

Corporate Governance

This King III Reporting is prepared in terms of the JSE Listings Requirements for the period 01 July 2015 to 30 June 2016

[King III “apply or explain” approach is set out below]

✓ Compliant

★ Under review

X Non-compliant

Partially compliant

PRINCIPLE	INDICATOR	COMMENT	REFERENCE	
1.	ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP			
1.1	THE BOARD SHOULD PROVIDE EFFECTIVE LEADERSHIP BASED ON AN ETHICAL FOUNDATION.	✓	Ethics are the foundation of Adcock Ingram’s business and an unequivocal commitment to fairness, transparency and integrity inspire all facets of the Group’s operations. The Board of Directors (the Board), assisted by its various committees, is responsible for setting the ethical tone “at the top” and monitors its implementation, to help ensure that business is conducted in a manner that is beyond reproach at all levels in the Group.	Refer to page 54 of the Integrated report.
1.2	THE BOARD SHOULD ENSURE THAT THE COMPANY IS AND IS SEEN TO BE A RESPONSIBLE CORPORATE CITIZEN.	✓	The Board has constituted the Social, Ethics and Transformation Committee to ensure that issues related to the environment, health and safety as well as the sustainability, transformation and employees’ development are given due consideration. This Committee reports to the Board quarterly and once to the shareholders at the Annual General Meeting by providing details on its activities including monitoring of the CSI projects, stakeholder management and the Company’s activities in communities it operates in. The Company also prides itself with the development of its employees.	Refer to - Pages 42, 43, 44, 45 and 46 of the Integrated report.

1.3	THE BOARD SHOULD ENSURE THAT THE COMPANY'S ETHICS ARE MANAGED EFFECTIVELY.	✓	Management and employees operate in terms of a Code of Conduct and Ethics, which is reviewed whenever it is necessary to do so. The Code requires compliance with all applicable laws and maintenance of the highest levels of integrity in the conduct of all aspects of the business. Employees are encouraged to report any suspected inappropriate, unethical, or illegal activity, or misconduct, through an independently operated Tip-Offs Anonymous line. This whistle-blowing facility is available 24 hours per day and 365 days per year. All complaints lodged through this service are investigated and reported to the Board through the Human Resources, Remuneration and Nominations Committee. In addition disciplinary action is taken when appropriate.	Refer to pages 54, 71 and 74 of the Integrated report.
2. BOARD AND DIRECTORS				
2.1	THE BOARD SHOULD ACT AS THE FOCAL POINT FOR AND CUSTODIAN OF CORPORATE GOVERNANCE.	✓	The Board, through effective corporate governance directs and manages the operations of the Company and its subsidiaries. The Board reviews the policies of the Company when a need arises for it to do so. Some of the policies of the Company have provision to be reviewed annually.	Refer to page 54 of the Integrated report.
2.2	THE BOARD SHOULD APPRECIATE THAT STRATEGY, RISK, PERFORMANCE AND SUSTAINABILITY ARE INSEPARABLE.	✓	The Board is ultimately responsible to shareholders for the performance of the Group. The Board considers strategic risks when formulating strategy, approving budgets and monitoring progress against business plans. Executive and divisional management are responsible for the day-to-day management of operational risk and continuously enhancing control procedures. Risk registers are compiled which are regularly reviewed and updated. The key risks on these registers are classified based on severity and probability of the risk materialising. The Board retains control over the Group, monitors risk and oversees the implementation of approved	Refer to pages 22 and 56 of the Integrated report.

