

## **BOARD COMMITTEES AND RESPONSIBILITIES**

The board is entitled, in terms of the Company's memorandum of incorporation, to constitute any committee it deems necessary to assist the board in carrying out its mandate. Accordingly, the board has constituted the four committees mentioned below and each committee operates in accordance with the terms of reference approved by the board. The terms of reference of each of the board committees has been revised to include the recommendations of King III and certain requirements of the 2008 Companies Act, where appropriate. In addition to the committees listed below, the board may constitute additional committees from time to time, either on a permanent or ad hoc basis, should the business of the company so require.

All committees of the board meet at least three times per annum on dates scheduled to coincide with key dates in the company's annual calendar of events. Ad hoc meetings of committees' may be scheduled as and when necessary.

The group company secretary is also the secretary to all committees of the board and ensures that the committees act within the parameters of their respective mandates and that a formal process of reporting is in place between the committees and the board.

### **Audit Committee**

The Audit committee is made up of three independent non-executive directors being Mr Eric Diack (chairman), Dr Roger Stewart (who chairs the risk and sustainability committee) and Mr Andrew Thompson. Adcock Ingram's executive directors and the external and internal auditors attend meetings of the committee by invitation. All members and invitees of the audit committee have unrestricted access to the chairman of the committee.

The responsibilities of the Audit committee, which are set out in the committee's terms of reference, include the review of the company's financial statements and the recommendation of their approval to the board; reviewing the accounting policies of

the company; overseeing the development and implementation of processes to achieve compliance with all applicable legal and regulatory requirements; communicating with the internal and external auditors, determining auditors' remuneration and the scope of internal and external auditors and generally providing assurances to the board as to the integrity and appropriateness of the financial management systems in the Company. The committees' terms of reference have been revised in accordance with the Companies Act 71 of 2008 to ensure that the audit committee's members are elected at each annual general meeting of the Company.

The internal audit function is outsourced and the committee plays an active role in the management of the relationship with the internal audit team. In addition, in line with the JSE Listings Requirements, the committee is required annually to specifically consider and report on the integrity of the finance function and the suitability of the executive director responsible for finance. Each of these responsibilities is scheduled for attention at specific meetings in terms of the annual board and committee work plan. In this way, the company secretary is able to ensure that the committee delivers in terms of its mandate as defined by the board. The effectiveness of the Company's internal audit function is evaluated by annual assessments against pre-determined criteria.

## **Human Resources, Remuneration and Nominations Committee**

The Human Resources, Remuneration and Nominations committee is currently comprised of three directors, namely Mr Andrew Thompson, Dr Khotso Mokhele and Mr Clifford Raphiri (chairman). This committee was reconstituted following the changes to directors' responsibilities referred to above. The chief executive officer and human capital executive attend the meetings of the committee as invitees. The committee assists the board, inter alia, in the determination of remuneration and performance measures of executive and senior management, determines the remuneration philosophy of the Company, assists the board in the determination of

appropriate human capital management policies and reviews the terms and conditions of key executive service agreements at least annually.

The committee also oversees the annual performance evaluations of the board, ensures that the board is appropriately constituted apropos the skills, experience and diversity of its members, and makes recommendations on succession, training and removal of directors where necessary.

## **Transformation Committee**

In contrast to the other board committees which are wholly non-executive in their constitution, the Transformation committee consists of both non-executive and executive directors. Relevant members of management attend meetings of the committee by invitation. The committee is currently chaired by Dr Tlalane Lesoli. Its members are Dr Khotso Mokhele, Mr Andrew Thompson, Dr Jonathan Louw and Mr Andy Hall.

This committee is responsible for guiding, monitoring, reviewing and evaluating Adcock Ingram's progress in respect of transformation with the objective of ensuring that Adcock Ingram's equity ownership and the demographic profile of its employees is representative in the South African context. The committee is also responsible for the establishment and implementation of a measurement and monitoring framework and for the Company's transformation plan. It, furthermore, reviews and monitors the Company's procurement policies to encourage procurement practices that are equitable and supportive of the objective of black economic empowerment, wherever possible.

