



adcock ingram



# INTEGRATED REPORT

FOR THE YEAR  
ENDED 30 JUNE  
2024

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.



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## About this report

### REPORTING PRINCIPLES

During the period under review, Adcock Ingram was compliant in all material respects with the requirements of King IV™ (unless otherwise stated), the Companies Act, the Johannesburg Stock Exchange Limited (JSE) Listings Requirements and has acted in terms of its Memorandum of Incorporation (MOI). The Group subscribes to corporate governance best practice. For more details, and an overview of the Group governance and structures, please see the corporate governance section from page 16 onwards.

The Group adheres to IFRS® Accounting Standards in compiling its annual financial statements.

### SCOPE AND BOUNDARY

Adcock Ingram's Integrated Report covers the financial year 1 July 2023 to 30 June 2024. Comparatives for the year 1 July 2022 to 30 June 2023 are included where available.

The report is released at least 15 business days prior to the Company's Annual General Meeting to be held on 20 November 2024.

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

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

### ASSURANCE

Adcock Ingram's Board of Directors subscribes to compliance with applicable laws and regulations in all jurisdictions in which the Group operates. It acknowledges its responsibility to ensure the integrity of the Integrated Report. The Board has accordingly applied its mind to the Integrated Report and, in its opinion, the report fairly presents the integrated performance of the Group.

### ANNUAL FINANCIAL STATEMENTS 2024

The annual financial statements for the year ended 30 June 2024 were approved by the Board on 21 August 2024.

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

### B-BBEE SCORECARD

The Group's B-BBEE status has been verified by Empowerlogic, an independent verification agency, for the codes of the B-BBEE Act. The B-BBEE level 2 rating is valid until 1 November 2024.

### CARBON FOOTPRINT

The Group's carbon footprint in South Africa, has been calculated by Carbon Calculated for the 2024 financial year.

### SUSTAINABILITY INFORMATION

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

[www.adcock.com/Investors/IntegratedReports](http://www.adcock.com/Investors/IntegratedReports)

### FEEDBACK

Your feedback is important to us, and we welcome your input to enhance the quality of our reporting.

Please visit [www.adcock.com](http://www.adcock.com) or email [investor.relations@adcock.com](mailto:investor.relations@adcock.com)



### PRIMARY NAVIGATION

- Go to page
- Go to website

## Document navigation

### Capitals

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

### Divisions

- Consumer
- Over the Counter
- Prescription
- Hospital

### Strategic focus areas

- Operational excellence
- Innovation and growth
- Responsible corporate citizen

### STAKEHOLDERS

- Employees and organised labour
- Customers and consumers
- Government and regulatory authorities
- Shareholders, investor community and financial institutions
- Multinational partners and licensors
- Suppliers and service providers
- Industry bodies
- Communities
- Media

## At a glance

**R9.6 billion** turnover

**59%** of turnover single exit price (SEP) regulated

**R11.3 billion** market capitalisation

**Ranked 1st** in the private pharmaceutical market with a share of 9.9%

**Leader** in the OTC pharmaceutical market

**Level 2** B-BBEE rating

Listed as **AIP** on the JSE

**Head office** in Midrand

**Largest** supplier of hospital and critical care products

**2 436** permanent employees

 Proudly South African company

### OUR MISSION

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

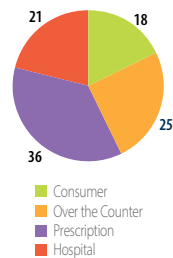
### OUR CORE VALUES

Equality	Practice non-discrimination and equal opportunities
Integrity	Act with integrity at all times
Respect	Have respect for people, society and the environment
Empowerment	Believe in empowerment of our people, thus encouraging entrepreneurship, innovation and accountability
Quality	Provide quality products and services
Transparency	Believe in transparency and open communication

### OUR HERITAGE

We started as a small Krugersdorp pharmacy almost 130 years ago and we now rank as the largest manufacturer in the private pharmaceutical market in South Africa.

Revenue contribution by division (%)



CONSUMER



OVER THE COUNTER



PRESCRIPTION



HOSPITAL



## Material matters for the Company

Material matters are those matters which the Board considers to substantively affect the organisation's ability to create value over the short, medium and long-term. They can include both external and internal forces and/or incidents.

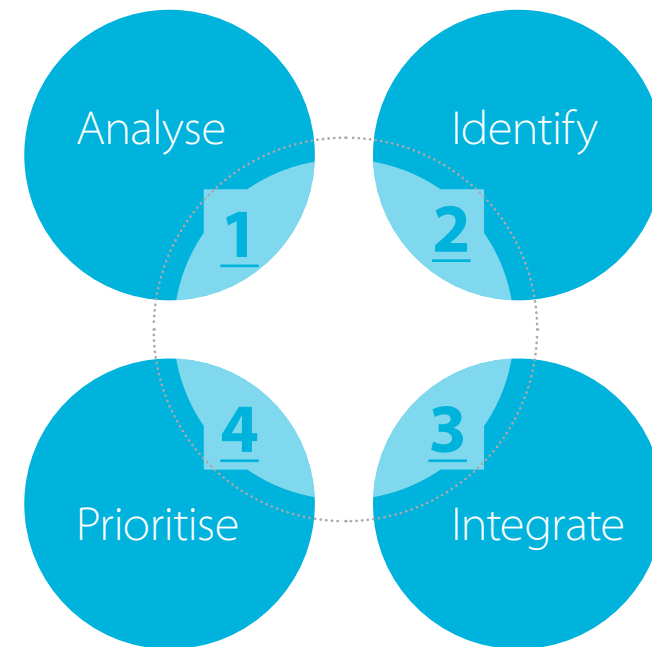
### OUR MATERIAL MATTERS

- **The legal and regulatory environment**, including good manufacturing and distribution practice, quality standards, compliance and pharmacovigilance, competition law and healthcare-related legislation
- **Manufacturing infrastructure**, including long-term physical sustainability of plant and machinery, and changes in technology
- **Relationships** with licensors and technology partners
- **Business disruptions**, including supply chain disruptions, power and water supply disruptions, and labour and social unrest
- **Macro-economic environment**, including but not limited to rising energy costs, rand weakness and volatility, inflation, unemployment and interest rates
- **Growth opportunities** through innovation, acquisitions and partnerships
- **Technology and information** governance, including cyber security and the management of data and the emergence of new technologies that will have an impact on future business operations
- Use of **renewable energy** and increase in water storage and recycling
- **Waste and environmental** management
- **Talent and succession** management.

### OUR PROCESS REGARDING MATERIAL MATTERS

**Analyse** the risks and trends in the business, including those in the healthcare sector, in addition to matters raised by shareholders, or otherwise known to management.

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



**Identify** and consider the possible effect on Adcock Ingram's strategy, governance, financial and operating performance and sustainability.

**Integrate** these matters into meeting agendas in order that they are deliberated at Board and/or Committee meetings. The Board and Committee Members consider their nature and effect, any changes thereto, including the possible impact of the latest available information, as well as the timing of the matter.

# Our business model



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

- Actively managing the risk universe and identifying opportunities (page 42).
- Executing the strategy (page 38) by allocating resources and making trade-offs between Capitals.
- Taking the needs of all material stakeholders (page 35) affecting the activities or affected by the activities of the Group, into account.
- Overseeing the performance (page 62) of all operations.

## OUR INPUTS

**FINANCIAL CAPITAL**

**FC** We use cash generated by our operations as well as debt financing to run our business and fund growth

The Group has **R89 million** in cash as well as access to working capital facilities of R1.75 billion to finance operations, expansion and acquisitions

**HUMAN CAPITAL**

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

**2 782** total employees  
 – **2 436** permanent  
 – **346** fixed term

**INTELLECTUAL CAPITAL**

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

**2 656** registered trademarks and **168** pending trademark registrations in South Africa

**SOCIAL AND RELATIONSHIP CAPITAL**

**SR** Relationships with key stakeholder groups

As members of **Proudly South African** we share a commitment to an uplifting ethos that promotes social and economic change and progress in conjunction with key stakeholders

**MANUFACTURED CAPITAL**

**MC** Compliant facilities producing quality products

**3** manufacturing plants in South Africa  
**2** manufacturing plants (JV) in India

The Group also has access to various 3<sup>rd</sup> party manufacturers and distribution centres/hubs throughout South Africa

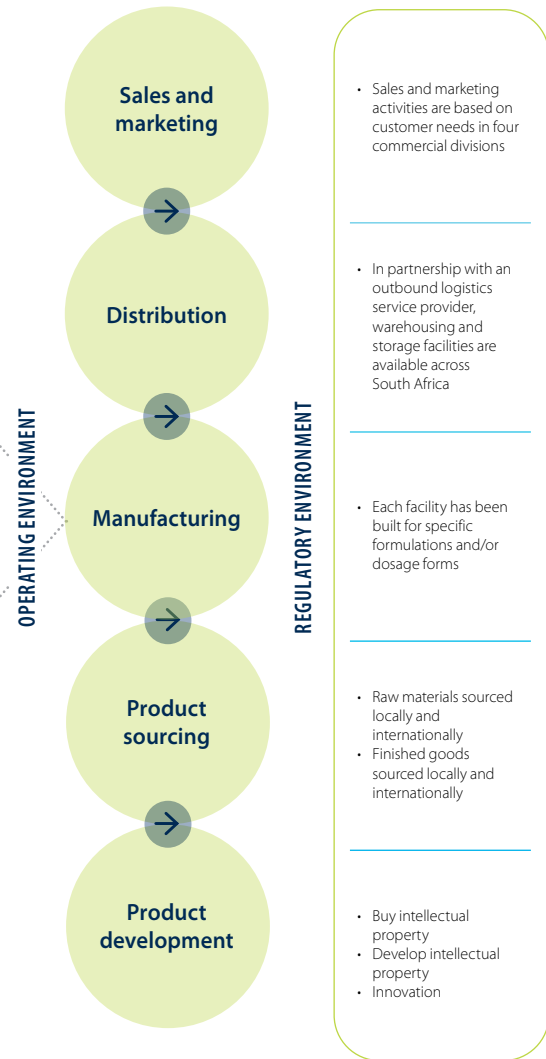
**NATURAL CAPITAL**

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

**2 675 Kw** renewable energy capacity installed across the Group in South Africa  
**5 624 kL** water storage available across the Group in South Africa

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

## BUSINESS ACTIVITIES



## OUR OUTPUTS

**MANUFACTURE**

**A diverse basket of products spanning many therapeutic areas**

- Consumer
- Over the Counter
- Prescription
- Hospital

**WASTE AND EMISSIONS**

**Various waste products** form part of the **unintended output** of the Group's operations

**5 131 TONNES** TOTAL WASTE = **84%** recycled  
**16%** landfill

**131 832 TONNES** CO<sub>2</sub>e = **131 471** scope 1, 2 and 3  
**361** outside scopes

## CAPITAL OUTCOMES FOR STAKEHOLDERS

**R319 million** in taxes paid

**R379 million** in dividends paid

**R98 million** in interest paid

**FC**

**R1 565 million** in remuneration paid to employees, including share-based payments

**R78 million** spent on training including learnerships and interns

**HC**

**R1 114 million** of intangible assets

**IC**

**R8.4 million** Corporate Social Responsibility (CSR) spend

**R26.7 million** of interest-free ESD loans granted

**SR**

**R128 million** capital expenditure (maintenance and expansion)

**MC**

Electricity usage: **55 940 MWh**

Water usage: **418 742 kL**

Industrial coal usage: **3 583 tonnes**

**NC**

## Divisional overview



page 62

### CONSUMER

competes mainly in the fast-moving consumer goods (FMCG) space, selling a range of healthcare, personal care and homecare products and includes market-leading brands such as **Panado**, **Epi-max** and **Bioplus**.

#### THE DIVISION'S OPERATING MODEL

##### BUSINESS ACTIVITIES

The Division focuses on the marketing, selling and distribution of healthcare, personal care, and homecare brands, where these brands are primarily aimed at the consumer who is making the final purchase decision.

The range of market-leading brands is represented in various categories in:

- Healthcare (analgesics, energy, colds and flu, gut health, and vitamins and supplements);
- Personal care (hand and body, intimate care, sun care and hair care); and
- Home and shoe care.

##### OUR CUSTOMERS AND MARKETS

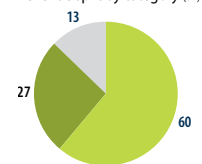
Almost all the sales are into the private market in South Africa, as the Division does not sell anything into the public sector and very little product is exported. The Division operates across all Living Standards Measures (LSMs).

The brands in the Division are sold to customers across most channels, including:

- Pharmacy (corporate pharmacy, pharmaceutical wholesale and independent pharmacy);
- Retail stores (comprising most of the large retailers and forecourts);
- Wholesale (includes corporate as well as independent Cash and Carry); and
- Speciality stores.

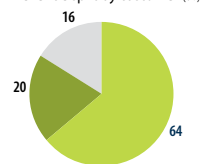


Revenue split by category (%)



- Healthcare
- Personal care
- Homecare

Revenue split by customer (%)



- Retail/FMCG
- Corporate pharmacy
- Other wholesale

#### INPUTS

##### HC HUMAN CAPITAL

- 18 factory staff
- 95 sales, marketing and administration employees

##### IC INTELLECTUAL CAPITAL

Top brands include:

Panado	Epi-max
Bioplus	Plush
Compral	ProbiFlora
E45	GynaGuard
Cepacol	Island Tribe

##### MC MANUFACTURED CAPITAL

The Plush shoe care facility

3.6 million shoe-care units

Pharmaceutical finished products are sourced from:

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

The split is as follows:

Adcock Ingram	42%
Third parties	58%

##### NC NATURAL CAPITAL

Purchased by Plush facility:

- 226 kL of water
- 63 035 KWh of electricity

##### SR SOCIAL AND RELATIONSHIP CAPITAL

Memberships include:

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

Regulatory bodies include:

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



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### OVER THE COUNTER

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

#### THE DIVISION'S OPERATING MODEL

##### BUSINESS ACTIVITIES

The Adcock Ingram Over the Counter (AI OTC) Division manufactures, markets, and sells medication with a focus on brands sold in retail pharmacies, where the consumer investigates self-treatment options and the pharmacist plays a role in the product choice. Pharmacist-initiated therapy is therefore the main driver of product use in the schedule 1 (S1) and schedule 2 (S2) space. This satisfies the growing need for primary healthcare in South Africa.

##### OUR CUSTOMERS AND OUR MARKETS

Customers, across the country include:

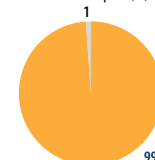
- Pharmacies
- FMCG channel

Markets served:

- Public sector
- Private sector



Revenue split (%)



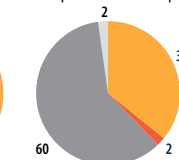
- Local
- Export

Revenue split (%)



- Private
- Public

Local private revenue split (%)



- Corporate pharmacy
- Retail/FMCG
- Other wholesale
- Independent pharmacies

#### INPUTS

##### HC HUMAN CAPITAL

- 513 factory and laboratory staff
- 118 sales, marketing and administration employees

##### IC INTELLECTUAL CAPITAL

Top brands include:

Allergex	Adco-Mayogel
Adco-Dol	Dilinct
Corenza C	Adco-Linctopent
Citro-Soda	Adco-Napamol
Alcophyllex	Scopex

##### MC MANUFACTURED CAPITAL

The Clayville facility, accredited by:

- South Africa (SAHPRA) • Kenya (PPB) • Malawi (PMPB) • Zambia (ZAMRA) • Zimbabwe (MCAZ)

Capacity

- 28 million effervescent tablets
- 500 tonnes effervescent granules and powder
- 12 million litres oral liquids
- 3 million units of ophthalmic products
- Average utilisation during the year (excluding eyedrop facility): 58%

Finished products are also sourced from:

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

The split is as follows:

Adcock Ingram	85%
Third parties	15%

##### NC NATURAL CAPITAL

Purchased

- 145 670 kL of water
- 19 790 320 KWh of electricity

##### SR SOCIAL AND RELATIONSHIP CAPITAL

Memberships include:

- Pharmaceuticals Made in South Africa (PHARMISA);

Regulatory bodies include:

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

## Divisional overview CONTINUED



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### PRESCRIPTION

comprises products prescribed by medical practitioners, specialised **ophthalmic instrumentation** and **surgical products**.

#### THE DIVISION'S OPERATING MODEL BUSINESS ACTIVITIES

The Division focuses on building and offering a broad range of medicines in targeted therapeutic areas for patients consulting healthcare professionals, where prescriptions are generally required. The Genop portfolio within the Division is a specialised instrument, surgical and pharmaceutical products enterprise, focused on servicing the ophthalmic, optometry and skincare segments in Southern Africa.

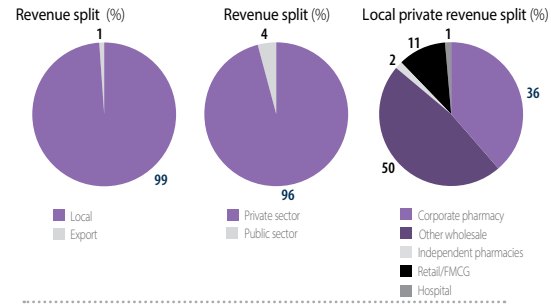
#### OUR CUSTOMERS AND MARKETS

##### Customers, across the country include:

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

##### Markets served:

- Public sector
- Private sector



#### INPUTS

##### HC HUMAN CAPITAL

- 402 factory and laboratory staff
- 278 sales, marketing and administration employees

##### IC INTELLECTUAL CAPITAL

###### Top brands include:

Synaleve	Gen-Payne	Adco-Zolpidem
Advantan	Estrofem	Activelle
Mypaid Forte	Myprodol	Vagifem
Xylotox		

##### MC MANUFACTURED CAPITAL

###### The Wadeville facility, accredited by:

- South Africa (SAHPRA)

###### Capacity

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

###### Average utilisation during the year:

- Liquids: 54%

###### Finished products are also sourced from:

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

###### The split is as follows:

Adcock Ingram	25%
Third parties	75%

##### NC NATURAL CAPITAL

###### Purchased:

- 40 194 kL of water
- 10 113 430 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);
- The South African Health Products Regulatory Authority (SAHPRA); and
- The South African Pharmacy Council (SAPC).



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### HOSPITAL

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

#### THE DIVISION'S OPERATING MODEL BUSINESS ACTIVITIES

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

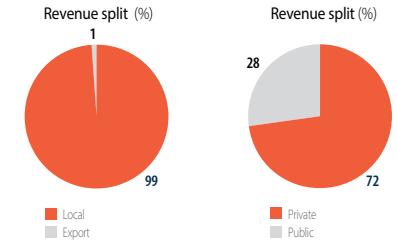
#### OUR CUSTOMERS AND OUR MARKETS

##### Customers, across the country include:

- Hospitals
- Pharmacies
- General practitioners
- Renal dialysis centres
- Clinics
- Blood centres
- Physiotherapists
- Biokineticists
- Orthotists
- Kinesiologists

##### Markets served:

- Public sector
- Private sector



#### INPUTS

##### HC HUMAN CAPITAL

- 739 factory and laboratory staff
- 106 sales, marketing and administration employees

##### MC MANUFACTURED CAPITAL

###### The Aeroton facility, accredited by:

- South Africa (SAHPRA)

###### Average utilisation during the year: 93%

###### Finished products are also sourced from:

- Third party manufacturers

###### The split is as follows:

Third parties	35%
Adcock Ingram	65%

##### NC NATURAL CAPITAL

###### Purchased:

- 189 712 kL of water
- 14 692 050 KWh of electricity
- 3 583 tonnes industrial coal

##### SR SOCIAL AND RELATIONSHIP CAPITAL

###### Regulatory bodies include:

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

## Operating environment

- became a republic in 1961 and transitioned to a constitutional democracy in 1994
- June 2024 saw the creation of a government of national unity
- is a middle-income, emerging market
- with an abundant supply of natural resources, such as gold, platinum, and diamonds
- has well-developed financial, legal, communications, energy, and transport sectors
- its currency is the Rand (ZAR)



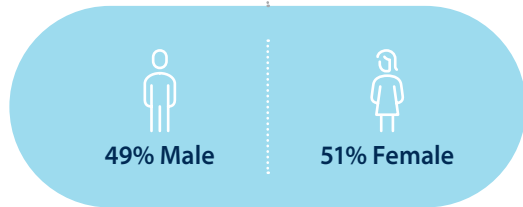
### OVERVIEW OF SOUTH AFRICA

- South Africa's stock exchange is currently the 17th largest in the world and the largest in Africa by market capitalisation
- South Africa has 12 official languages, including English
- it has three capitals: Pretoria (administrative), Bloemfontein (judicial), and Cape Town (legislative)
- GDP growth<sup>1</sup> for 2022 and 2023 was 1.9% and 0.7%, respectively
- is a member of BRICS, a group of emerging economies.

### PEOPLE<sup>2</sup>

Population

**62.0 million**



Median age  
**28 years**

Life expectancy  
**62.8 years**

Unemployment rate  
**32.9%**

People living with HIV  
**8.45 million**

### ECONOMY<sup>2</sup>

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

Inflation  
**5.2%**  
(April 2024)

GDP growth  
**0.5%**  
(annual figure at the end of Q1 2024)

### KEY SOCIO-ECONOMIC CHALLENGES

- High unemployment
- Poverty and income inequality
- Limited access to public services, including housing, transport, electricity and water, sanitation and waste removal
- Immigration, including many illegal immigrants
- Electricity and water supply disruptions and deteriorating infrastructure

### HEALTHCARE FACTS<sup>2</sup>

Healthcare is administered by the National Department of Health

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

### NATIONAL HEALTH INSURANCE (NHI) BILL

On 15 May 2024, the President of South Africa signed the National Health Insurance (NHI) Bill into law, despite appeals from numerous medical and civil organisations to return the Bill back to the National Assembly, citing unconstitutionality of the Bill. This landmark event follows five years of debates and public hearings since the Bill was introduced in 2019. The newly enacted law aims to provide equitable healthcare coverage to all South Africans.

The eventual presence of a single purchaser for pharmaceutical products is likely to provide the NHI Fund significant buying power. While certain pharmaceutical companies may stand to gain from this buying power, there are concerns about the state's procurement model as well as its ability to effect timely payments. The NHI pharmaceutical procurement model is expected to be based on negotiated central pricing, combined with balancing of government policy which prioritises reduced medicine costs. Lower pharmaceutical pricing implies reduced earnings for suppliers, but at this stage effects on volume, positive or negative, are not possible to predict. Adcock Ingram remains well-positioned for the implementation of NHI. The Group is the largest provider of critical care and hospital products in the South African market and has a wide range of both branded and generic medicines. Furthermore, as the biggest OTC company in South Africa, the majority of Adcock Ingram's profit is generated from consumer and OTC products, that will continue to play a very significant role in the healthcare of South Africans.

NHI's implementation is facing legal challenges from various stakeholders, potentially delaying its implementation. The key concerns of stakeholders include the dire state of many public healthcare facilities, lack of infrastructure and human resources, the ability to fund the NHI system, the future role of medical schemes and private healthcare once NHI is fully implemented, given that the Act states that medical schemes will not be able to provide cover for services that are paid for by the NHI.

Ratings agency Fitch has warned that the introduction of NHI poses serious risks to public finances. According to some estimates, funding the NHI could require raising value added tax (VAT) from 15% to 21%, increasing personal income tax by 31%,

<sup>1</sup> <https://taxsummaries.pwc.com/south-africa>

<sup>2</sup> <https://www.statssa.gov.za/>

and imposing an additional payroll tax of R1 500 per month on every employed individual.

The Hospital Association of South Africa (HASA) has proposed an alternative to NHI, which involves mandatory healthcare insurance for all formally employed workers in South Africa. By making healthcare insurance mandatory, medical scheme coverage would eventually expand to cover 27.5 million people. This would allow the government to allocate more resources to the remaining population without the need to adjust the current health budget.

In a recent development, President Ramaphosa has instructed Health Minister Motsoaledi to engage with various organisations about the NHI scheme. By better involving stakeholders, government will gather valuable insights, address potential concerns, and hopefully incorporate recommendations that could enhance the effectiveness and sustainability of NHI.

NHI will be implemented in a phased approach over at least the next four years with the first phase, focusing on the establishment and strengthening of the health platform. The second phase will involve the intensive conclusion of implementing the NHI programmes that will be built up in the first phase.

Adcock Ingram remains committed to universal healthcare coverage in South Africa but is particularly concerned about the country's ability to fund NHI in its current guise, and the state of public healthcare infrastructure and the level of resourcing. We are encouraged by recent developments from government to engage with private healthcare stakeholders, which can result in a workable model.

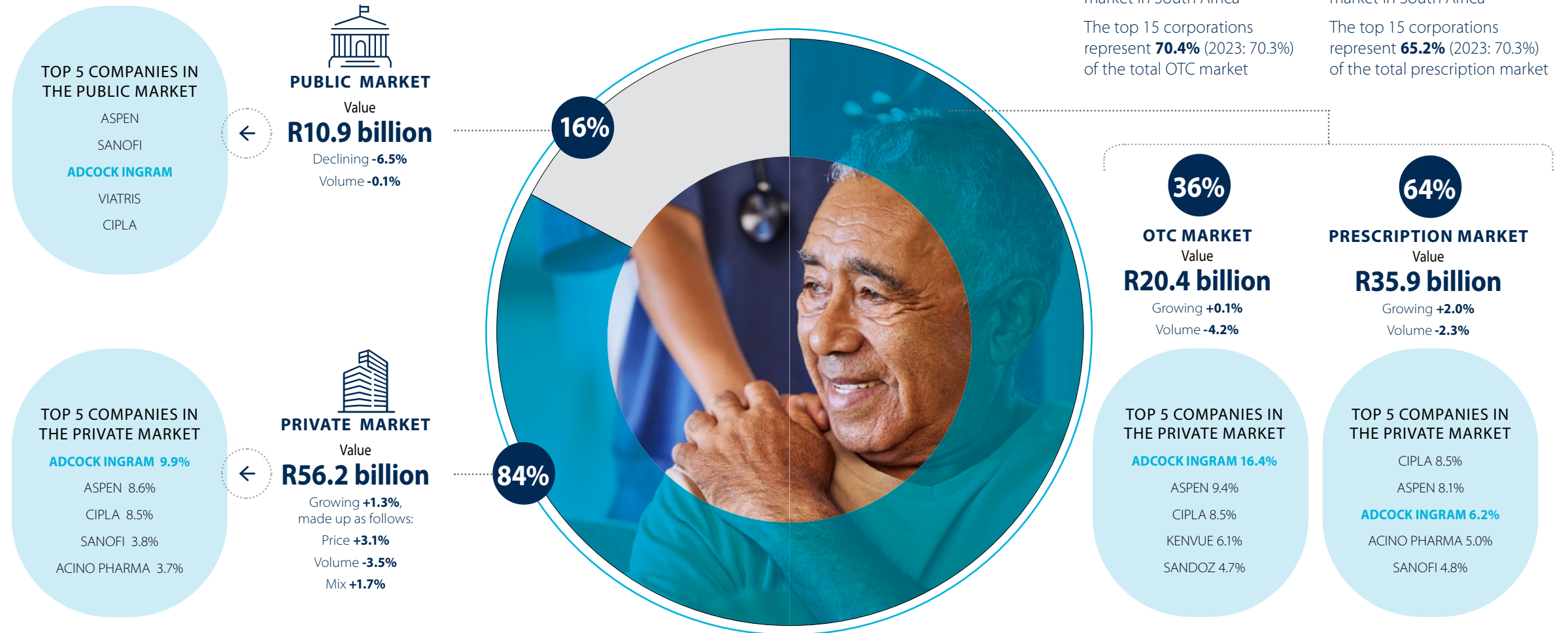
## Operating environment CONTINUED

### LOCAL INDUSTRY AND PEERS

According to IQVIA June 2024 Market Report.

## Total pharmaceutical market value **R67.1 billion**

Declining **-0.1%**  
Volume **-2.1%**



**647** corporations are competing in the OTC market in South Africa

The top 15 corporations represent **70.4%** (2023: 70.3%) of the total OTC market

**145** corporations are competing in the prescription market in South Africa

The top 15 corporations represent **65.2%** (2023: 70.3%) of the total prescription market

**685** corporations are competing in the total private market in South Africa

The top 15 corporations represent **61.0%** (2023: 63.1%) of the total private market value



## Regulatory environment

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

Various regulatory bodies and/or 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; entrusted to the licencing of safe, effective, and good quality medicines, 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 ensure regulatory compliance of health products in South Africa. SAHPRA has three pillars to ensure that its mandate is executed:

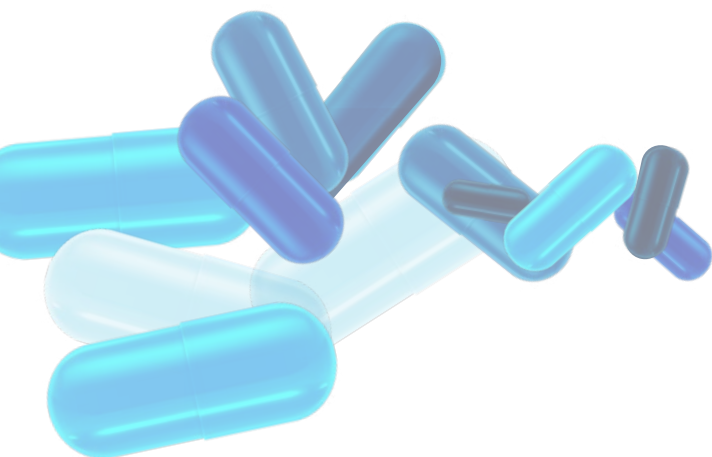
- safety;
- quality; and
- efficacy.



### THE MARKETING CODE AUTHORITY (MCA) MARKETING OF PRODUCTS

The MCA is an independent body with voluntary association, for the self-regulation of companies that market health products in South Africa. The MCA's Code of Marketing Practice is aligned with international best practice – the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) and the European Federation of Pharmaceutical Industries and Associations (EFPIA) Code – and requires members to apply the Code in all promotional material and promotional activities concerning medicines, medical devices, and in vitro diagnostic products.

Adherence to the MCA's code ensures that the promotion of health products in the healthcare industry to healthcare professionals and to the public is done in a responsible, ethical, and professional manner.



## THE MEDICINES AND RELATED SUBSTANCES ACT, 1965 (ACT NO. 101 OF 1965), AS AMENDED (THE ACT)

### SELLING OF PRODUCTS

The Act clearly defines the control of medicines and scheduled substances.

- **Schedule 0** medicines can be sold in an open shop (i.e., supermarket, spaza shops);
- **Schedule 1** medicines and above must be sold in a pharmacy; and
- **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.

### 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 pharmacies, irrespective of volume sold.

The introduction of the transparent pricing system in the Act ensured that no-one could supply medicine according to a bonus system, rebate system or any other incentive scheme (Section 18A), including sampling of medicines (Section 18B).

However, the following exemptions currently exist:

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

The Minister of Health is required to determine on an annual basis, the extent to which medicine prices may be adjusted.

### 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** (S2) and above to the public is currently prohibited, but an amendment to the Regulations allowing advertising of specified S2 substances was published in a Government Gazette in February 2023 for comment. The publication of the final amended regulations and schedules is awaited.

### MANUFACTURING AND DISTRIBUTION OF PRODUCTS

The Act specifies that manufacturers, importers, exporters, wholesalers and distributors of medicines and medical devices must hold a licence.

To hold a licence there must be the ability to comply with:

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

Application for such a licence from SAHPRA also requires:

- application to the South African Pharmacy Council (to record the pharmacy as an entity and the registration of the Responsible Pharmacist); and
- the Department of Health (to obtain a licence for the premises wherein, or from which, such business shall be conducted).

The Pharmacy Act, 53 of 1974 describes certain requirements for pharmaceutical companies and the Responsible Pharmacist, under whose supervision pharmaceutical operations must be conducted and certain duties and responsibilities which must be performed by pharmacists, such as manufacturing, and the release and distribution of medicines.

As a participating authority of the Pharmaceutical Inspection Cooperation Scheme, SAHPRA requires that manufacturers, importers and exporters of medicines and related substances in South Africa meet the standards laid out in the PIC/S Guide to GxP<sup>1</sup> 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.

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

# Corporate Governance



## AT A GLANCE

### SUCCESSION PLANNING

Succession planning for Chief Executive Officer who is approaching his retirement age has been reviewed.

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

### COMMITTEE COMPOSITION

Board and committee composition was reviewed in line with the succession plan. Appropriate plans have been put in place for the Board and committee members who are reaching their 9-year tenure.

### REMUNERATION

Evaluated equal pay for work of equal value using an external independent remuneration advisor.

### CORPORATE GOVERNANCE THEMES

Continuous review of the Group Governance Framework.

Aligned the strategy and performance targets to include Environment, Social and Governance (ESG) initiatives and metrics.

Continued to enhance the ESG reporting and measurement of the Company's outputs.

Adopted the Company's ESG Framework.

Reviewed the effectiveness of the business continuity plans and controls for manufacturing and distribution facilities. This also included the sustainability of ageing equipment and facilities.

### CULTURE OF ETHICAL LEADERSHIP

Continued to safeguard the culture of ethical leadership to maintain high levels of compliance and standards. Focused on integrated employee wellness.

### COMPLIANCE AND REGULATORY LANDSCAPE

Continued to manage material litigation matters and other legal disputes.

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

Continued to monitor and review the impact of new regulatory developments across the business.

## COLLECTIVE RESPONSIBILITY FOR PRIMARY GOVERNANCE ROLE

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

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

## VALUE CREATION

We embraced governance as a business enabler by making governance an integral part of our business strategy for value creation for all stakeholders while guarding against value erosion. Establishing and maintaining trust with our stakeholders are crucial to creating long-term value. Our approach to governance and leadership forms part of our intellectual capital and supports our overall value-creation process. This is supported by the manner in which our leadership approaches and embraces governance structures and the internal processes within the Company. These include, *inter alia*:

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

## COMMITMENT TO GOOD GOVERNANCE

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

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

The Board's commitment to governance and best practices constantly drives improvement in the way the business is managed and ensures that decisions are taken openly, transparently and ethically within our governance framework. The Group's business model is underpinned by a governance philosophy that supports the creation of measurable value for all our stakeholders. We believe practicing good governance assists with building a positive reputation and underpins a healthy Company culture.

## Corporate Governance CONTINUED

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

### INDEPENDENT NON-EXECUTIVE



**SIBONGILE GUMBI** <sup>(52)</sup>  
 PhD in Pharmacology, MBA  
 Appointed: 14 August 2019  
 Founder and CEO of Smart Biotech. Chairman of Governing Council of Waterford Kamhlaba UWCSA. Fellow of The African Leadership Initiative. Director of FNB Eswatini.  
**Previous experience**

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



**BUSISIWE MABUZA** <sup>(60)</sup>  
 BA, MBA  
 Appointed: 1 September 2022  
 Chairperson of the Industrial Development Corporation in South Africa. Lead independent director of Tsogo Sun Gaming Limited and director of Ninety-One Limited. She is also a member of the BRICS Business Council.  
**Previous experience**

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



**CLAUDIA MANNING** <sup>(57)</sup>  
 PhD  
 Appointed: 24 November 2016  
 Investment Principal at the SA SME Fund Limited.  
 Non-executive director at Rothschild & Co South Africa and Mondi Zimele Limited.  
**Previous experience**

- Managing Director of DAI Southern Africa.
- Project finance lead at Development Bank of Southern Africa (DBSA).
- Co-founder of Investment and Advisory company.



**DEBBIE RANSBY** <sup>(51)</sup>  
 CA (SA)  
 Appointed: 14 August 2019  
 Founder of Connected Coaching (Pty) Ltd and Member of the Institute of Directors.  
**Previous experience**

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



**MICHAEL SATHEKE** <sup>(55)</sup>  
 MBChB, M. Med (Nuclear Medicine), FAMS, PhD  
 Appointed: 25 August 2020  
 Professor and Head of Nuclear Medicine at the University of Pretoria. President & CEO of Nuclear Medicine Research Infrastructure. Chair of Africa Health Research Institute  
**Previous experience**

- Chairman of the Medical Research Council Board
- President of the Colleges of Medicine of South Africa.
- President of International Society of Radiolabeled Blood Elements.
- President of World Association of Radiopharmaceutical and Molecular Therapy (WARMTH).