			strategies through a structured approach i.e. reporting and accountability.	
<u>2.3</u>	THE BOARD SHOULD PROVIDE EFFECTIVE LEADERSHIP BASED ON ETHICAL FOUNDATION.	✓	Refer to principle 1.1 above.	
<u>2.4</u>	THE BOARD SHOULD ENSURE THE COMPANY IS AND IS SEEN TO BE A RESPONSIBLE CITIZEN.	✓	As stated in 1.2 above, the Board ensures that the Company complies with its legal obligations and structures are in place to ensure compliance. The Company further manages its employees in a fair and responsible manner, looks after the environment and society in which it operates.	Refer to the Sustainability report from page 42.
<u>2.5</u>	THE BOARD SHOULD ENSURE THAT THE COMPANY ETHICS ARE MANAGED EFFECTIVELY.	✓	Management and employees operate in terms of a code of ethics approved by the Board. The code requires compliance with all applicable laws and maintenance of the highest levels of integrity in the conduct of all aspects of the business. Employees are encouraged to report any suspected inappropriate, unethical, illegal activity or misconduct through an independently operated Tip-Offs Anonymous line. This whistle-blowing facility is available 24 hours per day, 365 days per year. All complaints lodged through this service are investigated and reported to the Board through the Social, Ethics & Transformation Committee. In addition disciplinary action is taken when appropriate.	Refer to pages 54 and 71 of the Integrated report.
<u>2.6</u>	THE BOARD SHOULD ENSURE THAT THE COMPANY HAS AN EFFECTIVE AND INDEPENDENT AUDIT COMMITTEE.	✓	The Audit Committee of the Board is composed of a majority of independent non-executive directors and is elected by shareholders at every annual general meeting as set out in the Companies Act. The Audit Committee is effective and independent.	Refer to page 73 of the Integrated report.
<u>2.7</u>	THE BOARD SHOULD BE RESPONSIBLE FOR THE GOVERNANCE OF RISK.		The Board, through its Risk and Sustainability Committee is responsible for the governance of risk. Refer to principle 2.2 above	Refer to pages 44 of the Integrated report.

<u>2.8</u>	THE BOARD SHOULD BE RESPONSIBLE FOR INFORMATION TECHNOLOGY (IT) GOVERNANCE.	✓	The Board, through its Audit Committee and Risk and sustainability Committee, ensure that the Company's IT systems and processes are audited by independent auditors and these auditors report their findings to these Committees, which in turn report to the Board.	Refer to page 23 of the Integrated report.
<u>2.9</u>	THE BOARD SHOULD ENSURE THAT THE COMPANY COMPLIES WITH APPLICABLE LAWS AND CONSIDERS ADHERENCE TO NON-BINDING RULES, CODES AND STANDARDS.	✓	Management and employees of the Company operate in terms of a Code of Ethics approved by the Board. In turn, the Code requires compliance with all applicable laws and maintenance of the highest levels of integrity in the conduct of all aspects of the business.	Refer to page 71 of the Integrated report.
<u>2.10</u>	THE BOARD SHOULD ENSURE THAT THERE IS AN EFFECTIVE RISK-BASED INTERNAL AUDIT.	✓	The Audit Committee evaluates the effectiveness of the Internal Audit function. The Internal Audit Head attends all meetings of the Audit Committee and Risk and Sustainability Committee. In performing its functions, the Internal Audit function provides assurance to the Board, regarding the effectiveness of the Group's network of governance, risk management and internal control processes and systems. The Board, through the Audit Committee, is satisfied that the executive team in each division is constantly made aware of risks and actively seeks ways in which to overcome and influence controllable risks and minimise the impact of uncontrollable risks. The Audit Committee has accordingly considered the reports from the Internal Auditors amongst others and is satisfied about the effectiveness thereof.	Refer to pages 27 and 73.
<u>2.11</u>	THE BOARD SHOULD APPRECIATE THAT STAKEHOLDERS' PERCEPTIONS AFFECT THE COMPANY'S REPUTATION.	✓	Adcock Ingram is aware of its responsibility to present a balanced and comprehensive assessment of the Group to all of its identified stakeholders. Creating trust and goodwill with our stakeholders has been beneficial and will continue to foster a productive business environment. This facilitates value for our stakeholders and growth for the business, while building the Group's image and brand as an ethical, responsible and concerned corporate citizen. Adcock Ingram has intensified its involvement with certain	Refer to pages 9 to 12 of the Integrated report.