## **Risk and Sustainability Committee**

The Risk and Sustainability committee is made up of three independent non-executive directors being Dr Roger Stewart (chairman), Mr Leon Schönknecht and Mr Eric Diack (who chairs the audit committee). The executive directors,

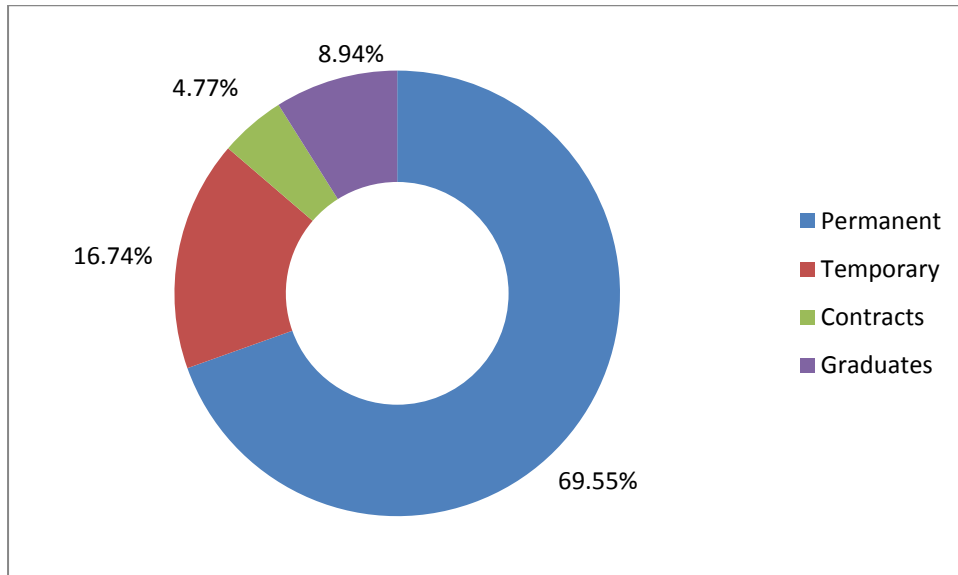
representatives of the external and internal auditors, relevant representatives of management and the company's insurance and risk advisers, attend meetings of the committee by invitation from time to time.

The primary role of the committee is to ensure the existence of an appropriate and effective control environment and clear parameters within which risk is managed throughout the Company, and to oversee issues relating to sustainability. The committee is charged with the responsibility, inter alia, to oversee the conduct of a business risk assessment aimed at identifying the most significant commercial, financial, compliance and sustainability risks, and putting in place steps to mitigate these. It assists the board in setting the risk strategy and risk policies and in determining the Company's tolerance for risk. The board's policy on risk management encompasses all significant business risks to the Company which could undermine the achievement of business objectives. The Company has adopted a compliance dashboard to ensure that respective business units take ownership of compliance with legislative obligations and to make compliance user friendly.

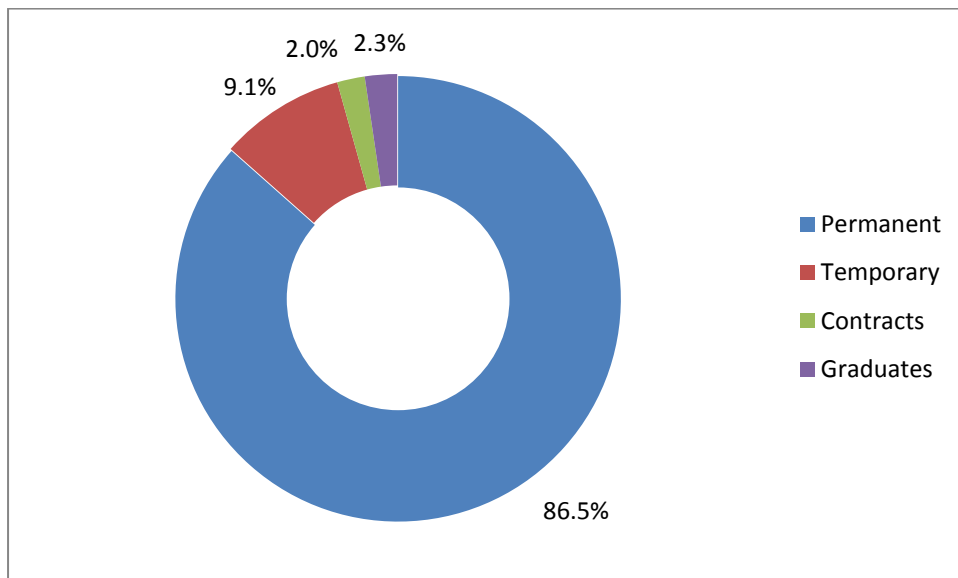
As with the other board committees, the members of the Risk and Sustainability committee may take independent professional advice to assist them in the execution of their mandate