### NON-INDEPENDENT NON-EXECUTIVE



**NOMPUMELELO MADISA** <sup>(45)</sup>  
 BSc, MCom (Finance and Investment)  
**Chairperson**  
 Appointed: 22 February 2021  
 Appointed as director: 23 November 2018  
 Appointed as the CEO of Bidvest in September 2020, and a director of numerous Bidvest subsidiaries. Chairman of the UN Global Compact SA board  
**Previous experience**

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



**LULAMA BOYCE** <sup>(45)</sup>  
 CA(SA), MCom (Fin Management)  
 Appointed: 23 May 2017  
 Senior lecturer in the commercial accounting department at the University of Johannesburg. Director on the boards of various Coronation entities, and The Bidvest Group Limited.  
**Previous experience**

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



**MARK STEYN** <sup>(54)</sup>  
 CA(SA)  
 Appointed: 1 April 2023  
 Chief Financial Officer and Executive Director of The Bidvest Group Limited.  
**Previous experience**

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

### EXECUTIVE DIRECTORS



**ANDREW HALL** <sup>(62)</sup>  
 CA(SA), BPharm  
**Chief Executive Officer**  
 Since November 2015. Appointed: 15 July 2008  
 Joined September 2007 as CFO  
**Previous experience**

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



**DORETTE NEETHLING** <sup>(50)</sup>  
 CA(SA), MCom (Taxation)  
**Chief Financial Officer**  
 Since 23 February 2016  
 Joined August 2007 as Group Finance Executive  
**Previous experience**

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



**BASADI LETSOALO** <sup>(58)</sup>  
 MPpsych, CLDP, MLPC, MPhil  
**Executive Director: Human Capital and Transformation**  
 Since 25 August 2016  
 Joined January 2008 as Group Human Capital Executive  
**Previous experience**

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

### BOARD COMMITTEES

- Audit
- Risk and Sustainability
- Social, Ethics and Transformation
- Human Resources and Remuneration
- Nominations
- Acquisitions
- Independent non-executive directors
- Non-independent directors
- Executive directors

### SKILLS AND EXPERTISE

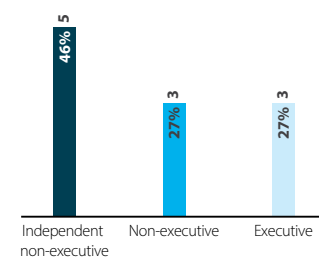
**Policy:** The Board should comprise a variety of skills and experience.  
 Board members have a diverse and balanced skills set, including:

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

### INDEPENDENCE

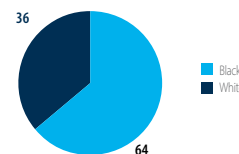
**Policy:** The Board should comprise a majority of non-executive directors, the majority of whom should be independent.

**8 OUT OF 11 (73%) ARE NON-EXECUTIVE DIRECTORS**  
**5 OUT OF 8 (62%) NON-EXECUTIVE DIRECTORS ARE INDEPENDENT**



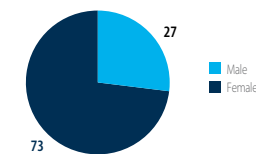
### RACIAL DIVERSITY (%)

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



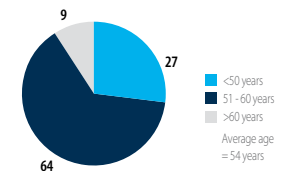
### GENDER DIVERSITY (%)

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



### AGE SPLIT (%)

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



## Corporate Governance CONTINUED

### EXECUTIVE DIRECTORS



**ANDREW HALL**  
CA(SA), BPharm  
**Chief Executive Officer**



**DORETTE NEETHLING**  
CA (SA), MCom (Taxation)  
**Chief Financial Officer**



**BASADI LETSOALO**  
MPsych, CLDP, MLPC, MPHIL  
**Executive Director – Human Capital and Transformation**

### EXECUTIVE COMMITTEE



**JUAN BRUNETTE**  
BCom, Masters in Management, MBA  
**IT Executive**



**DR THIRUVASAN GOVINDASAMY**  
MBBCH, BPharm, MBA  
**Medical Director**



**TOBIE KRIGE**  
BEng (Ind Eng), MBA  
**Distribution Executive**

### EXECUTIVE COMMITTEE



**NICK FORD**  
CA(SA)  
**Managing Director – Consumer**



**SUDIER RAMPARSAD**  
H Dip Ed, MSc (Biotech), MAP  
**Managing Director – Over the Counter (OTC)**



**ASHLEY PEARCE**  
Dip Pharm, BCom  
**Managing Director – Prescription**



**COLIN SHEEN**  
NDip (Marketing), MBA  
**Managing Director – Hospital**



**NKOSINATHI MTHETHWA**  
BSc (Hons), Masters in Public Health  
**Public Affairs Executive**



**LUCKY PHALAFALA**  
LLB  
**Company Secretary & Head of Legal**



**TIM WALTER**  
BCom Acc, BCom (Hons)  
**Head of Mergers and Acquisitions, Risk and Strategy**

### CHANGES

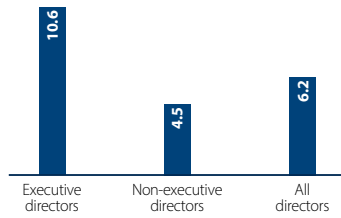
After having reached the Group's mandatory retirement age of 65 at the end of May 2023, Dr Jasvanti Bhana, the Group's Medical Director, retired and was succeeded by Dr Thiruvasan Govindasamy. Frans Cronje retired as Chief Information Officer (CIO) at the end of February 2024 and was succeeded by Juan Brunette.

## Corporate Governance CONTINUED

### TENURE DIVERSITY (YEARS ON BOARD)

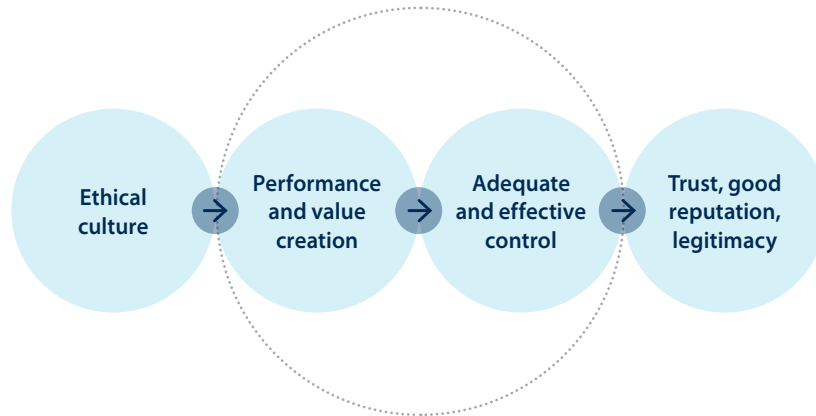
**Policy:** Directors who have served a nine (9) year tenure should automatically retire from the Board, subject to appropriate succession and Board composition requirements being in place. The Company's MOI provides that at least one-third (1/3) of the non-executive directors must retire by rotation every year and, if eligible, may offer themselves for re-election by shareholders.

**Average tenure**  
(Years)



### COLLECTIVE COMMITMENTS TO STAKEHOLDERS

THE BOARD'S COMMITMENT TO ALL STAKEHOLDERS CAN BE SUMMARISED IN THE FOLLOWING OUTPUTS:



#### ETHICAL CULTURE

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

The Board governs ethics in a way that supports maintaining an ethical culture within the Company. Consequently, the Company has a zero-tolerance approach when it comes to unethical behaviour. Instilling an ethical culture is a business imperative as it is about consistency and always doing the right thing.

We are committed to fostering honest and trustworthy relationships with all our stakeholders, both internal and external, with a zero-tolerance policy towards corruption. As such, we hold all stakeholders, including our clients, service providers, and employees to the highest standards of ethical conduct and integrity.

Our Code of Conduct & Ethics is a value-based code aimed at governing the conduct of our employees and stakeholders. The Social, Ethics and Transformation (SET) and Nominations Committees play a key role in exercising oversight of the Company's ethics, ensuring the Board is sufficiently equipped to deliver on its goal of maintaining a sustainable ethical culture within the Company. Although this responsibility has been delegated to various committees, the Board remains ultimately accountable for the way these responsibilities are discharged by, among other things, from time to time reviewing and approving the following policies:

- Code of Conduct & Ethics;
- Conflicts of Interest;
- Securities Trading;
- Whistleblower;
- Anti-bribery and Corruption; and
- Stakeholder Relations Management.

These policies provide relevant guidance to Board members and employees of the Company.

### CONFLICTS OF INTEREST

The Nominations Committee is responsible for assessing the independence of directors on an annual basis. Independence is determined according to the Companies Act, JSE Listings Requirements, and the recommendations of King IV.

Directors are required to avoid situations where they may have direct, or indirect interests that conflict with the Company's interests. All Board and Board committee meetings are preceded by declarations of interests concerning matters that are on the meeting agenda. In the event of conflicting interests, the director concerned is recused from the meeting and does not participate in the decision-making process concerning the subject 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 business interests. Where there is a material conflict in relation to business interest for an employee, the relevant line manager, in consultation with the Company Secretary, considers such conflict, and if the activity is permitted, puts measures in place to limit and monitor the conflict. During the period under review, the Nominations Committee reviewed the Conflicts of Interest Policy to update the same with the latest corporate governance developments.

### APPROACH TO BRIBERY AND CORRUPTION

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

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

Anti-bribery and corruption management is embedded in our compliance monitoring programme. We have adopted various policies, frameworks, processes and standards to govern, *inter alia*, ethics management, political contributions, charitable donations, gifts, facilitation payments, solicitation and extortion effectively. The effectiveness of our compliance monitoring programme is monitored quarterly by the Board. During the period under review, the Company adopted an Anti-bribery and Corruption policy for implementation across the Group. Our efforts demonstrate the Board's commitment to robust and forward-thinking governance practices to safeguard the Company's reputation and ensure its long-term sustainability.

### POLITICAL DONATIONS

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

### WHISTLEBLOWING

A formalised ethics management programme, which incorporates a whistleblowing mechanism *via* Deloitte Tip-Offs Anonymous, is in place. The effectiveness of this programme is overseen by the Social, Ethics and Transformation (SET) Committee and Risk and Sustainability Committee, and the Audit Committee. All ethics-related reports are investigated, and details reported to the Board committees to ensure the sustained maintenance of an ethical foundation and culture. A whistle blower can contact the tip-off facility *via* any of the following six channels:

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

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

During the year under review, 63 contacts were received, which resulted in 18 anonymous tip-offs via the tip-off line. The tip-offs were categorised as follows:

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

All investigations were completed and one of the tip-offs was substantiated.

### REPORTING HUMAN RIGHTS CONCERNS

Our formal Grievance Policy and independent whistleblower hotline ensure that any human rights issues within our business can be timeously and/or anonymously reported. Both these platforms, with the latter available on our corporate website, empower employees and other stakeholders to report any potential human rights abuses without fear and anonymously if they so prefer.

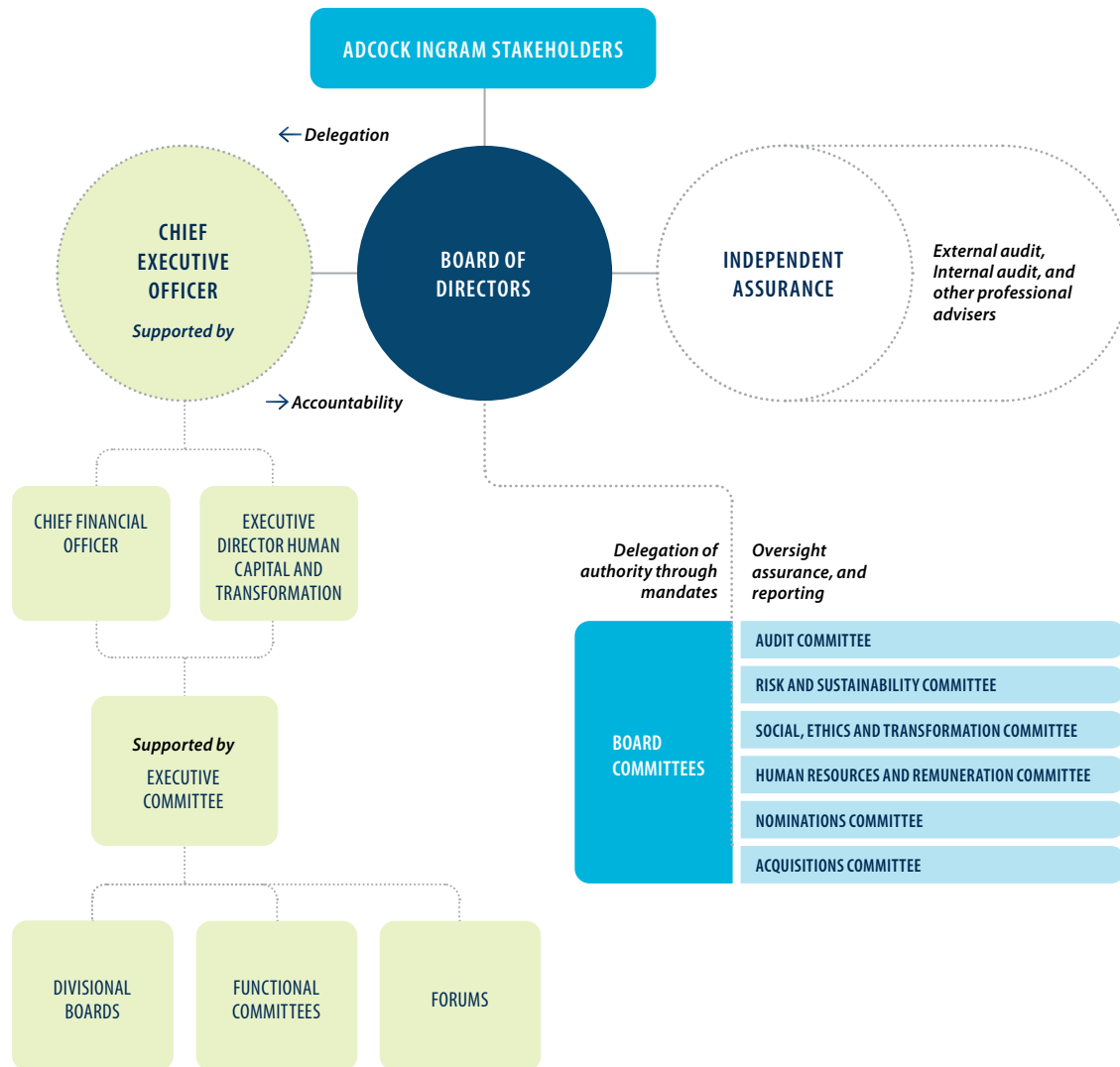
As part of our commitment to promoting and upholding human rights, we align our operations and strategies with the utmost respect for inalienable human rights and our stakeholders' health, safety and wellbeing.

## Corporate Governance CONTINUED

### DELEGATION OF AUTHORITY

The Board delegates authority to 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. The Board exercises rigorous oversight over the responsibilities it delegates in terms of the Delegation of Authority Framework and remains ultimately accountable.

Our Delegation of Authority Framework provides role clarity by clearly delineating roles and areas of accountability and recognises the independent roles and duties required to govern the Company effectively. The authority and responsibility delegated to the lowest prudent management level is in accordance with the Company's values. Our Group governance framework intentionally links the Board's and committees' Terms of Reference, the Company's strategic objectives and the six capitals.



### CHAIRPERSON AND CHIEF EXECUTIVE OFFICER ROLES AND FUNCTIONS

As the Board is led by a non-independent non-executive Chairperson, in the objective and effective discharge of its governance role and responsibilities, a lead independent director is appointed to achieve a balance of power and reinforce accountability mechanisms on the Board. A clear separation of power also exists between the Chairperson of the Board and the Chief Executive Officer.

The Board is kept informed of all developments within the Group at the Board meetings. The Chief Executive Officer and Chairperson are in regular contact.

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

The membership of the various committees is as follows:

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

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

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

### TRUST, GOOD REPUTATION, LEGITIMACY

Conducting the business based on **fair commercial and competitive practices**, in compliance with relevant laws and regulations.

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

### ANTICOMPETITIVE BEHAVIOUR

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

### DATA PRIVACY

We respect all our stakeholders' rights to privacy, and we will not knowingly compromise personal information. We are committed to comply with the Protection of Personal Information Act 4 of 2013, including its Regulations (POPI Act). We adopted the Promotion of Access to Information Act, 2000 and POPI Act Manual (the Manual) supported by the various POPI Act policies to ensure that we treat personal information within the parameters of the laws. The Manual can be found on the Company's website.

## Corporate Governance CONTINUED


### KING IV

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

King IV recommendations are substantially entrenched in the Board's internal controls, policies, terms of reference, and overall procedures and processes. The Board is also satisfied that the Company complies with all the corporate governance requirements applicable to listed entities.

The King IV disclosure can be found on the Company's website.

### DEALING IN SECURITIES

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


### INFORMATION AND TECHNOLOGY (IT) GOVERNANCE

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

The Board, assisted by both the Risk and Sustainability Committee and Audit Committee, promotes awareness of ethical IT governance, management culture and transparency, with Internal Audit providing independent assurance on the implemented frameworks, strategy, policy, procedures and standards. The Risk and Sustainability Committee considers the technology and information risk register, including cyber security, on a regular basis.

### AN EFFECTIVE AND DIVERSE BOARD AND EXECUTIVE MANAGEMENT TEAM

Ensuring that the Board and management team are equipped with the right balance of knowledge, skills, experience, diversity, and independence to carry out their responsibilities effectively.

In keeping with the spirit of effective leadership, the Board promotes strong principles of integrity within the Company, which aids in entrenching excellence in every facet of the business. The Board also provides continuous and vigorous oversight of material matters (see page 3 ) , acting as an independent check and balance for the executive management team, whose main responsibility is the day-to-day management of the Company. The directors have diverse academic qualifications, industry knowledge and experience, which encourages robust debate at Board meetings to ensure 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 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 relevant principles of the Group's approval limits and delegations of authority. The Charter ensures there is a clear division and/or delineation 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.

### SUCCESSION PLAN

The Board is committed to forward-thinking succession planning to ensure stability, leadership structures and seamless transition should there be a vacancy. The Board is satisfied that the depth of skills and experience among current directors meets the succession requirements. Annually, the Nominations Committee and Human Resources and Remuneration Committee consider succession planning for executive directors and other senior executives respectively.

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

### BOARD AND COMMITTEE CHANGES

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

#### Human Resources and Remuneration Committee

- Ms B Mabuza was appointed as a member with effect from 1 July 2024.

#### Social, Ethics and Transformation Committee

- Ms B Mabuza was appointed as a member with effect from 1 July 2024.

### INDEPENDENCE

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

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

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

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

The shareholders approve the appointment of new directors at the first Annual General Meeting (AGM) following their appointment. In terms of the Company's MOI, at least one-third (1/3) of the non-executive directors are subject to retirement by rotation and re-election at each AGM.

### COMPANY SECRETARY

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

All directors have unlimited access to the Company Secretary for advice to enable them to discharge their responsibilities and duties in the best interests of the Company. 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 is conducted by the Board annually. The Board can confirm that it has considered and is satisfied with the competence, qualifications and experience of the Company Secretary.

### MEETINGS

The Board uses its meetings to discharge its governance and regulatory responsibilities. Board and committee meetings are held quarterly, in line with the Group's financial reporting cycle and when deemed necessary, *ad hoc* meetings are held. Agendas follow an approved Board annual work plan and provide for the inclusion of important or urgent, non-routine matters.

## Corporate Governance CONTINUED

Attendance at the meetings was as follows:

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

- Chairperson
- Invitee
- Lead independent director
- Member

### ADEQUATE AND EFFECTIVE CONTROL OF THE BUSINESS

As the custodian of governance, ensure that performance evaluations are executed for improved performance and effectiveness, the remuneration philosophy is fair and transparent and the necessary internal and external assurances are obtained.

### BOARD APPRAISAL TO IMPROVE EFFECTIVENESS OF CONTROL

In line with its Board Charter and King IV, the Board and its committees conduct evaluations every alternative year. Given that an external evaluation of the Board, Board Chairperson and Board committees are conducted bi-annually, no evaluation was conducted during the reporting period. Instead, the Board continued to address the areas of development raised in the May 2023 evaluation. In May 2023, the Board and its committees conducted an evaluation exercise facilitated by an independent service provider, Luvivi Governance Services ("Luvivi"), which was designed to identify areas of governance improvement. The evaluation involved a qualitative assessment of structures of leadership including the effect of recent changes at the Board, dynamics in the boardroom, including the culture, governance, nature of the relationship with stakeholders and efficacy of reporting. Overall, the performance of the Board and committees were rated as excellent. Matters requiring attention related to monitoring natural tension between the Company and the controlling shareholder representatives

on the Board and enhancing reporting to the Board relating to succession planning for the Board and executive directors. Both matters have been adequately addressed.

### DIRECTOR DEVELOPMENT

Directors are encouraged to attend external director development and training programmes, at the cost of the Company, to upskill themselves and to ensure that their knowledge of governance remains relevant. In addition, all newly appointed directors are required to participate in a Board induction programme that aims to 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, the Company's operations and any other matters deemed important in ensuring that the directors can adequately exercise their fiduciary duties. The induction programme also offers a tour of the Company's manufacturing facilities. In addition, the Board receives training via the Company Secretary who distributes appropriate and relevant training material to the Board members.

## OPERATIONS OF EACH COMMITTEE



**DEBBIE RANSBY**  
Independent director

### AUDIT COMMITTEE

This Committee has statutory duties in terms of section 94(7) of the Companies Act. It has an independent role and is accountable to both the Board and the Company's stakeholders. This Committee is expected to demonstrate how the Financial and Intellectual Capital inputs transform into outcomes in its reports. The Committee is responsible for the following functions, processes, controls, and assurances:

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

CAPITALS **FC** **IC**

### MEMBERSHIP

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

Appointed	
<b>Chairperson</b>	
D Ransby	27 August 2019
<b>Members</b>	
B Mabuza	1 November 2022
C Manning	7 May 2021

### INVITEES

- |  |   |
|--|---|
| <b>N Madisa</b><br>(Chairperson of the Board)    | <b>L Berrington</b><br>(Chief Audit Executive: The Bidvest Group Limited) |
| <b>M Steyn</b><br>(Non-executive director)       | <b>K Ramnarian</b><br>(PwC – External Auditor)                            |
| <b>AG Hall</b> (CEO)                             | <b>A Tshesane</b><br>(PwC – External Auditor)                             |
| <b>D Neethling</b> (CFO)                         | <b>J Naidu</b> (PwC – External Auditor)                                   |
| <b>R Essa</b><br>(Corporate Finance Director)    |   |
| <b>S Pietropaolo</b><br>(Head of Internal Audit) |   |

### ROLE AND FUNCTION OF THE COMMITTEE

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

### FOCUS AREAS

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

### MATTERS DISCUSSED

- Approval of the external and internal audit plans.
- Confirmation of the suitability and competence of the CFO and finance function.
- Evaluation of the independence, performance and conduct of the external auditors.
- Satisfied itself with the quality of the external auditors in terms of the JSE Listings Requirements.
- Key areas of accounting judgements affecting the annual financial statements.
- Consideration and review of the external auditors' report.
- Recommendation of results, dividend distribution, trading statements and annual financial statements.
- Recommendation for PricewaterhouseCoopers Inc. to be re-appointed by shareholders at the AGM.
- Review of cash flow, liquidity and going concern.
- Review of Internal Audit's reports and the combined assurance map.
- Reviewed and approved the Internal Audit charter.
- Reviewed the JSE report on proactive monitoring of financial statements that was issued in November 2023.
- Reviewed the Whistleblower policy.



## Corporate Governance CONTINUED



**MICHAEL SATHEKGE**  
Independent director

### RISK AND SUSTAINABILITY COMMITTEE

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

CAPITALS

### MEMBERSHIP

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

Appointed	
<b>Chairperson</b>	
M Sathekge	25 August 2020
<b>Members</b>	
A Hall	24 May 2017
S Gumbi	27 August 2019
D Neethling	24 May 2017
D Ransby	27 August 2019

### INVITEES

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

### ROLE AND FUNCTION OF THE COMMITTEE

This 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 Board is satisfied that the Committee has fulfilled all its statutory duties, and those duties assigned to the Committee by the Board during the period under review.



**SIBONGILE GUMBI**  
Independent director

### HUMAN RESOURCES AND REMUNERATIONS COMMITTEE

The role of the Committee is to assist the Board in discharging its duties in terms of governing remuneration and developing and implementing a remuneration philosophy, and to publish same in the Company's remuneration report. The Committee also ensures the Company has competitive reward strategies and programmes to attract and retain high-performing people to achieve the Company's strategic objectives. The Committee seeks to safeguard stakeholder interests by ensuring that remuneration structures do not drive excessive risk-taking. This Committee is expected to demonstrate how the Human, Intellectual and Financial Capital inputs transform into outcomes in its reports. Refer to the remuneration and implementation reports, which appear on pages 101 to 122 of this report.

The Committee is satisfied that it was fully compliant with its mandate during the period under review.

CAPITALS

### MEMBERSHIP

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

Appointed	
<b>Chairperson</b>	
S Gumbi	7 May 2021
<b>Members</b>	
N Madisa	7 May 2021
C Manning	22 November 2019
B Mabuza*	1 July 2024

### INVITEES

<b>A Hall</b> (CEO)	<b>L Yuill</b> (Deloitte) (incoming independent external advisors)
<b>B Letsoalo</b> (Executive Director: Human Capital and Transformation)	<b>C Mncwabe</b> (incoming independent external advisors)
<b>N Daitz</b> (DG Capital) (outgoing independent external advisors)	* See changes to the Board page 27

### ROLE AND FUNCTION OF THE COMMITTEE

This Committee has an independent role with accountability to the Board. It does not assume the functions of management, which remain the responsibility of the executive directors and senior management. The role of the Committee is to assist the Board to ensure that:

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

### FOCUS AREAS

- Executive team succession management with a particular focus on African talent and females.
- Monitoring the implementation of ESG initiatives as measured against the developed baseline.
- Fair and responsible remuneration across the dimensions of race, gender, and differentials of pay between executives and other employees.
- Identify and rectify pay anomalies throughout the Group with an initial focus on critical and scarce skills.
- Review of the contract with and deliverables from independent external remuneration advisors.
- Appointment of new independent external remuneration advisors.

### MATTERS DISCUSSED

- Approval of the annual salary increase for employees on total guaranteed packages (TGP) and executive directors;
- Appointment of Deloitte as its new independent remuneration advisor and its terms of contract;
- Recommended for approval to the Board the non-executive directors' fees and increases as recommended by independent remuneration advisor;
- Approval of Performance-Based Long-Term Incentive Scheme (PBLTIS) allocations for 2024 for executive directors, executive committee members, and certain other critical and key talent;
- Discussed and agreed short-term incentives (STI) pay-out for executive directors and all other employees included in the scheme paid on 1 September 2023;
- Reviewed performance against STI metrics and targets for FY2024;
- Recommended to the Board, a CEO discretionary incentive for recognition of outstanding performance in junior management and support roles;
- Reviewed and approved the 2024 remuneration report including the policy and implementation report before inclusion in the Integrated Report;
- Discussed and analysed remuneration-related voting results from the November 2023 AGM;
- Reviewed succession planning and development plans for executives including initiatives to address the shortage of African talent and females in the talent pool;
- Reviewed employee engagement initiatives e.g., wellness programmes and development programmes;
- Linked the ESG targets for Adcock Ingram to performance criteria; and
- Reviewed the impact of the Companies Amendment Bill on the Company as it relates to remuneration disclosures.

## Corporate Governance CONTINUED



**CLAUDIA MANNING**  
Independent director

### SOCIAL, ETHICS AND TRANSFORMATION (SET) COMMITTEE

This Committee has a mandate to guide and monitor the Company's transformation, social, economic, environmental, ethics, consumer engagement and management activities in accordance with relevant legislation, codes, and other requirements. This Committee is expected to demonstrate how the Social and Relationship; Human and Natural Capital inputs transform into outputs in its reports. The Committee is satisfied that it was fully compliant with its mandate during the year under review.

CAPITALS **SR** **HC** **NC**

#### MEMBERSHIP

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

	Appointed
<b>Chairperson</b>	
C Manning	22 November 2019
<b>Members</b>	
S Gumbi	22 November 2019
B Letsoalo	25 August 2016
L Boyce	1 February 2023
B Mabuza*	1 July 2024

\* See changes to the Board page 27

#### INVITEES

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

#### ROLE AND FUNCTION OF THE COMMITTEE

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

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



**NOMPUMELELO MADISA**  
Non-independent director

### NOMINATIONS COMMITTEE

The role of this Committee is to assist the Board by ensuring that its composition has the appropriate balance of skills, knowledge, diversity, and independence to discharge its duties effectively. In addition, the Committee is responsible for the succession planning of executive directors. This Committee is expected to demonstrate how the Human, and Intellectual Capital inputs transform into outcomes in its reports.

CAPITALS **HC** **IC**

#### MEMBERSHIP

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

	Appointed
<b>Chairperson</b>	
N Madisa	7 May 2021
<b>Members</b>	
C Manning	22 November 2019
M Sathekge	7 May 2021

#### INVITEES

<b>B Mabuza</b> (Lead Independent director of the Board)
<b>S Gumbi</b> (Non-executive director)
<b>A Hall</b> (CEO)
<b>B Letsoalo</b> (Executive Director: Human Capital and Transformation)

#### ROLE AND FUNCTION OF THE COMMITTEE

The Committee has an independent role with accountability to the Board. It does not assume the functions of management, which remain the responsibility of the executive directors and senior management. The mandate of the Committee is set out in its Terms of Reference, as approved by the Board. The Committee is satisfied that it has complied with its mandate during the period under review.

#### FOCUS AREAS

- Reviewed the Board and committees' composition and succession planning.
- Reviewed executive directors' succession planning.
- Reviewed the CEO's succession plan.

#### MATTERS DISCUSSED BY THE COMMITTEE

- Committees' composition in terms of size, diversity and the necessary skills required.
- Reviewed the Conflict of Interest Policy.
- Discussed the succession plan for the CEO and executive directors.
- Discussed the succession plan for non-executive directors who are nearing their retirement from the Board.
- Reconstitution of the Board committees, in line with the succession plan and as appropriate.

## Corporate Governance CONTINUED



**NOMPUMELELO MADISA**  
Non-independent director

### ACQUISITIONS COMMITTEE

The purpose of the Committee is to:

- review any potential merger or acquisition, as proposed by management, and deliberate on whether the potential target should be investigated and pursued, and under which terms; as well as to
- recommend to the Board the approval of any intended merger or acquisition the Committee has evaluated and determined to be in the best interest of the Company and shareholders.

This Committee is expected to demonstrate how the Financial Capital input transform into outputs in its reports.

### CAPITALS FC

### MEMBERSHIP

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

Appointed	
<b>Chairperson</b>	
N Madisa	7 May 2021
<b>Members</b>	
A Hall	11 November 2015
D Neethling	24 May 2016
D Ransby	7 May 2021

### INVITEES

**M Steyn**  
(Non-executive director)

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

### ROLE AND FUNCTION OF THE COMMITTEE

The Committee plays an independent role, with accountability to the Board. It does not assume the functions of management, which remain the responsibility of the executive directors and senior management. The mandate of the Committee is set out in its Terms of Reference, as approved by the Board. The Committee is satisfied that it has complied with its mandate during the period under review.




### THE COMMITTEE'S RESPONSIBILITIES ARE TO ASSIST THE BOARD WITH:

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

## Stakeholder engagement




At Adcock Ingram, we always seek to understand our stakeholders' needs and expectations to identify synergies with our aspirations and formulate mutually satisfying responses. Hence, we carefully developed a comprehensive stakeholder management relations policy, as a framework for upholding our commitment to social and relationship capital. Our engagements are reinforced by business strategy, therefore recognising that the long-term sustainability of our success depends on sound investments in social and relationship capital.




### STAKEHOLDER GROUPS

	 <b>EMPLOYEES AND ORGANISED LABOUR</b>	 <b>CUSTOMERS AND CONSUMERS</b>	 <b>GOVERNMENT AND REGULATORY AUTHORITIES</b>
<b>Method of engagement</b>	The Adcock Ingram intranet has relevant information that employees can access. This includes policies and procedures.  Training and development initiatives.  Communication internally through plasma screens, screensavers, newsletters and corporate emails.  Site management/shop steward meetings, site forum employment equity meetings, trustee meetings, and conferences.	Personal visits to customers by sales personnel, managers and executives.  Other interactions include continuing professional education; customer surveys; a customer call centre; various brand advertising, promotion and websites; consumer focus groups and education campaigns.	Government engagement strategies are in place for dialogue with national, provincial, and local government leaders, as well as the South African Pharmacy Council (SAPC).  Engagement with South African Health Products Regulatory Authority (SAHPRA) is key to facilitate efficient product registration and compliance in all aspects, including manufacturing.
<b>Needs and expectations</b>	Employees expect the following: <ul style="list-style-type: none"> <li>• Stimulating and rewarding work environment</li> <li>• Prospects of career growth</li> <li>• Health, wellness and safety at the workplace</li> <li>• Diversity, inclusivity and belonging</li> <li>• Equal pay for equal work</li> <li>• Freedom of association and the right to collective bargaining.</li> </ul>	Supply of safe, quality, efficacious and affordable medicines through appropriate channels.  Ethical, factual and professional marketing and interactions with healthcare practitioners.  Maintain good service levels.  A business partnership, supportive for sustainable businesses.	Participate, influence and contribute towards a sustainable local pharmaceutical industry that continues to serve the healthcare needs of all South Africans.  Compliance with all applicable legislation and regulations.  Growth and social upliftment of the communities in which we operate.
<b>Contribution to value creation</b>	A well-motivated employee base, acting in line with the Adcock Ingram values, forms the foundation of our success as an organisation.  Employees taking pride in the Company's contribution to society.  Regular engagement and a holistic wellness offering, fosters good working relationships.	Business growth through premium service levels and brand loyalty.  Customers provide extensive footprint through their expansion initiatives.  Prescribers', pharmacists' and consumers' loyalty to our products.	The regulatory body provides us with a licence to operate and manufacture in line with a regulatory framework.  Supply safe, quality, efficacious and affordable medicines to promote access to medicines for the benefit of society.  Support investment, empowerment, transformation and CSR initiatives.

## Stakeholder engagement CONTINUED

### STAKEHOLDER GROUPS

	 <b>SHAREHOLDERS, INVESTOR COMMUNITY AND FINANCIAL INSTITUTIONS</b>	 <b>MULTINATIONAL PARTNERS AND LICENSORS</b>	 <b>SUPPLIERS AND SERVICE PROVIDERS</b>
<b>Method of engagement</b>	<p>Communicate through the Johannesburg Stock Exchange, press releases and face-to-face meetings.</p> <p>Bi-annual reporting of financial results.</p>	<p>Attendance and promotion at conferences and congresses to share best practice with relevant parties.</p> <p>Commercial reviews with partners.</p> <p>Quality and regulatory audits by partners.</p>	<p>Personal contact and consistent interaction at operational and management levels.</p>
<b>Needs and expectations</b>	<p>Open and transparent communication.</p> <p>Implement and monitor business strategy and structure for sustainable returns while managing risk, identify growth opportunities and follow good governance practices.</p> <p>Update on organisation's financial and operational performance.</p>	<p>Building brands using our sales and marketing expertise and distribution network which offers 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>Conduct business in an open, honest, ethical and transparent manner.</p> <p>A mutually beneficial and sustainable relationship, including timeous payments and fair terms.</p> <p>Timeous payments to support SMEs growing into larger enterprises.</p>
<b>Contribution to value creation</b>	<p>Shareholders are encouraged to attend Adcock Ingram's Annual General Meeting and to discuss relevant issues with management.</p> <p>Open dialogue between management and shareholders builds trust.</p>	<p>Partnerships allow the Company to enter new or expand within existing therapeutic categories.</p>	<p>Providing good quality raw materials and finished products meeting pharmaceutical standards.</p> <p>Assist in avoiding stock-outs of products.</p> <p>Suppliers aligned to the country's B-BBEE imperatives and focus on emerging enterprises and black, women-owned businesses to assist with our transformation imperative.</p>

	 <b>INDUSTRY BODIES</b>	 <b>COMMUNITIES</b>	 <b>MEDIA</b>
	<p>Membership of Pharmaceuticals Made in South Africa (PHARMISA), the Pharmaceutical Task Group (PTG), the Marketing Code Authority and Industry Task Group (ITG).</p>	<p>Engagement through the Company's CSR programmes and initiatives undertaken by each operating division, or department.</p>	<p>Press releases, SENS announcements, media interviews, and responses.</p>
	<p>Memberships in good standing, participation to contribute towards industry position statements and respond to regulatory issues and health policy matters.</p> <p>Active participation in government policy and legislative engagement through public comments.</p>	<p>Continuous support towards projects addressing the interests and needs of the communities in which we operate.</p> <p>Time and effort are volunteered by employees.</p>	<p>Good corporate citizenship through transparent and responsible reporting and disclosure.</p> <p>Accountable governance.</p>
	<p>Influence policies to create a sustainable local manufacturing pharmaceutical industry, that serves the healthcare needs of South Africa.</p> <p>Updated regulatory and industry issues that enable the Company to have a relevant position on matters.</p>	<p>Engagement with communities affords us an opportunity to understand and contribute to their needs.</p> <p>Areas of focus include health, education and the environment.</p>	<p>Awareness of new products.</p> <p>Corporate and product specific awareness and reputation.</p>

## Strategy execution

Adcock Ingram's strategy sets out our plans and objectives to continue to grow within our chosen markets, by leveraging our competitive advantages and mitigating any risks and weaknesses that we face.

