



2021 Integrated Report

for the year ended 30 June



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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

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About this report

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

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

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

Reporting principles

During the period under review, Adcock Ingram was compliant in all material respects with the requirements of King IV™ (unless otherwise stated), the Companies Act, the Johannesburg Stock Exchange Limited Listings Requirements and acted in terms of its Memorandum of Incorporation (MOI). The Group subscribes to best practice governance. For more details, and an overview of the Group governance and structures, please see the corporate governance section from page 10 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 2020 to 30 June 2021. Comparatives are for the year 1 July 2019 to 30 June 2020 and included where available.

The report is released at least 15 business days prior to its Annual General Meeting to be held on 23 November 2021.

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

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

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 2021

The annual financial statements for the year ended 30 June 2021 were approved by the Board on 24 August 2021.

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

B-BBEE scorecard

The Group's B-BBEE status has been verified by Empowerlogic, an independent verification agency, for the codes of the B-BBEE Act. The B-BBEE level 3 rating is valid until 23 November 2021.

Carbon footprint

The Group's carbon footprint in South Africa, has been determined by "Carbon Calculated" for the 2021 financial year.

Other information

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

Document navigation

Capitals

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

Strategic focus areas

- >> Build on the foundation
- >> Growth and expansion
- >> Transformation

Divisions

- >> Over the counter
- >> Prescription
- >> Hospital
- >> Consumer

Material matters

- > Scheduling status of codeine
- > Regulatory environment
- > COVID-19
- > Technology and information
- > Growth
- > Relationships

Organisational overview

Who we are

Adcock Ingram is a leading South African pharmaceutical manufacturer, listed on the Johannesburg Stock Exchange. The Group manufactures, markets, and distributes a wide range of consumer and healthcare products and is a leading supplier to the private and public sectors of the market.

Adcock Ingram started as a small pharmacy in Krugersdorp more than 130 years ago and now ranks as the second-largest manufacturer in the private pharmaceutical market and third-largest supplier to the public sector in South Africa. Beyond the borders of our own country, we serve markets in other African countries and also conduct operations out of India.

Our operational footprint

The Group's head office is located in Midrand, South Africa.

Operations are concentrated in Southern Africa and manufacturing facilities are based in South Africa and India. In India, the Group has a 49.9% share in a manufacturing facility, and full ownership of an entity providing regulatory support services to the Southern African businesses.



Our mission

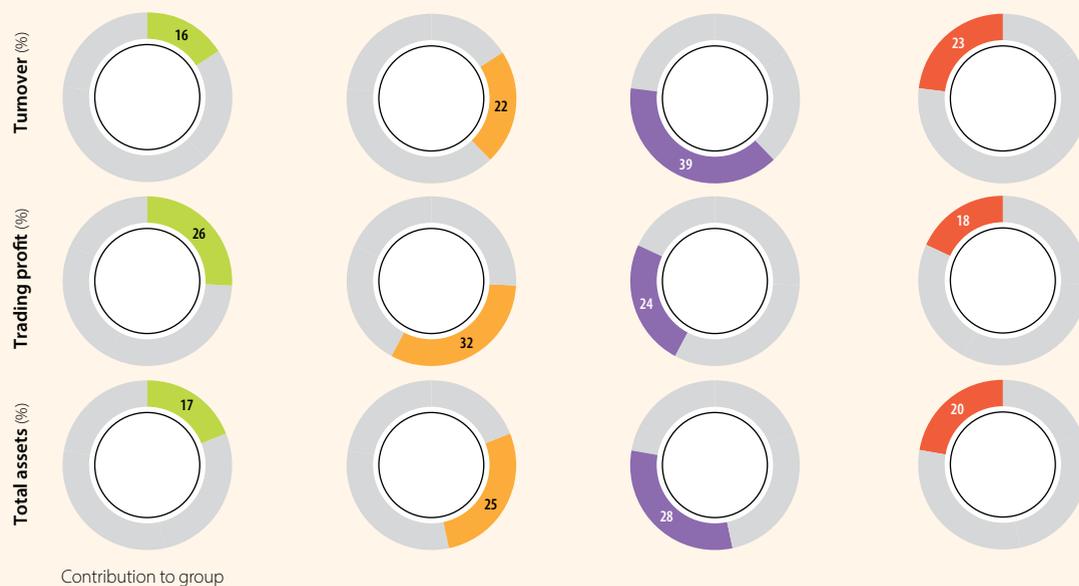
We are committed to providing quality products that improve the health and lives of people in the markets we serve



Business units

Adcock Ingram operates through a decentralised, autonomous operational structure that consists of four business units, each one structured to serve specific customer and consumer needs, and to meet applicable regulatory requirements.

<p>Consumer</p> <p>Consumer competes mainly in the Fast Moving Consumer Goods (FMCG) retail space, selling a range of healthcare, personal care and homecare products and includes market-leading brands such as Panado, Epi-max, Bioplus and Plush.</p>	<p>Over the Counter</p> <p>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.</p>	<p>Prescription</p> <p>The Prescription portfolio comprises products prescribed by medical practitioners and includes a range of quality and affordable branded generic medicines, as well as specialised instrumentation and surgical products.</p>	<p>Hospital</p> <p>The Hospital division is a leading supplier of critical care products, including intravenous solutions, blood collection products and renal dialysis systems.</p>
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Proudly South African company

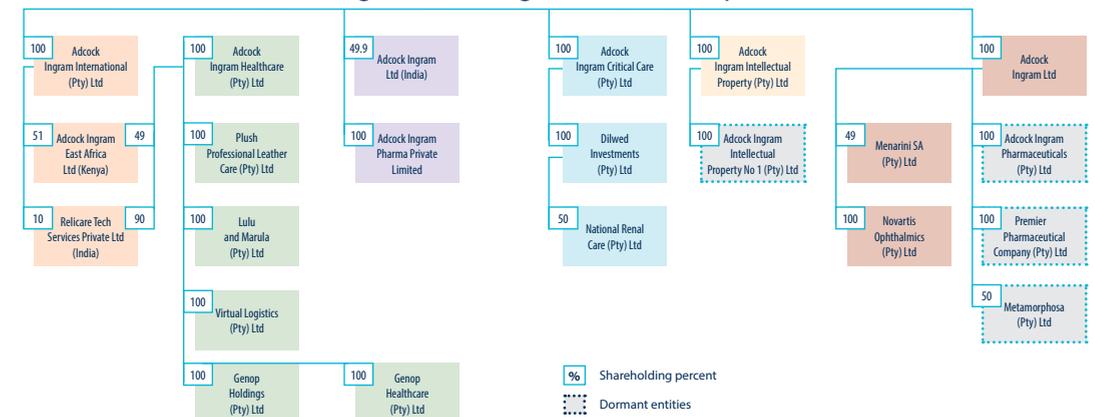
As members of Proudly South African we share a commitment to an uplifting ethos that promotes social and economic change and progress.

We make meaningful contributions to building South Africa's economy, alleviating unemployment and retaining existing employment opportunities.

Listed on the **JSE (AIP)**
 Market Capitalisation of **R7.4 billion**
 Revenue of **R7.8 billion**
 Number of **employees 2 223**
 A **Level 3 B-BBEE** contributor
 Majority shareholder of Adcock Ingram



Adcock Ingram Holdings Limited Group Structure



Integrated thinking in our business model

Our Capitals defined

FC Financial Capital	We use cash generated by our operations as well as debt financing to run our business and fund growth
HC Human Capital	Consists of a diverse set of people with specialist skills and experience suitable for the needs of the Group
IC Intellectual Capital	Consists of our proprietary and licenced products, brands, dossiers, technologies, software, licences, and standard operating procedures

Our inputs

The Group has R48 million in cash as well as access to working Capital facilities of R1 billion to finance operations, expansions and acquisitions
2 233 permanent employees 98.9% of employees able to work during COVID-19
1 371 registered trademarks and 82 pending trademark registrations in South Africa

When making decisions on how to manage and grow the business, we consider those resources and relationships which are critical to our ability to create value. Input of each of the six Capitals are needed for the effective management and subsequent value creation for all our stakeholders.

SR Social and Relationship Capital	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.
MC Manufactured Capital	Compliant facilities producing quality products	3 manufacturing plants in South Africa 1 manufacturing plant (JV) in India The Group also has access to various 3 rd party manufacturers and various distribution centres/hubs throughout South Africa
NC Natural Capital	We require packaging material, raw products, water, fuel, electricity, land and air to conduct our activities and operations	Electricity usage (kWh): 52 189 931 Water usage (KI): 358 983 Industrial coal usage (tonnes): 3 568

The operating environment (page 6) as well as the regulated environment (page 8) in which Adcock Ingram operates, have a direct influence on the business model and business activities of the Group.

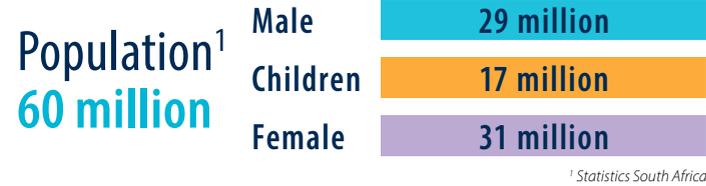
Overlaying the business model, the Board applies good governance (page 15) in the execution of their duties, including:

- Actively managing the risk universe and identify opportunities (page 22),
- Executing the strategy (page 32) by allocating resources and making trade-offs between Capitals
- Whilst taking the needs of all material stakeholders (page 34) affecting the activities or affected by the activities of the Group, into account
- Overseeing the performance (page 38) of all operations.



Operating environment

An overview of South Africa



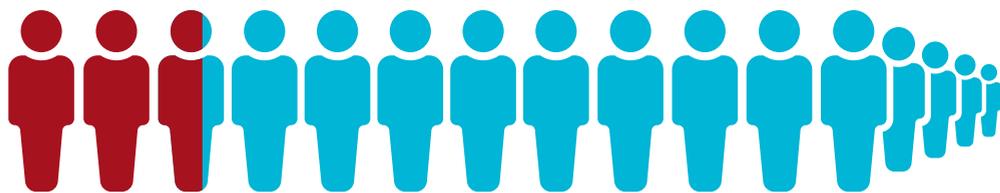
Macro-economic indicators

- An early and long lockdown at the start of the COVID-19 pandemic had a significant impact on South Africa's economy.
- The pandemic resulted in a decline in employment with the unemployment level at its highest ever.
- South Africa's GDP per capita shows that the growing population has become less productive.
- The national budget tabled in February 2021 shows a reduction in public health spending over the next three years.
- Increase in medical aid contributions are generally above CPI.

Healthcare in South Africa

The national government's Department of Health formulates healthcare policy and co-ordinates public health services, but responsibility for managing health budgets and administering provision lies with provincial and district health authorities. The public healthcare system provides access to a range of services, which are largely free at the point of delivery.

The healthcare system, which is split along socio-economic lines comprises:



a small, well-funded and well-appointed private sector, with

15%

or **9 million** having access to insured medical care facilities

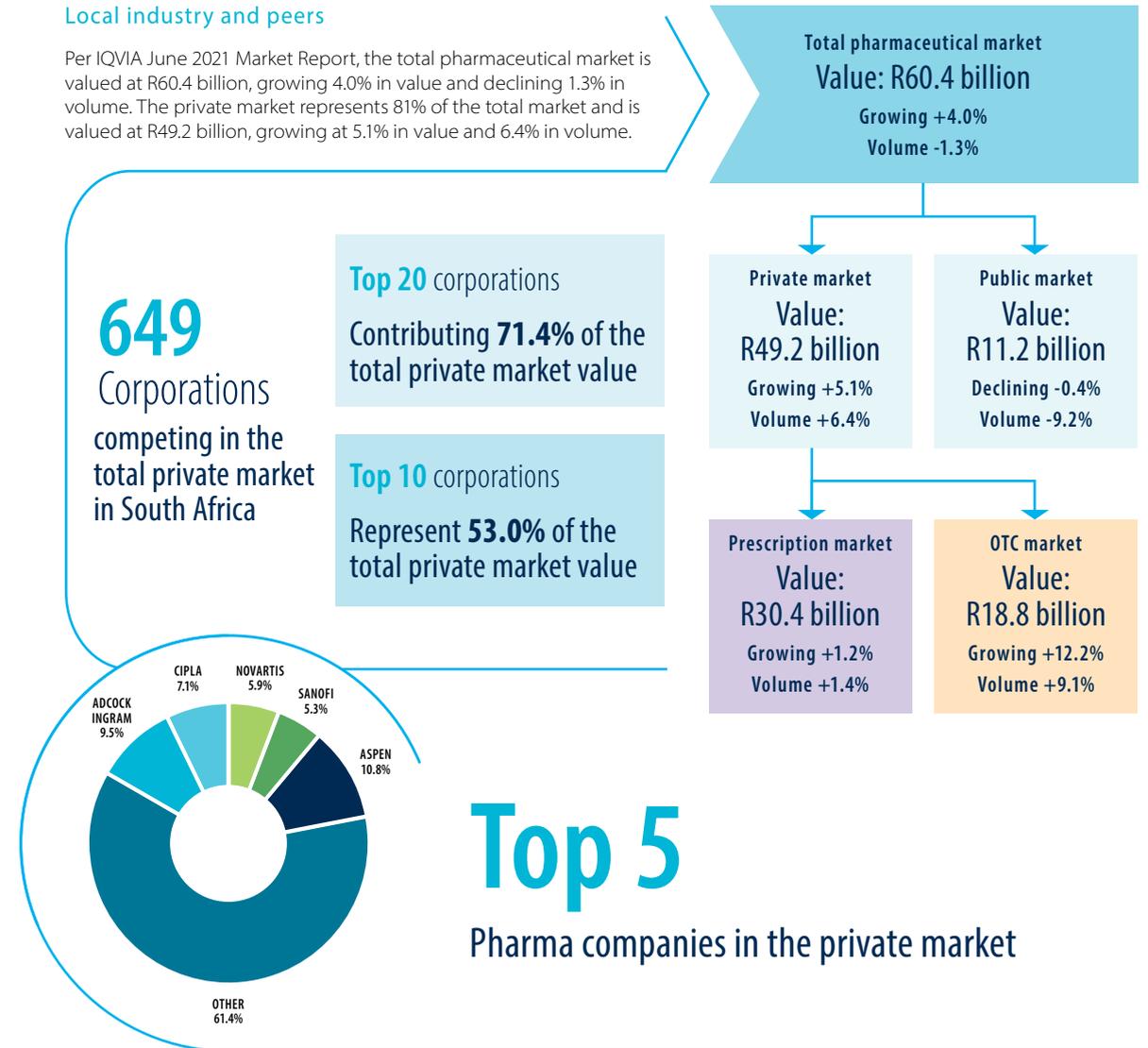
a large, under-resourced and overused public sector, with

85%

or **51 million** having access to state medical facilities

Local industry and peers

Per IQVIA June 2021 Market Report, the total pharmaceutical market is valued at R60.4 billion, growing 4.0% in value and declining 1.3% in volume. The private market represents 81% of the total market and is valued at R49.2 billion, growing at 5.1% in value and 6.4% in volume.



Top corporations

Aspen continues to be the overall market leader and the leader in the Prescription market, with Adcock Ingram leading the "Pure" OTC and non-scheduled markets.

Rank	Overall	Rx	OTC	Non-schedule	State
	All schedules	Schedule 3 and above	Schedule 1 & 2 only	Scheduling not applicable	All schedules
1	ASPEN*	ASPEN*	ADCOCK INGRAM*	ADCOCK INGRAM*	PHARMACIA & UPJOHN
2	ADCOCK INGRAM*	NOVARTIS	ASPEN*	RECKITT BENCKISER	SANOFI
3	CIPLA	CIPLA	CIPLA	GLAXOSMITHKLINE	ADCOCK INGRAM*
4	NOVARTIS	SANOFI	JOHNSON & JOHNSON	NATIVA	ASPEN*
5	SANOFI	ADCOCK INGRAM*	NOVARTIS	ASPEN*	ABBVIE
Total	649	134	81	587	381

* denotes local corporations

Regulatory environment

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

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

The South African Health Products Regulatory Authority (SAHPRA)

SAHPRA is an entity of the National Department of Health, created to safeguard public health by the licencing of safe, effective and good quality medicines (including complementary medicines and health supplements), medical devices, in-vitro diagnostics, radiation devices and radioactive materials and to licence these manufacturers, wholesalers and distributors. SAHPRA is also responsible to maintain vigilance and ensuring regulatory compliance of health products in South Africa.

SAHPRA has three pillars to ensure that its mandate is executed



Where products are allowed to be sold

The Medicines and Related Substances Act, 1965 (Act No. 101 of 1965), as amended (the Act) clearly defines the control of medicines and scheduled substances. Schedule 0 medicines can be sold in an open shop (i.e. supermarket) and Schedule 1 medicines and above must be sold in a pharmacy. Schedule 2 medicines and above should be kept behind the counter in a pharmacy, in a controlled area that is only accessible to authorised personnel who are allowed to sell these scheduled medicines.

Marketing of products

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

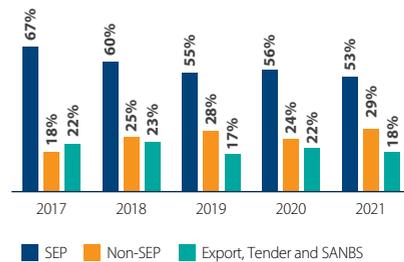
Pricing of products

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, there currently exists an exemption from SEP and Section 18A for Schedule 0 medicines. SEP aims to improve medicine price transparency, and to ensure that patients pay the same price for medicines irrespective of where they buy them – from pharmacies, hospitals or dispensing doctors.

The Group has reduced its reliance on SEP regulated products over the last four years, as seen below:

Turnover split



Determination of SEP

The Minister of Health is required to determine on an annual basis, the extent to which medicine prices may be adjusted. The formula used to determine the adjustment of the SEP is as follows:

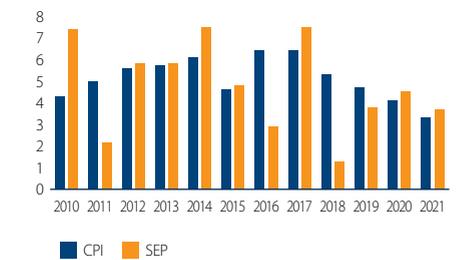


The adjustment is, however, at the Minister's discretion.

Exchange rate (US\$/Euro)



CPI and SEP rate (%)



Supply chain

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

As a participating authority of the Pharmaceutical Inspection Cooperation Scheme (jointly known as PIC/S), SAHPRA requires that manufacturers, importers and exporters of medicines and related substances in South Africa meet the standards laid out in the PIC/S Guide to GxP¹ 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.

¹ GxP is a collection of quality guidelines and regulations created to ensure that bio/pharmaceutical products are safe, meet their intended use, and adhere to quality processes during manufacturing, control, storage, and distribution.

The Marketing Code Authority

Marketing of products

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



Grounded in good corporate governance



Leadership

Independent non-executive directors



Sibongile Gumbi (49)
PhD in Pharmacology, MBA
Appointed: 14 August 2019



Matthias Haus (72)
MB ChB, MD, DCH, FCFP, Hon
FCMSA FPPM (RCP), Dip Obst
Lead independent director
Appointed: 1 June 2012



Claudia Manning (54)
PhD
Appointed: 24 November 2016



Debbie Ransby (48)
CA(SA)
Appointed: 14 August 2019



Michael Satheke (52)
MB ChB, MMed (Nuclear
Medicine), FAMS, PhD
Appointed: 25 August 2020

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

Non-independent non-executive directors



Nompumelelo Madisa (42)
BSc, BCom (Honours), MCom (Finance and
Investment)
Chairperson
Appointed: 22 February 2021
Appointed as director: 23 November 2018



Lulama Boyce (42)
CA(SA), MCom (Fin Mgt)
Appointed: 23 May 2017



Kevin Wakeford (61)
CA(SA)
Appointed: 27 August 2019

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 was 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.

adcockingram/leadership.asp

Skills and experience of the Board

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

Leadership (Continued)

Executive directors



Andrew Hall (59)
CA(SA), BPharm
Chief Executive Officer
Since November 2015. Joined September 2007 as CFO. Appointed as director: 15 July 2008



Dorette Neethling (47)
CA(SA), MCom (Taxation)
Chief Financial Officer
Since 23 February 2016. Joined August 2007



Basadi Letsoalo (58)
MPsych, CLDP, MLPC, MPhil
Executive Director – Human Capital and Transformation
Since 25 August 2016. Joined January 2008

Average age: **54 years**

Average tenure in the group: **11 years**

Executive Committee



Jasvanti Bhana
BSc, MBBCh, Masters in Sports Medicine
Medical Director

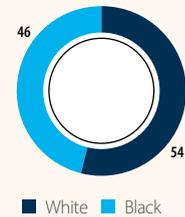


Frans Cronje
BSc, NDip (Ind Eng)
Operations and IT Executive

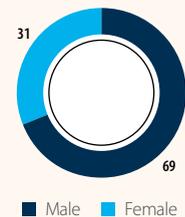


Tobie Krige
BEng (Ind Eng), MBA
Distribution Executive

Race



Gender



Nkosinathi Mhetwa
BSc (Hons), Masters in Public Health
Public Affairs Executive



Ashley Pearce
Dip Pharm, BCom
Managing Director – Prescription



Lucky Phalafala
Bachelor of Law (LLB)
Company Secretary and Head of Legal



Sudier Ramparsad
MSc (Biotech), BSc
Managing Director – Over the Counter



Colin Sheen
MBA, BTech, NDip (Marketing)
Managing Director – Hospital



Gail Solomon
IMM (Marketing), BBA (Marketing)
Managing Director – Consumer



Tim Walter
BCom, BCom (Hons)
Mergers & Acquisitions, Risk and Strategy Executive

Skills and experience of Exco

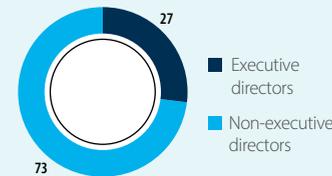
- Accounting, auditing and taxation
- Commercial
- Compliance and governance
- Finance, mergers and acquisitions
- Human capital
- Leadership
- Legal
- Manufacturing
- Marketing
- Medical, science and pharmaceutical
- Public Health
- Risk management
- Sustainability
- Technology and information governance

Board diversity (including executive directors)

Independence

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

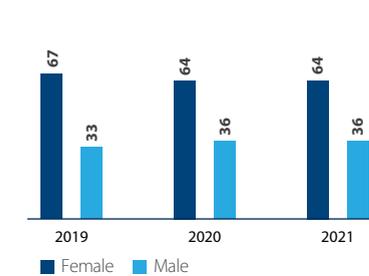
5 out of 8 (63%) non-executives are independent



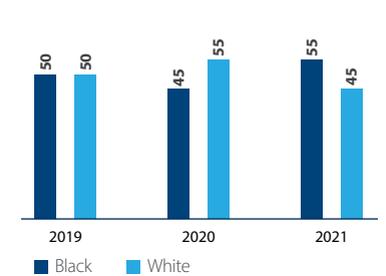
Gender and racial diversity

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

Gender (%)



Race (%)



Diversity of age

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

Average age: **53 years**

Younger than 60 years: **82%** (2020: 73%)

Succession and diversity of tenure

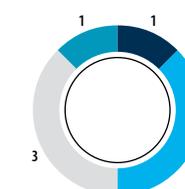
Policy: Directors who have reached a nine (9) year tenure, should automatically retire from the Board, subject to the Memorandum of Incorporation (MOI), appropriate succession and Board composition requirements being in place. The MOI provides that at least one-third of the non-executive directors retires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

Average tenure for all directors: **4.6 years**

Average tenure for executive directors: **7.8 years**

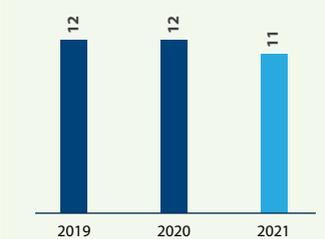
Average tenure for non-executive directors: **3.5 years**

Non-executive directors' tenure



Board size

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



Grounded in good corporate governance

Material matters

Material matters are those that the Board regards substantively affect the organisation's ability to create value over the short-, medium- and long-term and have been identified and prioritised following an evaluation of the importance of their known or potential effect on value creation. Consideration is also given to the possible effect on Adcock Ingram's strategy, governance, performance and future focus areas.

These matters are accordingly prioritised, including the relevant disclosures to enable stakeholders to make informed decisions. The magnitude of the effect of each matter is not always known, but often the likelihood of occurrence can be determined. These matters take up much of the deliberation time at meetings as the Board continually deliberates their nature, any change thereto, the possible impact of the latest available information as well as the possible timing of each matter.



➔ Review of the scheduling status of codeine-containing products



⬆ The enhancement of technology and information governance



↗ Changes to the regulatory environment and compliance-related matters



➡ Growth opportunities through acquisitions and strategic partnerships



⬇ COVID-19's impact on:

- the workforce, and how to ensure employee wellness;
- the performance of the business; and
- the impact on the overall state of the economy with consumers experiencing more pressure.



⬅ Relationships with licensors and technology partners

Governance

OVERVIEW

Governance is embraced as a business enabler for value creation, enabled by the way governance is approached and supported by leadership at Adcock Ingram.

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

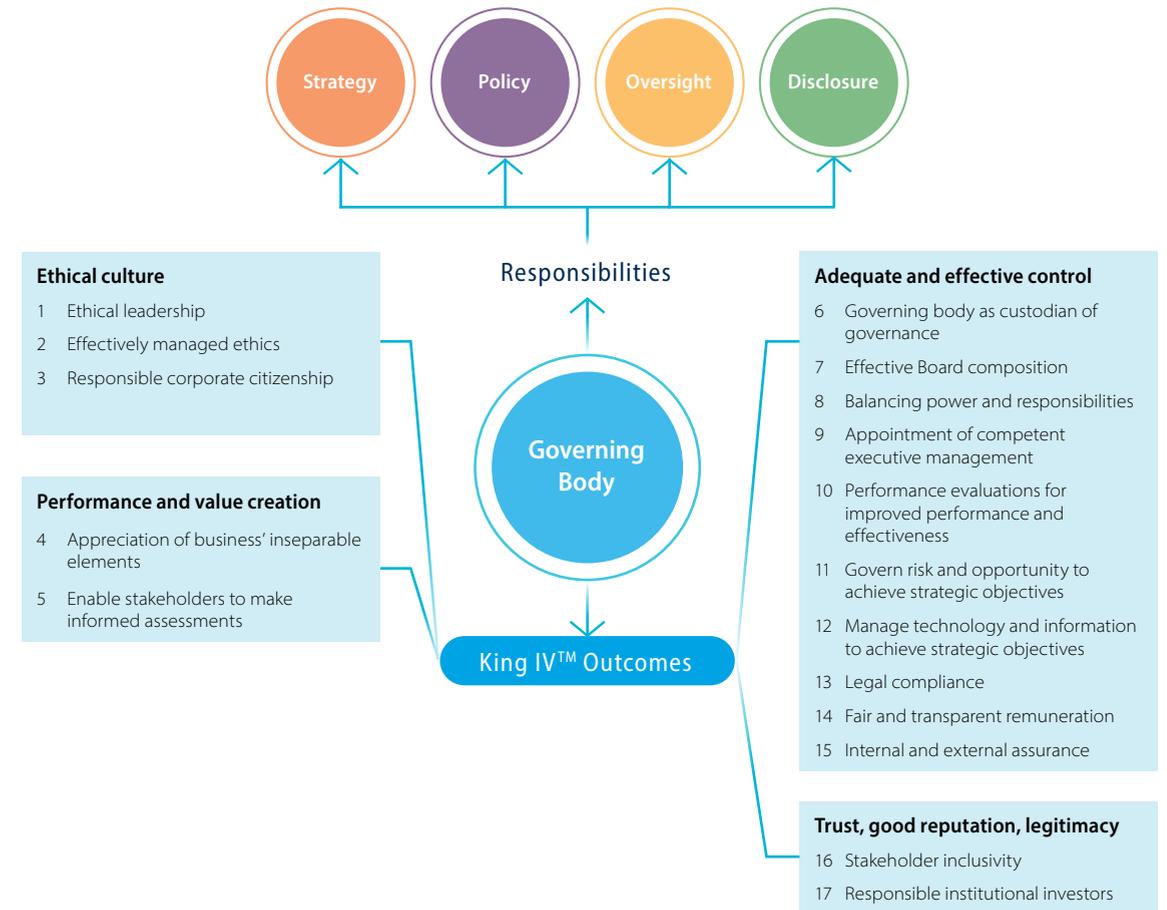
The Group's business model is underpinned by a governance philosophy that supports the creation of measurable value for all our stakeholders. This approach promotes strategic decision-making that balances short-, medium- and long-term outcomes, and considers risk and opportunities connected to the broader operating environment in which we operate.

The governance structures enabled the Board to be agile and effective in a challenging and uncertain environment brought about by the ongoing COVID-19 pandemic.

The Board's commitment to best practice governance drives constant improvement in the way the business is managed and ensures decisions are taken transparently within an ethical framework.

Collective responsibility for primary governance role

The diagram below shows how the 17 principles of King IV support the outcomes as envisaged in King IV's approach to Governance.





Grounded in good corporate governance (Continued)

Inputs – Responsibilities of the Board	
Strategic direction	Policy and planning
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.	Approve business plans, budgets and policies that contribute to good governance, corporate responsibility and an ethical culture.
Oversight and monitoring	Accountability
Oversight over implementation and monitoring of performance on a quarterly basis in order to make valuable contributions to the Group and its stakeholders by ensuring a fair, responsible and transparent approach.	Governance framework provides the Board with effective control which it uses to ensure accountability across the Group, whilst taking ultimate accountability for the Group.

Outcomes – The Board’s commitment towards stakeholders	
Ethical culture	Sound and sustainable performance against strategy and transparent information sharing
Achieving the highest standards of ethics by setting the example of ethical leadership, whilst managing the ethics in the business, including transgression of ethics which is a dismissible offence.	Providing stakeholders and the investor community with clear, meaningful and timeous information about Adcock Ingram’s operations and results to ensure stakeholders can make informed decisions.
Delegation of authority	Effective control of the business
The Board delegates authority to the established Board 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.	As the custodian of governance, ensures that performance evaluations are executed for improved performance and effectiveness, the remuneration philosophy is fair and transparent and the necessary internal and external assurances are obtained, where needed.
Trust, good reputation, legitimacy	Management of sustainable matters
Conducting the business on the basis of fair commercial and competitive practice, complying to laws and regulations.	Proactively accepting responsibility for, and managing the sustainability and environmental issues associated with its business.
An effective and diverse Board and executive management team	Ensure the Company is a responsible corporate citizen
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.	Continued focus on enhancing stakeholder inclusivity and the quality of the relationships, whilst actively pursuing transformation.

Delegation of authority framework

Our governance 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.

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

Although not a Board committee, the Executive Committee (Exco) led by the Chief Executive Officer, is an integral committee as it is charged with the implementation of the strategy and is measured against strategy-aligned performance targets. The responsibilities of Exco are subject to the provisions of the Delegation of Authority Framework.



Grounded in good corporate governance (Continued)

Board and board committee key focus areas

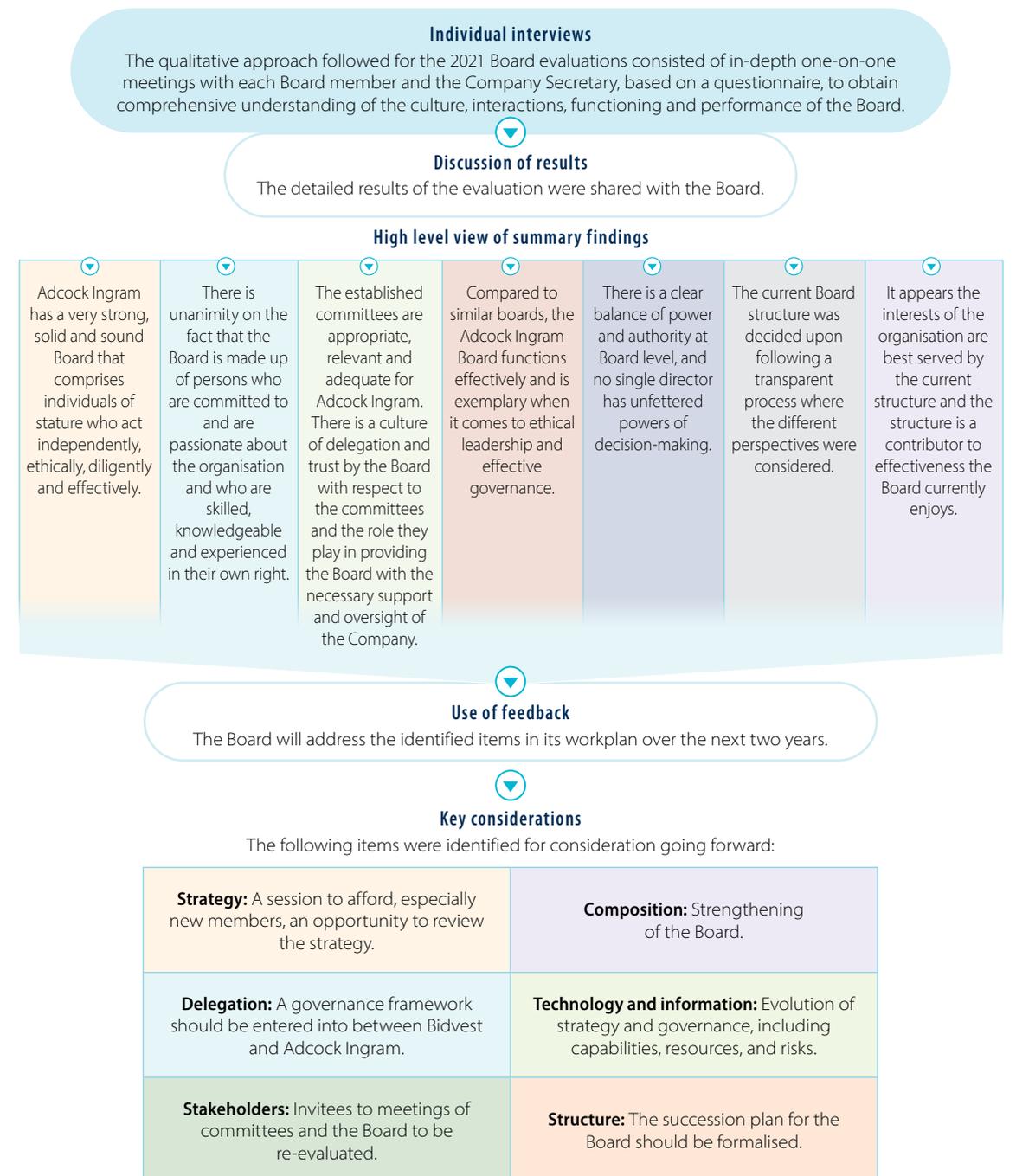
	FOCUS AREAS IN 2021
AUDIT COMMITTEE (further information in the Annual Financial Statements)	<ul style="list-style-type: none"> Considered the impact of COVID-19 on the business operations. Considered the internal control environment of the Group and the integrity of financial reporting. Assessed the quality and effectiveness of the external auditor. Reviewed the annual financial statements and disclosures for appropriateness and integrity. Considered the controls around the IT environment. Satisfied itself with the combined assurance process. Fulfilled all other compliance, regulatory and governance requirements.
RISK AND SUSTAINABILITY COMMITTEE (further information on page 22)	<ul style="list-style-type: none"> Oversaw the conducting 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. Assisted the Board in setting the risk strategy and policies in determining the Group's tolerance for risk.
HUMAN RESOURCES AND REMUNERATION COMMITTEE (further information on page 98)	<ul style="list-style-type: none"> Monitored and ensured that the organisation remunerates fairly, responsibly and transparently to promote competitiveness, achievement of strategic objectives, and positive outcomes in the short-, medium- and long-term. This resulted in the Board agreeing to implement remuneration benchmarking for the Company as recommended by an external expert. Ensured remuneration fairness annually across the Group with reference to gender and race.
NOMINATIONS COMMITTEE	<ul style="list-style-type: none"> Reviewed the Board and Committee composition and succession planning. Included executive succession planning as a focus area to ensure that this receives appropriate attention.
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE (further information on page 73)	<ul style="list-style-type: none"> Evaluated the B-BBEE scorecard targets with specific focus on enterprise development and supplier development. Ensured robust health and safety protocols were in place. Focused on employee wellness and vaccination awareness. Assessed the relevance of CSR programmes in relation to the impact of COVID-19. Monitored ethics line reports.
ACQUISITIONS COMMITTEE	<ul style="list-style-type: none"> Reviewed proposed acquisitions and where applicable approved transactions, in line with the strategy and financial guidelines.

