adcock ingram

2023 INTEGRATED REPORT

FOR THE YEAR ENDED 30 JUNE

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- MC Manufactured Capital
- NC Natural Capital
- SR Social and Relationship Capital
- IC Intellectual Capital
- HC Human Capital

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- Operational excellence
- Innovation and growth
- Responsible corporate citizen

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PRIMARY NAVIGATION

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1

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.

2

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.

3

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

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**

ABOUT THIS REPORT

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 (JSE) Listings Requirements and has acted in terms of its Memorandum of Incorporation (MOI). The Group subscribes to corporate governance best practice. For more details, and an overview of the Group governance and structures, please see the corporate governance section from page 16 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 2022 to 30 June 2023. Comparatives for the year 1 July 2021 to 30 June 2022 are included where available.

The report is released at least 15 business days prior to the Company's Annual General Meeting to be held on 21 November 2023.

The report provides a general narrative on the performance of the Group, which includes the holding company and its subsidiaries, as well as joint ventures, where appropriate. 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.

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 2023

The annual financial statements for the year ended 30 June 2023 were approved by the Board on 22 August 2023.

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.

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 2023.

CARBON FOOTPRINT

The Group's carbon footprint in South Africa, has been determined by Carbon Calculated for the 2023 financial year.

SUSTAINABILITY INFORMATION

Adcock Ingram is on a journey to make ESG/Sustainability data more transparent for our stakeholders. This includes improvements to various policies, procedures, systems and controls, which resulted in an improvement in our ability to measure and report our performance. This also led to an improvement in the amount of data included in this year's report, and by providing a supplemental Sustainability Data Table which is available at www.adcock.com/Investors/IntegratedReports

OVERVIEW

RANKED 1ST
in the private and public pharmaceutical market

LISTED
on the JSE as
AIP

PROUDLY
South African company

MORE THAN 130 YEARS
heritage

MARKET SHARE OF
9.6%
in the total private market

R9.6 BILLION
market capitalisation

3 LOCAL manufacturing facilities in South Africa and 1 in India

Head office in
MIDRAND

LEADER
in the OTC pharmaceutical market

BIDVEST
is the majority shareholder

LEVEL 2
Broad-based Black Economic Empowerment rating

2 316
permanent employees

Largest supplier of hospital and critical care products

FOUR
decentralised autonomous divisions

Turnover
R9.1 BILLION

57%
of turnover single exit price (SEP) regulated

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

MATERIAL MATTERS

Risks and trends in the business, including those in the healthcare sector, in addition to matters raised by shareholders, are analysed.

Consideration is given to the possible effect on Adcock Ingram's strategy, governance, performance and sustainability.

These matters take up most of the deliberation time at Board and Committee meetings. The deliberation centres around their nature and effect, any changes thereto, including the impact of the latest available information and timing of the matter.

These matters are appropriately prioritised, following an evaluation of the importance and probability of their known or potential effect on value creation. Relevant disclosures are made to enable stakeholders to make informed decisions.

OUR MATERIAL MATTERS:

- **The regulatory environment** including good manufacturing and distribution practice, quality standards, compliance and pharmacovigilance related matters.
- **Relationships** with licensors and technology partners.
- **Business disruptions**, including supply chain disruptions, loadshedding and power supply interruptions, water supply disruptions, and labour and social unrest.
- **Macro-economic environment**, including rising energy costs, Rand weakness and volatility, inflation, unemployment and interest rates.
- **Growth** opportunities through innovation, acquisitions and partnerships.
- **Technology and information** governance.
- **Waste and environmental** management.
- Use of **renewable energy** and increase in water storage and recycling.
- **Human capital** matters including succession planning, skills shortages, retention, equal pay for equal value of work, and health and safety.
- **Transformation** including employment equity and diversity.

OUR BUSINESS MODEL

Overlaying the business model, the Board applies good governance (page 16) in the execution of their duties, including:

OUR INPUTS

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 **R82 million** in cash as well as access to working capital facilities of R1.75 billion to finance operations, expansions and acquisitions

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

HUMAN CAPITAL

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

2 549 total employees

– **2 316** permanent

– **233** fixed term

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 distribution centres/hubs throughout South Africa

INTELLECTUAL CAPITAL

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

2 588 registered trademarks and

21 pending trademark registrations in South Africa

236 registered patents

NATURAL CAPITAL

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

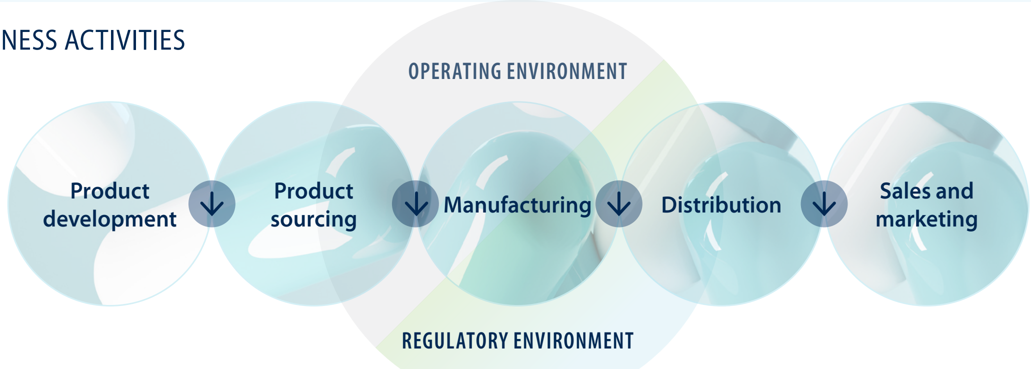
1 MW renewable energy installed at Clayville

750 KW renewable energy installed at the Midrand head office

890 KW renewable energy installed at three distribution centres

The operating environment (page 10) as well as the regulatory environment (page 14) in which Adcock Ingram operates, have a direct influence on the business model and business activities of the Group.

BUSINESS ACTIVITIES



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 and/or dosage forms

Distribution
- In partnership with a 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 40).
- Executing the strategy (page 36) by allocating resources and making trade-offs between Capitals.
- Taking the needs of all material stakeholders (page 49) affecting the activities or affected by the activities of the Group, into account.
- Overseeing the performance (page 52) of all operations.

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CAPITAL OUTCOMES FOR STAKEHOLDERS

FINANCIAL CAPITAL

FC

R324 million in taxes paid
R376 million in dividends paid
R59 million in interest paid

SOCIAL AND RELATIONSHIP CAPITAL

SR

R8.4 million Corporate Social Responsibility (CSR) spend

R20.2 million of interest-free ESD loans granted

HUMAN CAPITAL

HC

R1 505 million in remuneration paid to employees, including share-based payments

R56 million spent on training

MANUFACTURED CAPITAL

MC

R148 million capex (maintenance and expansion)

INTELLECTUAL CAPITAL

IC

R1 233 million of intangible assets

NATURAL CAPITAL

NC

Electricity usage: **56 388 770 kWh**
Water usage: **399 344 kl**
Industrial coal usage: **3 821 tonnes**

OUTCOMES

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

- **672 tonnes** of non-hazardous waste to landfill
- **3 501 tonnes** of non-hazardous waste recycled
- **84% recycled**

Divisions

Consumer	OTC	Prescription	Hospital

DIVISIONAL OVERVIEW

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.

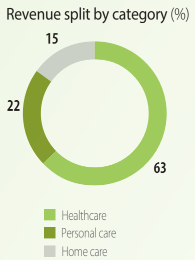
THE DIVISION'S OPERATING MODEL

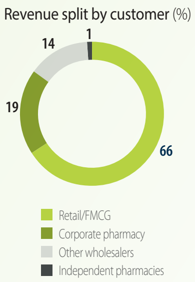
BUSINESS ACTIVITIES

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, and vitamins & supplements);
- Personal care (hand and body, intimate care, sun care and hair care); and
- Home and shoe care.





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 product gets exported. The division operates across all Living Standards Measures (LSMs).

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 (comprising most of the large retailers and forecourts);
- Wholesale (includes corporate as well as independent Cash and Carry); and
- Speciality stores.

INPUTS

HC HUMAN CAPITAL

- 17 - Factory staff
- 104 - Sales, marketing and administration employees

IC INTELLECTUAL CAPITAL

Top brands include:

Panado	Plush
Epi-max	Bioplus
Compral	ProbiFlora
Cepacol	Gummy Vites
GynaGuard	E45*

* SA distribution on behalf of KARO Healthcare

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.

The split is as follows:

Adcock Ingram	41%
Third parties	59%

NC NATURAL CAPITAL

Purchased by Plush facility:

- 796 kl of water
- 123 662 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);
- Department of Health - Foodstuffs, Disinfectants & Cosmetics Act;
- National Regulator for Compulsory Specifications (NRCS); and
- The South African Pharmacy Council (SAPC).

OVER THE COUNTER

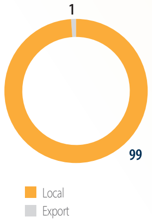
Over the counter focuses on medicinal products sold predominantly in corporate and independent pharmacies, without a prescription, where the pharmacist plays a role in the product choice. Key brands include Corenza, Allergex and Citro-Soda.

THE DIVISION'S OPERATING MODEL

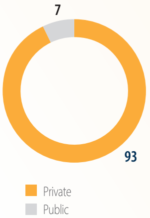
BUSINESS ACTIVITIES

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.

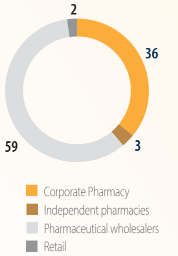
Revenue split (%)



Revenue split (%)



Local private revenue split (%)



OUR CUSTOMERS AND OUR MARKETS

Customers, across the country include:

- Pharmacies
- FMCG channel

Markets served:

- Public sector
- Private sector

INPUTS

HC HUMAN CAPITAL

- 503 factory and laboratory staff
- 123 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) • Ghana (FDB)

Capacity

- 28 million effervescent tablets
- 500 tonnes effervescent granules and powder
- 12 million litres oral liquids
- 3 million units of ophthalmic products
- Average utilisation during the year (excluding eyedrop facility): 62%

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	85%
Third parties	15%

NC NATURAL CAPITAL

Purchased

- 143 700 kl of water
- 20 297 000 kWh of electricity

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); and
- The South African Pharmacy Council (SAPC).

DIVISIONAL OVERVIEW CONTINUED

PRESCRIPTION

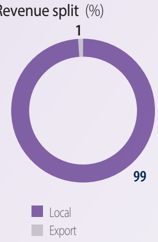
The Prescription portfolio comprises products prescribed by medical practitioners, specialised ophthalmic instrumentation and surgical products.

THE DIVISION'S OPERATING MODEL

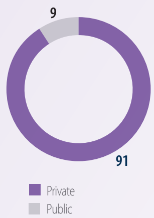
BUSINESS ACTIVITIES

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.

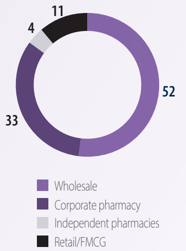
Revenue split (%)



Revenue split (%)



Local private revenue split (%)



OUR CUSTOMERS AND OUR MARKETS

Customers, across the country include:

- Specialists
- General practitioners
- Pharmacies; and
- Hospitals.

Markets served:

- Public sector
- Private sector

INPUTS

HC HUMAN CAPITAL

- 391 factory and laboratory staff
- 271 sales, marketing and administration employees

IC INTELLECTUAL CAPITAL

Top brands include:

Genpayne	Adco-Zolpidem	Synaleve
Advantan	Estrofem	Activelle
Myprodol	Xylotox	Vagifem
Urizone		

MC MANUFACTURED CAPITAL

The Wadeville facility, accredited with:

- South Africa (SAHPRA)

Capacity

- 6 million litres oral liquids
- 500 tonnes creams/ointments
- 1 billion tablets and capsules

Average utilisation during the year:

- Creams: 12%
- Liquids: 53%
- Tablets: 20%

Finished products are also sourced from:

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

The split is as follows:

Adcock Ingram	29%
Third parties	71%

NC NATURAL CAPITAL

Purchased:

- 42 024 kl of water
- 9 994 516 kWh of electricity

SR SOCIAL AND RELATIONSHIP CAPITAL

Memberships include:

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

Regulatory bodies include:

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

HOSPITAL

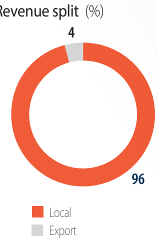
The Hospital division is the leading supplier of critical care products, including intravenous solutions, blood collection products and renal dialysis systems.

THE DIVISION'S OPERATING MODEL

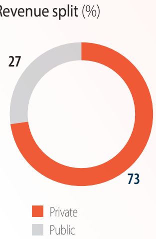
BUSINESS ACTIVITIES

Adcock Ingram Critical Care (AICC) is the 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 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.

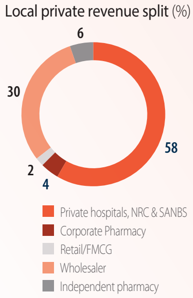
Revenue split (%)



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

INPUTS

HC HUMAN CAPITAL

- 637 manufacturing, engineering, plant maintenance, facilities, and laboratory employees
- 114 sales, marketing and administration employees

MC MANUFACTURED CAPITAL

The Aeroton facility, accredited with:

- South Africa (SAHPRA)
- Kenya (PPB)

Average utilisation during the year: 92%

Finished products are also sourced from:

- Third party manufacturers

The split is as follows:

Aeroton	60%
Third parties	40%

NC NATURAL CAPITAL

Purchased:

- 177 239 kl of water
- 13 394 620 kWh of electricity
- 3 821 tonnes industrial coal

SR SOCIAL AND RELATIONSHIP CAPITAL

Regulatory bodies include:

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

OPERATING ENVIRONMENT

OVERVIEW OF SOUTH AFRICA[1]

Population 60.6 million

- It is a middle-income, emerging market
- It has an abundant supply of natural resources, such as gold, platinum, and diamonds
- Well-developed financial, legal, communications, energy, and transport sectors exist
- South Africa's stock exchange is currently the 17th largest in the world and the largest in Africa by market capitalisation
- Its currency is the Rand (ZAR)
- South Africa has 11[3] official languages, including English
- GDP growth pre-COVID was 1.3% in 2017, 0.8% in 2018 and 0.2% in 2019
- GDP growth for 2021 and 2022 was 4.9% and 2.0%, respectively
- In 2020, GDP shrank by 6.4% in real terms due to the COVID-19 pandemic
- South Africa became a republic in 1961 and transitioned to a constitutional democracy in 1994

PEOPLE[2]

Life expectancy
62.8 years

Median age
28 years

49% Male

51% Female

Unemployment rate
32.9%

People living with HIV
8.45 million

1 https://taxsummaries.pwc.com/south-africa
2 https://www.statssa.gov.za
3 subsequently changed to 12 official languages

ECONOMY[2]

South Africa's economy is currently one of the largest economies on the African continent.

Inflation: 4.8%
(August 2023)

GDP growth: 0.2%
(Annual figure at the end Q1 2023)

KEY SOCIO-ECONOMIC CHALLENGES

High unemployment rate

Poverty and inequality

Limited access to public services, including housing, transport, electricity, water, sanitation and waste removal

Immigration, including many illegal immigrants

Electricity and water supply disruptions and deteriorating infrastructure

HEALTHCARE

Healthcare is administered by the National Department of Health

Around 80% of the population uses public healthcare, with the more affluent 20% opting for private healthcare

It is estimated that up to 79% of doctors work in the private sector

NATIONAL HEALTH INSURANCE (NHI) BILL

On 13 June 2023, Parliament approved the NHI Bill despite push back and growing concern over some of its provisions from healthcare and other stakeholders.

Purpose of the NHI Bill (Source: NHI Bill (B11B-2019)):

- Provide universal access to healthcare in South Africa
- Ensure nobody is deprived of the right to healthcare because of their socio-economic status
- Create one public health fund with adequate resources to plan for and effectively meet the health needs of the entire population

The impact on pharmaceutical companies is not explicitly outlined in the Bill, relative to how other stakeholders will be impacted. The NHI pharmaceutical procurement model is expected to be based on negotiated central pricing, combined with balancing of government policy which prioritises reduced medicine costs. The presence of a single purchaser of scheduled pharmaceutical products (Schedule 3 upwards) may give the NHI Fund significant buying power.

The next steps include for the President to sign the Bill into Law. The transitional provisions make provision for two phases.

- During the first phase (2023 to 2026) the Minister of Health is required to establish various interim committees and bodies "to advise him on the implementation of National Health Insurance" and the initiation of various legislative reforms.
- The second phase (2026 onwards) will "include the establishment and operationalisation of the NHI Fund as a purchaser of health care services through a system of mandatory pre-payment."

In its current form, the Bill is highly likely to be challenged through the court processes, either based on it being 'unconstitutional' or for the re-evaluation of the powers of the ministers. The minimum implementation period is five to ten years assuming any of the legal challenges don't delay the implementation, or result in a complete redrafting of the Bill.

OPERATING ENVIRONMENT CONTINUED

PHARMACEUTICAL MARKET

Total pharmaceutical market
Value: R66.1 billion
Growing **+3.5%**
Volume **+0.8%**

Extrapolated from IQVIA TPM MAT June 2023[1]

678 corporations are competing in the **total private market** in **South Africa** (2022: 672)

Public market
Value: R11.6 billion
Growing **+4.6%**
Volume **+4.9%**

18%

Public

Private

82%

Private market
Value: R54.5 billion
Growing **+3.2%**
Volume **-2.1%**
Mix **+1.2%**

[1] *Based on data from the following source: IQVIA TPM MAT June 2023 Measurements in Rand Values, reflecting estimates of real-world activity. Copyright IQVIA. All rights reserved.*

The **top 5 companies** in the **Public market**

- adcock ingram
- SANOFI
- ASPEN
- CIPLA
- VIATRIS

The **top 5 companies** in the **Private market**

adcock ingram	9.6%
ASPEN	9.0%
CIPLA	7.8%
NOVARTIS	6.2%
SANOFI	4.1%

63%

37%

The **top 5 companies** in the **Private Prescription market**

ASPEN	8.8%
CIPLA	8.0%
NOVARTIS	7.9%
adcock ingram	5.9%
SANOFI	5.1%

The **top 5 companies** in the **Private OTC market**

adcock ingram	16.0%
ASPEN	9.4%
CIPLA	7.6%
JOHNSON & JOHNSON	6.0%
INOVA PHARMA	4.7%

The **top 10 corporations** represent **52.3%** (2022: 52.1%) of the total **private market value**

The **top 20 corporations** represent **70.3%** (2022: 70.6%) of the total **private market value**

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.

SAHPRA South African Health Products Regulatory Authority

THE SOUTH AFRICAN HEALTH PRODUCTS REGULATORY AUTHORITY (SAHPRA)

SAHPRA is an entity of the National Department of Health, created to safeguard public health entrusted with the licensing of safe, effective, and good quality medicines (including Category D[1]), 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. SAPHRA has three pillars to ensure that its mandate is executed:

Safety	Quality	Efficacy

[1] CATEGORY D MEDICINES ARE A CATEGORY OF MEDICINE, IDENTIFIED AS "COMPLEMENTARY MEDICINES".

"complementary medicine" means any substance or mixture of substances that...

(a) originates from plants, fungi, algae, seaweeds, lichens, minerals, animals or other substance as determined by the Authority;

(b) is used or purporting to be suitable for use or manufactured or sold for use-

(i) in maintaining, complementing or assisting the physical or mental state; or

(ii) to diagnose, treat, mitigate, modify, alleviate or prevent disease or illness or the symptoms or signs thereof or abnormal physical or mental state of a human being or animal; and

(c) is used-

(i) as a health supplement; or

(ii) in accordance with those disciplines as determined by the Authority.

THE MARKETING CODE OF AUTHORITY (MCA)

MARKETING OF PRODUCTS

The 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 - the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) and the European Federation of Pharmaceutical Industries and Associations (EFPIA) Code) – and requires members to apply the Code in all promotional material and promotional activities concerning medicines, medical devices, and in vitro diagnostic products.

Enforcement of the MCA 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.

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, spaza shops);
- **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.

MARKETING OF PRODUCTS

- **Schedule 0** and **Schedule 1** medicines can be advertised to general public for self-medication purposes.
- The advertising of **Schedule 2 (S2)** and above to the public is currently prohibited but an amendment to the Regulations allowing advertising of specified S2 substances was published in a Government Gazette in February 2023 for comment and publication of the final amended regulations and schedules is imminent.

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 customers, 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, the following exemptions currently exist:

- **Schedule 0** medicines which are sold in an open shop are exempted from SEP (therefore not price-regulated) and Section 18A; and
- Medical devices and in vitro diagnostic products are exempted from Section 18A and Section 18B of the Act.

SEP aims to improve medicine price transparency, and ensuring 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.

The formula for the annual SEP adjustment[1] is as follows:

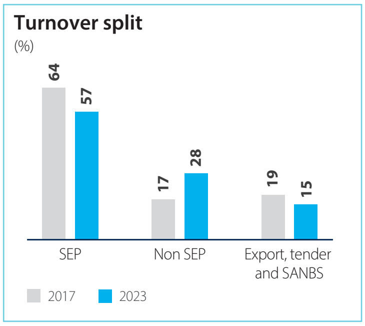
= (70% x CPI)

+ (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 six years as follows:



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:

- current good manufacturing practice (cGMP);
- current good wholesaling practice (cGWP); and/or
- current good distribution practices (cGDP).

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, such as manufacturing, and the release and distribution of medicines.

As a participating authority of the Pharmaceutical Inspection Cooperation Scheme (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 GxP[2] 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 Good Manufacturing Practice (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.

CORPORATE GOVERNANCE

OVERVIEW

SUCCESSION PLANNING

Succession for non-executive directors was addressed with the appointment of Ms Busisiwe Mabuza, effective 1 September 2022, replacing Professor Matt Haus who retired as a member of the Board effective 25 May 2023.

Succession planning for executive directors and executives who are approaching retirement age has been reviewed.

COMMITTEE COMPOSITION

Board and committee composition was reviewed in line with the succession plan.

CULTURE OF ETHICAL LEADERSHIP

Continued to safeguard the culture of ethical leadership to maintain high levels of compliance and standards.

REGULATORY LANDSCAPE

Continued to manage material litigation matters and other legal disputes.

Continued to engage with the applicable regulatory bodies and ensured that our products meet the standards of applicable legislation and are thus safe and efficacious for use by patients and consumers.

CORPORATE GOVERNANCE THEMES

Aligned the strategy and performance targets to include environmental, social and governance (ESG) initiatives and metrics.

Enhance the ESG reporting and measurement of the Company's outputs.

Reviewed the effectiveness of the business continuity plans and controls for manufacturing and distribution facilities.

Continuous review of the Group Governance Framework.

COLLECTIVE RESPONSIBILITY FOR PRIMARY GOVERNANCE ROLE

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

STRATEGIC DIRECTION	Steer and set the overall strategic direction, risk appetite and governance of risks and opportunities, and management of technology and information for the Group with the aim of supporting the achievement of strategic objectives and ensure long-term sustainability. It ensures that strategic decision-making balances short-, medium- and long-term outcomes, connected to the operating environment.
TRANSPARENCY AND ACCOUNTABILITY IN DISCLOSURE	The governance framework provides the Board with effective control which it uses to ensure accountability across the Group, while taking ultimate accountability for the Group. The Board oversees and approves disclosure practices and quantifiable performance metrics that ensure transparent and reliable reporting to stakeholders.
POLICY AND PLANNING	Approve business plans, budgets and policies that contribute to good governance, corporate responsibility and an ethical culture.
OVERSIGHT AND MONITORING	Oversight over implementation and monitoring of performance on a quarterly basis to make contributions to the Group and its stakeholders by ensuring a fair, responsible and transparent approach.

VALUE CREATION

We have embraced governance as a business enabler for value creation for all stakeholders, whilst guarding against value erosion.

This is supported by the manner in which the leadership approaches and embraces governance structures and the internal processes within Adcock Ingram. These include, *inter alia*:

- ensuring that the business is managed in the best interests of all stakeholders;
- ensuring corporate success and business growth;
- understanding the relationship between risks and opportunities;
- ensuring compliance with applicable laws as well as the principles of King IV on corporate governance;
- setting the right tone from the top, living and embracing organisational values;
- ensuring that remuneration and rewards are aligned with business objectives and the interests of all stakeholders;
- ensuring that business is conducted ethically as well as that the risks associated with fraud, cybercrime, wastage and mismanagement are mitigated; and
- ensuring that the business remains sustainable in accordance with ESG principles.

COMMITMENT TO GOOD GOVERNANCE

The Board, as custodian of governance, is committed to, and continuously works on, ensuring that Adcock Ingram has appropriate governance structures, processes and practices that entrench ethical, effective, and responsible leadership at Board level, 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 as well as Adcock Ingram's strategic objectives. Having the appropriate mix of knowledge, skills and experience ensures that the Board as a collective is well equipped to guide the Group.

The Board's commitment to governance and best practices constantly drives improvement in the way the business is managed and ensures that 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. We believe that practicing good governance assists with building a positive reputation and underpins a healthy Group culture.

CORPORATE GOVERNANCE CONTINUED

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board, as custodians of governance, is committed to, and continuously work on, ensuring that Adcock Ingram has appropriate governance structures, processes and practices that entrench ethical, effective, and responsible leadership at Board level, executive level as well as throughout the Group.

SIBONGILE GUMBI (51)

PHD IN PHARMACOLOGY, MBA

Appointed: 14 August 2019

Founder and CEO of Smart Biotech. Chairman of the Governing Council of Waterford Kamhlaba UWCSA . Fellow of The African Leadership Initiative. Board member CPT Pharma.

Previous experience

- Group Executive: Biotechnology at the Technology Innovation Agency
- Senior managerial roles at the CSIR
- Board member and Chairman of the REMCO at the South African Medical Research Council

BUSISIWE MABUZA (59)

BA, MBA

Appointed: 1 September 2022

Chairman of the Industrial Development Corporation in South Africa. Lead independent director of Tsogo Sun Gaming Limited and director of Ninety-One Limited. She is also a member of the BRICS Business Council.

Previous experience

- Director for the Development Bank of Southern Africa Limited
- Chairman of Central Energy Fund (SOC) Limited
- Partner at Ethos Private Equity Limited

CLAUDIA MANNING (56)

PHD

Appointed: 24 November 2016

Director of Basil Read Holdings Limited and MSC Education Holdings.

Previous experience

- Project finance role at Development Bank of Southern Africa
- Co-founder of Investment and Consulting company
- Experience in advising on infrastructure of Public Private Partnerships (PPPs)
- Managing Director of Southern African arm of global development consultancy

DEBBIE RANSBY (50)

CA (SA)

Appointed: 14 August 2019

Founder of Connected Coaching (Pty) Ltd and Member of the Institute of Directors.

Previous experience

- Various roles in Finance, Supply Chain and Administration at GlaxoSmithKline (GSK)
- Fulfilled the role of Finance Director at Takeda (formerly Nycomed) before serving as Managing Director

MICHAEL SATHEKGE (54)

MBCHB, M. MED (NUCLEAR MEDICINE), PHD

Appointed: 25 August 2020

Professor and Head of Department of Nuclear Medicine at the University of Pretoria.

Chairman of Nuclear Medicine Research Infrastructure. President-Elect of the World Association of Radiopharmaceuticals and Molecular Therapy.

Previous experience

- Chairman of the Medical Research Council
- President of the Colleges of Medicine of South Africa
- President of International Society of Radiolabeled Blood Elements

NON-INDEPENDENT DIRECTORS

NOMPUMELELO MADISA (44)

BSC, MCOM (FINANCE AND INVESTMENT)

Chairman

Appointed: 22 February 2021
Appointed as director: 23 November 2018

Appointed as the CEO of The Bidvest Group Limited in September 2020, and a director of numerous Bidvest subsidiaries.

Previous experience

- Executive Director of The Bidvest Group Limited
- Various senior positions within The Bidvest Group of companies since 2008

LULAMA BOYCE (44)

CA(SA), MCOM (FIN MANAGEMENT)

Appointed: 23 May 2017

Senior lecturer and subject head in the commercial accounting department at the University of Johannesburg.

Director on the boards of various Coronation entities and The Bidvest Group Limited.

Previous experience

- Financial and consulting work in both the private and public sectors
- Account manager of the Industrial Development Corporation

MARK STEYN (53)

CA(SA)

Appointed: 1 April 2023

Chief Financial Officer and Executive Director of The Bidvest Group Limited.

Previous experience

- Various senior positions within The Bidvest Group of companies since 1997

EXECUTIVE DIRECTORS

ANDREW HALL (61)

CA(SA), BPHARM

Chief Executive Officer

Since November 2015.
Appointed: 15 July 2008

Joined September 2007 as CFO

Previous experience

- Deputy Chief Executive and Financial Director at Adcock Ingram
- Partner in charge of health sciences at Ernst & Young
- CFO of a listed pharmaceutical company in South Africa
- Sales and marketing at Pfizer, and retail pharmacy

DORETTE NEETHLING (49)

CA(SA), MCOM (TAXATION)

Chief Financial Officer

Since 23 February 2016

Joined August 2007 as Group Finance Executive

Previous experience

- Financial Director at Quintiles South Africa
- Financial Manager in FMCG environment in Namibia
- Currently serves as member of the Financial Reporting Investigation Panel (FRIP)

BASADI LETSOALO (57)

MPSYCH, CLDP, MLPC, MPHIL

Executive Director: Human Capital and Transformation

Since 25 August 2016

Joined January 2008 as Group Human Capital Executive

Previous experience

- Head of Transformation at Standard Bank SA
- Head of HR information management at ABSA
- External advisor to the University of KwaZulu-Natal Council

CORPORATE GOVERNANCE CONTINUED

EXECUTIVE DIRECTORS

ANDREW G HALL
CA(SA), BPHARM

Chief Executive Officer

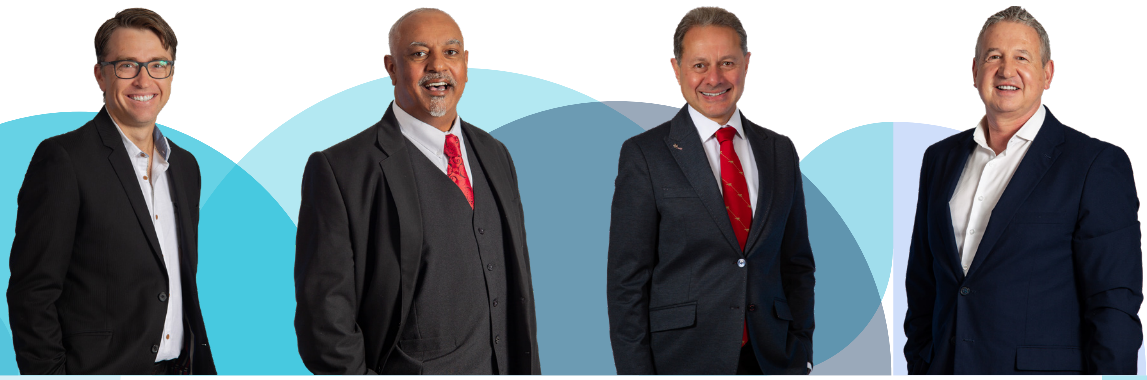
DORETTE NEETHLING
CA (SA), MCOM (TAXATION)

Chief Financial Officer

BASADI LETSOALO
MPSYCH, CLDP, MLPC, MPHIL

Executive Director – Human Capital and Transformation

EXECUTIVE COMMITTEE



NICK FORD
CA(SA)

Managing Director - Consumer

SUDIER RAMPARSAD
H DIP ED, MSC (BIOTECH), MAP

Managing Director - Over-the-Counter (OTC)

ASHLEY PEARCE
DIP PHARM, BCOM

Managing Director – Prescription

COLIN SHEEN
NDIP (MARKETING), MBA

Managing Director - Hospital

EXECUTIVE COMMITTEE

DR JASVANTI BHANA
MBBCH, MASTERS IN SPORTS MEDICINE

Medical Director

FRANS CRONJE
BSC, NDIP (IND ENG)

Operations & IT Executive

TOBIE KRIGE
BENG (IND ENG), MBA

Distribution Executive

NKOSINATHI MTHETHWA
BSC (HONS), MASTERS IN PUBLIC HEALTH

Public Affairs Executive

LUCKY PHALAFALA
LLB

Company Secretary & Head of Legal

TIM WALTER
BCOM ACC, BCOM (HONS)

Head of Mergers and Acquisitions, Risk and Strategy

CORPORATE GOVERNANCE CONTINUED

BOARD DIVERSITY

SKILLS AND EXPERTISE

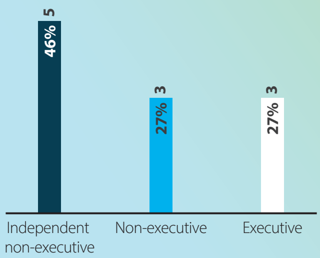
Policy: *The Board should comprise of a variety of skills and experience.*

Board members' have a diverse and balanced skills set, including:

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

INDEPENDENCE

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

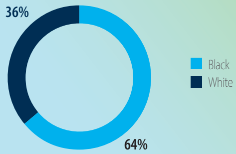


8 out of 11 (73%) are non-executive directors

5 out of 8 (63%) non-executive directors are independent

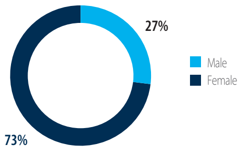
RACIAL DIVERSITY (%)

Policy: *At least 50% of the Board members should be Black.*



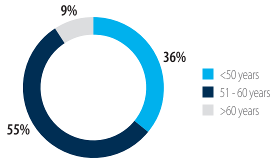
GENDER DIVERSITY (%)

Policy: *At least 30% of the Board members should be female.*



AGE SPLIT (%)

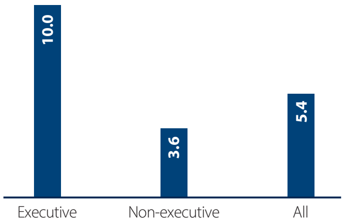
Policy: *NEDs who have reached the age of 70 years, should automatically retire from the Board*



TENURE DIVERSITY (YEARS ON BOARD)

Policy: *Non-executive directors who have served a nine (9) year tenure should automatically retire from the Board, subject to appropriate succession and Board composition requirements being in place. 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. Executive directors have to retire at the age of 65.*

Average tenure
(Years)



AVERAGE AGE

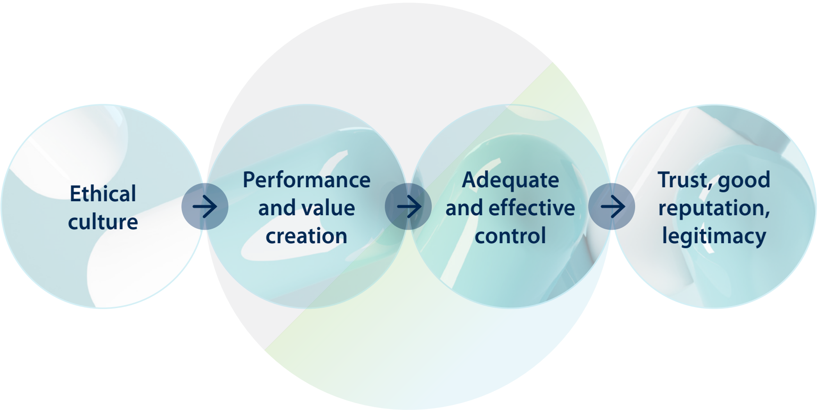
53 years

AVERAGE TENURE

5.4 years

COLLECTIVE COMMITMENTS TO STAKEHOLDERS

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



Ethical culture

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

The Board governs the ethics of the Company in a way that supports maintaining 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.

