

# 2020



## King IV Compliance Report



*a dose of care*



# King IV by Principle - Compliance Report

		IR Page number
<b>Principle 1</b>	<p>The governing body should lead ethically and effectively.</p> <p>The Board acts in good faith and in the best interest of the Company. Notwithstanding the COVID-19 outbreak, the Board continues to demonstrate its commitment to adhering to good corporate governance and as a custodian thereof, ensures that the Company adheres to the highest standards of accountability and ethical conduct. During these unprecedented times, the Board is especially aware of its responsibility to lead the Group competently, ethically and effectively. During this period the Board has consistently emphasised the importance of acting with integrity to ensure fairness, accountability and transparency in governing the Company. The Board declaration of price gouging is a standing item on the agenda to ensure everyone remains alert and to avoid it.</p> <p>The Company took reasonable steps to ensure that the Board was effectively supported to play its oversight role in response to COVID-19.</p>	Page 22
<b>Principle 2</b>	<p>The governing body should govern the ethics of the organisation in a way that supports the establishment an ethical culture.</p> <p>The Board controls the Company and has ensured that a code of conduct and ethics, and conflict of interest policy are in place to "set the tone from the top", oversees the process of disclosure and communications, ensures that appropriate systems for financial control, and for reporting and monitoring risk are in place, appoints and evaluates the performance of the executive directors, and balances the potential for conflicts between the interests of management and the wider interests of the Company and shareholders.</p> <p>Furthermore, ethics are the foundation of Adcock Ingram's business and an unequivocal commitment to fairness, transparency and integrity inspire all facets of the Group's operations. Adcock Ingram's Board, assisted by its different committees, is responsible for setting the ethical tone "at the top" and monitors its implementation, to ensure that business is conducted in a manner that is beyond reproach at all levels in the Group.</p> <p>The Board reviews the Code of Ethics and Conduct (the Code) annually or when a need arises to ensure it remains relevant. The Code inter alia directs, board members, employees and other stakeholders (when dealing with Adcock Ingram) to model their conduct in accordance with its provisions and to report any suspected inappropriate, unethical and illegal activity or misconduct.</p> <p>The Social, Ethics and Transformation is also responsible for providing oversight on the Company's Ethics.</p>	Pages 23, 24 and 73

		IR Page number
<b>Principle 3</b>	<p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p> <p>The social and relationship capital pillar is embedded within the Adcock Ingram business strategy that has a defined stakeholder engagement approach. As a pharmaceutical manufacturing Company, we act at all times with integrity and transparency, and promote open communication with all our stakeholders. The Company continuously examines its stakeholders' needs and expectations concomitant with its aspirations and formulate mutually satisfying responses. Hence, the Board has approved a comprehensive stakeholder management relations policy, as a framework for upholding its commitment to social and relationship capital. Refer to pages 89 to 94 on the initiatives undertaken by the Company to ensure that it is seen to be a responsible corporate citizen.</p>	Pages 89 and 94
<b>Principle 4</b>	<p>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p> <p>Adcock Ingram recognises the inherent exposure, with regards to the broad range of risks the Group faces, in pursuing and achieving sustainable growth. This has cultivated a philosophy which is not to entrench a compliance driven process, but rather to develop a culture which views Enterprise Risk Management (ERM) as a strategic enabler and ensures proactive and appropriate action is taken in mitigating risk exposure and taking advantage of opportunities.</p> <p>The ERM process is conducted regularly in a systematic and formalised manner in a workshop type environment, using a "blue-sky" approach. At least annually this workshop is conducted without reference to prior work done. The workshops aim to:</p> <ul style="list-style-type: none"> <li>• identify risks which may impact the achievement of strategic and business objectives; and</li> <li>• identify other risks (such as operational risks) from various risk sources.</li> </ul> <p>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 plans. The Board ensures that an adequate level of assurance is provided on control processes related to significant risks.</p>	Pages 28 to 35
<b>Principle 5</b>	<p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium- and long-term prospects.</p> <p>The Board is accountable to shareholders for creating, protecting and enhancing the wealth and resources of the Company and reporting to them on the Company's performance in a timely and transparent manner, and to stakeholders to ensure that the Company acts as an ethical, responsible corporate citizen. The entire Integrated Report contains comprehensive information (how the company is governed and its performance including financial performance) to enable stakeholders to make informed assessments of the organisation's performance, and its short, medium- and long-term prospects.</p>	Pages 1 to 208

