

¹ Amounts are shown before tax.

LONG-TERM INCENTIVES WITH PERFORMANCE CONDITIONS

PERFORMANCE-BASED LONG-TERM INCENTIVE SCHEME (PBLTIS)

The long-term incentive schemes with no performance conditions attached were replaced by a PBLTIS in the 2020 financial year and conditional share awards were granted to the executive directors as detailed below:

	Offer date	Balance at the beginning of the year	Issued during the year	Balance at the end of the year ¹
AG Hall				
PBLTIS	26/09/2019	155 000		155 000
	25/11/2020	189 800		189 800
	24/08/2021		200 000	200 000
		344 800	200 000	544 800
D Neethling				
PBLTIS	26/09/2019	64 000		64 000
	25/11/2020	92 000		92 000
	24/08/2021		100 000	100 000
		156 000	100 000	256 000
B Letsoalo				
PBLTIS	26/09/2019	59 000		59 000
	25/11/2020	83 300		83 300
	24/08/2021		89 000	89 000
		142 300	89 000	231 300

¹ No awards have vested as at 30 June 2022.

Award during the year

The performance conditions (financial and non-financial) attached to the award made on 25 August 2021, measured over a three-year period from 1 July 2021 to 30 June 2024, are as follows:

Measure	Weight	Measurement base	Performance threshold (50% vesting)	Target (70% vesting)	Stretch (100% vesting)
HEPS growth	40%	Inflation and SEP	(50% CPI + 50% SEP)	(50% CPI + 50% SEP)+1%	(50% CPI + 50% SEP)+2%
ROFE ¹	20%	ROFE	20%	22%	24%
Environmental – solar	5%	POE ²	System implementation for reliable base	Solar implemented in one location	Solar implemented in two locations
Environmental – waste management	5%	POE ²	System implementation for reliable base	10% of waste recycled	25% of waste recycled
Governance – ethical supply chain process	10%	POE ²	System implementation	10% of supplier value migrated to system	25% of supplier value migrated to system
B-BBEE	20%	B-BBEE scorecard points	84	87	90

¹ Return on funds employed

² POE – Portfolio of evidence

Status of all performance-based awards as at the end of June 2022

Award date:	26 September 2019				
Measurement period:	1 July 2019 to 30 June 2022				
Completion period:	Three years				
Measure	Weight	Average outcome	Achievement	Weighted achievement	
HEPS growth	50%	6.7%	64%	32%	
ROFE	25%	30.0%	60%	15%	
B-BBEE	25%	95.31	100%	25%	
Total				72%	
Award date:	25 November 2020				
Measurement period:	1 July 2020 to 30 June 2023				
Completion period:	Two years of three				
Measure	Weight	Average outcome	Achievement	Weighted achievement to date	
HEPS growth	40%	10%	100%	40%	
ROFE	20%	29.4%	100%	20%	
Strategy and Innovation	20%	Stretch	100%	20%	
B-BBEE	20%	95.33	100%	20%	
Total				100%	

Remuneration report continued

Award date:	25 November 2021			
Measurement period:	1 July 2021 to 30 June 2024			
Completion period:	One year of three			
Measure	Weight	Outcome	Achievement	Weighted achievement to date
HEPS growth	40%	24.0%	100%	40%
ROFE	20%	31.3%	100%	20%
Environmental	10%	Target	50%	5%
Governance	10%	Threshold	50%	5%
B-BBEE	20%	95.82	100%	20%
Total				90%

IFRS 2 charges

The following charges were expensed in the statement of comprehensive income, in non-trading expenses, during the year under review, in terms IFRS 2¹:

	2022 R'000	2021 R'000
AG Hall	5 259	3 736
D Neethling	2 658	1 852
B Letsoalo	2 337	1 693
	10 254	7 281

¹ The value of options granted is the annual expense in accordance with IFRS 2, and is presented for information purposes only, as it is not regarded as constituting remuneration, given that the value is neither received by nor accrued to the director.

Retention agreements

During the previous financial year, retention agreements were signed with the executive directors to remain in service for a period of three years, from 1 January 2021 until December 2023 after which payment of the following amounts will be made:

	R'000
AG Hall	6 900
D Neethling	3 800
B Letsoalo	3 500
	14 200

NON-EXECUTIVE DIRECTORS (NEDS)

The NEDs do not have service contracts, do not participate in any of the Group's STI or LTI schemes and no shares are granted to them. The remuneration of NEDs is reviewed annually by the Committee, after an independent benchmarking exercise by DG Capital.

The same comparator group, which was used for executive directors benchmarking process was used. The weighted average of the market data of similar size companies accounted for 70% and direct comparable companies 30%.

The factors that influence the NEDs remuneration include: the Group remuneration philosophy; the responsibility of the role; the level of general increases given to TGP employees; and inflation.

The fees below were approved at the November 2021 AGM, effective 1 December 2021.

	CHAIRPERSON	MEMBER
Board	R1 189 163	R345 800
Lead independent director		R392 000
Audit Committee	R262 000	R131 000
Risk and Sustainability Committee	R235 400	R120 000
Human Resources and Remuneration Committee	R185 700	R100 900
Nominations Committee	R157 000	R78 300
Social, Ethics and Transformation Committee	R165 900	R80 600
Acquisitions Committee	R249 500	R124 740

A fee of R13 000 is paid for special meetings exceeding three hours in duration.