Our strategy was reviewed in 2022, and no significant amendments were made in the current financial year.

**We continued to deliver on our strategy execution over the past 12 months. Progress and achievements include:**



### OPERATIONAL EXCELLENCE

#### SALES AND MARKETING EXCELLENCE:

Achieved net sales growth of 6%.

- Maintained no.1 position in the SA private pharmaceutical market (IQVIA), with growth in market share from 9.6% to 9.9%.
- Restructure of the OTC sales team to provide greater levels of focus on both corporate and independent pharmacies.
- Continued above- and below-the-line Consumer and OTC marketing campaigns throughout the year.
- OTC continued its successful Pharmacy of the Week campaign, enabling national exposure of pharmacies making a difference in their communities.
- Various sponsorships and activations for brands including Island Tribe, GynaGuard and E45.
- OTC sponsorship of 5th Annual Journalist Awards.
- Prescription launched its Master Class initiative, aimed at upskilling healthcare practitioners with the latest trends and developments in pain, gastrointestinal tract (GIT), ophthalmology and medical ethics.
- Bioplus was recognised in the Ask Afrika Icon Brands awards, with Panado retaining its Platinum status in the Rapport "Leserskeuse" awards.

#### REGULATORY COMPLIANCE:

The compliance department reviewed 1 830 promotional and artwork elements.

- Ongoing digitisation of regulatory processes and workflows, with rollout of new customer complaint module and statistical tool to monitor product testing, quality and stability.
- Continued collaboration with SAHPRA on various initiatives and submissions relating to the responsible and safe use of codeine-containing medicines.
- 16 projects completed by the Research and Development (R&D) department to reformulate products.
- Quality assurance department completed 530 product quality reviews (PQRs) and reviewed over 500 stability reports.
- 181 site audits, desktop reviews and vendor assessments completed on internal and external sites.
- Participated in five partner and regulator audits with all actions either closed or on track to be closed.

#### MAINTAIN SERVICE LEVELS:

Average on-time delivery service levels of 98.9% achieved.

- New outbound logistics agreement with RTT (ending 30 June 2027), implemented on 1 March 2024, at all Adcock Ingram distribution centres.
- Rolled out a real-time tracking solution to monitor product storage and transport conditions (humidity, temperature) throughout the logistics value chain.

#### COST CONTROL:

Operating costs decreased by 1% for the year under review, despite an increase in sales.

- Increased focus on reducing procurement expenses through pricing reviews or sourcing alternate suppliers where appropriate.

#### MANUFACTURING EFFICIENCIES:

New granules and effervescent products plant commissioned at Adcock Ingram Bangalore.

- Back-up water storage at manufacturing sites increased to 5 million litres, in order to mitigate against increasing water supply disruptions.
- Successfully completed the upgrade to the distribution centre in Durban's Heating, Ventilation, and Air-conditioning (HVAC) in order to bring the site in line with evolving Good distribution practice (GDP) and partner requirements.
- Reduced supply risk of certain key OSD (oral-solid-dosage) products by establishing Wadeville as an alternate manufacturing site. Validation batches completed on three key product lines and awaiting stability data at year-end.
- Continued with the introduction of additional products for technology transfer to the eye-drops facility at Clayville.
- Wadeville site shut down for two months during the year to complete a number of upgrades required for GMP compliance.

#### INVESTMENT IN TECHNOLOGY AND OPERATIONAL AUTOMATION:

Successfully migrated Push from SAP to Oracle ERP system.

- Completed integration of key Adcock Ingram systems with those of RTT in order to increase effectiveness of new logistics agreement.
- Replaced end-of-life Siebel CRM system with MS Dynamics 365.
- Continued migration of desktop users to MS Office 365 (dependent on hardware and network requirements).
- Expansion of Microsoft Sharepoint to various other business units to improve project collaboration and document management.

#### STAFF AND LEADERSHIP RETENTION:

Total staff turnover rate of 9.5%, compared to a benchmark 16.6% (in a recent Remchannel survey of 64 companies).

- Adcock Ingram awarded the Best Employer Brand award at the South African Best Employer Brand awards 2023/2024.
- 85% staff retention in top and senior management, with two retirements, both of which have been replaced by suitability qualified and experienced candidates.
- R78.5 million spent on training and development across the organisation.

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

Regular team-engagement and celebration days held at all sites to boost morale and create fun in the workplace.

- Increased use of our internal workforce as a means of obtaining consumer insights and to conduct primary research. Employees were rewarded with prizes and special offers for offering their time for these initiatives.
- The successful Hopetober campaign continued to be run by OTC, entertaining healthcare practitioners at a number of different hospitals.
- Adcock Ingram "Battle of the Choirs" run with choirs from each site competing against each other.

## Strategy execution CONTINUED



### INNOVATION AND GROWTH

#### PARTNERSHIPS:

Extension of several multinational pharmaceutical company **distribution agreements** including Lundbeck, Cheplapharm, Novartis and Leo Pharma.

- The Hospital business partnered with Convatec to take over the sales, marketing and distribution of their advanced wound care and ostomy portfolio.

#### PRODUCT DEVELOPMENT:

**E45 facial products** launched.

- Launch of Cepacol syrups and throat sprays, together with a new lozenge convenience pack-size.
- Launch of reformulated Island Tribe gels.
- Launch of Epi-Max barrier cream.
- Facelift of the Aqua product branding and packaging materials.

#### EXPANSION OF DISTRIBUTION:

Listing of Adcock Ingram products on **Amazon South Africa** marketplace.

- Prescription launched the rebranded Exuviance product range into all Sorbet outlets.
- Consumer achieved sales growth of 129% on e-commerce platforms.
- The Consumer business launched their online portal, offering the Division's products for sale to all employees.

#### MERGERS AND ACQUISITIONS:

Returned **R328 million** to shareholders through the repurchase of 6 million Adcock Ingram shares in the market.

- 10 M&A opportunities (after a pre-screening process) evaluated during the year, with one opportunity closed and one pending at year-end.

#### DEVELOPMENT OF PRODUCT PIPELINE:

Launch of **15** new Prescription products including Baximo and Everzor (oncology), Tadalafil, Clobazam and Trintogen (generics) and SBR, Amfexa and Xadago.

- Growth in Prescription pipeline of potential new partners and molecules achieved during the year.
- OTC launched Femilevo (emergency contraceptive) and Deslomed syrup (allergies).
- The Hospital business launched Adco-Methadone.



### RESPONSIBLE CORPORATE CITIZEN

#### LEADING AND ACTING ETHICALLY:

Maintained ongoing Competition, Pharmacovigilance and Marketing Code compliance **training across the business.**

- The Consumer Division ran an InnoFusion project, where employees could pitch business ideas to spur innovation and address crucial challenges in our organisation.
- Continued running employee wellness programmes and days at various sites in the business.
- Developed, filmed and launched Integrated Wellness video to all staff, promoting a holistic approach to employee wellness.
- Maintained independent investigation and reporting of all reports to the whistleblower line to board committees.
- Commenced with an annual workshop for employees over 60 years of age in order to prepare them mentally and financially for retirement.

#### ENVIRONMENTAL SUSTAINABILITY:

Waste sent to landfill maintained at **16%** of all waste generated.

- ESG framework, with appropriate targets for 2030 formulated by management and approved by the SET committee.
- Electricity generated from solar photo-voltaic panels increased by 30% to 3 332 MWh. 6.5% of Adcock Ingram's energy requirements are generated from our own renewable energy sources.
- Electric vehicle fleet increased from three to five vehicles, with feasibility proven for using this technology for distribution within 200 kilometres of our distribution centres.
- Back-up water storage (other than the 4 million litres at manufacturing sites) increased to 640 kL at distribution sites.
- Single service provider appointed across all sites to manage disposal of pharmaceutical waste.
- Ongoing projects to transform thermal blankets, used in the transport of temperature-sensitive medicine, into blankets, and converted Adcock Ingram billboard advertising material into cosmetic bags for women.
- The MyWalk project was recognised as a finalist in the New York Festivals award in the Health & Wellness | Product innovation category.

#### WORKFORCE REPRESENTATIVITY:

Women in the workforce exceed men, **51%** vs 49%.

- 88% of all staff are previously disadvantaged individuals.
- 78% of junior and middle management are Black.

#### SUPPLY CHAIN TRANSFORMATION:

More than **80%** of total measured spend (for scorecard purposes) are with HDSA entities.

- R26.7 million in interest-free ED and ESD loans has been granted to a total of nine businesses.
- New ESD and ED projects include Triple-L Consulting (Commercial market intelligence and marketing), Mahlabane Waste (waste management) and Sawubona Mycelium (skincare R&D).

#### B-BBEE:

- Retained Level 2 B-BBEE accreditation, with an overall improvement in points scored from 95.7 to 98.7.
- Numerous CSI initiatives conducted by each of the business units throughout the year.

# Risk Report

This report is presented by the Company's Risk and Sustainability Committee (Committee). The Group operates in an ever-evolving regulatory environment as well as being exposed to other external forces and events. Over the past year, these included supply chain disruptions, currency volatility, political uncertainty and disruptions to utility supplies. These matters reinforce the need for a robust risk management process to identify and assess risks and determine and implement controls to mitigate them.

## ROLES AND RESPONSIBILITIES

### THE BOARD

The Board is responsible for the Group's risk governance, which is achieved through the Committee. The chairman of the Audit Committee is also a member of the Committee. The Board is updated on key risks and considers their residual level when formulating strategy, approving budgets and operational plans, and monitoring progress against business plan implementation. The Board ensures that an adequate level of assurance is provided regarding control processes related to significant risks. The Board has approved a policy that articulates and gives effect to its approach to risk governance.

### THE COMMITTEE

The Committee has an independent role with accountability to the Board. It does not assume the functions of management, which remain the responsibility of the executive directors and senior management. The role of the Committee is to assist the Board to ensure that the Company implements an effective policy and plan for risk governance that will enhance the Company's ability to achieve its strategic objectives; and that the disclosure regarding risk is comprehensive, timely and relevant. The roles and responsibilities of the Committee are governed by a formal Terms of Reference, which is aligned with King IV™, and reviewed and approved annually by the Board.

#### Duties assigned to the Committee by the Board:

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

## PHILOSOPHY

Adcock Ingram is exposed to a broad range of risks that are inherent in pursuing and achieving sustainable growth. The Group's philosophy is not to entrench a compliance-driven process, but to rather develop a culture that views enterprise risk management (ERM) as a strategic enabler. This culture ensures that proactive and appropriate action is taken, aimed at maximising opportunities and minimising adverse outcomes.

Adcock Ingram acknowledges that risk can never be eliminated but is committed to ensure that the ERM process aligns to best practices and adequately mitigates risks facing the business. This ensures that risk and control processes continuously evolve to improve decision-making. Within each business unit and the Group as a whole, risk management processes have been designed and implemented to identify, assess, manage, monitor and report on significant risks on a continual basis. The Group views this approach as crucial in terms of achieving the appropriate balance between risk and reward. This enables management to protect the Group against avoidable risks and develop mitigating controls and plans related to unavoidable risks.

## RISK GOVERNANCE

### RISK IDENTIFICATION PROCESS

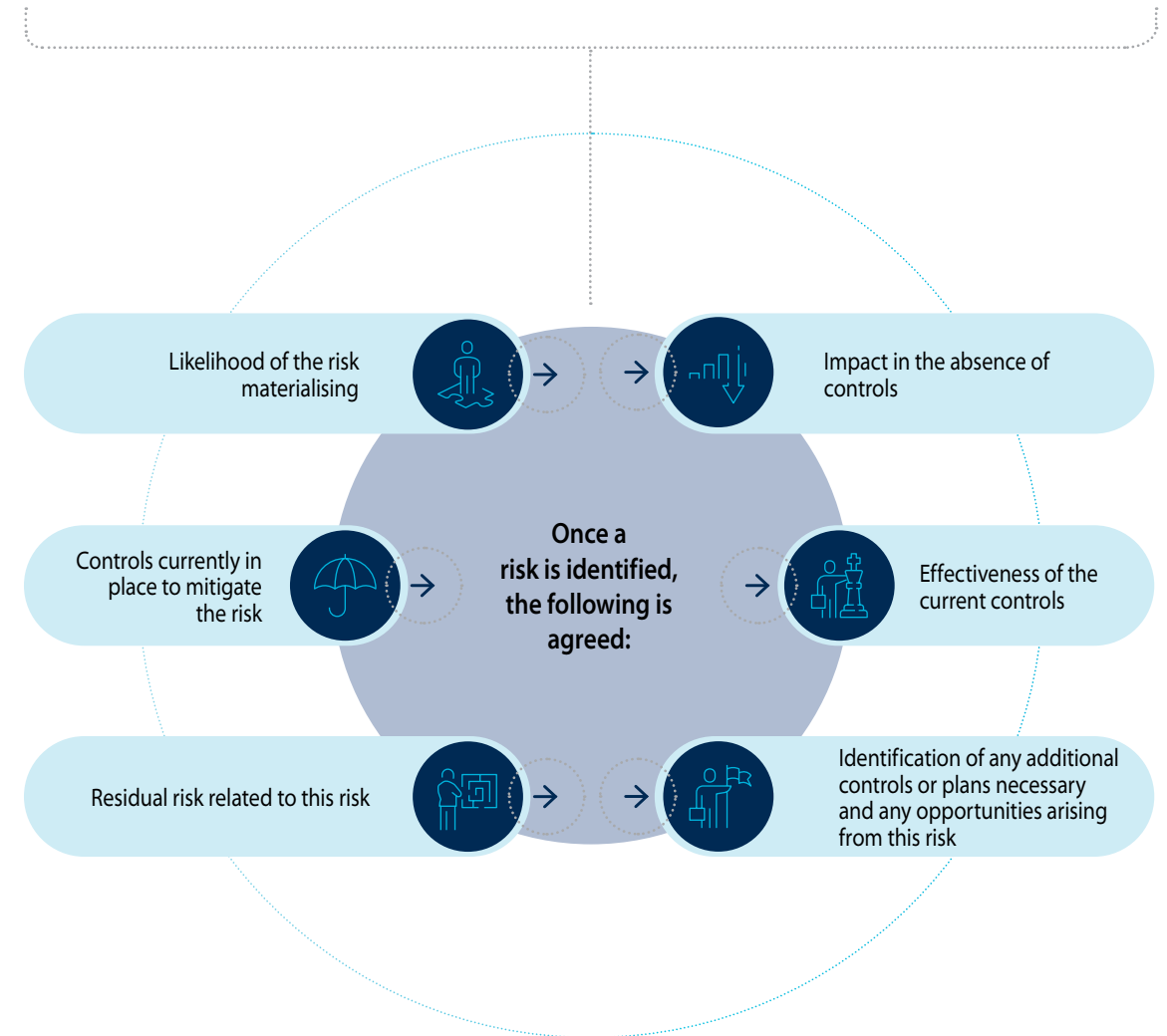
The ERM process is centrally coordinated by the Mergers & Acquisitions, Risk and Strategy Executive. As the Group's divisions have different product, market, operating and financial characteristics, the responsibility within the ERM process for identification of risks vests largely with the divisional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

The ERM process is conducted regularly in a systematic and formalised manner in a workshop type environment. The workshops aim to identify:

- risks which may impact the achievement of strategic and business objectives; and
- other risks (such as operational risks) from various risk sources.

## RISK MANAGEMENT PROCESS

Following the identification of risks, the aim is to manage and monitor the risks through the compilation of registers of significant risks. Risk registers, containing key business risks, are compiled, reviewed and updated on a quarterly basis. Registers are presented and discussed at various management levels and forums before they are presented to the Committee and discussed.



## Risk Report CONTINUED

### RISK FRAMEWORK

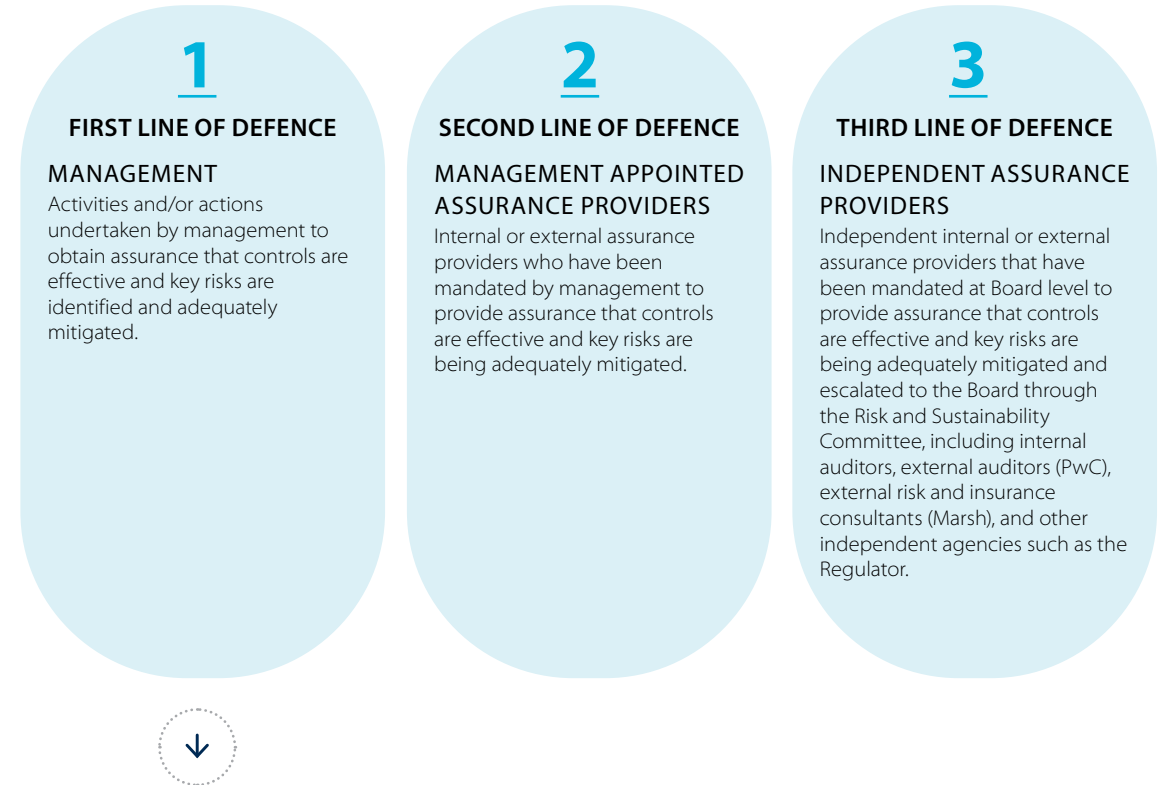


#### THE RISK ASSURANCE PROGRAMME INFORMS THE RISK THEMES AFFECTING VALUE



### COMBINED ASSURANCE

The combined assurance model and process aims to optimise the assurance coverage obtained, as it relates to key risks affecting the Group. The levels of assurance provided by various assurance providers are:



#### 1 FIRST LINE OF DEFENCE

##### MANAGEMENT

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

#### 2 SECOND LINE OF DEFENCE

##### MANAGEMENT APPOINTED ASSURANCE PROVIDERS

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

#### 3 THIRD LINE OF DEFENCE

##### INDEPENDENT ASSURANCE PROVIDERS

Independent internal or external assurance providers that have been mandated at Board level to provide assurance that controls are effective and key risks are being adequately mitigated and escalated to the Board through the Risk and Sustainability Committee, including internal auditors, external auditors (PwC), external risk and insurance consultants (Marsh), and other independent agencies such as the Regulator.

Divisional/Functional management performs the day-to-day identification, management and monitoring of risks, including:

- Design and implementation of the system of internal controls relating to each division's operations and 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 strategies, policies and procedures in response to material risks affecting the Group.

A review is done annually by Internal Audit 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 Report CONTINUED



### TOP RISKS



## 1 PARTNERSHIP AGREEMENTS

Partnering with multinational pharmaceutical partners is a key means to Adcock Ingram being able to grow and diversify our product portfolio while ensuring that we have a range of new and innovative drugs to treat patients. These partnerships take the form of long-standing strategic licencing and/or manufacturing and/or distribution agreements. The loss or cancellation of one of these agreements would impact on revenue and profitability and may also interrupt supply of live-saving medicines to customers or patients.

**Risk themes:** Grow the business, financial resilience

**Strategic pillar:** INNOVATION AND GROWTH

#### Strategic responses and mitigating actions:

- Focused development of a pipeline of new potential partnerships, particularly in the Prescription and Hospital business units.
- Ongoing maintenance of partner and supplier relationships.
- Negotiation and conclusion of multi-year partnership agreements.
- Broad portfolio of products across multiple price points and treatment areas to mitigate the potential loss of any one partner.
- Early engagement with existing partners regarding the extension of their agreements in order to ensure continuity of agreements.
- Ensuring that manufacturing, distribution and regulatory compliance standards are maintained in line with international standards.
- Regular contract and progress reviews, and audits by partners.

**Capitals impacted:**

#### Opportunities:

- An emerging trend of multinationals choosing to partner with local players as opposed to maintaining a direct presence in South Africa, positions Adcock Ingram favourably as a reputable partner with the required customer reach and infrastructure.

#### Business drivers:

- Licenses and technology partner relationships
- Growth in sales and market share
- Innovation

2024 Ranking: 1	Untreated Risk	
2023 Ranking: 1	Residual Risk	

#### 2024 achievements:

- Leo Pharma partnership agreement renewed for a further three years.
- A number of new partnership agreements were at various stages of discussion on 30 June 2024, with a number expected to be concluded during the 2025 financial year.
- Onboarding of the Convatec range of advanced wound care and ostomy products in the Hospital business.

## 2 ECONOMIC ENVIRONMENT

Operating a pharmaceutical business within the South African economic environment presents many challenges, including electricity and water supply issues, weak economic growth, currency weakness and volatility, and socio-political unrest. These external influences require management's attention in day-to-day operations and result in additional costs incurred to mitigate these risks.

**Risk themes:** Operational integrity, financial resilience

**Strategic pillar:** OPERATIONAL EXCELLENCE

RESPONSIBLE CORPORATE CITIZEN

#### Strategic responses and mitigating actions:

- Well-diversified and affordable portfolio of products across the Group.
- Standby power generation in place at all sites. Ongoing maintenance and repairs of all electrical infrastructure is a crucial requirement to ensure continued resilience of sites.
- Solar energy solutions installed at six sites, with 6% of Adcock Ingram's total energy requirements generated from solar.
- Back-up water supply in place at all sites, with total standby water capacity now equivalent to 5.6 million litres.
- Various initiatives in place across the Group to use water more sparingly, harvest rainwater and recycle grey-water for non-production requirements.
- Ongoing engagement at provincial and municipal levels to address electricity and water supply problems and collaborate on solutions.
- Business continuity plans in place for all sites.
- All local manufacturing sites are designated National Key Points.
- Hedging of all foreign exchange linked transactions.

**Capitals impacted:**

#### Opportunities:

- Dealing with many of the problems unique to the South African environment has created a more resilient business.
- The energy crisis has encouraged Adcock Ingram to embrace cleaner energy sources and find ways of being more energy efficient. This will lead to a long-term reduction in energy consumption and costs.
- Similarly, the Group's management of water as a scarce resource has improved significantly, leading to an overall reduction in the reliance and use of utility-supplied water.

#### Business drivers:

- Corporate governance
- Margin protection

2024 Ranking: 2	Untreated Risk	
2023 Ranking: 3	Residual Risk	

#### 2024 achievements:

- The absence of loadshedding in the final quarter of the financial year had a number of positive impacts on diesel usage, production uptime and water supply.
- Solar PV installation commissioned at the Bloemfontein distribution centre.
- Standby water capacity increased significantly from 312 kL in FY2022 to 5 642 kL in FY2024, with significant storage capacities at Aeroton and Clayville sites.
- Zero security disruptions or incidents reported during the 2024 national elections.

## 3 AGEING PRODUCT PORTFOLIO

A large part of Adcock Ingram's product range consists of relatively old molecules, including a large portfolio of codeine-containing medicines. While these products are tried and tested in terms of efficacy and safety, supply of these medicines can be impacted by disruptions or discontinuation of the supply of some ingredients. There is also a possibility that some codeine-containing medicines could be up-scheduled in the future.

**Risk themes:** Compliance, financial resilience

**Strategic pillar:** INNOVATION AND GROWTH

#### Strategic responses and mitigating actions:

- Growth and diversification strategy incorporating targeted acquisitions, partnerships, innovation and penetration into new sales channels.
- Ongoing expansion of product pipeline (both through inorganic growth and own development) and partnerships.
- Ongoing industry engagement with SAHPRA to provide progress updates and information on Codeine Care initiatives.
- Engagement with relevant stakeholders to promote the responsible use of codeine-containing products.
- Sourcing dual suppliers for key ingredients and reformulations of products where supply of ingredients is at risk.
- Reducing supply chain risk through listing dual manufacturing sites (preferably with one site in South Africa) for key products.

**Capitals impacted:**

## Risk Report CONTINUED



### Opportunities:

- Investigating suppliers of either new molecules or novel delivery mechanisms of drugs (particularly in the OTC space)
- Expansion of partnerships with existing and new multinational drug companies to further extend and diversify product portfolio.
- Registering the Wadeville manufacturing site as an alternative producer of key products produced in the Bangalore factory.
- New product development and brand extensions in the Consumer business.

### Business drivers:

- Drug and device safety
- Intellectual property
- Growth in sales
- Margin protection
- Innovation

2024 Ranking: <b>3</b>	Untreated Risk	<b>VH</b>
2023 Ranking: <b>2</b>	Residual Risk	<b>H</b>

### 2024 achievements:

- Consumer expanded Cepacol range to include cough syrups and throat sprays, and also increased the range of pack sizes of Cepacol.
- Launch of Epi-Max baby barrier cream.
- Relaunch of Island Tribe gel sunscreen (after extensive reformulation).
- In partnership with Karo Pharma, the E-45 facial products range was launched.
- Launch of 15 new products in the Prescription Division, and 5 partnership agreements were extended during FY2024.
- Launch of Femilevo (emergency contraceptive) and Deslomed syrup (treatment of allergies) in OTC.
- The Hospital business launched the Convatec range of advanced wound care and ostomy products.
- Validation batches of four OSD products successfully produced at Wadeville and awaiting regulatory approval.
- After many years of engagement between the industry and the regulator, SAHPRA have officially launched the Codeine Cares Initiative.

## 4 HIGHLY REGULATED INDUSTRY

Due to the nature and importance of our products in treating a vast variety of ailments, Adcock Ingram is subject to a large number of regulations and oversight in order to ensure medicine-efficacy and patient safety. Our business model (of partnering with a multitude of drug companies) also requires that we are subject to regulatory oversight from these partners. Non-compliance with regulations and standards can result in product recall, manufacturing facility closure, or the loss of an operating license or partnership agreement.

**Risk themes:** Compliance, reputation

**Strategic pillar:** OPERATIONAL EXCELLENCE

### Strategic responses and mitigating actions:

- Robust policies and procedures, audits, quality assurance and quality control systems.
- Employment of qualified and competent regulatory, medical and legal teams.
- Maintain a fully compliant supply chain, with upgrades to facilities to maintain supply chain best practice.
- Regular facilities and suppliers' audits.
- Ongoing upgrades to facilities.
- Constant interactions with industry bodies and regulators.
- Ongoing portfolio diversification into less-regulated areas.

**Capitals impacted:** **FC** **IC** **MC** **SR**

### Opportunities:

- Adcock Ingram's high levels of compliance with international GMP standards position us extremely well as a partner of choice for multinational pharmaceutical companies wishing to access the South African market.
- Applying the same high standard that we apply to pharmaceutical products to non-pharmaceutical products results in superior quality products in many of the non-regulated product categories in which we operate.

### Business drivers:

- Regulatory compliance
- Drug and device safety
- Corporate governance

2024 Ranking: <b>4</b>	Untreated Risk	<b>VH</b>
2023 Ranking: <b>4</b>	Residual Risk	<b>H</b>

### 2024 achievements:

- Successful upgrade of the Durban distribution centre's Heating, Ventilation, and Air-conditioning (HVAC) unit to be compliant with the latest GDP requirements.

- 354 risk assessments conducted on nitrosamine containing products with reports supplied to SAHPRA.
- 191 audits, desktop reviews and vendor assessments conducted during the year.
- Five pharmacovigilance audits completed by multinational partners with all findings either closed or on track to be remedied within agreed-upon timeframes.

## 5 PRODUCT RECALLS AND QUALITY

The quality and safety of medicines are subject to the highest standards. Non-compliance to these standards, may negatively impact patient safety and can result in a product recall. This in turn would have consequences for Adcock Ingram's reputation and profitability.

**Risk themes:** Compliance, reputation

**Strategic pillar:** OPERATIONAL EXCELLENCE

### Strategic responses and mitigating actions:

- Vigilant quality assurance management of all product releases, post-importation testing and stability testing.
- Pharmacovigilance reporting service to record, monitor and report adverse reactions or quality issues from healthcare practitioners and patients.
- Quality management reviews are performed quarterly at all sites, including Bangalore by Group Quality Assurance (GQA).
- Regular independent third-party audits (from regulators and license partners) of manufacturing and distribution sites.
- Professional, competent, and experienced regulatory management team to co-ordinate and manage any potential quality failure and/or recall situation.
- Quality management standards and targets included in relevant Individual Performance Agreements (IPA) and STIs.

**Capitals impacted:** **FC** **IC** **MC** **SR**

### Opportunities:

- Adcock Ingram's favourable history in terms of product recalls positions the Group well with insurers, leading to improved product liability insurance costs.

### Business drivers:

2024 Ranking: <b>5</b>	Untreated Risk	<b>VH</b>
2023 Ranking: <b>5</b>	Residual Risk	<b>M</b>

### 2024 achievements:

- No recalls of Adcock Ingram manufactured products.
- Only one product recall recorded during the year, at a partner's request, due to failing stability data on a single batch of the product.

## 6 PRICE-REGULATION

All schedule 1 and higher medicines in South Africa are subject to Single Exit Pricing (SEP), with the annual price increases determined by the Department of Health. Historically, the SEP increases have tended to be lower than Adcock Ingram's input cost inflation, resulting in the margins on price-regulated products being placed under pressure.

**Risk themes:** Compliance, financial resilience

**Strategic pillar:** OPERATIONAL EXCELLENCE  
 INNOVATION AND GROWTH

### Strategic responses and mitigating actions:

- Continue with portfolio diversification into non-price-regulated areas.
- An SEP exemption in place for Schedule 0 drugs. Adcock Ingram works with industry bodies to engage the Department of Health (DoH) to continue with this practice.
- Regular meetings with industry bodies and the DoH Pricing Committee.
- Forward cover in place for all foreign-denominated purchases.
- Continuous expense management.

**Capitals impacted:** **FC** **HC** **MC**

### Opportunities:

- The expansion of the non-price-regulated product portfolio remains the single largest opportunity under this risk.

### Business drivers:

- Regulatory compliance
- Margin protection

2024 Ranking: <b>6</b>	Untreated Risk	<b>VH</b>
2023 Ranking: <b>6</b>	Residual Risk	<b>M</b>

### 2024 achievements:

- The Pharmaceutical Task Group (PTG) successfully motivated for the 2024 SEP increase to be slightly ahead of inflation at 6.8%.

## Risk Report CONTINUED



### 7 IT ENVIRONMENT VULNERABILITY

In order to remain competitive and efficient, Adcock Ingram operates sophisticated, internet-enabled IT systems. There are unique risks related to the IT environment, particularly relating to potential cyber attacks, but also loss of data and accounting records or technology obsolescence. The realisation of any of these risks will erode the Group's competitive advantage and result in significant expenses to rectify them.

**Risk themes:** Reputation, operational integrity

**Strategic pillar:** OPERATIONAL EXCELLENCE

**Strategic responses and mitigating actions:**

- Competent team of IT professionals continuously researching latest IT trends and technologies.
- Cyber security action plan continuously reviewed and updated.
- Installation of firewalls, antivirus software and other analytical and intrusion-detection tools.
- Annual penetration tests conducted by an ethical hacker.
- Physical security of all IT systems with fire suppression systems to protect equipment against theft or fire.
- Implementation of back-up data protects systems against downtime by any data providers or services.
- Business continuity plans in place, with bi-annual back-up and recovery tests conducted.
- Comprehensive audits by both the external auditors and the internal audit team evaluate the adequacy of controls in the IT environment.
- Cyber insurance, covering both Liability and Physical Damage, is in place.

**Capitals impacted:**

**Opportunities:**

- The migration of many systems to the cloud provides the opportunity to improve security, while reducing infrastructure and hardware maintenance costs.
- New technologies in cyber security will allow the various systems used to monitor and prevent system attacks being systematically managed by one centralised system (Security Operations Centre or SOC).

**Business drivers:**

- Intellectual property
- Customer service and trust
- Corporate governance

2024 Ranking: 7	Untreated Risk	
2023 Ranking: 7	Residual Risk	

**2024 achievements:**

- No known incidents of cyber attacks or penetration.
- Migration of users to Microsoft cloud systems for Office and other applications proceeding according to plan.
- Plush successfully migrated from SAP to Adcock Ingram's Oracle ERP system.

### 8 HUMAN CAPITAL RISKS

Adcock Ingram's employees are our most valuable asset, and critical towards our success. Our risks relating to our Human Capital assets include loss of critical skills, the inability to attract talent in an increasingly competitive labour market, and industrial action from our bargaining unit employees.

**Risk themes:** Compliance, human capital, operational integrity

**Strategic pillar:** RESPONSIBLE CORPORATE CITIZEN

**Strategic responses and mitigating actions:**

- Ongoing employee engagement including labour forums at each site.
- Multi-year wage agreements concluded with bargaining unit employees.
- Engagement with trade unions on an ongoing basis, on various matters relating to both employee wellbeing and maintaining the Group's competitiveness.
- Strike action contingency plans maintained.
- Short- and long-term incentive schemes in place for various management levels.
- Succession planning in place for key positions in Group and Divisional executive structures.
- Ongoing training and development of employees.

**Capitals impacted:**

**Opportunities:**

- Due to the scarcity of skills within the pharmaceutical industry, a happy and loyal workforce can provide a significant competitive advantage.

**Business drivers:**

- Employee loyalty and trust
- Corporate governance

2024 Ranking: 8	Untreated Risk	
2023 Ranking: 9	Residual Risk	

**2024 achievements:**

- No strike action during the year under review.
- Comprehensive salary benchmarking exercise completed on key roles requiring pharmacists.
- Adcock Ingram recognised at the 2024 South African Best Employer Brands awards.
- Integrated wellness model implemented.

### 9 MAINTAINING SERVICE LEVELS AND MARKET SHARE

Adcock Ingram's ability to deliver our broad range of products quickly and efficiently within South Africa is a key contributor towards customer loyalty, which in turn impacts positively on brand-equity, reputation and market share.