		IR Page number
<b>Principle 6</b>	<p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p> <p>The Board continues to demonstrate its commitment to adhere to good corporate governance, including the structures, processes and practices used to direct and manage the Company's operations. As the custodian of corporate governance, the Board is aware of its responsibility to lead the Group competently and with integrity, to ensure fairness, accountability and transparency.</p> <p>Adcock Ingram's Board, assisted by its different committees, is responsible for setting the ethical tone <i>"at the top"</i> and monitors its implementation, to ensure that business is conducted in a manner that is beyond reproach at all levels in the Group.</p>	Pages 20 to 25
<b>Principle 7</b>	<p>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p> <p>The Nominations Committee operates in accordance with its terms of reference which were approved by the Board and plays an important role in the nomination and appointment of new and suitable directors as well as the identification and removal of underperforming or unsuitable directors. Before nominating a candidate for election, the Nominations Committee considers the collective knowledge, skills and experience required, diversity of the Board and whether the candidate meets the fit and proper criteria.</p> <p>The Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	Pages 20 and 62
<b>Principle 8</b>	<p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p> <p>The Board is accountable to shareholders for creating, protecting and enhancing the wealth and resources of the Company and reporting to them on the Company's performance in a timely and transparent manner, and to stakeholders to ensure that the Company acts as an ethical, responsible corporate citizen. The Board is not involved in the day-to-day management of the Company as that is the responsibility of management.</p> <p>The Board operates in terms of its charter and committees' terms of reference, which set out the roles and responsibilities of the Board and its committees respectively. The Company also has a delegation of authority framework which clearly set out the authority levels delegated to management and those reserved for the Board. The Board is satisfied that the delegation of authority framework of the Company contributes to role clarity and effective exercise of authority and responsibilities.</p>	Page 23

		IR Page number
<b>Principle 9</b>	<p>The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p> <p>During the year, the Board has conducted a performance evaluation of the Social, Ethics and Transformation Committee, HR and Remuneration Committee, and Nominations Committee. The Board will attend to the outcome of these evaluations in the coming year. During the year the Board attended to the outcomes of the performance evaluations of the Board, the Audit Committee, and the Risk and Sustainability Committee, which were done at the end of the prior financial year and successfully resolved all issues. The next evaluation of the performance of the Board is due in 2021. The Board is satisfied that the Company has substantially complied with the principles set out in King IV.</p>	Page 25
<b>Principle 10</b>	<p>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p> <p>The Board is not involved in the day-to-day management of the Company as that is the responsibility of management. The Company has a delegation of authority framework which clearly defines the authority levels of the Board and management and is reviewed annually to ensure that it remains relevant.</p> <p>The Board is satisfied that the delegation of authority framework of the Company contributes to role clarity and effective exercise of authority and responsibilities.</p>	Page 23
<b>Principle 11</b>	<p>The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.</p> <p>Adcock Ingram recognises the inherent exposure, with regards to the broad range of risks the Group faces, in pursuing and achieving sustainable growth. This has cultivated a philosophy which is not to entrench a compliance driven process, but rather to develop a culture which views Enterprise Risk Management (ERM) as a strategic enabler and ensures proactive and appropriate action is taken in mitigating risk exposure and taking advantage of opportunities.</p> <p>Processes have been designed and implemented to identify, assess, manage, monitor and report on the significant risks faced by each business segment individually and the Group as a whole, on a continual basis. The Group views this approach as core 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.</p>	Pages 29 to 35

		IR Page number
<b>Principle 12</b>	<p>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p> <p>The Board embraces the principle that technology and information should be governed in a way that supports the Company in setting and achieving the Group's strategic objectives. The Board, through this Committee, is responsible for the governance of technology and information but the implementation and execution of effective technology and information management is delegated to management. The Operations and IT Executive regularly presents reports to the Committee on how these risks are approached and managed across the Group.</p> <p>Adcock Ingram has implemented a number of arrangements governing and managing information and technology. These are listed in the Integrated Report. The effectiveness of technology and information management is monitored through a variety of internal systems and these are also disclosed in the Integrated Report.</p> <p>The Company does not yet have information policy in place but it is in the process of formulating a policy that articulates and gives effect to its set direction on the employment of information.</p>	Page 30
<b>Principle 13</b>	<p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p> <p>The Board monitors the implementation of approved strategies and oversees corporate performance, approves major capital expenditure, acquisitions and divestitures, and ensures compliance with applicable laws.</p> <p>The Board is regularly kept informed of any material changes to the relevant existing legislation and regulations by the Company Secretary and where a need arises external counsel or relevant service providers are also invited to provide in depth advice related to the relevant subject matter. Compliance issues are also tabled and discussed in the respective Committees and later presented to the Board.</p>	Page 23