Our Code of Conduct & Ethics is a value-based code aimed at governing the conduct of our employees and stakeholders. The Social, Ethics and Transformation (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 to various committees, the Board remains ultimately accountable for the way these are discharged by, among other things, regularly reviewing and approving the following policies:

- Code of Conduct & Ethics;
- Conflict-of-Interests Policy;
- Securities Trading Policy; and
- Whistle Blower Policy.

These policies provide relevant guidance to Board members and employees.

CONFLICTS OF INTEREST

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™.

Directors are required to avoid a situation where they may have direct or indirect interests that conflict with the Company's interests. Every Board and Board committee meeting is preceded by a declaration of interests on the matters that are on the meeting agenda. In the event of conflicting interests, the director concerned is recused 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-Interests Policy further requires all employees to declare business interests. Where there is a material conflict of interest for an employee, their relevant line management in consultation with the Company Secretary considers such conflict, and if permitted, put measures in place to limit and monitor the conflict.

CORPORATE GOVERNANCE CONTINUED

APPROACH TO BRIBERY AND CORRUPTION

As a pharmaceutical company and responsible corporate citizen charged with distribution of life saving medicines, amongst others, we do not prohibit legitimate business interactions with government or state-owned entities. We are committed to conducting business in an honest and ethical manner with a zero-tolerance approach to bribery and corruption in all our relationships and business dealings. We expect all of our employees, including senior management and members of the executive committee, and members of the Board of directors, to always do business in accordance with this zero-tolerance approach, to assist with the prevention, deterrence and detection of bribery and corruption.

We do not and will not pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we accept bribes or improper inducements or anything that could be perceived as such, and we expect the same approach from our customers, suppliers, service providers and business partners, as well as all other third parties who conduct business with Adcock Ingram.

POLITICAL DONATIONS

As a principle, we do not donate to political parties. However, as a responsible and responsive corporate citizen, we are required, from time to time, to participate in certain events that are organised by government for which payment is required. Any such payments are made in a transparent manner with prior approval from the relevant executive committee member.

WHISTLEBLOWING

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

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

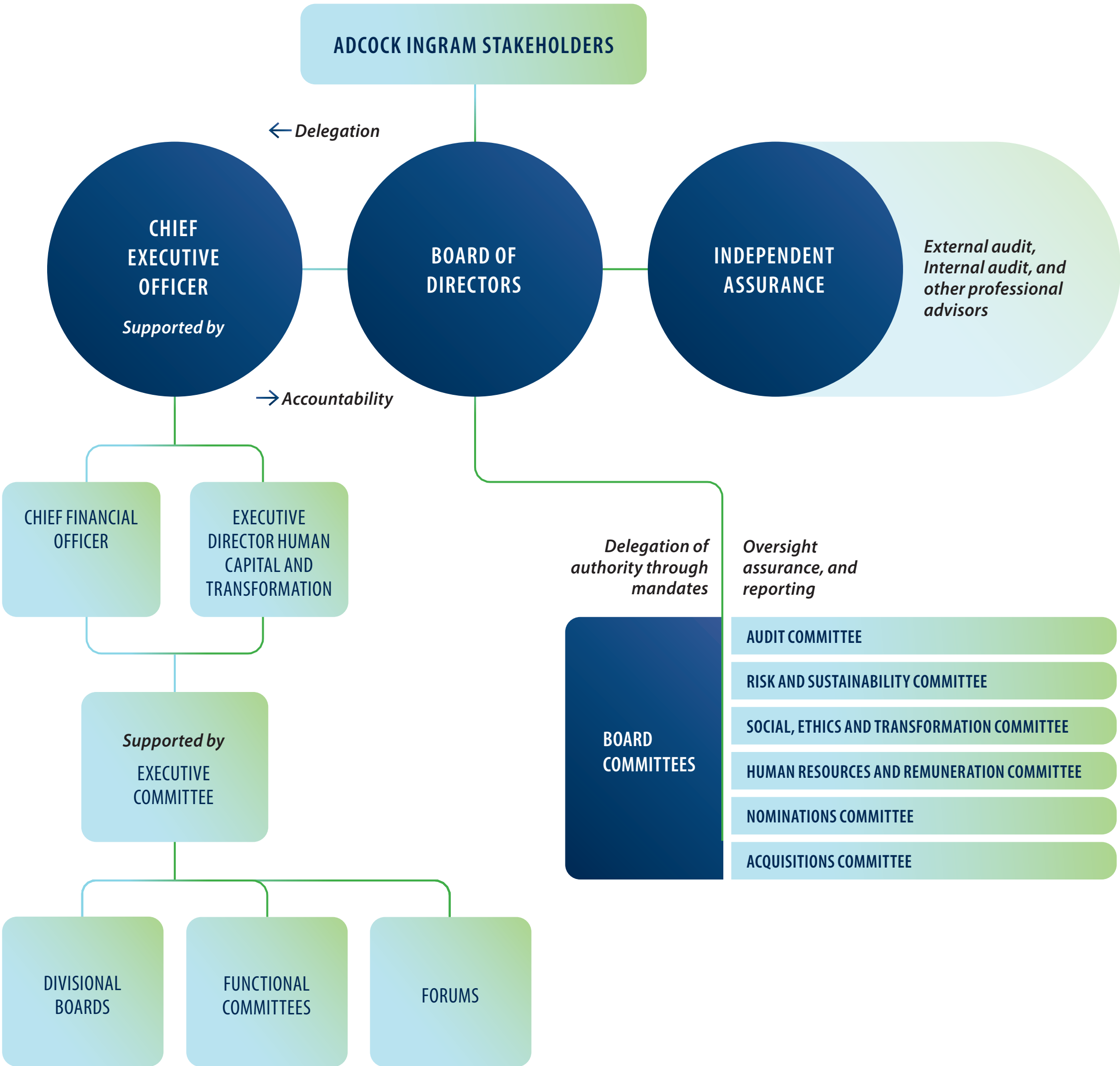
The information provided by the whistle blower may result in a report which is sent anonymously via an on-line case management system to an independent investigator to facilitate the process. Human resources and labour related investigations are conducted by Human Capital management. Investigations relating to dishonesty, fraud, theft, confidential, or financial matters are generally conducted by Internal Audit. Where necessary, advice and guidance are obtained from the Group Legal Department and/or external legal counsel.

During the year under review, 62 contacts were received which resulted in 21 anonymous tip-offs via the tip-off line. The tip-offs were categorised as follows:

- fraud and nepotism;
- human capital in nature;
- racism and harassment; and
- various other complaints.

All investigations were completed and there were no substantiated tip-offs.

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.



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

CORPORATE GOVERNANCE CONTINUED

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ROLES AND FUNCTIONS

As the Board is led by a non-independent non-executive Chairman, 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 also exists between the chairman of the Board and the chief executive officer.

The Board is kept informed of all developments within the Group at the Board meetings. The chief executive officer and chairman are in regular contact.

The role of independent non-executive directors is to protect the interests of shareholders, especially those of minority shareholders. Independent non-executive directors also ensure that all decisions made by the Board have been subjected to the appropriate oversight, challenge, and scrutiny.

The membership of the various Committees is as follows:

Committee	BOARD	AUDIT	RISK	REM	NOM	SET	ACQ
MEMBERS	11	3	6	4	4	3	4
Non-executive directors							
Independent	5	3	4	3	3	2	1
Non-independent	3	-	-	1	1	-	1
Executive directors	3	-	2	-	-	1	2

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 assist with balance of power and the effective discharge of its duties. The Board is comfortable that the established committees are appropriate, relevant, effective, and adequate for the Group.

The executive committee (Exco) led by the chief executive officer, is an integral committee as it is charged with the implementation of the Company strategy and all members are measured against strategy-aligned performance targets. Exco is a critical component in ensuring that the appropriate corporate culture permeates across the Group. The responsibilities of Exco are subject to the provisions of the Delegation of Authority Framework which provides for the delegation of authority, whilst enabling the Board to retain effective oversight.

Trust, good reputation, legitimacy - Conducting the business based on fair commercial and competitive practices, in compliance with relevant laws and regulations.

We remain committed to conducting business ethically, responsibly, and in compliance with all applicable legislation, regulations, adopted industry codes and standards, and in adherence to all internal policies and sound corporate governance principles. We do not have an appetite for deliberate violations of legislative or regulatory requirements, adopted industry codes and standards, internal policies, or governance principles. We continuously seek to conduct our business with due skill, care, and diligence with a view to minimise violations arising from negligence. This is also entrenched in our corporate culture, business objectives and strategies for achieving those objectives, including its compliance strategy and risk appetite in alignment with the Company's long-term interests and viability.

ANTICOMPETITIVE BEHAVIOUR

As a principle, we have a zero-tolerance approach to any conduct which relates to antitrust, anti-competitive behaviours, market manipulation, malpractice or violations of industry laws or regulations. During the year, we had no incidents of non-compliance, fines or prosecutions linked, for example, to anticompetitive practices, fraud, insider trading, antitrust, malpractice or violations of industry laws or regulations.

DATA PRIVACY

We respect all our stakeholders' rights to privacy, and we will not knowingly compromise their personal information. We are committed to comply with the Protection of Personal Information Act 4 of 2013, including its Regulations (POPI Act). We have adopted a Protection of Personal Information Act Privacy Notice (the Notice) to ensure that we treat personal information within the parameters of the laws. The Notice can be found on the Company's website.

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 Board is also satisfied that the Company complies with all the corporate governance requirements applicable to listed entities as set out in paragraph 3.84 of the JSE Listing Requirements.

The King IV™ disclosure can be found on the Company's website at www.adcock.com/Investors/IntegratedReports

DEALING IN SECURITIES

Our Securities Trading Policy governs how our directors, employees, and their associates (being immediate family members) deal in securities or disseminate price-sensitive information. During any prohibited period, directors, employees, and their associates (being immediate family members) may not trade in Adcock Ingram shares. Dealing is only permitted at the end of a prohibited period. Executive directors must always obtain written clearance to trade in Adcock Ingram shares from the Chairman, in consultation with the Company Secretary. Other employees may not deal in shares without first obtaining written approval from the Company Secretary. Executive Directors' interests in shares are disclosed in the implementation report from page 113.

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.

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.

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.

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 and vigorous oversight of material matters (see page 3), acting as an independent check and balance for the executive management team, whose main responsibility is the day-to-day 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 Company's Memorandum of Incorporation (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 and/or delineation of roles and responsibilities on the Board and that no chairman 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.

CORPORATE GOVERNANCE CONTINUED

SUCCESSION PLAN

The Board is committed to forward-thinking succession planning to ensure business continuity and seamless transition should there be a vacancy. The Board is satisfied that the depth of skills and experience among current directors meet the succession requirements. Annually, the Nominations Committee and Human Resources and Remuneration Committee consider succession planning for executive directors and other critical roles.

The Company is satisfied that the Board's composition reflects the appropriate mix of skills, knowledge, qualifications, diversity, experience and independence. The composition of the Board and the various committees are reviewed when directors change or on an annual basis. Consideration is given to, among other criteria, skills, knowledge, qualifications, diversity, experience and balance of power. Below are the changes to the Board.

BOARD AND COMMITTEE CHANGES

In line with the Board succession plan and to strengthen the Board, the following changes were made to the Board and committees:

Board	**Ms Busisiwe Mabuza** was appointed as an independent non-executive director, with effect from 1 September 2022. **Mr Kevin Wakeford** retired as a non-executive director, with effect from 31 March 2023. **Mr Mark Steyn** was appointed as a non-executive director, with effect from 1 April 2023. **Professor Matt Haus** retired as the Lead independent director and Board member, with effect from 25 May 2023. **Ms Busisiwe Mabuza** was appointed as the Lead independent director, with effect from 25 May 2023.
Audit Committee	**Ms Busisiwe Mabuza** was appointed as a member, with effect from 1 November 2022. **Professor Matt Haus** retired as a member effective 25 May 2023.
Risk and Sustainability Committee	**Professor Mike Sathekge** was appointed as the Chairman effective 1 February 2023. **Professor Matt Haus** stepped down as Chairman effective 1 February 2023 and retired as a member effective 25 May 2023.
Human Resources and Remuneration Committee	**Dr Sibongile Gumbi** was appointed as the Chairman, with effect 1 February 2023. **Professor Matt Haus** stepped down as Chairman effective 1 February 2023 and retired as a member effective 25 May 2023.
Social, Ethics and Transformation Committee	**Ms Lulama Boyce** was appointed as a member effective 1 February 2023.

INDEPENDENCE

The Board has not carried out a formal evaluation of the independence of its directors in line with King IV™ recommendation. However, the Nominations Committee regularly monitors the independence of the non-executive directors as part of its overall composition review which considers the tenure of non-executive directors, and their planned retirements from the Board.

The independence of the Board has further been assured by the following:

- a new lead independent director has been appointed;
- all conflicts of interests are declared;
- individual directors may take independent professional advice at the Company's expense;
- non-executive directors do not receive share awards or options from the Company;
- most of the Board members are non-executive directors, of whom the majority are independent; and
- the remuneration of non-executive directors is not linked to the performance of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointments to the Board are made formally and transparently with due deliberation by the Nominations Committee and the Board. The Company follows various procedures for new appointments, including background and reference checks. Board members also need to be able to devote a relevant portion of their time to the Company.

The shareholders approve the appointment of new directors at the first annual general meeting (AGM) following their appointment. In terms of the Company's MOI, at least one-third of the non-executive directors are subject to retirement by rotation and re-election at each AGM.

COMPANY SECRETARY

The Company Secretary's primary role is to ensure that the Board is conversant with 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 chairman of the Board and has unfettered access to the chairmen 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 chairman 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 is 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 board annual workplan and provide for the inclusion of important or urgent, non-routine matters.

Attendance at the meetings was as follows:

Committee[1]	Board	Audit	Risk	Rem	Nom	SET	ACQ[2]
Lulama Boyce	4/4					1/1	
Sibongile Gumbi	4/4		4/4	3/3		3/3	
Andrew Hall	4/4	4/4	4/4	3/3	2/2	3/3	
Matthias Haus	4/4	4/4	4/4	3/3	2/2		
Basadifeela Letsoalo	4/4			3/3	2/2	3/3	
Busisiwe Mabuza	3/3	3/3					
Nompumelelo Madisa	4/4	3/4	4/4	3/3	2/2	3/3	
Claudia Manning	4/4	4/4		3/3	2/2	3/3	
Dorette Neethling	4/4	4/4	4/4			2/3	
Debbie Ransby	4/4	4/4	4/4				
Michael Sathekge	4/4		4/4		2/2		
Mark Steyn	1/1	4/4					
Kevin Wakeford	3/3	3/3		3/3			

Chairman
Invitee
Lead independent director
Member

[1] See changes to the Board page 28
[2] No Acquisition Committee meetings were held

MEETING ATTENDANCE

100%

CORPORATE GOVERNANCE CONTINUED

Adequate and 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.

BOARD APPRAISAL TO IMPROVE EFFECTIVENESS OF CONTROL

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

In 2021, the Board conducted a comprehensive evaluation which was facilitated by an independent service provider, Luvivi Governance Services ("Luvivi") and which was 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. The key findings raised in the 2021 evaluation were all addressed.

During the reporting period, the Board and its committees conducted an abridged evaluation facilitated by the same independent service provider. This focused on governance improvements similar to the 2021 evaluation. Overall, the performance of the Board and its committees was rated as excellent. Matters requiring attention related to monitoring the natural tension between the Company and the controlling shareholder representatives on the Board as well as enhancing reporting to the Board relating to succession planning for the Board and executive directors.

DIRECTOR DEVELOPMENT

Directors are encouraged to attend external director development and training programmes, at the cost of the Company, to ensure their knowledge of governance 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 offers a tour of the Company's manufacturing facilities. In addition, the Board receives training via the Company Secretary who distributes appropriate and relevant training material to the Board members.

OPERATIONS OF EACH BOARD COMMITTEE

AUDIT COMMITTEE

The Committee has statutory duties in terms of section 94(7) of the Companies Act. It has an independent role and is accountable to both the Board and the Company's stakeholders. The Committee is responsible for the following functions, processes, controls, and assurances:

- Combined assurance
- Compliance
- External audit
- Financial reporting
- Internal audit and controls
- Oversight of integrated reporting
- Risk management.

DEBBIE RANSBY

Independent director

MEMBERSHIP

The Committee complies with section 94(4) of the Companies Act and King IV, which stipulates that all members should be independent non-executive directors, all of whom are suitably skilled and experienced.

	Appointed	Resigned
Chairman		
D Ransby	27 August 2019	
Members		
M Haus#	3 December 2013	25 May 2023
B Mabuza#	1 November 2022	
C Manning	7 May 2021	

See changes to the Board page 28

INVITEES

N Madisa (Chairman of the Board)

K Wakeford# (non-executive director)

M Steyn# (non-executive director)

AG Hall (CEO)

D Neethling (CFO)

R Essa (Corporate Finance Director)

S Pietropaolo (Head of Internal Audit)

L Berrington (Chief Audit Executive: The Bidvest Group Limited)

K Ramnarian (PwC – External Auditor)

C West (PwC – External Auditor)

J Naidu (PwC – External Auditor)

FOCUS AREAS

- Considered the internal control environment of the Group and the integrity of financial reporting.
- Reviewed the annual financial statements and disclosures for appropriateness and integrity.
- Assessed the quality and effectiveness of the external auditor.
- Considered the controls around the information technology environment.
- Confirmed the application of a robust combined assurance process.
- Monitored compliance with all relevant legislative, regulatory and governance requirements.

ROLE AND FUNCTION OF THE COMMITTEE

The roles and responsibilities of the Committee are governed by formal Terms of Reference which is reviewed annually and approved by the Board. A formal evaluation of the Committee was also carried out and the Board is satisfied that the Committee has fulfilled all its statutory duties, including those duties assigned to the Committee by the Board during the year under review.

THE COMMITTEE IS SATISFIED THAT:

- It has fulfilled its mandate, including its statutory duties, and the Company has complied with the JSE Listings Requirements, Companies Act, and other regulatory requirements.
- The financial controls in place are suitable and form a sound basis for the preparation and reporting of reliable financial information.
- The governance processes, risk management and system of internal controls are adequate and effective based on the reports received from the external and internal auditors for the period under review.

MATTERS DISCUSSED

- Approval of the external and internal audit plans.
- Confirmation of the suitability and competence of the CFO and finance function.
- Evaluation of the independence, performance and conduct of the external auditors.
- Satisfied itself with the quality of the external auditors. Confirmations required in terms of sections 3.84(g) and 22.15(h) of the JSE Listings Requirements were obtained.
- Key areas of accounting judgements affecting the annual financial statements.
- Consideration and review of external auditors' report.
- Recommendation of results, distribution, trading statements and annual financial statements.
- Recommendation that PricewaterhouseCoopers Inc. be re-appointed by shareholders at the AGM.
- Review of cash flow and liquidity.
- Review of financial performance and forecasts.
- Review of internal audit reports, and the combined assurance map.
- Reviewed and approved internal audit charter.

OPERATIONS OF EACH BOARD COMMITTEE CONTINUED

RISK AND SUSTAINABILITY COMMITTEE

The role of the Committee is to assist the Board to ensure that the Company implements an effective policy and plan for risk governance as well as information technology governance that will enhance the Company's ability to achieve its strategic objectives. Furthermore, that the disclosure regarding risk is comprehensive, timely and relevant. The Committee is satisfied that it was fully compliant with its mandate during the period under review.

MICHAEL SATHEKGE

Independent director

MEMBERSHIP

The Committee is constituted in terms of the Board Charter, complies with the JSE Listings Requirements and the Companies Act and King IV™. All Committee members are suitably skilled and experienced.

	Appointed	Resigned
Chairman		
M Sathekge#	25 August 2020	
Members		
A Hall	24 May 2017	
M Haus#	3 December 2013	25 May 2023
S Gumbi	27 August 2019	
D Neethling	24 May 2017	
D Ransby	27 August 2019	

See changes to the Board page 28

INVITEES

N Madisa (Chairman of the Board)
J Bhana (Medical Director)
G McMahon (Executive Director: The Bidvest Group Ltd)
F Cronje (Operations and IT Executive)
S Pietropaolo (Head of Internal Audit)
T Walter (Mergers & Acquisitions, Risk and Strategy Executive)
J Smit (Marsh – Risk Advisor)
K Ramnarian (PwC – External Auditor)
J Naidu (PwC – External Auditor)

FOCUS AREAS

- 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.
- Specific attention has been given to information and technology, including cyber security.
- Monitored compliance with all relevant legislative, regulatory (with specific focus on SAHPRA) and governance requirements.
- Assisted the Board in setting the risk strategy and policies in determining the Group's tolerance for risk.
- Focused on the risk associated with the operating environment (e.g., water and energy supply disruptions and supply chain challenges) and strategy implementation.
- Continued to manage material litigation matters and other legal disputes.

ROLE AND FUNCTION OF 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 reviewed annually and approved by the Board. A formal evaluation of the Committee was carried out and the Board is satisfied that the Committee has fulfilled all its statutory duties, and those duties assigned to the Committee by the Board during the period under review.

MATTERS DISCUSSED

- Regular review of the risk report and risk register.
- Review of the insurance cover for the Group.
- Consideration of the legal report and litigation risks facing Adcock Ingram.
- The effectiveness of the controls in place for business disaster recovery across the sites.
- Review the Ethics Line report.
- The risks associated with the trading environment and macro-economic landscape.
- The risks associated with supply chain challenges, currency weakness and market volatility which have an impact on all the commercial business units.
- Reviewed the IT Risk Report, incorporating cyber security associated risks.
- Reviewed and approved the Risk Management Policy.
- Approved the Legal Risk Policy.
- Reviewed the Regulatory Risk report which includes all risks, regulations and legal requirements associated with operating in the pharmaceutical industry.
- 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, while also considering any opportunities that may present themselves.

HUMAN RESOURCES AND REMUNERATIONS COMMITTEE

The role of the Committee is to assist the Board in discharging its duties in terms of governing remuneration and developing and implementing a remuneration philosophy, and to publish this in the Company's remuneration report. The Committee also ensures that the Company has competitive reward strategies and programmes to attract and retain high-performing people to achieve the Company's strategic objectives. The Committee seeks to safeguard stakeholder interests by ensuring that remuneration structures do not drive excessive risk-taking. Refer to the remuneration and implementation reports, which appear on pages 100 to 122 of this report. The Committee is satisfied that it was fully compliant with its mandate during the period under review.

SIBONGILE GUMBI
Independent director

MEMBERSHIP

The Committee is constituted in terms of the Board Charter, complies with the JSE Listings Requirements and the Companies Act and King IV. All Committee members are suitably skilled and experienced.

	Appointed	Resigned
Chairman		
S Gumbi#	7 May 2021	
Members		
N Madisa	7 May 2021	
M Haus#	22 November 2019	25 May 2023
C Manning	22 November 2019	

See changes to the Board page 28

INVITEES

A Hall (CEO)

B Letsoalo (Executive Director: Human Capital and Transformation)

K Wakeford# (Non-independent director)

N Daitz (DG Capital)

FOCUS AREAS

- Executive team succession management with a particular focus on African talent and females.
- Create a baseline for the implementation and measurement of ESG initiatives.
- Focus on and commitment to fair and responsible remuneration across the dimensions of race, gender, and differentials of pay between executives and other employees.
- Identify and rectify pay anomalies, if any, throughout the Group with an initial focus on critical and scarce skills.
- Review the contract with and deliverables from independent external remuneration advisors.

ROLE AND FUNCTION OF 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 remunerates directors and executives fairly and responsibly in terms of an approved and published remuneration policy. The Board allocates oversight of remuneration related issues to this Committee;
- Remuneration levels across the Company are benchmarked and independently verified;
- Disclosure of directors' and senior executive remuneration in the integrated report is complete, accurate, transparent and fair;
- Adcock Ingram is a place of preferred employment able to attract, retain and nurture the best talent in the industry;
- The Company complies with all applicable legislation; and
- Appropriate policies are put in place to manage employment issues within the Company.

MATTERS DISCUSSED

- Approval of the annual salary increase for employees on total guaranteed packages (TGP).
- Review of the contract and term of the independent external remuneration advisors.
- Approval of the remuneration for executive directors.
- Recommended for approval to the Board the non-executives fees and increases as recommended by DG Capital.
- Approval of PBLTIS allocations for 2023 for executive directors, executive committee members, and certain other critical and key talent.
- Discussed and agreed STI payout for executive directors and all other employees included in the scheme, paid on 1 September 2022.
- Reviewed performance against STI metrics and targets for FY2023.
- Recommended to the Board, a CEO discretionary incentive for recognition of outstanding performance in junior management and support roles.
- Executive committee remuneration benchmarking exercise by independent external remuneration advisors.
- Reviewed and approved the 2023 remuneration report including the policy and implementation report before inclusion in the integrated report.
- Discussed and analysed remuneration-related voting results from the November 2022 AGM.
- Reviewed succession planning and development plans for executives including initiatives to address the shortage of African talent and females in the talent pool.
- Reviewed employee engagement initiatives e.g., wellness and development programs.
- Deliberated on the Environmental, Social and Governance (ESG) framework for Adcock Ingram and how this can be linked to performance criteria.

OPERATIONS OF EACH BOARD COMMITTEE CONTINUED

SOCIAL, ETHICS AND TRANSFORMATION (SET) COMMITTEE

The Committee has a mandate to guide and monitor the Company's transformation, social, economic, environmental, ethics, consumer engagement and management activities in accordance with relevant legislation, codes, and other requirements. The Committee is satisfied that it was fully compliant with its mandate during the year under review.

CLAUDIA MANNING
Independent director

MEMBERSHIP

The Committee is constituted in terms of the Board Charter, complies with the JSE Listings Requirements and the Companies Act and King IV™. All Committee members are suitably skilled and experienced.

	Appointed	Resigned
Chairman		
C Manning	22 November 2019	
Members		
S Gumbi	22 November 2019	
B Letsoalo	25 August 2016	
L Boyce#	1 February 2023	

See changes to the Board page 28

INVITEES

N Madisa (Chairman of the Board)
A Hall (CEO)
T Krige (Distribution Executive)
N Mthethwa (Public Affairs Executive)
G McMahon (Executive Director: The Bidvest Group Limited)
D Neethling (CFO)
S Pietropaolo (Head of Internal Audit)
J Smit (Marsh - Risk Advisor)

FOCUS AREAS

- Achievement of ESG targets.
- Enhance reporting and measuring of ESG contribution.
- Employee wellness programmes.
- Increased appointment of African employees at middle and senior management level.
- Reviewed the Group's anti-bribery and corruption, and fraud and practices.
- Continued to monitor the Group's commitment to B-BBEE, CSR and investment in black-owned suppliers.
- Continued to foster relationships with regulatory authorities to enable the Company to share its challenges and co-create solutions.

ROLE AND FUNCTION OF THE COMMITTEE

The Committee has an independent role with accountability to the Board and shareholders. It does not assume the functions of management, which remain the responsibility of the executive directors and senior management. The primary role of the Committee is to guide, monitor, review and evaluate the Company's progress in respect of the mandate of the Committee.

The Committee continuously monitors Adcock Ingram's activities pertaining to legislation and legal requirements and social, transformation, environmental and economic development. In addition, the Committee ensures that the Company acts ethically, protects the Company's reputation, and actively engages with various stakeholders while acting in a manner that befits a good corporate citizen.

MATTERS DISCUSSED

- Reviewed the enhanced Environmental Report which introduced a baseline for measuring the Company's impact on the environment.
- Reviewed the B-BBEE scorecard targets and progress.
- Reviewed the sustainability scorecard.
- Reviewed the stakeholder engagement and CSR Report.
- Reviewed the Company's compliance with health and safety legislation.
- Reviewed the Ethics Line report.
- Reviewed the talent management report which includes employee wellness, and compliance with relevant employment laws.
- Reviewed the equal pay for equal work report.
- Reviewed the employment equity plan.
- Reviewed the report from the national employee forum meetings.
- Group media exposure.

NOMINATIONS COMMITTEE

The role of the Committee is to assist the Board by ensuring that its composition has the appropriate balance of skills, knowledge, diversity, and independence to discharge its duties effectively. In addition, the Committee is responsible for the succession planning of executive directors.

NOMPUMELELO MADISA

Non-independent director

MEMBERSHIP

The Committee is constituted in terms of the Board Charter, complies with the JSE Listings Requirements and the Companies Act and King IV™. All Committee members are suitably skilled and experienced.

	Appointed	Resigned
Chairman		
N Madisa	7 May 2021	
Members		
M Haus#	22 November 2019	25 May 2023
C Manning	22 November 2019	
M Sathekge	7 May 2021	

See changes to the Board page 28

INVITEES

A Hall (CEO)

B Letsoalo (Executive Director: Human Capital and Transformation)

FOCUS AREAS

- Reviewed the Board and committees' composition and succession planning.
- Reviewed Executive Directors' succession planning.

ROLE AND FUNCTION OF 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 mandate of the Committee is set out in its terms of reference, as approved by the Board. The Committee is satisfied that it has complied with its mandate during the period under review.

MATTERS DISCUSSED

- Committees' composition in terms of size, diversity and the necessary skills required.
- Nomination of new Board members.
- Recommend the appointment of the new Lead Independent Director, for approval by the Board.
- Reconstitution of the Board committees, as appropriate.

ACQUISITIONS COMMITTEE

The purpose of the Committee is to:

- Review any potential merger or acquisition, as proposed by management and deliberate on whether or not the potential target should be investigated and pursued; and under which terms; and
- Recommend to the Board the approval of any planned merger or acquisition that the Committee has evaluated and determined would be in the best interest of the Company and shareholders.

NOMPUMELELO MADISA

Non independent director

MEMBERSHIP

The Committee is constituted in terms of the Board Charter, complies with the JSE Listings Requirements and the Companies Act and King IV™. All Committee members are suitably skilled and experienced.

	Appointed	Resigned
Chairman		
N Madisa	7 May 2021	
Members		
A Hall	11 November 2015	
D Neethling	24 May 2016	
D Ransby	7 May 2021	
K Wakeford#	27 August 2019	31 March 2023

See changes to the Board page 28

INVITEES

M Haus#

T Walter (Mergers & Acquisitions, Risk and Strategy Executive)

ROLE AND FUNCTION OF THE COMMITTEE

The Committee plays 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 mandate of the Committee is set out in its Terms of Reference, as approved by the Board. The Committee is satisfied that it has complied with its mandate during the period under review.

The Committee's responsibilities are to assist the Board with:

- Monitoring and strengthening the objectivity and credibility of the Company's acquisition strategy and plans; and
- To consider and make recommendations to the Board on major acquisition plans and the terms applicable to these acquisitions.

The Committee did not meet during the current financial year.

EXECUTING OUR STRATEGY

Adcock Ingram's strategy defines our plan to navigate and grow within the competitive environment in which we operate. The strategy was reviewed in 2022, and no significant amendments were made in the current financial year. There was significant progress made in executing the strategy during the current financial year. Progress and achievements include:

OPERATIONAL EXCELLENCE

SALES AND MARKETING EXCELLENCE

- Achieved net sales growth of 5%.
- Achieved No.1 market share position in the SA pharmaceutical market (IQVIA).
- Bioplus achieved No. 1 market share position in the energy category (Circana).
- Significant Consumer and OTC marketing campaigns across multiple advertising media throughout the year.
- OTC expanded its War-on-Shelves campaign to shop floors, clinics and other points within Pharmacy.
- Island Tribe sponsorship activities include IRB 7s World Cup and go2berg mountain bike race.
- OTC sponsorship of 4th Annual Journalist Awards, Duidelik Dapper (Kyknet) and Pharmacy of the Week continued.
- Sponsorship of various industry and healthcare practitioner conferences.
- Launch of Genop's e-commerce platform for skincare products.
- Increased social-media and influencer-based marketing activities.
- Allergex and Alcophyllex recognised as category winners in the askafrica icon brands survey.

REGULATORY COMPLIANCE

- Ongoing digitisation of regulatory processes and workflows, to speed up approvals, reduce the risk of errors and improve patient safety.
- Close collaboration with SAHPRA on several regulatory initiatives including pre-submission meetings and the implementation of the new Quantum portal.
- Process of adding QR codes to patient information leaflets, with 56 products completed.
- Various projects are in progress with the R&D department to reformulate products with old ingredients.
- Quality assurance department released over 850 third party manufactured product batches; assessed 30 new vendors and audited launch readiness for 20 new products.
- Participated in several partner and regulator audits.