**Risk themes:** Grow the business, reputation, operational integrity

**Strategic pillar:** OPERATIONAL EXCELLENCE

INNOVATION AND GROWTH

**Strategic responses and mitigating actions:**

- Maintaining current service levels and deliveries to retailers and pharmacies.
- Appropriate marketing and sales strategies across the organisation.
- Maintaining an optimal blend between electronic and face-to-face contact with customers and healthcare practitioners.
- Continued focus on maintaining service levels in distribution network and focused sales and marketing strategies.

**Capitals impacted:**

**Opportunities:**

- Adcock Ingram's ability to service customers anywhere in South Africa to the current high standards makes the Company an attractive partner for multinational customers who wish to leverage off our sales, marketing and distribution expertise.

**Business drivers:**

- Brand loyalty and reputation
- Customer service and trust
- Market share growth
- Growth in sales

2024 Ranking: 9	Untreated Risk	
2023 Ranking: 8	Residual Risk	

**2024 achievements:**

- Distribution agreement with RTT extended for a further three-year period.
- On-time delivery service level in excess of 98% maintained.

### 10 TRANSFORMATION

The Group's commitment towards maintaining a credible B-BBEE score not only enables participation in government tenders, but also demonstrates Adcock Ingram's contribution towards transformation within the South African society. A deterioration in our B-BBEE credentials could negatively impact our business with government business and could also result in reputational damage.

**Risk themes:** Compliance, human capital, reputation

**Strategic pillar:** RESPONSIBLE CORPORATE CITIZEN

**Strategic responses and mitigating actions:**

- All elements of the scorecard are integrated into the Executive Director: HC and Transformation's work plan.
- Particular focus is given to:
  - Migration of procurement spend to B-BBEE compliant suppliers, and ensuring that the latest B-BBEE certificates for suppliers are on file;
  - Gender and racial representation at Board and management level; and
  - Investment in various enterprise and supplier programmes.
- Skills development
- B-BBEE is one of the criteria in evaluating potential acquisition targets.

**Capitals impacted:**

**Business drivers:**

- Corporate governance
- Market share growth

2024 Ranking: 10	Untreated Risk	
2023 Ranking: 10	Residual Risk	

**2024 achievements:**

- Maintained a level 2 B-BBEE accreditation at the November 2023 audit.
- Improved levels of diversity and inclusion in junior and middle management.
- Improved levels of preferential procurement spend.
- Onboarded a new ESD partner, focusing on waste management.



## Leadership review from our Chairman and CEO

**MPUMI MADISA**  
CHAIRMAN

**ANDREW HALL**  
CHIEF EXECUTIVE OFFICER

Adcock Ingram has maintained its position as the leading pharmaceutical player in the South African private market. The Group manages a wide range of products, including healthcare, personal care, homecare and pharmaceuticals, catering to customers and patients across the South African spectrum, from fast-moving consumer goods, to over the counter and prescription medications and hospital supplies.

The Group leverages local production to offer quality, affordable medicines across many therapeutic categories. Our mission is to deliver high-quality products that improve health and wellbeing in the communities we serve. We are on average the local provider of the most affordable medicine in South Africa and pride ourselves with an offering that serves all South Africans across socio-economic levels.

The outstanding HEPS growth achieved this year, highlights the operational effectiveness of our teams and the strength of our product portfolio.

### ECONOMIC ENVIRONMENT

Over the past year, South African consumers have again faced an increase in living costs, with lack of adequate savings among lower- and middle-income groups, as most income was spent on essential needs. Consumer confidence remained low, affected by high unemployment, transport sector issues, utility supply challenges, and election-related uncertainties. The annual consumer price index (CPI) was 5.1% in June 2024, albeit on a declining trajectory.

## 4% improvement in trading profit to R1.2 billion

We are encouraged by the renewed sense of optimism generated by the formation of a Government of National Unity (GNU) and the good progress on structural reforms in the electricity and rail sectors.

Two of the biggest impediments to South African economic growth issues are being addressed. South Africa has seen over 150 days without loadshedding and an improvement in Eskom's performance, alongside efforts to reform the logistics sector, which are expected to boost imports and improve port operations. These moves should lower business costs and help keep inflation at manageable levels. The Reserve Bank is likely to lower interest rates again in 2024, which could further stimulate the economy.

On May 15, 2024, President Cyril Ramaphosa enacted the National Health Insurance (NHI) Bill, despite calls from numerous healthcare and civil groups to return it to the National Assembly due to concerns about its constitutionality and affordability. The legislation aims to ensure equitable healthcare coverage among South Africans. The NHI will be phased in over a number of years, but potential delays are expected due to legal challenges and stakeholder criticism over funding, medical scheme restrictions, and private healthcare provider roles. Adcock Ingram remains supportive of universal healthcare, and hopeful that further consultation between the government and societal and industry players, will result in a practical, affordable and sustainable solution.

### INDUSTRY OVERVIEW

The pharmaceutical industry is subject to strict regulations, and the Group is deeply committed to upholding the highest standards of compliance across the business. We emphasise providing quality, safe and efficacious products at affordable prices throughout our marketing, manufacturing and distribution processes.

In 2024, a single exit price (SEP) adjustment of 6.79% was granted by the Minister of Health, which helps ease margin pressures resulting from the weak rand, the deterioration of which has resulted in double-digit increase in the cost of foreign currency denominated active ingredients and finished products.

In July 2024, the South African Health Products Regulatory Authority (SAHPRA) reviewed clinical data from

## Turnover increased by 6%, reaching R9.6 billion

Adcock Ingram and other applicants regarding the safety and effectiveness of codeine-containing medicines in children under 12 years. The regulator determined that these medicines are linked to respiratory complications in this age group. Consequently, SAHPRA has directed all applicants of codeine-containing medicines to revise their Professional Information and Patient Information Leaflets to reflect that codeine-containing medicines are contraindicated for children under 12 years of age, pregnant women in their third trimester and women who are breastfeeding infants, and children under 18 years of age undergoing surgery for removal of tonsils or adenoids to treat obstructive sleep apnoea. Adcock Ingram is implementing the recommended safety restrictions on all codeine-containing products.

### PERFORMANCE

The Group delivered a solid financial and operational performance during the year and according to IQVIA, Adcock Ingram has maintained its top-ranked status in the private pharmaceutical market in South Africa, with growth in market share, and is the third largest supplier to the state.

Turnover for the year under review, increased by 6% to R9.6 billion, supported by strong performances from our OTC and Prescription Divisions. The OTC Division benefited from improved demand for its winter basket, with a rise in cold and flu cases and other respiratory illnesses, and the Prescription Division had a number of new product launches, with IQVIA ranking Adcock Ingram in second place in terms of revenue from new products over the last year.

The gross margin declined from 34.9% to 33.4%, impacted by an average increase of 11% in forward exchange contract rates for products acquired in foreign currency, and a change in the sales mix with a higher proportion of low-margin large volume parenteral tender sales.

Operating expenses were exceptionally well controlled, decreasing by 1%, despite the favourable sales variance, general inflationary pressures and salary increases. This resulted in a 4% improvement in trading profit to over R1.2 billion and the Company delivering double-digit HEPS growth. Strong cash generation facilitated the continued return of value to shareholders, including the repurchase of 6 million shares and 10% growth in dividends.



## Leadership review from our Chairman and CEO CONTINUED

### LIVING THE STRATEGY

Our strategy focuses on operational excellence, innovation and growth, and being a “Responsible Corporate Citizen” through our environmental, social and governance efforts. Each of the four commercial business units implements these elements of strategy, but operate independently within a decentralised framework.



**Our Consumer Division** competes in the healthcare, personal care and home care segments of the market, and the portfolio includes products in analgesia, energy, gut health, dermatology, sun care, vitamins, minerals and supplements, shoe care and home care. **Turnover, which was impacted by limited consumer spend, increased by 3% with seven of the top ten brands in growth.** Epi-Max and Bioplus both achieved impressive double-digit growth and surpassed R300 million in sales for the first time. Gross margin ended lower than the prior year, adversely affected by cost push from suppliers, the weak rand and the inclusion of the E45 skincare range at a lower average margin. With good cost control, trading profit of R362 million was realised, an improvement of 2%.

The Division acquired the Dermopal brand effective 1 July 2024. The Dermopal range, which includes moisturising sunscreens designed for daily facial care to prevent pigmentation and signs of ageing, especially for darker skin tones, will enhance the Division’s existing skincare portfolio. Dermopal has become the fifth largest and fastest growing sun care brand in South Africa, positioning Adcock Ingram as a leading player in this segment, alongside the Island Tribe and Heliocare brands.



**Our OTC Division** leads the market with well-established brands across pain relief, coughs, colds and flu, digestive health, and allergy treatments through the pharmacy channel in South Africa. In Schedule 1 and 2 in pharmacy the Division has a share of 20%.


**Revenue increased by 8%, driven by higher demand for winter products due to a rise in cold and flu cases, and other respiratory illnesses.** Brands such as Corenza C, Citro-Soda, and Adco-Mayogel continued to show robust growth. Gross margin ended marginally below the prior year, as the adverse impact of the weaker currency and increases in production costs, were largely offset by an advantageous sales mix and selling price increases. With excellent cost control, trading profit improved by an impressive 10%, reaching R384 million.



**Our Prescription Division** offers a diverse portfolio that includes both branded and generic medicines, and specialised ophthalmic equipment and surgical products. Additionally, we promote a variety of products on behalf of multinational partners.

Revenue increased by 4%, with strong performances across most categories, except for ARVs, where we experienced a significant drop in tender volumes.

The Branded portfolio delivered impressive results, with all Top 10 products in this segment experiencing growth. The Generic segment also grew compared to last year, with seven of the top ten products showing gains. The lower ARV tender sales led to a more favourable sales mix, resulting in the gross margin ending only marginally below the prior year, despite an average increase of 10% in forward exchange contract rates for products acquired in foreign currency. **Although inflationary pressures posed challenges, operating expenses were well controlled, resulting in trading profit improving by a commendable 10% to R352 million.**



**Our Hospital Division** is the leading manufacturer and supplier of critical care and hospital products, as well as renal dialysis treatments, in South Africa. **Turnover increased by 8%, boosted by the commencement of the large volume parenterals tender on 1 October 2023.** However, the Division faced several production challenges, including water supply interruptions which affected production output. Furthermore, the weaker currency and a shift in the sales mix, towards a higher proportion of tender sales, negatively impacted margins, resulting in a 16% decrease in trading profit to R128 million.

### MANUFACTURING

Central to our operations, we adhere to rigorous regulatory standards and maintain the highest quality benchmarks across all our facilities. Each manufacturing site is accredited by SAHPRA, and we also undergo regular inspections by relevant third parties to ensure ongoing compliance.

The **Clayville** facility, which specialises in the production of high-volume oral liquids, effervescent, powders, and eye drops, encountered several production challenges. These were due to the delay in the supply of raw materials, caused by the port congestion in Durban, as well as municipal water supply disruptions in the Clayville area. Despite these obstacles, the facility was able to manufacture sufficient cough syrups to meet the winter season’s demand.

At our **Wadeville** facility, which handles tablet and capsule production, creams and ointments, and small runs of oral liquids, we have seen an improvement in throughput over the year, following a slow start due to a plant upgrade in July and August. The plant is preparing to serve as a back-up for the Bangalore facility for key product lines, thereby ensuring continuity of supply.

The **Critical Care** facility in Aeroton is operating at over 90% capacity, producing intravenous fluids, renal fluids and blood collection bags. To meet the demands of the state Large Volume Parenterals (LVP) tender, for which Adcock Ingram secured about 90% of the volume, additional staff and overtime have been necessary.

**The installation of two 2-million litre water tanks has alleviated previous water supply issues, ensuring uninterrupted production.**

The facility is undergoing ongoing improvements to ensure regulatory compliance and meeting of quality standards.

### DISTRIBUTION

Managing one of the nation’s largest pharmaceutical distribution networks, which includes eight stockholding hubs in key cities like Johannesburg, Durban, Gqeberha, Bloemfontein and Cape Town, the Distribution department is vital to our operations. Our distribution operations are managed in collaboration with RTT, who handle our outbound logistics.

**We remain focused on maintaining high service levels, which were exemplary this year, with an on-time delivery rate of 98.9%.**

### ESG

From an environmental perspective, the Group is particularly committed to waste management, and we have launched several innovative initiatives to minimise landfill waste. These efforts include on-site waste sorting, pallet recycling and converting thermal pallet covers into blankets. Additionally, we have introduced five electric trucks to further reduce our carbon footprint.

**In November 2023, the Group achieved a Level 2 B-BBEE rating, which is valid until November 2024.**

We have continued to support corporate social responsibility (CSR) projects. These include planting 1 170 fruit trees in local communities in Gauteng and the Eastern Cape through an NPO, Food and Trees for Africa.

We donated a solar energy system to the Empumelweni Community Health Centre in Witbank, Mpumalanga. This system, provided through SA Medical and Education (SAME) Foundation, an NPO, includes a 30-Kw inverter, six lithium batteries, and 36 solar panels. This renewable energy project aims to enhance healthcare service delivery in the Empumelweni community.

### BOARD

We are fortunate to have a group of Board members who are committed to upholding our corporate governance structure throughout all our operations. They come from a variety of professional backgrounds, bringing diversity in gender, ethnicity, experience and sets of talents. The Board is steadfast in its resolve to maintain the highest standards of responsibility and integrity within the Group. Their role is to lead with effectiveness and morality, promoting equity, and value generation for our investors.

### WAY FORWARD

Considering a good track record of adapting to market situations, we have faith in the stability of our diverse and reasonably priced portfolio of reputable healthcare brands. The Board is committed to growing the Company’s product lines through strategic alliances and the addition of brands complementary to the current portfolio.

### APPRECIATION

We express our heartfelt appreciation to our employees, Board, customers, partners, suppliers, SAHPRA and shareholders. Your support remains crucial to the success of our Group and provision of healthcare in South Africa.



**DORETTE NEETHLING**  
CHIEF FINANCIAL OFFICER

"A good trading performance, coupled with excellent cost control, resulted in the business delivering double-digit HEPS growth. Furthermore, strong cash generation facilitated the continued return of value to shareholders, including the repurchase of 6 million shares and 10% growth in dividends. The Company increased its share and maintained its position as the leading pharmaceutical player in the South African private market."

## Financial review

### AT A GLANCE

Revenue  
**+6% to R9 643 million**

Gross margin **33.4%**

Trading profit **+4% to R1 229 million**

HEPS **+10% to 617 cents**

Trade receivable days **54**

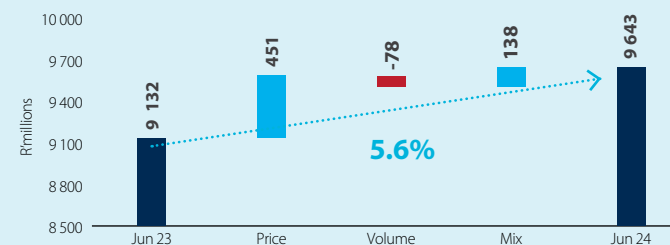
Inventory days **133**

Trade payable days **60**

ROFE **31.3%**



Revenue increased by 5.6% to R9 963 million, made up as follows:



**PRICE**  
**R451 million**  
(+4.9%)

The SEP increases of 3.28% granted in January 2023, 1.73% in July 2023 and 6.79% in January 2024, resulted in improved price realisation (compared to previous years) across the Group.

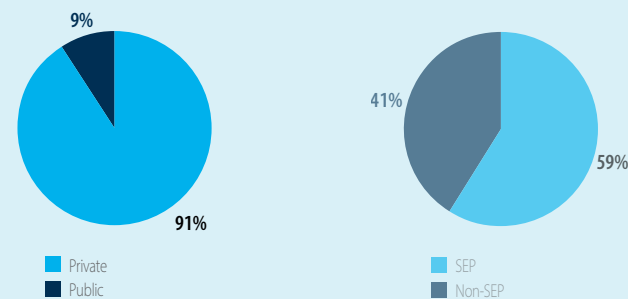
**VOLUME**  
**-R78 million**  
(-0.8%)

The first six months of the financial year experienced volume decline of 5.0%. This picture was largely reversed during the second half of the financial year as this period benefited from increased demand for our winter basket of products, driven by a rise in cold and flu cases, and other respiratory illnesses.

**MIX**  
**R138 million**  
(+1.5%)

The benefit includes the inclusion of E45 for a full year compared to only six months in the comparative period (Consumer), the addition of the Convatec wound care and ostomy portfolio (Hospital), and numerous product launches in Prescription.

The split of sales between the private and public sectors, as well as between SEP and non-SEP products:

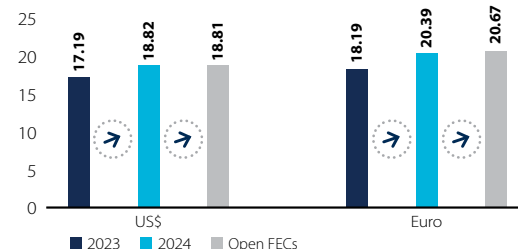


## Financial review CONTINUED

### The gross margin declined from 34.9% to 33.4%.

This was negatively impacted by the average increase in forward exchange contract rates for products acquired in foreign currency and the change in the sales mix, with higher low-margin LVP tender sales.

Foreign currency bought



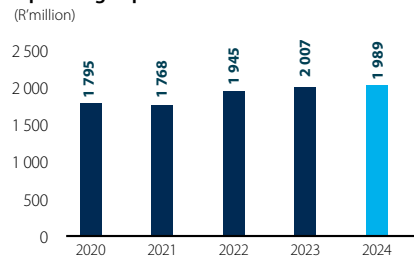
With approximately 46% of FECs in US\$ and 53% in Euro – the cost of our basket of all currencies, weighted on actual settlements in the period was 10.8% higher than the comparative year.

The strengthening of the rand subsequent to year-end will only be realised towards the second half of the 2025 financial year, as the open FECs at year-end were, on average, in line with the rates achieved in the 2024 financial year.

### Operating expenses of R1 989 million have been exceptionally well controlled and decreased by R17.5 million despite salary increases and other inflationary pressures.



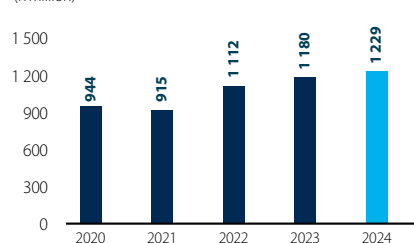
Operating expenses (R'million)



### Trading profit of R1 229 million ended R49 million higher than the prior year.



Trading profit (R'million)

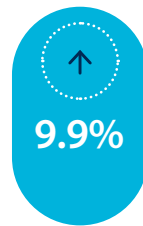


**Non-trading expenses** of R165 million consist of share-based expenses of R45 million, impairments relating to goodwill, intangibles and property, plant and equipment of R116 million, a fair value adjustment of R3 million on a long-term receivable, with the balance relating to corporate activity costs.

**Net finance costs** of R87 million were incurred during the year, including IFRS 16 (Leases) finance costs of R27 million. The average borrowing rate in the current year was 11.75%, compared to 10.50% in the prior year.

**Equity accounted earnings** of R143 million, improved by 20%. The Indian operations (JV with Medreich), comprising two-thirds of the amount, improved by 30% following an improvement in margins.

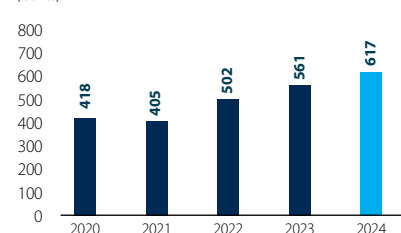
**The effective tax rate**, adjusted for equity accounted earnings is 31.7%, with non-deductible expenditure causing the increase over the statutory rate.



### Headline earnings for the year amounted to R930 million compared to the prior year of R898 million.

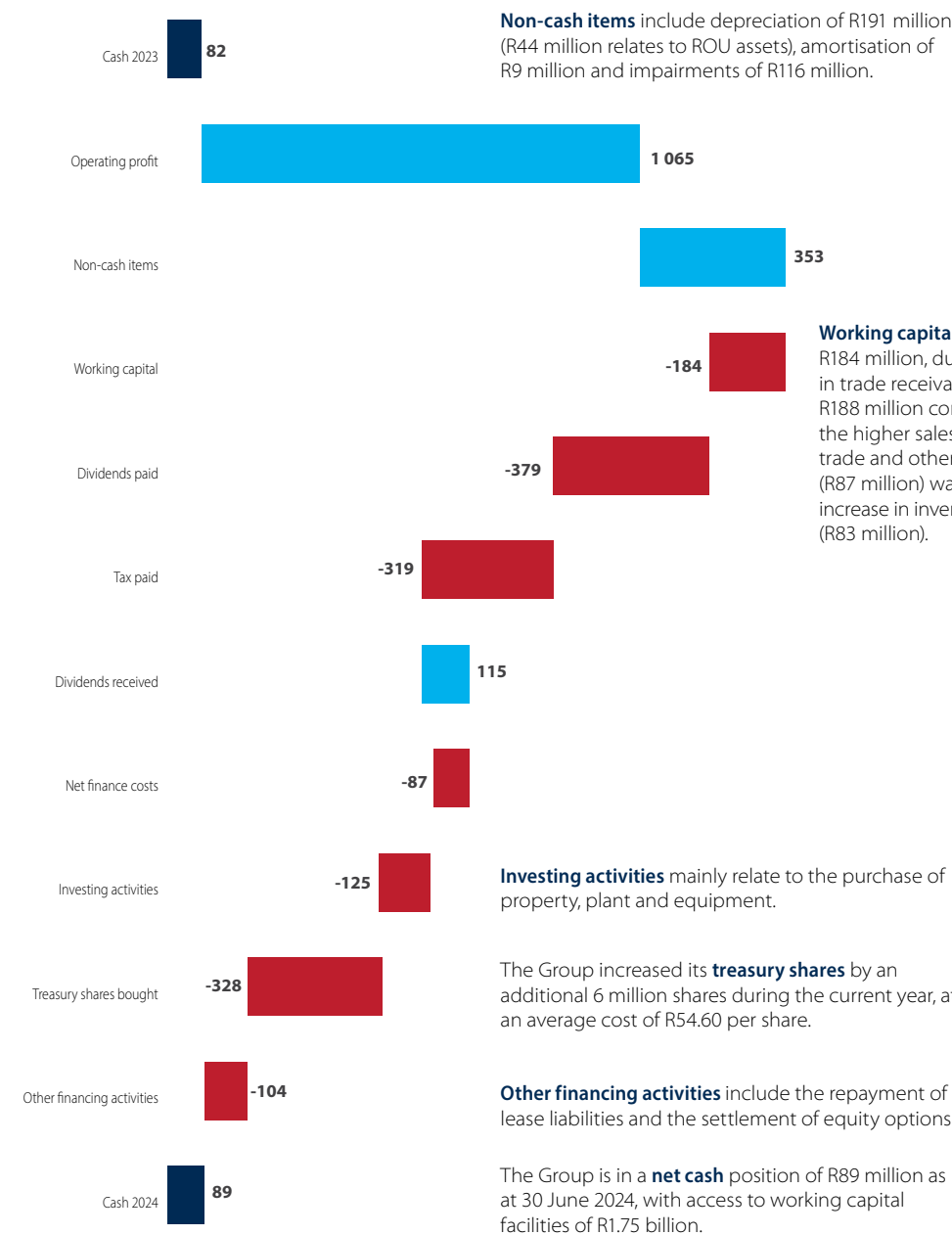
This translated into headline earnings per share of 616.6 cents, 9.9% above the prior year.

HEPS (Cents)



## CASH MANAGEMENT

(R'million)



**Non-cash items** include depreciation of R191 million (R44 million relates to ROU assets), amortisation of R9 million and impairments of R116 million.

**Working capital** increased by R184 million, due to an increase in trade receivables of R188 million commensurate with the higher sales. The increase in trade and other payables (R87 million) was in line with the increase in inventories (R83 million).

**Investing activities** mainly relate to the purchase of property, plant and equipment.

The Group increased its **treasury shares** by an additional 6 million shares during the current year, at an average cost of R54.60 per share.

**Other financing activities** include the repayment of lease liabilities and the settlement of equity options.

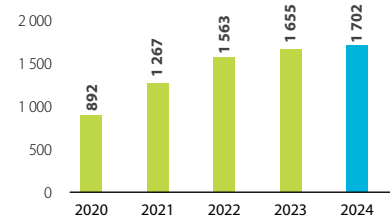
The Group is in a **net cash** position of R89 million as at 30 June 2024, with access to working capital facilities of R1.75 billion.

## Financial review CONTINUED

### CONSUMER

#### Turnover

(R'million)



Consumer turnover of **R1 702 million** increased by **R47 million**.

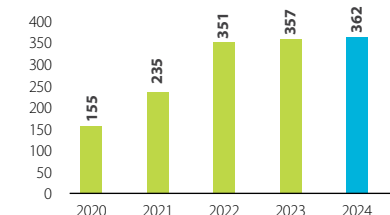
This was supported by an average price increase of 5.0% and a mix benefit of 4.1% attributed to the inclusion of the E45 skincare range for a full year (June 2023: 6 months), as well as line extensions within the established portfolio. Organic volumes declined by 6.3%, an improvement from the 10.0% decline experienced in the first six months of the financial year. This is evidence of the pressure that consumers are experiencing on their disposable income.

The gross margin ended lower than the prior year, adversely affected by cost push from suppliers, the weak rand (-10.3% as almost 90% of this Division's imports are US\$ based), and the inclusion of E45 at a lower average margin.

With good cost control, trading profit of R362 million was realised.

#### Trading profit

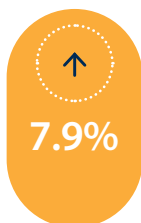
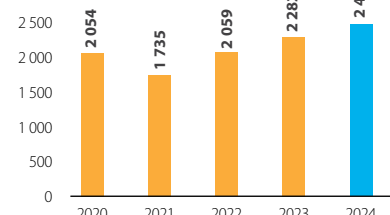
(R'million)



### OVER THE COUNTER (OTC)

#### Turnover

(R'million)



OTC turnover improved by **R180 million**, supported by good demand for its winter basket, with a rise in cold and flu cases and other respiratory illnesses.

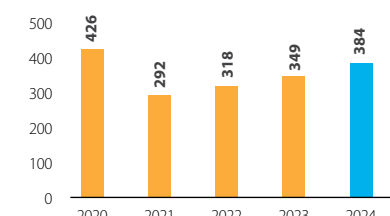
Average price realisation was 7.5%. Organic volumes improved by 0.4%, an excellent recovery from the 6.3% decline experienced in the first six months of the financial year, with major brands like Corenza C, Citro-Soda, Dilinct, Solphyllex and Adco-Mayogel showing good growth.

The gross margin ended marginally lower than the prior year. The adverse impact of the weaker currency with the majority of imports US\$-based and increases in production costs, were largely offset by an advantageous sales mix and selling price increases.

With excellent cost control, trading profit increased by R35 million.

#### Trading profit

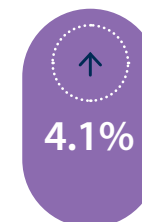
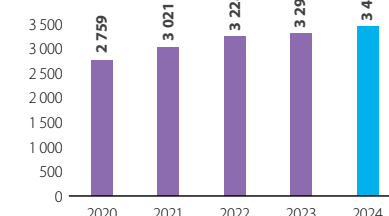
(R'million)



### PRESCRIPTION

#### Turnover

(R'million)



Prescription turnover improved by **R136 million** to **R3 430 million** aided by average price realisation of **4.0%**.

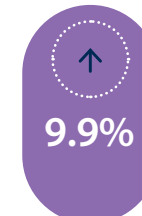
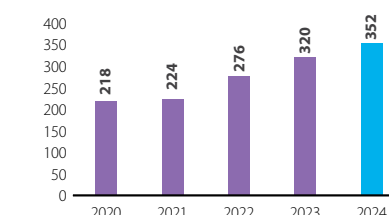
Organic volumes declined by 1.7%, with a lower contribution from the ARV tender. Following a number of product launches, mix contributed 1.8% towards the growth.

The lower ARV tender sales led to a more favourable sales mix resulting in the gross margin ending only marginally below the prior year despite an average increase of 10.0% in forward exchange contract rates for products acquired in foreign currency. FECs are split almost evenly across Euro and US\$ contracts.

Although inflationary pressures posed challenges, operating expenses were well controlled, resulting in trading profit improving by R32 million to R352 million.

#### Trading profit

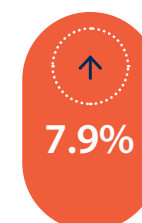
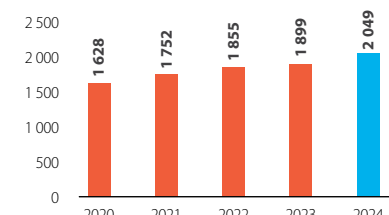
(R'million)



### HOSPITAL

#### Turnover

(R'million)



Hospital sales improved by **R150 million** to **R2 049 million**.

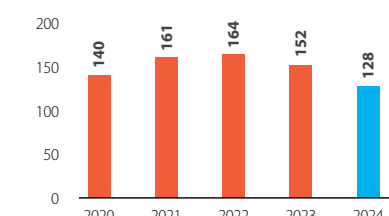
An average price increase of 3.5% was realised. Volumes improved 3.7% driven by the 3-year Large Volume Parenterals (LVP) tender, awarded on 1 October 2023. A mix benefit of 0.7% was achieved, mainly attributable to the onboarding of wound care and ostomy products from Convatec.

Gross margin ended lower than the prior year following the change in the sales mix with higher LVP tender sales, significant production challenges, including water supply interruptions, and the adverse impact of the exchange rate (-12.4% for the division), with approximately 80% of FECs being Euro-denominated.

Consequently, trading profit decreased by R24 million.

#### Trading profit

(R'million)





## Business unit performance

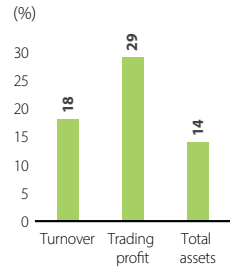
### CONSUMER

TURNOVER:  
**+3%**

TOP 10 BRANDS' TURNOVER:  
**R1 569 million**  
(2023: R1 495 million)

TRADING PROFIT:  
**+2%**

#### Contribution to Group results (%)



### PERFORMANCE



**PAIN<sup>1</sup>**  
Panado, Adcock Ingram's flagship analgesic brand, experienced substantial growth during the pandemic, but demand has now normalised to pre-COVID levels and continues to be driven by the ongoing emphasis on self-care.

Panado distinguishes itself in the South African market as the sole analgesic brand offering a range of formats across various scheduling statuses (S0-S2), catering to diverse pain relief needs, budget considerations and format preferences. This extensive range empowers consumers to select the most suitable product for themselves and their families, ensuring effective pain relief whenever required. Panado remains committed to adaptation and diverse product offerings, underscoring its resilience in navigating evolving market dynamics and meeting the pain relief needs of South African consumers effectively.



**GUT/PROBIOTICS<sup>2,3,4</sup>**  
South Africa's probiotics market is growing due to increased consumer awareness, especially for digestive health. Products addressing issues like bloating, irritable bowel syndrome (IBS), and overall gut health are in high demand. Beyond digestive health, there's rising interest in probiotics for immune support, mental health and skin health, driving future growth as consumers recognise the broader benefits of a healthy gut microbiome.

ProbiFlora, a leading brand, offers a diverse range of products targeting different aspects of gut health across various age groups and health needs. Products include ProbiFlora Adult Intensive Rescue, which features a blend of nine probiotic strains aimed at addressing issues such as lactose intolerance, food sensitivities and general digestive health. ProbiFlora is widely trusted by consumers, reflected in its availability across major retail chains.



**ENERGY SUPPLEMENTS<sup>5</sup>**  
South Africans are adopting busier lifestyles, focusing on careers, sports, exercise and studies. In response, local companies position their products as performance enhancers, leveraging marketing campaigns and product labelling. This strategy has boosted sales by meeting the growing demand for energy supplements as well as energy drinks from busy consumers. Bioplus continues to hold the top spot as South Africa's leading energy brand. Bioplus caters to various consumer energy needs and occasions through a diverse range of product formats.

equity and reputation makes it easier to gain consumer trust while expanding into related categories. With Epi-max's established reputation for effectively addressing dry skin conditions and being the preferred emollient moisturiser among healthcare professionals in the private sector, Epi-max maintains its position as South Africa's leading emollient brand.



**INTIMATE CARE**  
Gynaguard continues to drive awareness and growth in this category, maintaining its strong leadership.

The brand is growing its presence in the total feminine hygiene category, launching into adjacent segments with the pantyliner range.



**SHOE CARE**  
Shoe care has seen continued growth. The category is mainly driven by the paste/polish format and dominated by a single market leader, with smaller players such as Plush and other local brands competing for market share in this space.

There remains an opportunity to focus on growing distribution through wholesale and specialty channels to gain new users for the Plush brand.



**HAND AND BODY**  
Epi-max has seen healthy growth during the financial year. Epi-max has extended its presence in the baby care category through the introduction of new products, in continuous support of the strategy to reduce the brand's reliance on core offerings. Leveraging the existing brand

equity and reputation makes it easier to gain consumer trust while expanding into related categories. With Epi-max's established reputation for effectively addressing dry skin conditions and being the preferred emollient moisturiser among healthcare professionals in the private sector, Epi-max maintains its position as South Africa's leading emollient brand.

E45 has launched its range of facial care products in the South African market, expanding upon its existing line of dermatological skincare products. This strategic move aligns with the brand's commitment to adapting to evolving consumer preferences and market trends.



**HOMECARE<sup>6</sup>**  
Plush competes in a highly competitive and commoditised homecare market, and category growth has been driven mainly by dishwashing, bathroom disinfectants and all-purpose creams. The category is seeing

growth through higher landed prices on shelf, but with a drop in units.

#### References

<sup>1</sup> Paracetamol Market – Growth, Trends, COVID-19 Impact, and Forecasts (2022 – 2027)  
<https://www.mckinsey.com/za/our-insights/stretched-south-african-consumers-put-health-and-sustainability-on-the-shopping-list>

<sup>3</sup> <https://insights.figlobal.com/trends/tapping-latest-trends-probiotics>

<sup>4</sup> Insight Survey: South African Probiotics Industry Landscape Report 2024

<sup>5</sup> Insight Survey: South African sports & energy drinks industry landscape report 2023

<sup>6</sup> MAT Circana June 2024

## Business unit performance CONTINUED

### CURRENT TRENDS IN OUR MARKET

As living costs rise in South Africa, consumers are becoming increasingly value-conscious, seeking ways to save money without sacrificing quality. This has led to heightened interest in private-label brands, generic products and discounts, demonstrating a careful approach to spending.

#### CONSUMER<sup>1,2</sup>

- **Value-conscious spending:** 99% of South Africans have altered their shopping habits, with 48% switching to lower-priced options. This reflects a significant shift towards more affordable FMCG products. 44% of consumers feel financially worse off than last year, with 82% attributing their struggles to rising living costs. Job security concerns have also risen to 50%.
- **Sustainability and health:** Consumers are increasingly choosing organic goods, recycled materials and energy-efficient appliances. Health and wellness are top priorities, driving demand for healthy foods, fitness trackers and wearable technology. 38% of consumers prioritise health and 57% select products that benefit their health.
- **Community and connection:** Consumers are using social media, online forums and community events to connect, valuing brands that promote a sense of belonging.
- **Convenience and technology:** There has been a rise of convenient shopping methods with a growing preference for mobile payments, self-checkout kiosks and delivery services. Technology significantly influences shopping, banking and communication habits, with social media becoming a key platform for product discovery and purchases. Consumers seek seamless shopping experiences through artificial intelligence (AI)-driven, personalised services.
- **Urbanisation:** South Africa's urbanisation is driving increased demand for products and services in cities, requiring businesses to adopt strategic distribution and comprehensive marketing approaches.

#### RETAILER<sup>3,4,5</sup>

- Loadshedding and the increased costs of utilities continue to negatively impact retailers in South Africa.
- Retailers have recognised the importance of delivering more than just price to attract value-seeking shoppers, and that value is a need beyond price.
- With the expansion from no-name private label to private brands, retailers are expanding their private brand offer through innovation and range extensions, attracting the higher income wallets into their stores.
- Retailer loyalty programmes are becoming a key lever to attracting shoppers, with 84% of loyalty programme users indicating that it influences where they shop.
- With cross-shopping between retailers now a reality,

retailers are hyper-segmenting to ensure they capture as many shoppers as they can within their group, instead of losing them to other retail groups because they do not have a relevant offer for a particular segment.