			stakeholders in support of the business focus on customers, products and service.	
2.12	THE BOARD SHOULD ENSURE THE INTEGRITY OF THE COMPANY'S INTEGRATED REPORT.	✓	The Board, through its various committees (in particular the Audit Committee) ensures that the internal audit function and the external auditors, as well as management, account for the work and contents of the integrated report. The Board is of the view that integrated report fairly presents the integrated performance of the Group.	Refer pages 71 and 73 of the Integrated report.
2.13	THE BOARD SHOULD REPORT ON THE EFFECTIVENESS OF THE COMPANY'S SYSTEM OF INTERNAL CONTROLS.	✓	The Board, through its Audit Committee, has considered the reports from the internal and external auditors and is satisfied that the reports confirm the adequacy and effectiveness of the Group's systems of internal control.	Refer to page 73 of the Integrated report.
2.14	THE BOARD AND ITS DIRECTORS SHOULD ACT IN THE BEST INTERESTS OF THE COMPANY.	✓	Issues of conflicts of interest are regulated and dealt with regularly in terms of the Board Charter and the Companies Act. In order to ensure that issues of conflict of interests are properly managed and dealt with, the directors' register of interests is circulated at all the scheduled meetings of the Board for directors to confirm the accuracy of its contents. The declaration of interest and anti-competitive behaviour are standing items on the Board agenda.	Refer to page 55 of the Integrated report.
2.15	THE BOARD SHOULD CONSIDER BUSINESS RESCUE PROCEEDINGS OR OTHER TURNAROUND MECHANISMS AS SOON AS THE COMPANY IS FINANCIALLY DISTRESSED AS DEFINED IN THE COMPANIES ACT.	N/A	The Company is not in this position.	Refer to page 75 in the Integrated Report where the going concern principle is confirmed by the Board.
2.16	THE BOARD SHOULD ELECT A CHAIRMAN OF THE BOARD WHO IS AN INDEPENDENT NON-EXECUTIVE DIRECTOR. THE	✓	The Chairman of the Board is independent as defined in the King report and the CEO is not fulfilling the role of chairman of the Board.	Refer to page 52 of the Integrated report.

	CEO OF THE COMPANY SHOULD NOT ALSO FULFIL THE ROLE OF CHAIRMAN OF THE BOARD.			
2.17	THE BOARD SHOULD APPOINT THE CHIEF EXECUTIVE OFFICER AND ESTABLISH A FRAMEWORK FOR THE DELEGATION OF AUTHORITY.	✓	The Board has appointed a CEO. The framework for delegation of authority has been established, which sets out general principles of what can and cannot be done, monetary limits and other limits as required by law at various levels within the organisation. The limits also provide for upward referral of certain decisions and the notifiable decisions as well as residual authority of the Board. It is reviewed by the Board annually or more regularly when there is a need.	Refer to pages 52 and 71 of the Integrated report.
2.18	THE BOARD SHOULD COMPRISE A BALANCE OF POWER, WITH A MAJORITY OF NON-EXECUTIVE DIRECTORS. THE MAJORITY OF NON-EXECUTIVE DIRECTORS SHOULD BE INDEPENDENT.	✓	The Company has two executive directors and 9 non-executive directors. Seven of the non-executive directors are independent.	Refer to page 56 of the Integrated report.
2.19	DIRECTORS SHOULD BE APPOINTED THROUGH A FORMAL PROCESS.	✓	Adcock Ingram's Memorandum of Incorporation (MOI), which was approved by shareholders in January 2013, sets out a formal process for the appointment of directors to the Board. Criteria used in the selection of the directors of the Company include leadership qualities, depth of experience, skills, independence, business acumen and personal integrity beyond reproach.	
2.20	THE INDUCTION OF AND ONGOING TRAINING AND DEVELOPMENT OF DIRECTORS SHOULD BE CONDUCTED THROUGH FORMAL PROCESSES.	✓	Directors are encouraged to attend external director development and training programmes, at the cost of the Group to ensure their knowledge of governance remains relevant. In addition, all newly appointed directors are provided with an induction file containing important legislation and the Group's governance framework (including the Board committee governance structure, the Board Charter, terms of reference of all Board committees and key Company policies) and are also offered a tour to the Company's facilities. In the year under review, the Company	Refer to page 55 of the Integrated report.