MAINTAIN SERVICE LEVELS

- Delivery service levels of 98.5% achieved.
- Agreed terms for a new outbound logistics agreement with RTT (ending 30 June 2027), including a dedicated fleet of vehicles at all Adcock Ingram distribution centres.

COST CONTROL

- Operating cost increases of only 3.1%, well below inflation, for the year under review.

OPERATIONAL EXCELLENCE

MANUFACTURING EFFICIENCIES

- Significant progress made in re-purposing Wadeville as an additional liquids production facility.
- Re-introduced the manufacture of Panado paediatric syrup at Wadeville.
- First commercial batches of products released from eye-drops facility at Clayville.
- 1 million litre water storage tank and additional 17 thousand litre purified water buffer tanks installed at Clayville.
- Various projects completed across all sites to improve GMP compliance.
- Insourced the manufacturing of some Plush home care products and successfully transferred shoe care manufacturing to a new facility.
- Implemented a 24-hour shift system at the Aeroton facility.

INVESTMENT IN TECHNOLOGY AND OPERATIONAL AUTOMATION

- Implementation of phase I of the new MS-SharePoint document management system.
- Migration of the business operating system to Office 365.
- Implementation of RAIN (Regulatory Affairs Interim Notifications) across the regulatory, manufacturing, and warehousing departments.
- Migration to the cloud-based Sage 300 payroll solution.
- Release of Caliber audit management module and completion of user testing of Caliber customer complaint module.
- Near infrared spectroscopy implemented for finished product analysis, resulting in significant time and cost savings.
- Upgrade of PAS system (controls the manufacturing process) in Clayville.
- Installed inline continuous pH monitoring in the eye-drop facility, eliminating costly consumables.
- Implementation of automated label sensors and variable data readers at Wadeville.
- Upgrades of environmental monitoring of clean rooms, compounding rooms and staff changing facilities at Aeroton.

STAFF AND LEADERSHIP RETENTION

- 92% staff retention in top and senior management, with the only resignation replaced by an internal resource.
- Total staff turnover rate of 9.2%, compared to 17% in the industry.
- R56 million spent on leadership training and development.
- Hospital launched its leadership programme.

CULTURE OF DIVERSITY, INCLUSION, RESPONSIBILITY, ACCOUNTABILITY, AND FUN

- OTC dOTCumentary and Hospital "Because You Matter" campaigns launched to recognise individual team-members' contributions.
- The successful Hopetober campaign was once again run by OTC.
- Regular team-engagement and celebration days held at all sites to boost morale and create fun in the work place.

EXECUTING OUR STRATEGY CONTINUED

INNOVATION AND GROWTH

PARTNERSHIPS

- Sales, marketing and distribution agreement concluded for E45 on behalf of Karo Healthcare.
- Extension of several multi-national pharmaceutical company distribution agreements including Lundbeck, Takeda and Novo-Nordisk.
- Continued to grow the sales of existing partnerships in the renal, nutrition and OTC portfolios.
- Launch of the Prim range of orthopaedic braces and supports into Hospital's sport science and rehabilitation division.

PRODUCT DEVELOPMENT

- Launch of Epi-max baby and junior range.
- Launch of new Epi-max soap and lip-balm.
- Launch of Cepacol syrups and throat sprays, together with a new lozenge pack-size.
- Launch of Plush Pine Gel in squeeze bottle format.
- First to market launch of Plush Air Fryer Cleaner.
- Launch of GynaGuard fragrance-free panty liners.
- Hospital's enhancement of blood bags and development of multiple configuration blood packs for SANBS.

EXPANSION OF DISTRIBUTION

- Hospital growth in export sales, with exports to 9 African countries.
- Hospital awarded contract to supply intravenous fluids to Mozambique Ministry of Health.

M&A

- Evaluated a number of potential acquisition targets during the year, with two under consideration at year-end.
- Returned R472 million to shareholders through the repurchase of 9.2 million Adcock Ingram shares in the market.

DEVELOPMENT OF PRODUCT PIPELINE

- Launch of 10 new Prescription products including Vimovo and Effentora (pain), Tiotor and Fluomizin (women's health), Deslafore (CNS) and Nexilok (GIT).
- OTC launched Bionase Nasal Spray, UTI-X and Actipatch musculoskeletal pain device.

RESPONSIBLE CORPORATE CITIZEN

LEADING AND ACTING ETHICALLY

- Employee engagement surveys conducted at the Consumer and Hospital business units, with outcomes and planned remedial actions communicated to employees.
- Various employee wellness programmes and days implemented across the business.
- Continued independent investigation and reporting of all reports to the Whistleblower lines to board committees.
- Launched an innovative series of videos to the business on sexual and other forms of harassment.
- Hosted a Journalist Outreach programme, focusing on dealing with mental wellbeing.
- Implemented a bi-annual Governance newsletter for distribution to all board and executive committee members.
- Maintained ongoing Competition and Pharmacovigilance compliance training across the business.
- Implemented the Inoxico vendor management and compliance system to manage and monitor vendor compliance with B-BBEE, tax and other legislative requirements.

ENVIRONMENTAL SUSTAINABILITY

- Successful pilot of 3 electric vehicles within the distribution department.
- Project implemented to transform thermal blankets, used in the transport of temperature-sensitive medicine, into blankets and cooler-bags.
- Additional rooftop PV installations completed at Durban and Halfway House distribution centres and the Clayville factory, resulting in Adcock Ingram generating 5% of its electricity requirements from renewable sources.
- Rainwater harvesting initiatives implemented at most sites.
- Greywater from the Hospital BU's manufacturing process recycled for use in on-site bathrooms.
- 500 aerators installed on taps across all Adcock Ingram sites.
- Improved energy and water usage monitoring through the installation of real-time meters.
- Appointment of an Environmental Sustainability Officer to co-ordinate, monitor and report on all environmental projects.
- The MyWalk project was recognised with a Green Economy Award.
- Allocated a portion of CSI spend to environmental projects through donations to Food and Trees for Africa and Hennops Revival project.

WORKFORCE REPRESENTATIVITY

- 86.3% of all staff are previously disadvantaged individuals.
- 75% of all junior and middle management are Black.
- First Graduate internship sales teams launched in Consumer and Prescription divisions.

SUPPLY CHAIN TRANSFORMATION

- More than 80% of total measured spend (for scorecard purposes) are with HDSA entities.
- New ESD projects include Viro-gen (biotech medical research) and Tlowana Resources (water treatment).
- Sippie Brickworks recycle the ash from the Hospital BU's boilers into bricks.
- R20.2 million in interest-free ESD loans granted to a total of 6 businesses.
- Adcock Ingram achieved a Presidential Recognition award for ESD and Localisation.

B-BBEE

- Retained Level 2 B-BBEE accreditation.
- All 3 factories are CHIETA (Chemical Industries Education & Training Authority) accredited.
- CSI initiatives during the year included HotFM Teddython, and support of various NPO's.

(HDSA) Historically Disadvantaged South African

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 being exposed to other external forces and events. Over the past year, these included supply chain disruptions, double-digit inflation in base currencies, Rand devaluation and load-shedding. These matters reinforce the need for a robust risk management process to identify and assess risks and determine and implement controls to mitigate them.

ROLES AND RESPONSIBILITIES

THE BOARD

The Board is responsible for the Group's risk governance, which is achieved through the Committee. The chairman of the Audit Committee is also a member of the 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 regarding 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, regulatory 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.

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 that 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 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

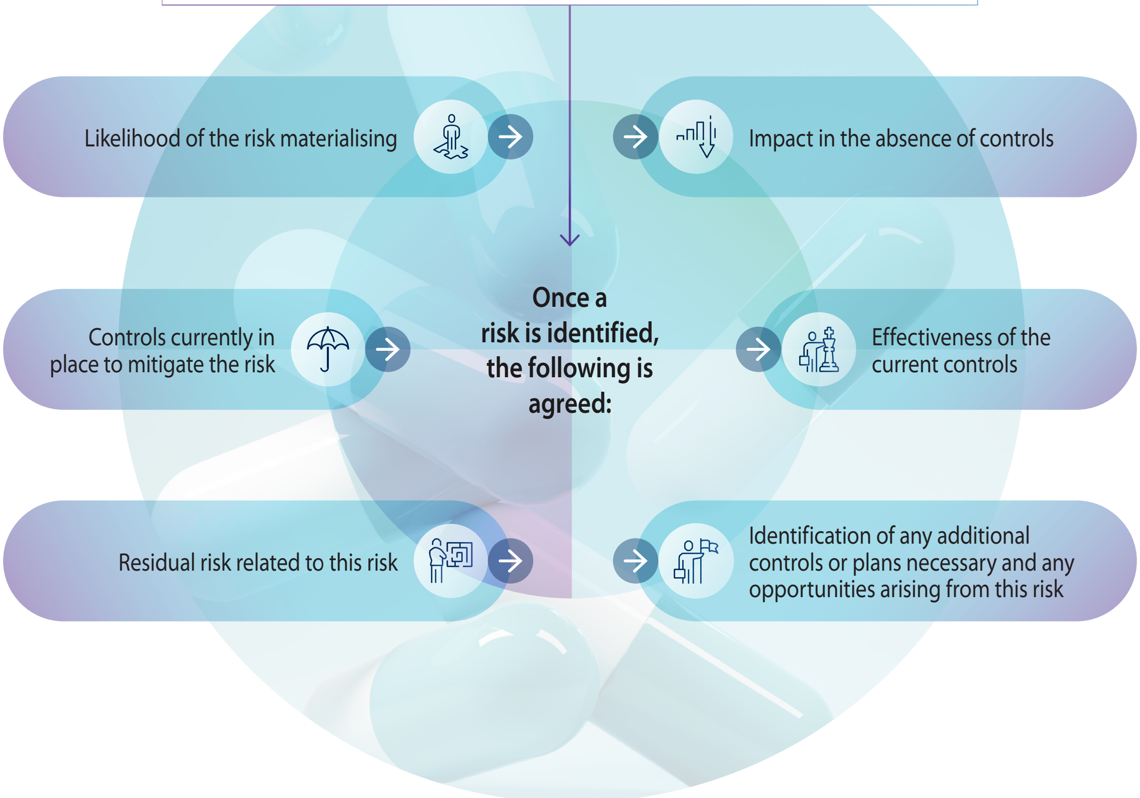
The ERM process is centrally coordinated by the Mergers & Acquisitions, Risk and Strategy Executive. As the Group's divisions have different product, market, operating and financial characteristics, the responsibility within the ERM process for identification of risks vests largely with the divisional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



RISK MANAGEMENT CONTINUED

RISK FRAMEWORK

VALUE

BUSINESS DRIVERS

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

RISK THEMES

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

Preserve:

- Regulatory compliance
- Drug and device safety
- Intellectual property
- Brand loyalty and reputation
- Customer service and trust
- Corporate governance
- Licences and technology partners and relationships

Enhance:

- Growth in sales
- Market share growth
- Expand into new product portfolios
- Margin protection
- Innovation
- Increase in customer base and sales channels

Grow the business

Compliance

Protect reputation

Operational integrity

Financial resilience

THE RISK ASSURANCE PROGRAM INFORMS THE 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 Group. 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 performs the day-to-day identification, management and monitoring of risks, including:

- Design and implement the system of internal controls regarding 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.

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.

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, including internal auditors, external auditors (PwC), external risk and insurance consultants (Marsh), and other independent service providers such as the regulator.

RISK MANAGEMENT CONTINUED

TOP TEN RISKS

	1. PARTNERSHIP AGREEMENTS	2. AGING PRODUCT PORTFOLIO
	2023 Ranking 1 2022 Ranking 1 Untreated Risk VH Residual Risk H	2023 Ranking 2 2022 Ranking 2 Untreated Risk VH Residual Risk H
Risk description and potential impact	Adcock Ingram has a number of longstanding strategic licensing and/or manufacturing and/or distribution agreements with multinational pharmaceutical partners. The loss or termination of any one of these agreements would impact on revenue and profitability, and in certain instances may also interrupt the supply of live-saving medicines in South Africa.	A large part of Adcock Ingram's product range consists of relatively old molecules, including a large portfolio of codeine-containing medicines. Supply of these medicines can be impacted by disruptions or discontinuation of the supply of some ingredients. There is also a possibility that certain codeine-containing medicines could be up-scheduled in the future.
Strategic responses and mitigating actions	• Ongoing maintenance of partner and supplier relationships. • Negotiation and conclusion of multi-year partnership agreements. • Broad portfolio of products across multiple price points and treatment areas to mitigate the potential loss of any one partner. • Regular contract and progress reviews, and audits by partners.	• Growth and diversification strategy incorporating targeted acquisitions, partnerships, innovation and penetration into new sales channels. • Ongoing expansion of product pipeline and partnerships (both through inorganic growth and own development). • Ongoing industry engagement with SAHPRA to provide progress updates and information on Codeine Care initiatives. • Engagement with relevant stakeholders to promote the responsible use of codeine – containing products. • Sourcing dual suppliers for key ingredients and reformulations of products where supply of ingredients is at risk.
Strategic pillar	**INNOVATION AND GROWTH**	**INNOVATION AND GROWTH**
2023 achievements	• Successfully implemented the sales and distribution agreement with Novartis for their ophthalmic medicine portfolio. • Successfully concluded negotiations with a number of Prescription's multi-national partners to extend their agreements with us. • Existing Karo Healthcare partnership with Prescription division extended to the Consumer division.	• New product launches in all business units. • Onboarding of the E45 range of products in partnership with Karo Healthcare.
Capitals impacted	FC HC IC MC	FC SR IC MC
Business drivers	Licenses and technology partner relationships, growth in sales and market share, innovation	Drug and device safety, intellectual property, growth in sales, margin protection, innovation
Risk themes	Grow the business, financial resilience	Compliance, financial resilience

LOW	MEDIUM	HIGH	VERY HIGH
L	M	H	VH

	3. ECONOMIC ENVIRONMENT	4. HIGHLY REGULATED INDUSTRY
	2023 Ranking 3 · Untreated Risk VH	2023 Ranking 4 · Untreated Risk VH
	2022 Ranking 4 · Residual Risk H	2022 Ranking 3 · Residual Risk H
Risk description and potential impact	The South African economic environment presents many challenges to running a pharmaceutical business including weak economic growth, currency volatility and weakness, utility supply issues (electricity and water) and socio-political instability.	The manufacture and sale of medicines is subject to many regulations and oversight to ensure medicine safety, efficacy and quality. Adcock Ingram's business model requires that we are also subject to regulatory oversight from our multi-national partners. Non-compliance with regulations can result in a product recall, manufacturing facility closure, or the loss of an operating license or partnership agreement.
Strategic responses and mitigating actions	• Well diversified and affordable portfolio across the Group. • Stand-by power generation in place at all sites (although the cost of running diesel generators increased significantly in the past financial year). Ongoing maintenance and repairs of other electrical infrastructure to protect our sites against frequent outages. • Solar energy solutions installed at 5 sites now, with 5% of Adcock Ingram's total energy requirements generated from solar. • Back-up water supply in place at all sites, and responsible use of borehole water. • Hedging of all foreign exchange linked transactions.	• Robust policies and procedures, audits, quality assurance and quality control systems. • Employment of qualified and competent manufacturing, regulatory and medical teams. • Maintain a fully compliant supply chain, with upgrades to facilities to maintain supply chain best practice. • Regular facilities and medical affairs audits by regulatory bodies and multinational partners. • Portfolio diversification into less-regulated areas.
Strategic pillar	**OPERATIONAL EXCELLENCE /** **RESPONSIBLE CORPORATE CITIZEN**	**OPERATIONAL EXCELLENCE**
2023 achievements	• Achieved revenue growth of 5%. • Solar installations completed at Clayville manufacturing plant, and at the Durban and Halfway House distribution centres. • Installation of a one million litre water storage facility at Clayville. Plans underway for similar installations at Wadeville and Aeroton.	• Completion of pharmacovigilance audit by SAHPRA. • Several other audits completed by various multinational partners.
Capitals impacted	FC HC MC	FC SR IC MC
Business drivers	Corporate governance, margin protection	Regulatory compliance, drug and device safety, corporate governance
Risk themes	Operational integrity, financial resilience	Compliance, reputation

FC Financial Capital · MC Manufactured Capital · NC Natural Capital
SR Social and Relationship Capital · IC Intellectual Capital · HC Human Capital

RISK MANAGEMENT CONTINUED

TOP TEN RISKS CONTINUED

	5. PRODUCT QUALITY AND RECALL RISK	6. REGULATED PRICING
	2023 ranking 5 · Untreated Risk VH 2022 ranking 5 · Residual Risk H	2023 ranking 6 · Untreated risk VH 2022 ranking 7 · Residual risk M
Risk description and potential impact	The quality, efficacy and safety of medicines are understandably subject to stringent quality standards. Non-compliance to these standards can result in a product recall, impacting patient safety, Adcock Ingram's reputation and profitability due to the costs of managing such a recall.	Scheduled medicines in South Africa are subject to Single Exit Pricing (SEP), with the annual price adjustment determined by the National Department of Health. To the extent that SEP increases lag Adcock Ingram's input cost inflation, our margins are placed under pressure. This issue has been exacerbated during the last two years with high inflation, supply chain shortages and a weak currency.
Strategic responses and mitigating actions	• Vigilant quality assurance management of all product releases, post-importation testing and stability testing. • Pharmacovigilance reporting service to record, monitor and report adverse reactions or quality issues from healthcare practitioners and patients. • Quality management reviews are performed each quarter at all sites, including by Group quality assurance. • Regular independent third-party audits (from regulators and license partners) of medical affairs, manufacturing facilities and distribution sites. • Professional, competent and experienced regulatory management team to co-ordinate and manage any potential quality failure and/or recall situation. • Quality management standards and targets included in relevant individual performance agreements and incentive schemes.	• Portfolio diversification into non-price regulated areas. • Regular meetings with industry bodies and the Department of Health's Pricing Committee. • Forward cover in place for all foreign-denominated purchases. • Expense management.
Strategic pillar	**OPERATIONAL EXCELLENCE**	**OPERATIONAL EXCELLENCE /** **INNOVATION AND GROWTH**
2023 achievements	• No product recalls during the last financial year.	• The industry, through interactions with the Pricing Committee was granted a "top-up" 1.73% SEP increase in August 2023, in addition to the 3.28% increase granted in January 2023. • The Wadeville plant repurposed its manufacturing towards greater manufacture of oral liquid formulations, showing a 50% improvement in the quantity of units packed and a consequent improvement in recoveries through the plant.
Capitals impacted	FC IC SR MC	FC HC MC
Business drivers	Drug and device safety, brand loyalty and reputation, corporate governance	Regulatory compliance, margin protection
Risk themes	Compliance, reputation	Compliance, financial resilience

L LOW	M MEDIUM	H HIGH	VH VERY HIGH

	7. IT ENVIRONMENT	8. MAINTAINING SERVICE LEVELS AND MARKET-SHARE
	2023 ranking 7 / Untreated risk VH	2023 ranking 8 / Untreated risk H
	2022 ranking 6 / Residual risk M	2022 ranking 8 / Residual risk L
Risk description and potential impact	In the modern business environment, sophisticated, internet-enabled IT systems are crucial in managing a complex business such as Adcock Ingram. The IT environment presents its own risks, particularly relating to potential cyber-attacks, but also loss of data and accounting records or technology obsolescence. Each of these risks has the potential to cause expense and/or erode the Group's competitive advantage.	Adcock Ingram's ability to deliver our broad range of products quickly and efficiently within South Africa is a key contributor towards customer loyalty, which in turn impacts positively on brand equity, reputation and market-share.
Strategic responses and mitigating actions	• A competent team of IT professionals continuously researching latest IT trends and technologies. • Cyber-security action plan continuously reviewed and updated. • Installation of firewalls, antivirus software and other analytical and intrusion-detection tools. • Annual penetration tests conducted by ethical hacker. • Business continuity plans in place, with recovery tests conducted. • Cyber insurance, covering both Liability and Physical Damage, is in place.	• Maintaining service levels and deliveries to customers. • Appropriate marketing and sales strategies across the organisation. • Although electronic tools remain an important method to engage with customers, we have increased the amount of face-to-face time with customers and healthcare practitioners post-COVID 19.
Strategic pillar	**OPERATIONAL EXCELLENCE**	**OPERATIONAL EXCELLENCE /** **INNOVATION AND GROWTH**
2023 achievements	• All findings from penetration test closed out. • Implementation of Microsoft SharePoint document management solution at the Hospital business unit. • Implementation of, and migration to, Sage payroll system across all sites.	• Adcock Ingram ranked 1st in private and public market. • 98.5% service level achieved for customer deliveries. • Roll-out of a new e-commerce platform to market and sell Genop's skincare products. • Signed a new multi-year agreement with RTT to continue as our logistics partner until June 2027.
Capitals impacted	FC HC MC	FC SR IC MC
Business drivers	Intellectual property, customer service and trust, corporate governance	Brand loyalty and reputation, customer service and trust, market share growth, growth in sales
Risk themes	Reputation, operational integrity	Grow the business, reputation, operational integrity

FC Financial Capital
SR Social and Relationship Capital
MC Manufactured Capital
IC Intellectual Capital
NC Natural Capital
HC Human Capital

RISK MANAGEMENT CONTINUED

L	M	H	VH
LOW	MEDIUM	HIGH	VERY HIGH

TOP TEN RISKS CONTINUED

	9. HUMAN CAPITAL	10. B-BBEE
	2023 ranking 9; Untreated risk H 2022 ranking 9; Residual risk L	2023 ranking 10; Untreated risk H 2022 ranking 10; Residual risk L
Risk description and potential impact	Adcock Ingram's employees are critical towards our success. Our risks relating to our Human Capital assets include industrial action from our bargaining unit employees, loss of critical skills and the inability to attract talent in an increasingly competitive labour market, with a shortage of relevant skills.	Maintaining a credible B-BBEE score is a requirement for not only participating in government tenders, but also an important measure of the Group's commitment and contribution towards transformation within South African society. Loss of B-BBEE credentials would impact our ability to win government business and could also result in reputational damage.

Strategic responses and mitigating actions	• Ongoing employee engagement including labour forums at each site.
	• Engagement with trade unions on an ongoing basis, on various matters relating to both employee wellbeing and maintaining the Group's competitiveness.
	• Strike action contingency plans maintained.
	• Short- and long-term incentive schemes in place for various management levels.
	• Succession planning in place for key positions in Group and Divisional executive structures.
	• Ongoing training and development of employees.
		• All elements of the scorecard are integrated into the Executive Director: HC and Transformation's work-plan.
		• Particular focus is given to:
		  • 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.
		• B-BBEE is one of the criteria in evaluating potential acquisition targets.

Strategic pillar	RESPONSIBLE CORPORATE CITIZEN	RESPONSIBLE CORPORATE CITIZEN
2023 achievements	• A new two-year wage agreement concluded with bargaining council employees that will run until the end of June 2025. • Conclusion of an agreement with most trade unions regarding registration of Adcock Ingram as an essential services employer.	• Maintained Level 2 B-BBEE accreditation in November 2022 audit. • Improved levels of diversity and inclusivity on the Board. • Increased preferential procurement spend. • Onboarded two new ESD partners.
Capitals impacted	FC, HC, SR, IC	FC, HC, SR, MC
Business drivers	Employee loyalty and trust, corporate governance	Corporate governance, market share growth
Risk themes	Compliance, human capital, operational integrity	Compliance, human capital, reputation

STAKEHOLDER ENGAGEMENT

At Adcock Ingram, we seek to understand our stakeholders' needs and expectations to identify the degree of alignment with our aspirations. We have a comprehensive stakeholder management relations policy, used as a framework for upholding our commitment to social and relationship capital.

Key internal and external stakeholders have been identified and mapped according to either their level of influence on the Group (influencing the Group ability to create value), or the Company's influence on them via its business activities or products. Four categories of stakeholders exist, based on the Group's approach towards engagement.

STAKEHOLDER DETAILS

The table sets out the method of engagement, the needs and expectations of stakeholders, and the value derived from the relationship.

1. COOPERATION: Very regular engagement with the intention to respond readily to their requests

Method of engagement	Needs and expectations	Contribution to value creation
1.1 Employees and organised labour		
HC *Our employees are critical assets in the Company for the achievement of strategic objectives and business sustainability.*		
The Adcock Ingram intranet has relevant information that employees can access, as well as policies and procedures. Training and development initiatives. Internal communications including: • corporate e-mails; • plasma screens; • screensavers; and • quarterly newsletters. Site management/shop steward meetings, site forum employment equity meetings, meetings and conferences.	Employees expect: • a safe workplace; • job security; • work-life balance; • a stimulating and rewarding work environment; • equal opportunities; • prospects of career growth; • health and wellness in the workplace; • diversity, inclusivity and a sense of belonging; • equal pay for equal value of work; • freedom of association and the right to collective bargaining; • training opportunities; and • adherence to legislative requirements.	Well-motivated employees representing the Company and living the values of Adcock Ingram form the foundation of our success as an organisation. Employees take pride in the Company's contribution to society. A holistic, integrated wellness offering, supporting employees through their challenges, including relationships, financial, mental and physical health, and trauma. Regular engagement with organised labour fosters good working relationships, open communication and a productive workforce.
1.2 Customers and consumers		
SR *The Company has a broad and diverse set of customers and consumers (by age, race, and location) that derive value from our products and/or services.*		
Personal visits to customers by sales personnel, sales managers and executives. Other interactions include continuing professional education, customer surveys, a customer call centre, advertising and promotional activities, various brand websites, consumer focus groups and education campaigns.	Supply of safe, quality, efficacious and affordable medicines through appropriate channels. Ethical, factual marketing and professional interactions with healthcare practitioners. Maintaining good service levels. A supportive business partnership, to assist customers in maintaining sustainable businesses.	Business sustainability and growth through premium service levels and brand loyalty. Customers provide an extensive footprint through their expansion initiatives. Prescribers', pharmacists' and consumers' loyalty to our products.

STAKEHOLDER ENGAGEMENT CONTINUED

1. COOPERATION: Very regular engagement with the intention to respond readily to their requests (continued)

Method of engagement	Needs and expectations	Contribution to value creation
1.3 Government and regulatory authorities		
IC SR *Healthy relationships are maintained with all levels of government and regulatory bodies.*		
Government engagement strategies are in place for dialogue with national, provincial, and local government leaders as well as the South African Pharmacy Council (SAPC). Engagement with South African Health Products Regulatory Authority (SAHPRA) is key to facilitate efficient product registration and compliance in all aspects, including manufacturing.	Participate, influence, and contribute towards a sustainable pharmaceutical industry that continues to serve the healthcare needs for all South Africans. Assurance that we have robust processes, standards, and supervision in place. Compliance with all applicable legislation and regulations. Growth and social upliftment of the communities in which we operate.	The regulatory body provides us with a license to operate and manufacture in line with a regulatory framework. Supply safe, quality, efficacious and affordable medicines, and promote access to medicines for the benefit of society. Support investment, empowerment, transformation, and Corporate Social Responsibility initiatives.

2. PARTICIPATION: Monitor on a regular basis; extent and nature of engagement depends on materiality/ situation and needs are anticipated

Method of engagement	Needs and expectations	Contribution to value creation
2.1. Shareholders, investor community and financial institutions		
HC *The Company has a concentrated set of shareholders.*		
Communicate through the JSE, press releases and face-to-face meetings. Interim and annual reporting.	Open and transparent communication. Progress against strategic objectives. Strategy implementation and business sustainability. Risk management and growth. Good governance practices. Financial and operational performance.	Shareholders are encouraged to attend Adcock Ingram's Annual General Meeting, and to discuss relevant issues with management outside of closed periods. Open dialogue on important matters builds trust in the business.
2.2. Multinational partners and licensors		
MC IC SR *We enter into strategic licence and supply and/or distribution and/or sales and marketing partnerships with multinational companies to expand our product offering.*		
Attendance and promotion at conferences and congresses to share best practice with relevant parties. Commercial reviews with partners. Quality and regulatory audits by partners.	Building brands using our marketing expertise, and sales and distribution network that reaches healthcare professionals and retailers. Achievement of commercial goals; alignment with international best practice for product promotion and regulatory adherence.	Partnerships allow the Company to enter or expand into new therapeutic categories and expand its basket of product offerings.

FC Financial Capital
MC Manufactured Capital
NC Natural Capital
SR Social and Relationship Capital
IC Intellectual Capital
HC Human Capital

2. PARTICIPATION: Monitor on a regular basis; extent and nature of engagement depends on materiality/ situation and needs are anticipated (continued)

Method of engagement	Needs and expectations	Contribution to value creation

2.3. Suppliers and service providers

MC *Our suppliers and service providers range from small and medium-sized enterprises (SMEs) to large local and global corporates across the value chain.*

Personal contact and consistent interaction at operational and management levels. An annual supplier day is held focusing on SME suppliers.	Conduct business in an open, ethical and transparent manner. A mutually beneficial and sustainable relationship, including timeous payments and fair terms. Generous payment terms for SMEs to support them to grow into larger enterprises. Clear guidance exists and due diligence processes are in place before onboarding of suppliers.	Providing good quality raw materials and finished products as required by pharmaceutical standards. Assist in avoiding stock-outs of products. Suppliers aligned to the country's B-BBEE imperatives and focus on emerging enterprises and black, women-owned businesses to assist with the transformation of society.

3. CONSULTATIVE: Transparent communication and close monitoring with the intention to give advice or recommendations.

Method of engagement	Needs and expectations	Contribution to value creation

3.1 Industry bodies

IC SR *We also engage with national governments and regulatory authorities through industry bodies/ associations on legislative and regulatory matters.*

Various industry memberships, including: • Pharmaceuticals Made in South Africa (PHARMISA); • Pharmaceutical Task Group (PTG); • Marketing Code Authority (MCA); and • Industry Task Group (ITG).	Membership in good standing, participation to contribute towards industry position statements and respond on regulatory issues and health policy matters. Active participation in government policy and legislative engagement through public comments.	Influence policies to create a sustainable local manufacturing pharmaceutical industry, that serves the healthcare needs of South Africa. Updated regulatory and industry matters that enable the Company to have a relevant position on important changes.

3.2 Communities

SR *We focus on the upliftment of communities in which we operate, by offering employment and contributions via corporate social responsibility projects.*

Engagement through: • the Group's Corporate Social Responsibility programmes; and • initiatives undertaken by the operating divisions.	Continuous support towards social and environmental projects to address the interests and needs of these communities, including time and efforts volunteered by our employees.	Engagement with communities affords us an opportunity to understand and contribute to their needs. Focus areas include health, education and the environment.

4. OTHER: Close monitoring, providing essential information and engaging on a situational basis

Method of engagement	Needs and expectations	Contribution to value creation

4.1. Media

SR *We account to our stakeholders through the media, that affords Adcock Ingram a voice to express our intentions, performance and practices.*

Press releases, SENS announcements, media interviews and responses.	Accountable governance. Good corporate citizenship through transparent and responsible reporting and disclosure.	Corporate and product specific brand awareness and reputation, including awareness regarding new products.

LEADERSHIP REVIEW FROM OUR CHAIRMAN AND CEO

MPUMI MADISA
Chairman

ANDREW HALL
Chief Executive Officer

INTRODUCTION

Adcock Ingram, a Proudly South African company, with a local footprint and heritage of more than 130 years, continues to maintain its leadership position in the South African pharmaceutical industry. The Group owns, manufactures, and distributes a diverse range of products, including non-price regulated healthcare, personal care and homecare consumer products, products available over the counter in pharmacies, scheduled medicine on prescription from medical practitioners, as well as products for hospitals, blood collection and renal dialysis. Adcock Ingram remains committed to promoting healthcare in South Africa, including through its local production facilities. On average, Adcock Ingram is the provider of the most affordable medicine in South Africa, with offerings across all LSM and most therapeutic categories, aligned with our mission to deliver high quality products that enhance the health and well-being of the people in the markets we serve.

ECONOMIC ENVIRONMENT

According to the "South Africa Economic Outlook" publication of PwC in June 2023, South African organisations are currently dealing with a diverse set of disruptions and risks as companies are currently being confronted with five challenges, namely, the weak economy, the jobs landscape, social stability, technological change, and sustainability. According to PwC, business leaders need to put the right strategies in place to deal with these challenges and respond with the right mindset and risk approach. Not only does strategy need to address these individual challenges, but they should also be considered in combination to ensure long-term sustainability of an organisation.

This view is in line with that of President Cyril Ramaphosa, who during his State of the Nation Address at the start of the calendar year, identified the cost-of-living crisis as one of South Africa's top four challenges for 2023.

In July 2023, South Africa's annual inflation rate dropped to a two-year low of 4.7%, within the central bank's target range of 3% – 6%. This decline was mainly due to a significant decrease in transportation prices, which fell by 2.6%. On the contrary, other consumer prices, particularly electricity, saw a notable increase of over 18% following municipal tariff hikes starting in July 2023. Fuel prices have increased significantly since the start of the year, with petrol prices increasing by 14.6% until the recent September 2023 increase. Diesel, meanwhile, has increased by 8.7%, despite consecutive cuts in the first half of 2023. South African gross domestic product (GDP) increased by 0.2% in quarter two of the 2023 calendar, with an annual GDP of 1.6%. The official unemployment rate in June 2023 was 32.6%, and according to the expanded definition of unemployment sits at 42.4%.

INDUSTRY OVERVIEW

The pharmaceutical industry is highly regulated, and the Company places an enormous amount of emphasis on maintaining high standards of compliance throughout the supply chain, from manufacturing to distribution, to deliver quality, safe and efficacious products, at affordable prices.