- Reaching scale with e-commerce remains a key component of the path to profitability for this channel, and retailers are recognising that integrating their platforms within their groups or exploring external integration with others could unlock the reach they seek.

#### E-COMMERCE<sup>6,7</sup>

South Africa's e-commerce sector is undergoing significant transformation amidst economic challenges and increasing competition, driven by key trends and insights:

- **Rise of global players:** Asian giants like Shein and Temu are reshaping segments of the local e-commerce market, intensifying pricing pressures and rapidly gaining market share. Amazon's entry is anticipated to further escalate competition, potentially setting new standards for customer experience in the region.
- **E-commerce expansion:** Like trends in other emerging markets, South Africa's e-commerce sector is witnessing low barriers to entry, paving the way for brands in technology, durables and clothing to adopt direct-to-consumer strategies.
- **Omnichannel strategies:** Omnichannel approaches are becoming pivotal for South African retailers. Integrating online shopping with in-store experiences, including options like buy online, pick up in-store, and leveraging platforms such as Mr D and Uber Eats, is crucial for expanding market reach and enhancing customer engagement.
- **Cost-conscious consumer behaviour:** Amid economic pressures, consumers are increasingly price-sensitive and adopting cost-saving strategies. This includes comparing prices across different platforms and utilising digital tools to find the best deals. Loyalty programmes are also gaining traction as consumers look to manage expenses effectively.
- **Innovation in revenue generation:** Retailers are innovating to create new revenue streams, such as through retail media networks and renting out physical space to brands for enhanced retail experiences. These strategies aim to capitalise on omnichannel presence while catering to evolving consumer demands.
- **Logistics excellence:** Operational efficiency in logistics is critical, particularly with rising consumer expectations for fast and reliable delivery services. Retailers are investing in logistics to meet these demands, including trials for one-hour delivery services, despite challenges like loadshedding and geographical distances.

### DELIVERING ON STRATEGY

- Seven of the 10 top brands showed growth on the previous year with Epi-max and Bioplus both showing double-digit growth, each achieving sales of more than R300 million for the first time.
- During the year, numerous launches were executed on stock keeping units (SKUs) within various brands in the stable, including Epi-max and E45.
- Island Tribe's SPF 50 clear gel was re-introduced to the market during the year after a prolonged reformulation process.
- The Division continued to look for acquisition opportunities to supplement its existing portfolio of leading healthcare, personal care and homecare brands. Effective 1 July 2024, the Division acquired the Dermopal brand, which consists of a range of skin care products aimed at darker skin types (IV-VI on the Fitzpatrick Scale). Dermopal Moisturising Sunscreen SPF 30 is a moisturising sunscreen positioned more as a face care brand, used as part of a daily skin routine for anti-pigmentation and anti-ageing. Dermopal is the fifth largest and fastest growing suncare preparation in the South African market, and together with the Division's Island Tribe brand, makes the Division one of the leading players in this market.
- During the second half of the year, a decision was taken to fully integrate the Plush business into the Consumer Division, combining the underlying support functions of sales and marketing, finance and supply chain, to align processes and controls as well as to extract synergies where possible.
- The Consumer Division continued to focus its transformation initiatives around being responsible corporate citizens by improving access to healthcare products and community upliftment:
  - The Panado "A Dose of Care" campaign continued to run throughout the fiscal period. Panado allowed for South Africans to "pay it forward" and nominate a charity of their choice to receive a "dose of care" to assist them to continue their great work in helping their communities and impacting many lives positively.
  - The Division identified a valuable opportunity to repurpose discarded marketing billboard material into cosmetic bags for women. Through a partnership with E'Yako Green, all our retired billboard material was gathered and upcycled into 1 800 cosmetics bags that will be distributed to the community and young girls in need.

### OUTLOOK

- Protect and grow our core portfolio.
- Our objective remains to be the consumer's choice for healthcare, home care and personal care, offering a range of quality, affordable and trusted iconic brands.
- Build on our base of heritage brands to leverage new launches within the portfolios.
- Seek opportunities to close portfolio gaps in areas like healthcare, home care and personal care.
- Grow new channels, markets and adjacent categories.
- Continue to focus on purpose-led initiatives like "A Dose of Care Campaign", while looking to identify other initiatives to further our aim of being responsible corporate citizens.

#### References

<sup>1</sup> <https://www.bizcommunity.com/Article/196/424/245090.html>

<sup>2</sup> <https://modernmarketing.co.za/retailers-and-brands-need-to-innovate-as-sa-consumers-cut-on-spending/>

<sup>3</sup> Trade Intelligence | Retail Trends 2023 Report

<sup>4</sup> Trade Intelligence | FMCG Shopper Marketing Report 2023

<sup>5</sup> Trade Intelligence | Corporate retail comparative report 2023

<sup>6</sup> <https://www.bizcommunity.com/article/south-african-retailers-have-arrived-at-an-e-commerce-crossroads-675821a>

<sup>7</sup> Online Retail in South Africa 2024 report

## Business unit performance CONTINUED

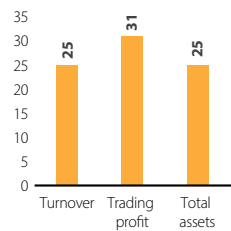
### OVER THE COUNTER (OTC)

TURNOVER:  
**+8%**

TOP 10 BRANDS' TURNOVER:  
**R1 635 million**  
(2023: R1 466 million)

TRADING PROFIT:  
**+10%**

Contribution to Group results (%)



**YUDHVEER SINGH**  
Financial Director



**SUDIER RAMPARSAD**  
Managing Director

#### MARKET SHARE<sup>1</sup>

S1 and S2	Market share	Position
Volume	30.2%	1
Value	19.5%	1

<sup>1</sup> IQVIA MAT June 2024

#### PERFORMANCE

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

#1



MARKET SHARE  
**19.8%**

#### PAIN

Adcock Ingram OTC's pain portfolio features a variety of analgesic and anti-inflammatory products, providing pharmacists with numerous treatment options to recommend to customers. The pain portfolio has ex-factory sales of almost

R600 million, holding a 20% market share and showcases the Division's extensive range of self-care treatments available to consumers without a prescription.

#1



MARKET SHARE  
**20.7%**

#### COUGH, COLDS AND FLU

This portfolio is still adjusting post-pandemic. The winter basket of products' performance was driven positively by closely monitoring consumer behaviour, engaging consumers effectively, and

adapting to their evolving health needs. Ex-factory, this portfolio is worth over R900 million with leading brands including our flagship Corenza C, as well as Alcophyllex and Dilinct.



MARKET SHARE  
**19.5%**

#### ALLERGY

The Allergy portfolio with ex-factory sales in excess of R330 million, includes well-known Allergex, which in the current year became this Division's leading product and is the market leader in this segment of the

market. Other brands in this portfolio include Levogex, Ceticit and Deslomed.



MARKET SHARE  
**25.3%**

#### HEARTBURN AND INDIGESTION

The Division's digestive/gastrointestinal product offering achieved ex-factory sales in excess of R460 million with Citro-Soda the top performer. Adco-Mayogel continues to grow in double-

digits, as it has expanded its shelf presence in both corporate and independent pharmacies, providing customers with a cost-effective alternative for indigestion and heartburn relief.

#### CURRENT TRENDS IN OUR MARKETS

- The over the counter market is largely driven by the growing awareness towards self-care in the segments that include cough, cold, flu, allergy, and pain.
- General economic pressures are limiting disposable income and hence self-medication is restricted.
- Above inflationary cost increases are seen in locally produced medicine as utility costs have soared, together with supply chain disruptions.

#### DELIVERING ON STRATEGY

- Optimised retail space for product visibility and accessibility, and expanded exposure in retail pharmacy clinics.
- Tailored sales strategies differentiated for independent and corporate pharmacies.
- Collaboration across retail pharmacies is facilitated through targeted promotional activities and exhibitions.
- Structured resourcing at the factory, reduced manufacturing times, with enhanced skilled employee availability.
- The Adcock Ingram Sponsors of Brave platform, including the Pharmacy of the Week drive, HOPEtober campaign and Annual Journalism Awards, emphasises hope, unity, and excellence in communities.

#### OUTLOOK

- Operational efficiencies, process improvement, and staff development to enhance productivity.
- Business development to propel expansion, product innovation, and speed to market.
- Energy & Water conservation and waste management in manufacturing, drives a commitment towards sustainability.
- Talent development is driven through innovative training programmes and non-financial awards.
- Employee engagement initiatives embody retention, promote wellness and work-life balance.
- The Sponsors of Brave foundation promotes corporate social investment projects that enhance self-care and community wellbeing.

# Indicates category market position

## Business unit performance CONTINUED

### PRESCRIPTION

**TURNOVER:** +4%

**TOP 10 BRANDS' TURNOVER:** **R1 228 million** (2023: R960 million)

**TRADING PROFIT:** +10%

**Contribution to Group results (%)**

Turnover	36
Trading profit	29
Total assets	28

**NOLWAZI VILAKAZI**  
Financial Director

**ASHLEY PEARCE**  
Managing Director

### MARKET SHARE<sup>1</sup>

Category	Market share	Position
Volume	15.0%	1
Value	7.1%	3

<sup>1</sup> IQVIA MAT June 2024

### PERFORMANCE

**#1**

**PAIN**

The pain portfolio comprising products such as Synaleve, Myprodol, Mypaid Forte and Myprocam continues to show growth due to increasing support from prescribers. Synaleve continues to show a strong performance compared to its competitors in the market with ex-factory sales exceeding R200 million during the year. The Adcock Ingram Prescription pain portfolio remains the market-leading pain franchise, growing at 6% and outgrowing the market.<sup>1</sup>

**#3**

**WOMEN'S HEALTH**

This portfolio recognises and celebrates the uniqueness of women and includes treatments for conditions that occur more frequently in women. These include symptoms related to menopause, vaginal dryness, urinary tract infections (UTIs), osteoporosis as well as oral contraceptives. As a leading Women's Healthcare franchise in the country, with a 32% 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, empowering them to make informed decisions about their health. A product pipeline has been secured and three new chemical entities will be launched within the portfolio over the next 12 months.

**#2**

**UROLOGY**

The urology portfolio, which includes well-known brands such as Urispas and Urizone, is the market leader in the treatment of UTIs. Despite several generic fosfomycin competitors entering the market, Urizone is still the market leader with 30% share.<sup>1</sup>

**MARKET SHARE**  
**20.9%**

**#10**

**GASTROENTEROLOGY**

The field of gastroenterology is witnessing significant advancements with the introduction of innovative treatments that address a range of conditions from acid-regurgitation and gastro-oesophageal reflux disease to ulcerative colitis and haemorrhoidal pain. The commitment to improving patient outcomes is evident in the development of comprehensive portfolios that include groundbreaking medications.

Dexilant, with its dual delayed-release technology, exemplifies the progress in proton pump inhibitors (PPIs), offering a new level of treatment efficacy and garnering increasing trust among healthcare professionals. In its second year, since the launch of the brand, it is gaining prescriber confidence with an almost three-fold prescription volume growth.<sup>2</sup>

**MARKET SHARE**  
**2.3%**

The growth of Mezavant in the private sector highlights its effectiveness and the value it brings to patients and providers for the treatment of ulcerative colitis. Mezavant has volume growth of 5.4%, while the mesalazine volume market is declining by 0.9%.<sup>1</sup>

Scheriproct for the treatment of haemorrhoids is backed by a strong collaboration with global partner, Karo, to deliver enhanced patient care. The brand commands a prescription market share of 79%<sup>2</sup>, which reflects the effectiveness of the product and the confidence of the doctors.

The collaboration with multinational pharmaceutical companies like Takeda and Karo has been instrumental in bringing these powerful brands to the forefront, ensuring that patients have access to the latest and most effective treatments.

**#2**

**DERMATOLOGY**

Our portfolio comprises numerous treatments for a wide range of dermatological conditions including eczema, fungal and bacterial skin infections, psoriasis, acne and dry skin, with a range of well-known brands. Fucidin Topical, a schedule 2 product, still maintains the number two position in the class with share of 16.5%<sup>1</sup> despite a generic entry into the market. The schedule 4 portfolio includes brands such as Advantan, Protopic, Dovobet, Locoid and Zineryt. Advantan continues to be the market leader in the topical corticosteroid class, with a 30.1% share.<sup>1</sup> Protopic is also the leading product in its class, with a 45% share.<sup>1</sup> Dovobet is the only fixed-dose combination anti-psoriasis product and has a 77.1% share in the topical anti-psoriasis market.<sup>1</sup>

**MARKET SHARE**  
**18.6%**

**#12**

**CENTRAL NERVOUS SYSTEM (CNS)**

Mental health continues to be an important issue, and although more openly spoken about, stigmatisation around mental health remains a challenge to be addressed. The portfolio's intent of bringing a variety of treatments for a wide range of psychiatric and neurological disorders is being realised as new treatment options in new therapeutic areas are launched. This is also supported by partnerships with multinational companies offering innovative treatments to South African patients.

Stresam, a brand which offers effective treatment for anxiety has shown growth of 10.5% in-market, (well ahead of the market growth of 7.7%),<sup>1</sup> due to increased acceptance and usage by clinicians. The other key products in the portfolio which are promoted and/or distributed on behalf of our long-standing partner Lundbeck, include Cipralext, Cipramil and Fluaxol.

The ADHD portfolio comprising Medikinet MR (methylphenidate) and Amfexa (dexamphetamine), launched in June 2022, have seen strong acceptance amongst prescribers.

Reagila, a novel antipsychotic for schizophrenia from our partner Gedeon Richter in Hungary, was launched in August 2023, and is steadily gaining acceptance by psychiatrists.

**MARKET SHARE**  
**2.8%**

# Indicates category market position

## Business unit performance CONTINUED



### BIOLOGICS

Adcock Ingram's commitment to enhancing healthcare accessibility is evident in its strategic focus on developing cost-effective alternatives to high-cost biological treatment areas of gastroenterology, immunology and oncology.

The recent introduction of Baximo and Everzor underscores this commitment, providing more affordable options for blood cancer and HER2-positive breast cancer treatments, respectively. Despite the entry of additional rituximab biosimilar competitors, Blitzima, the Company's first-to-market, rituximab for the treatment of Lymphoma retains a script share of 29%.<sup>2</sup>

Remsima, Adcock Ingram's first-to-market infliximab biosimilar, for the treatment of Crohn's disease and rheumatology, continues to gain the confidence of prescribing doctors, which is evident in the brand's ex-factory volume growth of 19%.

The volume share of 82%<sup>1</sup> for Rheumalef for the treatment of rheumatoid arthritis reflects the trust and confidence that healthcare professionals and patients place in Adcock Ingram's product offering.

The Company's global partnerships with specialists in oncology and immunology further solidify its position as a leader in complex therapeutic areas. These collaborations are crucial in driving the versatility of the portfolio, ensuring the latest advancements in medical treatment are within reach of a broader patient population.

Adcock Ingram's efforts to balance cost-effectiveness with efficacy and safety will play a significant role in shaping the future of this portfolio, and strategic alliances and innovative product offerings will continue to position Adcock Ingram as an important partner in providing treatment solutions to both patient and doctor.

### SKINCARE

This portfolio continues to grow annually, driven through innovation. The launch of Cyspera in August 2023 bolstered the portfolio's offering in the marketplace. New innovations from Cantabria Labs offer promising opportunities for expansion within the hair market.

The skincare portfolio operates in medical and retail channels, with both these channels showing considerable acceptance of innovative solutions for clients. The product offering includes Heliocare, Neostrata, Dermapen and Exuviance.



### GENERICS

This portfolio contributes over 27% of revenue within the Prescription Division and includes medicines across various therapeutic areas such as central nervous system (CNS), cardiovascular, pain, gastroenterology and dermatology.

The generics business launched Clobazam in March 2024, the first generic of Urbanol which has an in-market value of R100 million.

Gen-Payne remains the leading brand in the portfolio with in-market value of R196 million<sup>1</sup> within its class. This is followed by Adco-Zolpidem with in-market value of R148 million<sup>1</sup>. The growth of the brand over the prior year is attributed to impactful sales strategies at key channels together with continued initiatives targeting increased healthcare practitioner advocacy.



### OPHTHALMOLOGY

This portfolio consists of surgical, instruments and ophthalmic products with ex-factory sales of almost R600 million.

Our devices and diagnostics business performed well. The brands in this segment brought technology and added value to

the ophthalmologists and optometry markets, and supported revenue growth.

The ophthalmic business delivered a good performance despite generic entrants into the therapeutic areas where we historically enjoyed high market shares. Brands such as well-know Spersadex Comp and Spersallerg enjoyed growth over the prior year, driven by well-designed marketing campaigns.

### CURRENT TRENDS IN OUR MARKETS

- Multinational corporations (MNCs) tend to refocus current business operations in South Africa to niche portfolios or newer product pipelines.
- Introduction of new biosimilars continues to improve access to high-value medicines.
- Continuous growth of corporate pharmacies share of market and increasing house brand strategies will have an impact on the introduction and growth of generics within this channel.
- Increases in the backlog at SAHPRA will impact timelines for registration of new medicines and generics.
- The low growth seen in the economy has led to little growth of insured patient numbers, and for insured patients a trend to downgrade their medical aid scheme is seen, which results in less access to new and innovative medicines.
- The signing of NHI into law marks a change in the future of the healthcare landscape in South Africa.

### DELIVERING ON STRATEGY

- The business remains committed to building relationships with its multinational partners, and during the year successfully renewed and strengthened existing partnerships and pipelines with Leo Pharma and Takeda.
- Vimovo, integrated within the pain portfolio at the end of 2022, bolstering Adcock Ingram's position as a leader in the pain market.
- Fifteen new products were launched during the year, contributing over R25 million in ex-factory sales. The new products ranged across different therapeutic areas and include the first generic entries, namely Baximo (bendamustine), Everzor (everolimus) and clobazam.
- Continued financial support was provided to various CSI beneficiaries including:
  - **Witkoppen healthcare mobile clinic** – which provides access to basic quality healthcare services for the Diepsloot and Msawawa informal settlements; and
  - **Hlokomela wellness project in Hoedspruit** – which provides basic healthcare services in the community of Hoedspruit. It is available to farmers, farmworkers, sex workers, foreign migrants and local community members.
- Staff participated in a school outreach project to relieve some of the pressures on schools in rural areas on basic school supplies when starting their new school year. The team also donated previously loved garments and blankets for dissemination to underprivileged communities in and around the Sun City area.

### OUTLOOK

- 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.
- Achieving launch excellence remains the cornerstone of our focus, as we launch into a number of first-to-market opportunities across various portfolios.
- Delivering on our multinational strategic partnerships remains key, with the major focus on continuing to deliver value to our partners that have confirmed their long-term partnership with the Division, such as Takeda, Lundbeck, Biocodex, Cheplapharm and Leo Pharma. The now well-established Novartis ophthalmic agreement continues to build on this platform.
- With a robust pipeline the Division expects to launch several new products in the coming years and is exploring opportunities to expand into different therapeutic areas.

<sup>1</sup> IQVIA, June MAT 2024  
<sup>2</sup> Impact Rx June 2024

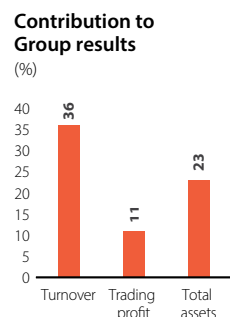
## Business unit performance CONTINUED

### HOSPITAL

TURNOVER:  
**+8%**

TOP 10 BRANDS' TURNOVER:  
**R1 302 million**  
(2023: R1 177 million)

TRADING PROFIT:  
**-16%**



**MOHAMED MANGEL**  
Financial Director



**COLIN SHEEN**  
Managing Director

### PERFORMANCE

#### RENAL

Adcock Ingram Critical Care (AICC) strategically positions itself as a leader in the critical care landscape, with a strong focus on renal therapies.

Within its comprehensive renal portfolio, AICC excels in peritoneal dialysis (PD), speciality pharma (SP), haemodialysis (HD), and continuous renal replacement therapy (CRRT). The Company adapts to changing patient needs, witnessing a gradual increase in chronic dialysis patients post-COVID. While the public sector prioritises PD, the private sector shows growth in PD treatment.

AICC's strategic alliances, particularly with multinational, Roche Pharmaceuticals, enhance its specialised renal pharmaceutical offerings.

AICC maintains its status as the largest supplier of CRRT equipment and consumables in South Africa, serving acute kidney injury patients in hospital ICUs.

#### PAIN AND ANAESTHESIA

The anaesthetic portfolio demonstrated double-digit growth, driven by improved hospital access and an increase in elective surgeries.

The business will continue focus on this category based on an attractive market size, AICC's competitive capability and the potential to bring in new and adjacent products.

#### HOSPITAL

##### LARGE VOLUME PARENTERALS (LVP)

AICC experienced substantial growth in its overall LVP portfolio during the period, primarily driven by securing the largest portion of the government's LVP tender. LVP products continue to be a cornerstone of AICC's business, thanks to their local manufacturing. AICC remains committed to further market share expansion and potential growth into neighbouring territories.

##### SMALL VOLUME PARENTERALS (SVP)

AICC has successfully maintained revenues in the SVP portfolio for the year despite several challenges.

These challenges include poor supply from third-party contract manufacturing organisations, internal manufacturing issues due to mechanical breakdowns, loss of tenders and formulary listings, and supply constraints from one of its largest principal alliances.

Despite these headwinds, the portfolio remains resilient. However, it faces intense generic competition, with numerous generic entrants and price erosion driven by price-sensitive customers.

#### TRANSFUSION THERAPY

AICC's transfusion portfolio has experienced growth in tandem with blood donation activities by the South African National Blood Services (SANBS). The Company maintains strong relationships with key customers, most notably SANBS. Furthermore, AICC has intensified its focus on new business development within the transfusion portfolio, demonstrating a significant commitment to expanding its impact.

#### WOUND CARE AND OSTOMY

AICC's collaboration with Convatec, a renowned global leader in wound and ostomy care, unlocks exciting opportunities.

Convatec's expertise in advanced wound care, ostomy care, continence, critical care, and infusion devices will enhance AICC's capabilities. This long-term agreement serves as a strategic platform for AICC's expansion into these vital therapy areas.

#### CURRENT TRENDS IN OUR MARKETS

- **Funding pressures:** private health insurers grapple with economic challenges, inflation and a stagnant medical aid membership base.
- **Formulary management:** hospital groups and dominant medical schemes drive increased use of formularies, and formulary compliance aims to manage costs related to pharmaceuticals, devices and medical consumables.
- **Hospital pressure points:** funders exert pressure on hospitals regarding pricing, admissions, stays and preferences, and the resultant effects include reduced hospital bed days, admissions and revenue pressure.
- **Regulatory landscape:** increased regulations impact previously unregulated device environments.
- **Cost controls:** hospital groups tighten non-funded expenses to manage costs effectively.
- **Shifts in care delivery:** day clinics and homecare gain prominence as funders and patients address price inflation, and managed care interventions focus on comprehensive care, home-based rehabilitation and out-of-hospital recovery.

#### DELIVERING ON STRATEGY

- AICC's LVP portfolio continues to remain the anchor of the business with the recent award from government.
- The SVP business has maintained its position within the market.
- AICC has maintained its market-leading position in both chronic dialysis regimens, PD and HD, as well as in CRRT.
- In the Blood category, AICC has maintained its strong affiliation with SANBS, a relationship which spans over 50 years.
- AICC has progressed several initiatives in the financial year which supports ambitions beyond its anchor business into adjacent categories including the expansion of the strategic alliance with Roche and adding the Convatec wound care and ostomy business.

#### OUTLOOK

- As a key local manufacturer, the business will maintain and nurture its close relationships with government and support communities in providing quality healthcare products affordable to all. AICC will maintain close relationships with all stakeholders, including customers and suppliers, to build trust, demonstrate commitment and deliver to expectation.
- AICC will continue to concentrate efforts on existing portfolios with key attention on product mix, line extensions, process efficiencies and people.
- The Division will maintain its uncompromising attention to customer service in supply, delivery, service and communications.
- AICC aims to grow its market-leading position in both established as well as newly penetrated therapy areas, and will expand into adjacent hospital supply categories through licensing, partnerships and strategic alliances.
- The Division will maintain its transformative focus including social upliftment and contributions towards communities, water saving initiatives, the reduction, recovery and recycling of waste, and building on existing enterprise development opportunities.

# Sustainability

Our Group sustainability report is anchored on our vision: **Adding value to life**. The respect for people, society and the environment is at the centre of our sustainability approach.

This report is guided by the King IV Report on Corporate Governance for South Africa (2016), the JSE Listings Requirements, the Companies Act 71 of 2008, employment laws and the Global Reporting Index standards. This report contributes to the National Development Plan (NDP) 2030 and the United Nations Sustainable Development Goals (SDGs). The SET Committee consists of four non-executive directors, three of which are independent, and one executive director. The Chairperson of the Board, CEO, CFO, Public Affairs Executive, Head of Internal Audit, Distribution Executive and representatives from Marsh Consulting (risk advisors) are invited to attend all meetings of the Committee.

The report focuses on, *inter alia*:

- Group performance against environmental, social sustainability and good governance (ESG) targets
- Human capital matters
- Transformation
- Stakeholder engagement
- Health and safety performance

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



## AT A GLANCE



### E

#### ENVIRONMENT

##### Sustain:

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

#### WATER

- Water consumption: **418 742 kL**, a **4.8%** increase from FY23
- Water storage capability: **5 624 kL**

#### ENERGY

- Renewable energy capacity installed: **2 675 Kw**
- Solar energy generated: **3 332 MWh**
- Energy utilisation – **6%** from solar, up from 5% in FY23.

#### WASTE

- **4 293 tonnes** of waste recycled in FY24, compared to **3 501** in FY23 (23% increase)
- Appointment of a single recycling service provider for the Group: **A-Thermal**
- Implementation of **multiple waste projects**, such as:
  - Medical waste bins
  - BiobiN's for organic waste
  - Blanket project

#### CARBON EMISSIONS

- Purchased **five** electrical vehicles, three of which are for transportation of temperature-regulated medicine and two for pallet collection.
- Scope 1 and 2 carbon emissions decreased to **24. 422 tonnes** per full-time employee in the reporting period.



### S

#### SOCIAL

##### Engage:

Engage and build trust and credibility with employees, customers, suppliers, communities, industry and regulatory bodies

#### INCLUSIVE WORKPLACE

- **55%** of employees appointed at middle management level and above were African
- **86%** of employees promoted to management level were African
- **3%** of our workforce is disabled

#### IMPACT ON COMMUNITIES

- **R1.9 billion** spent on black-owned suppliers
- **R659 million** procurement spend on EMEs and QSEs
- Donated **599** thermal blankets
- Donated **102 623** pairs of school shoes to children from disadvantaged backgrounds through MyWalk
- **R7.9 million** Corporate Social Investment (CSI) spend
- Adcock Ingram sponsored the South African Depression and Anxiety (SADAG) toll-free hotline
- Submitted comments for the draft sectoral employment equity targets, as part of Labour Affairs Association of Pharmaceutical Industry (LA-API)

#### OUR EMPLOYEES

- Distribution of integrated wellness video, with **78%** of all employees viewing the video
- Training spend – **R78 million**
- Lyra utilisation – **11%**
- **57%** of graduates funded by NSFAS
- **149 years** of combined executive committee experience



### G

#### GOVERNANCE

##### Adhere to all relevant legislation:

- Apply robust governance principles across the business
- Remain an ethical and responsible corporate citizen
- Conduct business in a transparent, responsible and sustainable manner

#### BOARD DIVERSITY

- **64%** Black
- **73%** Female
- **55%** Black female
- Average age: **52 years**
- Skillset and expertise extend across areas such as: finance, healthcare, strategy, business and commerce, medical, leadership, human capital, transformation and risk

#### COMPLIANCE AND REGULATORY BODIES

- **Zero** days lost to industrial action
- Workplace experience accreditation from Chemical Industries Education and Training Authority (CHIETA) for apprentice training
- Licensing accreditations
- B-BBEE reporting
- JSE Listings Requirements
- Health and safety standards
- **Reviewed and enhanced:**
  - Conflicts of interest policy
  - Whistle-blowing policy
  - Bribery and anti-corruption policy
- Compliance training, such as:
  - Pharmacovigilance
  - IT security
  - Good Manufacturing practices, Good Laboratory Practices and Good Warehouse Practices
- Competition Act

#### ETHICS LINE AND AUDITS

- **63** whistle-blower reports received on the ethics line, with 18 reports generated.
- **230** audits conducted for assessment and, if necessary, enhancement of internal controls

## Sustainability CONTINUED

### KEY ACTIVITIES DURING THE REPORTING PERIOD

#### MC MANUFACTURING CAPITAL

**MONITORED:**

- Site forum performance against mandate
- Factory expenses against targets
- Recovery to expense ratio
- Compliance with health and safety standards
- Appointed a waste management and recycling company across all sites

#### HC HUMAN CAPITAL

**MONITORED:**

- Integrated employee wellness and associated risks
- Tracked the Group's five-year EE plans against targets
- Statistics regarding allegations and outcomes from ethics line reports

**DISCUSSED:**

- Talent management report
- Employee engagement initiatives
- Impact of sectoral EE targets on the business
- Outcomes of employee engagement surveys

**EVALUATED:**

- Succession for critical and key skills
- Development programmes and return on investment
- Equal pay for equal value of work

#### IC INTELLECTUAL CAPITAL

**MONITORED:**

- Regulatory compliance
- Dossier compliance to guidelines and regulations
- Submission of product applications and amendments
- Compliance with advertising standards

**TRACKED:**

- The total number of adverse event reports
- Interactions with regulatory bodies

#### NC NATURAL CAPITAL

**MONITORED:**

- ESG initiatives focusing on water consumption and storage, energy consumption and waste management initiatives

**TRACKED:**

- The Group's sustainability scorecard for the factories and distribution sites with regards to water and energy consumption and carbon footprint

#### FC FINANCIAL CAPITAL

**MONITORED:**

- Recovery to expense ratio
- Fraud, corruption and inappropriate behaviour prevention, through the ethics line
- Human capital cost drivers such as overtime, headcount and absenteeism

**ASSESSED:**

- The impact of commercial transformation projects in society
- Government debt collection plans

**REVIEWED:**

- Enterprise and Supplier Development programmes

#### SC SOCIAL CAPITAL

**MONITORED:**

- Group media exposure (including negative sentiment and responses to this)
- Progress on Bidvest education trust

**DISCUSSED:**

- CSR projects
- Assessment of Department of Labour and Employment review by Director-General
- Enhanced SET report prior to presentation at AGM
- Progress towards B-BBEE targets
- ESG framework
- Employee engagement surveys
- MyWalk progress

### HIGHLIGHTS

The following were fully achieved during the year:

Achievement of ESG targets

Enhanced reporting and measurement of ESG contribution

Employee wellness programmes

Continued to foster relationships with regulatory authorities to enable the Company to share its challenges and co-create solutions

Reviewed the Group's anti-bribery, anti-corruption, and anti-fraud practices

Continued to monitor the Group's commitment to B-BBEE, Corporate Social Responsibility (CSR) and investment in black-owned suppliers

### FOCUS AREAS FOR 2025

- Continue to monitor ESG performance, more specifically water utilisation, energy usage, waste to landfill and carbon emissions.
- Monitor gender, race and disability representation in the workplace, especially at management level.
- Improve governance landscape by:
  - Fostering relationships with regulatory authorities
  - Improving internal policy awareness
  - Ensuring there are effective transformation structures.
- Address gender pay disparities and close the male and female pay differential, if any.
- Reduce youth unemployment by increasing the appointment of graduates and learners with disabilities.



# NC Natural Capital

## ENVIRONMENT

As a responsible global citizen, Adcock Ingram is aware of the urgent imperative to seek ways to change our carbon footprint towards neutrality via strategies including greater recycling of waste, increased use of renewable energies, especially as non-renewable energy is the most significant component of the Group's footprint and the use of greener technologies in production and supply chain processes.

### AT A GLANCE

Scope 1 down **19%**.

Scope 2 down **8%**.

Scope 3 up **5%**.

**6%** electricity consumption from renewable energy

Electricity usage (MWh) down **1%** to **55 940** (2023: 56 389)

Water usage (kL) up **5%** to **418 742** (2023: 399 344)

Only **16%** of waste sent to landfill

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

**Methodology used:** All reports have been prepared using the Greenhouse Gases (GHG) Protocol<sup>1</sup> Corporate Accounting and Reporting Standard methodology.

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

SCOPE 1 (from directly controlled emissions – sources owned or controlled e.g., generators, refrigeration, air-conditioning units).	2024 (Tonnes CO <sub>2</sub> e)	2023 (Tonnes CO <sub>2</sub> e)	% Change	Notes
Equipment owned or controlled	12 598	14 708	(14%)	1
Air conditioning and refrigeration gas refills	4 376	6 248	(30%)	
Vehicle fleet	253	265	(5%)	
Onsite renewable electricity	–	–		
<b>Total scope 1</b>	<b>17 227</b>	<b>21 221</b>	<b>(19%)</b>	

1 The decrease mainly arises from decreased diesel consumption from reduced loadshedding at all facilities except at the Prescription Division. The latter had municipal supply infrastructure failures that caused several severe interruptions in electricity supply and the usage of generators.

SCOPE 2 (records electricity converted to emissions measure)	2024 (Tonnes CO <sub>2</sub> e)	2023 (Tonnes CO <sub>2</sub> e)	% Change	Notes
Electricity (location-based)	52 560	53 980	(3%)	2
Electricity (market-based)	50 716	52 477	(3%)	3
<b>Total scope 1 and 2 (market-based)</b>	<b>67 943</b>	<b>73 698</b>	<b>(8%)</b>	

2 Location-based electricity emissions assume Adcock Ingram purchased renewable electricity (1 871 MWh) at Distribution which is sourced from the grid.

3 Overall electricity consumption increased by 2%. However, the decrease in emissions is due to a significant decrease in the grid emission factor for the 2024 financial year. Eskom's emission factor is no longer used in favour of a DFFE-released EF that accounts for electricity imported into grid.

<sup>1</sup> 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.

SCOPE 3 (Indirect emissions)	2024 (Tonnes CO <sub>2</sub> e)	2023 (Tonnes CO <sub>2</sub> e)	% Change	Notes
Business travel (incl. WtT)	4 560	4 075	12%	
Employee commute	3 125	3 161	(1%)	
Transportation and distribution of raw materials and finished products (incl. WtT)	17 121	16 385	4%	
Packaging materials	20 869	19 140	9%	4
Consumption of office paper	45	50	(10%)	
Total waste (landfill and recycled) and effluent	1 561	1 063	47%	5
Water supply	365	365	–	
Electricity transmission & distribution losses	5 690	5 576	2%	
WtT for scope 1 fuels	2 299	2 780	(17%)	6
WtT for electricity	7 893	7 735	2%	7
Total scope 3 excluding WtT for electricity	55 635	52 595	6%	
Total scope 3 including WtT for electricity	63 528	60 330	5%	
<b>Total scope 1, 2 and 3</b>	<b>131 471</b>	<b>134 028</b>	<b>(2%)</b>	

4 Packaging emissions increased by 9%, primarily due to the inclusion of packaging material used by a third party during manufacturing for the Consumer Division for the first time. This is regarded as best practice.

5 Part of the increase (130 tCO<sub>2</sub>e) in waste emissions relates to an update to the South African landfill emission factor applied (which increased by 12%). Although the waste to landfill increased year-on-year from 2023: 723 tonnes to 2024: 839 tonnes, 16% waste to landfill was achieved.

6 The decrease is linked to the decrease in diesel usage following lower levels of loadshedding during the 2024 financial year.

7 Emissions from upstream lifecycle phases for electricity is reported for the first time this year, as it has become best practice. The comparative has been included for a more accurate picture.