## Workforce breakdown

By employee category  
2011

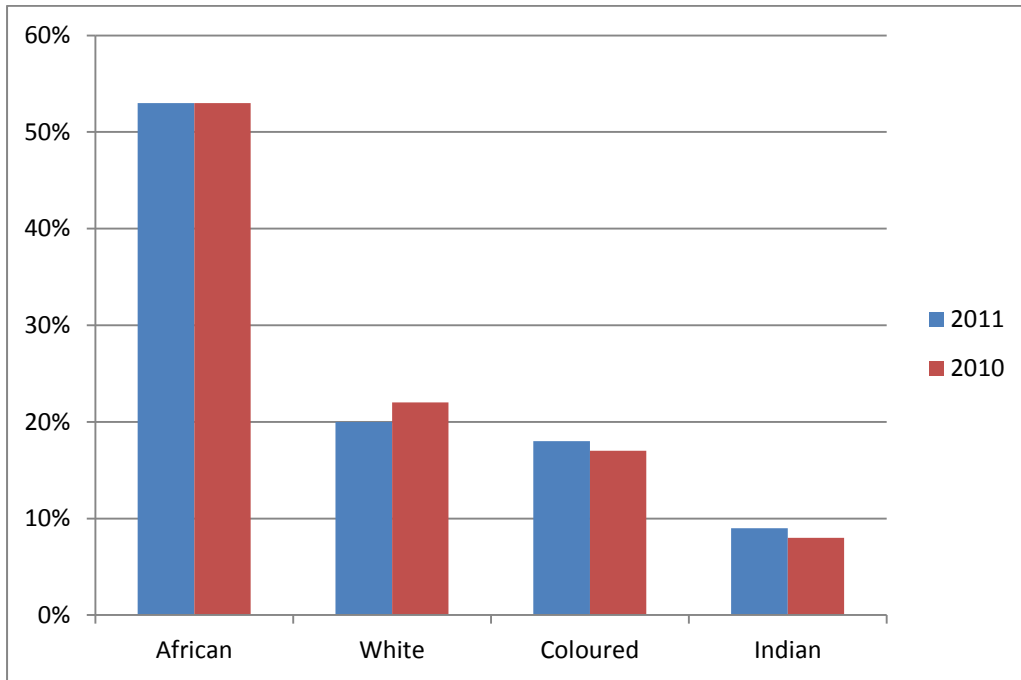


By employee category  
2010

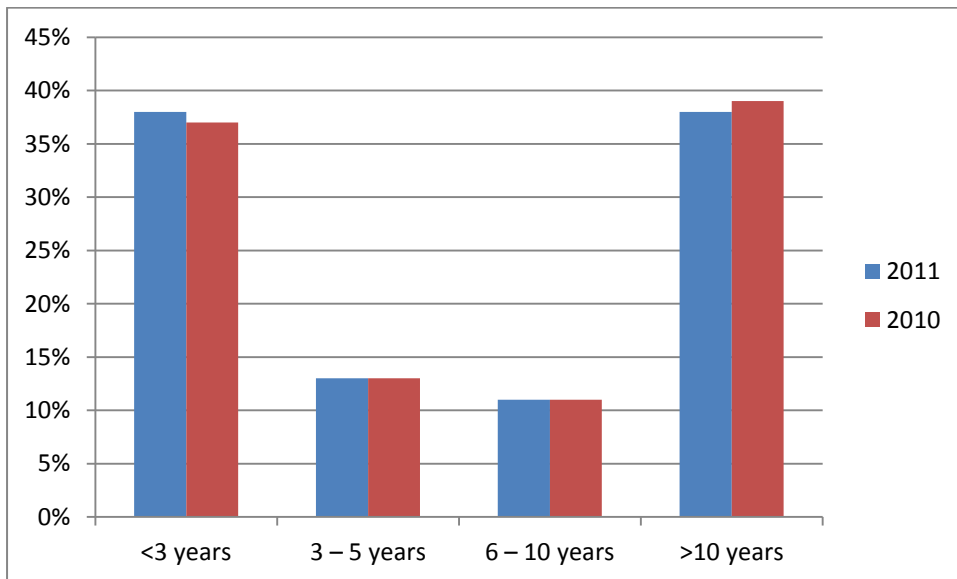


\*2010 figures are for South African operations only. Breakdown was not available for the other regions

## Staff split by race (South Africa only)



## Length of service



# BBBEE SCORECARD

Month:      *October 2011*

Scorecard Element	FY 10/11 Verified Score	FY 10/11 Targets	FY 10/11 Sep 2011	FY 10/11 Oct 2011
Equity Ownership	17.41	20.00	20.00	20.00
Management Control	4.67	4.67	4.67	4.67
Employment Equity	7.24	7.24	7.49	7.49
Skills Development	13.59	13.59	13.50	12.00
Preferential Procurement	17.11	17.11	16.80	16.80
Enterprise Development	0.00	0.00	0.00	0.00
Socio-economic Development	5.00	5.00	5.00	5.00
<b>Total Scores</b>	<b>65.02</b>	<b>67.61</b>	<b>67.46</b>	<b>65.96</b>
<b>Level</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>

*\*Scores are subject to verification by EmpowerLogic Verification Agency*

## Notes:

1. Change in total score from 67.46 in September 2011 compared to 65.96 in October 2011 (*difference of 1.5 points*).
  - 1.1. Employment Equity: Change in permanent employees from 1951 in September to 1961 in October has not affected the equity points – which remain at 7.49 points.
  - 1.2. Skills Development: Disabled learners contracts have concluded in the previous financial year which has resulted in a decrease in the score (*less 1.5 points*).
  - 1.3. Preferential Procurement: No changes recorded for October.
  - 1.4. Enterprise Development: No changes recorded