The industry was awarded a single exit price (SEP) adjustment of 3.28% in January 2023, and a 'top-up' adjustment of 1.73% in July 2023, following various engagements by the Pharmaceutical Task Group with the National Department of Health's Pricing Committee, to assist industry with the impact of the weak Rand. There are currently engagements between the aforementioned parties with regard to the 2024 SEP adjustment, including how best to align the adjustment with cost increases.

The consistently low annual adjustments do not reflect the cost increases experienced in our operations in packaging, transportation, utilities, wages and raw materials as almost all active pharmaceutical ingredients are sourced internationally and denominated in foreign currency, thereby being impacted by the fluctuation of the Rand. This continues to put pressure on our margins.

The Company also engages regularly with the regulatory body, the South African Health Products Regulatory Authority (SAHPRA) on various matters of regulatory significance.

PERFORMANCE

The equity, resilience and defensive nature of our trusted, diverse and affordable portfolio of healthcare brands, and our teams' ability to adapt to changing market dynamics has served the Company well. According to IQVIA, Adcock Ingram has maintained its top-ranked status in the private pharmaceutical market in South Africa and is also the primary supplier to the State.

The Group delivered a solid financial and operational performance and recorded a 6% improvement in trading profit to R1.18 billion in the year under review. There was improved demand for OTC products and the Prescription private sector portfolio, both of which were influenced by increased pharmacists and doctors consultations, and hospital occupancies. Demand for products used in the treatment of COVID-19 declined and lower ARV sales in the public sector were recorded following the lower allocation in Government's ARV tender, which was adjudicated at the end of the previous financial year.

Turnover increased by 5%, reaching R9.1 billion and includes the addition of the E45 skincare range marketed on behalf of Karo Healthcare, as well as the introduction of several new products within the Prescription Division. Despite various challenges such as a weaker exchange rate, increased operating costs stemming from electricity and water disruptions, cost pressures from suppliers, and wage increases, the Group managed to control the gross margin shrinkage, with only a marginal decline from 35.1% to 34.9%.

Operating expenses were very well controlled and increased by just 3%. The strong trading performances from both the OTC and Prescription divisions supported the overall growth of trading profit, and with the share buyback program and a 17% increase in dividends, returns to shareholders were good.

LIVING THE STRATEGY

Our strategy continues to focus on operational excellence, innovation and growth, and the elevated pillar of being a "Responsible Corporate Citizen" measured through our environmental, social and governance initiatives.

While aligned to the implementation of the Group strategy, the four commercial business units operate autonomously and independently of each other, in a decentralised business model.

ENERGY –

THE BIOPLUS RANGE

One of our flagship brands, Bioplus, delivered a stand-out performance, with ex-factory growth in excess of 20%.

LEADERSHIP REVIEW FROM OUR CHAIRMAN AND CEO CONTINUED

Our *Consumer Division* competes in the healthcare, personal care and home care segments of the market, and the portfolio includes leading products in analgesia, energy, dermatology, sun care, vitamins, minerals and supplements, and shoe and home care. Home to four brands with revenue in excess of R200 million per annum, this business reported an increase in turnover of 6%, with the stand-out performance being from one of our flagship brands, Bioplus, which showed ex-factory growth in excess of 20%. The widely used Epi-max also grew in double-digits. Despite facing cost pressures from suppliers and the effects of the weak Rand, this Division achieved a trading profit improvement of 2%.

Partnerships remain a key element in supporting the Group's expansion. A selling, marketing and distribution agreement with Karo Healthcare, resulted in the addition of another well-known skin treatment range, E45, to our basket of products. Since January 2023 E45 contributed revenue of R50 million. Innovation and line extensions within the existing portfolio contributed another R30 million to revenue. These extensions included the launch of body washes, soaps, baby wipes, and lip balm within the Epi-max stable, and expansion of our offerings in GynaGuard and Cepacol. Our homecare business, Plush, also introduced several line extensions, demonstrating its commitment to innovation.

Our *OTC Division* is the market leader with iconic brands in the pain, coughs, colds & flu, digestive and allergy therapeutic categories through the pharmacy channel in South Africa. It has a 19% share in schedule 1 and 2 in pharmacy and is home to three brands with revenue of more than R200 million per annum and another two brands with revenue in excess of R100 million per annum.

The Division saw a remarkable 11% increase in turnover, with the return to historic cold and cough patterns. This growth was supported by strong performances from several key brands, including Allergex (now the leading brand in the division), Alcophyllex, Adco-Mayogel, and Scopex, all of which posted double-digit ex-factory growth. While the gross margin was lower due to the weak currency and rising production costs, the Division achieved an impressive 10% increase in trading profit.

Our *Prescription Division* markets a portfolio of branded and generic medicines, specialised ophthalmic equipment and surgical products, and promotes numerous products on behalf of multinational partners. The Division experienced 2% growth in turnover, driven by strong performances in all segments except for ARVs. This performance was supported by the return to normality in elective surgeries and healthcare practitioner visits following the COVID-19 pandemic. Several successful new product launches contributed to the Division's positive performance.

In the Branded portfolio, 8 of the top 10 products are experiencing growth and in the Generic portfolio 7 of the top 10 products are growing. According to IQVIA, the Division moved into the 4th-placed ranking in the Prescription market (June 2022: 5th). Ten products were launched during the year, including Effentora on behalf of Teva for break-through cancer pain and Vimovo on behalf of Grunenthal (a combination of a non-steroidal anti-inflammatory and a proton pump inhibitor).

The Division achieved an outstanding 16% growth in trading profit, attributed to an improved mix of higher margin products.

Our Hospital Division is the leading manufacturer and supplier of critical care and hospital products and renal dialysis treatments in South Africa. While turnover increased by 2%, lower demand for products associated with the treatment of COVID-19 was experienced. Throughout the year, our local factory and several key suppliers dealt with production and supply chain difficulties. This resulted in a 7% decline in trading profit for the Division.

Consumer is home to four brands and OTC three brands with revenue in excess of R200 million per brand per annum.

MANUFACTURING

Our manufacturing facilities were expanded during the past year, with the addition of effervescent capacity in India. Core to our operations, all facilities are underpinned by strict regulatory compliance and meeting the highest quality standards. All our manufacturing facilities are accredited by SAHPRA, and in addition, regular site inspections from relevant third parties are conducted to ensure compliance at our facilities.

Operational challenges, especially power and water supply issues, affected our high-volume liquids, effervescent, powders, and eye-drops facility in Clayville. Nonetheless, the oral liquids facility operated at over 50% of its capacity, and the effervescent facility maintained a utilisation rate above 70%. Utilisation of our ophthalmic facility is steadily on the rise as we add new products to it.

The liquids, creams and ointments facility in Wadeville has demonstrated notable improvements in throughput, with production volume having doubled in this section. In response to the low allocation by the National Department of Health in the most recent ARV tender, the oral solid dosage section of the facility was strategically reconfigured for shorter production runs. Despite the considerably reduced ARV tender volumes, capacity utilisation in this section remained the same as in the previous financial year.

The Critical Care facility in Aeroton encountered challenges related to electricity supply interruptions, leading to in-process product write-offs and increased diesel consumption. The facility maintained a capacity utilisation rate in excess of 90% throughout the year. This factory continues to play an essential role in the provision of healthcare in South Africa, evidenced by the recent large-volume parenterals tender allocation in which Adcock Ingram was awarded 94% of the items on the tender, which equates to about 87% of the overall tender volume.

DISTRIBUTION

Operating one of the largest pharmaceutical distribution networks in the country, with eight stockholding centres in all major cities (Johannesburg, Durban, Gqeberha, Bloemfontein and Cape Town), the Distribution department plays a crucial role in our operations. They achieved on-time delivery, similar to the prior year, of 98.5% to customers. This department operates in close partnership with RTT, our outbound logistics service provider. Our agreement with RTT, set to expire in February 2024, was renewed in July 2023, effective from 1 March 2024 until the end of the 2027 financial year, including rolling out of a new fleet over the next 12 months.

Our focus remains centred on maintaining high service levels, adhering to regulatory requirements, and effectively containing costs within our warehousing and logistics operations. We identify three key risks in this domain: fluctuations in the diesel price, the reliability of power supply, and potential disruptions arising from civil unrest or industrial action impacting the transport industry.

ESG

The Group, in its efforts to manage the effects of unreliable electricity supply and in a move towards increasing the use of renewable energy, installed solar panels at the Clayville manufacturing site, contributing approximately 30% of the factory's daytime energy requirements. Solar plants have also been installed at the Durban and Halfway House distribution centres, resulting in five sites now using solar energy. Collectively, solar energy currently accounts for 5% of our total electricity supply.

Further environmental initiatives are centred on water harvesting, effective waste management, minimising waste sent to landfill and the addition of more electric vehicles.

In November 2022, we proudly attained a Level 2 B-BBEE rating, which remains valid until November 2023. We are committed to improving our workforce through various upskilling initiatives, further expanding our enterprise and supplier development (ESD) program, as well as continuing to invest in corporate social responsibility projects. During the year, these endeavours included the establishment of a state-of-the art computer laboratory at Feed My Lambs School in Eldorado Park, near Soweto, in partnership with the SAME Foundation. We also maintained our ongoing financial support for plastic surgery operations, aiding children born with facial abnormalities through our partnership with the Smile Foundation.

BOARD

Our Board members, characterised by a diverse blend of expertise, experience, gender, and racial backgrounds, continue to serve as diligent stewards of our corporate governance framework, rigorously upholding it across our business operations. The Board is unwavering in its commitment to uphold the highest standards of accountability and ethics within the Group. They bear the responsibility of competent and integrity-driven leadership, championing fairness, accountability, transparency, and value creation for our shareholders.

WAY FORWARD

We are confident in the resilience of our diverse and affordable portfolio of trusted healthcare brands, with a proven ability to adapt to changing market dynamics. The Board remains committed to seeking additional affordable brands to augment the Company's range of products, through acquisitions and partnerships, especially in non-price regulated products.

APPRECIATION

We extend our sincere gratitude to our Board, customers, shareholders, suppliers, partners, SAHPRA and our dedicated employees for their invaluable support, which has been instrumental in our Group's success.

FINANCIAL REVIEW

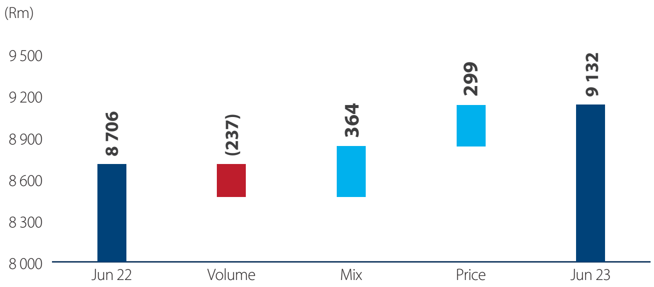
"Adcock Ingram Group achieved a healthy financial performance, with excellent protection of the gross margin and disciplined control of operating expenses. These factors, combined with good performances from the joint ventures and shares repurchased during the year, resulted in double-digit HEPS growth and a generous dividend for shareholders."

DORETTE NEETHLING
Chief Financial Officer

AT A GLANCE

REVENUE +5% TO R9 132 MILLION	**HEPS +12% TO 561.3 CENTS**	**TRADE RECEIVABLES DAYS 55** (2022: 58 days)
GROSS MARGIN 35% (2022: 35%)	**DIVIDENDS +17% TO 250 CENTS**	**INVENTORY DAYS 141** (2022: 133 days)
TRADING PROFIT +6% TO R1 180 MILLION	**ROFE 31.4%** (2022: 31.3%)	**TRADE PAYABLES DAYS 67** (2022: 60 days)

REVENUE INCREASED BY 4.9% TO R9 132 MILLION, MADE UP AS FOLLOWS:



-2.7%

VOLUME
-R237 MILLION

There was lower demand for products used in the treatment of COVID-19, and significantly reduced ARV tender sales (-49%). Much of this decline was compensated for by strong demand in the OTC and Branded Prescription portfolios.

4.2%

MIX
R364 MILLION

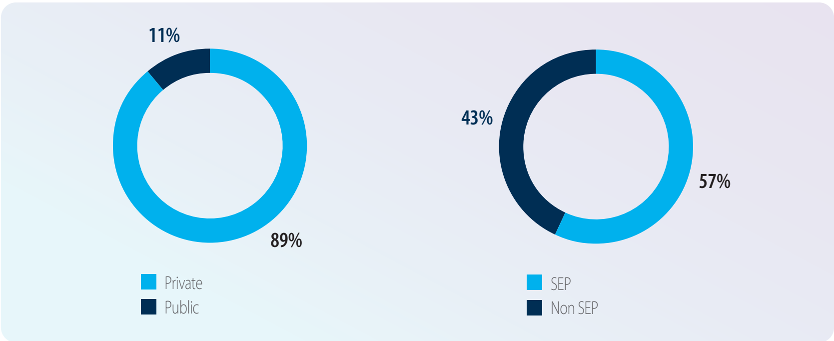
The on-boarding of E45 from Karo Healthcare and line extensions in the Consumer portfolio; and the addition of ophthalmology products from Novartis and a number of other new product launches in the Prescription Division accounted for this increase.

3.4%

PRICE
R299 MILLION

Reasonable price increases were achieved in the non price-regulated parts of the business, but the SEP increases of 3.5% granted in January 2022 and 3.28% in January 2023, were not capable of full implementation in the heavily commoditised generic and ARV portfolios.

Due to the low allocation in the most recent ARV tender, revenue from the Public sector dropped from 14% of total sales in 2022, to 11% in 2023. This pushed SEP-regulated sales from 54% in 2022 to 57% in 2023.



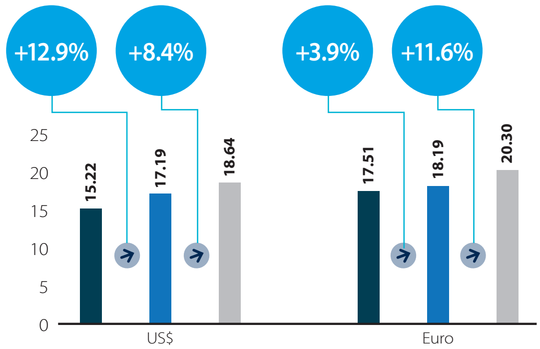
FINANCIAL REVIEW CONTINUED

THE GROSS MARGIN DECLINED MARGINALLY FROM 35.1% TO 34.9%.

The negative impact of the exchange rate was exacerbated by significant cost push in base currency from suppliers, and increased production costs including diesel usage and wage increases. Margin compression was well mitigated through selling price increases in the non price-regulated portfolio, increased throughput and improved efficiencies in the factories, and concentrating the sales mix on products with higher margins.

Exchange rate

Foreign exchange contracts (FEC's)

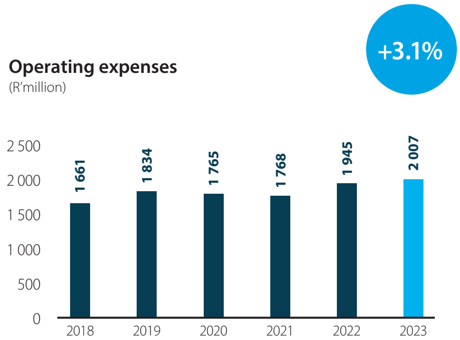


With approximately 59% of FECs in US$ and 40% of FECs in Euro, and respective weakening of the Rand against those currencies of 12.9% and 3.9%, the weighted cost of our basket of all currencies, calculated on actual settlements in the period was 9.2% higher than the prior year.

The adverse effect of the exchange rate is expected to continue as the open FECs at the end of the financial year evidence a further weakening of the Rand.

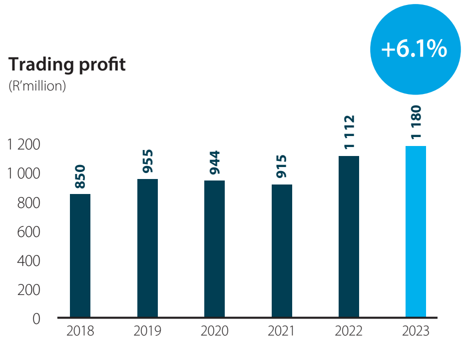
Operating expenses

(R'million)



Trading profit

(R'million)



OPERATING EXPENSES OF R2 007 MILLION

were very well controlled and increased by just R62 million, the primary drivers being distribution, regulatory and IT expenses.

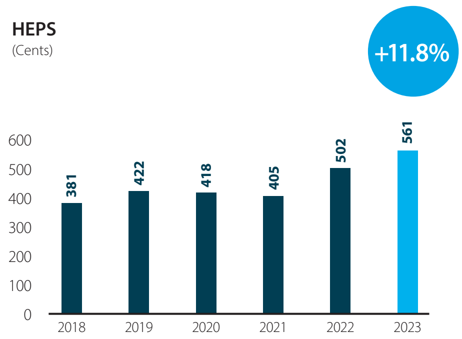
TRADING PROFIT OF R1 180 MILLION ENDED R68 MILLION HIGHER THAN LAST YEAR.

Non-trading expenses of R45 million consist of share-based expenses of R44 million and a fair value adjustment on a long-term receivable of R1 million.

Net finance costs were R52 million and include IFRS 16 (Leases) costs of R30 million. The average borrowing cost during the year was 10.2%, compared to 7.4% in 2022.

Equity accounted earnings for the year of R119 million, improved by 37%. The Indian operations (JV with Medreich), which comprise 67% of the amount, improved by 42%. National Renal Care (JV with Netcare) showed growth of 28%.

The **effective tax rate**, adjusted for equity accounted earnings is 28.3%, with non-deductible expenditure causing the increase over the statutory rate of 27.0%.



Headline earnings for the year improved by 10.7% to R898 million.

The increase in treasury shares held by a subsidiary further supported the increase of

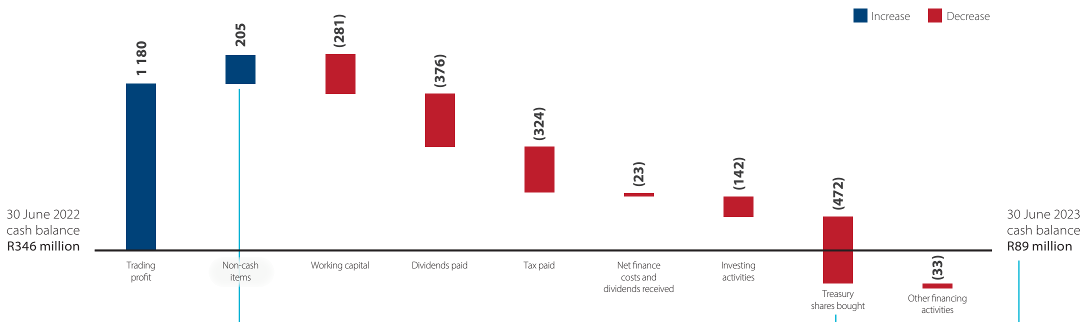
11.8% IN HEADLINE EARNINGS PER SHARE TO 561.3 CENTS.

WORKING CAPITAL

Inventory increased as a result of higher supplier prices, the impact of the exchange rate, an increase in safety stock as lead times and availability of certain raw materials have deteriorated, and new product launches, including the on-boarding of E45.

Gross trade receivables increased by R221 million, but recorded an improvement in the days outstanding to 55 days. Government debt comprises 12% of trade receivables. 64% of this customer's outstanding amount is due within 60 days or less.

CASH MANAGEMENT



Non-cash items include depreciation charges of **R189 million, (R44 million** relates to the **separately disclosed right-of-use assets**) and **amortisation** of **R9 million.**

The Group **increased** its **treasury shares held** by **Adcock Ingram Limited (AIL)** by an **additional 9.2 million shares** during the year, at **an average cost** of **R51.16 per share,** resulting in a **cash outflow** of **R472 million.**

At 30 June 2023, the **Group** has **16 950 000 treasury shares** (10% of issued shares).

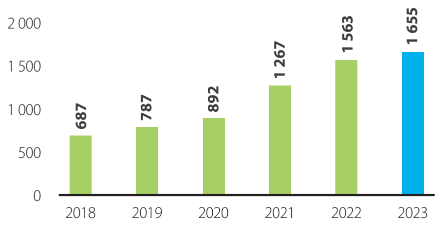
After a **total cash outflow** of **R265 million** during the year, the Group is in **a net cash position** of **R82 million** as at **30 June 2023,** with **access to the full balance** of the contracted working capital **facilities of R1.75 billion**.

FINANCIAL REVIEW CONTINUED

CONSUMER

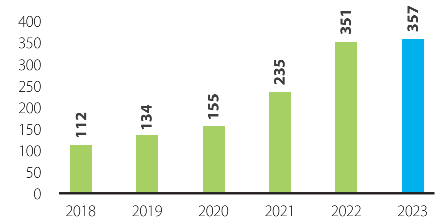
Turnover
(R'million)

+5.9%



Trading profit
(R'million)

+1.6%



Consumer turnover of R1 655 million increased by R92 million, supported by an average selling price increase of 6.9%. Mix contributed 5.0% to the growth, with product extensions in Epi-max, Cepacol, GynaGuard, and Plush, and the on-boarding of the E45 skincare range. Organic volumes declined by 6.0% due mainly to lower demand for Panado, which benefitted from COVID-19 in the prior year. The lower volumes are also evidence of the current pressure on consumers' disposable income.

The gross margin ended well below that of the prior year as the full impact of the significant cost pushes from suppliers and the weaker exchange rate (-12% in this division as its FECs are mainly USD-denominated), could not be fully compensated for by selling price increases.

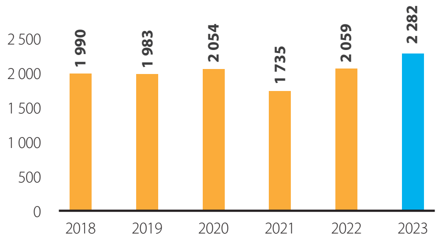
Operating expenses ended below the prior year due to savings in discretionary expenses and curtailed marketing expenditure, to compensate for the pressure on the gross margin.

Trading profit of R357 million ended 1.6% ahead of the prior year.

OVER THE COUNTER

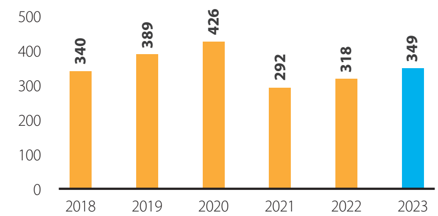
Turnover
(R'million)

+10.8%



Trading profit
(R'million)

+9.7%



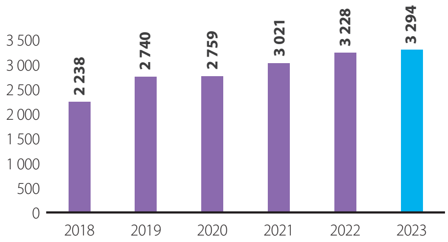
OTC turnover of R2 282 million, was R223 million above the prior year due to strong sales performances from the pain, cough and cold, and allergy portfolios. Volumes improved by 5.1% with major brands like Allergex, Alcophyllex, Adco-Mayogel, Scopex, Dilinct and Adco-Linctopent showing double-digit ex-factory growth. Average price realisation across the portfolio was 5.7%.

The gross margin ended below that of the prior year adversely impacted by the weak Rand (-13% in this division, with a purchase bias towards the USD), and increased production costs due to water and electricity supply disruptions.

Operating expenditure ended in line with the prior year resulting in an increase in trading profit of R31 million, to R349 million.

PRESCRIPTION

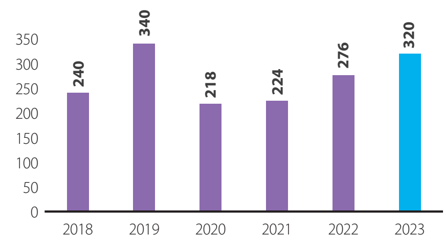
Turnover
(R'million)



+2.0%

Trading profit
(R'million)

+15.8%



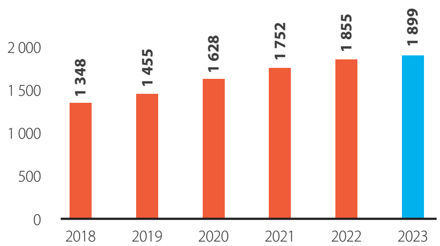
Prescription sales of R3 294 million, were R66 million higher than in 2022. Mix contributed 8.6%, with several new product launches and the benefit of the ophthalmic range from Novartis. Organic volumes declined by 7.8%, almost all of which is attributable to the reduced award in the ARV tender. The average price increase realised across this business was just 1.2%.

The gross margin improved from the previous year with the advantageous sales mix (a lower proportion of low-margin ARV tender sales).

Operating expenditure was higher in this business, to support new product launches, and trading profit of R320 million ended R44 million higher than last year.

HOSPITAL

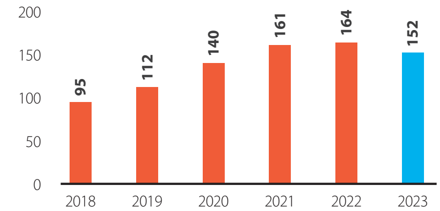
Turnover
(R'million)



+2.4%

Trading profit
(R'million)

-7.3%



Sales of R1 899 million, were R44 million above the prior year, with the division experiencing local and international supply and production challenges, and reduced demand for COVID-19 related products. A price increase of 1.9% was realised, with volumes (+0.1%) and mix (+0.4%) contributing the balance of the increase.

Gross margin ended slightly below the prior year, with the adverse impact of the exchange rate (-6.5% in this division, weighted towards the Euro) and higher production costs (diesel and overtime) being mostly compensated for by an advantageous sales mix.

Trading profit of R152 million, declined by R12 million.

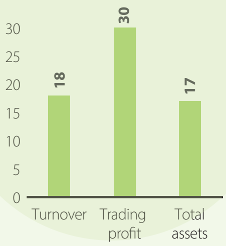
BUSINESS UNIT PERFORMANCE

CONSUMER

LAUREN SHIMMIN
Financial Director

NICK FORD
Managing Director

Contribution to Group results
(%)



TURNOVER:
+ 6%

TOP 10 BRANDS' TURNOVER:
R1 495 million
(2022: R1 450 million)

TRADING PROFIT:
+ 2%

MARKET SHARE[1]

CATEGORY AND POSITION
Analgesics/Pain #1
MARKET SHARE
38.8%

CATEGORY AND POSITION
Probiotics #2
MARKET SHARE
31.2%

CATEGORY AND POSITION
Energy supplements #1
MARKET SHARE
34.3%

CATEGORY AND POSITION
Intimate care #1
MARKET SHARE
51.4%

CATEGORY AND POSITION
Hand & Body #1
MARKET SHARE
60.4%

CATEGORY AND POSITION
Home care #5
MARKET SHARE
4.2%

CATEGORY AND POSITION
Shoe care #2
MARKET SHARE
22.6%

[1] *MAT Circana June 2023*

GUT/PROBIOTICS

Rising consumer awareness of gut health has positively attributed to market growth. More specifically, a growing number of consumers are becoming aware of the role of digestive health in physical health and immunity maintenance, weight management, and maintaining energy levels, which have boosted the demand for digestive health supplements, such as probiotics. Probiotic supplements represent one of the largest categories in the 'Non-Herbal Dietary Supplements' market, constituting 26% of the total market[2]. The introduction of new product formats continues as consumers show a preference for probiotics to be delivered in formats such as gummies, fizzy powders and chewables.

PAIN

During the pandemic, the demand for analgesic self-medication rose[1], allowing the analgesic market to consistently deliver strong growth. Panado, Adcock Ingram's largest analgesic brand, experienced a surge in usage as paracetamol was often recommended in the treatment of COVID-19 as well as for post-vaccination side-effect management, and subsequently demand dropped. As life returns to normal in the post-pandemic period, the demand for pain medication is expected to continue to rise steadily from the lower base.

VITAMINS, MINERALS AND SUPPLEMENTS (VMS)

Increased health consciousness has continued to drive the local supplements market, due to an increased preference for preventing and treating illness, using supplement products[4]. Furthermore, the increasing awareness regarding the importance of mental health globally is also contributing to demand for dietary supplement products that address mood, stress, and sleep challenges[4].

ENERGY

Consumers' lifestyles continue to become busier and more demanding, resulting in increased demand for products that assist them in coping and maintaining energy levels. Globally, there has been a significant increase in sales of energy supplements including energy drinks, with these beverages and supplements being consumed to enhance concentration, cognition, as well as energy[3]. Bioplus is the leading energy brand in South Africa with the sachet format being its growth driver. Bioplus has positioned itself as an energy brand to meet most needs and occasions of use with a wide range of format offerings.

HAND & BODY

Post COVID-19, the beauty and personal care categories have experienced growth. The focus on natural skin care, natural ingredients, and sustainable packaging options is likely to continue. Beauty and personal care are exceptionally competitive categories in South Africa, with new brands and products being launched rapidly.

Adcock Ingram's newly established agreement for E45 with Karo Healthcare has resulted in the Consumer division achieving a total share in excess of 50% in the emollient skin care category[5]. Epi-max is the primary growth driver within the emollient category and enjoys a strong market presence. Moreover, by leveraging innovation, Epi-max has successfully expanded into new market segments, such as body wash and baby products. E45 is the second largest emollient brand in South Africa with a strong heritage in treating dry skin conditions such as itchy skin, psoriasis, eczema, and sunburn.

With more than 650 000 votes across all categories, Epi-max has won in the following categories:

- **BEST BABY SKINCARE**
  (out of 13 contenders)
- **BEST SKINCARE FOR BODY**
  (out of 25 contenders)
- **BEST RANGE FOR BABIES**
  (out of 16 contenders)

HOME CARE

Plush competes in a highly competitive home care market. Category growth has been driven mainly in the key categories of dishwashing, bleach and all-purpose creams[5]. The home care market has seen an increased degree of promotional focus across these three categories as shoppers' spending power has become eroded due to the weak economic conditions.

SHOE CARE

Shoe care has seen growth throughout the year as consumers returned to work, school and social interactions, following the COVID-19 pandemic. The category has delivered double digit growth, as has Plush. Continued focus on growing our distribution through wholesale and specialty channels, will ensure that we continue to grow our shoe care business.

[1] *Paracetamol Market - Growth, Trends, COVID-19 Impact, and Forecasts (2022 - 2027)*
[2] *Insight Survey: South African Probiotics Industry Landscape Report 2022*
[3] *Insight Survey: South African sports & energy drinks industry landscape report 2022*
[4] *Insight Survey : South African Vitamins Industry Landscape Report 2023*

BUSINESS UNIT PERFORMANCE CONTINUED

CURRENT TRENDS IN OUR MARKET

CONSUMER

- Global economic conditions and the energy crisis have intensified the economic situation in South Africa which has led to cost of goods increasing and margin erosion on many brands[1].
- The impact of inflation and rising prices have forced shoppers to become increasingly savvy. With budgets having to stretch further, shoppers are seeking value more than ever. However, as quality is still non-negotiable, consumers are seeking quality at the best price possible.
- The wellness mega-trend continues to deepen, and shoppers have become aware of the benefits of a holistic approach to wellness. Wellness is all-encompassing and includes several proactive and spontaneous rituals and regimens spanning across healthcare and personal care.
- There have been major changes in shoppers' behaviour, with nearly 50% of shoppers shopping less frequently. Recurrent hikes in fuel prices may have aggravated this, however other categories such as grocery staples, fresh produce and personal care products have not been as affected by the change in shopper behaviour, although there may be switching of brands, buying alternative products, and shifting to value packs sizes[3].
- The reduction in the number of times shoppers visit the store has also led to major retailers offering a range of services that extend well beyond FMCG retail offerings and now include in-store health services.
- Another coping mechanism for South African shoppers has been the use of loyalty programs to access greater discounts. 73% of economically active South Africans use loyalty programmes and on average use nine different programmes. This remains a powerful and meaningful way to keep consumers engaged[1].
- Online shopping in South Africa has seen a rapid rise, driven by brick-and-mortar stores moving towards omnichannels.

RETAILER

- The load shedding crisis continues to negatively impact retailers in South Africa, with increased costs to keep their doors open as well as increasing pressure on the supply value chain.
- Retailers have recognised the importance of delivering more than just price to attract value-seeking shoppers, and that value is a need beyond price.
- With the expansion from no-name private label to private brands, retailers are expanding their private brand offering through innovation and range extensions attracting higher income wallets into their stores.
- Retailer loyalty programmes are becoming a key lever to attracting shoppers, with 84% of loyalty programme users indicating that it influences where they shop[2].
- With cross-shopping between retailers now a reality, retailers are hyper-segmenting to ensure they capture as many shoppers as they can within their group, instead of losing them to other retail groups because they do not have a relevant offer for a particular segment.
- Reaching scale with e-commerce remains a key component of the path to profitability for this channel, and retailers are recognising that integrating their platforms within their groups or exploring external integration with others, could unlock the reach they seek.

E-COMMERCE

- By 2024, e-commerce is expected to have a double-digit share of total retail, in approximately 20 major economies worldwide. Although most of these markets will have e-commerce accounting for less than 15% of total retail, the percentage is steadily increasing in almost every country[5].
- Considering the projected growth and online participation over the next three years, along with increased investment and focus from retailers, it is estimated that total online sales in South Africa could surpass R65 billion in 2024, representing 4.7% of total retail sales[5].
- For the Consumer division, 2023 was a year focused on building and expanding an ecosystem that extends digital reach and enhances customer engagement and transactions. The primary focus areas for omnichannel execution included expanding e-commerce capabilities, establishing product partnerships, leveraging retail media, improving customer service, and enhancing rewards programs.

OUTLOOK

- Disposable income is expected to remain constrained, while consumer confidence data points to non-essential purchases taking a back seat, and load shedding continuing to disrupt trading[2].
- The global energy crisis will continue to be a catalyst for the rising cost of living being experienced by shoppers across the globe – as energy bills rise, so does the cost of fuelling vehicles and heating homes[1].
- We can expect an increased effort by companies and governments to prioritise local sourcing and manufacturing because of the changing nature of globalisation which is a megatrend impacting retailers and shoppers alike.
- According to a study by Simon Kutcher and partners, 63% of shoppers globally rate sustainability as an important purchase criteria. The race to 'net zero' is intensifying efforts to reduce plastic packaging, this trend is expected to continue[4].
- Retailer owned private label brands are expected to continue to support the growth trajectory of retailers.