	2024 (Tonnes CO <sub>2</sub> e)	2023 (Tonnes CO <sub>2</sub> e)	% Change	Notes
Total scope 1, 2 and 3	131 471	134 028	(2%)	
Outside of scopes	361	371	(3%)	
<b>Grand total</b>	<b>131 832</b>	<b>134 399</b>	<b>(2%)</b>	
Number of full-time employees, including fixed term contracts	2 782	2 549	8%	
Carbon emissions (scope 1 and 2) per full-time employee	24.422	28.913	(16%)	
Area in m <sup>2</sup>	113 759	115 229		

The detailed report from Carbon Calculated can be obtained from [www.adcock.com/Investors/IntegratedReports](http://www.adcock.com/Investors/IntegratedReports)

## Natural Capital CONTINUED

### ENVIRONMENTAL EFFORTS DURING THE YEAR

#### ELECTRICITY

Solar energy sources now account for **6%** of the Group's total energy consumption (2023: 5%), with the remainder being balanced between usage from the grid and energy from generators (during loadshedding or utility failure).

Electricity consumption	2024 MWh	2023 MWh	
Grid	51 520	50 459	92%
Solar	3 315	2 555	6%
Generators	1 105	3 375	2%
	<b>55 940</b>	<b>56 389</b>	

Electricity usage is 1% lower than the previous year due to the reduction in the usage of generators following lower levels of loadshedding.

#### WATER

Water plays an integral part in our operations, not only as it forms part of our finished products, but it is also used for cleaning which forms an essential part of our quality management processes.

Adcock Ingram is reliant on three sources of water:

- municipal water
- borehole water
- grey (recycled and rainwater)

Total water consumed by source	2024 kilolitres	2024 split	2023 kilolitres
Municipality	390 562	93%	379 377
Borehole	24 188	1%	15 073
Water extracted from ground	414 750	94%	394 450
Grey (recycled)	3 992	6%	4 894
<b>Total water usage</b>	<b>418 742</b>	<b>100%</b>	<b>399 344</b>

The annual water usage is 5% ahead of the comparable period.

The water storage capacity across all sites increased from 312 kL in the 2022 financial year to 5 642 kL during the 2024 financial year:

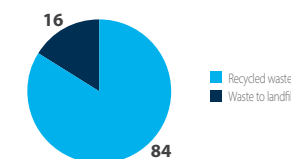


- The manufacturing facility at Aero-ton increased its water storage capacity with the addition of two new 2 000 kL tanks.
- The Clayville factory has a 970 kL water storage tank.
- At the Midrand head office, another 215 kL storage capacity was added, bringing the total to 455 kL.
- The distribution centres in Bloemfontein and Gqeberha, installed a 20 kL and 40 kL rain harvesting tank, respectively.

Efforts to reduce waste sent to landfill continued during the year and remained at **16%** of total waste generated. Aero-ton generates 44% of the Group's recycled waste. Additional efforts during the year included the collection and recycling of 2.8 tonnes of e-waste, and the introduction of a battery recycling bin at the head office.

Recycled waste	Tonnes	Split
Wood (pallets)	1 807	42%
Plastic	727	17%
Medical waste	593	14%
Boiler ash	578	13%
Carton	377	9%
Other <sup>a</sup>	211	5%
	<b>4 293</b>	

Waste split (%)



<sup>a</sup> Other includes glass, metal, canteen waste, IT equipment and medical hazardous waste.

#### FOCUS AREAS

- An independent engineering company was appointed to assist the Group in transitioning some of its usage to renewable energy sources, via wheeling agreements of green energy.
- Continue efforts to reduce waste generated as well as the % of waste sent to landfill.
- Improve use of grey water through water harvesting, for non-production purposes.

# HC Human capital

## Adcock Ingram is committed to:

- Growing our own timber.
- Embedding a high-performance culture supported by ethical conduct.
- Recognising and rewarding exceptional performance, guided by our remuneration philosophy.
- Having fun at work.
- Protecting the environment and society in which we operate.
- Continuing to adhere to prescribed legislative requirements and regulatory authorities.

## During this past financial year, we made significant changes to certain pillars supporting the strategy such as:

- A stringent approach to the use of fixed-term employment services.
- A concerted effort to embed the integrated wellness model.
- Tracking return on investment from learning and development (L&D) initiatives.
- Entrench the use of human capital analytics for trend analysis, insights, and informed decision-making.
- Bespoke working patterns.

## HUMAN CAPITAL STRATEGY

Our human capital strategy is designed to attract, motivate and retain talented individuals who enable the execution of Adcock Ingram's strategic objectives and accelerate business performance. It ensures a high-performance culture through remuneration packages that are linked to an individual's performance, as well as that of the business.

**HUMAN CAPITAL CHALLENGES OF TOMORROW**

War for talent

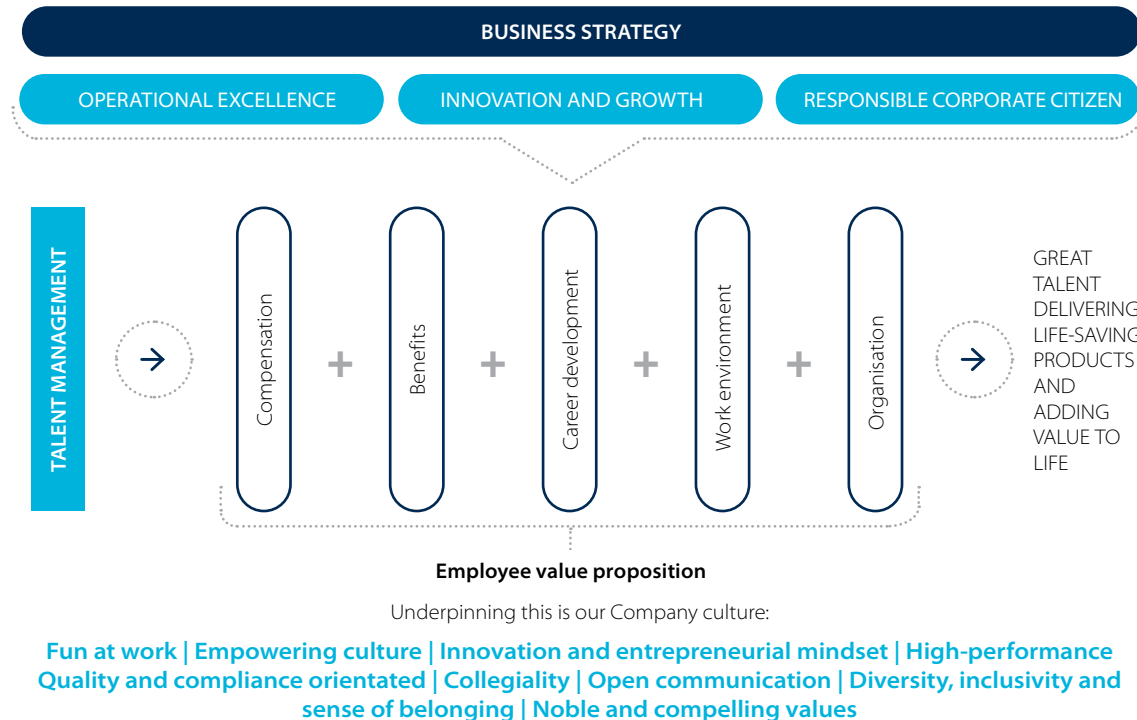
Future-fit employee value proposition (EVP)

Changes in labour legislation

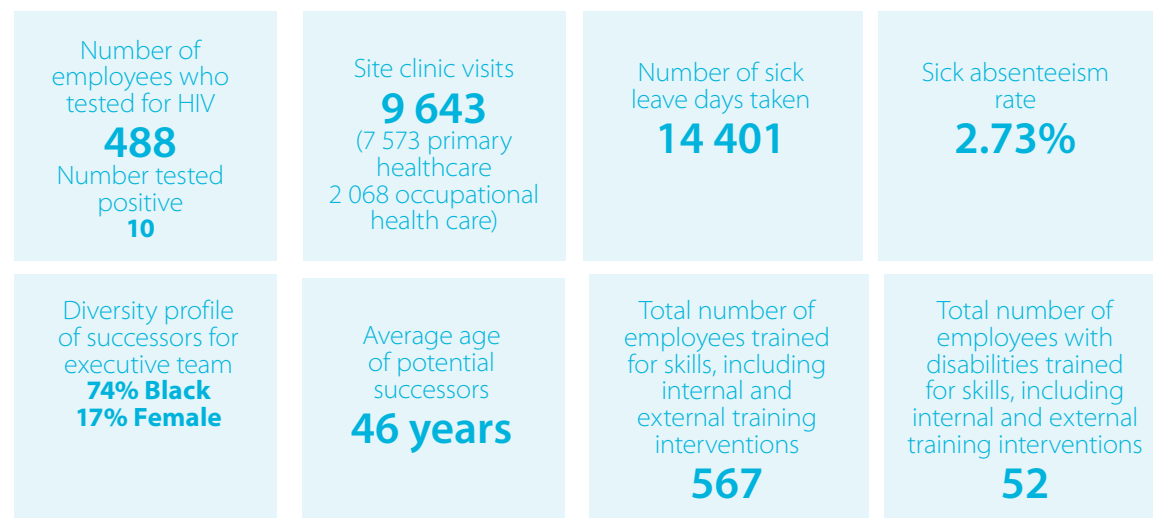
The role of innovation and technology on human capital processes

Strategic resourcing

Attributes and skills of human capital practitioners (business partnering)



## Human capital CONTINUED



### LEARNING AND DEVELOPMENT

#### INVESTMENT IN EMPLOYEES

To support all our employees in reaching their full potential and transforming our workforce at all levels, we spent R78 million (R56 million in 2023) on employee training, equating to 6.2% of leviabile amount (4.5% in 2023). A total of 567 employees (permanent and fixed-term contractors) completed training programmes or courses, of whom 48% are female, 92% Black and 76% African.

#### AT A GLANCE

**17.48** points for skills development on B-BBEE scorecard compared to **17.26** in the previous year

**33** unemployed black employees absorbed compared to **29** in the previous year

**R4.1 million** received from CHIETA compared to **R3.2 million** in the previous year

**R76 million** spent on skills development on black employees, **R78.4 million** on all employees

**6.0%** training spent on black employees as a % payroll

Gender split is **51%** female and **49%** male

**R902 932** spent on study assistance for **30 employees**, 49% female, 96% black and 63% African

**389** (2023: 354) black employees and **13** (2023: 19) white employees attended learnerships, internships and apprenticeships

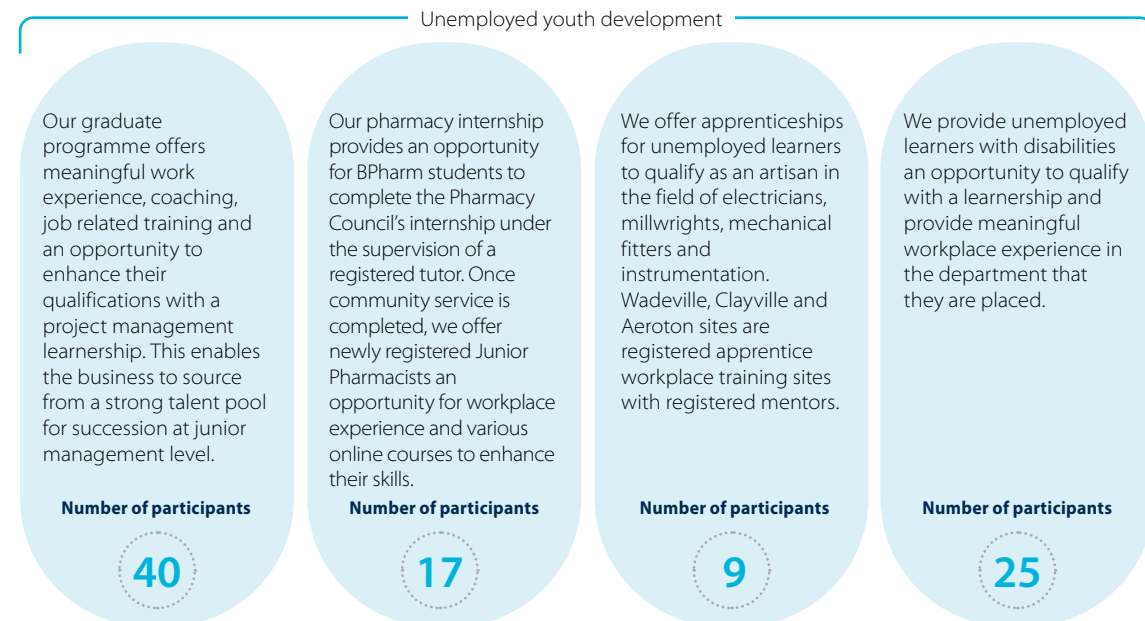
**0.52%** (2023: 0.37%) training spent on employees with disabilities as a % of payroll

Talent pipeline comprises **91** young people

A **R8.3 million** tax deduction was claimed in the year for learners on a learnership

Online courses:  
 Pharmacovigilance: **1 465**  
 Competition Law: **1 259**  
 POPIA: **8**  
 Wits digital and Masterstart courses (various): **129**

Learnerships remain a critical part of the development strategy as they build the talent pipeline and provide unemployed people with an opportunity to gain a qualification. To ensure the smooth transition of talent and meet both short- and long-term needs, it is important to incorporate young talent into the talent pipeline, facilitating organisational transformation.



Adcock Ingram subscribes to the mantra of "growing our own timber" and we proactively develop employees at all levels and disciplines. We focus heavily on learnerships, especially technical learnerships for operations and project management for junior managers. The formal programmes shown in the table below are in place or were completed during 2024:

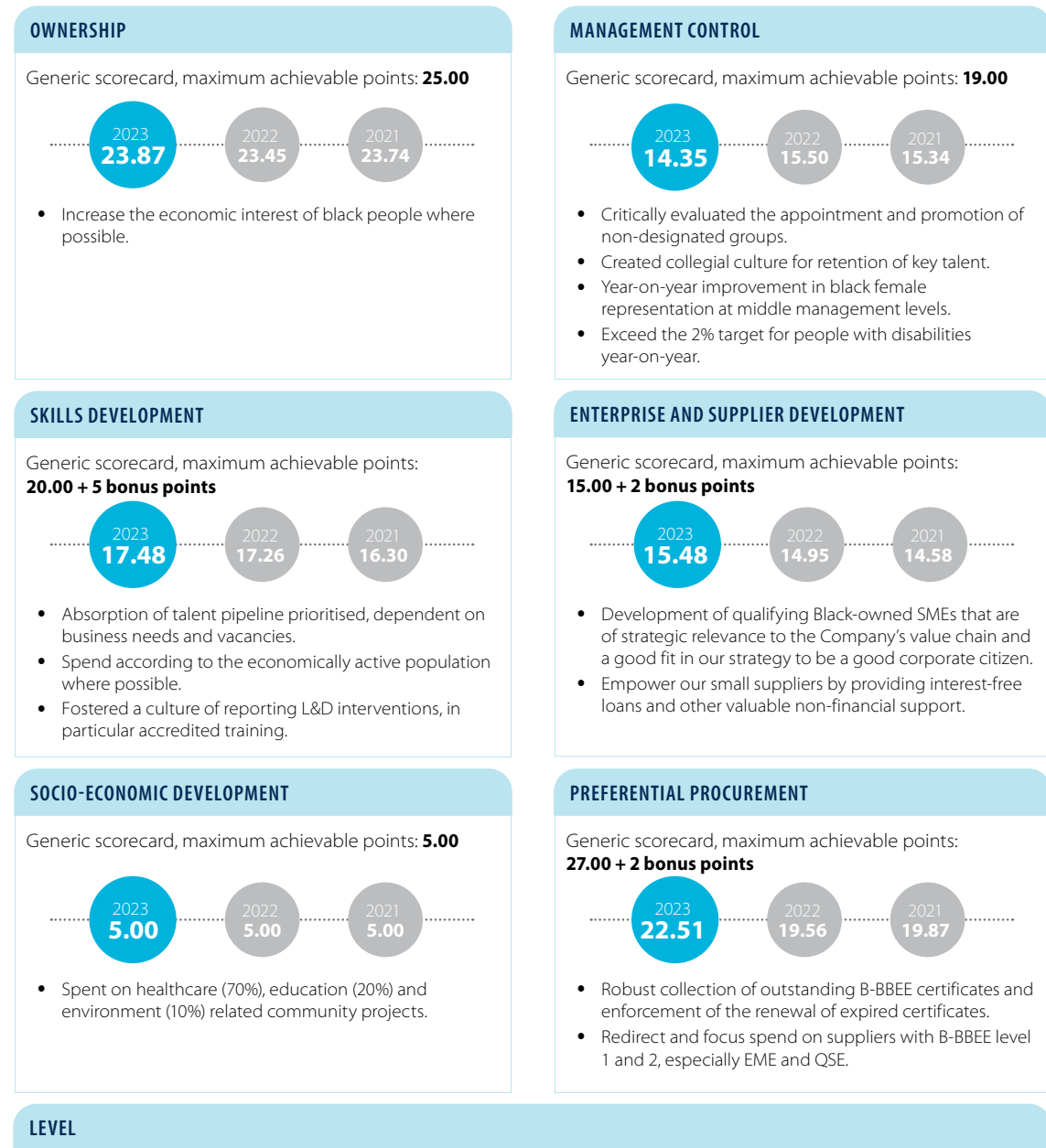
#### L&D INITIATIVES:

Management and leadership development	Production	Sales	Warehouse and Distribution	All Business Units
Management Advance programme (5)	Manufacturing management NQF 5 (31)	High-impact sales (16)	Logistics and supply chain management (16)	Study Assistance (30)
Strategic Leadership (5)	Plastics manufacturing NQF 4 (16)	Negotiation skills (16)	Stores and Warehousing NQF 3 (51)	Project Management NQF 4 (55)
Coaching (9)	Operations management (6)	Applied digital marketing (6)		Business communication (12)
Principles of management (8)	Pharmacy assistant, basic NQF 3 (32)			Systems thinking (3)
General management (14)	Pharmacy assistant, post basic NQF 4 (8)			Managing labour relations (6)
Strategic leadership (5)	Adult education and training (AET) (27)			
Junior and Middle Managers	Machine operators Artisans Supervisors Packers	Sales representatives Brand managers	Picker packers Distribution employees	All employees

## Human capital CONTINUED

### TRANSFORMATION

Adcock Ingram transformation roadmap – **B-BBEE level 2** was maintained with an improved score of **98.69**.



### WELLNESS

Adcock Ingram provides a **safe and healthy environment for all our employees** and subscribes to our integrated wellness model shown below:



To support the integrated wellness model, Adcock Ingram provided the following:

- Access to four medical schemes namely Discovery, Umvuzo, Siswe and Tiger Brands Medical Scheme.
- Clinic facilities at the three manufacturing sites and Midrand. The clinics provide occupational health care, primary care and injury on duty catered by health professionals.
- Employee assistance programme, partner with Lyra (formerly known as ICAS) who provide trauma counselling, managerial referrals, online and face-to-face counselling, and debt counselling.
- Regular blood donations from our employees at all sites to the South African National Blood Services.
- Sponsorship of the South African Depression and Anxiety Group (SADAG) helpline by Adcock Ingram Prescription Division. Incoming calls average around 3 000 per month. SADAG counsellors range across different age groups, backgrounds, cultures, languages, genders and races to provide diversity in experience and skill sets.
- Regular environmental site audits were conducted at all our sites and no major shortcomings were detected.

## Human capital CONTINUED

- Noise surveys and flue stack emissions assessments were also conducted with no findings.
- Information session for employees aged 60 and above at all sites and levels to provide emotional and financial advice as these individuals approach retirement.
- Podcasts, competitions and various webinars were made available to employees to access various wellbeing topics.
- Vision screenings and spectacles as identified via occupational health medicals.
- Access to gym facilities at Midrand.
- Wellness days at Wadeville and Aero-ton.
- Flu vaccines during flu season.
- HIV testing all year round, but particularly in December to coincide with World Aids Day.

### AT A GLANCE

**488** employees tested for HIV  
(2023: 701)

**10** employees tested positive  
(2023: 10)

Site clinic attendance for:  
- primary health **7 572**  
- occupational health **2 068**

**11%** occupational doctor visits  
(2023: 15%)

**89%** occupational nurse visits  
(2023: 85%)

**11%** Lyra engagement rate  
(2023: 10%)

**650** flu vaccines made available  
(2023: 650)

**84** Midrand gym attendees  
(2023: 80)

**95** eye screenings (2023: 93)

## CASE STUDIES

### WELLNESS VIDEO:

Adcock Ingram has made a wellness video accessible to all employees, aiming to introduce integrated wellness and raise awareness about the significance of employee wellbeing. The video is accessible to all employees, and in cases where computer access is unavailable, IT has facilitated data access for viewing the video on mobile devices.

**1 366** (78%).  
Employees watched the video

The speakers were: Basadi Letsoalo (Executive Director Human Capital and Transformation), Dr Thiruvasan Govindsamy (Medical Director), Stuart Hancocks (Operations Executive), Sudier Ramparsad (Managing Director Over the Counter (OTC)) and Maneo Mohapi (Occupational Health Nurse)

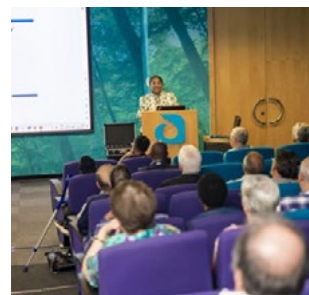


### RETIREMENT WORKSHOP:

The idea of employees retiring at 65 has a significant impact on their lives. A significant number of employees are inadequately prepared for this shift, grappling with financial, emotional, and psychological implications. We provided important information to our senior managerial employees, aged 60 and above, to help them prepare for the next phase of their careers. This included financial guidance from an advisor at Alexander Forbes, as well as mental support from a psychologist and a retired executive. A recently retired employee opened up about his emotional journey and his honest feedback resonated with everyone in the group. Afterwards, non-managerial employees from different manufacturing sites attended similar workshops. These workshops have become an integral part of our human capital processes.

**60**  
employees attended the workshop in person

**10**  
employees participated online.



## Human capital CONTINUED

### EMPLOYEE RELATIONS

Having respect for our employees and treating them fairly is one of our core values. Our ongoing effort is to cultivate a work environment that is peaceful, productive, legally compliant, and supportive of open communication between management, employees, and unions.

As our employees enjoy freedom of association, the representative unions play a crucial role as elected representatives for employees. We work closely with unions to address business concerns that impact their members, and we actively cooperate with them on shared interests.

The following is worth noting in the year under review:

**0** days were lost due to industrial action in the period under review.

**0** incidents of discrimination were reported.

**0** contraventions of any labour laws were reported, and no fines were issued or paid.

- We continue to empower unions by providing the following training:
  - Employment Equity
  - Adcock Ingram's strategic pillars
  - Our ESG framework

- Ongoing consultation regarding the Company's essential services designation:
  - Certain positions were identified as essential services. An essential service is defined in Section 213 of the Labour Relations Act 66 of 1995 (LRA). An essential service is one that, if interrupted, would endanger the life, safety, or health of the population.
  - With regard to the Minimum Services Agreement, both the Company and the unions are obligated to establish collective agreements that outline the provision of minimum services by select employees in an Essential Service during a strike.
  - Given that Adcock Ingram has been designated as an essential service, striking is strictly prohibited for all employees.
  - The consultations are in early stages and are expected to conclude in FY25.

### HEALTH AND SAFETY

#### OCCUPATIONAL HEALTH AND SAFETY

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

An appropriate policy is in place and reviewed as needed.

The Group further believes that effective management of health and safety is not only vital to our employees' wellbeing but enhances the reputation of our business.

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

Data only includes that of employees in the South African operations.

Number of:	2024	2023
Fatalities (injuries on duty leading to death)	0	0
First aid cases (injuries on duty leading to minor treatments)	193	184
Total number of recordable injuries, made up as follows:	52	45
Medical treatment cases (injuries on duty leading to medical treatment, but no lost days)	41	26
Lost time injuries (injuries on duty leading to at least one lost day)	11	19
<b>Injury rates:</b>		
Fatal injury frequency rate (FIFR)	0.00	0.00
Lost time injury frequency rate (LTIFR)	0.37	0.82
Total recordable injury frequency rate (TRIFR)	1.76	1.94
<b>Targets for 2025:</b>		
Lost time injury frequency rate (LTIFR)	0.80	
Total recordable injury frequency rate (TRIFR)	1.87	

#### FACILITIES' RISK GRADING AUDITS

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

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

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

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

The lowest rating was 97.6% and the highest rating 100%. Minor shortcomings, where identified, were addressed.

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



## SC Social Impact and Relationship Capital

Our social and relationship capital is underpinned by responsible corporate citizenship and our commitment to ESG principles to ensure that we improve the health and lives of all South Africans.

### THE UNITED NATION'S SUSTAINABLE DEVELOPMENT GOALS WE FOCUS ON



#### ZERO HUNGER

End hunger, achieve food security, improve nutrition and promote sustainable agriculture.

Through a partnership with Food and Trees for Africa (FTFA), 1 170 fruit trees were planted. This project contributes to food security in the township community in the Eastern Cape and Gauteng provinces.



#### QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

The Company granted a total of R2 million to a basic education-related corporate social responsibility project.

A total of 102 623 pairs of school shoes were donated to children.



#### CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all.

Partnered with Hennops Revival for rehabilitation and removal of solid waste from the Hennops River.



#### GOOD HEALTH AND WELFARE

Ensure healthy living and promote wellbeing for all at all ages.

The Company granted a total of R6 million to healthcare-related corporate social responsibility projects.

The Company supported 41 000 mental health patient calls.



#### GENDER EQUALITY

Achieve gender equality and empower women and girls.

Partnered with TEARS Foundation for counselling, education and integrating victims of gender-based violence in communities.

51% of the Group's workforce are female.



#### CLIMATE ACTION

Take urgent action to combat climate change and its impacts.

Through a partnership with Food and Trees for Africa (FTFA), 1 170 fruit trees were planted to reverse carbon footprint.

Carbon emissions increased 3.5%.

Contributed R918 556 towards Producer Responsibility Organisations (PROs) for Extended Producer Responsibility (EPR) regulations on waste management projects for packaging materials (plastic, glass and paper) of our products.

### CORPORATE SOCIAL RESPONSIBILITY (CSR)

Our CSR Policy sets the tone to enable us to be socially accountable to our stakeholders and the public. The practice of CSR falls under the strategic pillar of responsible corporate citizenship, which makes us cognisant about the impact we have on all aspects of society, including economic, social, and environmental aspects. As a result, we engage in CSR activities in a way that enhances the society and the environment.

Adcock Ingram treats all the suppliers with dignified, transparent, and ethical practices. SMEs have a vital role in strengthening the macro-economy and job creation at a local community level. The ESD entities are empowered to acquire the capabilities and financial independence they need to enter the value chain and grow a customer base.

### AT A GLANCE

**R8.4 million** spent on CSI initiatives

Education  
**R0.5 million**

Environment  
**R1.4 million**

Renewable energy infrastructure  
**R0.5 million**

Health  
**R6.0 million**

Enterprise and supplier development loans outstanding  
**R26.7 million**

**0.1%** of total revenue

**1.0%** of net profit after tax of South African entities

### ESD PROGRAMME

A summary of the Group's programme is presented below:

	SUPPORTED ENTITY	SPECIALITY	PROGRESS WITH ESD SUPPORT
Supplier development	Optimum Engineering <a href="http://www.optimumengineering.co.za">www.optimumengineering.co.za</a>	Artisan Skills Training	Accredited as a Skills Development Provider by Quality Council for Trade and Occupations (QCTO).  Customer base grew with a number of artisans being trained.
	Metamorphosis <a href="http://www.themetamorphosis.co.za">www.themetamorphosis.co.za</a>	Recruitment	Growth of services within the markets.  Job creation and improved customer awareness through marketing.  Created an automated digital CRM platform for clients.



## Social Impact and Relationship Capital CONTINUED

Enterprise development

Tlowana Resources <a href="http://www.tlowana.co.za/tlowana-water">www.tlowana.co.za/tlowana-water</a>	Water Treatment, manufacturing of magnesium oxide (MgO2)	Employed a full-time financial accountant. Acquired a commercial vehicle and pelletiser production equipment to serve more customers and grow business.
Tripple L Consulting <a href="http://www.tripple.co.za">www.tripple.co.za</a>	Marketing Consulting and Advertising Agency	Employed dedicated human capital resources, purchased operational equipment, afforded rental of office space and leasing of software licences suitable for advertising agency.
Kamee-Tek <a href="http://www.kamee-tek.com">www.kamee-tek.com</a>	Chemicals, HVAC and Water Treatment	Business expansion to service customers in Gauteng province.  Employed new staff.  Annual revenue growth to R9 million.
Mahlabana Waste <a href="http://www.mahlabanawaste.co.za">www.mahlabanawaste.co.za</a>	Waste Management	Invested in granulator to recycle plastic waste for reuse and employed project manager.
Viro-Gen Biotech (through CSIR) <a href="http://www.viro-gen.com">www.viro-gen.com</a>	R&D in Diabetes, HIV/AIDS, and Cancer	Filed patent application for the medical technology to 120 countries around the world.

### SOCIAL IMPACT ON ESD BENEFICIARIES: TRIPPLE L CONSULTING

Tripple L Consulting, a 100% black female owned boutique management consultancy agency with a focus on marketing strategy development and implementation, is one of the beneficiaries of the ESD programme provided by Adcock Ingram to SMEs suppliers. Their core services include commercial consulting and advertising agency services to Adcock Ingram for the Prescription and OTC business units. In order to develop the supplier, Adcock Ingram provided Tripple L Consulting with an interest-free loan and also covered other direct costs.

Tripple L has utilised Adcock Ingram's supplier development support to secure human capital, operational equipment, office space, and software licences for their advertising agency. The supplier development support has also helped the company expand its business by serving other customers.

### SOLAR PANEL INSTALLATION AT EMPUMELELWENI CHC

In partnership with the South African Medical and Education (SAME) Foundation, Adcock Ingram donated funds toward the installation of renewable solar energy to improve operations at Empumelelweni Community Health Centre (CHC) in the Nkangala District of eMalahleni Municipality in Mpumalanga. The area is home to a population of 131 000 people who depend on the CHC for basic healthcare services. The CHC also specialises in gynaecology and obstetrics services. Following assessment, a 30 Kw three-phase Deye inverter, six units of 5 KWh lithium batteries, and 36 units of 550 W tier-1 solar panels were installed at the CHC. The funds also provided for other sundry expenses such as battery racks, DC disconnect boxes, anti-theft brackets for panels, panel mounting structures, DC/DB and AC/DB earthing, electric fencing for solar panel protection, the Certificate of Compliance, transport, labour and project management.

The completion of the project has strengthened service delivery at a primary healthcare level by ensuring a reliable source of energy for everyday services. The CHC refers patients to Witbank District Hospital, indicating that it is a primary healthcare facility that requires consistent access to electricity for medical equipment and other essential services, including childbirth healthcare services. As a result of the intervention of renewable solar panel installation, the CHC management, eMalahleni District Health Officials and Organised Labour representatives met and resolved to increase operation hours from 12 hours to 24 hours per day. This change will see an increase in the number of patients seen.

## IC Intellectual Capital

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

Due to the regulated environment in which the Group operates, a skills set is required with the necessary technical know-how regarding drug management and development. Therefore, Adcock Ingram's Drug Management and Development (DMD) department forms the heart of Medical Affairs (MA) including Market Access, Regulatory Compliance (RC), Group Quality Assurance (GQA), and certain Research and Development (R&D) activities.

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

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

### KNOWLEDGE AND SKILLS SET

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

It includes:

**3 medical doctors;**  
**4 Doctors of Philosophy** (specialising in a wide variety of pharmaceutical and scientific disciplines);  
**56 pharmacists;** and  
**36 scientists**

to further complement the expertise base of the department.

The department is also the centre of Adcock Ingram's institutional knowledge through which technical and professional support to the business units is provided to ensure unified and harmonious functioning of Adcock Ingram's commercial activities.

### TRADEMARKS AND PROPRIETARY PROCESSES

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

At 30 June 2024, the Group's intellectual property rights portfolio consisted of:

**2 656 registered trademarks;**  
**7 registered patents;** and  
**168 trademarks in the process of being registered.**

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

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

### POLICIES AND PROCEDURES

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

Critical scientific intellectual property is generated from the implementation of function-specific procedures within each department which adds value to the needs of multiple internal and external stakeholders:

- the dossiers of products provide local and regional medicines regulatory authorities with evidence of the quality, safety and efficacy of any Adcock Ingram products to support the approval and maintenance of registration and allow sale of the product in those countries;
- the management of the life cycle of dossiers, including variations and regulatory updates triggered by regulatory authorities;
- product quality review reports identify variations in manufacturing processes which drives proactive interventions to mitigate any risks to the quality of a product;
- audit reports, generated through the audit management programme for new and current suppliers, ensure that only approved suppliers, conforming to the correct quality, are used by the various manufacturing sites and business units;
- approved quality agreements, defining quality responsibilities, are in place for all suppliers;

## Intellectual Capital CONTINUED

- regular reviews of the quality management system ensure ongoing effectiveness of quality assurance processes;
- pharmacovigilance (PV) 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;
- safety data exchange agreements and PV agreements with contractual partners define responsibilities for the exchange of medicines safety information and PV obligations, ensuring continuous oversight and management of product safety; and
- quality-by-design-inspired development reports translate into cost and time efficient regulatory approvals, technology transfers and the routine commercial manufacture of products of consistent quality.

### SYSTEMS AND SOFTWARE

Digital transformation is a strategic process that evaluates and modernises operations and processes by incorporating technology to drive continual and faster innovation, value creation and growth.

Various information systems are used, including the following:

- DocuBridge is a comprehensive regulatory document and information management system. It allows for multi-format publishing, team collaboration, interoperability, lifecycle management and flexible content reuse. This system has been implemented by SAHPRA for electronic common technical document (eCTD) evaluation as part of their Regulatory Information Management System (RIMS).
- DrugTrack is a versatile system for keeping track of all product information and managing regulatory activities in the pharmaceutical product life cycle. Information is easily accessible and management reports configured to Adcock Ingram's needs, may be generated.
- Minitab® statistical software is currently used for stability assessments and shelf-life predictions which accelerates the pharmaceutical development process and directs pre-emptive actions in managing the stability programme of the Group. It also generates quality control charts and process capability indices for the evaluation of manufacturing process efficiencies and consistencies, product trends for product quality review reports, and continuous process verification is currently being explored as this would allow proactive solutions to be formulated to guide the need for process optimisations or amendments.
- Caliber® QAMS is a validated electronic quality management system (QMS) which enables the cross-functional assessment of individual components of the system and customer complaints, thus ensuring that all stakeholders are consistently involved in decision-making and the related outcomes, while maintaining effective record-keeping. The system is validated to current standards assuring effective controls of the electronic QMS processes.

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

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

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

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

### INNOVATION AND PORTFOLIO SUSTAINABILITY

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

In addition to facilitating the innovation pipeline, maintenance of the current portfolio is promoted through a continuous lifecycle management approach that incorporates technological advancements in pharmaceutical development and ensures that the portfolio is compliant to transitions in the regulatory environment. Pharmacists and scientists compile evidence and risk-based supporting documents and motivations that substantiate regulatory variation submissions to facilitate optimal approval and implementation times.

The department further assists the sustainability of the product portfolio by providing cost-effective solutions and supports risk mitigation through dual sourcing of raw materials. Collaboration between the GQA function and the

R&D function ensures further sustainability of the Adcock Ingram product portfolio, by facilitating knowledge transfer to internal and contract manufacturing facilities. The initiation of product and analytical method transfers increases the manufacturing and testing capacity, for product supply to adequately meet demand while efficient post-importation product testing and release assists the supply chain team in achieving speed to market.

Artwork management is an essential process in the supply of pharmaceutical products labelled with approved product information. This ensures a standardised form of conveying safety and efficacy information to enable healthcare professionals, patients and consumers to make informed decisions.

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

The Compliance department is the centralised custodian of all marketing compliance activities, ensuring timeous review and approval of artwork, promotional material, and promotional activities in accordance with the requirements of the Medicines and Related Substances Act 101 of 1965, and the Code of Marketing Practice (MCA) while maintaining a competitive advantage for Adcock Ingram. Compliance processes ensure all customer-facing employees are trained on the marketing code. The department's participation on the Code Technical Advisory Committee (CTAC) provides opportunity to contribute to revisions to the Code.