			Secretary presented amendments to JSE Listings Requirements to the Board.	
2.21	THE BOARD SHOULD BE ASSISTED BY A COMPETENT, SUITABLY QUALIFIED AND EXPERIENCED COMPANY SECRETARY.	✓	The Board of directors has considered and satisfied itself with regard to the competence, qualifications and experience of the Company Secretary.	Refer to page 57 of the Integrated report.
2.22	THE EVALUATION OF THE BOARD, ITS COMMITTEES AND THE INDIVIDUAL DIRECTORS SHOULD BE PERFORMED EVERY YEAR.	✓	A formal process to evaluate the performance of the Board, its committees, the Chairman, and three retiring Board members is in place. In the year under review, The Board conducted an evaluation of itself to assess its effectiveness.	Refer to page 55 of the Integrated report.
2.23	THE BOARD SHOULD DELEGATE CERTAIN FUNCTIONS TO WELL-STRUCTURED COMMITTEES BUT WITHOUT ABDICATING ITS OWN RESPONSIBILITIES.	✓	It is correct that certain functions are delegated to the Committees of the Board but the Committees of the Board do not have the power to approve but to rather recommend to the Board, unless expressly granted the authority to approve by the Board or law.	Refer to pages 10 and 11 of the Integrated report.
2.24	A GOVERNANCE FRAMEWORK SHOULD BE AGREED BETWEEN THE GROUP AND ITS SUBSIDIARY BOARDS.	✓	Whilst the Group and its subsidiary Boards do not have a written governance framework between them as defined in statutes, the subsidiaries have their own governance instruments such as MOIs which define the powers and responsibilities of the subsidiaries. The subsidiaries are also audited as part of the Group. The Company Secretary conducts governance review of the major subsidiaries at least once a year to ensure compliance. The international operations within the Group are governed in accordance with their own statutes.	
2.25	COMPANIES SHOULD REMUNERATE DIRECTORS AND EXECUTIVES FAIRLY AND RESPONSIBLY.	✓	The Remuneration Committee endeavours to ensure that each director and executives are remunerated fairly and responsibly. The Directors and executives remuneration is benchmarked against the industry or other similar listed companies. Based on this exercise	Refer to the Remuneration report on page 58 of the Integrated report.

			it is the Board's view that directors and executives are remunerated fairly and responsibly.	
2.26	COMPANIES SHOULD DISCLOSE THE REMUNERATION OF EACH INDIVIDUAL DIRECTOR AND CERTAIN SENIOR EXECUTIVES.	✓	This information is disclosed in the Integrated report.	Refer to the Remuneration Report on pages 62, 64, 65, 66 and 67.
2.27	SHAREHOLDERS SHOULD APPROVE THE COMPANY'S REMUNERATION POLICY.	✓	The resolution regarding the approval of the remuneration policy is set out as an ordinary resolution on page 161, in the notice of the annual general meeting for the consideration of and approval by of the shareholders.	
3.	AUDIT COMMITTEE			
3.1	THE BOARD SHOULD ENSURE THAT THE COMPANY HAS AN EFFECTIVE AND INDEPENDENT AUDIT COMMITTEE.	✓	The Audit Committee is made up of a majority of independent non-executive directors and is effective. The Committee operates in terms of its terms of reference.	Refer to pages 9, 11 and 49 of the Integrated report.
3.2	AUDIT COMMITTEE MEMBERS SHOULD BE SUITABLY SKILLED AND EXPERIENCED INDEPENDENT NON-EXECUTIVE DIRECTORS.	✓	The Audit Committee consists of four non-executive directors who are suitably skilled and experienced and three of whom are independent.	Refer to page 73 of the Integrated report.
3.3	THE AUDIT COMMITTEE SHOULD BE CHAIRED BY AN INDEPENDENT NON-EXECUTIVE DIRECTOR.	✓	The Chairman of the Audit Committee is an independent non-executive director.	Refer to page 73 of the Integrated report.
3.4	THE AUDIT COMMITTEE SHOULD OVERSEE INTEGRATED REPORTING.	✓	The Integrated Report was first presented to the Audit Committee for consideration and comments before it is recommended to the Board for approval.	Refer page 73 of the Integrated report.
3.5	THE AUDIT COMMITTEE SHOULD ENSURE THAT A COMBINED ASSURANCE MODEL IS APPLIED TO PROVIDE A COORDINATED	✓	The Audit Committee in conjunction with other committees and the internal auditors have developed a risk-based approach in signing off and monitoring a comprehensive system of internal controls. The Audit	Refer to page 73 of the Integrated report.