BOARD APPRAISAL TO IMPROVE EFFECTIVENESS OF CONTROL

During the year, the Board embarked on a journey of a Board evaluation with a difference. The evaluation was facilitated by an independent service provider, Luvivi Proprietary Limited, trading as Luvivi Governance Services ("Luvivi"). A qualitative assessment of structures of leadership including the effect of recent changes to the Board, dynamics in the boardroom including the culture, governance, the nature of the relationship with stakeholders and efficacy of reporting.

Evaluation process

A substantive and meaningful performance-oriented evaluation process was followed, designed to identify areas of governance improvement. It is a transformational process that should have among its outcomes improved results in overall effectiveness of the governing body.



Grounded in good corporate governance (Continued)

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

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

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 a Board-approved annual workplan and also provide for the inclusion of important or urgent, non-routine matters. The majority of the 2021 meetings were held remotely (in person only when safe and practical) in compliance with the COVID-19 lockdown regulations.

Membership of committees as well as meeting attendance for the period under review were as follows:

		Board	Audit	Risk	Rem	Nom	SET	Acq
Members		11	3	6	4	4	3	5
Non-executive directors								
Independent		5	3	4	3	3	2	1
Non-independent		3	–	–	1	1	–	2
Executive directors		3	–	2	–	–	1	2

	DIRECTOR (meeting attendance)	Board	Audit	Risk	Rem	Nom	SET	Acq
Independent non-executive	Sibongile Gumbi	M 4/4		M 4/4	M 1/1		M 3/3	
	Matthias Haus	LID 4/4	M 4/4	C 4/4	C 3/3	M 4/4		
	Claudia Manning	M 4/4	M 1/1		M 3/3	M 4/4	C 3/3	
	Debbie Ransby	M 4/4	C 4/4	M 4/4				M 1/1
	Michael Sathekge	M 3/3		M 3/3		M 1/1		
Non-independent non-executive	Nompumelelo Madisa	C 4/4	I 1/1		M 3/3	C 2/2	I 1/1	C 2/2
	Lulama Boyce	M 4/4	M 3/3		M 3/3	M 4/4		
	Kevin Wakeford	M 4/4	I 3/4					M 2/2
Executive	Andrew Hall	M 4/4	I 4/4	M 4/4	I 3/3	I 4/4	I 3/3	M 2/2
	Dorette Neethling	M 4/4	I 3/4	M 3/4				M 2/2
	Basadi Letsoalo	M 4/4			I 3/3	I 4/4	M 3/3	

M member
I invitee
C Chairperson
LID Lead independent director

Director development

Directors are encouraged to attend external director development and training programmes, at the cost of the Group, to ensure their knowledge of governance 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 are able to adequately exercise their fiduciary duties. The induction programme also includes a tour of the Company's manufacturing facilities.

Board changes

The Board is committed to forward-thinking succession planning and to ensure stability of leadership structures. During the year under review Ms Madisa was appointed as Chairperson, replacing Mr Ralphs who resigned in February 2021. Ms Boyce was appointed to the Board of The Bidvest Group Limited on 12 March 2021, resulting in a change in her "independent" status and resulted in her stepping down from Committees that required independent non-executive director membership. The following further changes were made with effect from 7 May 2021:

- Ms Madisa was appointed as the Chairperson of the Nominations Committee (Nomcom) and of the Acquisitions Committee, and as a member of the Human Resources and Remunerations Committee (Remcom);
- Prof Haus was appointed as the Chairperson of the Remcom;
- Dr Manning was appointed as a member of the Audit Committee;
- Ms Ransby was appointed as a member of the Acquisitions Committee;
- Dr Gumbi was appointed as a member of the Remcom; and
- Prof Sathekge was appointed as a member of the Nomcom.

Despite the requirement in terms of the MOI, that a director should retire when they reach the age of 70 or has been in the office for nine years, if deemed necessary and appropriate, the Board, on the recommendation of the Nomcom, may extend a director's tenure, provided that the director is considered by the Board to possess unique skills which are required and desirable on the Board. Due to a significant majority of the non-executive directors having a tenure of less than three years on the Board, and the appointment of a new Chairperson to the Board, and to ensure continuity, stability and the transfer of technical skills and institutional memory, the Nomcom recommended that Prof Matt Haus' tenure be extended by a further 24 months until 31 May 2023.

Company Secretary

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

All directors have unlimited access to the Company Secretary for advice to enable them to properly discharge their responsibilities and duties in the best interests of Adcock Ingram. The Company Secretary works closely with the Chairperson of the Board, and has unfettered access to the Chairpersons of the respective Board committees and executive directors, to ensure the proper and effective functioning of the Board and the integrity of the Board governance processes, but maintains an arm's-length relationship with the Board and its members and is not a member of the Board.

The Company Secretary reports to the Board via the Chairperson on all statutory duties and functions performed in connection with the Company, and administratively to the CFO. The assessment of the Company Secretary and secretarial function formed part of the 2021 Board evaluation process. The Board can confirm that it has considered and is satisfied with the competence, qualifications and experience of the Company Secretary.

KING IV™

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

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

The King IV™ disclosure can be found on www.adcock.com/documents/2021_KingIV.pdf

Conflicts of interest

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

The Nomcom 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.

The Board has adopted a code of conduct and ethics and a conflict-of-interest policy that govern the management of conflicts of interest and dealing in the Company's shares that provides relevant guidance to Board members.

Every Board and Board committee meeting is preceded by a declaration of interests on the matters that are on the meeting agenda. In a case where there are material interests, a director is recused from the meeting and does not participate in the decision-making on the particular 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 conflicts of interest policy further requires all employees to declare alternative business interests. Where there are material conflicts of interest for an employee who is at management level, the CEO may consider approving such conflict with measures to limit the conflict.

Risk management

This report is presented by the Company's Risk and Sustainability Committee (Committee). Adcock Ingram appreciates that, given the ever-evolving regulatory environment in which the Group operates, success rests on the ability to Capitalise on opportunities and proactively manage risk.

Roles and responsibilities

The Board

The Board is responsible for the Group's risk governance which is achieved through the Committee. The Chairperson 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 on control processes related to significant risks. The Board has approved a policy that articulates and gives effect to its approach to risk governance.

The Committee

The Committee has an independent role with accountability to the Board. It does not assume the functions of management, which remain the responsibility of the executive directors and senior management. The role of the Committee is to assist the Board to ensure that the Company implements an effective policy and plan for risk governance that will enhance the Company's ability to achieve its strategic objectives; and that the disclosure regarding risk is comprehensive, timely and relevant.

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

Duties assigned to the Committee by the Board:

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

Composition and meetings

The Committee consists of six (6) directors; four (4) are independent non-executive directors and two (2) are executive directors. Four (4) scheduled meetings are held per year. A Risk Advisor from Marsh Risk Consulting (Adcock Ingram's risk advisors and insurance brokers), representatives from the external auditor, as well as various senior members of management, are permanent invitees to these meetings.

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

Committee members	Attendance	Invitees	Attendance
Chairperson		N Madisa (Board Chairperson)	1/1
M Haus	4/4	D Nabarro (Marsh Risk Advisors)	2/2
Members		J Smit (Marsh Risk Advisors)	3/4
S Gumbi	4/4	S Pietropaolo (Head Internal Audit)	4/4
A Hall	4/4	J Bhana (Medical Director)	4/4
D Neethling	3/4	F Cronje (Operations and IT Executive)	4/4
D Ransby	4/4	T Walter (M&A, Risk and Strategy Executive)	4/4
M Sathekge	3/3	K Ramnarian (PwC)	4/4
		R Jacobs (PwC)	4/4

Philosophy

Adcock Ingram recognises the inherent exposure to a broad range of risks that 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.

Adcock Ingram acknowledges that risk can never be totally eliminated, but is committed to ensure that the implemented ERM process aligns to best practices. 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 Enterprise Risk management (ERM) process is centrally coordinated by the Mergers & Acquisitions, Risk and Strategy Executive. As the Group's divisions have different product, market, operating and financial characteristics, the responsibility within the ERM process for identification of risks vests largely with the divisional management structures. The divisional risk registers are then analysed for any common or recurring themes across the Group. Functional executives and other specialists, including medical affairs, legal and tax, are consulted for their specific areas.

The ERM process is conducted regularly in a systematic and formalised manner in a workshop type environment, using a "blue-sky" approach.

The workshops aim to:

- identify risks which may impact the achievement of strategic and business objectives; and
- identify 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 at least a quarterly basis. Registers are presented and discussed at various management levels and forums before they are presented and discussed at the Committee.

Once a risk is identified, the following is agreed:

- the likelihood of the risk materialising as well as the impact in the absence of control(s);

- the control(s) and plan(s) currently in place to mitigate the risk;
- the effectiveness of the control(s) and plans(s) currently in place;
- the residual risk related to the risk; and
- the identification of any additional control(s) and plan(s) if possible and/or where necessary.

Information and Technology (IT) governance

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

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

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

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

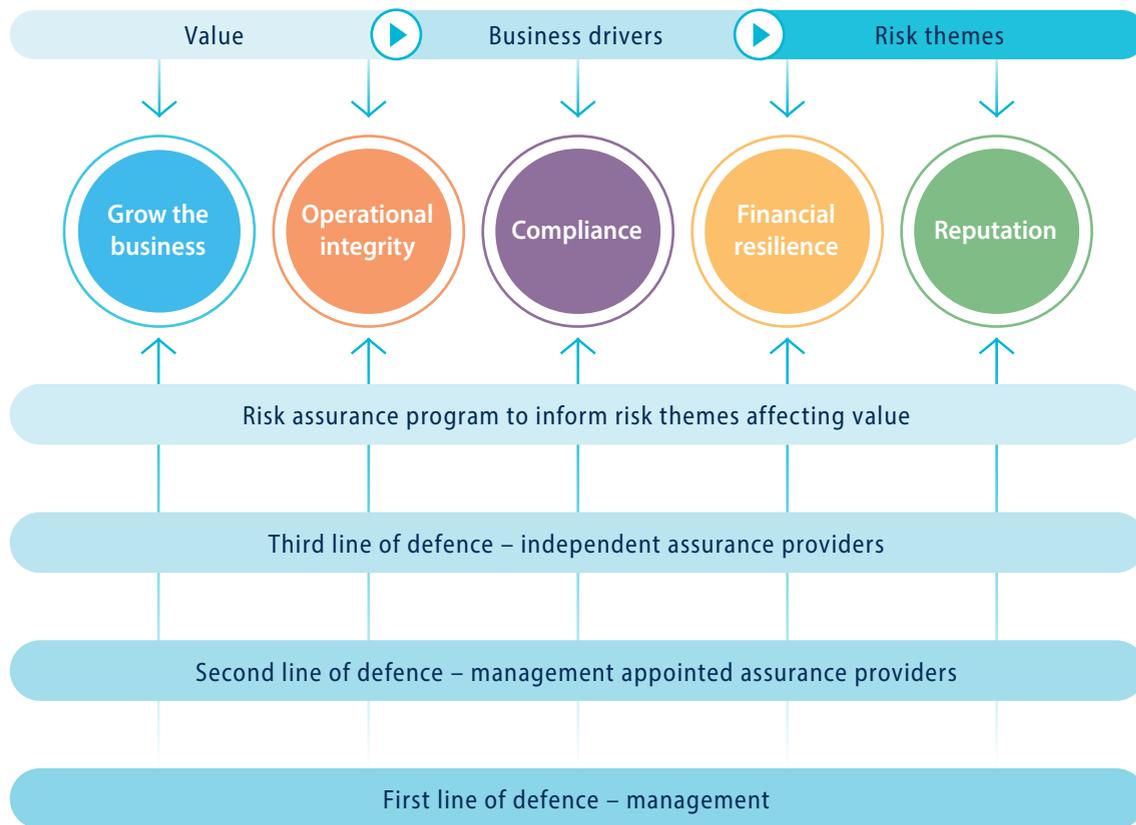
The effectiveness of technology and information management is monitored through a variety of internal systems including the following audit functions:

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

Risk management (Continued)

Key areas of focus during 2021 were:	Planned areas for future focus include:
<ul style="list-style-type: none"> robustness of business continuity plans; continuous improvement of a cyber security environment; continuous improvements of a secure and efficient work-from-home environment; Oracle ERP system successfully upgraded; the required infrastructure upgrades completed; factory for the manufacturing of Adco-Hygiene, integrated into the current IT environment; increased focus on factory metrics, dashboards and reporting; and continuous application system enhancements and expansions. 	<ul style="list-style-type: none"> further enhancements to the IT security environment; implementing a Documentation Management System; upgrading of the Empower laboratory systems; PLUSH technical environment integration; implementing an integrated plant asset and maintenance management system; and continuous digitisation of business processes.

Adcock Ingram's risk framework



Business drivers

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

Preserve	Enhance
<ul style="list-style-type: none"> Regulatory compliance Drug and device safety Intellectual property Brand loyalty and reputation Customer service and trust Corporate governance 	<ul style="list-style-type: none"> Growth in sales Market growth Expand into new product portfolios Margin optimisation Innovation Increase in customer base and sales channels

Risk themes

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

Combined assurance

The combined assurance model and process aims to optimise the assurance coverage obtained regarding key risk categories as well as key risks affecting the Company. The following levels of assurance, provided by various assurance providers, as identified during meetings held with senior management, are:

Level 1: Management

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

Divisional/functional management

- Day-to-day identification, management and monitoring of risks
- Design and implement the system of internal controls with regard to each division's operations in response to risks
- Appropriate escalation of material risks via relevant governance structures

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

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

Level 2: Management appointed assurance providers

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

Level 3: Independent assurance providers

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

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

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

Risk management (Continued)

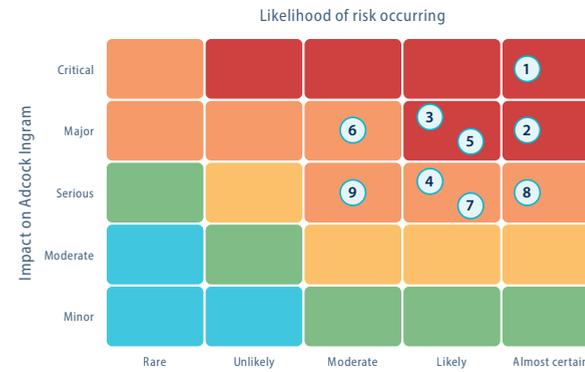
Key risks facing our business

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

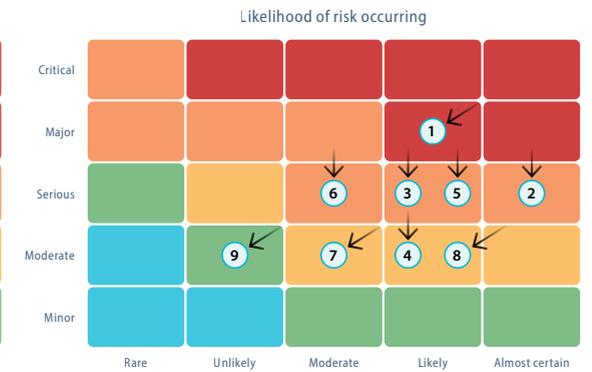
Risk	Level 1			Level 2	Level 3	Board committee
	Management assurance			Management appointed assurance providers	Independent assurance providers	
	Exco	Division	Divisional/ Functional Executive			
1 Large portfolio of relatively old molecules and large codeine portfolio	✓	✓	GQA & Medical		SAHPRA	Acquisitions Risk and Sustainability
2 Highly regulated industry	✓	✓	GQA & Medical/ Legal	Multinational and principal auditors/ Third party legal counsel	SAHPRA	Risk and Sustainability
3 Weak economic environment	✓	✓	Finance	Andisa	Internal audit/ Marsh	Risk and Sustainability Audit Social, Ethics and Transformation
4 SEP increases not in line with input inflation	✓	✓	Finance	Andisa	PwC	Acquisitions Risk and Sustainability Audit
5 IT environment vulnerability and the threat of cyber-attacks	✓	✓	Information Technology	An ethical hacker	PwC/Internal audit	Risk and Sustainability Audit
6 Inability to maintain service levels and market share	✓	✓	GQA & Medical	Multinational and principal auditors	SAHPRA/ Internal audit/ IQVIA	Risk and Sustainability
7 Human Capital risks relating to the labour market and scarcity of skills	✓	✓	HC&T/Legal	Third party legal counsel	Internal audit/ DG Capital	Social, Ethics and Transformation Human Capital and Remuneration
8 Threat of COVID-19 resurgence	✓	✓	GQA & Medical/ HC&T		Internal audit	Risk and Sustainability Social, Ethics and Transformation
9 Impact on our competitiveness should we not achieve the required B-BBEE accreditation	✓	✓	HC&T/Legal	Empowerlogic		Social, Ethics and Transformation

GOA Group quality assurance
IHC&T Human Capital and Transformation

Top 9 risks before risk mitigation control actions taken



Top 9 residual risks after applying controls



How have we mitigated these risks?

1 Large portfolio of relatively old molecules and large codeine portfolio

Strategic pillar which mitigates this risk:

GROWTH AND INNOVATION

Mitigating controls:

- Ongoing M&A activities to diversify the product portfolio;
- Pursuit and maintenance of partnerships for the licencing and distribution of new products;
- Product innovation and line extensions within existing brands; and
- Engagement with relevant stakeholders to promote the responsible use of codeine-containing products.

Quality of existing controls



What we achieved during 2021:

- acquired a range of Prescription, OTC and Hospital brands from Aspen;
- new partnerships concluded with Roche, Takeda, Lactalis, Mundipharma and Abbott Diagnostics;
- Prescription launched its first biosimilar;
- the Bioplus Vit-ality range of vitamins and supplements was developed and launched;
- ongoing engagement with SAHPRA and other stakeholders on the Codeine Care Initiative; and
- successful integration of Plush into the Consumer division.

Opportunities identified as a result of this risk:

- Diversification into new, more-modern molecules and treatment types;
- Diversification into non-codeine-based treatments; and
- Expansion into adjacent product categories.

Capitals impacted:

FC MC HC SR IC



Risk management (Continued)

② Highly regulated industry

Strategic pillars which mitigate this risk:

BUILD ON THE FOUNDATION GROWTH

Mitigating controls:

- robust policies and procedures, audits, quality assurance and Group quality control systems of both internal and supplier facilities;
- constant interaction with the regulator and other industry bodies;
- maintain fully compliant supply chain, with required investment into facilities as required; and
- ongoing portfolio diversification into less regulated areas.

Quality of existing controls



What we achieved during 2021:

- Clayville factory passed SAHPRA audit with no significant findings;
- Renewal of Hospital businesses operating license for a further four years;
- Clayville Ophthalmic facility audited by SAHPRA. Awaiting final approval;
- High standard of regulatory compliance in all pharmacovigilance and promotional activities; and
- Non-regulated revenue increased to 47% of total business revenues, bolstered by the inclusion of Plush, Epi-max and the Abbott range of rapid diagnostic tests.

Opportunities identified as a result of this risk:

- high levels of regulation offer a barrier to entry against potential competitors; and
- expansion into less regulated segments (e.g. homecare, vitamins and supplements, pathology).

Capitals impacted:



③ Weak economic environment

Strategic pillars which mitigate this risk:

BUILD ON THE FOUNDATION GROWTH

Mitigating controls:

- maintaining a well-diversified and affordable product portfolio;
- continued focus on cost control and containment throughout the business;
- stand-by power and alternate water-supply sources in place at all key sites;
- hedging of all foreign-denominated purchases; and
- ongoing diversification of product portfolio and innovation.

Quality of existing controls



What we achieved during 2021:

- Costs decreased year-on-year, even with the inclusion of Plush's costs into the expense base; and
- A number of digitisation projects were completed across the business to both digitise records and automate business processes.

Opportunities identified as a result of this risk:

- A number of renewable energy projects have been initiated to both mitigate our reliance on utility-supplied electricity whilst also reducing our carbon footprint.

Capitals impacted:



④ SEP increases not in line with input inflation

Strategic pillars which mitigate this risk:

BUILD ON THE FOUNDATION GROWTH

Mitigating controls:

- diversification into non-price-regulated products;
- regular meetings with industry bodies, DoH Pricing Committee and Minister of Health;
- purchasing forward cover for all foreign-denominated purchases; and
- ongoing tight expense management.

Quality of existing controls



What we achieved during 2021:

- SEP increase of 3.68% granted in February 2021;
- Average blended price increase of 4.6%; and
- Operating expense decreased by 5.6% (like-for-like).

Opportunities identified as a result of this risk:

- Expansion into non-price-regulated healthcare products such as pathology, nutrition, and vitamins and supplements; and
- Increase throughput of manufacturing facilities.

Capitals impacted:



⑤ IT Environment vulnerability and threat of cyber attacks

Strategic pillar which mitigates this risk:

BUILD ON THE FOUNDATION GROWTH

Mitigating controls:

- Installation and maintenance of firewalls, antivirus software and regular penetration tests conducted;
- Disaster recovery plans in place with regular backup and restore tests conducted;
- Appropriate controls implemented to facilitate a work-from-home environment due to COVID-19; and
- A competent team of IT professionals.

Quality of existing controls



What we achieved during 2021:

- No known instances of hacking or intrusion into the Adcock Ingram network;
- Continued to securely support a workforce working partly at home;
- Transitioned all system back-ups to a remote site; and
- Successfully implemented POPIA by 30 June 2021.

Opportunities identified as a result of this risk:

- The rapidly evolving threat of cyber and ransomware attacks has forced Adcock Ingram to upgrade the information security environment and deploy best practice technologies such as privileged access management (PAM) tools and two-factor authentication;
- The advent of POPIA has prompted the Group to consider additional digitisation of both processes and records. Whilst this will fulfil the requirements of POPIA, it may also result in opportunities for efficiencies and cost-savings; and
- The increased amount of time that employees work from home has resulted in a number of digital interventions such as digital signatures and e-meetings that have improved productivity.

Capitals impacted:





Risk management (Continued)

6 Inability to maintain service levels and market share

Strategic pillars which mitigate this risk:



Mitigating controls:

- Implementation of appropriate marketing and sales strategies across the organisation;
- Implementation of digital and remote customer engagement technologies, particularly as a result of COVID-19;
- Rigorous service level agreement with key logistics service provider, with regular monitoring of service levels achieved; and
- Implementation of alternate distribution models for new products and/or markets (particularly e-commerce, patients on home dialysis and sports rehabilitation business).

Quality of existing controls



What we achieved during 2021:

- >98% on-time deliveries to customers.
- Significant ramp-up of e-detailing and electronic calling on healthcare practitioners.
- Use of virtual technologies to launch products to Health Care Practitioners safely.
- Significant increase of product sales via e-commerce channels.

Opportunities identified as a result of this risk:

- The introduction of insulation blankets and advanced temperature loggers has improved the integrity of our cold chain, resulting in a significant reduction in stock damaged due to temperature variations.

Capitals impacted:



8 Risk of COVID-19 infections in the workplace and disruptions to operations

Strategic pillars which mitigate this risk:



Mitigating controls:

- Establishment of COVID-19 Crisis Committee to co-ordinate response to the pandemic;
- Strict implementation of COVID-19 screening and work protocols in place;
- On-site rapid testing of employees with suspected infections and those with whom they have been in close contact;
- Implementation of work-from-home during high risk periods for all eligible employees; and
- Roll-out of a comprehensive vaccination education campaign, with special arrangements for staff wanting to be vaccinated.

Quality of existing controls



What we achieved during 2021:

- Continued to operate throughout the second and third COVID-19 waves, albeit with some supply chain disruptions;
- Implementation of rapid on-site COVID-19 testing of employees with suspected contact with positive colleagues;
- Implemented extensive campaign to communicate, educate and encourage employees to be vaccinated; and
- Offered voluntary on-site vaccination for all eligible employees at major sites from July 2021.

Opportunities identified as a result of this risk:

- Adcock Ingram's diversified product basket has enabled us to reduce the impact of the successive waves, with sales of certain products increasing during a wave, thereby off-setting the reduction in sales of other products;
- The pandemic has resulted in fast-tracking the implementation of a number of technologies such as e-detailing, digital product launches and work-from-home; and
- The requirement to constantly update and inform our employees during the pandemic has led to a greater level of employee engagement than before the onset of COVID-19.

Capitals impacted:



7 Human Capital risks relating to labour environment and scarcity of skills

Strategic pillar which mitigates this risk:



Mitigating controls:

- Ongoing employee engagement including labour forums at each site;
- Engagement with trade unions on an ongoing basis, with periodic wage negotiations through the bargaining council;
- Strike action contingency plans maintained;
- Short- and long-term incentive schemes in place for various management levels;
- Succession planning in place for most key positions; and
- Ongoing training and development of employees.

Quality of existing controls



What we achieved during 2021:

- No strike action occurred during the 2021 financial year;
- Remuneration benchmarking; and
- An extensive restructuring exercise across commercial and operational business units successfully completed.

Opportunities identified as a result of this risk:

- The graduate internship programme has resulted in a number of successful permanent placements in the Group, leading to a promising pipeline of young talent.

Capitals impacted:



9 Impact on competitiveness should required B-BBEE score not be achieved

Strategic pillar which mitigates this risk:



Mitigating controls:

- All elements of the scorecard are integrated into the Executive Director: HC and Transformation's work-plan;
- Focused migration of procurement to B-BBEE compliant suppliers;
- Focus on employment equity appointments at Board and management level (both women and people of colour);
- Invest in various Enterprise and Supplier programmes to diversify risk, and improve transformation of the economy; and
- Action plan to align any acquired businesses to Adcock Ingram B-BBEE practices.

Quality of existing controls



What we achieved during 2021:

- Achieved Level 3 B-BBEE rating in November 2020;
- Maintained high levels of inclusivity and diversity on the Board;
- Implemented various Enterprise and Supplier initiatives including MyWalk, OTC marketing service provider, R&D service providers, Optimum Engineering Artisan Training programme; and
- Increased preferential procurement spend to R3 billion in last B-BBEE rating.

Opportunities identified as a result of this risk:

- The Optimum Engineering Artisan Training programme not only contributes towards increasing the overall pool of technical skills in the country, but will also supply a means towards upskilling Adcock Ingram's artisans and improve the overall reliability and operation of our factories; and
- Although the primary aim of the MyWalk programme is to provide school shoes to underprivileged children, the materials used in the manufacture of these shoes are fully recycled and therefore environmentally friendly.

Capitals impacted:



Executing on our strategy



Adcock Ingram has three strategic pillars, driven from a Group level. These strategies should ensure that the business delivers long-term growth and creates sustainable value for all stakeholders, whilst fulfilling our purpose (and focussing on):

“providing quality products (PRODUCTS) that improve the health and lives of people (CUSTOMERS) in the markets we serve (SERVICE)”.



Strategic pillar 1. Build on the foundation to protect our margins and maintains quality

What we achieved in 2021

Exercise strict cost control	Extract manufacturing efficiencies	Focused investment in sales and marketing	Maintain regulatory compliance	Relentless focus on customer service	Culture of responsibility, accountability and fun
<ul style="list-style-type: none"> Operating expenses decreased by 1.5%, despite the inclusion of Plush for the full year. Successful completion of right-sizing following COVID-19. Improvement in working Capital management of inventory and receivables. 	<ul style="list-style-type: none"> Restructuring and right-sizing completed in manufacturing and distribution operations. Good progress made in onboarding additional ARVs into the Wadeville manufacturing facility. Clayville Ophthalmic facility construction completed and awaiting final regulatory approval. 	<ul style="list-style-type: none"> Growth in market share, driven in part by marketing innovation in the store-front by OTC and Consumer. Continued to drive and leverage award-winning “Sponsors of Brave” platform in the OTC business. “Bring it Home” campaign launched to promote local Consumer brands. HOPEtober campaign aimed at thanking and honouring healthcare workers. 	<ul style="list-style-type: none"> 100% regulatory compliance maintained in pharmacovigilance and promotional activities. Successful renewal of operating licences in Aeroton and Clayville. Digitalisation of key regulatory compliance systems initiated. Pivoted audit operations to virtual inspections where possible to negate travel restrictions during COVID-19. 	<ul style="list-style-type: none"> 98% on-time customer deliveries. Integrated employee engagement framework launched in order to maintain contact with and continue to motivate employees during remote working. Various COVID-19-related engagements with employees, focusing on education, motivation, mental wellbeing and vaccinations. Expansion of online and remote learning. 	<ul style="list-style-type: none"> Integrated employee engagement framework launched in order to maintain contact with and continue to motivate employees during remote working.



Strategic pillar 2. Growth and expansion to expand product portfolio and secure growth and sustainability



What we achieved in 2021

Investigate and acquire appropriate products and businesses	Invest in partnerships to bring products and services to market	Innovation	New customers and sales channels
<ul style="list-style-type: none"> Acquisition of portfolio of brands from Aspen Pharmacare, with a further portfolio acquired after year-end. Purchase of remaining 51% equity stake in Novartis Ophthalmics. Extensive monitoring of potential M&A targets in the market. Plush business integrated into Adcock Ingram. 	<ul style="list-style-type: none"> Launched two biosimilars (Remsima and Blitsima). Further seven (7) products launched by the Prescription division. Extensive pipeline of new products signed up in the Prescription division. The Hospital business onboarded new partnerships with Roche Renal, Abbott Diagnostics and Sanulac Nutrition. The OTC division completed a distribution agreement with Mundipharma for the Betadine and Teejel product ranges. 	<ul style="list-style-type: none"> Development, registration and launch of 2ml diluent for use with Pfizer COVID-19 vaccines. Launch of BioPlus Vit-ality VMS range. Migration of Panado medi-sip to Cepacol. Plush expands Pine Gel into a full Pine Range. Increased digitalisation of processes, document management and customer engagement activities. Expansion of Adco-Hygiene product range and pack sizes. 	<ul style="list-style-type: none"> Increase in e-commerce sales of mainly Consumer brands, of 200%. Expanded Consumer product sales into a number of non-pharmaceutical retail channels. Increased sales of selected Hospital devices and products into the veterinary market. Achieved 600% growth in government tender sales.



Strategic pillar 3. Transformation to focus on BEE initiatives and maximise the Group’s B-BBEE credentials

What we achieved in 2021

Improve black representation in middle and senior management	Support SME and BWO businesses	Expand MyWalk	Identify new enterprise and supplier development programmes	Invest in CSR programmes and opportunities in the health and education sectors
<ul style="list-style-type: none"> Achieved B-BBEE Level 3. 86% of employees black, with 51% women. Senior management representation remained unchanged, however, percentage of black representation in middle management increased to 62%. 	<ul style="list-style-type: none"> Implemented black women-owned supplier development programme to assist with OTC marketing. Black women-owned development initiative assisting with R&D and technical projects implemented at Clayville. 	<ul style="list-style-type: none"> Retrieval of PVC bags for recycling suspended during height of COVID-19, but the programme is now back on track. Total of 16 632 pairs of shoes donated since inception. 	<ul style="list-style-type: none"> Supplier Development programme initiated with Optimum Engineering Artisan Training to provide funding for artisan training programmes mainly to the FMCG industry. 	<ul style="list-style-type: none"> Consumer Division partnered with the LIV initiative to supply re-usable sanitary pads to underprivileged women and girls.

Stakeholder engagement

As Adcock Ingram, we acknowledge that value cannot be created by or within our organisation on its own, but that value is created through relationships with various stakeholders.

The Board takes into account the legitimate and reasonable needs, interests and expectations of all material stakeholders in its execution of its duties, to best serve the interests of the organisation over time. For this stakeholder-inclusive approach, ongoing relationships are needed with key stakeholders to form a better understanding of their needs.

Identification of key stakeholders

Stakeholders (groups or individuals) have been identified and grouped as follows:

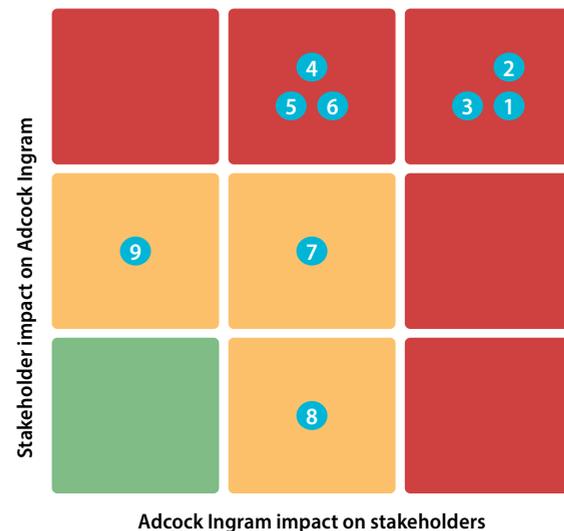
- those affected by Adcock Ingram’s business activities, outputs or outcomes; or
- those whose actions can affect Adcock Ingram’s business activities, outputs or outcomes, and the Company’s ability to create value over time.

Another approach to ensure all key stakeholders were considered was to identify:

- internal stakeholders – those directly affiliated with the Company as they would normally be regarded as key; and
- external stakeholders – which could include groups like trade unions, customers and government.

Following this approach, the following key stakeholder groupings were identified and mapped according to their level of influence **on** the Company, or *vice versa*.