The Group Regulatory function is responsible for driving regulatory strategy and ensuring annual regulatory compliance objectives are achieved by the regulatory departments housed in the Business Units (BUs). This ensures standardisation of processes and the maintenance of quality product dossiers. Group Regulatory and the BU Regulatory departments drive innovation and sustainability of the Adcock Ingram portfolio by maintaining continuous engagement with SAHPRA and constantly initiating internal discussions to cultivate regulatory intelligence and informed regulatory strategy, ensuring the quality of submissions to SAHPRA. A key objective for the function is to ensure all regulatory and legislative changes proposed by SAHPRA are interrogated, assessed and commented on.

Group Quality Assurance reviews the performance of quality management systems, extracting learnings which inform continuous improvement goals aligned to organisational strategy and which minimise the impact of risks identified

on quality processes, product supply, and patient safety. The department also conducts intelligence activities by monitoring and evaluating regulatory and cGMP guidelines published by SAHPRA and other relevant health authorities to ensure implementation and compliance.

### RELATIONSHIP MANAGEMENT

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

- PHARMISA (Pharmaceuticals Made in South Africa);
- ITG (Industry Task Group);
- associated ITG working groups (Complementary Medicines, Medical Devices, Pharmacovigilance and Variations); and
- Marketing Code Authority (MCA); as well as
- Professional associations in the industry such as:
  - SAAPI (South African Association of Pharmacists in Industry);
  - SAPC (South African Pharmacy Council); and
  - SAPRAA (Southern African Pharmaceutical Regulatory Affairs Association).

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

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

World-renowned local and global physicians are invited by the Medical Affairs department to participate on advisory boards for new product launches to ensure credibility of the scientific product information disseminated to healthcare professionals. Engagements with the key clinical societies on the data for new treatment options assist in ensuring that the South African treatment guidelines are updated in line with international best practice.

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

## Independent Assurance Statement

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

Integrated Reporting & Assurance Services (IRAS) was commissioned by Adcock Ingram to provide independent third-party assurance (ITPA) over the sustainability content within Adcock Ingram's 2024 Integrated Annual Report (IAR) covering the period 01 July 2023 to 30 June 2024 (Financial Year, or FYE, 2024). For the purposes of this statement, 'the Report' refers to the IAR in both the printed and downloadable/online version, as well as all relevant supplemental information made available via the web at [www.adcock.com](http://www.adcock.com).

### ASSURANCE STANDARD APPLIED

To the best of our ability, this assurance engagement has been aligned with an IRAS specific combination of AccountAbility's AA1000AS v3 assurance standard, structured to meet the AA1000AS Type 2 (High) requirements and guidance taken from experience gained over a more than 25-year period.

### INDEPENDENCE, RESPONSIBILITIES AND LIMITATIONS

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

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

IRAS's responsibility in performing its assurance activities extended to data reported to Group/Head Office by its operations but was limited to the testing of source data at its Clayville operations over a 5-day site visit period, coupled with half-day additional on-site testing of injury data at two other operations: Aeroton and Wadeville. In addressing this limitation, IRAS engaged with key personnel at Group level to test the reliability of data and processes used to collect, collate and report performance data from the operation to Group, and investigated all key sustainability performance indicator data collected, collated and reported at the Group/Head Office level.

### COMPETENCE

Our assurance team was led by Michael H. Rea, a Lead Sustainability Assurance Practitioner with 25 years' experience in environmental and social performance measurement, including sustainability reporting and assurance, with support from junior associates within the IRAS team. Michael has completed 118 assurance engagements for 49 different companies and has

completed 168 assurance site visits in 21 countries to test data at source. IRAS was supported by our team of associates and research interns.

### ASSURANCE OBJECTIVES

The objectives of the assurance process were to

- Assess the extent to which Adcock Ingram's sustainability reporting adheres to AccountAbility's AA1000AP principles of Inclusivity, Materiality, Responsiveness and Impact, as well as the additional reporting principles of Neutrality/Balance and Comparability.
- Assess the extent to which Group collection, collation and reporting of key sustainability data from Adcock Ingram's business units meets reasonable expectations for accuracy, consistency, completeness and reliability, as tested at the desktop/off-site level.
- Assess Adcock Ingram's ability to provide transparent disclosure of quantitative comparable sustainability data.
- Assess the extent to which the Report adheres to reasonable local and international expectations for effective reporting.

### SCOPE OF WORK PERFORMED

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

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

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

- 1. Total Employees** Total number of permanent, temporary, and fixed-term contract employees.
- 2. Employee Turnover** Percentage of employees –at final day of reporting period – that left the Company's employ for all reasons (e.g., End of Contract, Dismissal, Death, Retirement, Permanent Disability/Medical Boarding, End of Contract, etc.).
- 3. Disabled Persons Rate** The percentage of employees who are deemed "disabled" as per local/national guidance on what is/is not a disability.
- 4. Person Hours Worked** Total number of PHW for all employees and contractors.
- 5. Absenteeism** Total number of person days lost due to all forms of absenteeism, inclusive of:
- 6. Scheduled** Annual Leave, Maternity/Paternity, Study, etc.
- 7. Non-Scheduled** Abscond, Sick, etc.
- 8. Absenteeism Rate** Total days lost relative to the number of days worked (i.e., PHW ÷ 8).
- 9. # of Persons Trained** Total Rand value of expenditures on training initiatives, inclusive of:
- 10. Awareness Training** Inductions, safety briefings, etc.
- 11. Mandatory Re-Certification** Renewing of licenses for forklift drivers, etc.
- 12. Skills Development** Formal training programmes leading to new transferable skills, inclusive of certifications, diplomas and/or degrees.
- 13. FIFR** Fatal Injury Frequency Rate (FIFR), calculated as the total number of fatal injuries (FIs) per 200 000 PHW – for employees and contractors.
- 14. LTIFR** Lost Time Injury Frequency Rate (LTIFR), calculated as the total number of lost time injuries (LTIs) per 200 000 PHW – for employees and contractors.
- 15. TIFR** Total Injury Frequency Rate (TIFR), calculated as the total number of injuries – inclusive of FIs, LTIs, Medical Treatment Cases (MTCs) and First Aid Cases (FACs) per 200 000 PHW – for employees and contractors.
- 16. Days Lost Due to Injury** Total number of person days lost due to LTIs
- 17. Injury Severity Rate** Average number of days lost per LTI  
Electricity Consumption Total direct and indirect consumption of electricity for primary purposes.
- 18. Water Consumption** Total volume of water consumed – from all sources (i.e., municipal services, boreholes, etc.) – for primary purposes.

**19. Petrol Consumption** Total direct and indirect consumption of petrol for primary purposes.

**20. Diesel Consumption** Total direct and indirect consumption of diesel for primary purposes.

**21. Other Fuels Consumption** Total direct and indirect consumption of any fuel used for primary purposes that is a significant contributor to the sites Scope 1 GHG emissions (e.g., coal, LNG/LPG, etc.).

**22. Waste to Landfill** Total volume of waste generated that is sent to landfill.

**23. Waste Recycled** Total volume of waste generated that is sent for recycling.

**24. Wage Gap Ratio** As per amendments to the Companies Act, the ratio of Average Income (Total Cost to Company) for the Top 5% of all employees and directors to the Average Income for the Bottom 5%.

**25. Gender Pay Gap Ratio** As per recommendations of the JSE's Sustainability Disclosure Guidance (2022), the ratio of Average Income per Female relative to the Average Income per Male employee.

### FINDINGS AND RECOMMENDATIONS

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

### REPORTING AND ASSURANCE PRINCIPLES

- As per a review of management assertions, including Group level discussions, Adcock Ingram has a process in place to sufficiently identify and engagement with its most material stakeholders, thus meeting the requirements of Inclusivity. However, we believe that opportunity for improvement exists with respect to ensuring that formal policies and procedures are established for stakeholder engagement.
- The content of the Report does not differ in any significant way from our analysis of the material issues discussed with Adcock Ingram. We found no concern with respect to the quality of systems and controls for managing risks, and we believe that Adcock Ingram meets reasonable expectations for Materiality determination, management, and reporting.
- As per a review of management assertions, inclusive of discussions at the Group level, Adcock Ingram reasonably addresses stakeholder concerns through engagement, inclusive of, but not limited to, the content within its Report, thereby meeting reasonable Responsiveness expectations.
- As per a review of management assertions, it is reasonable to assert that Adcock Ingram addresses its most material impacts on stakeholders and the natural environment in which it operates through risk management policies and procedures at both the Group

## Independent Assurance Statement CONTINUED

and Divisional levels. At a moderate level, we believe Adcock Ingram's activities, inclusive of, but not limited to, the content discussed within the Report, meet reasonable Impact expectations.

- As per a review of management assertions, inclusive of discussions at the Group level and reviews of the Report, Adcock Ingram's reporting of the Company's successes and challenges during the reporting period is fair and balanced, thereby meeting reasonable Neutrality expectations.
- As per a review of management assertions, inclusive of discussions at the Group level and reviews of quantitative/numerical performance information, and alignment of the Report to guidance materials, Adcock Ingram provides a reasonable level of performance data transparency in a manner that allows for comprehensive benchmarking against peer companies, thereby meeting reasonable Comparability expectations.

### SUSTAINABILITY DATA PERFORMANCE

Adcock Ingram's systems for data collection, collation and reporting, at the Group and Divisional levels, appear to be sufficient to allow for the internal and external reporting of the Company's performance, however, the introduction of a dedicated Sustainability Data Management System (SDMS) is expected to provide additional controls to ensure enhanced accuracy, consistency, completeness and reliability of data to be reported in future reporting cycles.

All data tested at both the site (Clayville) and Group/desktop level was found to be both accurate and reliable, with no concerns identified during the review of the key sustainability indicators included within the sustainability data table published on the website at [www.adcock.com/Investors/IntegratedReports](http://www.adcock.com/Investors/IntegratedReports).

Based on the depth of sustainability data reporting within the Report we believe that Adcock Ingram provides reasonable public disclosure of the Company's most material sustainability performance data.

### CONCLUSIONS

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

Integrated Reporting & Assurance Services (IRAS)  
Johannesburg



## Remuneration report

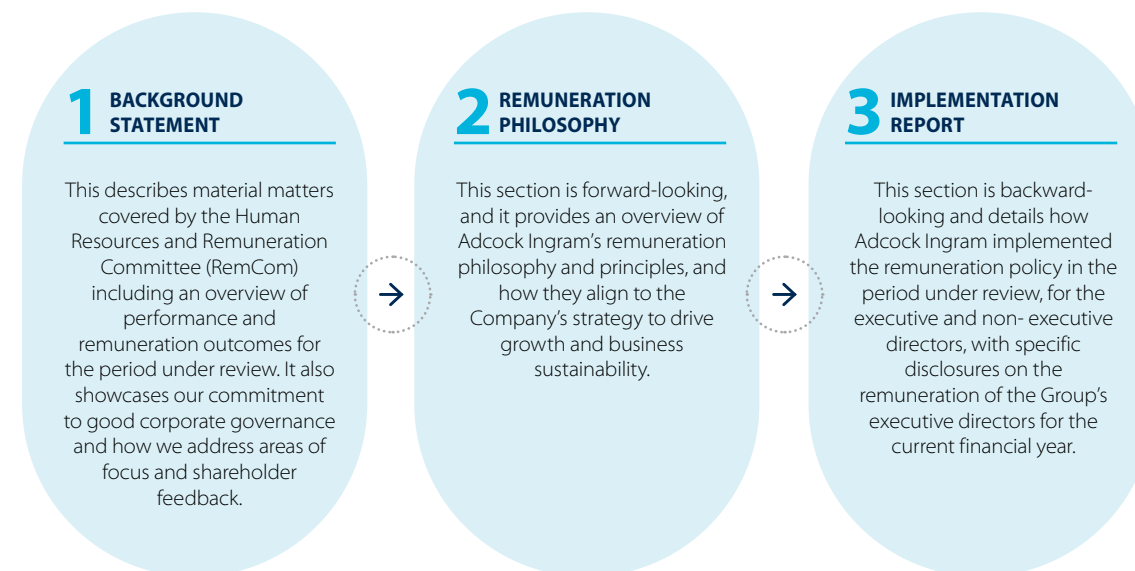
This report provides an **overview of the Group's approach to remuneration** with particular focus on executive and non-executive directors. Our remuneration report complies with the requirements of applicable South African legislation, the Companies Act 71 of 2008, all applicable JSE Listings Requirements and the recommended practices of King IV.

The following remuneration-related resolutions will be tabled for consideration by shareholders at the Annual General Meeting (AGM) in November 2024:

- An advisory non-binding vote on the Group's remuneration policy.
- An advisory non-binding vote on the Group's remuneration implementation report.
- Approval of the proposed non-executive directors' fees.

We aim to continuously improve and enhance the content and quality of our reporting and we welcome feedback from all stakeholders on this report.

We structured our report as follows:



Performance and remuneration in the financial year ended June 2024:

<p>Total salaries and wages</p> <p style="font-size: 24px; font-weight: bold; color: #00AEEF;">R1 520 million</p>	<p>PBLTIS awards vested and exercised by executive directors</p> <p style="font-size: 24px; font-weight: bold; color: #00AEEF;">323 865</p>	<p>PBLTIS awards vested and exercised by other key and critical management</p> <p style="font-size: 24px; font-weight: bold; color: #00AEEF;">675 714</p>
<p>Average increase to BRG employees</p> <p style="font-size: 24px; font-weight: bold; color: #00AEEF;">7%</p>	<p>Average increase to TGP employees</p> <p style="font-size: 24px; font-weight: bold; color: #00AEEF;">6%</p>	<p>Average increase for executive and non-executive directors</p> <p style="font-size: 24px; font-weight: bold; color: #00AEEF;">5.5%</p>

## Remuneration report CONTINUED

Amount paid under CEO's discretionary incentive

**R4.4 million to 187 employees**

Amount paid in short-term incentives (STI), excluding executive directors

**R25.9 million to 59 employees**

STI awards paid to executive directors

**R17.0 million**

### 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.

**100%**  
attendance

#### COMMITTEE PURPOSE

- Assist the Board in discharging its responsibilities to ensure fair, responsible, transparent and equitable remuneration in support of the Group strategy.
- Preparation and recommendation of the remuneration reports to the Board.
- Select an appropriate comparator group when determining and comparing remuneration levels of executive directors, executive management and non-executive directors.
- Review incentive schemes to ensure their continued contribution to shareholder value and that they are administered in terms of relevant rules.

#### COMMITTEE COMPOSITION, SKILLS AND EXPERIENCE

- Chaired by an independent non-executive director.
- Diverse skills in:
  - Pharmaceuticals and healthcare
  - Strategy
  - Human capital and remuneration
  - Finance, mergers and acquisitions
  - Leadership
  - Commercial acumen
- The Committee consists of three non-executive directors, with the majority (67%) being independent, as defined by King IV, and in terms of the board-approved Committee's terms of reference.
- The Committee met three times during the reporting year, in line with its annual plan. The Committee can convene *ad hoc* meetings outside of the mandatory reporting cycle if necessary.
- The CEO and Executive Director: Human Capital and Transformation are permanent invitees at the Committee meetings but do not vote on any matters, and are not present when issues affecting executive directors' remuneration are discussed. The Company Secretary is the secretary of the Committee.

### PERFORMANCE ASSESSMENT

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

### ACTIVITIES

	Remuneration element	Key activities
Fixed remuneration	<b>Total guaranteed package (TGP)</b>	<ul style="list-style-type: none"> <li>• Reviewed and approved an average increase of 6.0% for TGP employees effective December 2023.</li> <li>• Approved a 5.5% increase for executive directors, effective December 2023.</li> <li>• Considered advice received from external independent remuneration advisors regarding preparations for the upcoming changes to the Companies Amendment Act.</li> </ul>
	<b>Short-term incentives (STI)</b>	<ul style="list-style-type: none"> <li>• Reviewed and approved the STI standard operating procedure for the 2024 financial year.</li> <li>• Discussed and agreed STI pay-outs in relation to the financial year ended 30 June 2023, for executive directors, executive management, key and critical employees, which were paid in September 2023.</li> <li>• Recommended the CEO discretionary incentives of up to R5.0 million to the Board for recognition of exceptional performance in key junior management and support roles.</li> <li>• Reviewed and endorsed the STI metrics for the 2024 financial year.</li> <li>• Monitored performance against the STI targets.</li> <li>• Enhanced STI pay-outs to include linear vesting between set levels.</li> </ul>
Variable remuneration	<b>Long-term incentives (LTI)</b>	<ul style="list-style-type: none"> <li>• Reviewed and approved the performance metrics and weighting for the 2024 financial year.</li> <li>• Reviewed and approved proposed Performance-Based Long-Term Incentive Scheme (PBLTIS) awards for executive directors, executive management and critical and key talent.</li> <li>• Reviewed and agreed on the method for acceleration of unvested awards for good leavers (retirees).</li> <li>• Improved ESG performance targets' measures and weightings.</li> <li>• Approved and recommended to the Board the pay-out of PBLTIS vested shares.</li> </ul>
	<b>Comparator group</b>	<ul style="list-style-type: none"> <li>• Reviewed and endorsed the changes to the comparator group for proper and fair executive and non-executive director (NED) remuneration as proposed by the external remuneration advisor.</li> <li>• Agreed to the removal of one and added four companies to the comparator group based on size.</li> </ul>
Other elements	<b>Benchmarking</b>	<ul style="list-style-type: none"> <li>• Reviewed the benchmarking exercise (for executive directors' salaries and NED fees) conducted by the external independent remuneration advisor. Agreed that benchmarking will be conducted biennially.</li> </ul>
	<b>NED fees</b>	<ul style="list-style-type: none"> <li>• Considered the external advisor's 5.5% increase recommendation for NED fees, prior to shareholder approval at the AGM in November 2023.</li> </ul>
	<b>Remuneration governance</b>	<ul style="list-style-type: none"> <li>• Oversaw the appointment of a new external independent remuneration advisor.</li> <li>• Reviewed and amended the terms of reference of the Committee, which was approved by the Board.</li> <li>• Reviewed and approved the 2023 remuneration report, including the policy and implementation report before inclusion in the Integrated Report.</li> <li>• Discussed and approved ESG metrics and weightings for inclusion in the PBLTIS scheme.</li> <li>• Obtained independent confirmation on the vesting calculations from external advisors.</li> <li>• Reviewed and proposed changes to the Committee's annual work plan.</li> <li>• Discussed and analysed voting results of the November 2023 AGM.</li> <li>• Discussed the impact of macro-economic challenges on the remuneration market trends and implications for the Group.</li> </ul>
	<b>Succession management</b>	<ul style="list-style-type: none"> <li>• Discussed succession planning for the executive committee (exco) members and divisional exco members including initiatives and programmes to enhance transformation, diversity and cover ratio of the succession bench.</li> <li>• Discussed succession for employees nearing retirement, in critical and key roles.</li> </ul>
	<b>Talent management</b>	<ul style="list-style-type: none"> <li>• Reviewed progress made against the integrated wellness model.</li> <li>• Reviewed and discussed employee engagement initiatives as ways to mitigate the attrition of critical skills.</li> <li>• Discussed return on investment (ROI) of development programmes.</li> </ul>

RemCom is satisfied that the current remuneration policy delivers against the Group objectives.

## Remuneration report CONTINUED

### 1 BACKGROUND STATEMENT

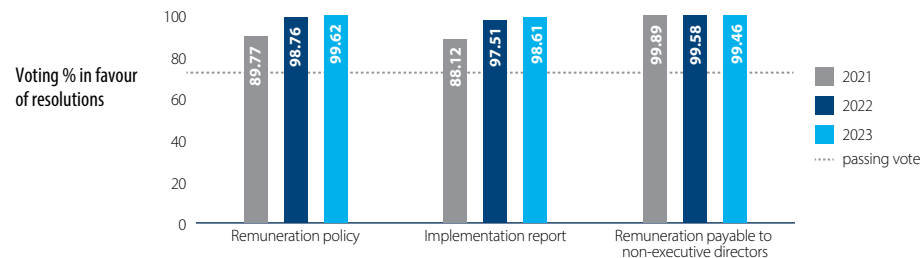
The success of our business strategy is measured against the achievement of financial and non-financial business outcomes. To achieve these goals, we ensure that our remuneration approach is competitive, agile and relevant in attracting, inspiring and retaining talented employees, motivating them to realise the Group vision and mission. At the same time, we cement our remuneration approach in fairness and transparency such that the Group reputation and moral standing amongst our employees, shareholders and society at large, is upheld.

Our remuneration approach is designed to inculcate a high-performance culture that facilitates an innovative and entrepreneurial mind-set. We believe that to grow the business of today and sustain the business of the future with the intention of generating returns on investment for shareholders that are sustainable in the long-term, our remuneration policy and philosophy must adhere to the following principles. It should:

- Support Adcock Ingram's strategies and be consistent with the organisational culture and values of fairness, empowerment, non-discriminatory practices and equity.
- Consider Adcock Ingram's market size, business complexity, and the competitive environment and regulatory landscape.
- Be reviewed and benchmarked regularly through independent remuneration advisors to ensure that Adcock Ingram remains competitive in attracting and retaining critical talent.
- Allow for differentiation (i.e. reward exceptional performance). Remuneration policy percentiles should be applied but must be flexible enough to consider industry type, scarce and niche skillsets and the transformation imperative.
- Aim to continuously improve the transparency and disclosure of our remuneration reporting.

#### SHAREHOLDER VOTING

Historically, shareholders have strongly supported the Group's remuneration policy. The Committee promotes shareholder engagement and will take the necessary steps if 25% or more of total votes exercised by shareholders at the upcoming (November 2024) AGM are against the remuneration policy, implementation report or remuneration proposed for the NEDs. At the AGM held on 21 November 2023 and in accordance with the recommendation of King IV, shareholders were presented with non-binding resolutions to endorse the Group's remuneration policy and implementation report, and to approve the NED fees. The voting outcomes were as follows:



#### FOCUS AREAS DURING THE YEAR

Continuously evaluating and addressing pay disparities, if any, across the Group with a focus on race and gender, especially in critical and key roles.

**PERFORMANCE**  
 ACHIEVED

**COMMENTARY**  
 No disparities exist; if any, they are based on justifiable grounds.

Continuously ensuring that reward practices are fair, responsible and transparent, and that they uphold an ethical culture and responsible corporate citizenship.

**PERFORMANCE**  
 ACHIEVED

**COMMENTARY**  
 No malus or clawback provisions of incentive schemes needed to be effected.

Continuing to review and evolve the remuneration policy to ensure that it is effective in attracting, incentivising and retaining critical and key talent.

**PERFORMANCE**  
 ACHIEVED

**COMMENTARY**  
 Attrition rate is below industry norm and strength of brand in attracting talent at an average of 95% offer acceptance.

Ensuring that the succession pool for executive management is diverse.

**PERFORMANCE**  
 PARTIALLY ACHIEVED

**COMMENTARY**  
 Composition of successor pool is biased towards males, with a limited percentage of African females.

#### FOCUS AREAS FOR NEXT YEAR

- Ensure that remuneration practices support the Company's transformation imperatives.
- Monitor pay gaps (gender and race), if any, and address anomalies.
- Ensure that all elements of remuneration for executive directors, executive management and non-executive directors are accurately benchmarked against comparator group to ensure that we remain competitive and relevant.
- Ensure robust talent bench and strength, with specific focus on African females.
- Enhance disclosures on:
  - the pay gap ratio (measured on a guaranteed remuneration basis) between the top 5% earning employees and the bottom 5% earning employees (see page 83);
  - the total remuneration of the highest and lowest earning employees; and
  - the average total remuneration and median total remuneration of all employees.

## Remuneration report CONTINUED

### 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 and strategic objectives, and complies with applicable laws and King IV Principles.



The principles outlined below underpin and reinforce our remuneration policy and philosophy:

#### ALIGNMENT TO STRATEGY AND BUSINESS PRINCIPLES

**SHAREHOLDER INTEREST**

We align employee interests with those of our shareholders by awarding incentive-based rewards for the achievement of challenging performance targets that align with shareholders' interests in the short, medium and long-term.

**BUSINESS STRATEGY**

Our remuneration approach is directly and transparently linked to the achievement of the Group strategic goals, namely:

- operational excellence
- innovation and growth
- being a responsible corporate citizen.

**HUMAN CAPITAL STRATEGY**

Our remuneration practices are aligned to the human capital strategy which aims to attract, develop and retain a high-performing and competent pool of talented individuals in a highly regulated and competitive market.

**ORGANISATIONAL VALUES**

Our remuneration philosophy supports an ethical and high-performance culture that recognises and rewards engaged employees who live and embrace our organisational values.

We continuously strive to build trust and confidence in our own reward and remuneration systems by embracing good governance and adopting best practice. We subscribe to the principle of inclusivity in that we engage with relevant stakeholders, including our employees, unions, regulators and shareholders on our remuneration policy and structures to help ensure that our remuneration is fair, relevant and responsible.

#### OUR REMUNERATION PRINCIPLES ENDORSING FAIR AND RESPONSIBLE PAY DECISIONS

**TRANSPARENCY**

We believe in comprehensive reporting and disclosure of the pay mix for EDs and remuneration of executives, and NEDs. We outline how we remunerate our employees, and we are open about the principles and guidelines that govern how we make remuneration-related decisions.

**COMPETITIVE PAY**

We benchmark our remuneration biennially to enable us to attract, motivate and retain high calibre individuals who have the skills, ambition and talent to deliver our strategic and tactical goals.

**FAIR AND FREE FROM DISCRIMINATION**

To ensure fair compensation, we have ongoing monitoring and review of equal pay for equal value of work and continue to ensure that our pay practices are free of discriminatory practices.

**PAY FOR PERFORMANCE**

We ensure that employees are recognised and rewarded for their performance and for the creation of value over the long-term.

#### FAIR AND RESPONSIBLE REMUNERATION

We remain committed to the principle of fair and responsible remuneration. We evaluate the fairness of our executive remuneration in relation to that of other employees and conduct continuous assessments to ensure that we address any pay disparities across different races and genders.

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

**FAIR REMUNERATION**

- Remuneration decisions are impartial and objective.
- Free from discrimination, favouritism, and self-interest.
- Free from prejudice on grounds including race, gender and sexual orientation.
- Remuneration decisions consider horizontal and vertical fairness:
  - Horizontal fairness:** equal pay for the similar or same job requirements, allowing for justifiable differentiation based on performance, experience, qualifications, etc.
  - Vertical fairness:** difference in remuneration across different occupational levels are justified based on objective factors such as operational complexity, size of the job, risk of the role, scope of impact and outcomes of benchmarking.

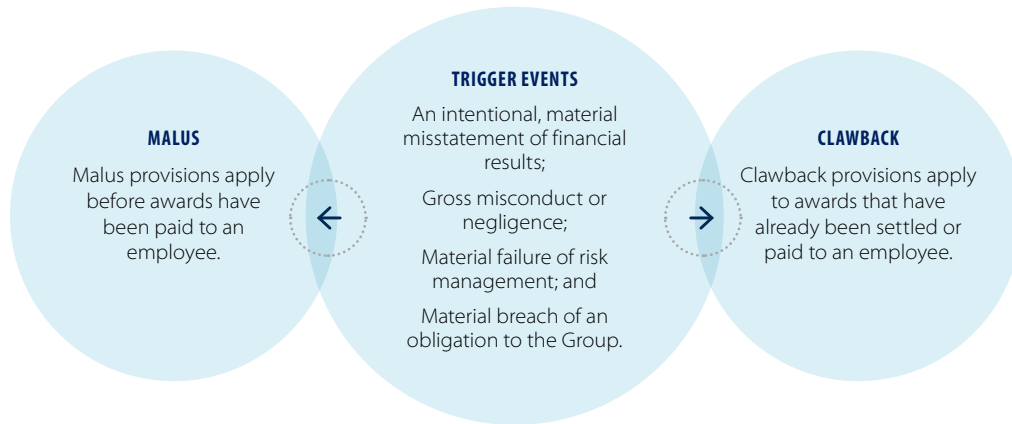
**RESPONSIBLE REMUNERATION**

- Remuneration funded by, and linked to, the creation of value over the long-term in a way that is transparently reported to internal and external stakeholders.
- Approved within the appropriate levels of authority.
- Subject to oversight by RemCom.
- Incentives are linked to challenging financial and non-financial metrics aligned to strategic objectives and shareholders interest.
- Incentive schemes do not promote excessive risk-taking and discourage inappropriate conduct.



## Remuneration report CONTINUED

Malus and clawback remain essential features of our remuneration policy. These provisions are applicable to all variable remuneration awarded to executive directors, executive management, and critical and key talent.



### BENCHMARKING

We strive to be competitive by offering remuneration packages that help attract and retain the best talent in our market. We consider market best practice, business requirements, and external market surveys and rely on expert external remuneration advisors for continued remuneration benchmarking and job evaluation. During this reporting period, all elements of remuneration such as salaries, incentives and benefits were reviewed against the relevant industry and market benchmarks. We aim for a median (50th percentile) position of the market TGP data for all employees. In certain cases, a premium to the median TGP may be necessary for talent acquisition, retention of employees with unique skills, niche experience and consistent, extraordinary performance.

The Company used the independent advisor to benchmark the remuneration of executive directors and executive management. The remuneration was benchmarked against an appropriate group of JSE listed companies of similar size and complexity to that of Adcock Ingram. To benchmark pharmaceutical roles, the Company uses the services of Deloitte. For non-pharmaceutical roles, the Company utilises the national market data and salary surveys.

### EXECUTIVE BENCHMARKING

Recently, RemCom took a decision that the remuneration of executive management, executive directors and NEDs will be reviewed biennially, as opposed to annually. During the benchmarking process for executive directors, executive management and NEDs, remuneration was benchmarked against an appropriate comparator group of companies.

### COMPARATOR GROUP\*

- Advtech
- AECI
- Afrocentric
- Astral Foods
- Cashbuild\*
- Famous Brands\*
- Hudaco
- Invicta Holdings
- KAAP Agri\*
- Libstar Holdings
- Mpact
- Oceana Group
- Omnia
- RFG Holdings
- Sea Harvest
- Super Group
- Truworths\*
- Aspen
- AVI Limited
- Clicks
- Dis-Chem
- Life Healthcare
- Netcare
- RCL Foods

\*The comparator group was changed to include these companies that are relevant based on size.

The comparator group was determined using a formula, which attempts to determine companies similar to Adcock Ingram (size, complexity, industry), which includes the following metrics:

- Financial:
  - Market capitalisation;
  - Revenue;
  - Total assets; and
  - Earnings before interest and tax.
- Employees:
  - Number of employees; and
  - Total employment cost.

### BENCHMARKING METHODOLOGY

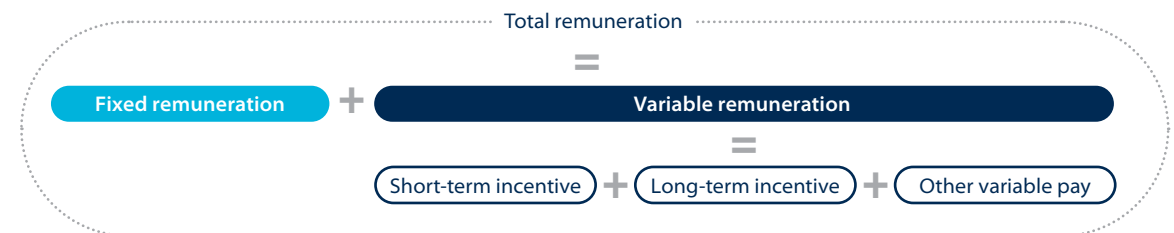
Adcock Ingram's executive remuneration was compared to the market based on the comparator group data. The following elements were analysed:

- Total guaranteed package (TGP): all salary items including basic salary, retirement benefits, medical, funeral cover and any other benefits;
- Short-term incentives (on target and stretch);
- Long-term incentives (on target and stretch);
- Overall pay; and
- Overall remuneration mix.

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

### REMUNERATION ELEMENTS

Remuneration elements are summarised as follows:



The elements are unpacked below:

**Fixed remuneration** is delivered as a total guaranteed package (TGP), which incorporates cash salary and the Company's contributions to benefits (including provident fund, pension fund, medical aid, death and disability cover)

Remuneration element	Purpose and strategic intent	Eligibility	Mechanics
<b>Total guaranteed package (TGP)</b>	To attract, retain and motivate the correct mix of current and future employees with market related pay, reflecting the size, scope and complexity of individual roles and responsibilities.	All employees, excluding bargaining unit (BRG) employees	<ul style="list-style-type: none"> <li>• Market related salary tailored to the content of the roles, individual skills, experience, performance and internal benchmarking.</li> <li>• TGPs are reviewed regularly and benchmarked against the latest market data.</li> <li>• Increases are awarded in December each year to non-bargaining unit employees.</li> <li>• The actual percentage increases awarded to non-bargaining unit employees are determined by considering CPI, business performance, market trends, affordability, and external benchmarks.</li> </ul>
<b>Employee benefits and allowances</b>	To provide relevant benefits to meet employee needs and aspirations and provide a strong employee value proposition.	All permanent employees	We aim to provide market-related employee benefits and allowances in alignment with the laws and requirements of the country. The provision of employee benefits and allowances is suitably and sensibly managed. See the list of employee benefits below.



## Remuneration report CONTINUED

### Variable remuneration

is the combination of other components, STIs and LTIs. This compensation is not guaranteed, and may vary between periods based on performance measures.

### Short-term incentive (STI)

Drive a high-performance culture that motivates and rewards business and individual performance, measured for a period of up to 1 year.

#### OVERVIEW

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

- Where performance does not meet threshold target, no STI is payable.
- Annual STI clearly relates to performance against operational and strategic objectives which aim to generate long-term value for shareholders.
- Performance conditions and targets are custom-made to business needs and strategy and revised when needed to ensure relevance.
- Performance targets for threshold, target and stretch of performance are well-considered, set, monitored and audited.
- The STI financial pool is self-funded, i.e., must be paid from earnings above the relevant target.

STI awards are capped as a multiple of an individual's TGP, with Committee, or where relevant, CEO discretion.

**Eligibility** Executive directors, executive management, critical and key employees.

**Performance period** One year

**Method of delivery** Cash

**Timing of delivery** Annually in September

#### PERFORMANCE MEASURES

**STI SCHEME:** To motivate and reward employees for the achievement of the Group's short-term financial and non-financial objectives in areas they can influence.

#### Executive directors:

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



#### OTHER SHORT-TERM INCENTIVES:

Given the diverse nature of our business, the following other short-term incentives are also in place:

**CEO STI DISCRETION:** Amount approved yearly by the Board for employees who exhibited extraordinary performance.

**SALES INCENTIVES:** Employees with a specific sales focus (e.g., sales managers and sales representatives) participate in a sales incentive programme that rewards participants upon the achievement of set sales targets. For the achievement of sales targets, sales incentives are paid to qualifying sales employees on a quarterly basis. Number of participants = 340. Employees who participate in the sales incentive scheme do not participate in the STI scheme.

### Long-term incentives (LTI)

To drive sustainable long-term performance, motivate and retain management and key talent and encourage ownership by aligning the interests of executives to those of Adcock Ingram and shareholders.

#### PERFORMANCE BASED LONG-TERM INCENTIVE SCHEME (PBLTIS)

The scheme aims at incentivising and retaining critical employees and increasing management equity participation.

The annual granting of conditional share awards to identified employees is based on the following:

- 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.

#### Overview

Long-term incentives are designed to align management's objectives with shareholder expectations, ensuring sustainable growth for the Company.

#### Eligibility

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

#### Performance period

Three years

#### Method of delivery

Full value shares, which may be converted into cash.

#### Vesting and timing of delivery

Vesting of the conditional share awards is subject to performance conditions being satisfied over the performance period. To the extent the performance metrics have been met, the conditional share awards will vest as follows:

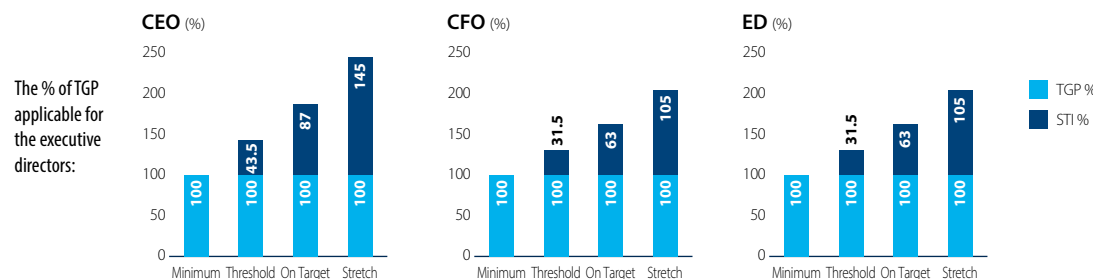
- 75% of the awards vest after three years;
- 25% of the awards vest after four years; and
- If none of the performance conditions have been fulfilled, no conditional share awards vest.