	APPROACH TO ALL ASSURANCE ACTIVITIES.		Committee ensures that the combined assurance received from both external and internal assurance providers appropriately addresses the identified Company risks. The Audit Committee also monitors the activities of management in their role as the custodians of business processes to ensure the effective implementation, review and maintenance of internal controls as well as alignment with other assurance providers.	
3.6	THE AUDIT COMMITTEE SHOULD BE RESPONSIBLE FOR OVERSEEING INTERNAL AUDIT.	✓	In accordance with its terms of reference, the Committee: <ul style="list-style-type: none"> • evaluates the effectiveness and performance of the internal audit function, and compliance with its mandate; • reviews the effectiveness of the Group's system of internal financial control including receiving assurance from management and a written assessment on the effectiveness of internal control and risk management from the internal auditors; • reviews significant issues raised by the internal audit process and the adequacy of the corrective actions in response to significant internal audit findings; and • reviews policies and procedures for preventing and detecting fraud. 	Refer to page 73 of the Integrated report.
3.7	THE AUDIT COMMITTEE SHOULD BE AN INTEGRAL COMPONENT OF THE RISK MANAGEMENT PROCESS.	✓	The Audit Committee reviews the effectiveness of the Group's system of internal financial control including receiving assurance from management and a written assessment on the effectiveness of internal control and risk management from the internal auditors.	Refer to page 73 of the Integrated report.
3.8	THE AUDIT COMMITTEE IS RESPONSIBLE FOR RECOMMENDING THE APPOINTMENT OF THE EXTERNAL AUDITOR AND	✓	In the execution of its duties, the Audit Committee recommends the appointment of the external auditors and is responsible for establishing the terms of engagement as well as monitoring the services provided by the external auditors, both audit and non-	

	OVERSEEING THE EXTERNAL AUDIT PROCESS.		audit services. The Audit Committee also assesses the effectiveness of the external auditors, by reviewing the external auditors' progress against and fulfilment of the agreed audit plan, including any variations from the plan and provides oversight to the external audit process. The Audit Committee has recommended the reappointment of the external auditors.	
3.9	THE AUDIT COMMITTEE SHOULD REPORT TO THE BOARD AND SHAREHOLDERS ON HOW IT HAS DISCHARGED ITS DUTIES.	✓	The Audit Committee formally reports to the Board subsequent to all its meetings and reports to shareholders through its report as set out on page 73 of the Integrated Report.	
4.	THE GOVERNANCE OF RISK			
4.1	THE BOARD IS RESPONSIBLE FOR THE GOVERNANCE OF RISK.	✓	Refer to principle 2.2 above.	Refer to page 22 of the Integrated report for the risk report.
4.2	THE BOARD SHOULD DETERMINE THE LEVELS OF RISK TOLERANCE.	✓	The Risk and Sustainability Committee discusses risks associated with the business following a report from management and reports to the Board on tolerance thereof. The divisional boards constantly review risks associated with their businesses.	Refer to page 22 of the Integrated report.
4.3	THE RISK COMMITTEE OR AUDIT COMMITTEE SHOULD ASSIST THE BOARD IN CARRYING OUT ITS RISK RESPONSIBILITIES.	✓	Both these Committees discuss and evaluate risks related to their functions and report to the Board.	Refer to page 22 and 73 of the Integrated report.
4.4	THE BOARD SHOULD DELEGATE TO MANAGEMENT THE RESPONSIBILITY TO DESIGN, IMPLEMENT AND MONITOR THE RISK MANAGEMENT PLAN TO MANAGEMENT.	✓	The Company's Chief Executive Officer is responsible for the overall management of risk while the Risk and Sustainability Committee is the oversight committee on behalf of the Board. Executive and divisional management are responsible for the day-to-day management of operational risk and continuously enhancing control procedures. Risk registers are compiled which are regularly reviewed and updated. The key risks on these registers are classified based on severity and probability of the risk materialising. Controls are identified to mitigate the identified risks	Refer to page 22 of the Integrated report.