- 1 Customers and consumers
- 2 Employees and organised labour
- 3 Government and regulatory authorities
- 4 Shareholders, investor community and financial institutions
- 5 Multinational partners and licensors
- 6 Suppliers and service providers
- 7 Communities
- 8 Industry bodies
- 9 Media



Stakeholder engagement approach and strategy

Adcock Ingram’s approach towards stakeholder engagement, is based on the level of influence **by** the Company, and influence **on** the Company as detailed below:

Stakeholder	Approach towards engagement
1 2 3	Regular engagement and keep their needs satisfied/Cooperation
4 5 6	Monitor on regular basis, engage depending on materiality/situation and anticipate their needs/Participation
7 8	Transparent communication and close monitoring/Consultative
9	Close monitoring, provide essential information and engage on a situational basis

Assessment of quality of the relationship

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

● Absent ● Good
● Basic ● Strong

Stakeholder details

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

ENGAGEMENT CHANNELS	NEEDS AND EXPECTATIONS	VALUE CREATED
1 CUSTOMERS AND CONSUMERS Personal visits to and/or virtual meetings with customers by sales personnel, managers and executives. Other interactions include: <ul style="list-style-type: none"> • Continuing professional education • Customer surveys • A customer call centre • Advertising and promotion • Brand websites • Consumer focus groups • Education campaigns 	 Supply of safe, quality, efficacious and affordable medicines. Continuous improvement in service delivery. Ethical, factual and professional interactions. A business partnership, supportive of sustainable businesses.	 Premium service levels and quality products to customers and brand loyalty, results in growth in market share. Customers provide distribution through their expansion initiatives. Healthcare professionals’ loyalty to our products.
2 EMPLOYEES AND ORGANISED LABOUR Internal electronic communications including: <ul style="list-style-type: none"> • The Adcock Ingram intranet containing relevant news highlights, policies and procedures, as well as campaigns and other initiatives; • Plasma screens; • Screensavers; and • Corporate emails. Conferences, training, development and wellness initiatives. Meet with organised labour through site management and shop steward meetings, as well as site forum employment equity meetings.	 Employees expect the following: <ul style="list-style-type: none"> • job security; • a stimulating and rewarding work environment; • career development opportunities; • access to mentorship and coaching programmes; • health, wellness and safety at the workplace; • diversity and inclusivity; and • equal pay for equal work. 	 A well-motivated employee base, acting in line with Adcock Ingram’s values, forms the foundation of our success as an organisation. Employees take pride in the Company’s contribution to society. Improved mental health and trauma support, though the offering of professional services from ICAS. Engagement with organised labour maintains productive relations.

Capitals

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

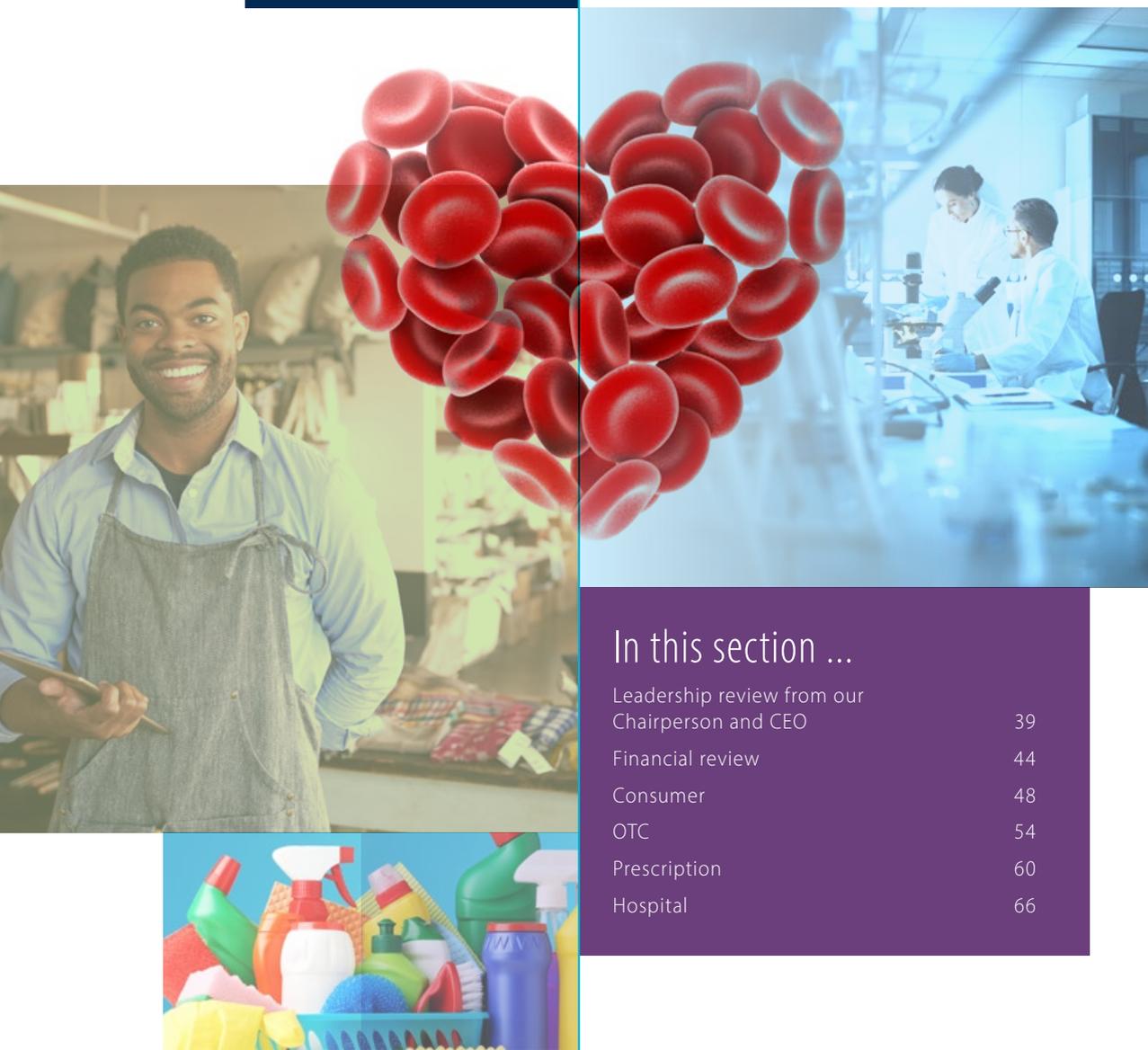


Stakeholder engagement (Continued)

ENGAGEMENT CHANNELS	NEEDS AND EXPECTATIONS	VALUE CREATED
3 GOVERNMENT AND REGULATORY AUTHORITIES 	 <p>Participate, influence and contribute towards a sustainable pharmaceutical industry that continues to serve the healthcare needs of South Africa.</p> <p>Compliance with all applicable legislation and regulations.</p> <p>Growth and social upliftment of the communities in which we operate.</p>	 <p>Investment, empowerment, transformation and Corporate Social Responsibility.</p> <p>Regulatory body provides us with the licence to operate and manufacture within the regulatory framework.</p> <p>Quality and affordable medicines in order to promote access to medicines for the benefit of society.</p>
4 SHAREHOLDERS, INVESTOR COMMUNITY AND FINANCIAL INSTITUTIONS 	 <p>Open and transparent communication.</p> <p>Implement business strategy and structure for sustainable returns whilst managing risk, identify growth opportunities and follow good ESG practices.</p> <p>Information on organisation's financial and operational performance.</p>	 <p>Open dialogue on critical matters, grow trust in the business and strengthen access to capital.</p>
5 MULTINATIONAL PARTNERS AND LICENSORS 	 <p>Building brands using our marketing expertise, sales and distribution network offering a flexible service that reaches healthcare professionals.</p> <p>Achievement of commercial goals; alignment with international best practice standards for product promotion and regulatory adherence.</p>	 <p>Partnerships are founded on marketing and distribution agreements, growing the business as it allows the Company to enter or expand into new therapeutic categories.</p>

ENGAGEMENT CHANNELS	NEEDS AND EXPECTATIONS	VALUE CREATED
6 SUPPLIERS AND SERVICE PROVIDERS 	 <p>Conduct business in an honest and transparent manner.</p> <p>A mutually beneficial and sustainable relationship, including timeous payments and fair terms for both parties.</p> <p>Early payments to support small and medium-sized enterprises (SMEs).</p>	 <p>Providing good quality raw materials and finished products meeting pharmaceutical standards.</p> <p>Assist in avoiding stock-outs of products and reliability of service delivery.</p> <p>Suppliers aligned to the country's B-BBEE imperatives, supporting emerging enterprises and black-women-owned businesses to assist with the overall transformation objective.</p>
7 COMMUNITIES 	 <p>Support towards projects addressing the interests and needs of the communities in which we operate.</p> <p>Socio-economic development initiatives with non-governmental organisations for social and community upliftment.</p>	 <p>Engagement with communities affords us an opportunity to understand and contribute to their needs, focussing on education and health.</p>
8 INDUSTRY BODIES 	 <p>Membership in good standing, participation and contributing towards industry position statements and respond on regulatory issues and health policy matters.</p>	 <p>Creation of a sustainable local manufacturing pharmaceutical industry.</p> <p>Support an industry that serves the healthcare needs of South Africa.</p> <p>Company can have a relevant position and influence policy.</p>
9 MEDIA 	 <p>Good corporate citizenship through transparent and responsible reporting and disclosure.</p>	 <p>Brand reputation.</p> <p>Awareness of new products.</p> <p>Corporate image/reputation.</p>

Our performance



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Leadership review from our Chairperson and CEO

“A phenomenal milestone was achieved when the Hospital division partnered with the National Department of Health, and formulated, manufactured and supplied the 2ml (two millilitre) saline diluent used to reconstitute the Pfizer COVID-19 vaccine. This was an exceptional accomplishment, achieved within a very short period, resulting in access to the vaccine by millions of people in South Africa.”



Mpumi Madisa
Chairperson

Andrew Hall
Chief Executive Officer

Introduction

Almost a year and half since the COVID-19 pandemic struck our shores, uncertainty continues to prevail within the macroeconomic landscape. The crisis has created some turmoil, and companies throughout the country who were not structured or prepared for such an unforeseen event faced the possibility of having to close their doors, and sadly many businesses have met this fate. It is in the midst of such uncertainty, that a company's true essence for existence is brought to the forefront. The disrupted economic terrain challenged businesses and their people to display courage, agility, flexibility and adaptability. As a leader in the pharmaceutical industry in Southern Africa, Adcock Ingram has been fortunate in that it has continued operating throughout the pandemic, “Adding value to life”, by providing quality products that improve the health and lives of people in our geography, thereby playing a critical role within the healthcare environment.

Each of the Company's sites has individual business continuity plans which resulted in minimal disruptions in their respective areas. The Company's innovative strategies across the various parts of its operations under the leadership of the Board and senior management ensured business continuity, and facilitated that Adcock Ingram successfully navigated many hurdles. We are grateful that, through the resilience of our employees, partners, suppliers and customers, we have been able to operate throughout the nationwide lockdowns,

and ensure consistent supply of life-saving medicines such as intravenous fluids and ARVs, and acute medicines and hygiene products key to the treatment and prevention of COVID-19.

The health, safety and wellness of our employees is vital, and since the onset of the pandemic, the Group has implemented and maintained rigorous non-pharmaceutical protocols. We are devastated to have lost 11 employees to COVID-19, and our condolences are with those who have lost family members and loved ones. The healthcare professionals in South Africa have been at the frontline of the pandemic, and we salute them for their bravery and dedication. We are equally grateful to our employees who have worked tirelessly and diligently to ensure the uninterrupted manufacture and supply of medicines.

As the government's national vaccination programme continues to roll out, in furtherance of the milestones to achieve herd immunity within the country, we believe that we can make a difference to help achieve this goal. The Group has entered into a partnership with a third-party service provider and offers on-site vaccinations to employees, and is proud that more than 62% (as at 11 October 2021) of our workforce have been vaccinated.

The incidents of civil unrest which took place during July 2021 affected many parts of KwaZulu-Natal and Gauteng, and had an adverse impact on the business community and the lives of the people in the affected areas. The Group is thankful that

Leadership review from our Chairperson and CEO (Continued)

it was able to make alternative arrangements that ensured the delivery of life-saving renal products and intravenous fluids into KwaZulu-Natal, no employees' lives were lost and there was no significant destruction of Company property. Through invaluable support from Bidvest Protea Coin team, our premises in affected areas remained secure.

Adcock Ingram and Bidvest each donated R1 million to the Independent Community Pharmacy Association (ICPA) fund, that will assist in rebuilding distressed pharmacies that were severely impacted during the civil unrest. Bidvest also provided food parcel donations, including distribution thereof to our employees in KwaZulu-Natal.

Economic environment

The South African economy has been severely impacted through the various phases of the nationwide and global lockdowns, which added additional pressure to the local economy. The staggered approach to re-opening the economy in an effort to boost domestic economic growth is slow, and plagued by the continued negative impact and uncertainty of the pandemic.

Realistically, it is projected that the economy is only likely to recover to pre-pandemic levels after 2022. The significant number of job losses has resulted in the highest level of unemployment recorded. Despite the national vaccination programme that is under way, uncertainty still looms due to the threat of the mutation of the virus and the resurgence of additional waves. Despite the gloomy outlook, the South African economy recorded its fourth consecutive quarter of growth, showing an expansion of 1.2% in the second calendar quarter of 2021. However, despite the gains made over the last four quarters, the economy is still 1.4% smaller compared to before the pandemic.

Industry overview

As part of the pharmaceutical industry, the Group is governed by a highly regulated structure and has to ensure regulatory compliance across all areas of the business. The South African Health Products Regulatory Authority (SAHPRA) is currently in the process of reviewing the scheduling status of codeine-containing medication. Companies within the pharmaceutical industry in South Africa, including Adcock Ingram, who sell and market these products, have made regulatory submissions relating to the efficacy and safety of codeine-containing medication.

A sub-optimal Single Exit Price adjustment of 3.68% was implemented in March 2021 which is significantly lower than the 6.3% the industry expected, and was lower than the 4.5% granted in the prior year. These annual adjustments are consistently lower than inflation on our product cost inputs, most of which are denominated in foreign currency, and continue to put pressure on margins.

Performance

The Group has remained in a strong financial position, evident from the balance sheet and financial results for the year ended June 2021. The resilient operational and financial performance has been achieved despite the challenging economic landscape and the highly competitive environment that the Company operates within.

Turnover increased a pleasing 6%, inclusive of the Plush homecare and shoe care portfolio and the onboarding of renal products from Roche, a global multinational, in the second half of the financial year in the Hospital business. Market data as measured by IQVIA, indicates that the Company is growing at 6.6% in a market showing growth of 5.1%.

The gross margin is under pressure, evident in the decrease from 37% to 34%, attributed to the weakening in the exchange rate on the cost of imported goods, lower factory recoveries at the Clayville manufacturing facility due to the absence of a cold and flu season in both the 2020 and 2021 calendar years, which saw a decline in the OTC division's portfolio of cough, cold and flu products, an unfavourable sales mix with a higher proportion of anti-retrovirals on the State tender. The Group reduced its bargaining unit employee count towards the end of the calendar year, in response to the weak economic environment and declining demand.

Operating expenditure was well controlled, and ended 6% lower than the prior year on a like-for-like basis, as the cost-saving initiatives implemented during 2020 were realised and all discretionary spending was closely monitored. Trading profit and headline earnings per share decreased by 3% compared to the prior year.

Almost R400 million was returned to shareholders via dividends and share repurchases.

Living the strategy

The four commercial businesses within the Group operate through a decentralised and autonomous operating model, but are each aligned to the Company's mission and overall business strategy.

The Consumer division, delivered a strong performance during the financial year, indicating that the strategy of increasing our non-price-regulated basket of products is paying off. Across the Group the non-SEP component of our portfolio has increased from one-third in 2015 to almost 50% in 2021. The division's turnover increased by 42%, with the Plush business contributing 24% and the inclusion of Epi-max from January 2021, 10%. Strong performances were seen by the division's iconic brands: Panado, Compral, Viral Guard, Gummy Vites, Bioplus and ProbiFlora. During the COVID-19 pandemic an increase in demand for the division's immune boosting products, offset the adverse impact of the lower demand for shoe care, personal care and sun care products. Product innovation in the division continues and was accelerated during the pandemic with the launch of the Bioplus Vit-ality range of vitamins and minerals, and range extensions under the Viral Guard brand. We are excited by the launch of convenient Panado Paediatric sachets shortly after year-end.



The OTC division specialises in pain, cough, colds and flu, digestive and anti-histamine therapeutic areas mainly through the pharmacy channel. Some of the division's top brands include Corenza C, Allergex and Citro Soda. The cough, colds and flu portfolio was negatively impacted by COVID-19. The absence of the traditional cold and flu season in South Africa the last two years, a result of the introduction of non-pharmaceutical protocols and the closure of schools, resulted in a decline in demand for this portfolio, with some products declining by as much as 30%. Apart from the reduction in profit from the winter basket of products, the reduced demand also led to lower factory recoveries at our Clayville factory. It is, however, pleasing that despite the challenges that the division has faced, it has maintained its position as the market leader in Schedule 1 and 2 medicines in pharmacy, and has shown growth in market share over the past year, which is testament to the fact that consumers and healthcare professionals have trust in the division's iconic brands.

During the last quarter of 2021, the division secured a marketing and

distribution agreement with Mundipharma, a multinational company, and has been marketing and distributing well-known brands, Betadine and Teejel, since 1 July 2021 in South Africa.

The widely-recognised Sponsors of Brave campaign was more relevant than ever during the pandemic. This campaign speaks directly to the core objective of recognising and acknowledging healthcare professionals for the exceptional work that they are doing within their communities, and was achieved through various activities within the campaign.



Somerset hospital Photo source Lance Peterson

Leadership review from our Chairman and CEO (Continued)

The Prescription division has a portfolio of branded and generic medicines and also markets a range of innovative brands on behalf of multinational partners. The division's turnover increased by almost 10% with 5% attributable to volume growth mainly due to the demand for anti-retrovirals from the State. The division faced challenges in its pain, dermatology, urology, surgical and instrumentation, and ophthalmology portfolios as a result of the pandemic, with a decline in patients consulting doctors, lower dispensary traffic in pharmacies and the sporadic suspension of elective surgeries.

On the innovation front, the division launched two first-to-market biosimilars in South Africa during the financial year. The first being Remsima (Infliximab), which is a product used to treat certain autoimmune diseases, and second was Blitzima (Rituximab) which is prescribed for certain autoimmune conditions and types of cancer.

The Women's Health portfolio expanded into the oral contraceptive market and launch Ynez and Zoely. The division partnered with Theramex, resulting in the onboarding of Evorel, a hormone replacement therapy.

The Hospital division is the leading manufacturer and supplier of critical care and hospital products in South Africa. Turnover increased by 8%, assisted by the on-boarding of the Roche renal portfolio in January 2021. The COVID-19 pandemic saw a rapid increase in the demand for acute renal dialysis treatments for COVID-19 patients who were admitted into intensive care units.

Partnerships are key to the expansion and growth of our business, and during the financial year, the division partnered with Abbott Diagnostics on their clinical point of care portfolio, which is part of the division's pathology business. This portfolio comprises a range of test kits for a number of infectious diseases such as HIV, TB, malaria and COVID-19. The division also entered into a sales, marketing and distribution agreement with Sanulac, the clinical nutrition division of Lactalis, to market a range of sips and enteral feeds in the new financial year.

The COVID-19 pandemic adversely impacted demand for products that are used in elective surgeries, and the number of trauma and non-COVID-19 medical admissions were lower, which resulted in volatility in the intravenous portfolio. Overall, the division showed good endurance and operational flexibility in a complex environment, evident in the commendable results.

During the year, and shortly after year-end, two baskets of products, across the OTC, Prescription and Hospital divisions, were acquired from Aspen Pharmacare. Certain of the products will fill portfolio gaps in both the Prescription and Hospital divisions.

In June 2021, the remaining 51% stake in Novartis Ophthalmics was acquired.

Manufacturing

The manufacturing facilities are the cornerstone of the operations and each of them plays a pivotal role in ensuring that our products meet the highest quality standards. Each of the sites is certified by SAHPRA, and regular inspections are conducted by the regulator to ensure compliance.

Throughput at the high-volume oral liquids and oral powders facility in Clayville was adversely impacted by the lower demand for certain OTC products during the pandemic. A factory shutdown also took place in July 2020 during the first wave of the pandemic, due to COVID-19 infections at the site. During the second half of the financial year, production levels improved due to the increase in demand for products in therapeutic areas unrelated to coughs, colds and flu. An inspection was concluded by SAHPRA in November 2020, and the facility received its GMP certification. The regulator conducted an inspection in May 2021 of the newly-constructed ophthalmic facility and attention is currently being given to addressing the findings. We are hopeful that SAHPRA will approve the facility for commercial production before the end of the 2021 calendar year.

The low-volume oral liquids, creams and ointments facility in Wadeville is operating at reasonable capacity. The oral solid dosage section throughput is low and unsustainable, and can only be remedied through the successful production of the tenofovir/lamivudine/dolutegravir triple-combination tablet. Equipment and infrastructure upgrades are under way in this regard to address World Health Organisation requirements. The factory will benefit from the transfer of recently acquired products from Aspen Pharmacare once technology transfer has been completed.

The Critical Care facility in Aeroton has been operating at full capacity, ensuring that the demand for life-saving medication in the private and public sectors was met during the financial year. SAHPRA concluded their inspection at the facility in March 2021, and the site's GMP certificate has been renewed. Nonetheless, ongoing compliance-related infrastructural upgrades, some of which are under way, at the facility are necessary to maintain sterile compliance standards.

Distribution

Our Distribution department remains an integral part of our operations. Through our partnership with RTT, a specialised logistics company, the focus remains on maintaining customer service levels, regulatory compliance and cost containment. The COVID-19 pandemic has placed significant pressure on the distribution network, but the Group achieved acceptable on-time delivery statistics.

Transformation

Transformation is one of the key strategic pillars of the Company, and the Group is pleased to have retained its level 3 B-BBEE rating during the independent verification process that took place in November 2020. The Company remains committed to ensuring that continued focus is placed on the transformation objectives, and good progress with regard to supplier and enterprise development programmes was made. This will ultimately make a positive contribution to the economic and social imperatives within our country.

Board

The Board of Directors of Adcock Ingram are the custodians of our corporate governance framework, and has to ensure that this is stringently adhered to throughout the operations of the business. The Board is committed to ensure that the Group adheres to the highest standards of accountability and ethics, and has the responsibility to lead the Group competently, and with integrity to ensure fairness, accountability and transparency, and to drive value creation for all our stakeholders. During the year a change in leadership was effected when Mr Lindsay Ralphs retired as the CEO of Bidvest and as Chairman of Adcock Ingram. We are grateful to Lindsay for the enthusiastic and strategic leadership he exhibited during his tenure at the Company.

Way forward

Given the uncertainty of the duration of the COVID-19 pandemic, compounded by the recent incidents of civil unrest that devastated many parts of the country, the timeline for economic recovery is unclear. As a responsible corporate citizen, the Company is supporting its customers where possible to restore their operations following the civil unrest in KwaZulu-Natal and Gauteng, to ensure the availability of essential healthcare services to all residents in South Africa.

The Group remains committed to expanding its product portfolio within each of its divisions to ensure that the Group remains competitive and sustainable in this challenging macroeconomic and regulatory environment.

As a proudly South African Company, the Group has displayed resilience over the past 24 months, and is optimistic about the medium-term given its well-diversified portfolio of products, including many iconic South African brands.

Appreciation

We are grateful for the contributions from the members of the Board, our regulator, customers, consumers, shareholders, suppliers, partners and employees for their continued support during these uncertain times.



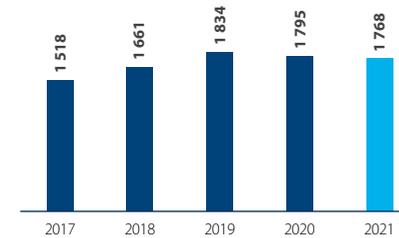
Financial review



Dorette Neethling
Chief Financial Officer

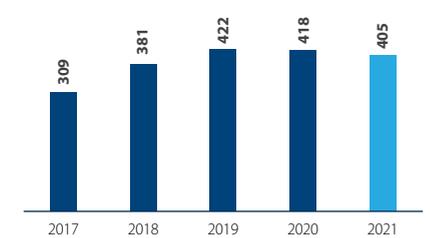
“The Group delivered a resilient performance in the year under review, despite the difficult operating environment, characterised by the continuing adverse impact of COVID-19, the tough economic environment and high levels of unemployment impacting consumer spending.”

Operating expense (R'million)



Operating expense discipline has been outstanding, ending R27 million lower than the prior year, despite the inclusion of Plush for the full year, and R100 million (5.6%) lower on a like-for-like basis, following the cost-saving initiatives implemented at the start of the COVID-19 pandemic, being realised.

HEPS (Cents)



Headline earnings for the year decreased by 5.4% to R671 million. This translates into headline earnings per share of 404.7 cents (June 2020: 417.5 cents), a decrease of 3.1%, which is better than the headline earnings decline due to share repurchases by the Group.

Balance sheet

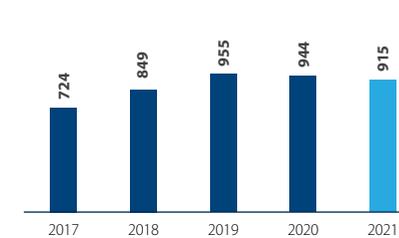
Property, plant and equipment decreased by R33 million after:

- additions of R112 million; offset by
- depreciation of R144 million.

Right-of-use assets have a carrying value of R223 million, after depreciation charges of R42 million.

Intangible assets, including goodwill, have a carrying value of R1.1 billion and now represent 15% of total assets. It comprises of Generic, Consumer and OTC trademarks and licence agreements, and also includes the addition of the Aspen Pharmacare portfolio of products acquired in the current financial year for R148 million. Amortisation amounted to R9 million in the current year.

Trading profit (R'million)



Trading profit decreased by R29 million.

Non-trading expenses of R65 million include:

- retrenchment costs of R33 million;
- share-based expenses of R18 million;
- the partial impairment of vita-thion of R13 million; and
- transaction costs of R1 million.

Net finance cost for the year is R44 million, including IFRS 16 finance costs of R29 million.

Equity accounted earnings for the year of R97 million, include the results of the joint ventures:

- India (with Meiji), which delivered results 9.1% ahead of last year; and
- National Renal Care (NRC) (with Netcare); which reported results declining by 15%, after being heavily impacted by the pandemic.

The effective tax rate, adjusted for equity accounted earnings is 30.2%, with non-deductible expenditure causing the increase over the statutory rate.

Revenue increased by R430 million (+6%) to almost R7.8 billion, made up as follows:

PRICE 4.6% R338 million

The average price increase realised, showing that the strategy of increasing our non-price-regulated basket of products is effective.

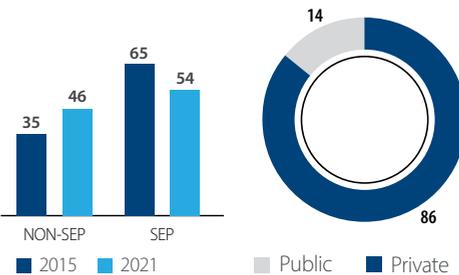
VOLUME (2.5%) (R185 million)

Organic volumes declined as a result of the COVID-19 challenges with the absence of a cold and flu season.

MIX 3.8% R277 million

Includes the Plush portfolio for the full year, compared to just one month in the prior year, and the onboarding of the Roche Renal portfolio in the second half of the financial year.

Revenue split (%)



Gross margin decreased from 37.3% to 34.5% impacted by:

- a weaker exchange rate, which directly impacts on the imported component of goods;
- lower factory recoveries at Clayville following the decrease in demand for OTC products; and
- a relatively unfavourable sales mix with a higher proportion of ARV tender sales.

During the year, the following material foreign currencies were bought:

- Euro 37.8 million @ R18.92, a 11.9% weakening over 2020 (R16.91); and
- US\$ 70.5 million @ R16.25, a 7.8% weakening over 2020 (R15.07).

With approximately 61% of FECs in US\$ and 38% in Euro – the cost of our weighted basket of all currencies increased by 9.4% in 2021, compared to the prior year.

Financial review (Continued)

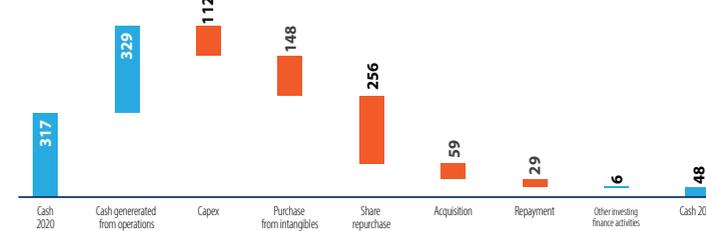
Working Capital

Days in inventory decreased following a concerted effort to reduce inventory levels, while giving consideration to strategic holdings of products affected by global supply challenges.

Government debt makes up 19% of the trade receivables with 49% of this customer's total outstanding amount due within 60 days or less.

	2021	2020
Inventory days	123	137
Debtors' days	60	66
Creditors' days	61	72

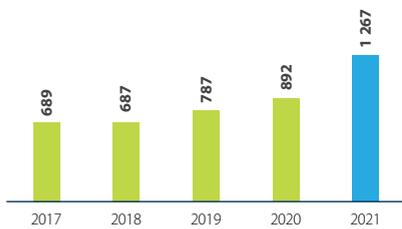
Cash management (R'million)



The Group had net cash resources of R48 million at the end of the year, with available facilities of R1 billion.

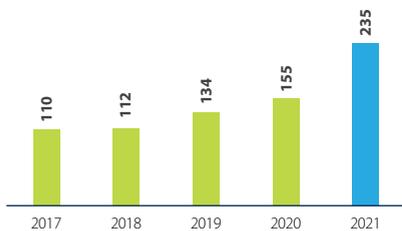
Consumer

Turnover (R'million)



+42%

Trading profit (R'million)



+52%

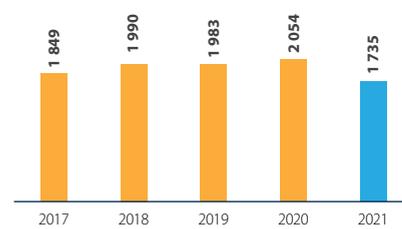
Turnover increased by R375 million, substantially aided by the acquisition of Plush which contributed an additional R212 million, and the inclusion of the Epi-max brand effective 1 January 2021, which contributed R90 million, after being transferred from the Prescription division. On a like-for-like basis sales improved 8.4% with all of the core brands achieving growth over the prior year. There was significant demand for the immune-boosting products, Gummy Vites and Viral Guard, due to COVID-19, which offset the negative impact of lower demand for shoe care, sun care and personal care products. The launch of Bioplus Vit-ality, a range of vitamins and minerals, pushed that brand's overall sales over R200 million.

The gross margin ended below the prior year, adversely affected by the weak Rand.

Trading profit of R235 million, ended an impressive R80 million ahead of the prior year, 13.5% like-for-like.

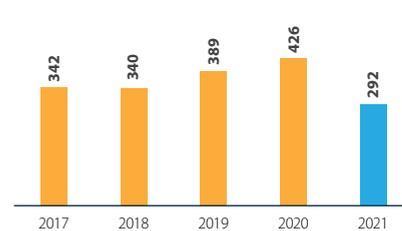
Over the Counter (OTC)

TURNOVER (R'million)



-16%

Trading profit (R'million)



-31%

Turnover declined by R319 million to R1,735 million, adversely impacted by the absence of cold and flu activity in South Africa in winter 2020 and 2021. Historically, these medicines comprise 40% of this business unit's turnover.

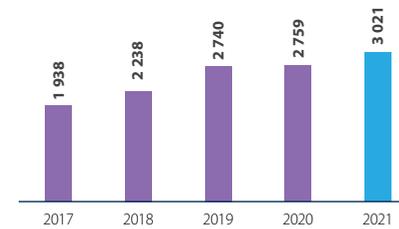
The gross margin ended below that of the prior year, adversely impacted by the weak Rand and lower factory recoveries due to the decrease in production levels following the decline in demand.

Operating expenses were 15% lower than the prior year, which mitigated some of the adverse sales effect.

Trading profit decreased by R134 million to R292 million.

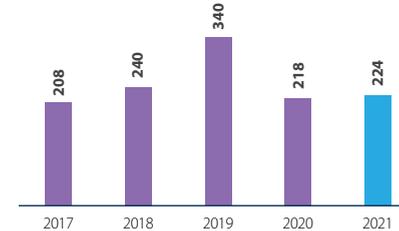
Prescription

Turnover (R'million)



+10%

Trading profit (R'million)

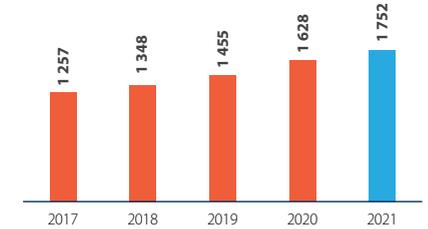


+3%

Turnover improved by R262 million to R3,021 million, including volume growth of 5.4%, largely due to the ARV portfolio growing by 45% to R588 million, benefitting from demand on the State tender. Volumes in the Branded prescription portfolio were lower, impacted by COVID-19, following the lower levels of patients consulting doctors, lower dispensary traffic in pharmacies, as well as the postponement of elective surgeries. This impacted the pain, dermatology, urology, surgical and instrumentation and ophthalmology portfolios. The sales mix, excluding the move of Epi-max to Consumer, contributed 2.7%, as the Division entered the oral contraceptive market and launched two first to market biosimilars. The gross margin ended below the prior year, adversely affected by the weak Rand and an unfavourable sales mix, with a higher proportion of ARV tender sales. With excellent cost control and cost-saving initiatives implemented in the latter part of the prior financial year realised, trading profit of R224 million is 2.8% ahead of the prior year.

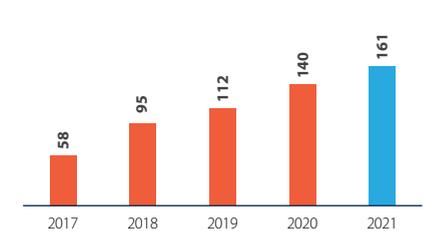
Hospital

Turnover (R'million)



+8%

Trading profit (R'million)



+15%

Turnover improved by R124 million to R1,752 million with the Renal segment benefiting from the onboarding of the Roche portfolio and acute renal dialysis treatments consequent to COVID-19. The Renal performance compensated for the decline in demand for products used in elective surgeries, and lower levels of trauma and medical cases, which reduced as a result of the COVID-19 pandemic.

The gross margin declined as a result of a weaker exchange rate and the inclusion of the Roche portfolio.

Excellent cost control, coupled with the impact of COVID-19 on normal operating activities, resulted in trading profit improving by R21 million to R61 million.

Consumer

Inputs

HC HUMAN CAPITAL

39 factory staff
92 sales, marketing and administration employees

IC INTELLECTUAL CAPITAL

Top brands include:

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

* Epi-max moved to Consumer on 1/1/2021, financial results included in Consumer for 6 months

MC MANUFACTURED CAPITAL

The Plush shoe care facility

2.6 million shoe care units
Pharmaceutical finished products are sourced from:

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

NC NATURAL CAPITAL

Purchased:
632 kilolitres of water
121 729 kWh of electricity

SR SOCIAL AND RELATIONSHIP CAPITAL

Memberships include:

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

Regulatory bodies include:

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



Our customers and our markets

Customers are serviced through four distinct channels, across the country and includes:

- Pharmacy (includes corporate pharmacy, pharmaceutical wholesale and independent pharmacy)
- Wholesale (includes corporate wholesalers as well as independent Cash and Carry)
- Retail (comprises the majority of the large retailers as well as forecourts)
- On-line retail (includes Takealot, CBD Store and One Day Only), with this footprint rapidly growing

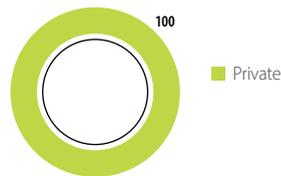
The division's operating model

Our business activities

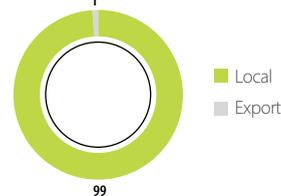
The division competes mainly in the unregulated Fast Moving Consumer goods (FMCG) market. Products are also distributed and marketed in modern and traditional trade outlets.