[1] Trade Intelligence | SOUTH AFRICAN ECONOMIC REPORT
[2] Trade Intelligence | Retail Trends 2023 Report
[3] Trade Intelligence | FMCG Shopper Marketing Report 2023
[4] Trade Intelligence | Corporate retail comparative report 2023
[5] Trade Intelligence | E-Commerce Channel Report 2022

DELIVERING ON STRATEGY

- Sales growth of 6% has been recorded, despite Panado coming off an inflated sales base driven by the COVID-19 vaccination programme in 2022. Epi-max and Bioplus both showed double-digit ex-factory growth.
- The Division now exclusively markets and distributes the well-known skincare brand, E45, in South Africa, on behalf of Karo Healthcare. E45 has strong brand equity within the SA market and line extensions will be launched in the coming year.
- Cepacol launched two cough syrups, a throat spray and lozenges in more affordable 8's packs.
- Epi-max expanded its baby and junior range with the launch of pH balanced unscented baby wipes, and added two glycerine bars to its portfolio.
- GynaGuard expanded into the sanitary protection category with the launch of unscented pantyliners in two different pack sizes.
- The Consumer division continued to focus its transformation initiatives around improving access to healthcare products and community upliftment:
  - Panado "A Dose of Care" Campaign partnered with HOT FM through their annual Teddython fundraiser. Through this initiative we were able to donate 1 000 school care packs to underprivileged children.
  - The Panado "A Dose of Care" campaign continued to run throughout the fiscal period; with the main objective to help carers across Gauteng, who are inspired by the spirit of ubuntu and dedicated to incredible acts of human kindness and generosity. The model was focused on celebrating the carer, coupled with paying it forward into the community.
  - The Ikasilami Cash Van Initiative increased its reach by adding an additional vehicle enabling a reach of 2 400 spazas nationally. This model increases ease of access and convenience of buying Adcock Ingram consumer products directly from cash vans at wholesaler prices within the informal trade sector.
  - A Nelson Mandela Day Clothing drive hosted by the Division contributed more than 30 bags of clothing to the Clothes for Good Initiative based in Gauteng, a microbusiness program empowering 108 women of disabled children, allowing them to become successful entrepreneurs through the upcycling of pre-loved clothing.
  - The partnership with the Rural Education Access Programme (REAP), resulted in 2 000 solar lights being distributed to students across the country. The project is aimed at providing students with a sustainable and safe solution, reducing the need for kerosene lamps and candles to work and study.

OUTLOOK

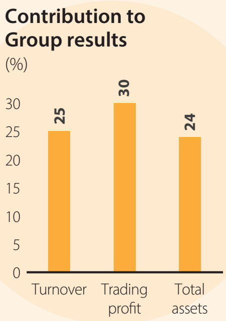
- Our objective remains to be the consumers' choice for healthcare, home care and personal care, with a base of trusted iconic brands. The business will continue to use its heritage brands to leverage new launches within the portfolio.
- Focus on reducing the above normal cost increases from our suppliers to ensure sustainable profitability.
- Continue to seek opportunities to close the gaps in the portfolios in areas we don't compete in.
- New channels, markets and adjacent categories will be targeted.
- "A Dose of Care", driven by Panado will continue to contribute towards the initiative of being purpose-led.
- Ikasilami Cash Van initiative will continue to drive accessibility to medicines within the traditional trade environment.
- The REAP will continue over the next fiscal year.
- Brand-led initiatives such as the Island Tribe solar programme are expected to contribute towards the Division's sustainability objectives.

BUSINESS UNIT PERFORMANCE CONTINUED

OVER THE COUNTER (OTC)

YUDHVEER SINGH
Financial Director

SUDIER RAMPARSAD
Managing Director



TURNOVER:
+11%

TOP 10 BRANDS' TURNOVER:
R1 466 million
(2022: R1 348 million)

TRADING PROFIT:
+10%

MARKET SHARE[1]

S1 and S2	Market share	Position
Volume	29%	1
Value	19%	1

The Division competes mainly in the following therapeutic categories over the counter in pharmacies:

CATEGORY AND POSITION
Pain #1
MARKET SHARE
25%

CATEGORY AND POSITION
Cough, colds, and flu #1
MARKET SHARE
22%

CATEGORY AND POSITION
Allergy #2
MARKET SHARE
22%

CATEGORY AND POSITION
Indigestion #1
MARKET SHARE
33%

Our brands being awarded

The following brands were recognised as the winners in the respective categories, measured in the 2022/2023 Ask Africa Kasi Star Brands benchmark. Kasi Star Brands are brands that are used most loyally by South Africa's township consumers. That is in line with our strategy of expanding into different channels and making our brands available and affordable for all.

Alcophyllex The brand winner of the Cough Mixtures Category

Allergex The brand winner of the anti-Allergy remedies Category

askafrika
Kasi Star Brands
2022 | 2023 CATEGORY WINNER

[1] *IQVIA TPM MAT June 2023*

PAIN

Adcock Ingram OTC's pain portfolio includes a range of analgesic and anti-inflammatory products that afford the pharmacists a variety of treatment solutions that can be counter-recommended to the customers. This segment of the business is valued at R559 million, growing at 13% and demonstrates the scope of the Division's self-care treatment options that consumers have access to without a prescription.

COUGH, COLDS, AND FLU

The COVID-19 pandemic disrupted the cough, colds, and flu market, with viral respiratory infections also common in non-traditional flu months, resulting in unexpected sales outside of the traditional winter season. This has contributed to the performance of the Division's product basket valued at R815 million, growing at 12%. In this category, Corenza C is the flagship brand.

ALLERGY

The Division's allergy portfolio is worth almost R328 million and growing at 13% with Allergex being the market leader in this segment of the market. Allergex is now the leading brand in the OTC business unit, having experienced double-digit ex-factory growth in the year under review. Other brands in this portfolio include Levogex (levocetirizine), Ceticit (cetirizine) and Deslomed (desloratadine).

HEARTBURN AND INDIGESTION

The Division's digestive portfolio is worth R407 million, growing at 7% with Citro-Soda being the leading contributing brand. Adco-Mayogel recorded ex-factory growth in excess of 20%, following increased presence on shelves in corporate and independent pharmacy, offering customers a more affordable treatment option.

CURRENT TRENDS IN OUR MARKET

- Subsequent to the pandemic, increased socialising has resulted in a rise in flu-like symptoms by consumers and an increase of footfall in pharmacy as consumers sought advice on treatment.
- We have observed a rise in cold and flu activity outside of the conventional winter season.
- While the demand for treatments and products has increased, Rand weakness, increased costs of raw materials and other inflationary pressures have negatively impacted the gross margin.

DELIVERING ON STRATEGY

- Commendable growth of 11% in sales and 10% in trading profit has been recorded.
- The Division launched Bionase Nasal Spray (a nasal solution with antibacterial properties), UTI-X (support for urinary tract infections) and Actipatch (a device for musculoskeletal pain).
- Allergex and Alcophyllex were recognised as category winners in the askafrica icon brands survey.
- The business successfully mitigated short supply of certain self-care products or ingredients.
- Commercialisation strategies were adjusted to ensure prominent exposure of well-known brands through above-the-line (ATL) campaigns, across multiple advertising media during the year. Digital and social media campaigns were elevated.
- The Division expanded its War-on-Shelves campaign to shop-floors, clinics and other points within pharmacy.
- The first commercial batches of eye drops were released from the sterile facility at Clayville.
- A water storage tank and additional purified water buffer tanks were installed at Clayville, to counter water disruptions.
- The PAS system, which controls the manufacturing process at Clayville was upgraded.
- The Adcock Ingram OTC Sponsors of Brave platform continues to promote the Division and its products whilst ensuring extension of social responsibility with customers and consumers.
- The Hopetober campaign, introduced for the first time during the COVID-19 pandemic, was once again successfully run by the Division, including sponsorship of the Annual Journalist Awards, Duidelik Dapper (Kyknet) and Pharmacy of the Week.
- Established black female-owned ESDs are becoming self-funding, while also improving a number of manufacturing processes within the Division.
- Vendor listing continues to expand with focus on procurement from B-BBEE accredited entities.

OUTLOOK

- Continued sales and marketing investment behind the Division's iconic brands.
- Continued engagement of the field force with customers with a focus on increasing market share by brand and therapeutic area.
- Listing and procuring from local Black-owned business vendors, with a focus on Black female-owned SMEs.
- Increase utilisation of the sterile facility.
- The Adcock Ingram OTC Sponsors of Brave platform will focus on Corporate Social Responsibility projects in selfcare.
- New talent attraction will be based on furthering employment equity objectives.
- Continuation of energy and water conservation and waste management initiatives at Clayville.

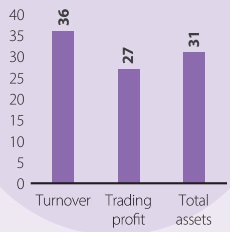
BUSINESS UNIT PERFORMANCE CONTINUED

PRESCRIPTION

NOLWAZI VILAKAZI
Financial Director

ASHLEY PEARCE
Managing Director

Contribution to Group results
(%)



TURNOVER:
+2%

TOP 10 BRANDS' TURNOVER:
R960 million
(2022: R1 117 million)

TRADING PROFIT:
+16%

MARKET SHARE[1]

CATEGORY AND POSITION
Analgesics/Pain #1
MARKET SHARE
14.6%

CATEGORY AND POSITION
Women's health #4
MARKET SHARE
6.6%

CATEGORY AND POSITION
Urology #2
MARKET SHARE
25.6%

CATEGORY AND POSITION
Dermatology #1
MARKET SHARE
18.9%

CATEGORY AND POSITION
Biologics #5
MARKET SHARE
7.2%

CATEGORY AND POSITION
Generics #3
MARKET SHARE
9.6%

CATEGORY AND POSITION
Ophthalmology #4
MARKET SHARE
7.1%

Category	Market share	Position
Volume	15%	1
Value	6.8%	4

[1] IQVIA TPM MAT June 2023

PAIN

The pain portfolio has a strong heritage in the market with brands such as Myprodol, Mypaid Forte and Synaleve being well-known to clinicians. The portfolio has been bolstered by the inclusion of Vimovo, through partnership with Grunenthal. Synaleve continues to show good growth with ex-factory sales of almost R150 million. The Division's pain portfolio continues to be the market leader in prescription pain treatments, with three of our brands featuring in the top 10 within the non-narcotic analgesic market.

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 including our partnerships (6.6% excluding MNC), the portfolio offers 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.

UROLOGY

This portfolio includes well-known brands such as Urispas and Urizone, and is the market leader in the treatment of UTIs, with 26% market share, despite several fosfomycin generics having been launched during the year by competitors.

CENTRAL NERVOUS SYSTEM (CNS)

Mental health remains a challenge and concern for many people and the importance thereof has been elevated in the last couple of years. The portfolio offers a variety of treatments for a wide range of psychiatric and neurological disorders. This is also bolstered by partnerships with multinational companies, offering innovative treatments to South African patients.

Stresam, a treatment for anxiety, has shown growth of 9% in-market, well ahead of the market which has declined by 1.2%[1]. The other key products in the portfolio, which are promoted and/or distributed on behalf of our long-standing partner Lundbeck, are Cipralex, Cipramil and Fluanxol.

Our ADHD portfolio comprising of Medikinet MR (methylphenidate) and Amfexa (dexamphetamine), both of which were launched in June 2022, has experienced good acceptance amongst prescribers. These products have been included in the latest update of the South African ADHD guidelines issued by The South African Society of Psychiatrists (SASOP) and are gaining traction in the market.

DERMATOLOGY

We offer treatments for a wide range of dermatological conditions including eczema, fungal and bacterial skin infections, psoriasis, acne, and dry skin, with well-known brands such as Advantan, Fucidin, Protopic, Dovobet and SBR.

Fucidin Topical continues to grow within the Schedule 2 segment and has maintained the number two (2) position in the class despite being a generic entrant in the market.

The prescription portfolio includes brands such as Advantan, Dovobet, Locoid and Zineryt. Advantan is the leading topical corticosteroid brand in the market with 30% market share, and Dovobet, the only fixed dose combination anti-psoriasis product has 81% market share[1].

GASTROENTEROLOGY

This portfolio caters for the treatment of reflux disease, ulcerative colitis and haemorrhoids. The partnership with multinationals offers brands from Takeda which include Topzole, Mezavant and Dexilant, and Scheriproct from Karo Healthcare.

The launch of Dexilant (dexlansoprazole) in June 2022 offered the first new chemical entity in the proton pump inhibitors (PPIs) market in South Africa for over 20 years and can provide patients with 24-hour relief of heartburn symptoms.

[1] IQVIA TPM MAT June 2023

BUSINESS UNIT PERFORMANCE CONTINUED

BIOLOGICS

Biological medicines are expensive and thus often inaccessible to many patients suffering with serious autoimmune and oncological conditions. The goal of this portfolio is to improve access to treatment to more patients needing biologic therapy, through the introduction of biosimilars. Biosimilars are cost effective alternatives that provide similar efficacy and safety to originator products.

The launch of infliximab and rituximab biosimilars in South Africa gave Adcock Ingram a footprint within the biologics market and allow for competition with some of the leading multinational pharmaceutical companies in the country. Blitzima (rituximab) has achieved 30% volume market share[1] within two years of launch.

GENERICS

The aim within the portfolio is to ensure that patients have access to a comprehensive range of products across several therapeutic areas at competitive prices. This requires constant engagement with manufacturers and funders to manage product profitability and sustainability.

This portfolio contributes over 30% of revenue within the division and includes medicines across various therapeutic areas such as central nervous system, cardiovascular, pain, gastroenterology and dermatology.

[1] *IQVIA TPM MAT June 2023*

OPHTHALMOLOGY

The division's offering in ophthalmology, through its partnership with Novartis, has resulted in rapid growth of revenue in the portfolio. The multi-year sales, marketing and distribution agreement with Novartis for 19 ophthalmology products including Cilodex, Patanol and Tobradex, increased the offering to patients and clinicians. Inclusion of the Novartis range together with Adcock Ingram's own ophthalmic products such as Spersadex Comp, Spersallerg and Xailin, now positions the business as the leading eyecare company in the market.

SKIN CARE

The skincare division saw good growth across all brands in the Sorbet group during the year. The Sorbet group now contributes 55% of the total skincare salon market. The division continues to grow across both medical and salon markets with well-respected brands, Neostrata and Exuviance (from Johnson & Johnson), and Heliocare and Endocare (from Cantabria Labs), all having high brand equity and affinity with customers.

CURRENT TRENDS IN OUR MARKET

- Biosimilars continue to improve access to high value medicines.
- 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 (The South African Health Products Regulatory Authority) in improving the timelines for registration of new medicines and generics.
- The economic squeeze has led to more patients downgrading their medical aid schemes, which results in lower access to new and innovative medicines.
- Growth in corporate pharmacies and corresponding house brand strategies will limit the introduction and growth of generics within this channel.

DELIVERING ON STRATEGY

- The Division delivered 2% growth in revenue and trading profit growth of 16%.
- The business remains committed to building its relationships with its multinational partners, and during the year successfully renewed and strengthened existing partnerships and pipelines with Leo Pharma and Takeda.
- The successful integration of a multi-year sales, marketing and distribution agreement of the Novartis ophthalmic portfolio delivered ex-factory sales in excess of R250 million[2].
- Vimovo was integrated within the division's pain portfolio at the end of calendar 2022, bolstering Adcock Ingram's position as a leader in pain market.
- Ten new products were launched during the year, contributing over R50 million[2] in sales.
- To make healthcare more accessible, continued financial support was provided to:
  - *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.
  - *MENstruation Foundation and O'Grace Land sanitary pad vending machine project* – period poverty is real and there is a massive need for aid. The objective of our partnership with the MENstruation Foundation and O'Grace Land is to sponsor token based sanitary pad vending machines in schools identified to be in need of sanitary products for their learners. Up to 36% of women can't afford sanitary products and as a result female students are losing up to 20% of school days per year. By getting involved with this worthy cause four primary and secondary schools were identified as part of this project. The machines were installed in August 2022 and Adcock Ingram will be involved with this project for at least the next 24 months. We have committed to help find a sustainable solution to drive out period poverty, to empower young women and to ensure that their dignity is protected.
  - *Project Outreach "67 mins" Mandela day* – the Division embarked on a school outreach project to relieve some of the pressures on schools in rural areas and provided basic school supplies for the start of the new school year. In January 2023, the division's mid-year sales conference provided the most opportune time to complete this wonderful initiative as we chose a primary school, Geza Primary School in the Drakensberg area. The Division's representatives delivered the supplies to a group of young learners.
  - *Turn up the HEAT* – whereby the Division's team donated previously loved garments and blankets for dissemination to underprivileged communities in and around the Sun City area.

[2] *Adcock Ingram internal data (ex-factory sales)*

OUTLOOK

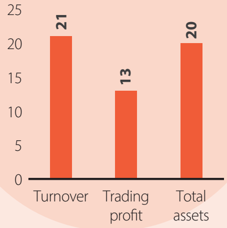
- The Division aims to strengthen its focus and offering in generics, ensuring that it continues to offer patients affordable, quality, and relevant generic medicines.
- Delivering on the multinational strategic partnerships remains key, with the major focus on continuing to deliver value to our partners that have confirmed their long-term partnership with the division, such as Takeda, Lundbeck, Biocodex and Leo Pharma. The now well-established Novartis ophthalmic partnership continues to build on this platform.
- Achieving launch excellence remains a cornerstone of our focus, as we launch into a number of opportunities across the central nervous system, pain, women's health and generic categories.
- Continued financial support towards the three key social projects where the Division is already involved, to continue making healthcare available to more patients.

BUSINESS UNIT PERFORMANCE CONTINUED

HOSPITAL

MOHAMED MANGEL
Financial Director

COLIN SHEEN
Managing Director



TURNOVER:
+2%

TOP 10 BRANDS' TURNOVER:
R1 177 million
(2022: R1 108 million)

TRADING PROFIT:
-7%

RENAL

The renal business comprises four portfolios of which peritoneal dialysis (PD) remains the largest contributor, followed by speciality pharma, haemodialysis (HD) and continuous renal replacement therapy (CRRT).

Chronic dialysis patient numbers are gradually increasing following the mortality experienced during the COVID-19 pandemic. The public sector adopts a largely PD first approach, and a marginal increase in PD patient numbers has also been seen in the private sector.

Within the specialised renal pharmaceutical business, strategic alliances form the backbone of the portfolio, including a well-anchored relationship with Roche Pharmaceuticals, which provides treatments for conditions associated with chronic kidney disease.

The Division remains the largest supplier of CRRT equipment and consumables in South Africa, which is a treatment for acute kidney injury and used in hospital ICUs.

HOSPITAL

LARGE VOLUME PARENTERALS (LVP)

The comprehensive LVP portfolio reflected reasonable growth for the year. LVPs remain an anchor to the Division due to the inherent local manufacturing component.

SMALL VOLUME PARENTERALS (SVP)

The SVP portfolio reflected a decline in revenue for the year largely driven by:

- continued decline in demand for COVID-19 related products (Midazolam; 2ml vaccine diluent), exacerbated by the inflated base as a result thereof;
- the loss of tenders and/or formulary listings; and
- supply constraints from one of the largest principals.

The portfolio continues to face intense generic competition with a greater number of generic entrants, low barriers to entry and continued erosion of price.

PAIN AND ANAESTHESIA

The anaesthetic portfolio showed double-digit growth following an increase in hospital access and consequent increase in elective surgeries. The portfolio was however somewhat hindered by supply constraints in the pain therapeutic area as a function of constraints with an international partner. It is expected that these will normalise within the new year.

TRANSFUSION THERAPY

The portfolio saw growth in line with the resumption of blood donation drives by the South African National Blood Services (SANBS) post-COVID. The business continues to foster a close association with its key customer, SANBS, a relationship which spans more than 50 years.

SPORTS SCIENCE AND REHABILITATION

The portfolio remains a fledgling within the business although impetus has been gained through the post-COVID period, where we are seeing increased activity related to fitness and well-being. The business launched the PRIM (a Spanish multinational) range of orthotics in January 2023, focused on specialised bracing.

CURRENT TRENDS IN OUR MARKETS

- Funding pressure is experienced across the entire sector as private health insurers manage post-COVID recovery through a tough operating climate, inflationary pressures, and a largely stagnant medical aid membership base.
- 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 pricing, admissions, stays, and preferences which can result in reduced hospital bed days, reduced admissions, and consequent revenue pressure.
- Increased regulations, including those now required in a previously largely unregulated device environment.
- Increased cost controls as hospital groups tighten up on non-funded expenses.
- Increased use of day clinics and homecare as funders and patients continue to manage hospital, surgical, pharmaceutical, and specialised price inflation.

DELIVERING ON STRATEGY

- Exports to nine African countries resulted in growth in the Division's export business.
- The Division was awarded a contract to supply intravenous fluids to the Mozambique Ministry of Health.
- The SVP portfolio has maintained its position within the market despite a drop in demand for products used in COVID related regimens.
- The business has maintained its market-leading position in chronic dialysis regimens in PD and HD, and is the market leader in CRRT.
- The business has maintained its strong affiliation with SANBS; and improved the blood bags and developed multiple configuration blood packs for this customer.
- The Division's disinfectant business has expanded its offering through an alliance with Spar, supporting various household consumer formulations.
- Several regulatory-related upgrades were completed at the Aeroton plant, including environmental monitoring of clean rooms, compounding rooms and staff changing facilities.
- Grey water from the business' manufacturing process is now recycled for use in on-site bathrooms.

OUTLOOK

- As a local manufacturer, the business will maintain its close relationship with key customers, including Government, SANBS and the major hospital groups, and support the provision of quality healthcare products affordable to all.
- The Division will continue to concentrate efforts on product mix, line extensions, process efficiencies and people.
- The business will maintain uncompromising attention to customer service and quality.
- The business will maintain its focus on being a responsible corporate citizen, including social upliftment and contribution to communities, water and energy saving initiatives, the reduction, recovery and recycling of waste, enterprise development and employment transformation.

ENVIRONMENTAL

2023 OVERALL WINNER OF THE GREEN ECONOMY AWARD FOR NON-PROFIT ORGANISATIONS (NPOs) FROM THE TRIALOGUE BUSINESS IN SOCIETY CONFERENCE.

My Walk, a social development, environmental sustainability and enterprise development initiative that reclaims polyvinyl chloride (PVC) from healthcare waste and turns it into shiny new school shoes for children, has been recognised with the Nedbank Green Economy Award for NPOs.

Since February 2020, My Walk has put quality school shoes on the feet of more than 100 000 children and prevented over 75 tons of healthcare waste going to landfill, including drip bags and PVC tubing, reclaimed from 20 participating Netcare hospitals in Gauteng. For each ton of PVC material recycled and repurposed to make My Walk school shoes, some 1.5 tons of greenhouse gasses are prevented from entering the atmosphere.

This award reaffirms that through embracing a circular economy, green solutions such as this can fulfil the material needs of business while simultaneously benefitting society, in this case by supporting education, job creation and enterprise development.

SUSTAINABILITY

OUR APPROACH TO SUSTAINABILITY

SUSTAIN (ENVIRONMENT)

- Save and preserve natural resources
- Minimise the impact on the environment
- Strive for and inculcate an environmentally savvy mindset.

ENGAGE (SOCIAL)

Engage and build trust and credibility with:

- employees
- customers
- suppliers
- communities
- industry and regulatory bodies.

Enhance the livelihood of our stakeholders by creating jobs and providing opportunities across our value chain.

ADHERE (GOVERNANCE)

- Adhere to all relevant legislation
- Apply robust governance principles across the business
- Remain an ethical and responsible corporate citizen
- Conduct business in a transparent, responsible and sustainable manner.

HIGHLIGHTS AT A GLANCE

E ENVIRONMENTAL

3 additional renewable energy projects completed in 2023.

84% (3 501 tonnes) of total (non-hazardous waste was recycled. **16%** (672 tonnes) went to landfill.

100% recycling of thermal shipping covers.

Installed >500 aerators at different sites, which led to reduced water flow of up to **80%** at non-production inlets.

Introduced glass banks and medical waste bins.

Energy utilisation – **5%** from solar.

Water consumption increased by **7%** due to an increase in production volumes.

Carbon emissions (tCO_2e) (scope 1 and scope 2) tonnes per full-time employee decreased from **30.258** in 2022 to **28.913** in 2023.

S SOCIAL

R820 million spent on Black-owned and Black women-owned enterprises.

Procurement spend on small- and medium sized enterprises (SMEs) and qualifying small enterprises (QSEs) – **R600 million.**

Training spend – **R56 million**.

47% of recruited graduates were NSFAS funding recipients.

R8.4 million spent on CSR initiatives.

To date, over **100 000 pairs** of school shoes donated to children from disadvantaged backgrounds through MyWalk.

Two-year wage agreement concluded (2023 -2025).

Sponsors of Brave continue to recognise and celebrate fellow brave South Africans that are often not afforded the acknowledgement they deserve. These healthcare professionals include doctors, nurses, pharmacists, paramedics and other allied fraternities.

88% of employees who received the anti-harassment video watched it.

55% of appointments at all management levels were African.

86% of promotions to management level were African.

G GOVERNANCE

LEVEL 2 (**95.73** points) B-BBEE rating

Board diversity – **64%** black, **73%** females and **55%** black female.

62 whistle-blower contacts received on Ethics Line. **21** reports generated. Zero proven allegations.

244 internal audits conducted in order to enhance internal controls.

0 days lost to industrial action.

0 fatalities during the year.

0 employees earning below the Pharmaceutical sector minimum wage of **R119 473.80** per annum.

Regulatory obligations fulfilled:
B-BBEE reporting to the Commissioner, licencing accreditations, JSE Listings Requirements, King IV™ principles, Employment Equity, health and safety standards.

161 combined years of executive management experience at Adcock Ingram.

Appropriate disclosures of conflict of interest.

Gift register to promote ethical behaviour.

SUSTAINABILITY CONTINUED

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The Social, Ethics and Transformation Committee (SET) is a statutory committee appointed in terms of the Companies Act. The Committee's focus includes monitoring the Company's activities relating to social and economic development, responsible corporate citizenship, conduct and ethics, stakeholder engagement, fair and just labour practices, health and public safety and the business impact on the environment. The Committee comprises of three non-executive directors, two of whom are independent and one executive director.

ACHIEVEMENTS DURING THE YEAR

- Achievement of set ESG targets.
- Reviewed the Group's anti-bribery and corruption, and fraud practices.
- Continued to monitor the Group's commitment to B-BBEE, CSR and investment in black-owned suppliers.
- Introduced a holistic employee wellness program.
- Increased appointments of African employees at middle management level and above.
- Continued to foster strong relationships with regulatory authorities to enable us to share our challenges and co-create solutions.

KEY ACTIVITIES DURING THE REPORTING PERIOD

MC MANUFACTURING CAPITAL

- Monitored:
  - Site forum performance against mandate and targets
  - Recovery to expense ratios in the manufacturing plants
  - Compliance with health and safety standards.
- Deliberated on the impact of the Extended Producer Responsibility regulations, under the National Waste Management Act.

NC NATURAL CAPITAL

- Monitored:
  - Environmental initiatives
- Tracked:
  - The Group's sustainability scorecard for the factories and distribution sites with regards to water and energy consumption and carbon footprint.

IC INTELLECTUAL CAPITAL

- Monitored:
  - Regulatory compliance
  - Dossier compliance to guidelines and regulations
  - Submissions of product applications and amendments
  - Advertising standards.
- Tracked:
  - The total number of adverse event reports
  - Interactions with regulatory bodies.

HC HUMAN CAPITAL

- Discussed:
  - Talent management performance
  - Medical insurance for employees who cannot afford medical aid.
- Evaluated:
  - Succession management for critical skills
  - Development programs
  - Equal pay for work of equal value for critical and key roles.
- Monitored:
  - Employee wellness interventions
  - Tracked the Group's five-year Employment Equity plans against the targets.

FC FINANCIAL CAPITAL

- Monitored:
  - Recovery to expense ratio
  - Fraud and corruption prevention through the ethics line.
- Assessed:
  - The impact of commercial transformation projects in society
  - Government debt collection plans.
- Reviewed:
  - Enterprise and Supplier Development programs
  - Government and Tender landscape.

SR SOCIAL AND RELATIONSHIP CAPITAL

- Monitored:
  - Group media exposure (including negative sentiment and ways to address).
- Discussed:
  - CSR projects
  - Assessment of Department of Labour review by Director-General
  - Enhanced SET report prior to presentation at AGM
  - Progress towards B-BBEE targets
  - Video around harassment in the workplace
  - Extended Producer Responsibility.

LOOKING AHEAD

- Enhance the Group's reporting and measurement of sustainability targets.
- Conduct gender and race pay disparities at all management levels and address anomalies, if any.
- Continue to monitor the CSR initiatives to comply with the following allocation:
  - 70% healthcare
  - 20% education
  - 10% environment
- Develop new Employment Equity plan in relation to new sector targets.
- Continue to advance the culture of diversity, inclusivity, and a sense of belonging.

NATURAL CAPITAL

ENVIRONMENT

South Africa is characterised by a generally warm climate, with cooler temperatures in high altitude regions. In the past several decades, minimum and maximum temperatures have become both more frequent and extreme. The country's extensive coastline is impacted by heavy waves and storm surges, as well as rapid urbanisation. South Africa's most significant climate vulnerabilities stem from water availability challenges. Warming temperatures and variable rainfall will increase evaporation and decrease stream flows, with negative implications for water storage systems. South Africa's greenhouse gas emissions are largely driven by electricity and heat production[1].

According to USAID[2] South Africa's dependence on coal as a primary fuel source for electricity generation makes it one of the world's top 15 greenhouse gas (GHG) emitters of which the energy sector represents roughly 80 percent of gross emissions.

Climate change is already altering the South African ecosystems, economies and livelihoods. Since 1990, the national average temperature has increased twice as fast as global temperatures.

Climate impacts on water security are particularly severe, with more frequent drought and water shortages resulting in water scarcity in parts of the country. The projected changes in temperature extremes put additional strain on the healthcare system, including an increasing disease burden, and affect aspects such as infrastructure, services, availability of medicines and medical supplies, and emergency services.

As a responsible global citizen, Adcock Ingram is aware of the urgent imperative to seek ways to change 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. The urgency of this can be witnessed in the prominence this has taken in the incentivisation of management (refer to the Remuneration Report).

No environmental complaints were received during the year, no environmental incidents occurred and no fine was paid for any environmental non-compliance.

SCOPE 1 **UP 12%**

Due to increase in diesel consumption as a result of loadshedding

Distribution warehouses reporting diesel consumption for the first time

tCO_2e is the standardised metric used to compare companies and a company over time and measures "Carbon equivalent tonnes" where physical tonnes and a company's activities and processes are converted using prescribed "emission factors".

SCOPE 2 **DOWN 5%**

Increase in solar energy away from the Eskom grid

ELECTRICITY USAGE (KWH) UP 7%
to 56 388 770*
(2022: 52 564 812)

* Includes grid, solar and generators

SCOPE 3 **UP 9%**

An increase in business travel as:

a) normalisation of activity post lockdowns

b) a change in Green House Gas (GHG) recording methodology to include "Well-to-Tank" (WtT)

Increased transportation of raw materials and finished goods following higher production levels

Offset by
a decrease in waste to landfill

WATER USAGE (KL) UP 7%
to 399 344*
(2022: 372 364)

*Includes borehole and grey water

ONLY 16% OF NON-HAZARDOUS WASTE SENT TO LANDFILL

A Well-to-Tank emissions factor, also known as upstream or indirect emissions, is an average of all the GHG emission released into the atmosphere from the producing, processing, and delivery of fuel to a fuel tank.

1 *https://www.climatelinks.org/countries/south-africa*

2 *https://www.usaid.gov/climate/country-profiles/south-africa*

NATURAL CAPITAL CONTINUED

CARBON FOOTPRINT

Boundary: The carbon footprint report covers emissions from the business activities of Adcock Ingram's South African operations, including its offices, warehouses, distribution centres, and subsidiaries.

Methodology used: 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.*

The Group's carbon footprint in South Africa, determined by "Carbon Calculated", is as follows:

SCOPE 1 (from directly controlled emissions – sources owned or controlled e.g., generators, refrigeration, air-conditioning units) **(Tonnes CO_2e)**	**2023**	**2022**	**% change**	**Notes**
Equipment owned or controlled	14 707	12 453	18%	1
Air conditioning and refrigeration gas refills	6 248	6 344	(2%)	
Vehicle fleet	265	161	64%	
Onsite renewable electricity	–	n/a		2
Total Scope 1	21 221	18 958	12%	

[1] *The increase is due to higher diesel consumption during loadshedding as well as including the diesel usage for generator use by the various distribution centres for the first time.*
[2] *Renewable energy implanted at the Clayville site (OTC) generating 1 110 MWh.*

SCOPE 2 (records electricity converted to emissions measure) **(Tonnes CO_2e)**	**2023**	**2022**	**% change**	**Notes**
Electricity (location-based)	53 980	55 719	(3%)	3
Electricity (market-based)	52 477	55 325	(5%)	4
Total scope 1 and 2 (market-based)	73 698	74 283	(1%)	

[3] *Location-based electricity emissions assume Adcock Ingram purchased renewable electricity (1 445 MWh) at Distribution which is sourced from the grid.*
[4] *There was a slight decrease in the emission factor for the current year, but overall consumption from the grid decreased by 5%, due in part to a significant increase in renewable electricity at Distribution.*

A location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).

A market-based method reflects emissions from electricity that companies have purposefully chosen. It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims.