			and prioritise action plans. Registers are presented and discussed at various management levels and forums.	
4.5	THE BOARD SHOULD ENSURE THAT RISK ASSESSMENTS ARE PERFORMED ON A CONTINUAL BASIS.	✓	Executive and divisional management are responsible for the day-to-day management of operational risk and continuously enhancing control procedures. Risk registers are compiled which are regularly reviewed and updated. The key risks on these registers are classified based on severity and probability of the risk materialising. Controls are identified to mitigate the identified risks and prioritise action plans. Registers are presented and discussed at various management levels and forums. The CEO submits a risk report to the Risk and Sustainability on quarterly basis which highlights risks to the business. In turn the Committee reports to the Board.	Refer to page 22 of the Integrated report.
4.6	THE BOARD SHOULD ENSURE THAT FRAMEWORKS AND METHODOLOGIES ARE IMPLEMENTED TO INCREASE THE PROBABILITY OF ANTICIPATING UNPREDICTABLE RISKS.	✓	Executive and divisional management are responsible for the day-to-day management of operational risk and continuously enhancing control procedures. Risk registers are compiled which are regularly reviewed and updated. The key risks on these registers are classified based on severity and probability of the risk materialising. Controls are identified to mitigate the identified risks and prioritise action plans. Registers are presented and discussed at various management levels and forums. The CEO's risk report is a standing item on the Risk and Sustainability Committee's agenda.	
4.7	THE BOARD SHOULD ENSURE THAT MANAGEMENT CONSIDERS AND IMPLEMENTS APPROPRIATE RISK RESPONSES.	✓	Executive and divisional management are responsible for the day-to-day management of operational risk and continuously enhancing control procedures. Risk registers are compiled which are regularly reviewed and updated. The key risks on these registers are classified based on severity and probability of the risk materialising. Controls are identified to mitigate the identified risks and prioritise action plans. Registers	

			are presented and discussed at various management levels and forums.	
4.8	THE BOARD SHOULD ENSURE CONTINUAL RISK MONITORING BY MANAGEMENT.	✓	The Board does ensure continual risk monitoring by management through its Risk and Sustainability Committee.	Refer to principle 4.7 above.
4.9	THE BOARD SHOULD RECEIVE ASSURANCE REGARDING THE EFFECTIVENESS OF THE RISK MANAGEMENT PROCESS.	✓	As part of discharging its responsibilities, the Audit Committee reviews the effectiveness of the Group's system of internal financial control including receiving assurance from management and a written assessment on the effectiveness of internal controls and risk management process from the internal auditors. Based on the assessments obtained from management and the internal auditor, the Committee believes that the internal financial controls and risk management process are effective and that there were no material breakdowns in internal controls.	Refer to page 73 of the Integrated report.
4.10	THE BOARD SHOULD ENSURE THAT THERE ARE PROCESSES IN PLACE ENABLING COMPLETE, TIMELY, RELEVANT, ACCURATE AND ACCESSIBLE RISK DISCLOSURE TO STAKEHOLDERS.	✓	The Company has processes in place to disclose timely, complete, relevant, accurate information to its stakeholders through SENS announcements and/or media releases as well as posting of relevant information on its website. Furthermore, where appropriate the recall of products is also communicated to the medical professionals via "Dear Healthcare Professional" letters.	Refer to pages 9 and 10 of the Integrated report.
5.	THE GOVERNANCE OF INFORMATION TECHNOLOGY			
5.1	THE BOARD SHOULD BE RESPONSIBLE FOR INFORMATION TECHNOLOGY (IT) GOVERNANCE.	✓	In conjunction with the Risk and Sustainability committee, the Audit Committee oversees amongst others, the IT risk. This responsibility is set out in the Committees' terms of reference. Both these Committees report to the Board on management and auditors (external and internal) feedback on IT governance.	Refer to pages 22 and 73 of the Integrated report.