It continues to focus on the marketing, selling and distribution of healthcare, personal care and homecare brands. The well-known Epi-max skin care range was transferred from the Prescription division on 1 January 2021.

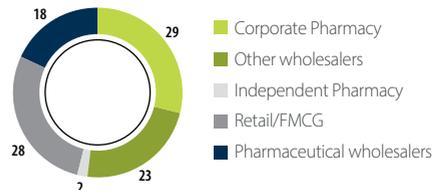
Revenue split (%)



Revenue split (%)



Local revenue split (%)



COVID-19 impact

The COVID-19 pandemic disrupted and created a huge commercial shift in the retail industry and strategies were developed to ensure new ways for consumers to continue doing their purchases through online channels. The pandemic has accelerated consumer adaption to online and changed consumer media consumption behaviour. Digital has become the new norm for consumers, whether browsing for information, searching for promotions or purchasing via e-commerce channels. The division has responded by:

- adapting and focusing on ensuring that consumers had access to a wider range of their products through more online shopping channels eg. increased the range of products on Takealot from 54 to 105 items, which now includes the Bioplus Vit-ality vitamin range, ADCO-CBD and Lulu & Marula;
- providing consumers with a direct link to purchase online when browsing customers' social media, eg. Clicks, Dis-Chem Facebook and Instagram; and
- adjusting its strategy to increase the product availability on other online platforms, and have partnered with Smollan e-commerce services to assist with listing the Division's portfolio of products with as many South African e-tailers as possible.

The COVID-19 pandemic has also resulted in an increase in consumer demand for immune boosting vitamin and mineral solutions. This resulted in an increase in the availability and distribution of our vitamin and mineral portfolio as Bioplus expanded its range into this segment with the launch of a daily vitamin and mineral range.

Panado, our number one selling analgesic has seen a surge in usage, as paracetamol has been recommended in the treatment of COVID-19 positive patients as well as post vaccination pain management.

Current trends in our markets

- As South African consumers continue to see reductions in income, spending and savings, shopper behaviour has shifted to essentials and value-for-money offerings. Shoppers have become more price conscious, with over 80% of consumers researching brands and products before buying, and looking for ways to save money when shopping.
- Private label continues to see growth with a current contribution of 21% of overall retail sales.
- As South African consumers embrace e-commerce as a channel for Health and Beauty products, digital transformation is fast shifting from being a differentiator to a critical business basic. Consumers are increasingly engaging with products and services on digital platforms with brands adapting to a more omni-channel environment to remain relevant.
- Whilst physical stores remain the most popular channel, the COVID-19 pandemic has driven significant changes in the digital path to purchase with e-commerce sales increasing exponentially.
- 50% of consumers are anticipated to purchase more products online in the future.
- The trend towards supporting local brands and businesses continues to grow as South African consumers increase attention to product origins and support local shops in order to drive growth of the economy.



Consumer (Continued)

Current trends in our markets

- Increase in private healthcare costs and the emergence of COVID-19 has continued to drive growth of the Vitamins and Supplements market, as consumers become increasingly reliant on Vitamins, Minerals and Supplements (VMS) as a form of self-medication.
- VMS will continue to play a key role in supporting consumers' preventative healthcare initiatives as they await their COVID-19 vaccine.
- Increased focus on Health and Immunity is expected to continue long after the pandemic, with 54% of consumers anticipated to focus more on their health and well-being post COVID-19.
- Shoppers are choosing to shop closer to home with less frequent shopping trips, and avoiding big format stores and malls.
- In South Africa, the COVID-19 pandemic accelerated Health and Beauty online purchasing behaviour with retailers prioritising e-commerce as a channel to grow sales. The Personal Care category online sales grew 123%, over-the-counter (OTC) medication grew 92% and the VMS category by 78%.
- Home seclusion and lockdowns throughout most of 2020 and 2021, drove consumers to spend more time at home. This has changed the areas in which consumers prioritise expenditure. In response to lockdown measures as a result of COVID-19, consumers had to significantly adjust their shopping habits. The clear winner was the e-commerce channel, which has seen a significant rise in value share. After growing rapidly in 2020, Home Care is expected to deliver healthy growth in line with the overall rise in the importance of home hygiene.

Our distinct features

The range of market leading brands and products includes brands in the analgesic, energy, colds & flu, personal care, gut health, nutrition and vitamins & supplements categories. The acquisition of Plush has provided an entry within homecare and shoe care.



The division operates across all LSMs, and recorded an average selling price per unit of R33.90.



Our outputs from Plush

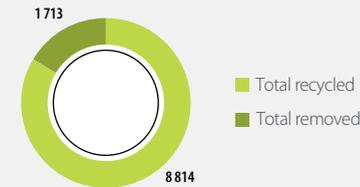
MC Product

2 044 985 units, or 124 463 kg

Average utilisation during the year: **80%**

NC Waste

kg



Our outcomes

FC Top 10 brands' turnover: **R993 million** (2020: R802 million)

IC Market share and category position¹

Category	Market Share	Category position
Analgesics/Pain (SO)	36.6%	2
Probiotics	36.9%	1
Energy supplements	28.1%	2
Intimate Care (Feminine Hygiene)	49.8%	1
Hand and Body (constructed class)	43.5%	1
Home Care (constructed retail market)	4.7%	4
Shoe Care (constructed retail market)	20.9%	2

¹ IRI MAT June 2021 - Modern Trade

² Euromonitor Homecare in South Africa February 2021



Consumer (Continued)

Our performance in 2021

Pain

The consumer pain market has seen double digit growth with the Adcock Ingram Consumer pain portfolio growing slightly behind the market. The COVID-19 pandemic has driven a significant increase in tablet format with aspirin driving the segment growth. Panado, a proudly South African brand, ranks second in the total pain market and has shown positive growth across all formats with continued investment in campaigns driving trust, equity and awareness. Whilst the brand's strength remains in the tablet format as segment leader, overall brand growth is driven by innovative formats – effervescent and capsules. Compral remains the fifth biggest player and has achieved double digit growth, ahead of the market, with significant growth in the powders format.

Gut/ Probiotics¹

The probiotics market has shown positive growth, with Probiflora, the market leader, growing ahead of the category. Probiflora growth was driven by refocusing on the consumer in the self-select space.

Energy¹

The energy market is split into energy supplements and energy drinks with Bioplus competing in both segments. The supplements category has experienced declines driven by the impact of COVID-19 through the decline of on-the-go

sachet format, whilst the drinks category has achieved double digit growth. Whilst Bioplus is declining within the category, the brand remains market leader within the liquid tonics format. Bioplus drinks are growing in double-digits, ahead of the drinks segment, driven by increased distribution across all channels.

Vitamin, mineral and supplements (VMS)¹

The VMS market has shown double digit growth driven by COVID-19. The immune health, multivitamin and single vitamin categories saw significant growth as consumers behaviour shifted towards preventative healthcare. The division's VMS portfolio saw double-digit growth across the portfolio driven by Viral Guard and Gummy Vites.

Hand & Body¹

Epi-max, contests in a highly competitive market that is cluttered with many multinational players, but despite this, managed to grow in double digits year on year. Epi-max is in the Top 6 skincare - hand and body products in South Africa competing with major players like Nivea, Vaseline and Ingrams. Epi-max is the market leader of emollient creams with a 44% market share. Its strong heritage and well-known reputation at doctor level have translated into a strong consumer presence with a trusted formulation.



Home care²

Home care performance in the market has shown growth driven by COVID-19 and an increase in antibacterial and disinfectant product usage in the home. Plush is the 4th largest player in the market and has held share in an increasingly competitive environment. Our multi surface cleaner is the number 1 brand in the furniture category and over the past year has delivered category growth, winning share in the market. Our market performance is a result of our continued focus on delivering value for money, quality products for customers, as well as new product development.

Shoe care¹

Shoe care performance has been negatively impacted by COVID-19, as people worked more from home and go out less. Despite the declines, Plush has remained competitive in the market and has won share over the last 12 months. Share gains have been driven by shoe polish as the market consolidates around trusted brands. Our liquids portfolio, which is the market leader, has also delivered share growth and as the market recovers, we expect to expand on this performance.

¹ IRI MAT June 2021 - Modern Trade
² Euromonitor Homecare in South Africa February 2021

2021 Performance against strategic pillars



Build on the foundation	Growth and expansion	Transformation
<p>The Consumer division has seen 42% growth in sales on the prior year, with the inclusion of Plush and Epi-max, with growth on the base still strong at 8%. Growth in-market was 8.5% (IRI June 2021, <i>Modern Trade</i>).</p> <p>There was a drive during the year to ensure supply chain excellence during COVID-19 shortages of product, striving for quality in both service delivery and product delivery. The integration of Epi-max and Plush into the Consumer division was seamless with little disruption.</p>	<p>Various projects were executed with the focus on growth of brands and channels during the financial year. Despite the sluggish economic activity, COVID-19 has resulted in a surge in e-commerce and accelerated digital transformation. The fast tracking of e-commerce as a significant retail channel was maximised by partnering with experts in this field.</p> <p>Bioplus moved into adjacent categories of sustained energy by launching a vitamin and supplement range which included a daily nutripack, offering a solution for daily all-round supplementation.</p> <p>As part of our drive to consolidate brands, smaller brands were moved and re-branded into larger brands (Viral Guard anti-oxidant and Gummy Vites omega).</p> <p>Plush has contributed 18% to the overall sales of the Consumer business.</p>	<p>Adcock Ingram Consumer Division has partnered with LIV Creative, an organisation based in the Cottonlands, in KwaZulu-Natal to drive transformation and income for the women of the community through education on the production of re-usable sanitary pads. The sanitary pads have been distributed to grade 5 to 7 girls in the local community school and will also be available for sale and donation online. The initiative is supported through a school activation and education leaflets. Donations will be driven via online e-commerce portals.</p>

Focus areas for the future



Build on the foundation	Growth and expansion	Transformation
<p>The division will continue to protect its base of trusted heritage brands with the objective of being the consumers' choice for Healthcare, Homecare and Personal Care. The base of strong brands will be used to build and leverage new launches, and non-performing brands with market leadership potential will be revived. The procurement and cost management functions at Plush will be consolidated with the rest of the division for possible savings.</p>	<p>The division aims to close portfolio gaps in the non-regulated space in Healthcare, Homecare and Personal Care through acquisitions within those categories. Umbrella brands will be used to launch into categories after identifying the need in the market. Product offering will be expanded into new categories and channels, whilst growing the current product portfolio in the e-commerce space.</p>	<p>The division will continue with its partnership with LIV Creative on the production, sale and donation of re-usable sanitary pads, amplifying the initiative into other regions.</p>



Inputs

HC HUMAN CAPITAL

446 factory and laboratory staff
126 sales, marketing and administration employees

IC INTELLECTUAL CAPITAL

Top brands include:

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

MC MANUFACTURED CAPITAL

The Clayville facility, accredited with:

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

Capacity

- 28 million effervescent tablets
- 400 tonnes effervescent granules and powder
- 12 million litres oral liquids

Finished products are also sourced from other Adcock Ingram factories, as well as from third party manufacturers, and international supply chain partners.

The split is as follows:

Adcock Ingram	84%
Third party manufacturing	16%

NC NATURAL CAPITAL

Purchased:

- 132 240 kilolitres of water
- 20 006 000 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)



Our customers and our markets

Customers, across the country include:

- Pharmacies
- FMCG channel

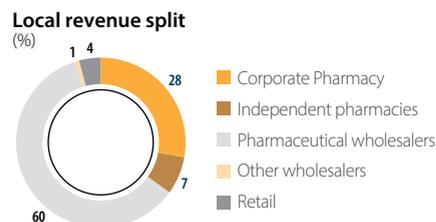
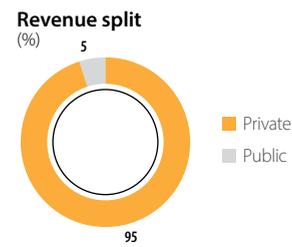
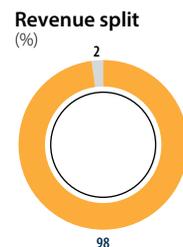
Markets served:

- Public sector
- Private sector

The division's operating model

Our business activities

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



The focus on the retail pharmacist as a priority customer is ever-present. Hence, the ongoing momentum with the Adcock Ingram OTC Sponsors of Brave campaign, to showcase the immense, heroic and brave behaviours of healthcare practitioners (HCPs) across South Africa. The division continues to support programmes that raise the awareness of the plight and sacrifices that HCPs make in an effort to protect the health of the nation. Promotional spend has been directed to more purpose-driven initiatives where retail pharmacies receive applause on a regular basis for their untiring efforts and responsibility taken to encourage self-care as a human right.



Current trends in our markets

The division experienced a challenging year due to the strict social distancing measures under COVID-19, due to the mandatory wearing of face masks and other non-pharmaceutical interventions. The absence of a regular cough, cold and flu season in South Africa was very apparent. This resulted in very slow sales of the traditional winter basket during 2020 and 2021. The impact was noticeable across the competitor and entire supply chain landscape, as fewer South African residents caught the cold and/or flu than in previous years (*Business Maverick*, 23 May 2021).

COVID-19 impact on the market

- The coronavirus outbreak is having an unprecedented impact globally, with people around the world having to make significant changes to adapt to new ways of living and working to curtail the spread. With livelihoods disrupted and increased economic strain surfacing, consumer discretionary spend has diminished and has had a negative impact on the ability of individuals to maintain a sound level of self-care. This is evident as we observe in-market related data (IQVIA, TPM, June 2021) covering both corporate and independent retail pharmacies. A below par performance since the advent of the pandemic has been observed in the S1 and S2 segments.
- Life continues in spite of the COVID-19 pandemic, with healthcare manufacturers and retailers alike having to adapt to the changing consumer requirements. The self-care market is likely to be impacted by shoppers who visit a retail pharmacy for specific front-shop items and/or needing to fill a doctor-generated

prescription. Two of the largest corporate pharmacy groups have described minimal growth in the prescription sector, with high growth in the front-shop and declines in the S1 and S2 space.

- The shopper's basket at retail pharmacy has observed a growing segment loosely referred to as the "Corona-identified basket". Hand sanitisers, disinfectant wipes, alcohol solution, masks, and immune boosters have become staple.
- With many people working from home, it has become evident that the independent pharmacies are enjoying increased sales as many of the corporate stores are mall-based. Footfall was significantly impacted as consumers were encouraged to resist closed and indoor spaces.
- Retail pharmacy owners have had to absorb increased costs due to the provision of personal protective equipment (PPEs) to staff, sanitiser supply for staff and customers and in many instances, have paid for screening and COVID-19 testing for staff.
- Many pharmacies, both corporate and independent, have registered to be suppliers and administrators of the COVID-19 vaccines. This is likely to result in an increase of feet into those stores.



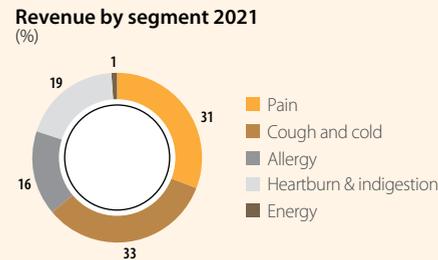
OTC (Continued)

Our distinct features

The division operates across a diverse self-care spectrum underpinned by five attractive therapeutic categories that drive demand for our products. The division's diverse product portfolio brings compelling solutions that provide pain relief; remedies for cough, cold and flu; treatment for allergy; gastric health balance; and energy supplementation.

As a result, the division is well positioned to grow as the world recovers from COVID-19, and to deliver sustainable growth in the medium- to long-term.

The portfolio boasts a number of iconic brands and competes in the following therapeutic categories:



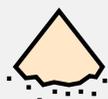
The division operates across all LSMs, and recorded an average selling price per unit sold of R20.40.

Our outputs from Clayville

MC PRODUCT



22 809 168
effervescent tablets



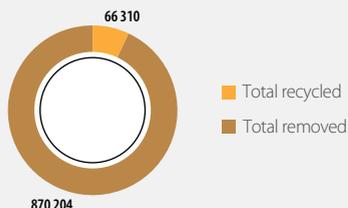
391 tonnes
effervescent granules and powder



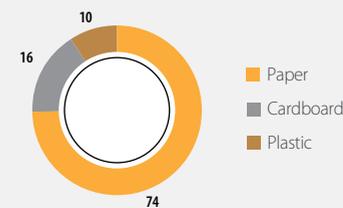
5 961 522 litres
oral liquids

NC WASTE

Waste (kg)



Types of waste recycled (%)



Our outcomes

FC Top 10 brands' turnover:
R1,124 million
(2020: R1,227 million)

IC Market share¹

Category	Market share	Category position
Volume	34.0%	1
Value	22.0%	1

¹ IQVIA MAT June 2021

Our performance in 2021

Pain

The self-care pain management market is highly competitive, and consists of several major players employing strong competitive strategies, leading to high rivalry and immense pressure for real estate on the pharmacy shelf. The Adco-Pain OTC portfolio offers the pharmacist and the consumer a broad spectrum of analgesic choice, thus ensuring that market share leadership is maintained in this category. Such brands include Mypaid, Adco-Napamol and Spasmend.

Cough and cold

Due to the advent of COVID-19 and the absence of the traditional cold and flu season, many of AI OTC's cough, cold and flu products achieved lower sales. However, during periods of spontaneous demand, the stalwart AI OTC brands found favour within the pharmacy and with the consumer. Corenza C remains the market leader in the division's cough and cold's basket, with annual sales of R226 million.

Allergy

The COVID-19 outbreak has seemingly not had any serious implications on the growth rate of the allergy care market. AI OTC's Allergy portfolio has annual sales of R250 million. Allergex is the market leader in this category, with annual sales of at R220 million, and growing in market at 12%. The allergy portfolio also comprises other brands such as Levogex Ceticit and Adco-Desloratidine. Growth in this category continues as lay consumers are well versed on treatment options that pertain to their specific allergy. In congruence with the AI OTC Division's ambition to promote its brands in a purpose-driven fashion, Allergex promotions include support and awareness of social struggles such as gender-based violence.

Heartburn and indigestion

COVID-19 has had a direct impact on digestive remedies. Social distancing resulted in consumers dining out less during the year, thus decreasing their chance of picking up gastric complaints. These restrictions also led to fewer opportunities to go out consuming alcohol in bars, clubs and taverns and therefore, again reducing digestive complaints.

The AI OTC division competes in the heartburn and indigestion category with brands such as Citro-Soda and Adco-Mayogel. The division's digestive portfolio with annual sales of R245 million, is growing ahead of the market at 13%.

Energy

Vita-thion is a legendary brand in the division's energy portfolio. It remains a popular choice in a tightly contested market with many new supplements entering this segment on a regular basis. Above-the-line advertising helps protect its market attractiveness whilst brand expansion strategies introduced during earlier years, afford the consumer a variety of options to purchase.



¹ IQVIA MAT June 2021

OTC (Continued)

2021 performance against strategic pillars



Build on the foundation

The consistent supply of essential self-care products proved essential to retain customer loyalty and maintain consumer support. The division's products enjoyed increased shelf-space at retail pharmacy through a directed initiative to maximise shelf presence in that channel. Key account engagement focused on the customer in a transparent manner ensuring constructive B2B dialogues.

The Adcock Ingram OTC Sponsors of Brave campaign inspired additional purpose-driven initiatives, which showcased the sacrificial service offered by healthcare professionals with retail pharmacy as the first entry into primary healthcare.

Sound expense management aligned to changing levels of turnover optimised the return on investment.



Growth and expansion

The OTC division has entered into a service level agreement with a multinational company that will see its portfolio extend into hygiene and personal care, through the market leading products Betadine and Teejel.

Improved production at the Clayville manufacturing facility allowed for a fluid supply of products throughout the value chain.

Whilst the Public sector has suffered many pandemic-related challenges, the division's focus on the tender business has improved.



Transformation

The drive to attract and recruit a pipeline of junior pharmacists has enabled continued regulatory compliance.

Enterprise and supplier development initiatives have resulted in the registration of three black women owned small businesses, each showing growth.

Preferentially procurement from B-BBEE Small, Medium and Micro Enterprises (SMMEs) is well aligned to the Group's ambition.

SMMEs payment terms were honoured in a timely manner to ensure these small businesses are afforded every opportunity to be financially sustainable.

Focus areas for the future



Build on the foundation

Sustain market leadership by building on an environment that drives execution of product promotional activities, while balancing speed, discipline, and quality, even when faced with significant challenges like an ongoing pandemic.

Furthering the development of a diverse, high performing talent pool creating energy and excitement through continuous employee engagement efforts, to deliver the highest standard of service.



Growth and expansion

Incorporation of a multinational partner's hygiene and personal care products, diversifying the offering in self-care treatments to the consumer.

The division will continue to scrutinise existing product assets and develop plans to encourage growth in depth (line-item extensions) and breadth (new sales channels).

Resources in digitisation will be harnessed to drive consumer-friendly promotion of a number of key self-care brands.

The New Business Development team is actively seeking in-licencing, acquisition and distribution opportunities for healthcare products.



Transformation

Continuous improvement in employment equity representation within the middle and senior management segments.

Actively seek and promote opportunities to further the SMME (small, medium and micro-enterprises) enterprise supplier development aspiration.

Undertake employee-driven support activities, aimed at the vulnerable population in South Africa under the banner of Sponsors of Brave.



Prescription

Inputs

HC HUMAN CAPITAL

328 factory and laboratory staff
252 sales, marketing and administration employees

IC INTELLECTUAL CAPITAL

Top brands include:

Genpayne	Adco-Zolpidem
Nuvaco	Synaleve
Advantan	Estrofem
Urizone	Myprodol
Activelle	Rizene
Fucidin	Stopayne
Xailin	Spersallerg

MC MANUFACTURED CAPITAL

The Wadeville facility is accredited by:

- South Africa (SAHPRA)

Capacity

- 2.7 million ℓ oral liquids
- 250 tonnes creams/ointments
- 1 billion tablets and capsules

Finished products are sourced from other Adcock Ingram factories, as well as from a range of partner companies, both local and international.

The split from these facilities is as follows:

Adcock Ingram	24%
3rd party manufacturing	76%

NC NATURAL CAPITAL

Purchased:

42 835 kilolitres of water
9 898 759 kWh of electricity

SR SOCIAL AND RELATIONSHIP CAPITAL

Memberships include:

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

Regulatory bodies include:

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



Adisha Singh
Financial Director

Ashley Pearce
Managing Director

Our customers and our markets

Customers, across the country include:

- Specialists
- General practitioners
- Hospitals
- Pharmacies.

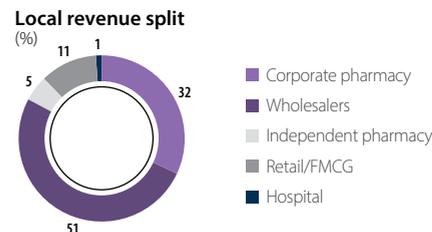
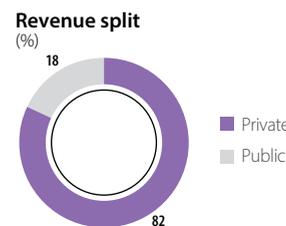
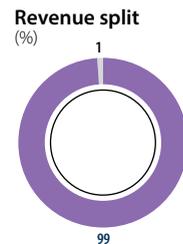
Markets served:

- Public sector
- Private sector

The division's operating model

Our business activities

The division focuses on building and offering a broad range of medicines in targeted therapeutic areas for patients consulting healthcare professionals, where prescriptions are generally required, including antiretroviral medicine, and the Genop business which is a specialised instrument, surgical and pharmaceutical products enterprise focused on servicing the ophthalmic, optometry, skincare, aesthetic and plastic surgery segments in Southern Africa. During the financial year, the Genop business's finance, human Capital and logistics functions were fully integrated into the Prescription division. At the same time, the well-known Epi-max skin care range was transferred to the Consumer division.



Following the outbreak of COVID-19, and to manage the impact of the pandemic, the division has embarked on a number of digital initiatives to shift the way business is done, ensuring continuity in bringing life-saving treatments to the market seamlessly. The division has:

- adopted the IQVIA CRM platform to enable remote detailing to doctors where required;
- held a number of webinars and online events to remain connected with all customers;
- facilitated a fully digital launch of the Group's first biosimilar: Remsima; and
- Genop embarked on a comprehensive online training program for all customers across eyecare and skincare.

Current trends in our markets

- The introduction of biosimilar medicines will expand access to these lifesaving treatments.
- 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 transform how pharmaceutical companies engage within the sector.
- Stabilisation of the country's regulator, SAHPRA, with regulatory process improvements and reduced registration timelines, is expected to yield a higher number of new product registrations.
- The economic pressure on the medical insurance market will result in more aggressive implementation of formularies.
- Growth in the number of corporate pharmacies and corresponding house brand strategies will limit growth of generics within this channel.



COVID-19 impact on the market

- A shift in healthcare provider (HCP) engagement, from traditional face-to-face (FTF) engagement, to a blend of multichannel communication modes, including remote detailing by sales representatives, webinars for HCP education, as well as FTF interactions.
- Acceleration in digital transformation within the sector including telemedicine and telehealth initiatives.
- Buy-down in medical insurance or a decline in medical scheme based on affordability, as the country suffers the economic and unemployment impact of the pandemic.
- Reduction in diagnosis and initiation of treatment for chronic disease conditions.
- Reduction in the number of elective procedures as patients and HCPs opt to delay procedures until the pandemic has subsided.
- Delay in new product launches.
- Disruptions in pharmaceutical supply chain across the world.

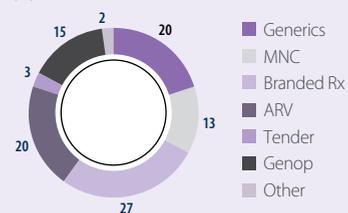
Our distinct features

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

This allows the division to offer full scale patient solutions in the therapeutic categories it represents, enabling the division to achieve market leadership in the Pain, Women's Health, Urology, Dermatology and Osteoporosis categories. The scope in therapeutic offering, commercial footprint and coverage of key customers, positions the division as an attractive partner to multinational companies.

The antiretroviral (ARV) portfolio consists of a range of high-quality, cost-effective first- and second-line treatment options for people living with HIV, both adults and children, provided to both the private and public sectors.

Revenue by segment 2021 (%)



The division operates across all LSMs
 The average selling price per unit sold (excluding Genop) to:
 Private sector: R96.08
 Private and public sectors: R80.64

Our outputs

MC PRODUCT



227 million
tablets and capsules



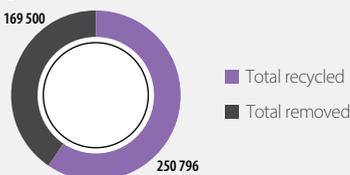
946 000 litres
oral liquids



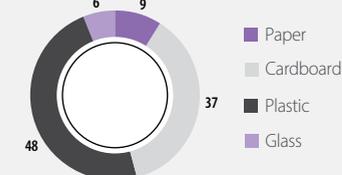
90 638 kg
creams

NC WASTE

Waste (kg)



Types of waste recycled (%)



Our outcomes

FC Top 10 brands' turnover: R995 million (2020: R937million)

IC Market share¹

Category	Market Share	Category position
Volume	15.0%	2
Value	7.0%	5

¹ IQVIA MAT June 2021

Our performance in 2021

Pain

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

Maintaining the position as the leading prescription pain franchise in the country, three of the division's pain brands feature within the top 10 brands within the non-narcotic analgesic market. Synaleve exceeded R100 million in sales in 2021, and grew by 14% compared to the market growth of 4%. This despite the impact of COVID-19, which limited access to doctors and led to elective surgeries to be postponed.

Women's health

This portfolio recognises and celebrates the uniqueness of women and includes treatments for conditions that occur frequently in women. These include symptoms related to menopause, vaginal dryness, urinary tract infections (UTIs) and osteoporosis. The portfolio also recently expanded into the oral contraceptives market with the signing of a licence agreement with UK-based company, Theramex, to distribute and market Zoely in South Africa. As the leading Women's Healthcare franchise in the country, with a 36% market share, the portfolio offers flexible, high-quality treatment options to meet the needs of South African women through specific stages of their journey through life, and empowering them to make informed decisions about their health.

The urology portfolio, which includes well-known brands such as Urispas and Urizone, is market leader in the treatment of Urinary Tract Infections, with a 33% market share¹.

Central Nervous System (CNS)

Mental health has been thrust into the spotlight due to COVID-19, which has had a significant impact globally on the mental health of many people. New realities like working from home, unemployment, home-schooling of children, and the lack of physical contact with other family members, friends and colleagues has meant that taking care of our mental (as well as our physical) health has become all the more important.

This franchise remains a partner of choice for multinational companies with CNS brands; and offers treatments for a wide range of psychiatric and neurological disorders.

Stresam, a treatment option for anxiety has demonstrated excellent ex-factory growth of 22% in 2021, and in-market¹, at 24% is the fastest growing originator anxiolytic in the class.

Other key brands which are promoted and distributed for multinational partners are Cipramil, Cipralext and Fluanxol on behalf of Lundbeck and Rivotril which is promoted on behalf of Roche.

The CNS franchise has the second largest growth (8%) among the top 6 competitor companies and is growing 4% faster than this market¹.



Dermatology

As the leading medical dermatology franchise with well-known brands like Advantan, Fucidin, Protopic, Dovobet and SBR, we offer treatments for a wide range of dermatological conditions including eczema, fungal and bacterial skin infections, psoriasis, acne and dry skin. Advantan remains the leading topical corticosteroid brand in the market with a 29%¹ share. As a result of down scheduling to S2, Fucidin Topical now holds the number 2 position¹ in its class.

Dovobet, the only fixed dose combination anti-psoriasis product remains the leader¹ with 59% (ointment) share in the market. Dovobet gel holds 11% share¹.

Gastroenterology

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

Biologics

The division has partnered with Celltrion Healthcare in the launch of the first infliximab and rituximab biosimilars in South Africa. These launches will give Adcock Ingram a footprint within the biologics market and allow for competition with some of the top pharmaceutical products in the country. Biological medicines are very expensive and thus inaccessible to many patients suffering with serious autoimmune and oncological conditions. Biosimilar products are cost effective alternatives that provide similar efficacy and safety to originator products. Extending the access of treatment to more patients is the goal of biosimilar therapy.

ARVs

The ARV portfolio includes a range of antiretroviral products indicated for the prevention and treatment of HIV and is currently the fourth-largest ARV franchise in the private sector, with a 9% market share¹. ARV's remain a key strategic pillar for the division based on the Company's commitment to local manufacturing and international partnerships.

This portfolio continues to face intense generic competition in the private sector and pricing pressure from funders with a greater number of generic entrants within this market driving down reference pricing. The switch to the Dolutedegravir based regimen has been slower than anticipated and the Tenofovir/Emtricitabine/ Efavirenz combination remains the most prescribed in the private sector. Trivenz remains the largest product within the portfolio. Adco-Emtevir which is the second largest product within the portfolio has maintained market leadership¹ in its molecule class with a market share of 38%.

The Company was awarded as 12% share of the Government anti-retroviral tender in 2019, valued at R1.9 billion over a three-year period, to supply ARV medication to the state-run hospitals.

While the switch to the new DLT treatment regime was slow in gaining traction in the first year of the tender, orders placed by Government increased in the current financial year.

Generics

Generics includes a portfolio of medicines across therapeutic areas such as CNS, Cardiovascular, Pain, Gastroenterology and Dermatology. Genpayne is the leading brand in the portfolio with an in-market value of R180 million¹. The portfolio has also recently acquired a range of generic products across a number of therapeutic categories from Aspen Pharmacare and this has strengthened the portfolio's basket of products. The aim within the portfolio is to ensure that patients have access to a comprehensive basket of products at competitive prices. This requires constant engagement with suppliers to manage product profitability and sustainability.

Genop

Due to restrictions on elective surgeries during the financial year, the eyecare business was negatively impacted, however the aesthetic skincare business performed well as the year progressed showing growth of 19% on the prior year. The business represents a number of well-respected and market-leading brands from its international partners, including Johnson and Johnson (J&J Vision and Neostrate), DORC, Nidek, Heidelberg, Oculus, BVI, Heliocare, Teoxane and Dermapen.

¹ IQVIA June 2021 MAT data



2021 Performance against strategic pillars



Build on the foundation	Growth and expansion	Transformation
<p>The impact of COVID-19 on patients' ability and willingness to visit healthcare practitioners and hence limiting script generation, the volatile Rand, downward pricing pressure from funders, increasing competitiveness within the growing corporate pharmacy channel, as well as margin squeeze in the multinational partner portfolio, have all led to another challenging year for the division.</p> <p>Despite this, the business was able to deliver 9.5% growth on revenue compared to 2020, which combined with numerous expense savings across the business, equated to a trading profit growth for the year of 3%.</p> <p>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 companies such as Takeda and Zambon.</p>	<p>The Women's Health portfolio entered the oral contraceptive market in 2021, with the launch of Ynez and Zoely, as well as increasing its market presence in the hormone replacement therapy (HRT) market by onboarding the Evorel brand as part of its partnership with Theramex.</p> <p>Being a multinational partner of choice remains a key strategic pillar for the business' growth, and the division continued to look for new strategic partnership during the year and signed a sales and marketing agreement with Teva on a portfolio of products.</p> <p>In terms of biosimilars, the division launched two first to market biosimilars, Remsima (Infliximab) and Blitizima (Rituximab) during the year, expanding access to these life-saving medicines for the country.</p>	<p>Continued to provide financial support to:</p> <p>Witkoppen healthcare mobile clinic - the mobile clinic provides access to basic quality healthcare services for the Diepsloot and Msawawa informal settlements.</p> <p>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.</p> <p>LumoHawk foundation - the division, via Genop, continued to support the foundation's "Vision 2020 project" during the year, providing not only financial support but also technical support and guidance when required. This project, as part of the non-profit organisation setup by Joel Stransky, is aimed at testing children's eyesight in underprivileged areas and providing those in need with spectacles.</p>

Focus areas for the future



Build on the foundation	Growth and expansion	Transformation
<p>In the face of an evolving pharmaceutical market, overlaid with the economic and social impact that the COVID-19 pandemic will have on the economy and its people, the division aims to strengthen its focus and offering in the Generics business, ensuring that it continues to offer patients affordable, quality and relevant generic medicines. Delivering on the multinational strategic partnerships remains key for the upcoming year, with the major focus on continuing to deliver value to our partners that have confirmed their partnership with the division, such as Takeda, Lundbeck, Biocodex, and Leo Pharma.</p>	<p>Achieving launch excellence will be the cornerstone of our focus, as we prepare for a number of first to market launches in the division, in the CNS, Women's Health and Generic therapeutic areas. Building on offering comprehensive patients' solutions in the therapeutic categories we service, we intend to expand our CNS offering into the ADHD segment, with the launch of a novel treatment alternative. In Women's Health, the division is set to build a robust family planning portfolio, further empowering women to make key decisions on their health and contraceptive choices. The Pain portfolio plans to expand their offering in the transdermal pain category, with the launch of a second product for the treatment of neuropathic pain.</p>	<p>Continue to support two key projects in which the division is already involved in.</p>



Inputs

HC HUMAN CAPITAL

631 factory and laboratory staff
164 sales, marketing and administration employees

MC MANUFACTURED CAPITAL

The Aeroton facility, accredited with:

South Africa (SAHPRA); Kenya (PPB);

Finished products are also sourced from third party manufacturers and license partners.