SCOPE 3 (Indirect emissions) **(Tonnes CO_2e)**	**2023**	**2022**	**% change**	**Notes**
Business travel (incl. WtT)	4 075	2 274[a]	79%	5
Employee commute	3 161	2 894	9%	6
Transportation and distribution of raw materials and finished products (incl. WtT)	16 385	15 009[a]	9%	7
Packaging materials	19 140	19 936[a]	(4%)	
Consumption of office paper	50	67	(25%)	
Total waste (landfill and recycled) and effluent	1 063	1 657	(36%)	8
Water supply	365	347	5%	
Electricity transmission & distribution losses	6 261	6 528	(4%)	
WtT for Scope 1 fuels	2 780	n/a		9
Total scope 3	53 280	48 712[a]	9%	
Total scope 1, 2 and 3	126 978	122 995	3%	

[a] *Prior year restated due to improved methodologies and data collection.*

[5] *Business travel increased due in part to the inclusion of WtT emissions (full fuel lifecycle accounting increased emissions by 30-35%) as return to normal operations post lockdowns.*

[6] *Commuting emissions based on survey in 2021 - likely understated with return to office post COVID, but not regarded as material.*

[7] *The increase is due to the inclusion of the WtT emission factor, as well as a 9% increase in RTT (transport partner) litres of fuel billed to the Company, and a 4% overall increase in 'tonne km' for imports and exports. The increase was partly offset by a decrease in airfreight.*

[8] *Emissions from waste decreased significantly due to a change in the waste mix with a large increase in recycling and a consequent decrease in waste to landfill and a decrease in incinerated hazardous waste.*

[9] *Emissions from the upstream lifecycle phase (WtT) of Scope 1 fuels are included for the first time.*

(Tonnes CO_2e)	**2023**	**2022**	**% change**	**Notes**
Total scope 1, 2 and 3	126 978	122 995	3%	
Outside of scopes	371	619	(40%)	
Grand total	127 350	123 614	3%	
Number of full-time employees (including fixed term employee contractors)	2 549	2 455	4%	
Carbon emissions (scope 1 and 2) per full-time employee	28.913	30.258	(4%)	
Area in m^2	115 229	115 229[a]		

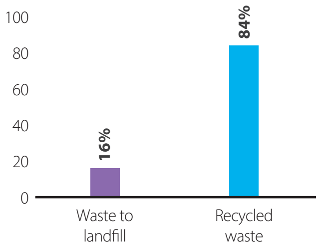
The detailed report from Carbon Calculated can be obtained from www.adcock.com/Investors/IntegratedReports

NATURAL CAPITAL CONTINUED

ENVIRONMENTAL EFFORTS DURING THE YEAR

WASTE

Waste split



Recycled waste	2023 tonnes	Split
Wood (pallets)	1 371	39%
Plastic	831	24%
Boiler ash	600	17%
Carton	512	15%
Other	187	5%
	3 501	100%

Various efforts, with regards to the recording of waste, including the recycling of waste, have been put in place during the year to ensure more accurate data, and focus on improving the recycling of waste.

WATER

Water sources	2023 kl
Municipality	379 377
Borehole	15 073
Water extracted from ground	394 450
Greywater (recycled water)	4 894
Total water usage	399 344

Water plays an integral part in our operations, not only as it forms part of our finished products, but it is also used for CIP[1].

1 Clean-in-place (CIP) is a cleaning method used in the pharmaceutical industry for cleaning parts in direct contact with the solution without removing them from the equipment. This method involves circulating a cleaning solution through the system while it is still assembled.

ELECTRICITY CONSUMPTION

Electricity generation	2023 kWh	Split
Grid	50 458 511	89%
Solar	2 555 287	5%
Generators	3 374 972	6%
Total electricity usage	56 388 770	100%

FOCUS AREAS

- Review and implement, where possible, recommendations following the initial sustainability assurance review from the independent external party.
- Investigate expansion of renewable energy options including the financial requirements.
- Decrease percentage of waste sent to landfill.
- Improve use of grey water through water harvesting, for non-production purposes.

During the past year, environmental efforts received more attention through:

- education and awareness-raising aimed at all employees
- increased recycling efforts
- increased use of renewable energy

To read more about our environmental efforts during 2023, refer to separate document “Environmental Initiatives 2023” on our website at **www.adcock.com/Investors/IntegratedReports**

HUMAN CAPITAL

OUR PEOPLE

The quality, attitude and behaviours of our talent is a critical driver of our business performance. This remains our key differentiator, which will continue to position Adcock Ingram as an employer of choice. We celebrate rich diversity and the talents of all our employees. The Group remains committed to shaping an inclusive organisational culture with the composition of our employee profile, at most levels, reflecting the demographics of the market in which we operate. We continue to provide an impactful learning experience and robust career opportunities ensuring that our employees are continuously upskilled and reskilled and future fit to thrive.

Monthly salary
R10 942 is the employee minimum wage

Permanent employees
2 316
(2022: 2 314)

Disability profile
2.8% (65) of our workforce are disabled

Gender split
Male 49%
51% Female

Employees in management
African – 53% White – 24%
Indian – 14% Coloured – 9%

% of females in management
Top – 67% Senior – 9%
Middle – 52% Junior – 58%

Average age
41.9 years

Diversity
Black male 1 125 (44%)
White male 126 (5%)
Black female 1 099 (43%)
White female 199 (8%)

Average length of service
7.9 years

Average annual remuneration of the top 10% earners
R 1 350 302

Average annual remuneration of the bottom 10% earners
R 132 580

Vertical gap between the highest and lowest paid employee
57

Average compensation per male employee
R 443 545

Average compensation per female employee
R 436 139

Ratio of male: female average compensation
1.02

Sick days taken
18 947

Man hours worked
4 713 690

Absenteeism (sick) rate
3.3%

ICAS engagement rate
10.4%

Site clinic visits
9 968

Employees with medial aid
51%

No. of employees who got tested for HIV
701

No. of employees who tested positive
10

Total number of employees trained for skills, including internal and external training interventions
623

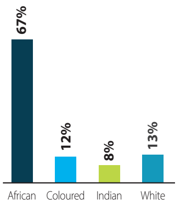
Total number of employees with disabilities trained for skills, including internal and external training interventions
49

Number of disciplinary cases
254

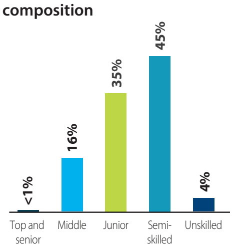
Dismissals
39

Employee turnover
9.2%

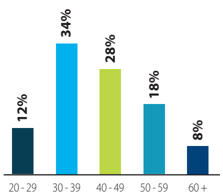
Racial composition



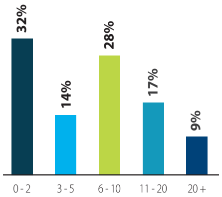
Management composition



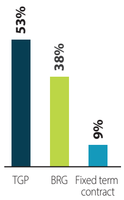
Age profile in years



Length of service profile



Types of employees



HUMAN CAPITAL CONTINUED

EMPLOYEE VALUE PROPOSITION

An employee value proposition (EVP) involves the offerings given by a company to its current and prospective employees to elicit their best performance. An EVP is reviewed regularly in terms of best practice and relevance. From the diagram below, we believe that Adcock Ingram has a better chance of retaining top performers and attracting the best talent when compared against its competitors. This is supported by our overall turnover rate which stands at 9.2% against the industry norm of 17%.

ADCOCK INGRAM EMPLOYEE VALUE PROPOSITION (EVP)

COMPENSATION

- Market related salaries
- Salary benchmarking
- Remuneration philosophy of pay for performance
- Just, fair and responsible pay
- Annual salary reviews
- Total guaranteed package matched at national market median
- Variable pay at 75th percentile of the national market median (short-term and long-term incentives)
- Equal pay for equal value of work

BENEFITS

- Provident fund
- Insurance
- Travel allowance
- Funeral benefits
- Medical aid and medical aid subsidy
- Gym
- Clinics on site
- Employee assistance program (ICAS)
- Study assistance
- Free parking

CAREER

- Succession management
- Job enlargement
- Deployment
- Stretch assignments
- Acting management/ leadership opportunities
- Mentoring
- Coaching
- Individual development program
- Career path
- Development opportunities

WORK ENVIRONMENT

- Fair and non-discriminatory policies
- Secure and safe workspace
- Recognition of hard work
- Promotion of health and safety
- Sports programs and clubs
- Reasonable accommodation
- Braai facilities and pause areas
- Breast feeding areas
- Non-tolerance to mediocre performance
- Clear glass and open plan offices to support our values (transparency)
- Wellness initiatives (Flu vaccines, blood drives, and HIV testing)
- Canteen
- Flexible and remote working arrangements
- Alternative and renewable energy sources to ensure continuous supply for business continuity

ORGANISATION

- Excellent reputation in market
- Proudly SA company
- Empowered Company (B-BBEE level 2, Board 64% Black and 73% female)
- Sustainable company
- Responsible corporate citizen
- Ethical leadership
- Essential Services Designation
- Trusted Brands
- No. 1 pharmaceutical company in SA
- Market leader in Consumer Healthcare, OTC and Hospital Products

CULTURE

Fun at Work | Empowering culture | Innovation and entrepreneurial mindset
High performance | Quality and compliance orientated | Collegiality | Open communication
Diversity, inclusivity and sense of belonging | Noble and compelling values

LEARNING AND DEVELOPMENT (L&D)

Learning focuses on the immediate intervention provided to employees via training programmes, workshops, organised instructions etc. to improve organisational effectiveness. Development involves the alignment of the Group's goals and employee goals. Collectively, L&D ensures that team goals and individual goals are aligned to achieve the Company's strategic goals. As part of our mantra of "growing our own timber" it is important that employees are knowledgeable, skilled and competent in their current role and prepared for the next role through various L&D initiatives that may include formal training interventions, informal training, coaching, job enlargement, deployment and assessments.

HIGHLIGHTS

R56 million total spend on skills development for all employees

4.5% of payroll spent on training

R0.6 million spent on unaccredited formal training for **216** employees

R52 million spent on skills development of Black employees

4.3% of payroll spent on training Black employees

52% of training spent on females and **48%** on males

R1.6 million spent on study assistance for 46 employees, **57%** female, **67%** African

354 Black and **19** White employees attended learnerships, internships and apprenticeships

0.37% of payroll spent on training of employees with a disability

17.26 (2022: 15.94) points for skills development on B-BBEE scorecard

29 formerly unemployed Black employees, who were part of the talent pipeline, absorbed

R3.2 million (2022: R2.6 million) received from CHIETA

Talent pipeline consists of **143** employees (graduates, apprentices, interns, learners and junior pharmacists)

R11 million (2022: R5.1 million) was claimed as a tax deduction for learnerships

Online courses attended

- **1 218** – Competition Law
- **1 412** – Pharmacovigilance
- **176** – Wits digital (various)
- **223** – Skills Town platform (various)

HUMAN CAPITAL CONTINUED

Adcock Ingram is committed to learning and development to ensure that:

- Employees receive adequate depth of skills, knowledge and competencies to meet future business requirements.
- Employees are engaged through learning and development opportunities as those employees tend to remain longer in the organisation and prove to be more productive.
- Employees will embrace uncertainty and risk competently once they are equipped with the requisite professional skills. Training is the best means for equipping employees to confidently manage uncertainty and risk.

Where applicable, upon completion of courses, the following, *inter alia*, are implemented to measure the return on investment:

- Employee feedback about training effectiveness;
- Line manager performance assessment pre- and post-learning the intervention; and
- Execution of learning.

To achieve this, the Company provides appropriate forms of learning and development through:

COMPLIANCE TRAINING

Ensuring all compliance, and health and safety training are completed as required.

Compliance training ensures that all employees meet the minimum legally required skills for their positions and all employees are upskilled on an annual basis to ensure compliance. Examples of this type of training are:

- Protection of Personal Information (POPI) Act
- Health and safety
- Pharmacovigilance
- Competition Act
- First aid
- Firefighting
- Licence renewals (forklifts, turret trucks, etc.)
- Standard operating procures (SOPs)
- Product specific
- Legal liability (OHSA)
- Good manufacturing practices (GMP), good laboratory practices (GLP), good warehouse practices (GWP) etc.

INDIVIDUAL DEVELOPMENT

Assisting employees with further education, as well as training and development opportunities that are beneficial to them within the Company, in the capacity in which they are employed.

Individual development is governed by the individual needs of the employee in conjunction with the line manager. The employee's development plan is considered.

Examples of individual development include:

- Study assistance
- Unaccredited formal training like:
  - Emotional intelligence
  - Managing labour relations
  - Excel
  - Skills town.

GROUP INITIATIVES

Supporting skills development programmes, various learnership programmes, as well as leadership development.

Group initiatives support both business and transformation needs.

The Group initiatives can be split into:

- Young talent
  - Graduates and sales representative graduates
  - Apprentices and recognition of prior learning (RPL) for our own employees
  - Learners with disabilities
  - Junior pharmacists
  - Pharmacy interns
- Various learnership programmes
- Leadership programmes
- Mentoring and coaching.

4 QUALITY EDUCATION

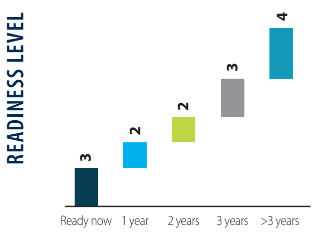
The Company's commitment towards quality education and the promotion of lifelong learning opportunities, is clear from the investment of R56 million towards skills development for all employees, of which R52 million was spent on the development of Black employees, as well as the study assistance of R1.6 million, of which 67% was towards Black employees.

SUCCESSION MANAGEMENT

A succession plan assists the Company to adopt a proactive approach in filling critical roles and prepares a smooth transition plan to ensure leadership changes do not interrupt major business initiatives. Senior leadership possesses unique expertise and skill 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.

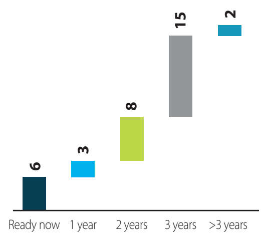
The focus during the year was on the executive management team as well as the divisional management teams and critical roles where employees are within five years from retirement. The readiness level and diversity profile of possible successors are as follows:

Executive management team



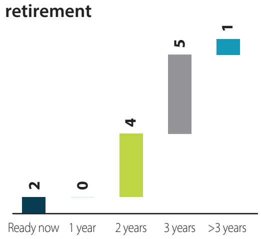
21% Female
79% Black

Divisional management team



45% Female
76% Black

Critical roles where employees are within five years from retirement



36% Female
73% Black

EMPLOYEE WELLNESS

Adcock Ingram has an integrated and holistic wellness approach to reduce employee health-related costs, augment productivity, increase employee retention and consequently improve job satisfaction. A wellness day is a gateway to engage, inspire and promote well-being in the workplace. Moreover, to demonstrate to our employees that we truly care about their health and well-being. The inaugural wellness day was held during the year.

EMOTIONAL: Emotional wellness is the ability to successfully deal with life's stressors and adapt to change and difficult times.	• ICAS, our employee assistance partner, exhibited their offerings and 91 employees visited the stand during the Midrand wellness day. • ICAS attended to 200 cases by offering counselling, 37 group trauma interventions and 651 training participants. The top three problems presented: mental health (161), relationship issues (119) and organisational and managerial issues (77). • A webinar and information on suicide prevention, suicide statistics, identification of risk factors and providing support in the workplace were made available to employees. • A webinar on the symptoms of depression, causes, risks, treatment regime and support mechanisms were made available to employees. • Awareness sessions were held on gender-based violence and workplace harassment. • A video on harassment by the ED Human Capital and Transformation and an attorney was sent to all employees who have access to email, and screening of the video was facilitated at the sites for employees with no access to email. • Occupational sisters on site had discussion forums with men and women separately to highlight issues and provide a safe space based on gender matters. • Team building sessions were held and informal check-ins conducted to foster team cohesion.

SOCIAL:
Social wellness refers to the bonds/ connection we have and how we interact with others.
	• 21 Adcock Ingram employees registered as stem cell donors.
	• 200 Adcock Ingram employees donated blood during the year.
	• During the Midrand wellness day, the following social activities were available:
	  • Blood drive: 47 employees donated blood and 95 tested their blood type.
	  • Bidvest McCarthy exhibited various car brands. They informed employees about special discounts for Adcock Ingram employees. 133 employees visited the exhibition.
	  • MTN enlightened employees on their special offerings and 120 employees visited the exhibition.
	  • To promote brand awareness, Consumer and OTC business units conducted quizzes and distributed samples of their products. 175 employees visited the exhibitions.

HUMAN CAPITAL CONTINUED

ENVIRONMENTAL

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

- During wellness day, Waltons displayed standing desks and ergonomic chairs. Ergonomic furniture and accessories may alleviate pain and discomfort and improve productivity. 138 employees visited the exhibition.
- Noise induced hearing loss training was conducted for 129 employees at Critical Care, as well as 32 employees trained on hazardous biological agents.
- Regular health and safety audits were conducted at all our sites to test for noise, lighting, ergonomics, ventilation, hazardous chemicals, and air emissions.

FINANCIAL

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

- The following institutions had an information stand at the wellness day with financial advisors to educate and empower employees on a variety of financial matters:

Old Mutual – 112 employees	Standard Bank – 88 employees	Discovery Bank – 104 employees
Alexander Forbes – 71 employees	Bidvest Bank – 82 employees	

A financially fit campaign was conducted to challenge employees to think about their personal money goals and the importance of a will.

INTELLECTUAL

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

Informative talks were held in the auditorium on the following topics during the wellness day:

- Financial wellness by Alexander Forbes, including education on the provident fund benefits and design.
- Relationship issues by ICAS.
- A nutritional talk by a dietician.
- Disability awareness in the workplace by the ICAS disability division.
- High blood pressure by Dr Jasvanti Bhana.

Various webinars were made available to employees to attend ranging from suicide prevention, how to deal with depression, managing your finance etc.

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.

- A hiking club has been established to encourage employees to exercise, socialise and network.
- A total of 650 flu vaccines were made available to employees at all sites.
- Critical Care ran a "biggest loser" competition for twelve weeks which ended in December 2022. Seventy (70) employees registered with 22 participants completing the entire 12-week challenge. Participants lost a combined weight of 296 kg.
- Adcock Ingram annually sponsors our Comrades marathon runners.

During the wellness day the following physical wellness initiatives were available to employees:

- Breast examination for cancer was conducted and 51 examinations were done, 113 women visited the information stand.
- 60 eye screenings were conducted, and 33 employees were also screened at Wadeville.
- The "Tooth Fairy" provided employees the opportunity to have a dental exam and their teeth cleaned. Where necessary, follow-up visits were scheduled. 26 employees were assisted.
- 63 employees visited the gym and were shown exercises that can be done at their desk or at home.
- 130 employees visited the sports science information stand that was showcased by the Critical Care marketing team.
- 295 employees visited the various medical aid stands and 36 employees visited the Kaelo gap cover information stand to learn about the benefits of gap cover.

OCCUPATIONAL

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

- Various assessments were conducted on basic occupational health during the Midrand wellness day. Health risk assessments, smoking, body mass index (BMI), blood pressure, cholesterol and glucose were tested for 190 employees.
- HIV: One employee out of 95 tested positive for HIV during the Midrand wellness day. A total of 701 employees were tested by the clinics during the year of which 10 tested positive.

OCCUPATIONAL CLINICS STATISTICS

- Regular check-ups for employees with co-morbidities are done by clinics.
- Clinics provided primary health care (7 426 visits) as well as occupational health care (2 242 visits).
- The split between the occupational doctor and nurse was 15% and 85% respectively.
- The gender split for occupational health visits is 45% female and 55% male.

EMPLOYEE RELATIONS

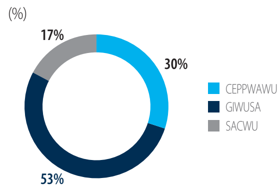
We are committed to sound, healthy employee relations and fair employment practices and procedures in line with relevant labour laws, our Company's code of ethics and conduct, as well as collective bargaining agreements. We are fully supportive of our employees' right to freedom of association and recognise their right to belong to a union of their choice or refrain from union membership. In order to support transparent communication, there are regular meetings between managers and union representatives at plant level.

The following is worth noting:

- No days were lost due to industrial action in the period under review.
- No incident of discrimination was reported.
- There was no contravention of any labour laws and subsequently, no fines were issued or paid.
- Ongoing consultation with unions on legislation pertaining to essential services designation.

UNION REPRESENTATION

1 074 employees belong to unions with union representation depicted below:



HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety are an integral part of doing business as it affects all aspects of work which in turn requires satisfactory health and safety standards within the business. These standards are driven by moral, legal and economic imperatives. These imperatives in turn determine how we as a company manage our core business whilst adding social, environmental, and economic value to produce a positive and sustainable impact on both society and the business itself.

An appropriate policy is in place and reviewed as needed.

The Group further believes that effective management of health and safety is not only vital to our employee's well-being but enhances the reputation of our business.

As a result, the Group encourages its operations to improve systems and processes to reduce injuries and ill health. Further to this, health and safety issues are reported quarterly, including performance against targets. These statistics are also reported at Board level.

Current data only includes that of employees in the South African operations, but in future we aim to also include safety data for all third party contractors (548 across security, cleaning, canteen and gardening services, among others) working at Adcock Ingram sites.

Number of:	2023	2022
Fatalities (injuries on duty leading to death)	0	0
First aid cases (injuries on duty leading to minor treatments)	184	221
Total number of recordable injuries, made up as follows:	45	46
Medical treatment cases (injuries on duty leading to medical treatment, but no lost days)	26	17
Lost time injuries (injuries on duty leading to at least one lost day)	19	29
Injury rates:		
Fatal injury frequency rate (FIFR)	0.00	0.00
Lost time injury frequency rate (LTIFR)	0.82	1.30
Total recordable injury frequency rate (TRIFR)	1.94	2.05
Targets for 2024:		
Lost time injury frequency rate (LTIFR)	0.80	
Total recordable injury frequency rate (TRIFR)	1.87	

Despite a decrease in first aid cases, management continued to focus on health and safety at the various operations. Due care and attention are given to reduce injuries. Monthly Health and Safety Committee meetings continue to take place, as opposed to the minimum of four meetings per annum provided for by the Occupational Health & Safety Act, 85 of 1993.

HUMAN CAPITAL CONTINUED

FACILITIES' RISK GRADING AUDITS

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

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

The lowest rating was 97.3% and the highest rating 100%. Minor shortcomings, where identified, were addressed.

During the environmental risks control audits, Adcock Ingram's sites are rated in regard to:

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

The lowest rating was 97% and the highest rating 100%. As in the case of the risk control standards grading audits, minor shortcomings where identified, were addressed.

TRANSFORMATION:

Adcock Ingram achieved a level two (2) B-BBEE accreditation with 95.73 points. The certificate is valid until 21 November 2023. The strategic aim is to maintain the level two rating for the following two years.

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

Total Points Obtained	95.73	EO: 23.45 points; MC: 15.5 points; SD: 17.26 points; ESD: 34.51 points; SED: 5 points

Discounting Principle Applied	No	**Procurement Recognition**	125.00%	**Participated in Y.E.S Initiative**	No
Empowering Supplier	Yes	**Measurement Period Year End**	30/06/2022		

Black Voting Rights	31.26%	**Black Women Voting Rights**	13.26%	**Black Designated Groups**	1.10%
Black Economic Interest	24.37%	**Black Women Economic Interest**	13.66%	Black Youth	1.10%
51% Black Owned	No	**30% Black Women Owned**	No	Black Disabled	0.00%
Normal Flow Through Applied	Yes	**Black New Entrants**	3.52%	Black Unemployed	0.00%
Modified Flow Through Applied	No	**Exclusion Principle Applied**	No	Black People Living in Rural Areas	0.00%
				Black Military Veterans	0.00%

Issue Date	22/11/2022
Expiry Date	21/11/2023
Certificate Number	ELC11408RGENBB
Version	Final
Applicable Scorecard	Amended Codes - Generic
Applicable BBBEE Codes	Amended Generic Codes Gazetted on 11 October 2013 and Amendments Gazetted on 31 May 2019

EmpowerLogic (Pty) Ltd

Reg. No. : 1995/000523/07

BBBEE Verification Agency

Per Theo Lombard

Member - Verification Committee

SANAS Accredited

sanas BBBEE Verification Agency

BVA018

This certificate is the result of an independent and impartial verification of the BBBEE status of the measured entity measured against the Codes of Good Practice on Broad Based Black Economic Empowerment and has been issued in accordance with the EmpowerLogic Verification Certificate Policy. This certificate supersedes any previous certificates issued to the Measured entity. For enquiries please contact EmpowerLogic at 086 111 4003.

Certificate Page 1 of 2

SOCIAL AND RELATIONSHIP CAPITAL

AT A GLANCE

CSR
TOTAL SPEND

R8.4 million

Health – **R5.4 million**

Education – **R1.3 million**

Basic needs and social development – **R1.0 million**

Environment – **R0.7 million**

% OF REVENUE
0.09%

% OF NPAT*
1.0%

ENTERPRISE AND SUPPLIER DEVELOPMENT

Supplier development loans outstanding
R13.1 million

Enterprise development loans outstanding
R7.1 million

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company's CSR Policy regulates the Group's CSR initiatives to advance those activities that are taking place in the communities wherein we operate, through entering into partnerships that establish meaningful and sustainable community development in under-privileged communities. Activities in Health (70% of allocated funds), Education (20%) and Environmental (10%) sectors are prioritised and exclude funds directed towards academic institutions. The project initiatives are aimed at assisting poor and vulnerable groups such as children, young people, the elderly, women and people with disabilities.

The policy envisions CSR as a vehicle to ensure that the Company's investment is both financial and non-financial in addressing the needs of the targeted communities. Employee volunteering is encouraged so that employees can make a difference in their respective communities. It further aims to uplift communities to improve their quality of life.

The policy prohibits funding of:

- projects in which employees of the Company and/or their immediate families have a personal interest;
- funding of political parties and organisations with political affiliations, a relationship which is tested during the due diligence process;
- research and projects that only benefit individuals and are for individual gain or profit with no community benefit;
- labour unions or trade union federations;
- attendance at conferences;
- government departments, agencies or state-owned enterprises; and
- funding certified or accredited educational programmes, at accredited institutions.

The Company and beneficiary organisations enter into funding agreements. The renewal of support annually is dependent on the progress of projects and meeting the agreed requirements. The Executive for Public Affairs monitors the implementation of projects in liaison with the NPOs and/or PBOs which are responsible for the execution, based on agreed milestones and regular feedback reports.

** South Africa*

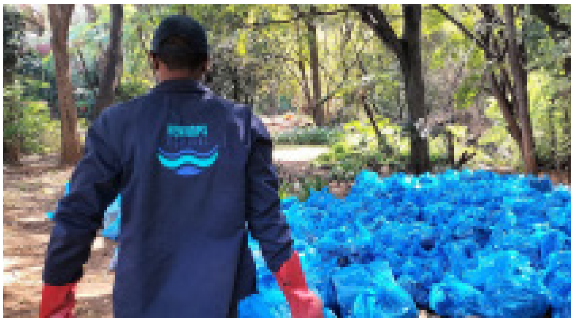
SOCIAL AND RELATIONSHIP CAPITAL CONTINUED

With R8.4 million spent this past year, two projects with a focus on environmental rehabilitation were supported for the first time:

- Hennops River Revival, a river cleaning project; and
- Food and Trees for Africa, through planting of vegetable gardens and trees at schools and homes.

Above: Adcock Ingram planting trees for Food and Trees for Africa

Below: Hennops River Revival hard at work



1 NO POVERTY

3 GOOD HEALTH AND WELL-BEING

13 CLIMATE ACTION

To read more about our CSR initiatives during 2023, refer to separate document "Corporate Social Responsibility 2023" on our website at **www.adcock.com/Investors/IntegratedReports**

ESD PROGRAM

Adcock Ingram treats all suppliers in a dignified, transparent and ethical manner. Small and medium-sized enterprises (SMEs) play a vital role in strengthening the macro-economy and fostering job creation at local community level. Funds towards the Company's enterprise and supplier development (ESD) program, include interest-free, unsecured loans of R20.2 million The ESD beneficiaries are empowered to acquire the capabilities and financial independence they need to enter the value chain and grow their customer base.

The Company also provides support to its large base of SME suppliers and a total value in excess of R500 million was paid within 7 to 14 days of receiving the invoice, to assist them with their cash flows.

A summary of the Group's ESD program is presented below:

	SUPPORTED ENTITY	SPECIALITY	REPORTED PROGRESS FROM ESD SUPPORT
Supplier Development	**OPTIMUM ENGINEERING** www.optimumengineering.co.za	Artisan skills training	• Accredited as a Skills Development Provider by Quality Council for Trade and Occupations. • Revenue growth from R8 million in 2020 to R15.2 million in 2022. • Its customer base grew with an increased number of artisans being trained.
Supplier Development	**SOUTHERN BASADI**	Environmental, recycling	• Acquired two more vehicles to collect more medical waste, a trailer, as well as laptops to improve their efficiencies.
Supplier Development	**METAMORPHOSIS COMPANY** metamorphosisdbn.co.za	Recruitment	• Job creation and improved customer awareness through improved marketing. • Created an automated digital CRM[1] platform for clients, resulting in growth in their service offering.
Supplier Development	**TLOWANA WATER** www.tlowana.co.za/tlowana-water	Water treatment, manufacturing of magnesium oxide (MgO_2)	• Employed a full-time financial accountant. • Acquired a commercial vehicle and pelletiser production equipment to serve more customers and grow business.
Enterprise Development	**KAMEE-TEK** www.kamee-tek.com	Chemicals, HVAC and water treatment	• Expanded the business to service customers in Gauteng. • Employed new staff. • Annual revenue growth to R9 million.
Enterprise Development	**VIRO-GEN (THROUGH THE CSIR)** www.viro-gen.com	HIV/AIDS research	• Filed patent application for the specific medical technology in 120 countries globally.

[1] *Customer relationship management.*

SOCIAL AND RELATIONSHIP CAPITAL CONTINUED

CASE STUDY

SOCIAL IMPACT ON ESD BENEFICIARY: TLOWANA RESOURCES

Adcock Ingram provides ESD support to Tlowana Resources, a black-owned SME specialising in the supply of water treatment services and chemical products to various customers across industries. The interest-free loan enabled this SME to employ a full-time financial accountant, acquire a commercial vehicle, production equipment and a pelletiser to run a production trial on a product required by key customers. The product has since been accepted by customers and they now have a long-term supply contract. Tlowana Water is financed by the Industrial Development Corporation (IDC) and the Department of Trade, Industry and Competition (the dtic) as part of Government's Black Industrialists Scheme for building a production plant of magnesium oxide in South Africa. This is a flagship project for the localisation of previously imported magnesium oxide. The construction of the plant is in progress and will be commissioned in September 2023.

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)

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

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)

MC Manufactured Capital

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

NC Natural Capital

- Polyco PRO NPC
- Fiber Circle PRO
- The Glass Recycling Company NPC

INTELLECTUAL CAPITAL

Intellectual capital refers to the knowledge, capability, skills, and processes inherent to the organisation, operating specific systems and software, while 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.

Due to the regulated environment in which the Group operates, a skills set is required with the necessary technical know-how 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.

The Group's Medical Director has overall accountability for all DMD functions and the Responsible Pharmacist has the overall mandate to enforce the Medicines and Related Substances Act, Act 101 of 1965 and the Pharmacy Act, Act 53 of 1972, across Adcock Ingram.

DMD maintains all licences with the Department of Health, the South African Health Products Regulatory Authority (SAHPRA) and the South African Pharmacy Council (SAPC). Through maintenance of these licences, DMD ensures that Adcock Ingram complies with current Good Manufacturing Practice (cGMP) requirements of its global partners.

KNOWLEDGE AND SKILLS SET

The DMD department includes a unique group of professionals with areas of expertise in the fields of medicine, regulatory, quality assurance, pharmaceutical development, chemistry, and business management.

It includes:

- two (2) medical doctors;
- five (5) Doctors of Philosophy (specialising in a wide variety of pharmaceutical and scientific disciplines);
- 50 pharmacists; and
- 40 scientists

To further complement the expertise base of the department.

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.

TRADEMARKS AND PROPRIETARY PROCESSES

Adcock Ingram's proprietary knowledge is protected through several licensing agreements and confidentiality disclosure agreements.

At 30 June 2023, the Group's intellectual property rights portfolio consisted of:

- 2 588 registered trademarks;
- 21 registered patents; and
- 236 trademarks in the process of being registered.

Restricted access to proprietary knowledge in formulation and process design ensures that the Company's intellectual property is well protected. This is achieved as pharmaceutical development projects are conducted mostly at the in-house R&D facility with confidentiality agreements governing any work outsourced to contractors.

The GQA function, which is centrally managed, also ensures that knowledge management is well controlled through its Quality Management Systems.

POLICIES AND PROCEDURES

The department develops and maintains a framework of standard operating procedures, policies and processes, which govern the execution of ethical, scientific, and risk-based decision-making, enabling compliance in Adcock Ingram.

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:

- the dossiers of products provide local and regional 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;
- audit reports, generated through the audit management program for new and current suppliers, ensure that only approved suppliers conforming to the correct quality standards, 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

INTELLECTUAL CAPITAL CONTINUED

- quality-by-design-inspired development reports translate into cost and time efficient regulatory approvals, technology transfers and the routine commercial manufacture of products of consistent quality.

SYSTEMS AND SOFTWARE

The Fourth Industrial Revolution (4IR) is characterised by the fusion of the digital, biological, and physical worlds, as well as the growing utilisation of new technologies.

Various information systems are used, including the following:

- docuBridge is an advanced electronic submission management and regulatory document management system deployed at Adcock Ingram for compiling, publishing, importing and reviewing of regulatory submissions to local and regional health authorities. It allows for multi-format publishing, team collaboration, interoperability, lifecycle management and flexible content reuse.
- DrugTrack is a versatile system for keeping track of all product information and managing regulatory activities in the pharmaceutical product life cycle. Information is easily accessible and management reports configured to Adcock Ingram's needs, may be generated.
- Minitab® statistical software is currently used for stability assessments and shelf-life predictions which accelerates 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 are currently being explored as this 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.