The terms and conditions applicable to the appointment of NEDs are contained in a letter of engagement which, together with the Board charter and respective Committees' terms of reference and Memorandum of Incorporation (MOI), form the basis of the director's appointment. The Board adopted a resolution whereby directors who have reached a nine (9) year tenure, should automatically retire from the Board, subject to appropriate succession and Board composition requirements being in place. Exceptions are allowed in terms of the MOI. The Nominations Committee plays an important role in the appointment of new directors as well as the identification and removal of underperforming or unsuitable directors. The Company's MOI provides that at least one third of the NEDs retires by rotation every year and, if eligible, may offer themselves for re-election by shareholders.

Remuneration paid

Non-executive directors receive no other benefits, do not participate in the short-term or long-term incentive schemes and do not receive any performance related pay from the Group. The following fees, excluding value added tax (VAT) where applicable, were paid to non-executive directors quarterly in arrears.

	2022 R'000	2021 R'000
L Boyce	328	496
M Haus	984	849
S Gumbi	618	508
N Madisa ¹	1 189	681
C Manning	761	572
L Ralphs	-	793
D Ransby	829	693
M Sathekge	493	352
K Wakeford ²	453	427
	5 655	5 371

¹ Paid to Bidvest Corporate Services Proprietary Limited.

² Paid to Bidvest Branded Products Proprietary Limited.

NOMINATIONS COMMITTEE

The composition and meeting attendance during the year under review were as follows:

COMMITTEE MEMBERS	MEETING ATTENDANCE
CHAIRPERSON	
N Madisa	2/2
MEMBERS	
M Sathekge	2/2
M Haus	2/2
C Manning	2/2
INVITEES	
A Hall (CEO)	2/2
B Letsoalo (ED: Human Capital and Transformation)	2/2



Abbreviations

Abbreviation	Definition
AGM	Annual general meeting
AICC	Adcock Ingram Critical Care
API	Active pharmaceutical ingredient
ARV	Anti-retroviral
B-BBEE	Broad-based Black Economic Empowerment
CAMs	Complementary and alternative medicines
CCC	COVID-19 crisis committee
CSR	Corporate social responsibility
DEL	Department of Employment and Labour
DLT	Dolutegravir Lamivudine Tenofovir
DMD	Drug Management and Development
DoH	Department of Health
ED	Executive director
FEC	Forward Exchange Contract
GBV	Gender Based Violence
GMP	Good Manufacturing Practice
GQA	Group Quality Assurance
HEPS	Headline earning per share
HIV	Human immunodeficiency virus
ICAS	Independent Counselling and Advisory Services
IFRS	International Financial Reporting Standards
IT	Information and Technology
kl	Kilolitre
kWh	Kilowatt hour
LSM	Living standards measure
JSE	Johannesburg Stock Exchange

Abbreviation	Definition
LTI	Long-term incentive
M&A	Mergers and Acquisitions
MCA	Marketing Code Authority
MNC	Multi-national Company
NBD	New Business Development
NDoH	National Department of Health
NED	Non-executive director
OTC	Over the Counter
PBLTIS	Performance-based long-term incentive scheme
Pharmisa	Pharmaceuticals Made in South Africa
POPIA	Protection of Personal Information Act
PPE	Personal Protective Equipment
PSSA	Pharmaceutical Society of South Africa
PTG	Pharmaceutical Task Group
PV	Pharmacovigilance
QA	Quality Assurance
QC	Quality Control
R&D	Research and Development
RA	Regulatory Affairs
RP	Responsible Pharmacist
S189	Section 189 (restructuring process)
SAHPRA	South African Health Products Regulatory Authority
SANBS	South African National Blood Service
SEP	Single Exit Price
STI	Short-term incentive
YES	Youth Employment Service

Corporate information

ADCOCK INGRAM HOLDINGS LIMITED

Incorporated in the Republic of South Africa
(Registration number 2007/016236/06)
Share code: AIP ISIN: ZAE000123436
("Adcock Ingram" or "the Company" or "the Group")

DIRECTORS

Ms L Boyce (Non-executive director)
Dr S Gumbi (Independent non-executive director)
Mr A Hall (Chief executive officer)
Prof M Haus (Lead independent non-executive director)
Ms B Letsoalo (Executive director: Human Capital and Transformation)
Ms N Madisa (Non-executive director and Chairperson)
Dr C Manning (Independent non-executive director)
Prof Michael Satheke (Independent non-executive director)
Ms D Neethling (Chief financial officer)
Ms D Ransby (Independent non-executive director)
Mr K Wakeford (Non-executive director)

COMPANY SECRETARY

Mr Mahlatse "Lucky" Phalafala

REGISTERED OFFICE

1 New Road, Midrand, 1682

POSTAL ADDRESS

Private Bag X69, Bryanston, 2021

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
Private Bag X9000
Saxonwold, 2132

AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane, Waterfall City
Waterfall, 2090

SPONSOR

Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place, corner Fredman Drive and Rivonia Road
Sandton, 2196

BANKERS

Investec Bank Limited
100 Grayston Drive
Sandton, 2196

Nedbank Limited
135 Rivonia Road, Sandown
Sandton, 2146

Rand Merchant Bank
1 Merchant Place, corner Fredman Drive and Rivonia Road
Sandton, 2196