The split is as follows:

Aeroton	52%
Third parties	48%

NC NATURAL CAPITAL

Purchased:

- 173 891 kilolitres of water
- 14 491 565 kWh of electricity
- 3 568 tonnes industrial coal

SR SOCIAL AND RELATIONSHIP CAPITAL

Memberships include:

- Pharmaceuticals Made in South Africa (PHARMISA);

Regulatory bodies include:

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



Mohamed Mangel
Financial Director

Colin Sheen
Managing Director

Our customers and our markets

Customers, across the country include:

- Hospitals
- General practitioners
- Clinics
- Physiotherapists
- Kinesiologists
- Specialist clinicians
- Pharmacies
- Renal dialysis centres
- Blood centres
- Biokineticists
- Dieticians

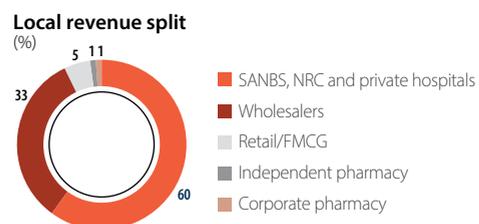
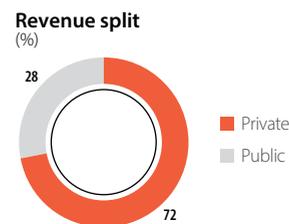
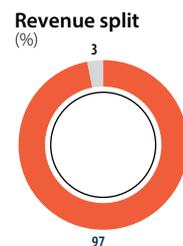
Markets served:

- Public sector
- Private sector.

The division's operating model

Our business activities

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



Current trends in our markets

- Funding pressure is experienced across the entire sector as private health insurers grapple with the tough operating climate, inflationary pressures, the impact of COVID-19 and a largely declining medical aid members' base.
- With limited hospital groups and a few medical schemes dominating the environment, the use of formularies and formulary compliance keeps increasing in an attempt to manage costs with regards to pharmaceuticals, devices and medical consumables.
- Funders placing increased pressure on hospitals with regard to patient admissions and patient stays resulting in reduced hospital bed days.
- Increased regulations, including those now also required in the previously 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 consumers/patients continue to manage hospital, surgical, pharmaceutical and specialised price inflation.
- Increases in managed care interventions which focus on comprehensive care, including preventive, promotive, rehabilitative and curate care.

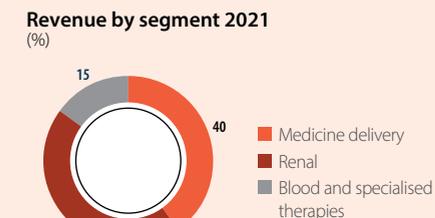
COVID-19 impact on the market

- During the 1st wave a reduction in bed occupancy was identified as hospitals strictly reserved admissions.
- During the 3rd wave, the opposite was seen, with hospitals opening up and some being overrun with COVID-19 admissions.
- A significant increase in demand for personal protective equipment (PPE) and sanitisers.
- Quick and fluid shifts in healthcare treatment protocols relating to COVID-19.
- Core treatment seems to revolve around respiration, benefitting suppliers of ventilators, oxygen and allied oxygen therapy and in the case of AICC, fluid for ventilation.
- Core drug therapy includes sedatives, corticosteroids and in cases of secondary infection, some injectable anti-infectives.
- A steep increase in demand for Continuous Renal Replacement Therapy.
- A reduction in surgeries including both elective and non-electives – this has a direct impact on all suppliers providing goods and services within this sphere of business.
- Limited access to customers and healthcare professionals, as a function of limitation or prohibition to facility access.
- Economic pressure impacting patients where co-payments are required and electives are more carefully considered, with the deferral of most electives because of COVID-19.

Our distinct features

The division is a progressive healthcare company with ever-evolving and broadening portfolios. At the core, AICC holds a market leadership position in intravenous solutions, renal therapies and blood transfusion therapies where it is the largest supplier of blood collection bags to the South African National Blood Service. Other business portfolios include: small volume injectables, infusion systems, anaesthesia, nutrition, haemophilia, specialised pharmaceuticals, sports science and a range of hand and surface disinfectants.

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



The division operates across all LSMs, and recorded an average selling price per unit sold of R41.08.



Hospital (Continued)

Our outputs

MC PRODUCT

24.3 million IV bags

14.9 million ampoules

1.3 million bottles

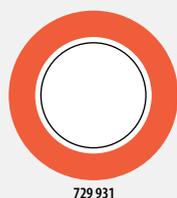
0.7 million packs

Extrude more than 1,900 metric tons of pvc sheeting and tubing per annum.

Average utilisation during the year: 92%

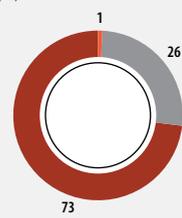
NC WASTE

Waste (kg)



Total recycled
Total removed

Types of waste recycled (%)



Paper
Cardboard
Plastic

Our outcomes

FC Top 10 brands' turnover: **R1,019 million** (2020: R980 million)

Our performance in 2021

Medicine delivery

The total medicine delivery segment's sales performance reflects a decline of 2% compared to the previous year. The major drivers of the decline are due to:

- the impact of COVID-19 on hospital bed occupancy;
- the postponement or cancellation on elective surgeries; and
- the loss of mini-bags on the LVP national state tender.

Large volume parenterals (LVP)

The LVP portfolio contributes half to medicine delivery segment's performance, with a decline of 3.8% over 2020 due to loss of tender sales on mini-bags.

Small volume parenterals (SVP)

SVP contributes approximately one-fifth to this segment's performance, which reflected a 1% growth over the prior year. The private sector contributes 60%, growing by 1%. Twelve (12) products contribute 80% towards the private market business



driven by Midazolam, Meropenem, Paraspen, the 2ml vaccine diluent and Furosemide. The public sector contributes 40%, growing by 8%, driven by Meropenem, Adco Magnesium Sulphate (50%) and Furosemide. Due to limited elective surgeries, wholesalers' hospital business reported a decline of 20 -30% in sales from July 2020 to March 2021. Opportunities gained in this year include:

- Midazolam 50mg reflecting growth 4-times that of the prior year, albeit from a low base. This was due to increased demand during COVID-19 for ventilated patients.
- With the roll-out of the Pfizer vaccine, AICC partnered with the National Department of Health and registered a 2ml diluent to be used with the administration of every 6 doses of the vaccine. In the current year, it generated revenue of R3.5 million.

CASE STUDY

Adcock Ingram Critical Care partners

with NDoH to address COVID-19



In April 2021, South Africa has secured a total of **51 million vaccines** through various manufacturers to **vaccinate 42 million** adults in the country



In order to achieve population immunity by the end of 2021 **we need to vaccinate between 250 000 and 300 000** people a day



Of these 51 million vaccines, **Pfizer** has committed to **20 million vaccines** (two dose separated by a minimum of 42 days)



Who will manage the roll-out of the vaccines? **The Government**

AICC has partnered with NDoH to produce a 2ml saline solution that will be used as part of the vaccine roll-out



For every 6 doses of the vaccine, one 2ml AMP is used

Roll-out plan



1. Healthcare workers (estimated at 1.25 million)



2. South Africans based on age and other vulnerable sectors (estimated at 16.5 million)



3. Remaining adult population (estimated at 22.5 million)

Adco 2ml saline Ampule solution

1. Product registration
2. SAHPRA approval
3. Artwork
4. Item master
5. Sourcing of packaging
6. Production planning
7. Final product

Pharma-Q (PQ)

PQ contributes 10% to medicine delivery, reflecting 20% growth, with 10 products contributing 80% of sales. The growth was driven by the following three products:

- Dexamethasone - 136%;
- Betamethasone – 30%; and
- Midazolam - 200%.

Pain and anaesthesia

This portfolio contributes 10% to medicine delivery and experienced a decline of 9% in sales as it is dependent on elective surgeries with Macaine used in theatres and Temgesic IV used in hospitals for post-operative pain control. Temgesic sublingual tablets reflected growth of 14% as focus was put on doctors to prescribe the tablets for short-term use at home.

Opioid substitution therapy (OST)

OST contributes the balance to medicine delivery with sales reflecting a decline of 7% due to fewer patients seen by doctors and admitted into rehabilitation centres. The latter has changed their approach to care and encourage more outpatient treatment consultations and less admissions due to the pandemic.

Renal

The renal division includes the following portfolios: peritoneal dialysis (PD), haemodialysis (HD) and continuous renal replacement therapy (CRRT). AICC remains the largest supplier of goods and services within PD, driven by innovative remote patient monitoring technology. In the face of increased patient mortality during the COVID-19 pandemic, the HD portfolio expanded its customer base, resulting in higher unit sales. Growth in CRRT was driven by the high demand for acute renal replacement therapy brought on by COVID-19.

Blood and specialised therapies

Transfusion therapy

AICC remains the largest manufacturer and supplier of blood bags in South Africa. We pride ourselves as local suppliers of not only blood collection bags, but also automated blood processing systems and equipment, blood filters, blood warmers and other blood ancillary products. The business continues to foster close associations with its key customers: the South African National Blood Service (SANBS) and Western Cape Blood Service (WCBS), offering not only product, but also excellent service and technical expertise.



Hospital (Continued)

Adco path

A new addition to the AICC business is the ADCOPATH (pathology) segment. The pathology landscape in South Africa is changing. The COVID-19 pandemic has exposed a greater need for decentralised testing and fast tracked the demand for rapid turnaround times to make informed diagnostic and treatment decisions. Capitalising on our strategic alliances and by leveraging our strength of delivering across the value chain, AICC is perfectly aligned for entry into the point of care (POC) pathology market segment.

Speciality pharma

Sales growth of 93% was achieved with the onboarding of the Roche portfolio (Mircera, Recormon and Cellcept) in January 2021. The Roche portfolio of products holds a 42% contribution to the speciality pharma portfolio in the current year and includes:

- Mircera and Recormon indicated for renal anaemia; and
- Cellcept is an immunosuppressant indicated for the prophylaxis of organ rejection in patients receiving transplants.

The AICC basket of products (One-Alpha, Equifer, Kexelate and Heparin) achieved 12% growth.

Sports Science and Rehabilitation (SSR)

Growth of 13% was achieved, despite sales severely impacted due to COVID-19 and the lockdown restrictions. All sports events, gyms, and school sports were halted during most of the lockdown period.

As the lockdown regulations eased, the portfolio saw a gradual increase in sales. This was primarily due to more patients being seen by healthcare professionals, more sporting events being allowed and fitness centers re-opened. The primary target audience for this portfolio is healthcare professionals and pharmacies with 80% of the portfolio sales driven through the former.

Adco hygiene

Adco hygiene sales declined significantly as the prior year sales included panic buying during the first few months of the COVID-19 pandemic. The business was awarded a tender for the alcohol surface disinfectant and high-level disinfectant.

Consumables and devices

Sales from consumables and devices declined 9% due to the reduced number of trauma cases and elective surgeries during the pandemic, which resulted in the decreased usage of IV pumps sets, as well as hospital groups putting Capital spend on hold.

2021 performance against strategic pillars



Build on the foundation	Growth and expansion	Transformation
<p>The LVP portfolio continues to remain an anchor to the business performance, despite losing 50% of volume in the government tender awarded October 2020. The business benefitted from buy-outs as a competitor was not able to fulfil its demand obligations to government, calling for AICC to support in supply. The SVP business has maintained its position within the market despite the drop-off in demand for products used in surgery or non-COVID related regiments, as it benefitted from supply in hypnotics (sedatives used for COVID patients), steroids and antiemetics.</p> <p>In the Renal portfolio, AICC managed to maintain its market-leading position in both PD and HD, despite the drop-off in patient numbers on dialysis. Irrespective of lockdown regulations, AICC has been able to maintain its home-delivery service to over 1 700 home-dialysis patients countrywide and as market leader in CRRT, AICC has been fortunate to Capitalise on this therapy area for patients in ICU. This treatment modality has seen growth of almost 40% in the year.</p> <p>Adcock Ingram has maintained its strong supply link with SANBS, a relationship which has spanned over more than 50 years.</p>	<p>AICC has been at the innovation forefront in support of Government's vaccine roll-out with exclusive development and supply of the 2ml diluent used with the Pfizer vaccine. It is anticipated that AICC will be supplying approximately 10 million diluent vials through the vaccination process.</p> <p>AICC has progressed several further innovations through the year which supports its ambitions beyond its anchor business and its aspirations into adjacent categories and include:</p> <ul style="list-style-type: none"> • strategic alliance concluded with Roche to supply a selected range of biologics mostly targeted at immunosuppression and dialysis; • expanded its portfolio into pathology, supporting two initial elements: <ul style="list-style-type: none"> • providing pathology services with PBS (phosphate buffer solution) supporting the COVID PCR tests; and the • on-boarding of a new principal (Abbott Diagnostics) and the supply of a COVID rapid diagnostic test; and • in sports medicine, rehabilitation and recovery, after the integration of a distinct range of physiotherapy products acquired through a collaboration with Physio Wellness in the prior year, the business initiated and implemented an industry unique operating model which saw personalised and real-time delivery of product to customers. This initiative realised immediate adoption and rapid market-share uptake, but was unfortunately hampered as COVID-19 lockdown Level 5 restrictions came into effect. Following the relaxation of regulations and physiotherapists back at work, the business is rejuvenating operations. 	<p>The MyWalk initiative, that is converting used, uncontaminated PVC intravenous IV bags, oxygen masks and associated tubing into new and durable school shoes, made from 100% recycled material, is continuing. The school shoes themselves are also 100% recyclable, with the exception of the laces.</p> <p>Since its inception and official launch in February 2020, MyWalk has shown great progress despite some unique challenges, during the pandemic. Since 2018, a total of 41 913 kilograms of Adcock Ingram IV bags were collected from 19 Netcare hospitals. From 2019, a total of 4 712 Netcare staff have been trained in the correct handling and separation of used and uncontaminated intravenous bags.</p> <p>A total of 16 741 pairs of shoes have been donated thus far to schools in Gauteng, North-West, Limpopo and KwaZulu Natal with an expected further 15 000 pairs to be donated during the remainder of calendar 2021.</p>

Focus areas for the future



Build on the foundation	Growth and expansion	Transformation
<p>AICC will maintain close relationships with all stakeholders to build trust, demonstrate commitment and deliver to expectation, including government whilst supporting national communities in providing affordable quality healthcare products. The business will continue to concentrate efforts on nurturing focussed portfolios with key attention on product mix, line extensions, process efficiencies and people and will maintain its uncompromising attention to customer service in supply, delivery, service and communications.</p>	<p>AICC will continue to grow its market-leading position in both established as well as newly penetrated therapy areas, and will expand into adjacent categories through licensing, partnerships and strategic alliances.</p>	<p>The MyWalk joint venture with Netcare will continue and in so doing offer the following transformative benefits:</p> <ul style="list-style-type: none"> • remove waste from landfill; • enterprise development through plastic collection and recycling; • creation of employment in plastic collection, recycling and manufacture; • cost savings in hospital as payment for the removal of medical waste is eliminated; • social benefits through the provision of school shoes for needy communities; and • sustainability as the project supports its own ecosystem, from manufacture of IV bag to the complete shoe manufacturing.



Sustainability



Sustainability

Our Group sustainability report is guided by the King IV™ report on corporate governance, JSE listing requirements, requirements of the companies act 71 of 2008 and the global reporting index standards. This report contributes to the following: National Development Plan (NDP) 2030, United Nations Sustainability Development Goals (UN SDG).

The report amongst others focusses on:

- Group's COVID-19 approach
- Group's performance against Environmental, Social and Governance (ESG) Practices
- Ethics and sustainability issues
- Transformation
- Stakeholder engagement
- Human Capital development

The above falls within the mandate of Social, Ethics and Transformation Committee (SET) as delegated by the Board. The Committee consists of two non-executive directors and one executive director. The attendance of Committee meetings was as follows:

Committee members	Meeting attendance
Chairperson	
C Manning	3/3
Committee Members	
S Gumbi	3/3
B Letsoalo	3/3
Invitees	
A Hall (CEO)	3/3
N Mthethwa (Public Affairs Executive)	3/3
D Nabarro (Marsh Risk Advisor)	2/3
J Smit (Marsh Risk Advisor)	1/3
S Pietropaolo (Head of Internal Audit)	3/3
K Singh (Corporate Communications Manager)	3/3

Overall, the SET Committee is satisfied that Adcock Ingram is fulfilling its social, ethics and transformation obligation as a corporate citizen.

Key activities of the committee for the reporting period

<p>MC Manufacturing Capital</p> <ul style="list-style-type: none"> • Monitored: <ul style="list-style-type: none"> ◦ Site forum performance against mandate ◦ Actual factory expenses against set targets ◦ Recovery to expenses ratios in the manufacturing plants ◦ Compliance to health and safety standards • Considered Projects that promote manufacturing efficiencies 	<p>NC Natural Capital</p> <ul style="list-style-type: none"> • Monitored: <ul style="list-style-type: none"> ◦ The long-term effects of sustainability projects ◦ Solar projects initiative • Tracked plastic recycling project <ul style="list-style-type: none"> ◦ The Group's sustainability scorecard for the factories and distribution sites with regards to water; energy consumption and carbon footprint
<p>HC Human Capital</p> <ul style="list-style-type: none"> • Tracked talent management performance • Evaluated: <ul style="list-style-type: none"> ◦ Succession management for critical skills ◦ Digital learning and development programmes • Monitored: <ul style="list-style-type: none"> ◦ Employee wellness programmes ◦ Vaccination campaign ◦ COVID stats • Approved the Group's five-year Employment Equity (EE) plans 	<p>FC Financial Capital</p> <ul style="list-style-type: none"> • Monitored <ul style="list-style-type: none"> ◦ Recovery to expense ratio ◦ Fraud and corruption prevention through ethics line • Assessed: <ul style="list-style-type: none"> ◦ The impact of commercial transformation projects in society ◦ COVID-19 financial impact on small and medium businesses (suppliers) ◦ Government debt collection plans • Reviewed: <ul style="list-style-type: none"> ◦ Enterprise and Supplier Development Programs ◦ Government and Tender landscape
<p>IC Intellectual Capital</p> <ul style="list-style-type: none"> • Monitored: <ul style="list-style-type: none"> ◦ Regulatory compliance ◦ Dossier compliance to guidelines and regulations ◦ Submissions of product applications and amendments ◦ Advertising standards • Tracked: <ul style="list-style-type: none"> ◦ The total number of adverse event reports ◦ Interactions with regulatory bodies 	<p>SR Social and Relationship Capital</p> <ul style="list-style-type: none"> • Monitored: <ul style="list-style-type: none"> ◦ Group media exposure ◦ Ongoing implementation of the MyWalk Project (Partnership between Netcare and AICC) • Reviewed: <ul style="list-style-type: none"> ◦ Assessment of Department of Employment and Labour (DEL) on workplace occupational health and occupational safety ◦ SET report prior presentation to AGM • Evaluated the validity and relevancy of CSR Programmes

Social, Ethics and Transformation (SET) Committee (Continued)

Our COVID-19 Approach

An unwavering commitment to address the COVID-19 pandemic to ensure employee safety; business continuity; physical and mental wellbeing.

Objectives

- Ensure business continuity
- Prioritise employee safety and wellbeing
- Continue with Community Social Responsibility (CSR) mandate
- Ensure unhampered supply of our products
- Ramp up manufacturing of essential products

Tactics

- Ensure Exco oversight on COVID-19 plans and on operations
- Develop an in depth understanding of COVID-19 and its transmission
- Align with World Health Organisation (WHO), Department of Health (DOH) and government regulations and protocols
- Continue monitoring the pandemic and business performance
- Ongoing interaction with shareholders
- Continual adaptation and prioritising of our employee safety
- Increase communication awareness efforts to employees to minimise rumours and deal with stigmatisation.
- Increase health screening and testing for even low exposure contacts
- Managing shifts to ensure social distancing on site
- Prioritise digital meetings to work from home where possible
- Procure transport for staff at operations and distribution sites
- Provide hand sanitisers for staff and families
- Create awareness to 24 hrs wellness support service
- Adapted leave policies to accommodate COVID-19 related absence
- Conducted Vaccine surveys Competition/vaccination quiz etc
- Installed sneeze screens to curb infections
- Implemented digital learning interventions and sales conferences
- Partnered with Ampath for quick turnaround of COVID-19 test results
- Conducted Antigen rapid tests

Structure

- COVID Crisis Committee (CCC) that meets at least monthly
- CCC Sub Committee meeting for emergency response
- Business continuity plans for all our operations
- Health and safety protocols implemented at all sites
- COVID ambassadors
- ICAS
- Disinfecting teams

COVID-19 COMMUNICATION CHANNELS

CEO updates	Newsletters (Ubuntu, You Matter, Adcosay)	Leadership messages	Sponsors of Brave
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In the event of a positive COVID-19 case, we embarked on the following:

- Adherence to WHO, NDOH and government regulations and protocols
- Conduct decontamination, fogging process where needed
- Conduct contact tracing to prevent further spread
- Provide access to 24hrs counselling
- Keep DoH and DEL authorities informed of the situation
- Follow up and keep up to date with affected individuals whilst in self isolation

ASPECT	FORWARD-LOOKING APPROACH FOR THE 2022 FINANCIAL YEAR
ESG Model	• Agree on Adcock Ingram ESG metrics and targets
B-BBEE Scorecard	• Evaluate the nature of ESD, in particular enterprise development target
EEA	• Monitor 5-year EE plan against targets
Transformation	• Monitor sustainability of commercial transformation projects
Sustainability goals	• Identify and agree on appropriate sustainability goals in line with strategic objectives and measure accordingly

In memoriam



Calvin Bowers



Faith Mkhwanazi



Jabulani Mabaso



Jack Ramoshaha

We express our deepest sympathies and sincere condolences to the family members and loved ones of each of our employees who succumbed to the virus, as well as to our fellow colleagues in the Adcock Ingram family who have lost friends.

The Group pays special tribute to the following employees who died during the pandemic, bravely rendering essential services to ensure continuity of medicine supply in South Africa.



Khotso Kotso



Thanyani Matshusa



Oupa Modutoane



Themba Makhubela



Malcolm Watkins



Uvashnee Naicker



Thirusha Pillay

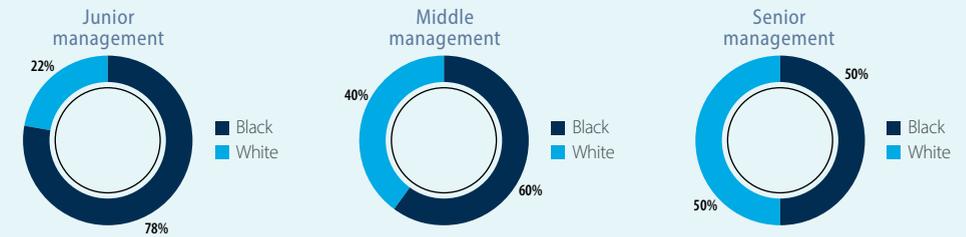
Human Capital



Transformation metrics



Management composition by race



Learning and development



Employee relations

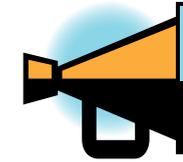
We strive for a harmonious and productive working environment based on trust and cooperation. Our workplace relations policies and documents are easily accessible to all employees. We encourage our line managers to attend to grievances promptly with written feedback provided to employees.

Employee engagement

COVID-19 combined with retrenchments during December 2020 impacted our employee morale. Employee wellbeing and mental health are crucial in dealing with uncertainties and as the lockdown continues and positive cases increased, employees are experiencing stress from adapting to an ever-changing work environment.

Human Capital (Continued)

It is in this context that the following activities were implemented:



Celebrating milestones

- Integration of Plush within Consumer Division
- Consumer won the “Best in Health 2020” award from Clicks
- Grocery hampers provided to Distribution employees to boost morale
- CHIETA accredited Wadeville, Aeroton and Clayville sites for apprentice training
- DEL approved Adcock Ingram 5-year EE plan
- OTC received two awards from the Copenhagen-based Native Advertising Institute’s Advertising Awards for their Sponsors of Brave campaign
- AICC secured agreements with Roche, Abbott Diagnostics and Lactalis

Access to resources

- Implemented digital learning interventions
- Ongoing business updates and COVID-19 developments on Website and Intranet, e.g., Toolkit, COVID-19 statistics, ICAS offerings, mental health video’s etc.
- Supply hand sanitisers and personal protective equipment (PPE)
- Provision of transport to shift workers during Adjusted Alert Level 3 lockdown
- Vaccinations available on site
- IT infrastructure to optimise work from home
- Financial awareness campaigns

Business agility

- Ongoing review of flexible working arrangements
- Revision of policies and guidelines e.g. leave and working from home
- Encouraged employees to maintain a balance between work and personal life by stepping away from their computers and exercising after hours
- Set-up additional IT support and resources for employees working remotely, that is 200 additional laptops, 200 desktops, 200 MS-Teams licences and 300 Cisco Jabber (capability to phone from computer)
- Prioritise employees >60 years, with co-morbidities, employees with kids of school going age to work from home where possible

Health and wellness

- Update symptoms for access screening on Absolve Application to align with DOH guidelines
- Administered in-house testing before return to work for AICC employees in January using Antigen rapid tests
- Availability of Antigen rapid test at clinics
- Telephonic, face to face and on-line counselling through ICAS
- Regular check-ups for employees with co-morbidities by clinics
- Daily phone calls to COVID-19 positive employees to follow up on health status and mental wellbeing upholding the mantra of #WeAreInThisTogether
- COVID-19 refresher training provided after employees indicated that they were unclear on a number of factors about the virus
- Webinar on Gender Based Violence

Leadership accessibility and communication

- Regular CEO messages of hope and alignment with Presidential speeches
- Executive team messages aimed at boosting morale and employee engagement
- CCC updates on vaccine developments, business continuity plans and alert levels
- Utilising internal newsletters and poster campaigns like “YOU MATTER” and “IT MATTERS WHAT YOU DO” are used to create a sense of belonging and job satisfaction
- Factory walkabouts (GO GEMBA) by leadership to connect with factory employees

Virtual bonding and interaction

- Conducting virtual conferences, team building and competitions
- Virtual interviews conducted for placement purposes
- Discuss and track performance metrics via virtual meetings
- Connect with employees with New Year and other messages on You Tube
- Share information and connect with employees via SMS and WhatsApp
- Using #StayConnected closed Facebook page by Consumer and OTC, encouraging employees to post home life activities
- Heritage Day – Employees were encouraged to dress in their traditional regalia to celebrate diversity and have some fun in the workplace
- Jerusalema Challenge – In support of the Republic of South Africa President’s call, employees at all sites participated in the Jerusalema challenge and their videos were posted on various platforms
- COVID-19 and Adcock Ingram competitions – Monthly competitions and lucky draws were held to educate employees and boost their morale. Winners were given prizes which included products, surface disinfectants, sanitisers and masks

Human Capital (Continued)

Learning and Development

Developing the skills, knowledge and capability of our employees builds the value of the Human Capital in the group. Learning and development interventions include on-the-job training, e-learning, learnership programmes, short courses and academic qualifications. The main areas of focus for skills development during the year were enhanced management and leadership competencies and developing scarce and critical skills.

Learnerships remain a critical part of the development strategy in building the talent pipeline and provide unemployed people an opportunity to gain a qualification. Future talent as part of the talent pipeline, ensures effective implementation of succession to meet short- and long-term needs and facilitate organisational transformation.

Growing our own timber

The development and growth of our talent is a key objective of Adcock Ingram's Human Capital Development strategy. In line with our mantra of "growing our own timber", a group of 15 graduates and 7 junior pharmacists were welcomed on 8 March 2021 to the Adcock Ingram family as part of our initiative to develop and nurture young talent. The graduates have proudly achieved qualifications ranging from Masters in Biochemistry and Public health, various Science degrees, BPharm, LLB, BTech in Civil engineering and Logistics to BA Marketing. In attendance were members of Adcock Ingram's Executive team, and members of CHIETA's Executive team, including the CEO (Yershen Pillay), CFO (Farhad Motala) and the Grants Executive (Ashvir Isseri).

The young / future talent was given inspirational talks from the CFO, Dorette Neethling, Executive Director Human Capital and Transformation, Basadi Letsoalo, Chairperson of the National Transformation Forum, Ridwan Essa and the CEO of CHIETA, Yershen Pillay. Lastly three of our employees who

A digital learning strategy has been implemented to address COVID-19 challenges and business needs.

Number of employees taking part in online accredited courses: **146**
 Completion rate: **97%**
 Average pass mark: **73%**

started as graduates gave the graduates a taste of their working experience within Adcock Ingram, namely Murendeni Suzela (Executive Director Assistant: Human Capital and Transformation), Nandi Matjila (Junior Pharmacist) and Sibusiso Mnisi (Business Analyst).

All COVID-19 protocols were observed; the graduates and speakers attended the function in the Auditorium and over 45 managers and mentors attended online.

The latest group of Adcock Ingram junior and middle managers completed the Management Advancement Programme (MAP) from the Wits Business School. The MAP aims to develop effective business leaders by providing a solid foundation in all business imperatives.

Fifteen employees graduated from this programme and an online talent exhibition took place. The participants worked in four groups to present practical ideas to demonstrate how the business can develop or maintain a competitive advantage in the post COVID-19 environment.



The pharmaceutical sector is confronted with scarce skills shortages. To navigate this challenge and address our transformation agenda, Adcock Ingram adopted a multi-faceted strategy of building talent through internships, mentorship, graduate development, apprenticeship and learnerships.

Summary of the talent pipeline

PROGRAMME	DURATION	PURPOSE	NUMBER OF PARTICIPANTS	RACE COMPOSITION	GENDER COMPOSITION	ABSORPTION INTO PERMANENT POSITIONS
Apprenticeship	3 years	The country has a dire shortage of artisans and SA needs about 40 000 artisans at any given time, but produces only 13 000/year. The biggest shortfall is in fitters and electricians. Adcock Ingram has taken up the challenge and our Wadeville, Clayville and Aeroton sites are registered apprentice workplace training sites with registered mentors	9	100% African	67% Male and 33% Female	Absorbed 78% from the previous co-hort. Current group still on programme
Apprentices through recognition of prior learning (our own employees)	Dependent on individual competency background	Compliment the apprenticeship programme, focus is on our permanent employees who have the required experience, but not the opportunity to complete a qualification. The programme provides recognition of prior learning and the employee needs to pass a trade test	6	100% African	100% Male	50% qualified as Fitters, 50% still on programme
Graduate Development Programme	12 months	Our graduate development programme eases recently qualified graduates from various tertiary institutions into work environment and gives them the skills to become part of the larger team	17	100% African	12% Male and 88% Female	Currently 100% in programme
Learners living with disabilities	12 months	Part of our Human Capital development strategy focuses on developing the unemployed through learnerships. Adcock Ingram believes in the empowerment of employees and living the values of the organisation. Adcock Ingram employed 14 disabled individuals to attend a Project Management NQF4 Learnership for the duration of a year whilst being integrated into roles within the workplace	14	93% African 7% Coloured	50% Male 50% Female	Current cohort completes programme in December 2021
Pharmacy Interns	12 months	Adcock Ingram provides internship for pharmacy graduates under the tutelage of Adcock's registered tutors with the Pharmacy Council. The interns follow the Pharmacy Council prescribed curriculum in the pre-registration year	6	67% African 33% Indian	17% Male, 83% Female	Not applicable, interns enter community service after completing their internship
Junior Pharmacists	12 months	This programme serves as an incubator for critical skills within Adcock Ingram. Each Business Unit mentors and trains a junior pharmacist and exposes the pharmacist to all the areas of the business	7	100% African	14% Male 86% Female	29% appointed, 71% still completing their programme. 100% absorption from previous cohort
Youth Employment Scheme (YES)	12 months	Provide workplace experience to new graduates as part of the YES programme	24	92% African 4% Coloured 4% Indian	50% Male 50% female	Absorbed 7.5% from previous cohort, current group still completing their programme

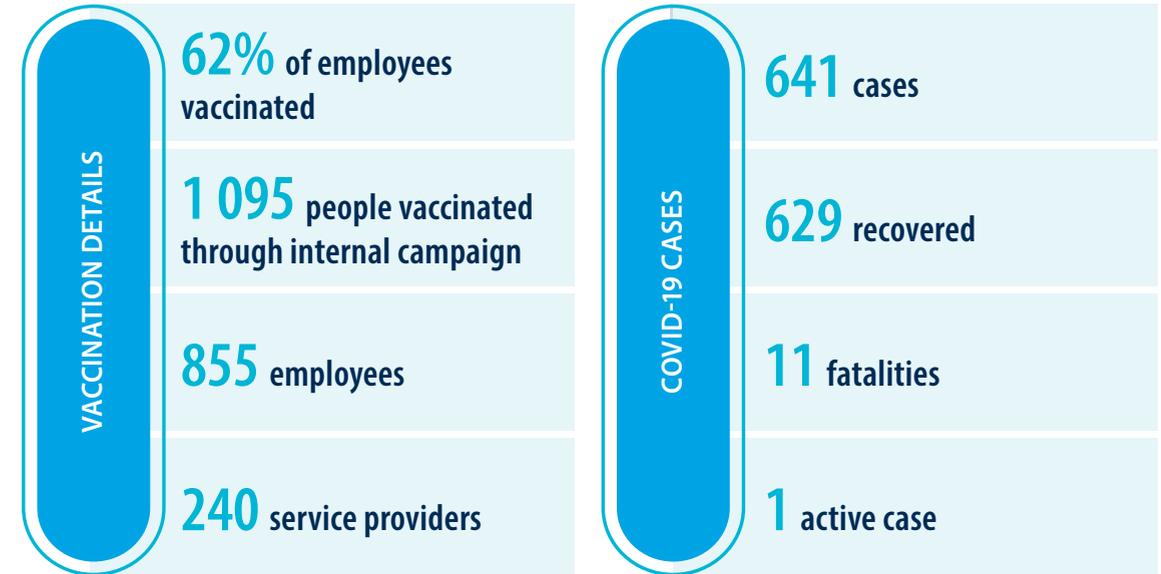
Human Capital (Continued)

Wellness

The Company offers employee wellness services through our wellness partner ICAS to all employees and their family members to maximise wellbeing and productivity both at work and at home. The highest cases were related to relationship issues, stress and mental health.

To promote the wellbeing of our employees and address the above challenges, eCare, (ICAS customised integrated online wellness service) is promoted and marketed to all employees.