A pharmacovigilance (PV) safety database is the central repository for individual case safety reports (ICSRs) collected for a company's medicinal products from all sources globally. It is vital that any pharmacovigilance safety database is kept up to date with the latest regulatory requirements and validated to meet both international standards and business requirements. This safety database facilitates the reporting of individual and aggregate safety data to authorities and third parties. In addition, it provides key information for the detection of safety signals and the ongoing evaluation of the risk-benefit profile for each of the Company's products.

- 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 automation and powerful, user-friendly analytic reports.

Health authority regulations obligate the marketing authorisation holder (MAH) to perform regular (weekly) searches in the appropriate scientific literature sources for the medicinal products/active pharmaceutical ingredients (APIs), under its applicancy. Information obtained from medical and scientific literature is an important source of patient safety data and safety signal detection. It is therefore essential for pharmaceutical companies to establish pharmacovigilance programs that capitalize on the best available information from multiple data sources.

- The development and implementation of the Adcock Ingram in-house PV literature monitoring platform provides a digital literature search platform, generating audit compliant (digital trail), fully automated weekly search reports covering more than 340 medicinal products/APIs and 300 local and international journals. Ownership of the platform ensures full control and customisation with long-term sustainability.

INNOVATION AND PORTFOLIO SUSTAINABILITY

The South African-based R&D operations are actively involved in supporting the innovations pipeline that accelerates pharmaceutical development for the local market.

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.

The department further assists the sustainability of the product portfolio by providing cost-effective solutions and supports risk mitigation through dual sourcing of raw materials. Collaboration between the GQA function and the R&D function ensures further sustainability of the Adcock Ingram product portfolio, by facilitating knowledge transfer to internal and contract manufacturing facilities.

Pharmacists and scientists in the R&D department compile science and risk-based source documents and motivation reports to support regulatory variation submissions or query responses to facilitate improved approval and implementation timelines.

R&D also enables continuity of product supply by providing cost-effective solutions to risks identified during the conduct of product quality investigations. The initiation of product and analytical method transfers, by R&D, in collaboration with internal and contract manufacturing facilities, increases the manufacturing and/or testing capacity, for product supply to adequately meet demand. R&D has also participated in the efficient post-importation testing and QA release of Adcock Ingram products to assist the supply chain team in achieving speed to market.

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, patients and consumers to make informed decisions.

The development and maintenance of artwork is a complex and iterative process that involves various stakeholders, such as regulatory, compliance, marketing, designers, printers, etc. Any changes in artwork must be carefully managed and approved before implementation in the marketplace to avoid non-compliance, safety issues and product recalls. The Artwork department ensures the initiation and implementation of QR codes on the product carton and patient information leaflet to enable access to the package insert on the Adcock Ingram website for patients and healthcare professionals.

The regulatory compliance function supports continuous conformity of artwork, and the review and monitoring of promotional material and promotional activities which contributes to innovation, and sustainability of Adcock Ingram's product portfolio in accordance with the requirements of the Medicines and Related Substances Act 101 and the Code of Marketing Practice. Adcock Ingram, through its participation on the Code Technical Advisory Committee (CTAC), has the opportunity to contribute to revisions to the Code.

The Group regulatory function is responsible for identifying and executing the objectives identified in the regulatory strategy to ensure standardisation between all regulatory departments housed in the business units (BU). Group Regulatory and the BU Regulatory departments drive innovation in the Adcock Ingram portfolio by maintaining continuous engagement with SAHPRA and constantly initiating internal discussions to improve regulatory intelligence, and to ensure quality submissions to SAHPRA. A key performance indicator for the Group regulatory function is to ensure that any regulatory and legislative changes put forward by SAHPRA are thoroughly assessed and commented on.

CLINICAL TRIALS

Adcock Ingram does not conduct clinical trials, but partners with multiple international research-based pharmaceutical companies whose products have already been through rigorous clinical trial programmes as per the regulatory requirements for the registration of new drug applications. These partnerships enable Adcock Ingram to commercialise new medicines without having to conduct lengthy and expensive human clinical trial programmes.

RELATIONSHIP MANAGEMENT

Through relationships with industry experts, Adcock Ingram has access to a wide pool of knowledge, skills and experience which extends well beyond its own personnel. The regulatory compliance team has active membership in industry or trade associations such as:

- PHARMISA (Pharmaceuticals Made in South Africa);
- ITG (Industry Task Group);
- associated ITG working groups (Complementary Medicines, Medical Devices, Pharmacovigilance and Business-as-Usual); and
- Marketing Code Authority (MCA),

as well as professional associations in the industry such as:

- SAAPI (South African Association of Pharmacists);
- SAPC (South African Pharmacy Council); and
- SAPRAA (Southern African Pharmaceutical Regulatory Affairs Association).

This provides a platform for converging ideas and for effective interaction with regulatory bodies to best serve the interests of patients in accessing affordable medicines of the highest quality. Key positions are held by the Company's managers, for example: the Vice-Chair of ITG, Exco member on SAAPI and an Exco member on SAPRAA.

The GQA department regularly interacts with cGMP specialists of international acclaim through training, as well as by hosting, leading and observing cGMP audits. These shared experiences are utilised to enhance the knowledge, policies and procedures in Adcock Ingram which drives the quality of products.

World-renowned local and global physicians are invited by the Medical Affairs department to participate on advisory boards for new product launches to ensure credibility of the scientific product information disseminated to healthcare professionals. 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.

Market Access engages with stakeholders in the medical schemes industry including the regulator (Council of Medical Schemes), administrators of medical schemes, and relevant clinical societies. These engagements provide key insights that feed into launch processes, broadening access for patients and positioning Adcock Ingram for the changing market access landscape.

INDEPENDENT ASSURANCE STATEMENT

To the Board and stakeholders of Adcock Ingram Holdings Limited (hereafter, Adcock Ingram):

Integrated Reporting & Assurance Services (IRAS) was commissioned by Adcock Ingram to provide independent third-party assurance (ITPA) over the sustainability content within Adcock Ingram's 2023 Integrated Annual Report covering the period 01 July 2022 to 30 June 2023 (financial year, or FYE, 2023). For the purposes of this statement, 'the Report' refers to the Integrated Report in both the printed and downloadable/online version, as well as all relevant supplemental information made available via the web at www.adcock.com.

ASSURANCE STANDARD APPLIED

To the best of our ability, this assurance engagement has been aligned with an IRAS specific combination of AccountAbility's AA1000AS v3 assurance standard, structured to meet the AA1000AS Type 1 (Moderate) requirements and guidance taken from experience gained over a more than 20-year period.

INDEPENDENCE, RESPONSIBILITIES AND LIMITATIONS

IRAS was not responsible for the preparation of any part of the Report and has not undertaken any commissions for Adcock Ingram in the reporting period that would compromise our independence. The preparation of this Report is solely the responsibility of Adcock Ingram, where any input from IRAS, would be limited to providing ongoing guidance of where early drafts of the report may appear to fall short of reasonable reporting expectations.

IRAS's responsibility in performing its assurance activities is to the Board and management of Adcock Ingram alone and in accordance with the terms of reference agreed with them.

IRAS's responsibility in performing its assurance activities was limited to data reported to Group/head office, with no opportunity to test data at source. In addressing this limitation, IRAS engaged with key personnel at Group level to test the reliability of data and processes used to collect, collate and report performance data from the operation to Group.

COMPETENCE

Our assurance team was led by Michael H. Rea, a Lead Sustainability Assurance Practitioner with 24 years' experience in environmental and social performance measurement, including sustainability reporting and assurance, with support from junior associates within the IRAS team. Michael has completed over 110 assurance engagements for 50 different companies and has completed 159 assurance site visits in 20 countries to test data at source. IRAS was supported by our team of associates and research interns.

ASSURANCE OBJECTIVES

The objectives of the assurance process were to:

- Assess the extent to which Adcock Ingram's sustainability reporting adheres to AccountAbility's AA1000APS Assurance Principles Standard principles of Inclusivity, Materiality, Responsiveness and Impact, as well as the additional reporting principles of Neutrality/Balance and Comparability.
- Assess the extent to which Group collection, collation and reporting of key sustainability data from Adcock Ingram's business units meets reasonable expectations for accuracy, consistency, completeness and reliability, as tested at the desktop/off-site level.
- Assess Adcock Ingram's ability to provide transparent disclosure of quantitative comparable sustainability data.
- Assess the extent to which the Report adheres to reasonable local and international expectations for effective reporting.

SCOPE OF WORK PERFORMED

The process used in arriving at this assurance statement is based on IRAS's in-house developed sustainability data criteria, as well as guidance from AccountAbility's AA1000AS v3 and other best practices in assurance including the following:

- Meetings with key Adcock Ingram personnel responsible for the preparation of the Report to assess adherence to the principles of **Inclusivity, Materiality, Responsiveness, Impact, Neutrality/Balance and Comparability**.
- Reviews of sustainability measurement and reporting procedures – inclusive of reviews of the Group's sustainability data consolidation process – at Adcock Ingram's head office, via management interviews with the reporting team, as well as through desktop research and analysis.
- A review of data collection, collation and reporting procedures at the Group level, with specific reference to the sustainability data points contained in the Report.
- Reviews of drafts of the Report for any significant errors and/or anomalies, inclusive of any lapses in the reporting of material issues identified during our internal and external materiality assessments.
- Reviews of drafts of the Report to test for adherence to reasonable reporting expectations.
- A series of interviews with the individuals responsible for collating and writing the sustainability section with the Report in order to ensure sustainability performance assertions could be duly substantiated.

Although IRAS reviewed the reasonability of all sustainability data indicators contained within Adcock Ingram's Report, specific attention and further review was paid to the following key sustainability indicators:

1. Number of employees – Male and Female
2. Number of contractor employees – Male and Female
3. Total number of person hours worked – Employees and Contractors
4. Total number of injuries on duty, including First Aid Cases (FACs), Medical Treatment Cases (MTCs), Lost Time Injuries (LTIs) and Fatalities.
5. Lost Time Injury Frequency Rate (LTIFR)
6. Total Recordable Injury Frequency Rate (TRIFR)
7. Total volume of non-hazardous waste sent to landfill
8. Total volume of non-hazardous waste recycled.

FINDINGS AND RECOMMENDATIONS

Based on our analysis of Adcock Ingram's reporting, we believe Adcock Ingram's sustainability data collection, collation and reporting processes are adequate in the context of the business and Adcock Ingram's reporting expectations.

Reporting and assurance principles

- As per a review of management assertions, including Group level discussions, Adcock Ingram has a process in place to sufficiently identify and engage with its most material stakeholders, thus meeting the requirements of ***Inclusivity***. However, we believe that opportunity for improvement exists with respect to ensuring that formal policies and procedures are established for stakeholder engagement.
- The content of the Report does not differ in any significant way from our analysis of the material issues discussed with Adcock Ingram. Although we found no concern with respect to the quality of systems and controls for managing risks, we believe Adcock Ingram would benefit from updating its materiality determination process to test the possibility that more current material issues are being duly considered. Aside from this minor finding, we believe that Adcock Ingram meets reasonable expectations for ***Materiality*** determination, management, and reporting.
- As per a review of management assertions, inclusive of discussions at the Group level, Adcock Ingram reasonably addresses stakeholder concerns through engagement, inclusive of, but not limited to, the content within its Report, thereby meeting reasonable ***Responsiveness*** expectations.
- As per a review of management assertions, it is reasonable to assert that Adcock Ingram addresses its most material impacts on stakeholders and the natural environment in which it operates through risk management policies and procedures at both the Group and Business Unit levels. At a moderate level, we believe Adcock Ingram's activities, inclusive of, but not limited to, the content discussed within the Report, meet reasonable ***Impact*** expectations.
- As per a review of management assertions, inclusive of discussions at the Group level and reviews of the Report, Adcock Ingram's reporting of the Company's successes and challenges during the reporting period is fair and balanced, thereby meeting reasonable ***Neutrality*** expectations.
- As per a review of management assertions, inclusive of discussions at the Group level and reviews of quantitative/numerical performance information, and alignment of the Report to guidance materials, Adcock Ingram provides a reasonable level of performance data transparency in a manner that allows for comprehensive benchmarking against peer companies, thereby meeting reasonable ***Comparability*** expectations.

SUSTAINABILITY DATA PERFORMANCE

- Adcock Ingram's systems for data collection, collation and reporting, at the Group and Operations levels, appear to be sufficient to allow for the internal and external reporting of the Company's performance. However, the deployment of a Group-wide data management system would allow for enhanced monitoring and management of performance with sufficient control mechanisms in place to ensure data is both accurate and timeously reported.
- All data tested at the Group/desktop level was found to be both accurate and reliable, with no concerns identified during the review of the key sustainability indicators included within the sustainability data table published on Adcock Ingram's website at www.adcock.com/Investors/IntegratedReports.
- Based on the depth of sustainability data reporting within the Report we believe that Adcock Ingram provides reasonable public disclosure of the Company's most material sustainability performance data.

CONCLUSIONS

- Based on the information reviewed, ***IRAS*** is confident that the Report provides a reasonably comprehensive and balanced account of Adcock Ingram's sustainability performance for the period under review. The data presented is based on a systematic process, and we are satisfied that the reported performance data fairly represents the current performance of Adcock, while meeting assurance and reporting principles of ***Inclusivity, Materiality, Responsiveness, Impact, Neutrality*** and ***Comparability***. Moreover, and although the quality or quantity of data can be improved, this Report demonstrates leadership with respect to sustainability data transparency.

Integrated Reporting & Assurance Services (IRAS)
Johannesburg

20 October 2023

REMUNERATION REPORT

HIGHLIGHTS

6% increase was granted to employees belonging to the bargaining unit on 1 July 2022

An average 5% increase was granted to TGP employees on 1 December 2022

4.5% increase in director fees (executive and non-executive)

R28.3 million in short-term incentives (STI) was paid to 60 employees in September 2022, excluding the executive directors

R3.7 million was paid to 168 employees who do not belong to any incentive scheme, as a CEO discretionary incentive

Vesting of the 2019 performance-based long-term incentive scheme (PBLTIS) awards:

- 72% weighted achievement
- 75% vested in September 2022, with the remaining 25% a year later
- 150 120 shares vested for executive directors
- 128 520 shares vested for other key management

371 000 PBLTIS awards were issued to executive directors in September 2022

R16.2 million in STI was paid to executive directors in September 2022

Our vision is *adding value to life*; this is supported by our mission, which is *to provide quality products that improve the health and lives of people in the markets we serve*. To achieve this we must attract, retain, motivate and develop people who believe in our purpose. It is against this background that our remuneration practices are a critical link in our value chain, ensuring that there is alignment between our strategic goals, stakeholders' interests and the actions of our employees.

Our remuneration report complies with the Companies Act, the principles and recommended practices of King IV™ and the JSE Listings Requirements.

In applying these regulatory requirements, we structured our remuneration report into three parts:

BACKGROUND STATEMENT		REMUNERATION POLICY		IMPLEMENTATION REPORT
Covers how remuneration matters were handled in 2023 and provides context on remuneration practices within the Company. We further demonstrate our commitment to good corporate governance and how we address areas of focus and shareholder feedback.	→	Provides an overview of Adcock Ingram's remuneration philosophy in alignment to business strategy. It also explains how we structure and deliver our total remuneration offering and how the various elements of total remuneration are designed to drive growth and a performance culture.	→	Demonstrates how the remuneration policy is implemented, focusing on the remuneration of executive and non-executive directors.

THE REMUNERATION COMMITTEE

The Board delegates all remuneration issues to the Remuneration Committee (RemCom). RemCom is governed by its terms of reference, which is approved by the Board. All members of the RemCom are non-executive directors, who command a wealth of business acumen, remuneration experience and relevant expertise to fulfil their duties. The CEO and ED: 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 taken.

RemCom meets three times a year, which meetings are scheduled in line with its annual planning cycle. The Committee schedules additional ad hoc meetings as needed. The Company Secretary is the secretary of the Committee.

The roles and duties of the RemCom amongst others are to:

- Ensure that the link between performance and reward is maintained;
- Ensure that the mix of fixed and variable pay meets the Company's needs and strategic objectives;
- Select an appropriate comparator group when determining and comparing remuneration levels of executive directors, executive management and non-executive directors;
- Review incentive schemes to ensure their continued contribution to shareholder value and that they are administered in terms of relevant rules;
- Oversee the preparation and recommendation of the remuneration reports to the Board; and
- Oversee executive management and critical talent succession management.

PERFORMANCE EVALUATION

No gaps were highlighted in RemCom's annual evaluation of its performance against its mandate.

REMUNERATION REPORT CONTINUED

REMCOM ACTIVITIES

The RemCom met three times during the financial year and performed the following key activities:

REMUNERATION ELEMENT	KEY ACTIVITIES
TOTAL GUARANTEED PACKAGE (TGP)	• Reviewed and approved the average increase percentage for employees on total guaranteed packages, effective 1 December 2022. • Approved remuneration for executive directors.
COMPARATOR GROUP	• Reviewed and endorsed the comparator group for proper and fair executive and non-executive director (NED) remuneration as proposed by an external and independent remuneration advisor.
BENCHMARKING	• Reviewed the executive director and NED fees benchmarking exercise conducted by an external independent remuneration advisor.
NED FEES	• Reviewed and recommended a 5% increase for NED fees, as proposed by the external independent remuneration advisor, prior to shareholder approval at the annual general meeting (AGM) in November 2022, effective 1 December 2022.
SHORT-TERM INCENTIVES (STI)	• Confirmed the STI standard operating procedure. • Discussed and agreed the STI pay outs in relation to the financial year ended 30 June 2022, for executive directors, executive management, key and critical employees, which was paid in September 2022. • Recommended a CEO discretionary incentive of R5 million to the Board in recognition of exceptional performance in key junior management and support roles. • Reviewed and endorsed the STI metrics and targets for the 2023 financial year. • Monitored performance against the STI targets.
LONG-TERM INCENTIVES (LTI)	• Reviewed and approved the vesting of the 2019 PBLTIS awards. • Reviewed and approved the performance metrics and weighting for awards granted in the 2023 financial year. • Reviewed and approved Performance-Based Long-Term Incentive Scheme (PBLTIS) awards for executive directors, executive management and critical and key talent.
REMUNERATION GOVERNANCE	• Oversaw the appointment of the external independent RemCom advisor. • Reviewed the terms of reference of the Committee. • Reviewed and approved the 2022 remuneration report, including the policy and implementation report before inclusion in the integrated report. • Discussed and approved ESG metrics and weightings for inclusion in the PBLTIS. • Reviewed and proposed changes to the Committee's annual work plan. • Discussed and analysed voting results of the November 2022 AGM.
SUCCESSION MANAGEMENT	• Discussed succession planning, psychometric assessment and growth plans for executive management and divisional exco members, including initiatives and programs to enhance transformation and diversity of the succession pool.
TALENT MANAGEMENT	• Reviewed the holistic wellness model. • Reviewed and discussed development programs and employee engagement initiatives as ways to mitigate attrition of critical skills.

PART 1: BACKGROUND STATEMENT

A key component in Adcock Ingram's performance over many years has been its ability to attract, develop, inspire and retain competent talent in a highly competitive and scarce-skilled market, in order to satisfy our customers and stakeholders' needs. In order to accelerate our strategy to achieve growth and efficiency, our employees must be highly skilled, experienced and engaged.

During the year under review, the Company reviewed its employee value proposition (EVP) with a particular focus on how to:

- build a deeper connection with employees;
- ensure productivity while providing flexibility;
- advance organisational and individual growth;
- improve organisational benefits; and
- advance holistic well-being.

Several divisions in the Company conducted employee engagement surveys to determine the employees' satisfaction in a rapidly changing environment. The outcomes of the surveys and next steps were shared with and explained to employees. The Group also conducted an equal pay for work of equal value analysis to determine any pay disparities. The results indicated that our pay is fair, and we do not discriminate on arbitrary groups.

We continue to monitor trends and developments in the healthcare sector, as well as best practice and relevant changes in the market that may have an impact on our approach to remuneration and input from our shareholders.

Our remuneration approach is designed to foster a high-performance culture that enables an innovative and entrepreneurial mind-set, whilst being culturally aligned and operating within our risk appetite. Our remuneration approach adheres to the following principles:

- we differentiate reward according to performance and ensure that remuneration outcomes are reflective of business achievement;
- performance targets are aligned to strategy and balance both short- and long-term rewards;
- we endeavour to promote fair and responsible pay;
- we do not discriminate based on race, gender and sexual orientation;
- we reward experience and performance relative to others doing similar work;
- we aim to continuously improve the transparency and disclosure of our remuneration reporting;
- our remuneration practices are designed to focus on achieving agreed deliverables (qualitative and quantitative) and desired behaviours that enable transparency in differentiating individual rewards; and
- we strive for competitiveness on total reward and on the appropriate mix between fixed and variable pay for our employees depending on their roles.

REMUNERATION GOVERNANCE

EXTERNAL ADVICE RENDERED TO THE COMMITTEE

In reviewing our remuneration practices and offerings to ensure that they are fair, relevant, competitive, transparent and responsible, we again enlisted the services of an external and independent remuneration advisor. They provided guidance and support with the following:

- selection of an appropriate comparator group for remuneration of executive directors and executive management;
- benchmarks relating to remuneration of executive directors;
- benchmarking of NED fees;
- annual salary increases for executive directors;
- target-setting for STI and STI allocations for executive directors and executive management, including the mix of remuneration at threshold, on-target and stretch levels;
- setting of PBLTIS metrics and providing guidance on quantum allocation for executive directors and executive management;
- providing guidance on the ESG targets for the PBLTIS;
- auditing the achievement of PBLTIS target payment levels by reviewing the vesting conditions of PBLTIS and providing independent assurance on the accuracy of vesting calculations; and
- reviewed the remuneration report prior to presentation to shareholders in the Integrated Report.

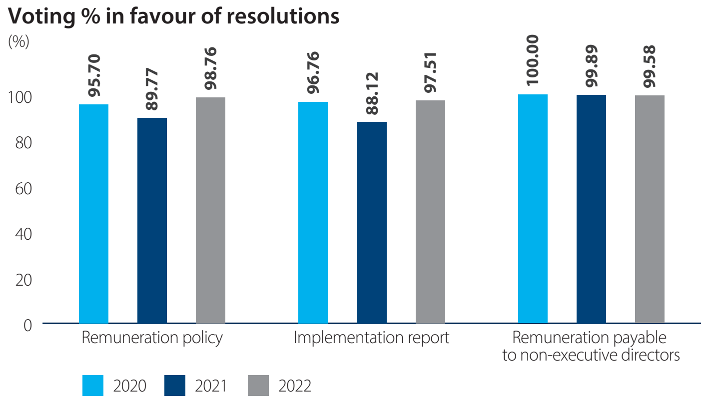
The Committee is satisfied that DG Capital is independent and remained effective in providing these services.

REMUNERATION REPORT CONTINUED

SHAREHOLDER VOTING ON REMUNERATION RESOLUTIONS

To strengthen the relationship between shareholders and our Board of Directors (Board), ongoing engagement with material shareholders on remuneration matters by the chairmen of the Board and remuneration committee is conducted prior to tabling the remuneration related resolutions at the Company's AGM. Feedback received from these engagements is implemented where warranted.

In the spirit of shareholder engagement, the Committee will take the necessary steps if 25% or more of the total votes exercised by shareholders are against the remuneration policy, implementation report or the proposed remuneration for the NEDs at the upcoming AGM in November 2023. The voting outcomes over the past three years are as follows:



FOCUS AREAS FOR THE NEXT YEAR

The RemCom is of the view that no material changes to its duties will be required for the next financial year. It will however be focusing on:

- continuously evaluating and addressing pay disparities, if any, across the Group with a focus on race and gender, especially in critical and key roles;
- continuously ensuring that reward practices are fair, responsible and transparent, and that they uphold an ethical culture and responsible corporate citizenship;
- continuing to review and evolve the remuneration policy to ensure that it is effective in attracting, incentivising and retaining critical and key talent; and
- ensuring that the succession pool for executive management is diverse.

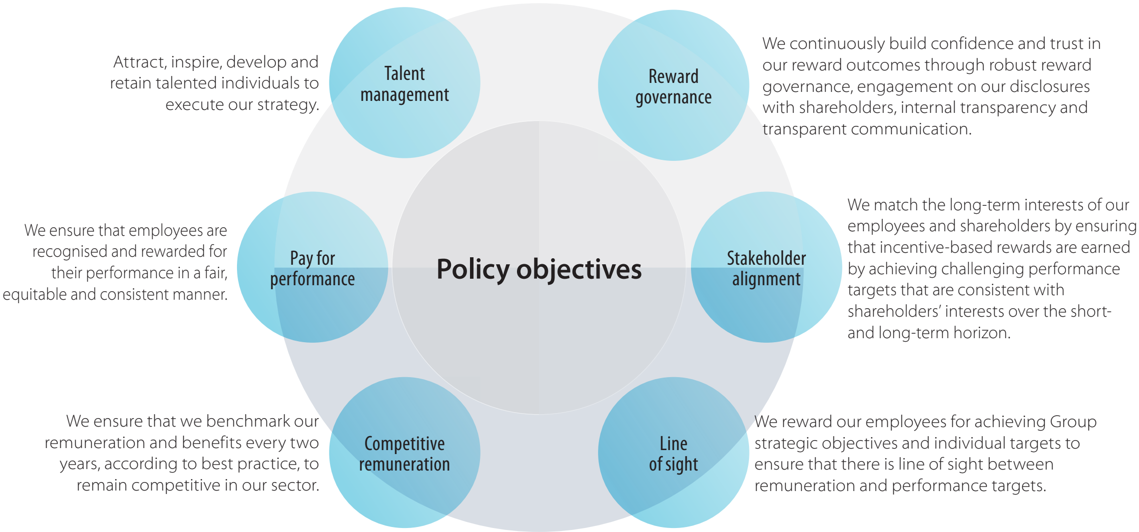
PART 2: REMUNERATION POLICY

Our remuneration policy is aimed at driving a high-performance culture that delivers the Company's long-term strategic objectives as well as sustainable shareholder returns. The remuneration policy also governs all components of the total remuneration mix. The remuneration outcomes are achieved by utilising a total remuneration approach, which comprises of financial rewards, including guaranteed earnings, short-term incentives, and long-term incentives. These constitute total reward and support the holistic employee value proposition.

The remuneration policy is designed to achieve the following objectives:

- internal equity – which ensures that employees are rewarded appropriately in relation to peers, as well as ensuring adherence to the principle of equal pay for work of equal value;
- external equity – to ensure employees are rewarded competitively in relation to the employment market;
- fair, responsible, and transparent remuneration – which ensures that there is equal opportunity across the Company;
- for growth and development of high-performance individuals, which are aligned with the Company's values:
  - performance measurement practices are transparent and consistently applied; and
  - remuneration and benefits at all levels are equitable and consistently applied.

ABRIDGED REMUNERATION PRINCIPLES AND POLICY OBJECTIVES



UNDERPINNING THESE OBJECTIVES ARE THE CHARACTERISTICS OF OUR COMPANY CULTURE:

Fun at work | Empowering culture | Innovation and entrepreneurial mind-set | High performance | Quality and compliance orientated | Collegiality | Open communication | Diversity, inclusivity, and sense of belonging

The policy is updated regularly to ensure that our operating model and strategic objectives comply with relevant legislation and King IV™ principles. The above principles are cemented on fair, reasonable, responsible, competitive and equitable remuneration.

REMUNERATION REPORT CONTINUED

OUR APPROACH TO FAIR AND RESPONSIBLE REMUNERATION

At Adcock Ingram, we are committed to the principle of fair and responsible remuneration. We evaluate the fairness of our executive remuneration in relation to that of other employees and conduct continuous assessments to ensure that we address any pay disparities across different race groups and genders.

These practices are in line with relevant legislation such as the Employment Equity Amendment Act 47 of 2013, section 9(3) of the Constitution of the Republic of South Africa, King IV™ Principles and the United Nations Sustainable Development Goal (SDG) number 5.

FAIR AND RESPONSIBLE REMUNERATION

Investigate

To ensure that our compensation is fair, we undertook an exercise for key and critical roles, where there are five or more employees to determine if there are any pay disparities. We applied Adcock Ingram's remuneration philosophy of paying at or above the 50th percentile.

Assess

Utilising Deloitte benchmark data, we conducted an internal assessment on equal pay across various roles and job grades to identify unjustifiable disparities across gender, race, tenure and levels of experience.

Analyse

We performed a statistical analysis of the income distribution across the identified roles, allowing for up to a 20% deviation from the market median. Anomalies were detected for only three out of the 174 individuals selected.

Correct

The identified anomalies will be corrected during the annual salary increase cycle or as per the salary increase policy.

Way forward

- Cascade the exercise to other roles.
- Ongoing monitoring and review of equal pay for work of equal value.
- Ensure that Human Capital processes are fair and devoid of any discriminatory practices.

Malus and clawback remain essential features of our remuneration policy. Malus and clawback provisions are applicable to all variable remuneration awarded to executive directors, executive management and critical and key talent. The malus and clawback policy was not triggered since implementation, demonstrating the integrity and robustness of our processes and systems.

MALUS

Malus provisions apply before awards have been paid to an employee.

TRIGGER EVENTS

- An intentional, material misstatement of financial results;
- Gross misconduct or negligence;
- Material failure of risk management; and
- Material breach of an obligation to the Group.

CLAWBACK

Clawback provisions apply to awards that have already been settled or paid to an employee

MARKET BENCHMARKING

The Group utilises external remuneration advisors, external market surveys and best practices for continued remuneration benchmarking and job evaluation. During this period, all elements of remuneration such as salaries, incentives and benefits were reviewed against the relevant industry and market benchmarks. We aim for a median (50th percentile) position of the market TGP data for all employees. In certain cases, a premium to the median TGP may be necessary for talent acquisition, retention of employees with unique skills, niche experience and consistent, extraordinary experience.

To ensure fairness and competitiveness, Adcock Ingram constantly monitors the remuneration of employees through external benchmarking. The Company used DG Capital to benchmark the remuneration of executive directors and executive management. The remuneration was benchmarked against an appropriate group of JSE listed companies of similar size and complexity to that of Adcock Ingram. To benchmark pharmaceutical roles, the Company uses the services of Deloitte Consulting. For non-pharmaceutical roles, the Company utilises the national market data and salary surveys.

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

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

COMPARATOR GROUP	COMPANY	WEIGHTING
SIMILAR SIZED COMPANIES	• Advtech • AECI • Afrocentric • Astral Foods • Cashbuild* • Famous Brands* • Hudaco • Invicta Holdings • KAAP Agri* • Libstar Holdings • Mpact • Oceana Group • Omnia • RFG Holdings • Sea Harvest • Super Group • Truworths*	• 60%
DIRECT COMPARATOR GROUP	• Aspen Pharmacare • AVI Limited • Clicks • Dis-Chem • Life healthcare • Netcare • RCL Foods	• 20%
BIDVEST SIMILAR POSITION		• 20%

* *Since the last benchmarking exercise in 2021, the comparator group was changed to include more companies that are relevant based on our size. These companies were added to the comparator group. Nampak was excluded due to their revised size.*

The remuneration of NEDs is reviewed annually by the RemCom and the Board after a benchmarking exercise. These fees remunerate the NEDs for their time, responsibilities, and commitment to Adcock Ingram. DG Capital has independently benchmarked NED fees during the year against an appropriate comparator group of companies.

REMUNERATION REPORT CONTINUED

BENCHMARKING METHODOLOGY

Adcock Ingram's executive remuneration was compared to the market based on the comparator group data. The following elements were analysed:

- total guaranteed package (TGP): all salary items including basic salary, pension, medical and any other benefits;
- short-term incentives (on target and stretch);
- long-term incentives (on target and stretch);
- overall pay; and
- overall remuneration mix.

The outcome of the benchmarking exercise revealed that the three executive directors, along with other executive management are being remunerated in line with the market and therefore, no adjustments were warranted.