## Health and Wellness Events

**The Healthcare Summit** – the 2<sup>nd</sup> summit was held in March 2011. This event was attended by more than 400 GP's from throughout the country and focused on critical issues related to the industry and key therapeutic classes.

**The Pharmacist Summit** – this inaugural event was held in November 2010 with 300 pharmacists attending and the 2<sup>nd</sup> is planned for Nov 2011 with 400 Pharmacists expected to attend. The summit focuses on industry, category and business issues to help pharmacists.

**The OTC Academy** has been run since 2005 focusing on disease entity training for pharmacy assistants. Over 2 000 bursaries have been awarded to enable the pharmacy assistants to train as pharmacist assistants. Approximately 3 000 pharmacy assistants attend the academy every year.

Adcock Ingram's portfolio has grown to the extent that the company is introducing a **2<sup>nd</sup> OTC Academy, focusing on CAM's and personal care products.** .

**The OTC Training Academy** is for Adcock Ingram staff to ensure that they have the necessary skills and retain the company market leadership status with Adcock Ingram customers.

**With Adconnect** – Adcock Ingram have added 2 publications which are sent quarterly to front shop staff and pharmacists with editorials on industry/category/products.



## Policies

All the Adcock Ingram Policies and Procedures are applicable to permanent employees only. Conditions of Employment for Temporary and Fixed Term Contract employees are guided through the applicable legislative framework.