Mental health is a focus area for Adcock Ingram and became heightened during the COVID-19 pandemic as employees struggled to cope with challenges posed by the pandemic. The Adcock Ingram OTC division as part of the Sponsors of Brave campaign hosted a panel discussion focusing on the topic of COVID-19 and its impact on mental health. The advisory panel of guests included a Clinical Psychologist Dori Weil (Dr D) and a Psychiatrist, Professor Christopher Szabo. The live recording of the discussion was facilitated by Nicole Austin, the AI OTC Sponsors of Brave spokesperson. The conversation focused on COVID-19 related fatigue, stress, insomnia, anxiety, bereavement and how to deal with these challenges whilst balancing daily home and work responsibilities. Employees were able to take part in this conversation remotely while others attended in the auditorium. The recording was made available on the intranet for all employees.

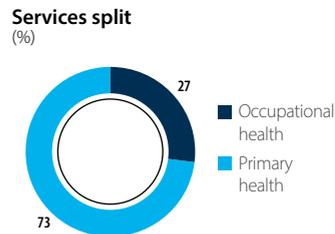


As at 11 October 2021

Clinic utilisation:

Adcock Ingram has 4 clinics with a full time nurse and a part time doctor at our manufacturing and Distribution sites. The clinic provides various health services ranging across primary care, occupational health, HIV testing, COVID-19 testing, flu vaccinations, monitoring of co-morbidities etc.

The split between services provided is shown below:



In addition, our nurses on site attend regularly to all employees with chronic conditions, purpose being to:

- Improve their understanding of their chronic conditions;
- Ensure that employees comply with their treatment plans;
- Prevent unnecessary deterioration of their conditions or complications; and
- Prevent hospital admissions.

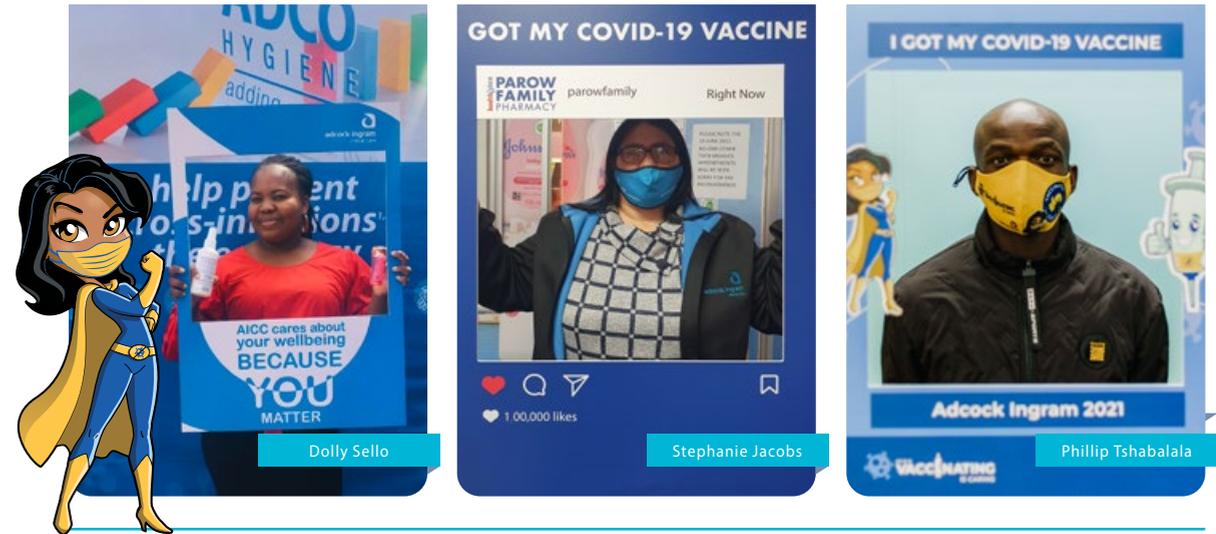
The clinics attended to 9 913 cases in the year, 82% by the nurses and 18% by the doctors.

The clinics played a pivotal role during the COVID-19 pandemic. Duties include:

- Daily monitoring of employees health and screening for COVID-19
- Daily follow up of employees who tested positive and in isolation
- Daily check on employees in hospital, either with family member or individual
- Rapid tests for COVID-19
- Training on COVID-19 protocols

Flu vaccinations have been made available at the Company's cost through the clinics and the benefit of receiving flu vaccines has been communicated. A total of 650 employees received the flu vaccine compared to 618 in previous year.

COVID-19 Antigen Rapid Test, a convenient point-of-care test, is available at all our manufacturing sites and Midrand. The benefit is that it is a much faster way to access test results, allowing more rapid clinical decision making and appropriate intervention and thus minimising any spread of disease. A total of 563 rapid tests have been conducted during the year and 39 tested positive.



Gender-Based Violence (GBV):

Wadeville factory invited the South African Police Service (SAPS) division that deals with GBV to visit the factory to educate employees about the signs of GBV, inform employees how to manage and protect themselves against any signs, inform employees how to report suspected or events of GBV; and to give employees statistics and examples of GBV.

HIV/AIDS

209 number of employees tested during the year
 205 employees tested negative
 4 employees tested positive
 71 employees are monitored for HIV/AIDS

Human Capital (Continued)

Health and safety

Employees

Management continued to focus on health and safety measures at the various sites with the result that both the number of medical and first aid cases reduced substantially compared with the previous year. The Health and Safety Committee meetings take place monthly (12 meetings per annum) as opposed to the minimum of four meetings per annum provided for by the Occupational Health and Safety Act, 85 of 1993.

South African operations

Actuals	2021	2020	
Fatalities	-	-	
FIFR	-	-	FIFR = fatal injury frequency rate, the number of fatalities per 200 000 person hours worked
Lost time injuries (injury on duty leading to at least one lost day)	16	16	→
LTIFR	0.45	0.20	LTIFR = lost time injury frequency rate, the number of LTIs per 200 000 person hours worked
Medical cases (injury on duty leading to medical treatment without losing a day's work)	15	39	→
Recordable injuries (lost time and medical cases)	31	55	→
RIFR	1.25	0.88	RIFR = recordable injury frequency rate, the number of RIs per 200 000 person hours worked
TRIFR	1.25	0.88	TRIFR = total recordable injury frequency rate, the number of TRIs per 200 000 person hours worked
First aid cases	191	271	

The targets set for these metrics remained unchanged from the current year.

Targets	2022	2021
FIFR	-	-
LTIFR	1.0	1.0
RIFR	2.0	2.0
TRIFR	2.0	2.0

Facilities

Marsh Proprietary Limited continued to conduct annual risk control standards grading audits at all Adcock Ingram manufacturing and distribution sites, including the facility in India. In conducting these audits, the sites are assessed in terms of:

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



All Adcock Ingram sites were audited and achieved ratings between 97.0% and 99.6%. Minor shortcomings, where identified, were addressed.

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

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

All Adcock Ingram sites were audited and achieved ratings between 95.3% and 99.9%.

Due to COVID-19 and related travel and other restrictions, some of these audits were conducted virtually.



Social and relationship Capital



As a leading pharmaceutical Company, we do more than producing quality products. Throughout the operations of the business, we are also focused on our ethos of 'Adding Value to Life' to all South Africans.

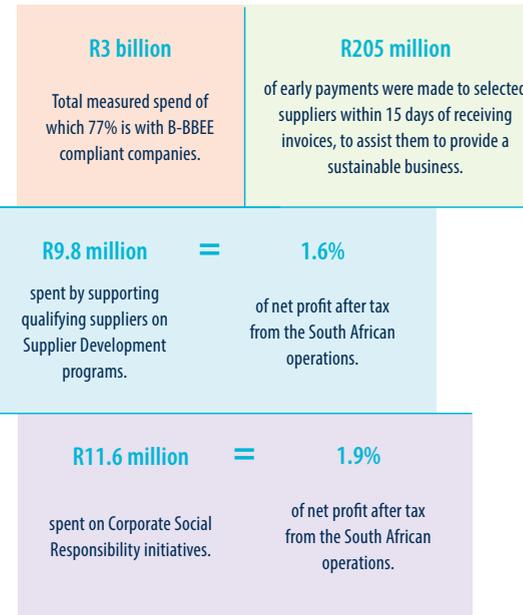
The Company is also committed to improve the escalating youth unemployment levels, small and medium enterprise development, and empowering communities to become self-sufficient – these national priorities can only be achieved through collaborative efforts with Government, local authorities and other key stakeholders.

During the year, Adcock Ingram accelerated its efforts in transformation, diversity and inclusivity, social and economic development, public health and safety, in the surrounding communities, within a framework of good corporate citizenship.

Membership of various professional bodies and institutions

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

HC Human Capital	Health and Welfare Sector Education and Training Authority (HWSETA) Labour Affairs Association of the Pharmaceutical Industry (LAAPI) National Bargaining Council for the Chemical Industry (NBCCI) The Chemical Industries Education and Training Authority (CHIETA) Transport Education and Training Authority (TETA) South African Rewards Association (SARA)
MC Manufactured Capital	Cosmetic, Toiletry and Fragrance Association (CTFA) Pharmaceuticals Made in South Africa (PHARMISA)
IC Intellectual Capital	Board of Healthcare Funders (BHF) College of Medicine of South Africa (CMSA) Health Professions Council of South Africa (HPCSA) Industry Task Group (ITG) Pharmaceutical Society of South Africa (PSSA) Pharmaceutical Task Group (PTG) Society of Cosmetic Chemists SA (COSCHEM) South African Association of Pharmacists in Industry (SAAPI) South African Pharmacy Council (SAPC) The South African Health Products Regulatory Authority (SAHPRA)
SR Social and Relationship Capital	Institute for Strategic Relations South Africa Marketing Code Authority (MCA) Pharmaceutical Crime Task Group Proudly South Africa Public Relations Institute for Southern Africa (PRISA)
FC Financial Capital	Chartered Institute of Management Accountants (CIMA) Financial Reporting Investigations Panel (FRIP) Independent Regulatory Board for Auditors (IRBA) Information Systems Audit and Control Association (ISACA) Institute of Internal Auditors South Africa (IIA) South African Institute of Chartered Accountants (SAICA) South African Institute of Professional Accountants (SAIPA)



Suppliers and Small Medium Enterprises (SMEs)

Adcock Ingram engages a wide range of suppliers for services and raw materials, from SME businesses, to well established corporations. All suppliers are treated equally with dignity, and transparent and ethical supply chain practices. SMEs play a vital role to strengthen the economy and create jobs at local community level. In the current year, an attempt was made to process and pay SMEs invoices within seven business days.

An amount of R9.8 million was spent on supplier development programs, aimed at growing small qualifying businesses, which were all majority black-owned exempted micro-enterprises (EMEs).

Corporate social responsibility

MyWalk is a joint Corporate Social Responsibility (CSR) between Adcock Ingram and Netcare that recycles the used waste from Netcare hospitals to make school shoes and donate to school going children in need. In April 2021, the South African First Lady, Dr Tshepo Motsepe, distributed 900 pairs of school shoes to the learners of Kgatlamping Primary School at Tembisa township in the Ekurhuleni municipality.

Used, non-hazardous hospital PVC drip bags, oxygen masks and associated tubing destined for landfill, were recycled into premium-quality durable school shoes.

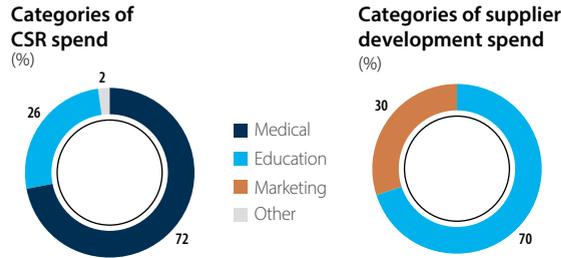
- It only takes 20 used PVC drip bags to make one pair of school shoes.
- **A total of 16 818 (out of 26 636 made) pairs of school shoes** were donated to learners from **recycled hospital drip bags** during the year.
- This **innovative partnership** between Adcock Ingram Critical Care and Netcare represents a long-term **sustainable** initiative, with environmental benefits, enterprise development and job creation opportunities.



Social and relationship Capital (Continued)

Other CSR projects where the Company made contributions include:

- Hlokomela
- Lumohawk Foundation
- Smile Foundation
- Witkoppen Health & Welfare
- Grace Vision
- SAME Foundation
- Man & Boy
- Woodside Special Care Centre



OTHER

Through the South African Depression and Anxiety Group (SADAG), Adcock Ingram contributes to the counselling sessions and mental health support groups available to the general public in South Africa.

REUSABLE SANITARY PADS

Making eco-friendly sanitary pads available to girls across the country

KEEP OUR GIRLS IN SCHOOL!

LIV Creative and Adcock Ingram Consumer have partnered in an initiative to keep our girls in school by equipping them with reusable sanitary pads.

LIV Creative is an organization based in the Cottonlands, KZN who aim to drive transformation and income for the women of the community through the production of re-usable sanitary pads. The one hand helps the other so the cycle of making a change in this world continues.

To date 200 re-usable sanitary pads have been distributed to grade 5-7 girls in the local community school!

Get involved in this initiative by donating a pack of re-usable pads to keep a girl in school. **DONATE NOW. GO TO WWW.LIV-VILLAGE.COM**

adcock Ingram consumer

HOPETOBER

The HOPetober campaign was launched during the midst of the COVID-19 pandemic and is part of the Sponsors of Brave campaign of the OTC division. The objectives of the HOPetober campaign are:

- to help uplift the spirits of fellow South Africans, and bring hope to their hearts through songs at a time when the country is in a crisis;
- to acknowledge our healthcare workers and professionals, and to uplift their spirits, show appreciation and care; and
- to bring cheer and uplift the spirits of patients, staff and visitors at the hospitals that were visited during the tour.

The tour started in Johannesburg and Pretoria and the OTC team was joined by a group of five talented local singers namely: Craig Urbani, Danelle Cronje, Lelo Ramasimong, Tshupo Nokoane and Mortimer Williams, as well as the Sponsors of Brave campaign ambassadors, Nicole Austin and Derek Watts. The team shared messages of hope and the audience were entertained by some favourite South African tunes. The tour ended in Cape Town.

Quotes from people experiencing HOPetober in October 2020:

“Adcock Ingram OTC has spread hope through song to our frontline HealthCare workers. Well done, an extraordinary drive” – ENCA Reporter CT

“HOPetober Bus has brought such love and good sprit to our hospital – This is what we needed” – GM of SunningHill Hospital

“These is nothing like music and dance to help lift the spirits of the sick and us nurses” – Head Nurse – Somerset Hospital

“You have put so many smiles on our faces – Thank you Thank you Adcock and HOPetober” – Doctor: Chris Hani Baragwanath Hospital

Transformation

The Company subscribes to meaningful transformation that creates long-term sustainability in the communities and markets in which we operate. Transformation remains a key focus for our business and underpins all our strategic objectives. Despite the COVID-19 pandemic and its concomitant challenges which impacted some of our transformation objectives, the business remained focussed in managing these risks and devised alternative plans to ensure that we remain B-BBEE compliant. We are pleased that for the FY2021 we achieved B-BBEE level 3 contributory status.

Human rights

We realise that the Group’s success lies in the strength of its relationships, through embracing everybody’s unique differences and treating each other with respect.

Adcock Ingram supports the rights of its employees with regard to, among other things, workplace safety. We further:

- comply with labour legislation in South Africa;
- encourage freedom of association and collective bargaining; 3 unions are recognised as a collective bargaining for our employees. Of our 2 223 employees, 1 081 are unionised (49% of the workforce).
- do not tolerate or condone child labour and forced or compulsory labour; and
- have policies in place that prevent discrimination, harassment and racism to protect employees’ rights.

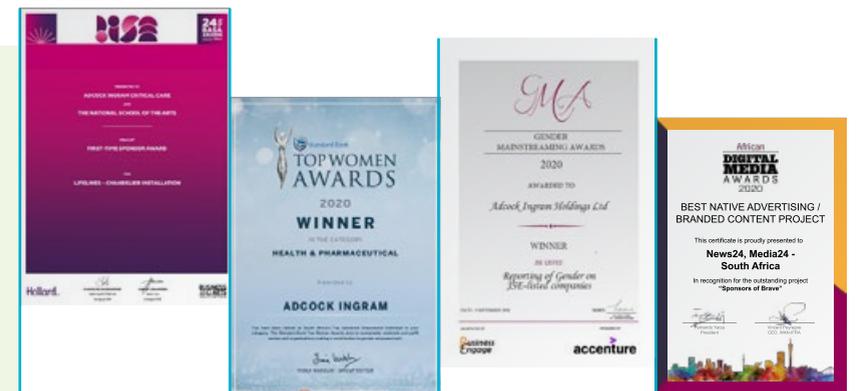
Awards

Allergex

achieved Icon Brand status and is the winner of the ANTI-ALLERGY REMEDIES Category as measured in the 2020/2021 Ask Afrika Icon Brands Survey. Congratulations! AND

Panado

is the winner of the HEADACHE REMEDIES AND PAINKILLERS; Tablets Category as measured in the 2020/2021 Ask Afrika Icon Brands Survey.



EMPOWERLOGIC

Broad Based Black Economic Empowerment Verification Certificate

Adcock Ingram Holdings and Subsidiaries

Level 3 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		B-BBEE Status	
Level 3		Level 3		Level 3	
Total Points Obtained	84.84	ECO: 23.74 points	MC: 15.34 points	SD: 18.3 points	ESD: 27.46 points
Discounting Principle Applied	No	Measurement Period Year End	30/06/2020	Level Qualification	%
Empowering Supplier	Yes	Participated in T.E.S Initiative	No	1	> 100 Points 100%
Black Voting Rights	29.74%	Achieve T.E.S Target and 2 5% Absorption	No	2	> 95 but < 100 100%
Black Women Voting Rights	13.24%	Achieve T.E.S + T.E.S Target and 5% Absorption	No	3	> 90 but < 95 100%
Black Economic Interest	26.28%	Achieve Double + T.E.S Target and 5% Absorption	No	4	> 85 but < 90 100%
Black Women Economic Interest	13.22%	Black New Entrants	0.74%	5	> 75 but < 80 60%
51% Black Owned	No	Black Designated Groups	0.00%	6	> 70 but < 75 60%
30% Black Women Owned	No	Black Youth	0.00%	7	> 65 but < 70 60%
Normal Flow Through Principle Applied	No	Black Disabled	0.00%	8	> 60 but < 65 60%
Modified Flow Through Principle Applied	No	Black Unemployed	0.00%	9	> 40 but < 55 10%
Exclusion Principle Applied	Yes	Black People Living in Rural Areas	0.00%	10	> 25 but < 40 0%
		Black Military Veterans	0.00%		

Issue Date: 23/11/2020
 Expiry Date: 22/11/2021
 Certificate Number: ELC9725RGENBB
 Version: Final
 Applicable Scorecard: Amended Codes - Generic
 Applicable BBEE Codes: Amended Generic Codes Gazetted on 11 October 2013 and Amendments Gazetted on 31 May 2019

EmpowerLogic (Pty) Ltd
 Reg No: 1995/00523/07
 BBEE Verification Agency
 Per Theo Lombard
 Member - Verification Committee
 SANAS Accredited

“Black Owned: >=51% and full points for Net Value”
 “Black Women Owned: >=30% and full points for Net Value”

Intellectual Capital



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

Due to the regulated environment in which the Group operates, a certain skills set is required with the necessary technical knowhow with regard to 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 also certain Product Development (R&D) activities.

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, and includes a team based in India.

This team also played a crucial role and provided essential guidance to the Group in managing the COVID-19 pandemic.

Knowledge and skills set



The department includes a remarkable group of professionals with areas of expertise in the fields of medicine, pharmacy, pharmaceutical development, chemistry, and business management:

- the Group's Responsible Pharmacist (RP) with the overall mandate to enforce the Medicines and Related Substances Act, 101 of 1965 across Adcock Ingram;
- two (2) Medical Doctors;
- two (2) Doctors of Philosophy with specialities in Advanced Drug Delivery Systems and Biopharmaceutics, respectively;
- 18 pharmacists; and
- 25 scientists to further complement the expertise base of the department.

Licences and accreditations



DMD maintains:

- all licences with SAHPRA;
- R&D accreditation with the WHO; and
- ensures compliance to GMP requirements of all global partners.

Trademarks and proprietary processes



As at 30 June 2021, the Group's intellectual property rights portfolio consisted of:

- 2 406 registered trademarks;
- 21 registered patents; with
- a further 233 trademarks under review and in process of registration.

The Group's proprietary knowledge is protected through a number of licensing agreements and Confidentiality Disclosure Agreements.

By virtue of pharmaceutical development conducted by an in-house R&D facility, and restricted access to proprietary knowledge in formulation and process design, the Company's intellectual property is well protected.

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 policies and processes which governs the execution of ethical, scientific and risk-based decision-making.

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:

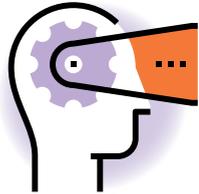
- the dossier of a product provides medicines regulatory authorities with the evidence of the quality, safety and efficacy of any Adcock Ingram product to support the approval and maintenance of registration and allow sale in regions of jurisdiction;
- product quality review reports identify variations in manufacturing processes which in turn drive proactive interventions to mitigate any risks to the quality of a product;
- audit of management programmes for new and current suppliers to ensure quality approved suppliers are used by the various manufacturing sites and business units;
- approves quality agreements with all vendors defining quality responsibilities;
- 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;
- quality-by-design-inspired development reports translate into cost and time efficient regulatory approvals, technology transfers and the routine commercial manufacture of robust products of consistent quality.

pharmacovigilance

the practice of monitoring the effects of medical drugs after they have been licenced for use, especially in order to identify and evaluate previously unreported adverse reactions.

Intellectual Capital (Continued)

Systems and software



Various information systems are used, including the following:

eCTD DocuBridge® which enhances efficiencies in the electronic management of dossiers by streamlining the cross-referencing and decision-making processes for all stakeholders reviewing the information therein.

DrugTrack regulatory information management and tracking systems is implemented for the standardisation and harmonisation of product data, tracking of dossier regulatory commitments, ease of product reporting on new products, variations and product lists.

Minitab® statistical software is currently used for stability assessments and shelf-life predictions which accelerate the pharmaceutical development process and directs pre-emptive actions in management of the stability programme of Adcock Ingram. It is further used to generate quality control charts and process capability indices for evaluation of manufacturing process efficiencies and consistencies.

Caliber® QAMS is a validated electronic Quality Management System (QMS) which enables the cross-functional assessment of individual components of the QMS, thus ensuring that all stakeholders are consistently involved in decision-making and the related outcomes, while maintaining effective records.

Oracle Argus® is a safety case management system which allows the pharmacovigilance team to adhere to the strict local and global regulation standards, all the while offering efficient case processing via automations and powerful, user-friendly analytic reports.

Innovation and portfolio stability



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

In addition to facilitating the innovation pipeline, sustainability 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.

This department further aids sustainability of the current portfolio by providing cost-effective solutions that further enhance the bottom-line and supports risk mitigation through dual sourcing.

Collaboration between the GQA function and the R&D function also ensures sustainability of the current Adcock Ingram portfolio by enabling adequate knowledge transfer to internal and contract manufacturing facilities.

Artwork design is an essential process in the supply of a pharmaceutical product which essentially ensures a standardised form of conveying safety and efficacy information to enable Healthcare Professionals and patients to make an informed decision.

The Regulatory Compliance function supports packaging innovation, continued compliance and sustainability of Adcock Ingram's product portfolio in accordance with the requirements of the Act and the Code of Marketing Practice with the aim to achieve market relevance while ensuring regulatory compliance.

Relationship management



Through employee contacts with industry experts, Adcock Ingram has access to a wide pool of knowledge, skills and experience which extends well beyond its own head count.

The Regulatory Compliance team's active membership of trade associations such as:

- PHARMISA (Pharmaceuticals Made in South Africa);
- ITG (Industry Task Group); and
- relevant working groups (Complementary Medicines and Medical Devices);

and professional associations in the industry with:

- SAAPI (South African Association of Pharmacists); and
- SAPRAA (South African Pharmacist in Regulatory Affairs)

provides a platform for converging ideas and for effective lobbying of regulatory bodies to best serve the interest of patients in accessing affordable medicines of adequate quality.

The GQA department regularly interact with current Good Manufacturing Practice (cGMP) specialists of international acclaim through training as well as by hosting, leading and observing cGMP audits. A diverse set of these shared experiences may thus be utilised to improve or enhance the knowledge, policies and procedures in Adcock Ingram which drives the quality of products.

World-renowned local and global physicians are invited by the Medical Affairs department to form Advisory boards for new product launches to add credibility to the scientific product information disseminated to health professionals.

Robust engagements with the key clinical societies on the data for new treatment options assist in ensuring that the SA guidelines are updated in line with international best practice.

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

To maintain high standards of technical performance and to contribute to ensuring the provision of medicines to treat priority diseases in middle- and low-income countries, the R&D department participates in WHO Programmes which promote an increase in the availability of high-quality medicine testing services.

COVID-19 contribution



COVID-19 has been an unprecedented event in our lives calling for all capable "hands on deck" to ensure business continuity. The Medical Director and the DMD department are well placed to add the clinical value in Adcock Ingram's COVID-19 crisis management, such as:

COVID-19 vaccine

- provide continuous update on global vaccine development;
- provide the COVID Crisis Committee (CCC) an overview of updates as well as developments as more experience is gained globally and locally; and
- assist the CCC's drive of the Adcock Ingram employee vaccination programme.

Other initiatives

- active participation and guidance in the Adcock Ingram CCC;
- developed COVID-19 process flow management for employee exposure;
- continuous review of COVID-19 Toolkit to ensure updated content based on latest clinical guidance;
- provide ongoing clinical guidance to all staff;
- provide training on COVID-19 and chronic conditions to all employees; and
- ongoing review of global clinical developments including those from the WHO, CDC, and DOH as well as reputable journals such as Lancet, NEJM, Science, etc. to ensure that the Group is kept abreast of developments and potential business opportunities.

Natural Capital



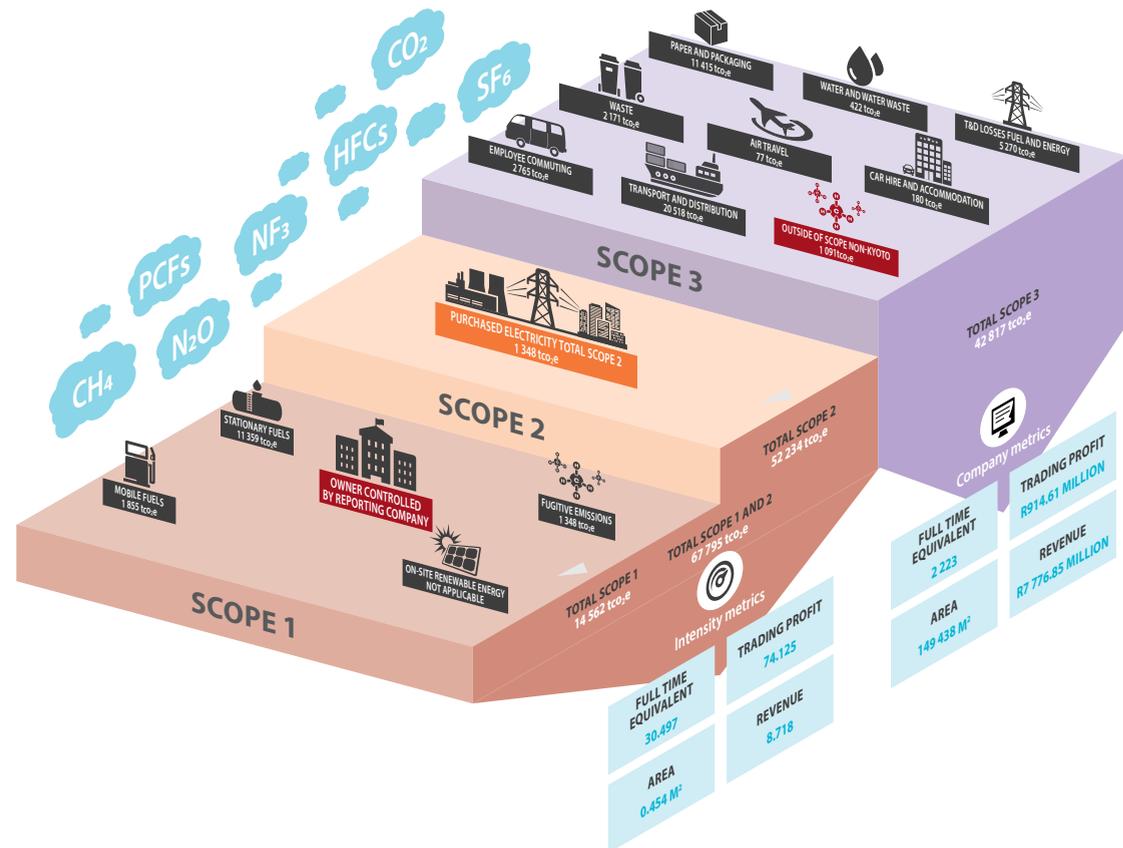
Climate change is one of the biggest threats currently facing the planet. The preservation of the natural resources the business relies on to run its operations, and being a responsible citizen means we need to find ways to protect the environment in which we operate.

Some of the leading causes for global warming include: burning of fossil fuels (through driving cars and producing electricity), farming (via increase of livestock farming), deforestation (cutting down of rainforests and destruction of native vegetation), industrial processes and an increased amount of waste going to landfills.

Evidence shows that extreme weather events are becoming more prominent due to climate change and in South Africa, increased temperatures and rainfall variability are experienced. As a manufacturer of pharmaceutical products, Adcock Ingram is dependent on natural resources for its manufacturing processes, and certain active ingredients are subject to weather conditions. It is therefore important that the business focus on ways to reduce its impact on natural resources without compromising the quality of products and a safe and healthy workplace for employees.

Summary of Adcock Ingram's emissions and metrics

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



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

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

COVID-19 impact

The COVID-19 pandemic has significantly affected how society functions and has not only influenced the way we travel, but also how business is conducted.

Ongoing innovations have for the most part helped individuals and businesses to mitigate and overcome early obstacles brought on by the pandemic. Businesses considered and implemented remote-working policies, with some companies possibly changing the way in which they might operate post the pandemic, as indications are that a portion of employees may choose to continue to work remotely. This had an impact in the current year reporting.

Notable changes year-on-year

The following notable changes were seen between the current and prior financial year:

- Plush was included in the organisational boundary, adding 2 170m² to the reporting boundary;
- there was a decrease in full time employees linked to retrenchments during the reporting year, despite Plush being added to the reporting boundary;
- a decrease in stationary fuel is linked to a 25% decrease in coal usage at Aero-ton following a project where they now source directly from the mine, which reduced emissions from 11 267 tCO₂e to 8 577 tCO₂e;
- Wadeville and Clayville increased liquefied natural gas (LNG) usage by 14%;
- an increase in fugitive emissions is linked to Clayville utilising a 142 kg of R134a and the inclusion of fugitive for Cape Town and Midrand;
- there was a 3% decrease in overall electricity consumed, linked to a reduction of 4% at Clayville, which is linked to the drop in demand for cough and cold medicine, and a 9% reduction at Aero-ton due to a drop in shifts as a result of the loss of a portion of a tender;
- there was a 17% decrease in shipping of freight (sea, air and road) compared to the prior year, with the analysis indicating a 45% reduction in airfreight chargeable weight, largely due to a decline in airfreight shipments from Spain. Some of these volumes were converted to seafreight resulting in an increase of 18% in the number of twenty foot equivalent units (TEUs) imported, but the comparable period included restocking of Corenza C following the initial panic buying from customers in March 2020;
- there was a 15% increase in third-party logistics (RTT), of which only 9% is due to an increase in tonne kilometres (emission factor variances year-on-year caused 6% of the increase). Data did not previously account for all reverse services (returns) or shuttle services between DCs, for which three points of transport have been added since the previous reporting period;
- packaging data was unavailable for FY2021, thus a proxy from FY2020 was used in alignment with the three-year average and a 3% reduction in volumes based on the electricity reduction in FY2021;
- an employee commuting survey was completed for the first time since 2015 to account for the impact of COVID-19. Employee commuting and vehicle fleet emissions decreased because of a full year of a 'work from home where possible' policy, compared to only three months of the same in the prior year;
- the emission factor for water treatment decreased materially by 74%;
- Aero-ton's ash waste has been diverted from landfill and sent to brick makers, resulting in zero emissions due to reuse and a reduction in waste to landfill;
- business travel decreased due to the COVID-19 lockdown; and
- outside of scopes decreased by 69% because in the prior financial year, Clayville increased R22 gas refills and increased compressor refilling.

Future focus areas

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

- implement use of renewable energy systems such as solar power, as electricity makes up half of the Group's footprint;
- consider target setting, subject to volume increases or decreases;
- improving recording of waste and recycling; and
- reporting to the Carbon Disclosure Project in 2022.



Remuneration



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Remuneration

Our remuneration report complies with the requirements of the Companies Act 71 of 2008, with the principles and recommended practises of King IV™, and applicable JSE listings requirements. In applying these regulatory requirements, we structured our remuneration report into three parts: Background Statement, Remuneration Policy and Implementation Report focussing on the Executive Directors, who are the only prescribed officers in the Group.

The Remuneration Policy and Implementation Report will be put to two separate non-binding shareholders votes at the Annual General Meeting to be held on 23 November 2021. Appropriate processes are in place in the event these are voted against by more than 25% of shareholders.

Part 1 – Background statement

Our remuneration policy is aimed at encouraging achievements of our three strategic pillars namely: Building on the Foundation, Growth and Expansion, and Transformation. These objectives lead towards achieving sustained value for our stakeholders.

The remuneration framework and structures are designed to support an entrepreneurial and performance-based culture

by incentivising high performance. We reward extraordinary performance at the 75th percentile through variable pay and total guaranteed pay (TGP) is aimed at the median of our chosen comparator group.

To ensure that we are providing fair, appropriate and responsible remuneration, we regularly conduct benchmarking exercises and engage an independent external consultant to provide advice and benchmarking data on the remuneration mix of executive management.