ELEMENTS OF TOTAL REMUNERATION

		TOTAL REMUNERATION ELEMENTS = TGP + STI + LTI STRATEGIC INTENT
FIXED REMUNERATION	TOTAL GUARANTEED PACKAGE (TGP)	• Just and competitive salaries to attract, retain and motivate current and future employees. • Wide range of benefits designed to improve employee engagement. Benefits applicable as per position and business requirements. • Fixed remuneration is delivered as a total guaranteed package, which incorporates a cash salary and the Company contributions to benefits (including provident fund or pension fund, medical aid, death and disability cover).
VARIABLE REMUNERATION	SHORT-TERM INCENTIVES (STI)	• Delivery of one-year strategic and operational initiatives and financial performance combined with role-specific individual goals. • To motivate and reward employees for the achievement of the Company's short-term/one year financial and non-financial objectives in areas they can influence. • Short-term incentives are payable in cash. • Number of participants = 64 **CEO STI DISCRETION:** An amount is approved annually by the Board for employees who exhibited extraordinary performance. **SALES INCENTIVES** Employees with a specific sales focus (e.g., sales managers and sales representatives) participate in a sales incentive programme that rewards participants for the achievement of set sales targets. For the achievement of sales targets, sales incentives are paid to qualifying sales employees on a quarterly basis. Number of participants = 340. Employees who participate in the sales incentive scheme do not participate in the STI scheme.
	LONG-TERM INCENTIVES (LTI)	• Rewarding consistent achievement of strategic, financial and non-financial objectives over a three-year measurement period. • Attraction, retention, employee engagement and allows management ownership in the Company's equity. • Align key employees at a senior level who can materially influence the delivery of the Company strategy in terms of long-term, sustainable future performance. • Full value shares (convertible into cash if preferred), vesting over time, and dependent on the achievement of performance metrics. • Number of participants = 44

TOTAL GUARANTEED PACKAGE

SALARY	BENEFITS
• Market related salary tailored to the content of the roles, individual skills, experience, performance and internal benchmarking • 13th cheque guaranteed for bargaining unit (BRG) employees. • 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.	• **Provident or Pension fund**: Compulsory for all permanent employees to ensure the financial well-being of employees, by enabling them to save for retirement. • **Medical aid:** Not compulsory for employees, but highly encouraged. BRG employees subsidised by 50%. • **Gap cover:** Voluntary membership offered. • **Group life insurance:** To provide permanent employees with life insurance to the value of four times their pensionable salary, in case of death. • **Disability cover:** Insurance for all permanent employees. • **Funeral benefits:** To provide cash funeral benefits for employees, spouses and children under the age of 21. • **Vehicle insurance:** Vehicle insurance offered to qualifying employees. • **Travel allowance:** TGP employees allowed to structure their packages optimally. • **Fuel cards:** Offered to qualifying sales employees. • **Company car:** Technical support employees who are eligible are given a company car in order to fulfil their duties. • **Shift allowance:** Applicable to employees who work shifts to compensate for working unsociable hours or unusual shift patterns. • **Employee wellness programme:** ICAS is our employee wellness partner and is dedicated to the health and well-being of employees in the workplace and at home. • **Long service awards:** For every five years that a permanent employee stays in the Company's employment, a cash reward is paid on the anniversary of the employment date. The amount is calculated as a percentage of pensionable salary. • **Learning and career development opportunities, including study assistance:** See learning and development initiatives on page 86. • **Cell phone allowance or Company cell phone use:** To offer employees who, through operational requirements, need to be contactable, use of a Company cell phone or a cell phone allowance. • **Overtime:** Paid to employees as per operational requirements, for those employees whose earnings are below the prescribed minimum of R224 080.48 per annum, as prescribed by the Basic Conditions of Employment Act, 75 of 1997 (BCEA) act and the National Bargaining Council for the Chemical Industries (NBCCI).

REMUNERATION REPORT CONTINUED

STI

REWARD INDIVIDUAL PERFORMANCE MEASURED FOR A PERIOD OF UP TO 1 YEAR

OVERVIEW

The objective of our STI scheme is to incentivise and reward employees for the achievement of annual performance targets. The scheme complies with the principles of King IV, evidenced as follows:

- where performance does not meet threshold target, no STI is payable;
- annual STI relates to performance against objectives consistent with long-term value for shareholders;
- performance conditions and targets are custom-made to business needs and strategy and revised when needed to ensure relevance;
- performance targets for threshold, target and stretch performance are set, monitored and audited; and
- STI awards are capped as a multiple or percentage of an individual's TGP.

ELIGIBILITY

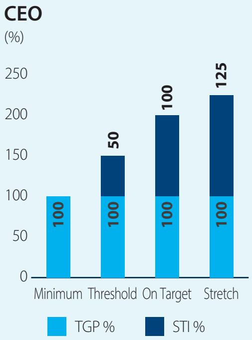
Executive directors, executive management, critical and key employees

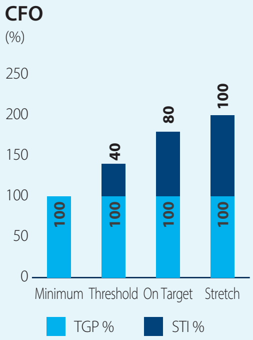
PERFORMANCE PERIOD

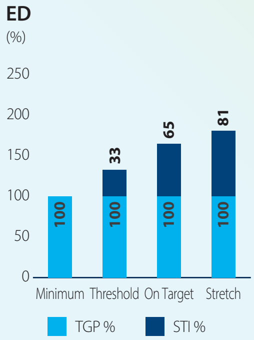
One year

MECHANICS

Formula based as a % of the participant's TGP, with Committee discretion to change.







METHOD OF DELIVERY

Cash

TIMING OF DELIVERY

Annually in September

PERFORMANCE MEASURES FOR EXECUTIVE DIRECTORS

- Trading profit (TP) (30%)
- Return on funds employed (ROFE) (20%),
- HEPS (20%)
- Additional performance metrics (APM) (30%) - include targets such as B-BBEE, business resilience, growth, and innovation

The concept of threshold was introduced in 2021 and continued to date. The threshold is based on a reasonable outcome expected for each business unit or the Group (as relevant) so as to keep beneficiaries motivated and engaged. Pay-out for achieving threshold is set at 50% of on-target pay-out.

All metrics are standalone and measured and assessed individually.

PERFORMANCE BASED LONG-TERM INCENTIVE SCHEME (PBLTIS)

MOTIVATE MANAGEMENT AND KEY TALENT TO ACHIEVE LONG-TERM PERFORMANCE AND TO ENHANCE RETENTION

OVERVIEW

LTIs are designed to align management's objectives with shareholder and investor expectations, ensuring sustainable growth for the Company.

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

ELIGIBILITY

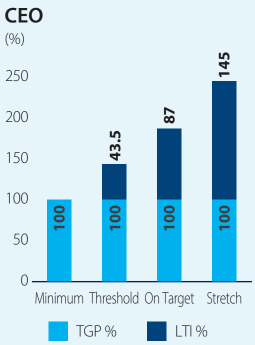
Executive directors, executive management, and key employees in critical roles

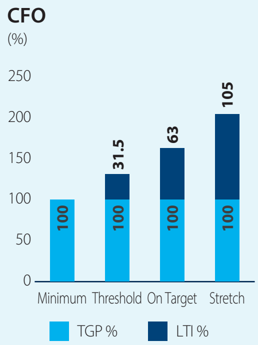
PERFORMANCE PERIOD

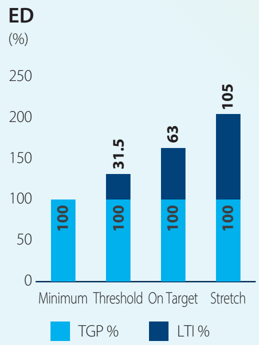
Three years

MECHANICS

Formula based on a % of the participant's TGP and job level, within the Committee discretion.
% of TGP applicable for the executive directors:







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.

METHOD OF DELIVERY

Full value shares convertible into cash if preferred

TIMING OF DELIVERY

75% vesting after 3 years and 25% after 4 years. If none of the performance conditions have been fulfilled, no conditional share awards vest.

REMUNERATION REPORT CONTINUED

	PERFORMANCE BASED LONG-TERM INCENTIVE SCHEME (PBLTIS)
PERFORMANCE MEASURES	Performance conditions against set targets for the achievement of: • 40% – HEPS growth; • 20% – ROFE; • 10% – environmental (such as installation of renewable energy sources and waste management); • 20% – social targets (such as B-BBEE, disability profile, African appointments and graduates funded by NSFAS); and • 10% – governance.
NUMBER OF PARTICIPANTS	44
AGGREGATE EXECUTIVE DIRECTORS' REMUNERATION MIX ON TARGET FOR 2023	• Total remuneration =TGP+STI+LTI • Total remuneration = 33% + 29% + 36%

	TIGER BRANDS BLACK MANAGERS TRUST (BMT)
OVERVIEW	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 being separately listed on the JSE, form part of the scheme.
NUMBER OF PARTICIPANTS	99 remaining

PART 3 – IMPLEMENTATION OF THE REMUNERATION POLICY

ADHERENCE TO THE REMUNERATION POLICY

The RemCom monitored the implementation of the Remuneration Policy.

FAIR AND RESPONSIBLE REMUNERATION

Adcock Ingram's commitment to address the internal wage gap between the highest and lowest paid employees, is evidenced by the historically higher increases for those employees in the bargaining unit, compared to those of middle and senior management. During the current financial year, employees in the bargaining unit were granted a 6% increase, effective July 2022, compared to the other employees receiving an average increase of 5%, effective December 2022.

PERFORMANCE OUTCOMES FOR THE STI'S PAID IN SEPTEMBER 2022:

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

Commercial divisions (Consumer, OTC, Prescription and Hospital) were measured against the following metrics and related weightings during the 2022 financial year:

- Trading profit (30%);
- HEPS (20%);
- Return on funds employed (ROFE) (20%); and
- For managing directors an additional performance metric (30% weighting) was introduced based on the individual's position and includes targets for market share, new business development and factory performance, as examples.

For the Commercial divisions the following achievement against the performance metrics and payments were made in September 2022, based on the performance for the year ended 30 June 2022:

Business Unit	Trading profit	HEPS	ROFE	Additional performance metrics	Amount paid R'm	Number of beneficiaries
Consumer	Stretch	Stretch	Stretch	Partially achieved	4.6	9
OTC	Stretch	Stretch	Stretch	Partially achieved	4.0	7
Prescription	Stretch	Stretch	Stretch	Partially achieved	4.2	13
Hospital	On-target	Stretch	On-target	Partially achieved	3.3	9

For Corporate the following payments were made in September 2022 (excluding the executive directors):

Business Unit	Trading profit	HEPS	ROFE	Additional performance metrics	Amount paid R'm	Number of beneficiaries
Corporate	Stretch	Stretch	Stretch	Partially achieved	10.9	19

For the Distribution department the financial and non-financial metrics are different from the Commercial Business Units.

The performance outcome is listed below:

Business Unit	Trading profit	Additional performance metrics	Amount paid R'm	Number of beneficiaries
Distribution	Stretch	Partially achieved	1.4	3

A discretionary amount of R3.7 million approved by the Board was paid out to 168 employees who exhibited extraordinary performance.

REMUNERATION REPORT CONTINUED

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

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 (2022: 21 433) in the Company, consequent to the exercise of certain equity options. There has been no change in this since year-end.

REMUNERATION

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. The current year includes long-service awards (15 years) for all three directors, in accordance with the Group policy. Executive directors were granted a 4.5% increase effective 1 December 2022.

	Basic salary R'000	Contributions to defined contribution plan R'000	Total R'000
2023			
AG Hall	7 158	350	7 508
D Neethling	4 197	350	4 547
B Letsoalo	3 497	526	4 023
	14 852	1 226	16 078
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

VARIABLE REMUNERATION

SHORT-TERM INCENTIVES

The STIs are dependent on the Group's performance as well as individual additional performance metrics (APM).

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

	Trading profit	HEPS	ROFE%[1]	APM[2]	B-BBEE[3] score	Total
2023						
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] *ROFE – Return on funds employed calculated as follows: Trading profit (excluding amortisation) as % of average capital employed. Average capital employed is calculated as the average net operating assets (excluding intangibles, other financial assets, investments in joint ventures, deferred tax and cash) less non-interest bearing liabilities (excluding short-term portion of lease liabilities, bank overdraft and taxation payable) of the current and prior financial year.*

[2] *This metric includes the execution of strategy, innovation and business resilience, as assessed by the Board.*

[3] *Depends on the achievement of the final B-BBEE score.*

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.

	Trading profit	HEPS	ROFE%	APM	B-BBEE score	2023 Pay out	% of June 2023 TGP	2022 Pay out
AG Hall	Stretch	Stretch	Stretch	100%	Stretch	9 274	125%	8 875
D Neethling	Stretch	Stretch	Stretch	100%	Stretch	4 494	100%	4 300
B Letsoalo	Stretch	Stretch	Stretch	100%	Stretch	3 226	81%	3 088
						16 994		16 263

The full amount of R17.0 million has been provided for in the year ended 30 June 2023, although payment will only be made in September 2023.

The prior year incentives of R16.3 million, which related to the prior year's performance, were fully provided for in the year ended 30 June 2022, and were paid in September 2022.

No options (with no performance conditions attached) were exercised in the current year.

REMUNERATION REPORT CONTINUED

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/ end of the year	Vested as at 30 June 2023	Value[1] as at 30 June 2023 R
AG Hall					
Equity	17/06/2014	52.20	58 334	58 334	239 169
	26/08/2015	41.94	58 334	58 334	837 676
	26/08/2016	42.30	133 334	133 334	1 866 676
	24/08/2017	57.73	200 000	200 000	–
			450 002	450 002	2 943 521
Phantom	28/08/2018	65.46	200 000	133 332	–
Total			650 002	583 334	2 943 521
D Neethling					
Equity	17/06/2014	52.20	20 000	20 000	82 000
	26/08/2015	41.94	30 000	30 000	430 800
	26/08/2016	42.30	100 000	100 000	1 400 000
	24/08/2017	57.73	150 000	150 000	–
			300 000	300 000	1 912 800
Phantom	28/08/2018	65.46	150 000	100 000	–
Total			450 000	400 000	1 912 800
B Letsoalo					
Equity	17/06/2014	52.20	15 000	15 000	61 500
	24/08/2017	57.73	120 000	120 000	–
			135 000	135 000	61 500
Phantom	28/08/2018	65.46	120 000	80 000	–
BMT[2]					
OCE	31/01/2008	12.45	905	905	52 535
AIP	31/01/2008	12.37	13 742	13 742	603 686
TBL	01/07/2012	42.56	1 734	1 734	216 178
OCE	01/07/2012	12.45	2 001	2 001	116 158
AIP	01/07/2012	11.19	4 534	4 534	204 574
			22 916	22 916	1 193 131
Total			277 916	237 916	1 254 631

[1] Based on the closing share price as at 30 June 2023

[2] Black Managers Trust

AIP – Adcock Ingram Holdings Limited

OCE – Oceana Group Limited

TBL – Tiger Brands Limited

OPTION (WITH NO PERFORMANCE CONDITIONS ATTACHED) EXERCISED

No options were exercised during the current financial year. Details of options which were exercised during the prior year, are as follows:

2022		Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options[1] R'000
B Letsoalo						
Equity		26/08/2015	41.94	52.00	15 000	151
		26/08/2016	42.30	52.00	30 000	291
		25/11/2016	42.08	52.00	75 000	744
					120 000	1 186
BMT	TBL	31/01/2008	47.85	153.64	3 500	370
	TBL	01/07/2012	47.85	153.55	6 000	634
					9 500	1 004
Total					129 500	2 190

1 *Amounts are shown before tax.*

REMUNERATION REPORT CONTINUED

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 during the 2020 financial year. Conditional share awards were granted to the executive directors as detailed below:

	Offer date	Balance at the beginning of the year	Forfeited during the year as performance conditions not fully met	Vested and exercised during the year	Issued during the year	Balance at the end of the year[1]
AG Hall	26/09/2019	155 000	(43 400)	(83 700)		27 900
	25/11/2020	189 800				189 800
	24/08/2021	200 000				200 000
	30/09/2022				200 000	200 000
		544 800	(43 400)	(83 700)	200 000	617 700
D Neethling	26/09/2019	64 000	(17 920)	(34 560)		11 520
	25/11/2020	92 000				92 000
	24/08/2021	100 000				100 000
	30/09/2022				91 000	91 000
		256 000	(17 920)	(34 560)	91 000	294 520
B Letsoalo	26/09/2019	59 000	(16 520)	(31 860)		10 620
	25/11/2020	83 300				83 300
	24/08/2021	89 000				89 000
	30/09/2022				80 000	80 000
		231 300	(16 520)	(31 860)	80 000	262 920

1 *The remaining awards have not vested as at 30 June 2023.*

Details of PBLTIS conditional share awards exercised are as follows:

	Offer date	Awards exercised during the year	Exercise price R	Gain realised on exercising of options[2] R'000
AG Hall	26/09/2019	83 700	49.50	4 143
D Neethling	26/09/2019	34 560	49.50	1 711
B Letsoalo	26/09/2019	31 860	49.50	1 577

2 *Amounts are shown before tax.*

PBLTIS AWARD DURING THE YEAR

The performance conditions (financial and non-financial) attached to the award made on 30 September 2022, measured over a three-year period from 1 July 2022 to 30 June 2025, are as follows:

Measure	Weight	Measurement base	Performance threshold (50% vesting)	Target (70% vesting)	Stretch (100% vesting)
Financial					
HEPS growth	40%	Inflation and SEP	(50% CPI + 50% SEP)	(50% CPI + 50% SEP)+1%	(50% CPI + 50% SEP)+2%
ROFE[1]	20%	ROFE	24%	27%	29%
Environmental					
Renewable energy	5%	Actual data	Solar power implemented in two further locations	Solar power implemented in two further locations and one initiative undertaken to reduce environmental impact	Solar power implemented in two further locations and two initiatives undertaken to reduce environmental impact
Waste management	5%	Actual data	Waste to landfill <= 28%	Waste to landfill <= 26%	Waste to landfill <= 24%
Social					
B-BBEE	5%	B-BBEE scorecard points	87	89	91
African employee appointments (middle management and above)	5%	As a % of total appointments	45%	55%	65%
Disability profile	5%	As a % permanent headcount	2%	2.5%	3%
Learning and development (graduates funded by NSFAS)[2]	5%	As a % graduates	30%	40%	45%
Governance					
Ethical supply chain process	10%	Actual data	10% of supplier value migrated to system	20% of supplier value migrated to system	30% of supplier value migrated to system

[1] *Return on funds employed*

[2] *NSFAS – National Student Financial Aid Scheme*

REMUNERATION REPORT CONTINUED

STATUS OF ALL PERFORMANCE-BASED AWARDS AS AT THE END OF JUNE 2023

TRANCHE 1

Award date:	26 September 2019
Measurement period:	1 July 2019 to 30 June 2022
Completion period:	Completed
Status:	Based on the level of achievement of the performance metrics, 72% of the initial award will vest.
Vesting period:	75% of achieved level of 72% vested in September 2022
	25% of achieved level of 72% will vest in September 2023

TRANCHE 2

Award date:	25 November 2020
Measurement period:	1 July 2020 to 30 June 2023
Completion period:	Completed (Three years of three)

Measure	Weight	Average outcome	Achievement	Weighted achievement to date
HEPS growth	40%	10.9%	100%	40%
ROFE	20%	30%	100%	20%
Strategy and Innovation	20%	Stretch	100%	20%
B-BBEE	20%	95.46	100%	20%
Total				100%

TRANCHE 3

Award date:	25 November 2021
Measurement period:	1 July 2021 to 30 June 2024
Completion period:	Two years of three

Measure	Weight	Average outcome	Achievement	Weighted achievement to date
HEPS growth	40%	17.9%	100%	40%
ROFE	20%	31.4%	100%	20%
Environmental	10%	Stretch	100%	10%
Governance	10%	Stretch	100%	10%
B-BBEE	20%	95.78	100%	20%
Total				100%

TRANCHE 4

Award date:	30 September 2022
Measurement period:	1 July 2022 to 30 June 2025
Completion period:	One year of three

Measure	Weight	Average outcome	Achievement	Weighted achievement to date
HEPS growth	40%	11.8%	100%	40%
ROFE	20%	31.4%	100%	20%
Environmental				
Renewable energy	5%	Stretch	100%	5%
Waste management	5%	Stretch	100%	5%
Social				
B-BBEE	5%	95.73	100%	5%
African appointments (middle management and above)	5%	55%	70%	4%
Disability profile	5%	2.8%	88%	4%
Learning and development	5%	47%	100%	5%
Governance	10%	Stretch	100%	10%
Total				98%

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 2*:

R'000	**2023 R'000**	2022 R'000
AG Hall	7 079	5 259
D Neethling	3 515	2 658
B Letsoalo	3 141	2 337
	13 735	10 254

**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 2021 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

REMUNERATION REPORT CONTINUED

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.

The same comparator group, which is used for executive directors' benchmarking process is used. The weighted average of the market data of similar size companies accounted for 70% and directly 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 2022 AGM, effective 1 December 2022.

	Chairman	Member
Board	R1 243 000	R361 000
Lead independent director		R410 000
Audit Committee	R274 000	R137 000
Risk and Sustainability Committee	R246 000	R125 000
Human Resources and Remuneration Committee	R194 000	R105 000
Nominations Committee	R164 000	R82 000
Social, Ethics and Transformation Committee	R173 000	R84 000
Acquisitions Committee	R261 000	R130 000

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 retire by rotation every year and, if eligible, may offer themselves for re-election by shareholders.

REMUNERATION PAID

The following fees, excluding value added tax (VAT) where applicable, were paid to non-executive directors quarterly in arrears.

Committee members	**2023 R'000**	2022 R'000
L Boyce	**390**	328
M Haus	**891**	984
S Gumbi	**701**	618
B Mabuza	**392**	–
N Madisa[1]	**1 221**	1 189
C Manning	**843**	761
D Ransby	**874**	829
M Sathekge	**608**	493
M Steyn[1]	**123**	–
K Wakeford[2]	**360**	453
	6 403	5 655

[1] *Paid to Bidvest Corporate Services Proprietary Limited.*

[2] *Paid to Bidvest Branded Products Proprietary Limited.*

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Audited 2023 R'000	Change %	Audited 2022 R'000
Revenue	2.1	**9 131 852**	5	8 705 817
Cost of sales		**(5 944 832)**		(5 648 062)
Gross profit		**3 187 020**	4	3 057 755
Selling, distribution and marketing expenses		**(1 390 638)**	2	(1 365 882)
Fixed and administrative expenses		**(615 907)**	6	(579 586)
Trading profit		**1 180 475**	6	1 112 287
Non-trading expenses	3	**(44 948)**		(59 467)
Operating profit		**1 135 527**	8	1 052 820
Finance income		**7 628**		4 511
Finance costs		**(59 795)**		(45 417)
Dividend income		**3 174**		3 187
Equity-accounted earnings		**119 048**		86 893
Profit before tax		**1 205 582**	9	1 101 994
Tax		**(307 222)**		(301 265)
Profit for the year		**898 360**	12	800 729
Exchange differences on translation of foreign operations		**44 740**		22 797
Subsidiaries		**1 704**		949
Joint venture		**43 036**		21 848
Movement in cash flow hedge accounting reserve, net of tax		**57 814**		3 926
Fair value of investment*		**1 424**		628
Actuarial profit on post-employment medical liability*		**894**		1 963
Total comprehensive income, net of tax		**1 003 232**		830 043
Profit attributable to:				
Owners of the parent		**898 410**		800 345
Non-controlling interests		**(50)**		384
		898 360		800 729
Total comprehensive income attributable to:				
Owners of the parent		**1 003 282**		829 659
Non-controlling interests		**(50)**		384
		1 003 232		830 043
Basic earnings per ordinary share (cents)		**561.3**	13	494.8
Diluted basic earnings per ordinary share (cents)		**548.6**	13	485.7
Headline earnings per ordinary share (cents)		**561.3**	12	502.0
Diluted headline earnings per ordinary share (cents)		**548.7**	11	492.8

* *Remeasurement of investment and post-employment medical liability will not be reclassified to profit and loss. All other items in other comprehensive income may be reclassified to profit and loss.*

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital R'000	Share premium R'000	Treasury share reserve	Non-distributable reserves R'000	Retained income R'000	Total attributable to holders of the parent R'000	Non-controlling interests R'000	Total R'000
As at 1 July 2021	16 176	255 175		194 180	4 216 817	4 682 348	760	4 683 108
Share-based payment expenses*				33 386		33 386		33 386
Movement in treasury shares		19				19		19
Total comprehensive income				42 607	800 345	842 952	384	843 336
Profit for the year					800 345	800 345	384	800 729
Other comprehensive income				29 314		29 314		29 314
Reclassified to cost of inventory – not included in other comprehensive income				13 293		13 293		13 293
Dividends					(313 811)	(313 811)	(915)	(314 726)
Balance at 30 June 2022	**16 176**	**255 194**		**270 173**	**4 703 351**	**5 244 894**	**229**	**5 245 123**
Share-based payment expenses*				**28 840**		**28 840**		**28 840**
Transfer of reserves	**–**	**–**		**6 081**	**(6 080)**	**1**	**(1)**	**–**
Cancellation of shares	**(4)**	**(1 972)**				**(1 976)**		**(1 976)**
Treasury shares purchase	**(923)**		**(471 196)**			**(472 119)**		**(472 119)**
Movement in treasury shares	**28**	**13 389**				**13 417**		**13 417**
Total comprehensive income				**51 839**	**898 410**	**950 249**	**(50)**	**950 199**
Profit for the year					**898 410**	**898 410**	**(50)**	**898 360**
Other comprehensive income				**104 872**		**104 872**		**104 872**
Reclassified to cost of inventory – not included in other comprehensive income				**(53 033)**		**(53 033)**		**(53 033)**
Dividends					**(375 368)**	**(375 368)**	**(204)**	**(375 572)**
Balance at 30 June 2023	**15 277**	**266 611**	**(471 196)**	**356 933**	**5 220 313**	**5 387 938**	**(26)**	**5 387 912**

* *Relate to equity and BMT option schemes.*

SUMMARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited 2023 R'000	Audited 2022 R'000
ASSETS		
Property, plant and equipment	**1 475 795**	1 472 548
Right-of-use assets	**233 468**	270 494
Intangible assets	**1 233 326**	1 242 716
Deferred tax assets	**14 104**	4 347
Other financial assets	**20 476**	21 770
Investment in joint ventures	**670 948**	528 173
Loans receivable	**-**	4 124
Non-current assets	**3 648 117**	3 544 172
Inventories	**2 449 611**	2 169 077
Receivables and other current assets	**2 059 917**	1 830 428
Cash and cash equivalents	**91 540**	345 485
Tax receivable	**12 870**	–
Loan receivables	**479**	–
Current assets	**4 614 417**	4 344 990
Total assets	**8 262 534**	7 889 162
EQUITY AND LIABILITIES		
Capital and reserves		
Issued share capital	**15 277**	16 176
Share premium	**266 611**	255 194
Treasury share reserve	**(471 196)**	–
Non-distributable reserves	**356 933**	270 173
Retained income	**5 220 313**	4 703 351
Total shareholders' funds	**5 387 938**	5 244 894
Non-controlling interests	**(26)**	229
Total equity	**5 387 912**	5 245 123
Long-term portion of lease liability	**279 980**	310 024
Post-retirement medical liability	**13 081**	14 079
Deferred tax liabilities	**147 352**	133 599
Non-current liabilities	**440 413**	457 702
Trade and other payables	**2 180 922**	1 938 933
Bank overdraft	**9 641**	–
Short-term portion of lease liability	**35 421**	27 717
Cash-settled options	**23 212**	22 482
Provisions	**168 607**	175 548
Taxation payable	**16 406**	21 657
Current liabilities	**2 434 209**	2 186 337
Total equity and liabilities	**8 262 534**	7 889 162

SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

	Audited 2023 R'000	Audited 2022 R'000
Cash flows from operating activities		
Operating profit	**1 135 527**	1 052 820
Other adjustments and non-cash items	**250 210**	408 994
Operating profit before working capital changes	**1 385 737**	1 461 814
Working capital movements	**(281 303)**	(304 677)
Cash generated from operations	**1 104 434**	1 157 137
Finance income received	**7 600**	4 378
Finance costs paid	**(59 155)**	(45 440)
Dividend income received	**28 174**	87 735
Dividends paid	**(375 572)**	(314 726)
Tax paid	**(323 729)**	(231 751)
Cash generated from operating activities	**381 752**	657 333
Cash flows from investing activities		
Purchase of property, plant and equipment – Replacement	**(137 478)**	(111 132)
– Expansion	**(10 608)**	(8 762)
Purchase of intangible assets	**–**	(209 889)
Proceeds on loan receivable	**3 645**	5 674
Proceeds of sale of interest in BMT	**1 549**	265
Proceeds from interest in Group Risk Holdings Proprietary Limited	**717**	438
Proceeds on disposal of property, plant and equipment	**551**	95
Net cash outflow from investing activities	**(141 624)**	(323 311)
Cash flows from financing activities		
Share repurchase	**(472 119)**	–
Repayment of lease liabilities	**(29 426)**	(32 606)
Cancellation of shares	**(1 976)**	–
Equity options scheme settlement	**(1 117)**	(4 888)
Net cash outflow from financing activities	**(504 638)**	(37 494)
Net (decrease)/increase in cash and cash equivalents	**(264 510)**	296 528
Net foreign exchange difference on cash and cash equivalents	**924**	721
Cash and cash equivalents at beginning of year	**345 485**	48 236
Cash and cash equivalents at end of year	**81 899**	345 485

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 INTRODUCTION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for summary financial statements, and the requirements of the Companies Act, 71 of 2002 (as amended) ("Companies Act") applicable to summary consolidated financial statements. The JSE Listings Requirements require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting. These summary financial statements for the year ended 30 June 2023 are not audited but are extracted from the audited consolidated financial statements, which were audited by the independent external auditors, PricewaterhouseCoopers Inc, who have issued on unqualified audit opinion. The Board of Directors take full responsibility for the accuracy of the extraction of the summary financial statements, which have been prepared by Ms Dorette Neethling, chief financial officer, in terms of section 29(1)(e) of the Companies Act.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SEGMENT REPORTING

Consumer – competes in the Fast Moving Consumer Goods (FMCG) space;

Over the Counter (OTC) – focuses primarily on brands sold predominantly in pharmacy, where the pharmacist plays a role in the product choice;

Prescription – markets products prescribed by medical practitioners and includes specialised instruments and surgical products;

Hospital – supplier of hospital and critical care products, including intravenous solutions, blood collection products and renal dialysis systems; and

Other – shared services – other support services, including the regulatory services in India, as well as the investment in the joint venture and cash and bank overdraft balances which are managed on a central basis in southern Africa.

	Change %	Audited 2023 R'000	Audited 2022 R'000
2.1 REVENUE			
Consumer	6	**1 654 903**	1 562 727
OTC	11	**2 282 422**	2 059 258
Prescription	2	**3 294 379**	3 228 242
Hospital	2	**1 899 225**	1 855 035
Other – shared services[1]		**923**	555
	5	**9 131 852**	8 705 817

[1] The Group has disclosed the regulatory services in India, after eliminating intercompany sales in the "Other – shared services" segment as it is managed as a shared service.

2.2 REVENUE BY CHANNEL	Wholesaler R'000	Corporate pharmacy R'000	Retail/ FMCG R'000	Hospital (including SANBS) R'000	Independent pharmacy R'000	Total private R'000	Public R'000	Export and foreign R'000	Total R'000
30 June 2023									
Consumer	228 511	315 052	1 081 493	–	11 353	1 636 409	–	18 494	1 654 903
OTC	1 223 261	741 179	41 721	3 215	59 588	2 068 964	192 336	21 122	2 282 422
Prescription	1 537 341	981 779	341 266*	38 594	77 157	2 976 137	295 848	22 394	3 294 379
Hospital	400 759	46 144	22 866	764 190	82 410	1 316 369	513 297	69 559	1 899 225
Other – shared services	–	–	–	–	–	–	–	923	923
	3 389 872	2 084 154	1 487 346	805 999	230 508	7 997 879	1 001 481	132 492	9 131 852
% Split	37.1%	22.8%	16.3%	8.8%	2.5%	87.5%	11.0%	1.5%	100.0%

** Includes specialised medical and surgical equipment, sold to medical practitioners.*

Revenue in terms of IFRS 15 and segmental revenue (note 2.1) are considered to be the same.

	Change %	Audited 2023 R'000	Audited 2022 R'000
2.3 TRADING PROFIT			
Consumer	2	**356 831**	351 144
OTC	10	**348 590**	318 080
Prescription	16	**320 118**	276 451
Hospital	(7)	**152 094**	164 350
Other – shared services		**2 842**	2 262
	6	**1 180 475**	1 112 287
2.4 TOTAL ASSETS			
Consumer		**1 438 283**	1 248 105
OTC		**2 002 635**	1 974 966
Prescription		**2 581 733**	2 091 202
Hospital		**1 661 035**	1 512 392
Other – shared services		**578 848**	1 062 497
		8 262 534	7 889 162
2.5 CURRENT LIABILITIES			
Consumer		**341 423**	258 594
OTC		**463 850**	438 110
Prescription		**843 742**	835 540
Hospital		**470 705**	366 194
Other – shared services		**314 489**	287 899
		2 434 209	2 186 337

3. NON-TRADING EXPENSES

	Audited 2023 R'000	Audited 2022 R'000
Share-based payment expenses	**44 104**	40 227
Impairments	**–**	11 500
Fair value adjustment of long-term receivable	**844**	4 414
Transaction costs	**–**	3 326
	44 948	59 467

4. INVENTORY

	Audited 2023 R'000	Audited 2022 R'000
Inventories written down and recognised as an expense in cost of sales that forms part of trading profit	**73 690**	62 513

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

		Audited 2023 R'000	Audited 2022 R'000
5.	**CAPITAL COMMITMENTS**		
	– Contracted for	**62 158**	56 482
	– Approved but not contracted	**76 229**	42 354
		138 387	98 836
6.	**HEADLINE EARNINGS**		
	Headline earnings is determined as follows:		
	Profit attributable to owners of Adcock Ingram	**898 410**	800 345
	Adjusted for:		
	Impairment of intangible assets	**–**	11 500
	(Profit)/loss on disposal/scrapping of property, plant and equipment	**(45)**	474
	Tax effect on (profit)/loss on disposal of property, plant and equipment	**(4)**	(573)
	Adjustments relating to equity accounted joint ventures	**93**	216
		898 454	811 962
7.	**SHARE CAPITAL**		
	Number of shares in issue	**169 759**	169 759
	Cancellation of shares	**(40)**	–
	Number of ordinary shares held by the Group companies	**(16 950)**	(8 000)
	Net shares in issue	**152 769**	161 759
	Headline earnings and basic earnings per share are based on:		
	Weighted average number of ordinary shares outstanding	**160 065**	161 759
	Diluted weighted average number of shares outstanding	**163 754**	164 770

8. SUBSEQUENT EVENTS

With the exception of the dividend declaration, there were no significant events after year end.

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)
Ms B Letsoalo (Executive director: Human Capital and Transformation)
Ms B Mabuza (Lead independent director)
Ms N Madisa (Non-executive director and chairperson)
Dr C Manning (Independent non-executive director)
Ms D Neethling (Chief financial officer)
Ms D Ransby (Independent non-executive director)
Prof M Sathekge (Independent non-executive director)
Mr M Steyn (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

Nedbank Limited
135 Rivonia Road, Sandown
Sandton, 2146

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

Investec Bank Limited
100 Grayston Drive
Sandton, 2196

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