5.2	IT SHOULD BE ALIGNED WITH THE PERFORMANCE AND SUSTAINABILITY OBJECTIVES OF THE COMPANY.	✓	IT is aligned and performs an integral part in the performance and sustainability objectives of the Company.	
5.3	THE BOARD SHOULD DELEGATE TO MANAGEMENT THE RESPONSIBILITY FOR THE IMPLEMENTATION OF AN IT GOVERNANCE FRAMEWORK.	✓	Please refer to the Committee's terms of reference, which are summarised on page 22 of the Integrated Report.	
5.4	THE BOARD SHOULD MONITOR AND EVALUATE SIGNIFICANT IT INVESTMENTS AND EXPENDITURE.	✓	The Limits of Authority Framework ("LAF") requires management to notify the Board on certain investments and expenditures. It also requires investments and expenditures which exceed a certain threshold to be approved by the Board.	
5.5	IT SHOULD FORM AN INTEGRAL PART OF THE COMPANY'S RISK MANAGEMENT.	✓	Yes, external and internal auditors report to the Audit Committee on any IT related risk as part of the Company's risk management. Management also focuses on IT risk management through various interventions.	
5.6	THE BOARD SHOULD ENSURE THAT INFORMATION ASSETS ARE MANAGED EFFECTIVELY.	✓	Yes. Tracking mechanisms and systems are in place to manage IT assets.	Refer to page 23 of the Integrated report.
5.7	A RISK COMMITTEE AND AUDIT COMMITTEE SHOULD ASSIST THE BOARD IN CARRYING OUT ITS IT RESPONSIBILITIES.	✓	In conjunction with the Risk and Sustainability Committee, the Audit Committee oversees amongst others IT risk. This responsibility is set out the Committees' terms of reference.	
6.	COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS			
6.1	THE BOARD SHOULD ENSURE THAT THE COMPANY COMPLIES WITH APPLICABLE LAWS AND CONSIDERS ADHERENCE TO NON-BINDING RULES, CODES AND STANDARDS.	✓	Refer to principle 2.9 above.	
6.2	THE BOARD AND EACH DIRECTOR SHOULD HAVE A	✓	The Board, in consultation with the Audit Committee and the Company Secretary, has considered the	Please refer to pages 71 and 73 of the Integrated report for confirmation.

	WORKING UNDERSTANDING OF THE EFFECT OF THE APPLICABLE LAWS, RULES, CODES AND STANDARDS ON THE COMPANY AND ITS BUSINESS.		effectiveness of the system for monitoring compliance with laws and regulations and for finding and investigating instances of non-compliance and is satisfied with the effectiveness thereof.	
6.3	COMPLIANCE RISK SHOULD FORM AN INTEGRAL PART OF THE COMPANY'S RISK MANAGEMENT PROCESS.	✓	Refer to principle 2.9 above.	
6.4	THE BOARD SHOULD DELEGATE TO MANAGEMENT THE IMPLEMENTATION OF AN EFFECTIVE COMPLIANCE FRAMEWORK AND PROCESSES.	✓	Yes the Board has delegated to management. Please refer to page 71 of the Integrated report.	
7.	INTERNAL AUDIT			
7.1	THE BOARD SHOULD ENSURE THAT THERE IS AN EFFECTIVE RISK-BASED INTERNAL AUDIT.	✓	Refer to the Audit Committee report on page 73 for the confirmation.	
7.2	INTERNAL AUDIT SHOULD FOLLOW A RISK BASED APPROACH TO ITS PLAN.	✓	Please refer to principle 7.1 above.	
7.3	INTERNAL AUDIT SHOULD PROVIDE A WRITTEN ASSESSMENT OF THE EFFECTIVENESS OF THE COMPANY'S SYSTEM OF INTERNAL CONTROLS AND RISK MANAGEMENT.	✓	Please refer to the Committee's report on page 73 of the integrated report.	
7.4	THE AUDIT COMMITTEE SHOULD BE RESPONSIBLE FOR OVERSEEING INTERNAL AUDIT.	✓	This statement is correct; please refer to the Committee's report on page 73.	
7.5	INTERNAL AUDIT SHOULD BE STRATEGICALLY POSITIONED TO ACHIEVE ITS OBJECTIVES.	✓	The internal audit function has full access to management, and Company records and systems. It reports to the Audit Committee and based on its reporting lines is strategically positioned to achieve its objectives.	Refer to pages 57 and 73 of the Integrated report.