Our performance and impact on remuneration during the reporting period:

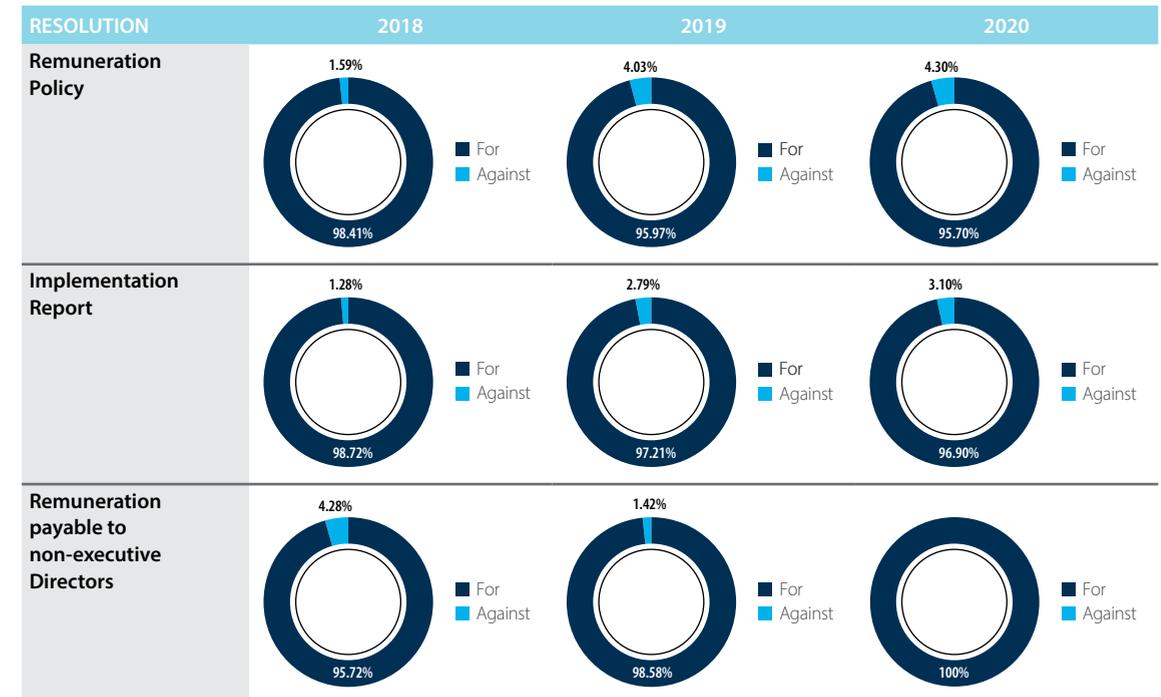
The following matters, *inter alia*, influenced remuneration during the reporting period:

- the suppressed local economy, and low business and consumer confidence;
- the threat of loss of critical staff to competitors;
- labour and collective agreements' requirements;
- impact of COVID-19 on the business' operational and financial performance; and
- business right-sizing and retrenchments.

SHAREHOLDER ENGAGEMENT

We are committed to ongoing transparent and constructive engagement with shareholders. We strive where practical to address shareholders' feedback in our practices and disclosures.

Voting outcomes:



Remuneration (Continued)

Performance outcomes relating to the short-term incentive (STI) paid in September 2020

As reported in the previous Integrated Report and explained to the shareholders, the Company will disclose the STI performance on a retrospective basis and STI targets will include both financial and non-financial metrics. The performance outcomes for the financial year ended 30 June 2020, and the related payments (made in September 2020) are as follows:

Commercial divisions (Consumer, OTC, Prescription, and Hospital) and support divisions, excluding Distribution were measured against the following:

- Trading profit (65% weighting);
- Return on funds employed (ROFE) (15% weighting); and
- For Managing Directors an additional performance metric (20% weighting) has been introduced in the past year, based on the individual's position and includes targets for market share, new business development and factory performance, as examples.

Business Unit	Trading Profit	ROFE	Additional Performance Metrics	Amount Paid R'000	Number of Beneficiaries
Consumer	Stretch Target Achieved	Achieved	Achieved	3 668	7
OTC	Achieved	Achieved	Not Achieved	2 837	8
Prescription	Not Achieved	Not Achieved	Not Achieved	–	–*
Genop	Stretch Target Achieved	Achieved	Partially Achieved	768	6
Hospital	Stretch Target Achieved	Achieved	Achieved	3 604	6
Corporate & Shared Services	Not Achieved	Achieved	Partially Achieved	1 814	20
Distribution	N/A	N/A	Partially Achieved	535	3

*12 employees could have qualified for incentives

A total amount of R4.4 million of the discretionary amount of R5 million approved by RemCom was paid out to employees who exhibited extraordinary performance during the COVID-19 period, as well as R1.3 million of discretionary incentives to the CEO and CFO.

Governance mandate, committee composition and meeting attendance

The Human Resources and Remuneration Committee (RemCom) is governed by its terms of reference, which are revised and amended when necessary and approved by the Board. Until recently, the Committee consisted of four non-executive directors; currently it has three members. The majority of the members are independent as defined by King IV™ and in terms of the Board approved Committee's terms of reference. All members command a wealth of business acumen and remuneration experience. The RemCom has been delegated the responsibility for overseeing the Group's approach to remuneration, including policy, to ensure fair, transparent, equitable and responsible remuneration in support of the Group's strategy. The Committee met three times during the reporting year in line with its annual plan. The Committee can convene *ad hoc* meetings outside the mandatory reporting cycle if necessary. The Chief Executive Officer (CEO) and Executive Director (ED): Human Capital and Transformation are permanent invitees at the Committee meetings, but do not vote. They recuse themselves when their and the CFO's remuneration is discussed.

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

Committee members	Attendance ¹
Chairperson	
L Boyce ²	2/2
M Haus ³	3/3
Members	
C Manning	3/3
L Ralphs ⁴	2/2
N Madisa ⁵	1/1
Invitees	
A Hall (CEO)	3/3
B Letsoalo (ED: Human Capital and Transformation)	3/3
C France (21st Century)	1/1
M Phillips (21st Century)	1/1
N Daitz (DG Capital)	2/2

- 1 The attendance reflects the number of scheduled meetings. No additional meetings were held during the financial year. One regular scheduled meeting was held after the year end, before publication of the report.
- 2 Ms Boyce stepped down from the Committee on 7 May 2021 following her appointment to The Bidvest Group Limited Board on 12 March 2021.
- 3 Prof Haus replaced Ms Boyce as Chairperson on 7 May 2021.
- 4 Mr Ralphs retired from the Board and the Committee on 23 February 2021.
- 5 Ms Madisa was appointed as a member of the Committee on 7 May 2021.

Key activities and decisions of the RemCom during the year (up to 30 June 2021)

During the year under review, in addition to the standard agenda items, the following decisions were made:

Element	Key activities
Annual salary increases	<ul style="list-style-type: none"> • Reviewed possible annual salary increases for implementation in December 2020 in light of the impact of COVID-19 on the business and elected to award no increases to employees outside of the bargaining unit.
Non-executive Director (NED) fees	<ul style="list-style-type: none"> • Recommended no increase in NED fees payable to members of the Board in light of the impact of COVID-19 on the business.
Short-term incentives (STIs)	<ul style="list-style-type: none"> • Reviewed the STI methodology and recommended the introduction of a threshold concept whereby a performance level lower than the target could be achieved to qualify for a reduced portion of the payment. • Set appropriate STI targets, taking the uncertainty around COVID-19 into account. • Approved an <i>ex-gratia</i> payment for the CEO and CFO¹ in lieu of no STI payment due to unprecedented circumstances beyond their control arising from COVID-19, which negatively impacted the achievement of trading profit in relation to the 2020 financial year.
Long-term incentives (LTIs)	<ul style="list-style-type: none"> • Reviewed and approved the performance conditions for the Performance-Based Long-Term Incentive Scheme (PBLTIS) for the current financial year. • Developed and approved additional non-financial metrics (strategy and innovation) for PBLTIS participants.
Retention	<ul style="list-style-type: none"> • Approved retention bonuses for 12 critical employees to mitigate the high flight risk.²
Remuneration governance	<ul style="list-style-type: none"> • Reviewed the RemCom's terms of reference. • Reviewed and amended the annual work plan in line with the revised terms of reference. • Oversaw the appointment of an independent external remuneration advisor (DG Capital). • Reviewed and approved the 2020 Remuneration Report (including policy) and Implementation Report before inclusion in the Integrated Report.
Talent management	<ul style="list-style-type: none"> • Reviewed succession planning and development succession plans for Executive Directors and Executive management, including initiatives to address the shortage of African talent in the talent pool. • Reviewed employee engagement initiatives i.e. wellness programs, leadership communication plans, morale initiatives and COVID-19 risk mitigation plans.

¹ The amounts paid to the CEO and CFO are disclosed on page 107 in the Implementation report

² The amounts payable to the Executive Directors are disclosed on page 111 in the Implementation report

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

Independent and external advice

The Committee make use of external independent and objective advice and guidance on remuneration trends, market practice insights, remuneration policy, provision of data for NED fees and executive remuneration. During the reporting period, independent advice was provided by 21st Century and DG Capital on short-term incentives and the PBLTIS. The Committee was satisfied that the remuneration advisors are independent and objective.

Future areas of focus

- Implement an ESG metric for Executive Directors in the PBLTIS.
- Continue to monitor the impact of COVID-19 on remuneration trends and how it affects the employee value proposition as key talent will be required to execute the Company strategy subsequent to the COVID-19 pandemic;
- Finalise an appropriate comparator group for proper and fair executive remuneration benchmarking; and
- Prioritise the leadership pipeline for executive management in line with the transformation imperative.

Remuneration (Continued)

Part 2 – Remuneration policy

Adcock Ingram's Remuneration Policy is designed to attract, grow, retain and reward the right talent concomitant with the right expertise, culture and behaviours at all levels in the organisation. It supports the delivery of the Company's strategy and drives synergy between performance and the values of employees.

The policy strives to achieve fair and sustainable balance between competitive total guaranteed package (TGP), short-term incentives (STI), long-term incentives (LTI) and retention mechanisms.

The policy is updated regularly to ensure that the remuneration structure is relevant and reflects best practice, aligns to our operating model, strategic objectives and complies with the applicable laws and King IV™ Principles.

The desired outcomes from the Company's Remuneration Policy include:



Impact of COVID-19 on design of the remuneration framework

The RemCom deliberated on the impact of COVID-19 on the economic environment, recognising that the recovery from this pandemic may be more protracted than other recent economic shocks.

It was recognised that a fresh approach to the terms and manner in which the Group deals with executive remuneration in general, is required. The remuneration approach should be relevant and competitive, as the business steers through the challenges of COVID-19 and navigates the environment beyond this pandemic.

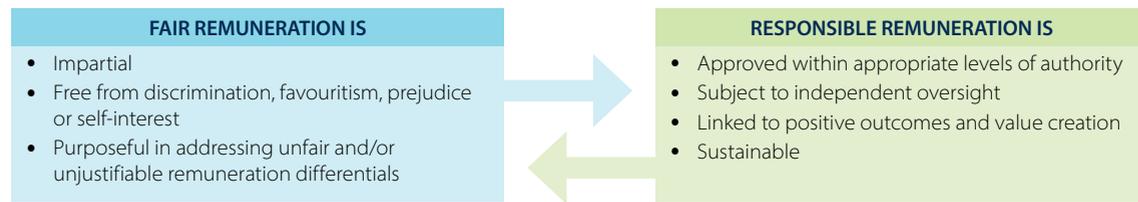
Remuneration principles

The following principles reinforce our Remuneration Policy and philosophy:

- pay for performance, by aligning incentive outcomes to performance and value created by individual contribution. In this context we apply *malus and clawback* provisions to discourage inappropriate behaviour;
- drive our culture of being innovative and entrepreneurial while taking ownership and accountability for responsible business growth and success;
- align the long-term interests of our employees and shareholders by ensuring that incentive-based rewards are earned by achieving challenging performance targets, consistent with shareholders interest over the short- and long-term horizons;
- attract, retain and engage high calibre individuals who have the skills set, ambition and talent to deliver our strategy;
- continuously build confidence and trust in our reward outcomes through robust reward governance, engagement on our disclosures with shareholders, internal transparency and effective communication; and
- deliver fair and responsible remuneration, governed by the principle of equal pay for work of equal value, specifically addressing any income disparities based on gender and/or race.

Fair and responsible remuneration

Our remuneration principles centre on fair, reasonable, responsible and competitive rewards for employees for the achievement of our strategic, operational and financial metrics.



Benchmarking

All elements of remuneration including salary increases, incentive payments and benefits are reviewed annually against industry and market benchmarks and trends, to ensure that our remuneration levels and practices are appropriate, competitive and take into consideration factors affecting the Group's financial position, the industry and South Africa.

During the reporting period, the Company utilised 21st Century and DG Capital to benchmark remuneration offerings of Executive directors, executive management and non-pharmaceutical roles. To benchmark pharmaceutical roles, the Company utilises the services of Deloitte Consulting.

The TGP is targeted at the market median of the national market TGP data. A premium to the median TGP may be considered for the retention of employees with scarce skills, niche experience, consistent outstanding performance and transformation considerations.

The RemCom annually reviews and recommends to the Board the approval of salary increases of Executive Directors, the Company Secretary and the Head of Internal Audit. The RemCom provides the authority to the CEO to review and approve salary increases of other executive management within a stipulated overall average increase.

During the FY2021, no salary increases were given to TGP employees due to the impact of COVID-19 on the business.

During the reporting period, the Company utilised the services of DG Capital to benchmark the variable pay including short-term and long-term incentives. The Group aims to reward exceptional performance through STIs and LTIs at the 75th percentile when targets are achieved, enabling participants to exceed the market median on total earnings. The following factors, are, however taken into account:

- Company's ability to pay incentives (affordability);
- Performance; and
- Internal equity.

Bias toward variable pay is intended to drive extraordinary performance, shareholder value, employee engagement and retention.

During the benchmarking process:

- Remuneration for management was benchmarked against the national market data incorporating size and complexity; and
- The outcome was compared to data from a group of JSE listed companies of similar size and complexity to Adcock Ingram, as well as to available data from an industry comparator group.

Non-executive directors' (NEDs)

The remuneration of NEDs is reviewed annually by the RemCom and the Board after a benchmarking exercise. These fees remunerate each NED for the time, responsibilities and commitment to Adcock Ingram. NED fees have been independently benchmarked by 21st Century and DG Capital. The remuneration was benchmarked against the national market data incorporating size and complexity. Fees are required to be competitive and at the market median. The factors that influence the NED remuneration include:

- The Group's remuneration philosophy;
- Responsibility of the role; and
- Level of general increases given to TGP employees.

Recommendations for increases are made to shareholders at the AGM for consideration and approval. NEDs do not qualify for any STI or LTI. During the reporting period, no fee increases were given to NEDs, in line with what was applied to employees of the Group.

The following annual fixed fees have been in place since 1 December 2019:

	Chairman R	Member R
Committee		
Board	1 189 163	302 400
Lead independent director		390 000
Audit	249 500	124 740
Risk and Sustainability	235 370	120 000
Human Resources, Remuneration and Nominations	180 000	82 700
Social, Ethics and Transformation	165 900	72 000
Acquisitions	249 500	124 740

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

The terms and conditions applicable to the appointment of NEDs are contained in a letter of engagement which, together with the Board Charter and respective Committees' terms of reference and MOI, form the basis of the director's appointment. The Board recently 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. The Nominations Committee plays an important role in the appointment of new and suitable directors as well as the identification and removal of underperforming or unsuitable directors. The Company's memorandum of incorporation (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.

Remuneration (Continued)

Remuneration framework

During the next financial year the remuneration framework and design collectively will be reviewed, taking into account shareholders' feedback and input as well as the desired outcomes from the Remuneration Policy. The purpose is to ensure continued relevance, particularly taking into consideration the uncertainties and challenges posed by COVID-19 and the fierce war for talent.

Below is the abridged framework.

FIXED REMUNERATION	
Guaranteed pay and benefits	
Eligibility	All permanent employees
Performance period	Ongoing
Mechanics	CPI, market surveys, TGP positioned at the market median and benchmarked against the comparator group, business performance, individual performance and affordability
Method of delivery	Cash
Timing of delivery	Monthly with increases usually granted in December
Performance measures	Individual performance targets
Purpose	Attraction, retention and employee engagement

VARIABLE REMUNERATION			
Short-Term Incentives (STI)			Long-Term Incentives (PBLTIS)
Executive Directors, executive management and key employees in critical roles			Executive Directors, executive management and key employees in critical roles
One year			A three-year period
Based on a % of the participant's TGP.			Based on a % of the participant's TGP and job level.
% of TGP applicable for the executive directors:			% of TGP applicable for the executive directors:
	THRESHOLD	TARGET	STRETCH
CEO	53%	100%	125%
CFO	40%	80%	100%
ED	33%	65%	81%
<i>Malus and clawback provisions apply.</i>			The actual average achieved over the three-year period is compared to the set targets for the same period to determine the level of achievement. Linear vesting between intervals is applicable. <i>Malus and clawback provisions apply.</i>
Cash			Full value shares
Annually in September			For each tranche: 75% vesting after three (3) years; and 25% after four (4) years. If none of the performance conditions have been fulfilled, no conditional share awards vest.
Financial and non-financial metrics. Executive directors' metrics and weightings include: <ul style="list-style-type: none"> Trading profit (20%) ROFE (20%) HEPS (20%) Additional performance metrics (APM) (40%) and include targets such as B-BBEE, business resilience, growth, and innovation. All metrics are measured and assessed individually.			Financial and non-financial metrics. Executive directors' metrics and weightings include: <ul style="list-style-type: none"> HEPS (40%) ROFE (20%) B-BBEE (20%) Strategy and Innovation (20%). All metrics are measured and assessed individually. The metrics and weightings are the same for all participants, including executive directors.
Delivery of one-year strategic and operational initiatives and financial performance.			Rewarding of achievement of strategic and financial objectives, and attraction, retention, employee engagement and allows management ownership in the Company's equity.

Remuneration (Continued)

The detailed remuneration framework is as follows:

Guaranteed pay

To attract, retain and engage high calibre talent with the optimum mixtures of competencies.

BASIC SALARY	BENEFITS
<ul style="list-style-type: none"> Market-related salary tailored to the content of the role, individual skills, experience, performance and benchmarking. 13th cheque guaranteed for bargaining unit employees (BRG). TGPs are reviewed annually against market data and benchmarked against market median. Increases are usually 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 performance, market trends, affordability, and external benchmarks. 	<p>Market competitive suite of benefits offered as part of TGP, including:</p> <ul style="list-style-type: none"> Provident fund Vehicle insurance Travel allowance Group life insurance Disability cover Funeral benefits Medical aid* Fuel cards** Shift allowance** <p>Other benefits offered, include:</p> <ul style="list-style-type: none"> Employee wellness programme Learning and career development opportunities

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

** Depending on role, responsibilities and level

Variable pay

To motivate and retain executives and key employees in critical roles to achieve short- and long-term financial and non-financial (strategic and operational) objectives of the Group.

STI Reward individual performance measured over a period of one year	LTI Motivate management and key talent to achieve long-term performance and to enhance retention
<p>To motivate and reward employees for the achievement of the Group's short-term/one-year financial and non-financial objectives in areas they can influence:</p> <p>Commercial divisions (Consumer, OTC, Prescription, and Hospital):</p> <ul style="list-style-type: none"> Divisional trading profit (40%) Divisional return on funds employed (ROFE) (15%), Group HEPS (10%) For Managing Directors an APM (35% weighting) is in place, and includes targets such as market share, new business development, innovation and transformation. <p>Other executives</p> <ul style="list-style-type: none"> Group trading profit (ranges from 20% to 50%) Group return on funds employed (ROFE) (ranges from 0% to 20%), Group HEPS (ranges from 0% to 20%) APM (ranges from 40% to 50%) and include targets such as expense management, service delivery, regulatory and legal compliance, transformation, cyber security, manufacturing and growth targets. <p>Pay-out for achieving threshold is set at 50% of target pay-out.</p> <p>Number of participants = 68</p>	<p>Performance-Based Long-Term Incentive Scheme (PBLTIS)</p> <p>A performance-based long-term incentive scheme that aims at incentivising and retaining critical employees and increase management equity participation.</p> <p>The granting of conditional annual awards to identified employees is based on the following aspects:</p> <ul style="list-style-type: none"> 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. <p>Performance period and vesting date:</p> <p>Vesting of the conditional share awards is subject to performance conditions being satisfied over the performance period (three years). To the extent the performance metrics have been met, the conditional share awards will vest as follows:</p> <ul style="list-style-type: none"> 75% of the awards vest after three years; and 25% of the awards vest after four years; <p>If none of the performance conditions have been fulfilled, no conditional share awards will vest.</p> <p>Performance conditions:</p> <ul style="list-style-type: none"> 40% of the vesting of the award will be subject to achievement of HEPS growth against set targets; 20% of the vesting of the award will be subject to achievement of ROFE against set targets; 20% of the vesting of the award will be subject to the Company's Broad-Based Black Economic Empowerment ("B-BBEE") scorecard against set targets and 20% for strategy and innovation as supported by a portfolio of evidence. <p>Number of participants = 43</p> <p>Tiger Brands Black Managers Trust (BMT):</p> <p>For the retention of Black Managers through the Tiger Brands Limited B-BBEE transaction implemented in 2005. Adcock Ingram employees who were employed prior to Adcock Ingram been separately listed on the JSE, form part of the scheme. Vested rights were issued subject to various lock-in periods.</p> <p>145 remaining participants</p>

Commissions

Sales staff:

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

Number of participants = **275**

Remuneration (Continued)

Part 3 – Implementation of the Remuneration Policy

Adherence to the Remuneration Policy

The RemCom monitored the implementation of the Remuneration Policy and adjustments were made to the STI and LTI performance conditions to include non-financial factors. A threshold concept was also introduced for the STI payment, whereby a minimum performance level should be achieved to qualify for a portion of the payment.

Fair and responsible remuneration

Adcock Ingram's commitment to address the internal wage gap is evidenced by the historically higher increases for those employees in the bargaining unit, compared to the middle and senior management increases. During the current financial year, employees in the bargaining unit were granted a 7% increase, effective July 2020, compared to all other employees not getting an increase, which historically was effective in December of each year. This was due to the ongoing impact of COVID-19 on the business and to protect more jobs when the section 189 retrenchments took place during the year. We believe this step was necessary to manage the expense under our control and ultimately the sustainability of the business, while at the same time protecting the livelihoods of our most vulnerable employees.

Executive directors

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

Service contracts for executive directors

The Company 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 (2020: 21 433) in the Company, consequent to the exercise of certain equity options. There has been no change in this since year-end.

Fixed remuneration

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

	Basic salary R'000	Contributions to defined contribution plan R'000	Total guaranteed pay R'000
2021			
AG Hall	5 383	350	5 733
D Neethling	3 487	350	3 837
B Letsoalo	2 912	562	3 474
	11 782	1 262	13 044
2020¹			
AG Hall	5 010	350	5 360
D Neethling	3 254	350	3 604
B Letsoalo	2 801	461	3 262
	11 065	1 161	12 226

¹ The executive directors voluntarily sacrificed 20% of their gross remuneration for the period April to June 2020, for the benefit of the Solidarity Fund.

Variable remuneration

Short-term incentives 2021

The following table provides the minimum and maximum short-term incentive, as a percentage of TGP, for which each of the executive directors might qualify, based on the outcome of each measurable metric.

	Threshold	STI (% of TGP) On target	Stretch
AG Hall	53%	100	125%
D Neethling	40%	80	100%
B Letsoalo	33%	65	81%

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

	Trading profit	HEPS	ROFE %	APM ¹	B-BBEE score ²	Total
AG Hall	20%	20%	20%	25%	15%	100%
D Neethling	20%	20%	20%	30%	10%	100%
B Letsoalo	20%	20%	20%	15%	25%	100%

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

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

ROFE return on funds employed

APM additional performance metric

The short-term incentives are dependent on the Group's performance as well as individual additional performance metrics. Based on the current year's performance and as depicted in the table below, the Group has met its target for trading profit and ROFE, and stretch target for HEPS. The individual APM targets have been met.

	Trading profit	HEPS	ROFE %	Strategy, Innovation and Business Resilience	B-BBEE Score	Pay out R'000	% of TGP
AG Hall	Target	Stretch	Target	Stretch	Target	6 664	116%
D Neethling	Target	Stretch	Target	Stretch	Target	3 607	94%
B Letsoalo	Target	Stretch	Target	Stretch	Target	2 568	74%

The full amount of R12.8 million has been fully provided for in the year ended 30 June 2021, although payment will only be made in September 2021.

Short-term incentives 2020

	R'000
AG Hall	814 000 ¹
D Neethling	442 000 ¹
B Letsoalo	411 000
	1 667 000

¹ Discretionary incentives were granted by the Board, refer page 99

The prior year incentives of R1.7 million, which related to the prior year's performance, was fully provided for in the year ended 30 June 2020, and were paid in September 2020.

Remuneration (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 of the year	Balance at the end of the year	Vested as at 30 June 2021	Value ¹ as at 30 June 2021 R
AG Hall						
Equity	17/06/2014	52.20	58 334	58 334	58 334	–
	26/08/2015	41.94	58 334	58 334	58 334	137 668
	26/08/2016	42.30	133 334	133 334	66 663	133 326
	24/08/2017	57.73	200 000	200 000	66 663	–
			450 002	450 002	249 994	270 994
Phantom	28/08/2018	65.46	200 000	200 000	–	–
D Neethling						
Equity	17/06/2014	52.20	20 000	20 000	20 000	–
	26/08/2015	41.94	30 000	30 000	30 000	70 800
	26/08/2016	42.30	100 000	100 000	50 000	100 000
	24/08/2017	57.73	150 000	150 000	50 000	–
			300 000	300 000	150 000	170 800
Phantom	28/08/2018	65.46	150 000	150 000	–	–
B Letsoalo						
Equity	17/06/2014	52.20	15 000	15 000	15 000	–
	26/08/2015	41.94	15 000	15 000	15 000	35 400
	26/08/2016	42.30	30 000	30 000	15 000	30 000
	25/11/2016	42.08	75 000	75 000	50 000	111 000
	24/08/2017	57.73	120 000	120 000	40 000	–
			255 000	255 000	135 000	176 400
Phantom	28/08/2018	65.46	120 000	120 000	–	–
BMT	TBL 31/01/2008	56.30	3 500	3 500	3 500	534 450
	OCE 31/01/2008	16.46	905	905	905	44 345
	AIP 31/01/2008	16.31	13 742	13 742	13 742	384 639
	TBL 01/07/2012	56.30	7 734	7 734	7 734	1 180 982
	OCE 01/07/2012	16.46	2 001	2 001	2 001	98 049
	AIP 01/07/2012	14.89	4 534	4 534	4 534	133 345
			32 416	32 416	32 416	2 375 810

¹ – Based on closing share price as at 30 June 2021

AIP – Adcock Ingram Holdings Limited

OCE – Oceana Group Limited

TBL – Tiger Brands Limited

Options exercised

There were no options exercised during the current year, but the directors realised the following gains² on the exercise of options during the prior year:

² Amounts are shown before tax.

	2020 R'000
AG Hall	1 997 400
D Neethling	1 282 800
B Letsoalo	482 400
	3 762 600

Long-term incentives with performance conditions

Performance-based Long-Term Incentive Scheme (PBLTIS)

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

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

¹ No awards have vested as at 30 June 2021

The performance conditions (financial and non-financial) attached to the award made on 25 November 2020, measured over a three-year period from 1 June 2020 to 30 June 2023, are as follows:

Measure	Weight	Measurement base	Performance threshold (30% vesting)	Target (60% vesting)	Stretch (100% vesting)
HEPS growth	40%	Inflation and GDP	GDP+CPI-1% I	GDP+CPI	GDP+CPI+1%
ROFE ¹	20%	ROFE	18%	20%	22%
Strategy and Innovation	20%	POE ²	POE ²	POE ²	POE ²
B-BBEE	20%	B-BBEE Scorecard points	Level 3 (90 points)	Level 3 (92 points)	Level 2 (95 points)

¹ Return on funds employed

² POE – Portfolio of evidence, which includes but not limited to merger and acquisition activity, product launches and extensions, new categories, new portfolios, partnerships, new revenue streams, pipeline improvements and all forms of innovation and digitisation.

Remuneration (Continued)

Linear vesting of an award occurs between the intervals stated above.

The status of these awards as at the end of June 2021 are as follows:

Award date: 25 November 2020
 Measurement period: 1 July 2020 to 30 June 2023
 Completion period: One year

Measure	Weight	Outcome	Achievement	Weighted potential achievement
HEPS growth	40%	-2%	-	-
ROFE	20%	30%	100%	20%
Strategy and Innovation	20%	Target achieved	100%	20%
B-BBEE	20%	94.84	100%	20%
Total				60%

Award date: 26 September 2019
 Measurement period: 1 July 2019 to 30 June 2021
 Completion period: Two years

Measure	Weight	Outcome	Achievement	Weighted potential achievement
HEPS growth	50%	-2%	-	-
ROFE	25%	31%	65%	16%
B-BBEE	25%	95.06	100%	25%
Total				41%

IFRS 2 charges

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

	2021 R'000	2020 R'000
AG Hall	3 736	3 744
D Neethling	1 852	2 175
B Letsoalo	1 693	1 902
Total	7 281	7 821

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

Retention agreements

During the 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
Total	14 200

Non-executive directors

Remuneration paid

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

	2021 R'000	2020 ¹ R'000
Boyce John	496	570
Haus	-	54
Gumbi	849	693
Madisa ²	508	376
Manning	681	412
Mokgokong	572	479
Ralphs ²	-	281
Ransby	793	1 130
Sathekge	693	533
Wakeford ³	352	-
	427	330
Total	5 371	4 858

¹ The non-executive directors voluntarily sacrificed 20% of their gross remuneration for the period April to June 2020, for the benefit of the Solidarity Fund.

² Paid to Bidvest Corporate Services Proprietary Limited.

³ Paid to Bidvest Branded Products Proprietary Limited



Summary consolidated statements of comprehensive income



Summarised financial results for the year ended 30 June 2021

	Notes	Audited 2021 R'000	Change %	Audited 2020 R'000
Revenue	4,1	7 776 854	6	7 346 558
Cost of sales		(5 094 079)		(4 607 502)
Gross profit		2 682 775	(2)	2 739 056
Selling, distribution and marketing expenses		(1 212 482)	(4)	(1 263 723)
Fixed and administrative expenses		(555 683)	5	(531 053)
Trading profit		914 610	(3)	944 280
Non-trading expenses	3	(64 855)		(82 099)
Operating profit		849 755	(1)	862 181
Finance income		4 315		5 278
Finance costs		(47 982)		(38 764)
Dividend income		2 473		3 825
Equity-accounted earnings		97 315		97 489
Profit before tax		905 876	(3)	930 009
Tax		(243 764)		(247 815)
Profit for the year		662 112	(3)	682 194
Exchange differences on translation of foreign operations		(61 412)		40 619
Subsidiaries		(6 099)		4 801
Joint venture		(55 313)		35 818
Movement in cash flow hedge accounting reserve, net of tax		(88 486)		77 681
Fair value of investment*		97		43
Actuarial (loss)/profit on post-employment medical liability*		(482)		622
Total comprehensive income, net of tax		511 829		801 159
Profit attributable to:				
Owners of the parent		657 463		676 366
Non-controlling interests		4 649		5 828
		662 112		682 194
Total comprehensive income attributable to:				
Owners of the parent		507 180		795 331
Non-controlling interests		4 649		5 828
		511 829		801 159
Basic earnings per ordinary share (cents)		396.3	–	398.0
Diluted basic earnings per ordinary share (cents)		396.1	–	398.0
Headline earnings per ordinary share (cents)		404.7	(3)	417.5
Diluted headline earnings per ordinary share (cents)		404.5	(3)	417.5

* 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	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 2019	17 142	664 014	196 348	3 417 928	4 295 432	2 762	4 298 194
Share issue	2	777			779		779
Movement in treasury shares*	3	2 205			2 208		2 208
Share-based payment expenses*			(2 133)		(2 133)		(2 133)
Treasury shares purchased	(401)	(156 642)			(157 043)		(157 043)
Loss of control of owner-driver subsidiaries						842	842
Total comprehensive income			63 114	676 366	739 480	5 828	745 308
Profit for the year				676 366	676 366	5 828	682 194
Other comprehensive income			118 965		118 955		118 955
Reclassified to cost of inventory – not included in other comprehensive income			(55 851)		(55 841)		(55 841)
Dividends				(342 941)	(342 941)	(6 713)	(349 654)
Balance at 30 June 2020	16 746	510 354	257 329	3 751 353	4 535 782	2 719	4 538 501
Share-based payment expenses*			16 856		16 856		16 856
Treasury shares purchased	(570)	(255 179)			(255 749)		(255 749)
Acquisition of non-controlling interests				(58 850)	(58 850)	176	(58 674)
Total comprehensive income			(80 005)	657 463	577 458	4 649	582 107
Profit for the year				657 463	657 463	4 649	662 112
Other comprehensive income			(150 283)		(150 283)		(150 283)
Reclassified to cost of inventory – not included in other comprehensive income			70 278		70 278		70 278
Dividends				(133 149)	(133 149)	(6 784)	(139 933)
Balance at 30 June 2021	16 176	255 175	194 180	4 216 817	4 682 348	760	4 683 108

* Relate to equity and BMT option schemes.

Summary consolidated statements of financial position

	Audited 2021 R'000	Audited 2020 R'000
ASSETS		
Property, plant and equipment	1 495 159	1 528 541
Right-of-use assets	223 039	264 274
Intangible assets	1 053 718	928 518
Deferred tax assets	4 944	6 385
Other financial assets	26 092	26 570
Investment in joint ventures	489 962	545 178
Loans receivable	9 798	17 861
Non-current assets	3 302 712	3 317 327
Inventories	1 865 512	1 909 767
Receivables and other current assets	1 764 737	1 625 246
Cash and cash equivalents	62 117	316 825
Tax receivable	45 340	12 585
Current assets	3 737 706	3 864 423
Total assets	7 040 418	7 181 750
EQUITY AND LIABILITIES		
Capital and reserves		
Issued share capital	16 176	16 746
Share premium	255 175	510 354
Non-distributable reserves	194 180	257 329
Retained income	4 216 817	3 751 353
Total shareholders' funds	4 682 348	4 535 782
Non-controlling interests	760	2 719
Total equity	4 683 108	4 538 501
Long-term portion of lease liability	247 234	281 295
Post-retirement medical liability	15 537	14 852
Deferred tax liabilities	125 226	153 507
Non-current liabilities	387 997	449 654
Trade and other payables	1 741 185	2 014 408
Bank overdraft	13 881	–
Short-term portion of lease liability	34 448	28 986
Cash-settled options	20 548	21 097
Provisions	159 251	129 104
Current liabilities	1 969 313	2 193 595
Total equity and liabilities	7 040 418	7 181 750

Summary consolidated statements of cash flows

	Audited 2021 R'000	Audited 2020 R'000
Cash flows from operating activities		
Operating profit	849 755	862 181
Other adjustments and non-cash items	373 183	383 376
Operating profit before working capital changes	1 222 938	1 245 557
Working Capital movements	(511 852)	(164 655)
Cash generated from operations	711 086	1 080 902
Finance income received	4 334	5 394
Finance costs paid	(47 834)	(38 479)
Dividend income received	98 572	99 474
Dividends paid	(139 933)	(349 654)
Tax paid	(296 886)	(271 757)
Cash generated from operating activities	329 339	525 880
Cash flows from investing activities		
Purchase of property, plant and equipment – Replacement	(95 817)	(129 453)
– Expansion	(16 497)	(24 086)
Purchase of intangible assets	(147 614)	(2 578)
Proceeds on loan receivable	8 063	2 310
Proceeds of sale of interest in BMT	968	1 085
Additional share purchase in Group Risk Holdings Proprietary Limited	(366)	–
Acquisition of business (Plush)	–	(308 979)
Cash foregone on loss of control of owner-driver subsidiaries	–	(13 866)
Proceeds on sale of investment	–	6 125
Proceeds on disposal of property, plant and equipment	–	836
Net cash outflow from investing activities	(251 263)	(468 606)
Cash flows from financing activities		
Share repurchase	(255 749)	(157 043)
Acquisition of non-controlling interests in Novartis Ophthalmics (Pty) Limited	(58 674)	–
Repayment of lease liabilities	(28 961)	(21 270)
Treasury shares bought for equity option scheme	(256)	(7 363)
Settlement of Mpho ea Bophelo equity options	–	(6 081)
Proceeds from issue of share capital	–	779
Net cash outflow from financing activities	(343 640)	(190 978)
Net decrease in cash and cash equivalents	(265 564)	(133 704)
Net foreign exchange difference on cash and cash equivalents	(3 025)	2 277
Cash and cash equivalents at beginning of year	316 825	448 252
Cash and cash equivalents at end of year	48 236	316 825

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 preliminary reports, and the requirements of the Companies Act applicable to summary consolidated financial statements. The Listings Requirements require preliminary reports 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 results for the year ended 30 June 2021, extracted from the audited consolidated financial statements, which the Board of Directors take full responsibility for, have been prepared by Ms Dorette Neethling, Chief Financial Officer. Both these summary results and the consolidated financial statements were audited by the independent external auditors, PricewaterhouseCoopers Inc. and copies of their unqualified audit opinion are available for inspection at the Company's registered office.