<b>Governance policies</b>	<b>IT Policies</b>
<ul style="list-style-type: none"> <li>- Board charter</li> <li>- Committee terms of reference</li> <li>- Remuneration policy</li> <li>- Salary increase policy</li> <li>- Conflict of interest policy</li> <li>- Our vision</li> <li>- Code of ethics (includes integrity,</li> <li>- Securities trading policy</li> <li>- Media policy</li> <li>- Whistle blowing policy</li> <li>- Conference and entertainment policy</li> <li>- Entertainment policy</li> </ul>	<ul style="list-style-type: none"> <li>- Cell phone policy</li> <li>- IT acceptable usage policy</li> <li>- IT change management policy</li> <li>- IT continuity policy</li> <li>- IT mobile data access policy</li> <li>- IT user account management policy</li> <li>- IT computer equipment refresh policy</li> <li>- IT asset management policy</li> <li>- IT website policy</li> </ul>
<b>Financial Policies</b>	<b>HR / Society</b>
<ul style="list-style-type: none"> <li>- Overall policy and procedure guidelines</li> <li>- EFT policies and procedures</li> <li>- Petty cash policy</li> <li>- Limits of authority and approval guidelines</li> <li>- Cash management and banking policy</li> <li>- Weighted average cost of capital</li> <li>- Foreign exchange hedging policy</li> <li>- Amendments to cheque signatories and EFT Authorities policy</li> <li>- Bad debt write-off policy</li> <li>- Capex approval policy</li> <li>- Intercompany billing and settlement transaction policy</li> <li>- Tax invoices, debit and credit not transmitted electronically policy</li> <li>- VAT exports</li> <li>- Tax treatment of the payment of allowance policy</li> <li>- Guide to estimate the useful life of intangible asset policy</li> <li>- Guide to performing DCF intangibles for impairment review process policy</li> <li>- Turnover, price, volume, mix analysis policy</li> </ul>	<ul style="list-style-type: none"> <li>- Employment policy</li> <li>- Dignity at work policy and procedure</li> <li>- Recruitment policy</li> <li>- Referral scheme policy</li> <li>- Employment Equity Policy</li> <li>- Employment Policy</li> <li>- Employment Policy SOP</li> <li>- Relocation policy – Permanent employees only</li> <li>- Overtime policy – permanent and temporary employees – driven and regulated by legal framework.</li> <li>- Leave policy</li> <li>- Health, safety and environment policy statement</li> <li>- Disability policy</li> <li>- Study assistance policy</li> <li>- Job evaluation policy</li> <li>- Performance management policy</li> <li>- Dangerous weapon and firearm policy</li> <li>- Long service award policy</li> <li>- Salary Increase Policy</li> <li>- Remuneration Policy</li> <li>- Relocation Policy</li> <li>- Talent Management</li> <li>- Local and overseas travel and related expenses</li> <li>- Travel policy and procedure</li> </ul>

	<ul style="list-style-type: none"> <li>- Business travel re-imburement policy</li> <li>- Executive travel policy</li> <li>- Smoking policy</li> <li>- Disciplinary Code and Procedure as well as legislative framework provides for process of rehabilitation conditions provided</li> <li>- Mpho nhle – Employee Wellness</li> <li>- Sexual harassment policy</li> <li>- Employment equity policy</li> <li>- HIV / AIDS Policy</li> <li>- Staff share schemes</li> <li>- Code of Good Practices as per Legislative Framework</li> <li>- Grievance procedure</li> <li>- Disciplinary code and procedure</li> <li>- Freedom of association and collective bargaining - Provided for as per legislation – no specific policy. Collective bargaining takes place within the ambit of the National Bargaining Council for the Chemical Industries (NBCCI). Adcock Ingram is a member of the employer’s organisation LAAPI (Labour Affair Association of the Pharmaceutical Industry) who is affiliated with the NBCCI. No limitation on freedom of association in workplace provided it does not infringe on rights of others</li> <li>- Employment Equity Policy</li> <li>- Human rights, Child Labour and Prevention of forced and compulsory labour Adcock Ingram has in the past openly stated that the company will not make use of child labour. Adcock Ingram adheres to local legislation. All Labour legislation subscribes to principles and conventions of the International Labour Organisation</li> </ul>
<b>Environmental</b>	
- Health, safety and environment policy statement	