8. GOVERNANCE STAKEHOLDER RELATIONSHIPS				
8.1	THE BOARD SHOULD APPRECIATE THAT STAKEHOLDERS' PERCEPTIONS AFFECT A COMPANY'S REPUTATION.	✓	Adcock Ingram is aware of its responsibility to present a balanced and comprehensive assessment of the Group to all of its identified stakeholders. The Group aims to develop mutually beneficial relationships with its stakeholders, building on a foundation of effective, transparent and practical communication, for the benefit of stakeholders, the Group and society as a whole.	Refer to page 9 of the Integrated Report.
8.2	THE BOARD SHOULD DELEGATE TO MANAGEMENT TO PROACTIVELY DEAL WITH STAKEHOLDER RELATIONSHIPS AND THE OUTCOMES OF THESE DEALINGS.	✓	The Company has employed an executive who is responsible for government relations, a senior manager responsible for investor relations as well as the Managing Directors of various business units to look after the interest of the customers. These functions are supported by the CEO and CFO.	Refer to the Stakeholder engagement report from page 9 in the Integrated report for more detail.
8.3	THE BOARD SHOULD STRIVE TO ACHIEVE THE APPROPRIATE BALANCE BETWEEN ITS VARIOUS STAKEHOLDER GROUPINGS, IN THE BEST INTERESTS OF THE COMPANY.	✓	Adcock Ingram is aware of its responsibility to present a balanced and comprehensive assessment of the Group to all of its identified stakeholders. The Group aims to develop mutually beneficial relationships with its stakeholders, building on a foundation of effective, transparent and practical communication, for the benefit of stakeholders, the Group and society as a whole.	Refer to page 9 in the Integrated report.
8.4	THE BOARD SHOULD ENSURE THE EQUITABLE TREATMENT OF SHAREHOLDERS.	✓	Management and the Board keep shareholders and the investment community updated on the Company financial and operational performance, strategy, risks and opportunities in a transparent way. The CEO and CFO normally address an investor community teleconference following the release of half year and year-end results announcements during which they answered questions about the Company. This is supported throughout the year by equitable sharing of information through various communication mechanisms, including but not limited to SENS and media announcements.	Refer to pages 32 in the Integrated report for confirmation.

8.5	TRANSPARENT AND EFFECTIVE COMMUNICATION WITH STAKEHOLDERS IS ESSENTIAL FOR BUILDING AND MAINTAINING THEIR TRUST AND CONFIDENCE.	✓	<p>The Company uses, amongst others, the Integrated report to communicate with various stakeholders. For example, the Company's Integrated Report has previously received recognition for corporate reporting and for referencing and usability.</p> <p>The Company has a system to solicit feedback from all our stakeholders, for example from customers with regards to our products and services and their needs. Management supports the use of the Company products through education and information sharing in accordance with the law and applicable regulations to promote responsible usage.</p>
8.6	THE BOARD ENSURES THAT DISPUTES ARE RESOLVED EFFECTIVELY, EFFICIENTLY AND EXPEDITIOUSLY AS SOON AS POSSIBLE.	✓	Disputes are investigated and resolved effectively and expeditiously. All disputes related to employees are reported to the Social, Ethics and Transformation Committee as part of the Ethics report and to the Board.
9.	INTEGRATED REPORTING AND DISCLOSURE		
9.1	THE BOARD SHOULD ENSURE THE INTEGRITY OF THE COMPANY'S INTEGRATED REPORT.	✓	The Board ensures that the Group's Integrated Report meets high standards and principles of corporate governance through a rigorous internal process which includes review by management and the Audit Committee.
9.2	SUSTAINABILITY REPORTING AND DISCLOSURE SHOULD BE INTEGRATED WITH THE COMPANY'S FINANCIAL REPORTING.	✓	This statement is correct as both sustainability reporting and financial reporting are contained in the Integrated Report.
9.3	SUSTAINABILITY REPORTING AND DISCLOSURE SHOULD BE INDEPENDENTLY ASSURED.	#	Sustainability reporting and disclosure are not independently assured. However, the Integrated Report, including sustainability reporting and disclosures are by the Board.

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Prepared by: Ntando Simelane: Group Company Secretary

Date: September 2016