1.2 Changes in accounting policies

The accounting policies adopted are in terms of IFRS and are consistent with those of the previous financial year except for the adoption of the following new and amended standards and interpretations during the period.

- a) *IAS 1 and IAS 8: Definition of material – Amendments*
- b) *IFRS 3: Business Combinations – Amendments*
- c) *IFRS 9, IAS 39 and IFRS 7: Financial Instruments – Amendments*
- d) *IAS 16: Property, Plant and Equipment – Amendment*
- e) *IAS 37: Provisions, Contingent Liabilities and Contingent Assets – Amendment*

None of these had a significant impact on the financial performance or position of the Group.

- d) *The conceptual framework for financial reporting*

A revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board (IASB) in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

2. Acquisition of additional shares in Novartis Ophthalmics (Proprietary) Limited

On 3 June 2021, Adcock Ingram Limited, a wholly-owned subsidiary of Adcock Ingram Holdings Limited, acquired the remaining 51% stake in Novartis Ophthalmics (Pty) Limited, for R58.7 million. This resulted in R58.9 million being accounted for in retained earnings within equity.

Notes to the summary consolidated financial statements (Continued)

	Audited 2021 R'000	Audited 2020 R'000
3. Non-trading expenses		
Retrenchment costs	32 615	33 507
Share-based payment expenses	17 953	936
Impairments	13 000*	16 196
Transaction costs	1 287	1 924
Fair value adjustment of long-term receivable	-	2 027
Ex-gratia B-BBEE expense	-	10 000
Deficit on loss of control of subsidiary	-	19 274
Profit on cancellation of BBE scheme	-	(2 114)
Lease cancellation fee	-	349
	64 855	82 099

*The outlook on revenue and profitability has declined resulting in a partial impairment of Vita-thion.

4. 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 research and development 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 2021 R'000	Audited 2020 R'000
4.1 Revenue			
Consumer	42	1 267 287	892 392
OTC	(16)	1 735 239	2 054 114*
Prescription	10	3 021 520	2 758 538
Hospital	8	1 752 229	1 627 518
Other – shared services		579	13 996*
	6	7 776 854	7 346 558

*The Group has disclosed the research and development services in India, after eliminating intercompany sales in the "Other – shared services" segment as it is managed as a shared service. Rest of Africa, after eliminating intercompany sales, have been included within OTC, as it is managed by the OTC management team. As such, the comparatives have been restated.

4.2 Revenue by channel	Wholesaler	Corporate Pharmacy	Retail/ FMCG	Hospital (including SANBS)	Inde- pendent Pharmacy	Total Private	Public	Export and foreign	Total
30 June 2021									
OTC	962 774	454 896	71 767	-	125 664	1 615 101	76 494	43 644	1 735 239
Prescription	1 262 049	798 612	252 034	29 409	111 091	2 453 195	538 222	30 103	3 021 520
Hospital	403 315	15 831	58 938	721 409	15 587	1 215 080	490 240	46 909	1 752 229
Consumer	143 762	307 616	785 314	-	19 698	1 256 390	-	10 897	1 267 287
Other – shared services	-	-	111	-	-	111	-	468	579
	2 771 900	1 576 955	1 168 164	750 818	272 040	6 539 877	1 104 956	132 021	7 776 854
% Split	35.6%	20.3%	15.0%	9.7%	3.5%	84.1%	14.2%	1.7%	100.0%

Revenue in terms of IFRS 15 and segmental revenue (note 4.1) are considered to be the same.

	Change %	Audited 2021 R'000	Audited 2020 R'000
4.3 Trading profit			
Consumer	52	235 380	155 134
OTC	(31)	292 327	425 747
Prescription	3	223 826	217 652
Hospital	15	161 385	140 453
Other – shared services		1 692	5 294
Trading profit	(3)	914 610	944 280
4.4 Total assets			
Consumer		1 183 276	719 751
OTC		1 784 018	1 784 172
Prescription		1 958 535	2 241 489
Hospital		1 419 328	1 359 322
Other – shared services		695 261	1 077 016
		7 040 418	7 181 750

5. Inventory

Inventories written down and recognised as an expense in cost of sales that forms part of trading profit

76 581 95 424

6. Capital commitments

– Contracted for

56 568 50 485

– Approved but not contracted

54 181 75 647

110 749 126 132

Notes to the summary consolidated financial statements (Continued)

7. **Headline earnings**

Headline earnings is determined as follows:

Profit attributable to owners of Adcock Ingram	657 463	676 366
Adjusted for:		
Impairment of intangible assets	13 000	16 196
Loss/(Profit) on disposal/scrapping of property, plant and equipment	1 325	(922)
Tax effect on loss/(profit) on disposal of property, plant and equipment	(619)	266
Loss of control of owner-driver subsidiaries	–	19 274
Profit on sale of investment following the cancellation of B-BBEE scheme	–	(2 114)
Tax effect on profit on sale of investment following the scheme cancellation of the B-BBEE scheme	–	273
Adjustments relating to equity accounted joint ventures and associate	113	182

Headline earnings	671 282	709 521
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8. **Share capital**

Number of shares in issue	175 759	175 759
Number of ordinary shares held by the Group companies	(14 001)	(8 300)

Net shares in issue	161 758	167 459
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Headline earnings and basic earnings per share are based on:

Weighted average number of ordinary shares outstanding	165 888	169 928
Diluted weighted average number of shares outstanding	165 971	169 946

9. **Fair value hierarchy**

The Group classifies all financial instruments and its fair value hierarchy as follows:

Financial instruments	Classification per IFRS 9	Statement of financial position line item	Audited 2021 R'000	Audited 2020 R'000
At fair-value level 2¹				
Foreign exchange contracts – derivative asset	Hedging derivative	Trade and other receivables	228	12 410
Foreign exchange contracts – derivative liability	Hedging derivative	Trade and other payables	13 689	471
At fair-value level 3²				
Black Managers Share Trust	Fair value through profit and loss	Other financial assets	23 898	24 866
Investment	Fair value through OCI	Other financial assets	2 194	1 704
At amortised cost				
Trade and sundry receivables ³	At amortised cost	Trade and other receivables	1 687 358	1 519 264
Cash and cash equivalents ³	At amortised cost	Cash and cash equivalents	62 117	316 825
Trade and other payables ³	At amortised cost	Trade and other payables	1 696 402	1 997 320
Bank overdraft ³	At amortised cost	Trade and other payables	13 881	–

Valuation techniques

¹ Level 2. Fair value based on the ruling market rate at year-end. The fair value of the forward exchange contract is calculated as the difference in the forward exchange rate as per the contract and the forward exchange rate of a similar contract with similar terms and maturities concluded as at the valuation date multiplied by the foreign currency monetary units as per the FEC contract.

² Level 3. The value of the investment in Group Risk Holdings Proprietary Limited is based on Adcock Ingram's proportionate share of the net asset value of the Company. The value of the investment in the Black Managers Share Trust is based on the expected Capital contribution to be received from the scheme beneficiaries.

³ The carrying value approximates fair value due to the short-term nature.

10. **Related parties**

The following services have been obtained from subsidiaries of The Bidvest Group Limited, the controlling shareholder of the Company. All of the services are in the ordinary course of business and on an aggregated basis these arrangements/agreements are less than 10% of the Company's market Capitalisation, which is within the ordinary course of business exclusion pursuant to Section 9 of the JSE Listings Requirements.

10.1 The following services are obtained with no contract in place for these services, as they are obtained on an *ad hoc* basis, with price and quality dictating the purchase:

Company	Description	Audited 2021 R'000	Audited 2020 R'000
First Garment Rental (Pty) Ltd	Factory laundry	2 442	2 267
HRG Rennies Travel (Pty) Ltd	Travel	1 642	6 935
Bidvest Office (Pty) Ltd t/a Hortors SA Diaries	Diaries	1 622	1 606
Bidvest Office (Pty) Ltd t/a Bidvest Waltons	Office stationery	1 289	1 413
Bidvest Afcom (Pty) Ltd	Consumables (tape)	260	1 984
Bidvest G Fox (Pty) Ltd	Protective wear	537	537
Steiner Hygiene (Pty) Ltd	Cleaning consumables	441	133
Bidvest Material Handling (Pty) Ltd	Maintenance	395	25
Bidvest Office (Pty) Ltd t/a Cecil Nurse	Furniture	350	2 307
Bidvest Paperplus (Pty) Ltd t/a Lithotech Blesston	Consumables	254	1 262
Bidvest McCarthy Ltd t/a Bidvest Car Rental	Vehicle rental	146	1 801
Bidvest Paperplus (Pty) Ltd t/a Rotolabel Johannesburg	Packaging	8	61
Bidvest Services Holdings (Pty) Ltd t/a BidAir Cargo	Freight forwarding	–	1 146
		9 386	21 477

10.2 The following services are obtained where no contract is in place, but a 12-month price agreement has been agreed:

Pureau Fresh Water Company (Pty) Ltd	Refreshments	789	983
Bidvest Car Rental (Pty) Ltd t/a Budget Car & Van Rental	Car hire	402	788
Bidvest Bank Limited	Forex	–	203
		1 191	1 974

Notes to the summary consolidated financial statements (Continued)

10.3 Twelve-month contracts are in place for the following services:

Company	Description	2021 R'000	2020 R'000
Safcor Freight (Pty) Ltd t/a Bidvest International Logistics	Freight forwarding	44 793	61 955
Bidvest Protea Coin (Pty) Ltd	Guarding	16 967	20 486
Bidvest Facilities Management (Pty) Ltd	Facilities management	7 411	8 907
Bidvest Prestige Cleaning t/a Bidvest Managed Solutions (Pty) Ltd	Cleaning	6 922	6 043
Bidvest Managed Solutions (Pty) Ltd	Cleaning/Gardening	4 879	4 186
		80 972	101 577

10.4 The following directors fees have been paid following the authority granted at the Annual General Meetings, held in November 2019 and November 2020:

Company	Description	2021 R'000	2020 R'000
Bidvest Branded Products	Directors' fees	427	330
Bidvest Corporate Services	Directors' fees	1 474	1 542
		1 901	1 872

11. Subsequent events

11.1 Aspen Pharmacare

On 30 July 2021, Adcock Ingram acquired a portfolio of 14 Prescription, OTC and Hospital brands from Aspen Pharmacare for R180 million, with historic annualised revenue of approximately R80 million. The terms include a two-year manufacturing and supply agreement for products manufactured by Aspen Pharmacare, to accommodate technology transfer to Adcock Ingram's facilities.

11.2 Civil unrest

During July 2021, the country experienced well publicised civil unrest, mainly in KwaZulu-Natal (KZN) and Gauteng, including wide-spread destruction of property and the tragic loss of lives. Fortunately, the Group did not experience any significant destruction of assets and employees remained safe. Nonetheless, no selling and distribution activities, other than for life-saving products, could take place within or from KZN, including through the port of Durban, during that period.

Subsequent to the unrest, the Group resumed normal operations in KZN and the supply chain is intact and operational. However, certain product shortages are being experienced as a result of operational difficulties at the Durban port. We do not foresee that these shortages will have a material impact on the financial performance of the Group and expect them to be resolved by mid-September.

Notice of Annual General Meeting 2021



Notice of Annual General Meeting 2021

Notice is hereby given that the Annual General Meeting (“AGM” or “meeting”) of shareholders of Adcock Ingram will be held in the auditorium at the Company’s premises, 1 New Road, Midrand, Gauteng on Tuesday, 23 November 2021 at 09:00, or at any other adjourned or postponed time determined in accordance with the provisions of section 64(4) or section 64(10) (as read with section 64(11)(a)(i)) of the Companies Act, No.71 of 2008 (“Companies Act”).

This document, issued on 26 October 2021, is important and requires your immediate attention. The notes that follow contain important information regarding participation at the AGM.

In terms of section 59(1) of the Companies Act, the Board has set the following record dates to determine which shareholders are entitled to:

- (a) receive this notice of the AGM as being Friday, 15 October 2021; and
- (b) attend, participate in and vote at the AGM as being Friday, 12 November 2021.

The last day to trade in the Company’s shares, in order to participate in and vote at the AGM is Tuesday, 9 November 2021.

The meeting is convened to consider and if deemed appropriate, pass and approve, with or without modification, the ordinary and special resolutions set out below in the manner required by the Companies Act and Listings Requirements of the JSE Limited (Listings Requirements) (**JSE**).

In terms of section 61(10) of the Companies Act, shareholders or their proxies may participate in the AGM by way of a teleconference call and, if they wish to do so they:

- must contact the Company Secretary by email at lucky.phalafala@adcock.com or by telephone at +27 (0) 11 635 0143 during business hours (08:00 to 17:00 on week days) by no later than Friday, 19 November 2021, to obtain a pin number and dial-in details for the conference call;
- will be required to provide reasonably satisfactory identification; and
- must submit their voting proxies to the transfer secretaries in accordance with the instructions per the paragraph below.

Shareholders who choose this form of attendance may not vote telephonically at the AGM.

The above dates, times and other details of the AGM are subject to amendment. Any such amendment will be released on the Stock Exchange News Service of the JSE (“SENS”).

If the AGM is adjourned or postponed, form of proxy submitted for the AGM will remain valid in respect of any adjournment or postponement of the AGM unless the contrary is stated on such form of proxy.

Note:

1. For ordinary resolutions set out in this notice of AGM to be approved by shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution.
2. For the special resolutions set out in this notice of AGM to be approved by shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution.
3. Quorum requirement for resolutions to be approved: Sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the respective resolutions.

Who may attend?

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not also be a shareholder of the Company. Equity securities held by a share trust or scheme and any unlisted securities will not have their votes taken into account at the AGM for the purposes of resolutions proposed in terms of the Listings Requirements. Shares held as treasury shares in terms of the Companies Act may not vote on any resolutions.

Please note that, in accordance with section 63(1) of the Companies Act, the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified. Accordingly, meeting participants (including shareholders and proxies) must provide satisfactory identification. Without limiting the generality hereof, the Company will accept a valid South African identity document, a valid driver’s licence or a valid passport as satisfactory identification.

On a show of hands, every shareholder of the Company, present in person or represented by proxy, shall have one vote only. On a poll, every shareholder of the Company shall have one vote for every share held in the Company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with “own name” registration, must contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

All beneficial owners whose shares have been dematerialised through a CSDP or broker, other than with “own-name” registration, must provide the CSDP or broker with their voting instructions in terms of the custody agreement with their CSDP or broker should they wish to vote at the AGM. Alternatively, they may request their CSDP or broker to provide them with a letter of representation, in terms of the custody agreements with their CSDP or broker, should they wish to attend the AGM.

Forms of proxy should be lodged in person or forwarded to the Company’s transfer secretaries, Computershare Investor Services Proprietary Limited (Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa; Private Bag X9000, Saxonwold, 2132, South Africa), or emailed to Proxy@computershare.co.za, to be received, for administrative purposes, by them no later than 09:00, on Friday, 19 November 2021 (for administrative purposes), provided that they may be handed to the Chairperson of the meeting at any time prior to the proxy exercising any right at the meeting. Forms of proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares and registered them in their own name.

Material changes

Other than the facts and developments reported on in the financial report, there have been no material changes in the financial and trading position of the Group since the date of signature of the audit report and the date of this notice of the AGM.

Directors’ responsibility statement

The directors, whose names are given on the inside cover of this notice, collectively and individually accept full responsibility for the accuracy of the information pertaining to these resolutions. They certify that, to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

The following information is provided in terms of the Listings Requirements for purposes of the general authority:

- Major shareholders of the Company – Annual Financial Statements, page 118.
- Share Capital and premium of the Company – Annual Financial Statements, pages 113 and 114.

Any other business

In terms of section 61(8)(d) of the Companies Act, an AGM must provide for the transacting of business in relation to any matters raised by shareholders, with or without advance notice to the Company.

By order of the Board

Lucky Phalafala
Company Secretary
Midrand

26 October 2021



Notice of Annual General Meeting 2021 (Continued)

PART 1

Present the Annual Financial Statements, Audit Committee report and Social and Ethics Committee report

Present the audited annual financial statements of the Adcock Ingram Group (being the Company and its subsidiaries), for the financial year ended 30 June 2021, together with the reports of the directors of the Company, the Audit Committee of the Company and the external auditors of the Company. The Annual Financial Statements of the Group for the financial year ended 30 June 2021 can be obtained from the Adcock Ingram website at www.adcock.com; and

Present the report of the Social and Ethics Committee for the financial year ended 30 June 2021, as required in terms of Regulation 43 of the Companies Regulations, 2011 (the Regulations).

PART 2

Ordinary resolutions

To consider and, if deemed fit, to approve, with or without modification, the ordinary resolutions set out below, in the manner required by the memorandum of incorporation (MOI) and the Companies Act, as read with the Listings Requirements:

Ordinary resolution number 1 – re-election of non-executive directors

To re-elect, each by way of a separate vote, the following directors who are required to retire in terms of clause 17.1 of the Company's MOI, each as a non-executive director of the Company as contemplated in section 68(2) of the Companies Act, each of whom being eligible and available, have offered themselves for re-election:

- 1.1 Prof M Haus;
- 1.2 Dr S Gumbi; and
- 1.3 Ms N Madisa.

The Nominations Committee of the Board has reviewed the composition of the Board taking into account the nature of the work of the Board, the strategy of the Company, the skills requirements of the Board, diversity considerations, statutory requirements in respect of board committee work, and King IV™ Report on Corporate Governance for South Africa, 2016 (King IV™) recommendations on director independence and tenure, and has recommended the re-election of the directors listed above.

In light of Prof Haus having reached the age of 72 (seventy-two) and a nine-year tenure, the Board has, in accordance with clause 17.2.3 of the MOI, determined to extend his tenure by 24 (twenty-four) months with effect from 25 May 2021, as he is considered by the Board to possess a rare or unique skill which is required and desirable on the Board.

The voting under this Ordinary resolution number 1 shall be conducted as a series of votes, each of which is on the candidacy of each individual as contemplated in section 68(2)(a) of the Companies Act.

Brief CVs appear on page 11

Ordinary resolution number 2 – election of Audit Committee members

To elect, each by way of a separate vote, the members of the Audit Committee of the Company, to hold office until the end of the next AGM, in accordance with section 94 of the Companies Act, namely:

- 2.1 Ms D Ransby (Chairperson);
- 2.2 Prof M Haus, subject to being re-elected as a director in terms of resolution 1.1 above; and
- 2.3.1 Dr C Manning.

The Board has reviewed the proposed composition of the Audit Committee against the requirements of the Companies Act and the Regulations and has confirmed that the proposed Audit Committee will comply with the relevant requirements and has the necessary knowledge, skills and experience to enable the Audit Committee to perform its duties in terms of the Companies Act. The Board recommends the election, by shareholders, of the directors listed above as members of the Audit Committee to hold office until the end of the next AGM.

Brief CVs appear on page 11

Ordinary resolution number 3 – re-appointment of independent external auditor

The re-appointment of PricewaterhouseCoopers Inc. (and the designated partner, Mr Keeran Ramnarian), and to note the remuneration of the independent external auditor as determined by the Audit Committee of the Board for the past year's audit as reflected in note 6.1 to the annual financial statements.

Ordinary resolution number 4 – delegation of authority

To authorise any 1 (one) director of the Company and/or the Company Secretary to do all such things and to sign all such documents (including any amendments thereto) as are deemed necessary or advisable to implement the ordinary and special resolutions which have been (or will be) duly passed as set out in this notice of the AGM.

PART 3

Non-binding advisory votes

To consider and vote on the resolutions set out below, in the manner required by King IV™, as read with the Listings Requirements:

To endorse, on an advisory basis, the Company's remuneration policy

(excluding the remuneration of the non-executive directors for their services as directors and members of committees) as set out from page 100 of the Integrated Report.

Explanatory note

In terms of King IV™ and the Listings Requirements, an advisory vote should be obtained from shareholders on the Company's remuneration policy. The vote allows shareholders to express their views on the remuneration policy adopted, but will not be binding on the Company.

To endorse, on an advisory basis, the implementation report of the Company's remuneration policy

(excluding the remuneration of the non-executive directors for their services as directors and members of committees) as set out from page 106 of the Integrated Report.

Explanatory note

In terms of King IV™ and the Listings Requirements, an advisory vote should be obtained from shareholders on the implementation of the Company's remuneration policy. The vote allows shareholders to express their views on the implementation of the Company's remuneration policy, but will not be binding on the Company.

Notice of Annual General Meeting 2021 (Continued)

PART 4

Special resolutions

Special resolution number 1 – financial assistance in terms of section 45 of the companies act to related and inter-related parties

To approve, subject to compliance with the provisions of the MOI and Companies Act (including, but not limited to, the Board being satisfied that, immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in section 4 of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company), the provision by the Company, at any time and from time to time during the period of 2 (two) years commencing from the date of approval of this special resolution, of such direct or indirect financial assistance as contemplated in section 45 of the Companies Act, by way of a loan, guarantee of a loan or other obligation or securing of a debt or other obligation or otherwise as the Board may authorise to any 1 (one) or more related or inter-related company(ies) or corporation(s) (as such relations and inter-relationships are outlined in section 2 of the Companies Act), on such terms and conditions as the Board may deem fit, subject to the Companies Act.

Explanatory note

The reason and effect of this special resolution number 1 is to grant the Board the authority to provide inter-Group loans and other financial assistance for the purposes of funding the activities of the Group.

This special resolution number 1 does not authorise the provision of financial assistance to a director or prescribed officer of the Company.

Special resolution number 2 – proposed remuneration of non-executive directors payable with effect from 1 December 2021

To approve the proposed fees and remuneration payable to non-executive directors for their services as directors, with effect from 1 December 2021 until the next AGM in as set out in the table below:

Category	Current annual remuneration (Rand)	Proposed annual remuneration payable with effect from 1 December 2021
Board		
Chairman	1 189 163	1 189 163
Lead independent	390 000	392 000
Board member	302 400	345 800
Audit Committee		
Chairman	249 500	262 000
Committee member	124 740	131 000
Risk and Sustainability Committee		
Chairman	235 370	235 400
Committee member	120 000	120 000
Human Resources and Remuneration Committee		
Chairman	180 000	185 700
Committee member	82 700	100 900
Nominations Committee		
Chairman	n/a	157 000
Committee member	n/a	78 300
Social, Ethics and Transformation Committee		
Chairman	165 900	165 900
Committee member	75 500	80 600
Acquisitions Committee		
Chairman	249 500	249 500
Committee member	124 740	124 740

Non-executive directors are paid an additional R13 000 (thirteen thousand Rand) each when they attend special meetings of the Board and/or sub-committees of the Board which last more than 3 (three) hours.

**The Chairman of the Board does not get paid any additional amount for attending meetings of sub-committees of the Board.*

Explanatory note

In terms of section 65(11)(h) of the Companies Act, read with sections 66(8) and 66(9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous 2 (two) years.

Special resolution number 3 – general authority to repurchase shares

To authorise the directors to approve and implement the acquisition by the Company (or by a subsidiary of the Company in terms of section 48(2)(b) of the Companies Act), of ordinary shares of the Company, by way of a general authority, which shall only be valid until the Company's next AGM or 15 (fifteen) months from the date of the passing of this special resolution, whichever period is the shorter, and subject to the Companies Act, the MOI, the Listings Requirements, when applicable, and the following limitations, namely:

- the repurchase of shares in terms of this authority is to be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party (reported trades are prohibited);
- the Company is to be authorised thereto by its MOI;
- this authority shall be valid until the next Annual General Meeting of the Company, or for a period of 15 (fifteen) months from the date of passing the resolution, whichever is the shorter;
- repurchases shall not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction is effected;
- an announcement containing full details of such acquisition of shares, will be published in accordance with the Listings Requirements as soon as the Company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue at date of the AGM at which this resolution is considered and passed (initial number), and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing such details of such repurchases as are required under the Listings Requirements as well as any confirmations and disclosures required of the Company and its directors;
- a resolution has been passed by the Board confirming that it has authorised the repurchase, and that the Company and its subsidiary/ies (Group) have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group;
- the number of shares purchased and held by a subsidiary or subsidiaries of the Company shall not exceed 10% (ten percent) in aggregate of the number of issued shares in the Company at the relevant times;
- a general repurchase of ordinary shares in the aggregate in any one financial year may not exceed 5% (five percent) of the Company's issued ordinary share Capital as at the beginning of the financial year;
- any such general repurchase will be subject to the applicable provisions of the Companies Act (including sections 114 and 115 to the extent that section 48(8) is applicable in relation to that particular repurchase);
- any such general repurchases are subject to exchange control regulations and approval at that point in time;
- the Company or its subsidiary/ies may not repurchase securities during a prohibited period as defined in the Listings Requirements unless the Company has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period to execute the repurchase programme submitted the JSE; and
- the Company only appointing 1 (one) agent at any point in time to effect any repurchases on its behalf.



Notice of Annual General Meeting 2021 (Continued)

The directors undertake that the Company will not commence a general repurchase of shares as contemplated above unless the following can be met:

- the Company and the Group will be able in the ordinary course of business to pay their debts for a period of 12 (twelve) months following the date of the general repurchase;
- the consolidated assets of the Company and the Group, recognised and measured in accordance with the accounting policies used in the latest audited Group annual financial statements, will exceed the liabilities of the Company and the Group for a period of 12 (twelve) months following the date of the general repurchase;
- the ordinary share Capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 (twelve) months following the date of the general repurchase; and
- the working Capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 (twelve) months following the date of the general repurchase.

Other disclosure in terms of the Listings Requirements Section 11.26

The Listings Requirements require the following disclosure, some of which are elsewhere in the Integrated Annual Report of which this notice of the AGM forms part as set out below.

- Major shareholders of the Company – Annual Financial Statements, page 118.
- Share Capital and premium of the Company – Annual Financial Statements, pages 113 and 114.

Directors' responsibility statement

The directors, whose names are given on the inside cover of this notice of the AGM, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by the JSE Listings Requirements.

No material changes

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial position of the company and its subsidiaries since the date of signature of the audit report and the date of this notice of the AGM.

Reason

The reason for this special resolution number 3 is to authorise the Company and/or its subsidiary companies, by way of a general authority, to acquire its own issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the Company subject to the limitations set out above.

Statement of Board's intention

The directors of the Company have no specific intention to effect the provisions of special resolution number 3 but will, however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 3.

Form of proxy

Adcock Ingram Holdings Limited

(Incorporated in the Republic of South Africa)

Registration number 2007/016236/06

JSE share code: AIP ISIN: ZAE000123436

("Adcock Ingram" or "the Company")

For use only by certificated shareholders and "own-name" dematerialised shareholders of Adcock Ingram in respect of the Annual General Meeting of shareholders to be held at 1 New Road, Midrand, Gauteng, on Tuesday, 23 November 2021 at 09:00 or at any other adjourned or postponed time determined in accordance with the provisions of section 64(4) or section 64(10) (as read with section 64(11)(a)(i) of the Companies Act.

A shareholder is entitled, at any time, to appoint an individual as a proxy (who need not to be a shareholder of Adcock Ingram) to attend, speak, and vote or abstain from voting in the place of that shareholder at the Annual General Meeting.

All terms defined in the Notice of Annual General Meeting to shareholders dated Tuesday, 26 October 2021, to which this form of proxy is attached and not defined herein shall bear the same meanings herein.

This form of proxy is only to be completed by those ordinary shareholders of Adcock Ingram who hold ordinary shares in certificated form or who are recorded on the sub-register of the Company in electronic form in "own name". Shareholders who hold dematerialised ordinary shares, other than in their "own name", are referred to paragraphs 3 and 4 of the "Notes" overleaf for further instructions.

I/We, the undersigned (Please print full names) _____

of (address) _____

(contact details), _____ being a shareholder of the Company, and entitled to

(insert number) _____ votes, do hereby appoint

_____ or failing him/her,

_____ or failing him/her,

the chairman of the AGM, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of shareholders of the Company to be held at the Company's premises, 1 New Road, Midrand, Gauteng on Tuesday, 23 November 2021 at 09:00 or any postponement or adjournment thereof, as follows:

(*Indicate instructions to proxy by insertion of the relevant number of votes exercisable by the shareholders in the space provided below. If no instructions are given, the proxy holder will be entitled to vote or to abstain from voting as such proxy holder deems fit.)

Number of votes _____

	FOR	AGAINST	ABSTAIN
PART 2 Ordinary resolutions			
1. Re-election of directors retiring by rotation			
1.1 Prof M Haus			
1.2 Dr S Gumbi			
1.3 Ms N Madisa			
2. Election of members of the Audit Committee			
2.1 Ms D Ransby (Chairperson)			
2.2 Prof M Haus, subject to being elected as a director			
2.3 Dr Claudia Manning			
3. Re-appointment of independent external auditor			
4. Implement all the resolutions tabled			

Form of Proxy (Continued)

	FOR	AGAINST	ABSTAIN
PART 3 Non-binding advisory votes			
Endorsement Remuneration policy			
Endorsement Implementation of remuneration policy			
PART 4 Special resolutions			
1. General authority to provide financial assistance to related and inter-related companies			
2. Non-executive directors' remuneration			
3. General authority to repurchase shares			

And generally to act as my/our proxy at the Annual General Meeting.

Signed by me (full names) _____

in my capacity as _____

on this (date, month and year) _____ at (place) _____

Signature _____

Please read the notes on the reverse hereof.

NOTES TO COMPLETION OF FORM OF PROXY

- If you have disposed of all your ordinary shares, this document should be handed to the purchaser of such ordinary shares or the broker, Central Securities Depository Participant (CSDP), banker, attorney, accountant or other person through whom the disposal was effected.
- If you are in any doubt as to what action you should take arising from this document, please immediately consult your broker, CSDP, banker, attorney, accountant or other person through whom the disposal was effected. You are reminded that the onus is on you to communicate with your CSDP or broker.
- A form of proxy is only to be completed by those ordinary shareholders who are:
 - holding ordinary shares in certificated form; or
 - recorded on sub-register electronic form in "own name".
- If you have already dematerialised your ordinary shares through a CSDP or broker and wish to attend the Annual General Meeting, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.
- A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided with or without deleting "the chairman of the Annual General Meeting" but any such deletion must be initialled by you. Any insertion or deletion not complying with the foregoing will, subject to 12 below, be declared not to have been validly effected. A proxy need not be a shareholder of the Company. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the Annual General Meeting.
- If voting is by a show of hands, any person who is present at the meeting, whether as a shareholder or as a proxy for a shareholder, has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder.
- A shareholder's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of the votes exercisable by the shareholder or by the proxy.
- The proxy shall (unless this sentence is struck out and countersigned) have the authority to vote, as he/she deems fit, on any other resolution which may validly be proposed at the meeting, including in respect of the proposed amendment to the above resolutions. If the foregoing sentence is struck out, the proxy shall be deemed to be instructed to vote against any such proposed additional resolution and/or proposed amendment to an existing resolution as proposed in the notice to which this form of proxy is attached. A vote given in terms of an instrument of proxy shall be valid in relation to the meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the vote is given,

unless an intimation in writing of such death, revocation or transfer is received by the Company Secretary before the commencement of the Annual General Meeting.

- To be effective, completed forms of proxy:
 - should be lodged with or mailed to Computershare Investor Services Proprietary Limited
Hand deliveries to: Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196
Postal deliveries to: P/Bag 9000 Saxonwold, 2132
to be received, for administrative purposes only, by 09:00 on Friday, 19 November 2021 or not less than 48 hours before any adjourned or postponed meeting); or
 - should be lodged with or mailed to Adcock Ingram, 1 New Road, Midrand, Gauteng (marked for the attention of the Company Secretary) to be received after the time last specified in (i) above but up to at least 10 minutes before the commencement of the Annual General Meeting (including any adjourned or postponed meeting); or
 - must be handed to the Chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (including any adjourned or postponed meeting), provided that, should the relevant shareholder return such form of proxy in terms of (ii) above, the relevant shareholder will also be required to furnish a copy of such form of proxy to the Chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (including any adjourned or postponed meeting).
- The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
- Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the Annual General Meeting. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by Adcock Ingram.
- Any alteration or correction made to this form or proxy must be initialled by the signatory/ies.
- Notwithstanding the foregoing, the chairman of the Annual General Meeting may waive any formalities that would otherwise be a pre-requisite for a valid proxy.
- Where there are joint holders of shares: (i) any one holder may sign this form of proxy; and (ii) the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the securities register of the Company) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
- The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
- A proxy may not delegate his/her authority to act on behalf of the shareholder in question to another person.



Form of Proxy (Continued)

SUMMARY OF APPLICABLE RIGHTS ESTABLISHED IN TERMS OF SECTION 58 OF THE COMPANIES ACT

For purposes of this summary, the term “shareholder” shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at, a shareholders’ meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the memorandum of incorporation of a company provides otherwise:
 - 3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
 - 3.2 a proxy may delegate the proxy’s authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - 3.3 a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
4. Irrespective of the form of instrument used to appoint a proxy:
 - 4.1 the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
 - 4.2 should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy’s authority to act on behalf of the relevant shareholder as of the later of the date:
 - 5.1 stated in the revocation instrument, if any; or
 - 5.2 upon which the revocation instrument is delivered to the proxy and the relevant company.
6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company’s memorandum of incorporation to be delivered by the company to the shareholder must be delivered by such company to the:
 - 6.1 shareholder; or
 - 6.2 proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the company or the instrument appointing the proxy provides otherwise.
8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
 - 8.1 such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised and must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act;
 - 8.2 the company must not require that the proxy appointment be made irrevocable; and
 - 8.3 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act (see paragraph 5 above).

Corporate information

Adcock Ingram Holdings Limited

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

Directors

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

Company Secretary

Mr Mahlatse “Lucky” Phalafala

Registered office

1 New Road, Midrand, 1682

Postal address

Private Bag X69, Bryanston, 2021

Transfer secretaries

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

Auditors

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

Sponsor

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

Bankers

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

This document is important and requires your immediate attention. Your attention is drawn to the notes at the end of this notice of Annual General Meeting (AGM), which contain important information regarding shareholders’ participation at the AGM. Should you be in any doubt as to what action to take in respect of the proposed resolutions and other matters contemplated in this notice of the AGM or the explanatory notes hereto, we recommend that you consult appropriate professional advisers. For purposes of this notice of the AGM and the explanatory notes hereto, the term “shareholder” shall have the meaning ascribed thereto in section 57(1) of the Companies Act, No. 71 of 2008 (“Companies Act”).

Abbreviations

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

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