		IR Page number
<b>Principle 14</b>	<p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p> <p>Adcock Ingram remains focussed on developing and implementing robust remuneration strategies and plans that best serve shareholder interest through sustainable growth. We continually monitor developments in the healthcare sector, best practice and related changes in the market that may have an impact on our approach to remuneration, and regularly canvass input from stakeholders for consideration. The Group continued engaging an independent external remuneration consultant to ensure that our remuneration practices remain relevant and fit for purpose in a dynamic and changing environment and aligned to the achievement of our strategies. In particular, our remuneration policy is key to our ability to attract, motivate, develop and retain talent in a market where the battle for talent is fierce.</p> <p>Adcock Ingram's remuneration philosophy is aimed at driving a high-performance culture by ensuring that our employees are motivated and committed to the success of our business. It is designed to attract, develop, motivate, deploy and retain talented employees who enable the business to pursue and achieve its strategic objectives and enhance shareholder value. The remuneration philosophy is transparent and based on the principles of market competitiveness, internal equity, transformation imperatives and includes pay for performance.</p>	Pages 60 to 71
<b>Principle 15</b>	<p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p> <p>The Board is responsible for the Group's risk governance which is achieved through its oversight committee, being the Risk and Sustainability Committee. The chairperson of the Audit Committee is also a member of the Risk and Sustainability Committee. The Board is updated on key risks and considers their residual level when formulating strategy, approving budgets and operational plans, and monitoring progress against business plans. The Board ensures that an adequate level of assurance is provided on control processes related to significant risks.</p> <p>Issues related to combined assurance are tabled and discussed during the Audit Committee meetings. The combined assurance process aims to optimise the assurance coverage obtained regarding key risk categories as well as key risks affecting the Company. Assurance is obtained from:</p> <ul style="list-style-type: none"> <li>• Management;</li> <li>• Management appointed assurance providers; and</li> <li>• External assurance providers.</li> </ul> <p>In the year under review, the relevant assurance providers were identified during meetings held with Management and key risks were identified through the ERM process. The resultant combined assurance map and plan was approved by the Audit Committee.</p>	Page 28

		IR Page number
<b>Principle 16</b>	<p>In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p> <p>The Board recently approved a policy that articulates and gives effect to its set direction on stakeholder relations management. Accordingly, the social and relationship capital pillar is embedded within the Adcock Ingram business strategy that has a defined stakeholder engagement approach.</p> <p>Adcock Ingram continuously examine our stakeholders' needs and expectations concomitant with its aspirations and formulate mutually satisfying responses. Hence, the Company developed a comprehensive stakeholder management relations policy, as a framework for upholding its commitment to social and relationship capital. Its valuable partnerships with employees, customers, consumers, research bodies, healthcare professionals, industry peers/associations and suppliers are built to last.</p> <p>Healthy trusting relationships with governments, regulatory authorities, fence-line communities, NGOs and trade unions are well established. Instil confidence for investors, shareholders and the media to the Adcock Ingram value proposition.</p>	Pages 89 and 94

# 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 (Independent Non-executive Director)  
Dr S Gumbi (Independent Non-executive Director)  
Mr A Hall (Chief Executive Officer)  
Prof M Haus (Lead Independent Non-executive Director)  
Ms B Letsoalo (Executive Director: Human Capital & Transformation)  
Ms N Madisa (Non-executive Director)  
Dr C Manning (Independent Non-executive Director)  
Ms D Neethling (Chief Financial Officer)  
Mr L Ralphs (Non-executive Director)  
Ms D Ransby (Independent Non-executive Director)  
Prof M Sathekge (Independent Non-executive Director)  
Mr K Wakeford (Non-executive Director)

### Company secretary

Mr NE Simelane

### Registered office

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### Postal address

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### Transfer secretaries

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Johannesburg, 2196  
P O Box 9000, Saxonwold, 2132

### Auditors

PricewaterhouseCoopers  
4 Lisbon Ave, 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  
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Sandton, 2196