#### Performance conditions for awards allocated in September 2023:

- 40% of the vesting of the award is subject to achievement of HEPS growth against set targets;
- 20% of the vesting of the award is subject to achievement of ROFE against set targets;
- 10% of the vesting of the award is subject to the achievement of environmental targets (such as installation of renewable energy sources and waste recycling);
- 20% of the vesting of the award is subject to the achievement of social targets (such as B-BBEE, disability profile, African appointments and graduates funded by NSFAS); and
- 10% of the vesting of the award is subject to achievement of governance criteria.

#### Number of participants

46



#### TIGER BRANDS BLACK MANAGERS TRUST (BMT):

For the retention of Black Managers through the Tiger Brands Limited B-BBEE transaction implemented in 2005. Adcock Ingram employees who were employed prior to Adcock Ingram being separately listed on the JSE, form part of the scheme. Vested rights were issued subject to various lock-in periods.

97 remaining participants.

## Remuneration report CONTINUED

### Other variable pay

Remuneration element	Eligibility	Mechanics
<b>Shift allowance:</b> to compensate for working unsociable hours or unusual shift patterns.	All employees who work shifts.	
<b>Acting allowance:</b> paid when an employee takes on responsibilities of a higher level position for a limited period of time.	All employees who are appointed in an acting position, depending on their current level.	<p>Employees in skilled technical roles and academically qualified workers and below may be appointed to act in a senior role with a higher occupational level than what they are currently at, qualify for an acting allowance.</p> <p>The acting period is more than one week but generally does not exceed four months.</p>
<b>Overtime:</b> pay employees for working more than 40 hours per week.	<p>Employees whose earnings are below the prescribed minimum (R254 371.67) per annum, as prescribed by the Basic Conditions of Employment Act, 75 of 1997 (BCEA) act and the National Bargaining Council for the Chemical Industries (NBCCI).</p> <p>Employees who earn above the earnings threshold provided for in the BCEA and are directly involved in manufacturing, packing, laboratories, validations, dispensary, warehouse and maintenance also qualify for overtime.</p>	<p>Employees are required to provide consent to work overtime.</p> <p>Approval must be granted prior to overtime worked.</p> <p>Overtime for employees earning less than the earnings threshold will be limited to 10 hours per week in line with the BCEA.</p>

### OTHER EMPLOYEE BENEFITS SUMMARY:

- Provident or pension fund: Compulsory for all permanent employees to ensure the financial wellbeing of employees enabling them to save for retirement.
- Medical aid: Not compulsory for employees, but highly encouraged. BRG employees' medical aid is subsidised by 50%. Four schemes are offered by the Company.
- Gap cover: Voluntary membership offered.
- Group life insurance: To provide permanent employees with life insurance to the value of four times their pensionable salary in case of death.
- Disability cover: Insurance for all permanent employees when disabled.
- Funeral benefits: To provide cash funeral benefit for employees, spouses, and children under the age of 21.
- Vehicle insurance: Vehicle insurance offered to qualifying employees.
- Travel allowance: Allow TGP employees to structure their package optimally.
- Fuel cards: Offered to qualifying sales employees.
- Company car: technical support employees who are eligible are given a company car to fulfil their duties.
- Employee wellness programme: Lyra (formerly known as ICAS) is our employee wellness partner and is dedicated to the health and wellbeing of employees in the workplace and at home.
- Learning and career development opportunities, including study assistance.
- Cell phone allowance or Company cell phone use: To offer employees who, through operational requirements, need to be contactable, the use of a cell phone.

## 3 IMPLEMENTATION OF THE REMUNERATION POLICY

The RemCom monitored the implementation of the Remuneration Policy.

### FAIR AND RESPONSIBLE REMUNERATION

Adcock Ingram's commitment to address the internal wage gap between the highest and lowest paid employees, is evidenced by the historically higher increases for those employees in the bargaining unit, compared to those of middle and senior management. During the current financial year, employees in the bargaining unit were granted a 7% increase, effective July 2023, compared to the other employees receiving an average increase of 6%, effective December 2023.

### PERFORMANCE OUTCOMES FOR THE SHORT-TERM INCENTIVES (STIs) PAID IN SEPTEMBER 2023:

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

The following metrics and related weightings were applicable in the 2023 financial year:

- The commercial divisions (Consumer, OTC, Prescription and Hospital) and corporate employees were measured against the following metrics and related weightings during the 2023 financial year:
  - trading profit (30%);
  - HEPS (20%);
  - return on funds employed (ROFE) (20%); and
  - additional performance metrics (30% weighting) based on the individual's position and include targets, amongst others for market share, new business development and factory performance.
- The distribution department was measured against:
  - trading profit (50%); and
  - additional performance metrics (50%).

Business unit/ Department	Trading profit	HEPS	ROFE	Additional performance metrics	Amount paid R'm	Number of beneficiaries
Consumer	Target ●	Stretch ●●	Stretch ●●	Partially achieved ●	3.2	11
OTC	Stretch ●●	Stretch ●●	Stretch ●●	Partially achieved ●	3.7	6
Prescription	Stretch ●●	Stretch ●●	Stretch ●●	Partially achieved ●	4.0	11
Hospital	Threshold ●	Stretch ●●	Not achieved ●	Partially achieved ●	2.1	8
Distribution	Stretch ●●	N/A	N/A	Achieved ●	1.5	3
Corporate	Stretch ●●	Stretch ●●	Stretch ●●	Partially achieved ●	11.4	20

A discretionary amount of R5.0 million was approved by the Board and R4.4 million was paid out to 187 employees who exhibited extraordinary performance.

These amounts were fully provided for in the 2023 financial year.

### 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.

## Remuneration report CONTINUED

### SERVICE CONTRACTS

The Group policy is to employ each executive director under a permanent employment contract which is subject to a three-month notice period.

### SHAREHOLDING

AG Hall held 21 433 shares (2023: 21 433) in the Company, consequent to the exercise of certain equity options. There has been no change in this since year-end.

### REMUNERATION

#### FIXED REMUNERATION

The table below provides an analysis of the total guaranteed pay (TGP) paid during the current and prior financial year:

	AG Hall		D Neethling		B Letsoalo		Total	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000	2024 R'000	2023 R'000	2024 R'000	2023 R'000
<b>Total guaranteed pay (TGP)<sup>1</sup></b>	<b>7 658</b>	7 508	<b>4 638</b>	4 547	<b>4 098</b>	4 023	<b>16 394</b>	16 078
Salary <sup>2</sup>	<b>7 308</b>	7 158	<b>4 288</b>	4 197	<b>3 545</b>	3 497	<b>15 141</b>	14 852
Retirement benefits	<b>350</b>	350	<b>350</b>	350	<b>553</b>	526	<b>1 253</b>	1 226

<sup>1</sup> The executive directors were granted a 5.5% increase effective 1 December 2023.

<sup>2</sup> The prior year amount includes long-service awards (15 years) for all three executive directors.

### VARIABLE REMUNERATION

#### SHORT-TERM INCENTIVES

The STIs are dependent on the Group's performance as well as individual additional performance metrics (APM). The metrics for each of the directors for the current and prior financial year, as well as the weighting of each metric, are as follows:

	Trading profit	HEPS	ROFE <sup>1</sup>	APM <sup>2</sup>	B-BBEE <sup>3</sup> score	Total
AG Hall	30%	20%	20%	15%	15%	100%
D Neethling	30%	20%	20%	15%	15%	100%
B Letsoalo	30%	20%	20%	10%	20%	100%

<sup>1</sup> Return on funds employed (ROFE) – Return on funds employed calculated as follows: Trading profit (excluding amortisation) as % of average capital employed. Average capital employed is calculated as the average net operating assets (excluding intangibles, other financial assets, investments in joint ventures, deferred tax and cash) less non-interest-bearing liabilities (excluding short-term portion of lease liabilities, bank overdraft and taxation payable) of the current and prior financial year.

<sup>2</sup> This metric includes business resilience, innovation and growth, as assessed by the Board.

<sup>3</sup> Depends on the achievement of the final B-BBEE score.

### SHORT-TERM INCENTIVES CONTINUED

#### ACCRUED DURING THE YEAR

Based on the current year's performance and as depicted in the table below, the Group has met its targets for trading profit, ROFE and HEPS. The individual APM targets have been met. The full amount of R17.1 million has been provided for in the financial year ended 30 June 2024, although payment was only made in September 2024.

	Trading profit	HEPS	ROFE%	APM	B-BBEE score	2024 Pay-out R'000	% of June 2024 TGP
AG Hall	Target	Stretch	Target	Target	Stretch	<b>9 295</b>	119
D Neethling	Target	Stretch	Target	Target	Stretch	<b>4 504</b>	95
B Letsoalo	Target	Stretch	Target	Target	Stretch	<b>3 268</b>	78
						<b>17 067</b>	

#### PAID DURING THE YEAR

The incentives (R17.0 million) relating to the prior year's performance were fully provided for in the year ended 30 June 2023 and paid in September 2023. The incentives (R16.3 million) relating to the performance of the financial year ended June 2022 were provided for in the year ended 30 June 2022 and paid in September 2022.

	AG Hall		D Neethling		B Letsoalo		Total	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Short-term incentive	<b>9 274</b>	8 875	<b>4 494</b>	4 300	<b>3 226</b>	3 088	<b>16 994</b>	16 263

### LONG-TERM INCENTIVES

The table below provides an analysis of the long-term incentives paid during the current and prior financial year:

	AG Hall		D Neethling		B Letsoalo		Total	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Retention bonus	<b>6 900</b>	–	<b>3 800</b>	–	<b>3 500</b>	–	<b>14 200</b>	–
Equity options	<b>2 363</b>	–	<b>630</b>	–	<b>455</b>	–	<b>3 448</b>	–
PBLTIS awards	<b>9 280</b>	4 143	<b>4 389</b>	1 711	<b>3 985</b>	1 577	<b>17 654</b>	7 431
	<b>18 543</b>	4 143	<b>8 819</b>	1 711	<b>7 940</b>	1 577	<b>35 302</b>	7 431

### RETENTION AGREEMENTS

During the 2021 financial year, retention agreements were signed with the executive directors to remain in service for a period of three years, from 1 January 2021 until December 2023. These amounts were accrued over the retention period and paid in December 2023.

## Remuneration report CONTINUED

### LONG-TERM INCENTIVES

Details of equity options (with no performance conditions attached) exercised during the year are as follows:

2024	Offer date	Offer price R	Exercise price R	Number of options	Gain realised on exercising of options <sup>1</sup> R'000
<b>AG Hall</b>					
Equity	17/06/2014	52.20	55.36	58 334	184
	26/08/2016	42.30	58.64	133 334	2 179
				191 668	2 363
<b>D Neethling</b>					
Equity	17/06/2014	52.20	58.64	20 000	129
	26/08/2015	41.94	58.64	30 000	501
				50 000	630
<b>B Letsoalo</b>					
Equity	17/06/2014	52.20	60.49	15 000	124
	24/08/2017	57.73	60.49	120 000	331
				135 000	455

<sup>1</sup> No options were exercised during the prior financial year.

Details of PBLTIS conditional share awards exercised during the current and prior financial year are as follows:

2024	Offer date	Number of awards		
		AG Hall	D Neethling	B Letsoalo
Offer date	26/09/2019	27 900	11 520	10 620
	25/11/2020	142 350	69 000	62 475
		170 250	80 520	73 095
Exercise price (R)		54.51	54.51	54.51
Gain realised R'000 <sup>1</sup>		9 280	4 389	3 985
<b>2023</b>				
Offer date	26/09/2019	83 700	34 560	31 860
Exercise price (R)		49.50	49.50	49.50
Gain realised R'000 <sup>1</sup>		4 143	1 711	1 577

<sup>1</sup> Amounts are shown before tax.

Details of share options (with no performance conditions attached) 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	Exercised during the year	Balance at the end of the year	Vested as at 30 June 2024	Value <sup>1</sup> as at 30 June 2024 R
<b>AG Hall</b>							
Equity	17/06/2014	52.20	58 334	(58 334)	–	–	–
	26/08/2015	41.94	58 334	–	58 334	58 334	1 059 345
	26/08/2016	42.30	133 334	(133 334)	–	–	–
	24/08/2017	57.73	200 000	–	200 000	200 000	474 000
			450 002	(191 668)	258 334	258 334	1 533 345
Phantom	28/08/2018	65.46	200 000	–	200 000	200 000	–
<b>Total</b>			650 002	(191 668)	458 334	458 334	1 533 345
<b>D Neethling</b>							
Equity	17/06/2014	52.20	20 000	(20 000)	–	–	–
	26/08/2015	41.94	30 000	(30 000)	–	–	–
	26/08/2016	42.30	100 000	–	100 000	100 000	1 780 000
	24/08/2017	57.73	150 000	–	150 000	150 000	355 500
			300 000	(50 000)	250 000	250 000	2 135 500
Phantom	28/08/2018	65.46	150 000	–	150 000	150 000	–
<b>Total</b>			450 000	(50 000)	400 000	400 000	2 135 500
<b>B Letsoalo</b>							
Equity	17/06/2014	52.20	15 000	(15 000)	–	–	–
	24/08/2017	57.73	120 000	(120 000)	–	–	–
			135 000	(135 000)	–	–	–
Phantom	28/08/2018	65.46	120 000	–	120 000	120 000	–
BMT <sup>2</sup>							
OCE	31/01/2008	12.45	905	–	905	905	53 757
AIP	31/01/2008	12.37	13 742	–	13 742	13 742	655 905
TBL	01/07/2012	42.56	1 734	–	1 734	1 734	271 215
OCE	01/07/2012	12.45	2 001	–	2 001	2 001	118 859
AIP	01/07/2012	11.19	4 534	–	4 534	4 534	221 758
			22 916	–	22 916	22 916	1 321 494
<b>Total</b>			277 916	(135 000)	142 916	142 916	1 321 494

## Remuneration report CONTINUED

The LTI schemes with no performance conditions attached were replaced by a PBLTIS during the 2020 financial year. Conditional share awards were granted to the executive directors as detailed below:

	Offer date the year	Balance at the beginning of	Vested and exercised during the year	Issued during the year	Balance at the end of the year <sup>1</sup>
<b>AG Hall</b>	26/09/2019	27 900	(27 900)		–
	25/11/2020	189 800	(142 350)		47 450
	24/08/2021	200 000			200 000
	30/09/2022	200 000			200 000
	30/09/2023			200 000	200 000
		617 700	(170 250)	200 000	647 450
<b>D Neethling</b>	26/09/2019	11 520	(11 520)		–
	25/11/2020	92 000	(69 000)		23 000
	24/08/2021	100 000			100 000
	30/09/2022	91 000			91 000
	30/09/2023			90 000	90 000
		294 520	(80 520)	90 000	304 000
<b>B Letsoalo</b>	26/09/2019	10 620	(10 620)		–
	25/11/2020	83 300	(64 475)		20 825
	24/08/2021	89 000			89 000
	30/09/2022	80 000			80 000
	30/09/2023			79 000	79 000
		262 920	(73 095)	79 000	268 825

<sup>1</sup> The remaining awards have not vested as at 30 June 2024.

<sup>1</sup> Based on the closing share price as at 30 June 2024.

<sup>2</sup> Black Managers Trust.

AIP – Adcock Ingram Holdings Limited

OCE – Oceana Group Limited

TBL – Tiger Brands Limited

### PBLTIS AWARD DURING THE YEAR

The performance conditions (financial and non-financial) attached to the award made on 30 September 2023, measured over a three-year period from 1 July 2023 to 30 June 2026, are as follows:

Measure	Weight base	Measurement	Performance threshold (50% vesting)	Target (70% vesting)	Stretch (100% vesting)
<b>Financial</b>					
HEPS growth	40%	Inflation and SEP	(50% CPI + 50% SEP) +1%	(50% CPI + 50% SEP) +2%	(50% CPI + 50% SEP) +4%
ROFE	20%	ROFE	29%	30%	32%
<b>Environmental</b>					
Renewable energy	5%	% of energy not supplied by Eskom or generators	% of energy not supplied by Eskom or generators = 5%	% of energy not supplied by Eskom or generators = 6%	% of energy not supplied by Eskom or generators = 7%
Waste management	5%	Actual data	Waste to landfill <=18%	Waste to landfill <=16%	Waste to landfill <=14%
<b>Social</b>					
B-BBEE	5%	Scorecard points	91	93	95
African employee appointments (middle management and above) as % of total appointments	5%	As a % of total appointments	50%	55%	60%
Disability profile	5%	As a % permanent headcount	2.5%	2.8%	3%
Learning and development	5%	As a % of graduates who were funded by NSFAS	45%	50%	55%
<b>Governance</b>					
Compliance	10%	Actual data	n/a	n/a	Stretch vesting if there are no "safety" recalls of medication manufactured by Adcock Ingram

### STATUS OF ALL PERFORMANCE-BASED AWARDS AS AT THE END OF JUNE 2024

<b>TRANCHE 1</b>	Completed and fully paid out
<b>TRANCHE 2</b>	
<b>Award date:</b>	25 November 2020
<b>Measurement period:</b>	1 July 2020 to 30 June 2023
<b>Completion period:</b>	Completed
<b>Status:</b>	Based on the level of achievement of the performance metrics, 100% of the initial award will vest.
<b>Vesting period:</b>	75% of achieved level of 100% vested in September 2023. 25% of achieved level of 100% will vest in September 2024.

## Remuneration report CONTINUED

### TRANCHE 3

**Award date:** 25 November 2021  
**Measurement period:** 1 July 2021 to 30 June 2024  
**Completion period:** Completed (Three years of three)

Measure	Weight	Average outcome	Achievement	Weighted achievement to date
HEPS growth	40%	15%	100%	40%
ROFE	20%	31%	100%	20%
Environmental	10%	Stretch	100%	10%
Governance	10%	Stretch	100%	10%
B-BBEE	20%	96.75	100%	20%
<b>Total</b>				<b>100%</b>

### TRANCHE 4

**Award date:** 30 September 2022  
**Measurement period:** 1 July 2022 to 30 June 2025  
**Completion period:** Two years of three

Measure	Weight	Average outcome	Achievement	Weighted achievement to date
<b>Financial</b>				
HEPS growth	40%	11%	100%	40%
ROFE	20%	31%	100%	20%
<b>Environmental</b>				
Renewable energy	5%	Stretch	100%	5%
Waste management	5%	Stretch	100%	5%
<b>Social</b>				
B-BBEE	5%	97.2%	100%	5%
African appointments (middle management and above)	5%	55%	100%	5%
Disability profile	5%	2.94%	94%	4.7%
Learning and development	5%	51.5%	100%	5%
<b>Governance</b>				
	10%	Stretch	100%	10%
<b>Total</b>				<b>98.2%</b>

### TRANCHE 5

**Award date:** 30 September 2023  
**Measurement period:** 1 July 2023 to 30 June 2026  
**Completion period:** One year of three

Measure	Weight	Outcome	Achievement	Weighted achievement to date
<b>Financial</b>				
HEPS growth	40%	9.9%	100%	40%
ROFE	20%	31.4%	91%	18%
<b>Environmental</b>				
Renewable energy	5%	Target	70%	3.5%
Waste management	5%	Target	70%	3.5%
<b>Social</b>				
B-BBEE	5%	98.69	100	5%
African appointments (middle management and above)	5%	55%	70%	3.5%
Disability profile	5%	56%	100%	5%
Learning and development	5%	3.08%	100%	5%
<b>Governance</b>				
	10%	Stretch	Target	10%
<b>Total</b>				<b>93.5%</b>

### IFRS 2 CHARGES

The following charges were expensed in the statement of comprehensive income, in non-trading expenses, during the year under review, in terms IFRS 2\*:

R'000	2024 R'000	2023 R'000
AG Hall	8 274	7 079
D Neethling	3 899	3 515
B Letsoalo	3 448	3 141
	<b>15 621</b>	<b>13 735</b>

\* 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.

### NON-EXECUTIVE DIRECTORS (NEDS)

The NEDs do not have service contracts, do not participate in any of the Group's STI or LTI schemes and no shares are granted to them. The remuneration of NEDs is reviewed annually by the Committee, based on an independent benchmarking exercise conducted biennially.

## Remuneration report CONTINUED

The same comparator group, which is used for executive directors' benchmarking process is used. The weighted average of the market data of similar size companies accounted for 70% and directly comparable companies 30%.

The factors that influence the NEDs, remuneration include:

- the Group remuneration philosophy;
- the responsibility of the role;
- the level of general increases given to TGP employees; and
- inflation.

The fees below were approved at the November 2023 AGM, effective 1 December 2023:

	Chairman	Member
Board	R1 311 365	R380 855
Lead independent director		R432 550
Audit Committee	R 289 070	R144 535
Risk and Sustainability Committee	R259 530	R131 875
Human Resources and Remuneration Committee	R204 670	R110 775
Nominations Committee	R173 020	R86 510
Social, Ethics and Transformation Committee	R182 515	R88 620
Acquisitions Committee	R275 355	R137 150

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

The terms and conditions applicable to the appointment of NEDs are contained in a letter of engagement which, together with the Board Charter and respective Committees' terms of reference and Memorandum of Incorporation (MOI), form the basis of the director's appointment. The Board adopted a resolution whereby directors who have reached a nine-year tenure, should automatically retire from the Board, subject to appropriate succession and Board composition requirements being in place. Exceptions are allowed in terms of the MOI. The Nominations Committee plays an important role in the appointment of new directors as well as the identification and removal of underperforming or unsuitable directors.

The Company's MOI provides that at least one-third of the NEDs retire by rotation every year, and, if eligible, may offer themselves for re-election by shareholders.

### REMUNERATION PAID

The following fees, excluding value added tax (VAT) where applicable, were paid to NEDs quarterly in arrears:

Committee members	2024 R'000	2023 R'000
L Boyce	459	390
M Haus	-	891
S Gumbi	788	701
B Mabuza	565	392
N Madisa <sup>1</sup>	1 283	1 221
C Manning	886	843
D Ransby	919	874
M Sathekge	711	608
M Steyn <sup>1</sup>	340	123
K Wakeford <sup>2</sup>	-	360
	<b>5 951</b>	<b>6 403</b>

<sup>1</sup> Paid to Bidvest Corporate Services Proprietary Limited.

<sup>2</sup> Paid to Bidvest Branded Products Proprietary Limited.



## GROUP ANNUAL RESULTS AND CASH DIVIDEND DECLARATION

FOR THE YEAR ENDED  
30 JUNE 2024

## Summary consolidated statements of comprehensive income

	Notes	Audited 2024 R'000	Change %	Audited 2023 R'000
<b>Revenue</b>	2.1	<b>9 643 128</b>	6	9 131 852
Cost of sales		<b>(6 424 596)</b>		(5 944 832)
<b>Gross profit</b>		<b>3 218 532</b>	1	3 187 020
Selling, distribution and marketing expenses		<b>(1 360 895)</b>	(2)	(1 390 638)
Fixed and administrative expenses		<b>(628 141)</b>	2	(615 907)
<b>Trading profit</b>		<b>1 229 496</b>	4	1 180 475
Non-trading expenses	3	<b>(164 672)</b>		(44 948)
<b>Operating profit</b>		<b>1 064 824</b>	(6)	1 135 527
Finance income		<b>10 704</b>		7 628
Finance costs		<b>(97 462)</b>		(59 795)
Dividend income		<b>3 891</b>		3 174
Equity-accounted earnings		<b>142 864</b>		119 048
<b>Profit before tax</b>		<b>1 124 821</b>	(7)	1 205 582
Tax		<b>(310 812)</b>		(307 222)
<b>Profit for the year</b>		<b>814 009</b>	(9)	898 360
Exchange differences on translation of foreign operations		<b>(23 284)</b>		44 740
Subsidiaries		<b>(1 066)</b>		1 704
Joint venture		<b>(22 218)</b>		43 036
Movement in cash flow hedge accounting reserve, net of tax		<b>(49 295)</b>		57 814
Fair value of investment*		<b>573</b>		1 424
Actuarial profit on post-employment medical liability*		<b>698</b>		894
<b>Total comprehensive income, net of tax</b>		<b>742 701</b>		1 003 232
<b>Profit attributable to:</b>				
Owners of the parent		<b>814 009</b>		898 410
Non-controlling interests		<b>-</b>		(50)
		<b>814 009</b>		898 360
<b>Total comprehensive income attributable to:</b>				
Owners of the parent		<b>742 701</b>		1 003 282
Non-controlling interests		<b>-</b>		(50)
		<b>742 701</b>		1 003 232
Basic earnings per ordinary share (cents)		<b>539.6</b>	(4)	561.3
Diluted basic earnings per ordinary share (cents)		<b>526.4</b>	(4)	548.6
Headline earnings per ordinary share (cents)		<b>616.6</b>	10	561.3
Diluted headline earnings per ordinary share (cents)		<b>601.5</b>	10	548.7

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

## Summary consolidated statement of changes in equity

	Issued share capital R'000	Share premium R'000	Treasury share reserve	Non- distributable reserves R'000	Retained income R'000	Total attributable to holders of the parent R'000	Non- controlling interests R'000	Total R'000
<b>Balance at 1 July 2022</b>	16 176	255 194		270 173	4 703 351	5 244 894	229	5 245 123
Movement in share-based reserve*				28 840		28 840		28 840
Transfer of reserves				6 081	(6 080)	1	(1)	-
Cancellation of shares	(4)	(1 972)				(1 976)		(1 976)
Treasury shares purchase	(923)		(471 196)			(472 119)		(472 119)
Movement in treasury shares	28	13 389				13 417		13 417
Total comprehensive income				51 839	898 410	950 249	(50)	950 199
Profit for the year					898 410	898 410	(50)	898 360
Other comprehensive income				104 872		104 872		104 872
Reclassified to cost of inventory – not included in other comprehensive income				(53 033)		(53 033)		(53 033)
Dividends					(375 368)	(375 368)	(204)	(375 572)
<b>Balance at 30 June 2023</b>	<b>15 277</b>	<b>266 611</b>	<b>(471 196)</b>	<b>356 933</b>	<b>5 220 313</b>	<b>5 387 938</b>	<b>(26)</b>	<b>5 387 912</b>
Movement in share-based reserve*				(24 033)		(24 033)		(24 033)
Treasury shares purchase	(601)		(327 310)			(327 911)		(327 911)
Movement in treasury shares (equity scheme)		6				6		6
Total comprehensive income				(58 185)	814 009	755 824		755 824
Profit for the year					814 009	814 009		814 009
Other comprehensive income				(71 308)		(71 308)		(71 308)
Reclassified to cost of inventory – not included in other comprehensive income				13 123		13 123		13 123
Dividends					(379 004)	(379 004)	(18)	(379 022)
<b>Balance at 30 June 2024</b>	<b>14 676</b>	<b>266 617</b>	<b>(798 506)</b>	<b>274 715</b>	<b>5 655 318</b>	<b>5 412 820</b>	<b>(44)</b>	<b>5 412 776</b>

\* Relate to equity and BMT option schemes.



## Summary consolidated statements of financial position

	Audited 2024 R'000	Audited 2023 R'000
<b>ASSETS</b>		
Property, plant and equipment	1 448 624	1 475 795
Right-of-use assets	190 406	233 468
Intangible assets	1 114 184	1 233 326
Deferred tax assets	25 877	14 104
Other financial assets	17 514	20 476
Investment in joint ventures	672 493	670 948
<b>Non-current assets</b>	<b>3 469 098</b>	3 648 117
Inventories	2 541 001	2 449 611
Receivables and other current assets	2 223 588	2 059 917
Cash and cash equivalents	89 417	91 540
Tax receivable	31 779	12 870
Loan receivable	–	479
<b>Current assets</b>	<b>4 885 785</b>	4 614 417
<b>Total assets</b>	<b>8 354 883</b>	8 262 534
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Issued share capital	14 676	15 277
Share premium	266 617	266 611
Treasury share reserve	(798 506)	(471 196)
Non-distributable reserves	274 715	356 933
Retained income	5 655 318	5 220 313
Total shareholders' funds	5 412 820	5 387 938
Non-controlling interests	(44)	(26)
<b>Total equity</b>	<b>5 412 776</b>	5 387 912
Long-term portion of lease liability	238 080	279 980
Post-retirement medical liability	12 527	13 081
Deferred tax liabilities	161 152	147 352
<b>Non-current liabilities</b>	<b>411 759</b>	440 413
Trade and other payables	2 310 549	2 180 922
Bank overdraft	–	9 641
Short-term portion of lease liability	42 460	35 421
Cash-settled options	22 682	23 212
Provisions	142 140	168 607
Taxation payable	12 517	16 406
<b>Current liabilities</b>	<b>2 530 348</b>	2 434 209
<b>Total equity and liabilities</b>	<b>8 354 883</b>	8 262 534

## Summary consolidated statements of cash flows

	Audited 2024 R'000	Audited 2023 R'000
<b>Cash flows from operating activities</b>		
Operating profit	1 064 824	1 135 527
Adjustments and non-cash items	353 259	250 210
<b>Operating profit before working capital changes</b>	<b>1 418 083</b>	1 385 737
Working capital movements	(183 847)	(281 303)
<b>Cash generated from operations</b>	<b>1 234 236</b>	1 104 434
Finance income received	10 800	7 600
Finance costs paid	(97 816)	(59 155)
Dividend income received	115 239	28 174
Dividends paid	(379 022)	(375 572)
Tax paid	(318 631)	(323 729)
<b>Cash generated from operating activities</b>	<b>564 806</b>	381 752
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment – Replacement	(111 702)	(137 478)
– Expansion	(16 039)	(10 608)
Proceeds on loan receivable	479	3 645
Proceeds of sale of interest in BMT	671	1 549
Proceeds from sale of interest in Group Risk Holdings Proprietary Limited	257	717
Proceeds on disposal of property, plant and equipment	1 197	551
<b>Net cash outflow from investing activities</b>	<b>(125 137)</b>	(141 624)
<b>Cash flows from financing activities</b>		
Share repurchase	(327 911)	(472 119)
Repayment of lease liabilities	(35 898)	(29 426)
Cancellation of shares	–	(1 976)
Equity options scheme settlement	(67 600)	(1 117)
<b>Net cash outflow from financing activities</b>	<b>(431 409)</b>	(504 638)
Net increase/(decrease) in cash and cash equivalents	8 260	(264 510)
Net foreign exchange difference on cash and cash equivalents	(742)	924
Cash and cash equivalents at beginning of year	81 899	345 485
<b>Cash and cash equivalents at end of year</b>	<b>89 417</b>	81 899

# Notes to the summary consolidated financial statements

## 1. BASIS OF PREPARATION

### 1.1 INTRODUCTION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for summary financial statements, and the requirements of the Companies Act, 71 of 2002 (as amended) ("Companies Act") applicable to summary consolidated financial statements. The JSE Listings Requirements require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS Accounting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting. These summary financial statements for the year ended 30 June 2024 are not audited but are extracted from the audited consolidated financial statements, which were audited by the independent external auditors, PricewaterhouseCoopers Inc, who have issued an unqualified audit opinion. The Board of Directors take full responsibility for the accuracy of the extraction of the summary financial statements, which have been prepared by Ms Dorette Neethling, chief financial officer, in terms of section 29(1)(e) of the Companies Act.

## 2. SEGMENT REPORTING

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

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

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

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

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

	Change %	Audited 2024 R'000	Audited 2023 R'000
<b>2.1 REVENUE</b>			
Consumer	3	1 701 856	1 654 903
OTC	8	2 461 656	2 282 422
Prescription	4	3 429 809	3 294 379
Hospital	8	2 049 292	1 899 225
Other – shared services <sup>1</sup>		515	923
	6	9 643 128	9 131 852

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

REVENUE BY CHANNEL	Wholesaler R'000	Corporate pharmacy R'000	Retail/ FMCG R'000	Hospital (including SANBS) R'000	Independent pharmacy R'000	Total private sector R'000	Public sector R'000	Export and foreign R'000	Total R'000
<b>30 June 2024</b>									
Consumer	262 927	331 878	1 082 811	9	7 301	1 684 926	-	16 930	1 701 856
OTC	1 361 525	820 873	49 763	1 560	39 524	2 273 245	146 123	42 288	2 461 656
Prescription	1 632 506	1 171 951	353 935*	39 121	62 379	3 259 892	148 518	21 399	3 429 809
Hospital	441 220	114 121	94 999	802 333	3 694	1 456 367	570 199	22 726	2 049 292
Other – shared services	-	-	-	-	-	-	-	515	515
	<b>3 698 178</b>	<b>2 438 823</b>	<b>1 581 508</b>	<b>843 023</b>	<b>112 898</b>	<b>8 674 430</b>	<b>864 840</b>	<b>103 858</b>	<b>9 643 128</b>
% Split	38.4%	25.3%	16.4%	8.7%	1.2%	90.0%	9.0%	1.0%	100.0%

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

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

## Notes to the summary consolidated financial statements CONTINUED

	Change %	Audited 2024 R'000	Audited 2023 R'000
<b>2.3 TRADING PROFIT</b>			
Consumer	2	362 398	356 831
OTC	10	383 585	348 590
Prescription	10	351 913	320 118
Hospital	(16)	128 446	152 094
Other – shared services		3 154	2 842
	4	1 229 496	1 180 475
<b>2.4 TOTAL ASSETS</b>			
Consumer		1 162 388	1 438 283
OTC		2 061 999	2 002 635
Prescription		2 312 640	2 581 733
Hospital		1 910 589	1 661 035
Other – shared services		907 267	578 848
		8 354 883	8 262 534
<b>2.5 CURRENT LIABILITIES</b>			
Consumer		267 849	341 423
OTC		614 083	463 850
Prescription		970 393	843 742
Hospital		446 201	470 705
Other – shared services		231 822	314 489
		2 530 348	2 434 209
<b>3. NON-TRADING EXPENSES</b>			
Share-based payment expenses		44 719	44 104
Impairments		115 604	–
Fair value adjustment of long-term receivable		2 765	844
Transaction costs		1 584	–
		164 672	44 948
<b>4. INVENTORY</b>			
Inventories written down and recognised as an expense in cost of sales that forms part of trading profit		69 255	73 690

	Audited 2024 R'000	Audited 2023 R'000
<b>5. CAPITAL COMMITMENTS</b>		
– Contracted for	67 761	62 158
– Approved but not contracted	75 921	76 229
	143 682	138 387
<b>6. HEADLINE EARNINGS</b>		
Headline earnings is determined as follows:		
Profit attributable to owners of Adcock Ingram	814 009	898 410
<b>Adjusted for:</b>		
Impairments	115 604	–
Loss/(Profit) on disposal/scrapping of property, plant and equipment	642	(45)
Tax effect on (loss)/profit on disposal of property, plant and equipment	(174)	(4)
Adjustments relating to equity accounted joint ventures	(34)	93
	930 047	898 454
<b>7. SHARE CAPITAL</b>		
Number of shares in issue	169 719	169 759
Cancellation of shares	(8 419)	(40)
Number of ordinary shares held by the Group company	(14 537)	(16 950)
<b>Net shares in issue</b>	146 763	152 769
Headline earnings and basic earnings per share are based on:		
Weighted average number of ordinary shares outstanding	150 842	160 065
Diluted weighted average number of shares outstanding	154 633	163 754
<b>8. SUBSEQUENT EVENTS</b>		
On 4 July 2024, Adcock Ingram acquired the Dermopal brand from The Dermopal Group Proprietary Limited, for R110 million, with historic annual revenue of approximately R50 million. The Dermopal range consists of moisturising sunscreens formulated for everyday facial care to prevent pigmentation and signs of ageing, primarily in darker skin tones.		

## Abbreviations

Abbreviation	Definition
<b>AGM</b>	Annual general meeting
<b>AICC</b>	Adcock Ingram Critical Care
<b>API</b>	Active pharmaceutical ingredient
<b>ARV</b>	Anti-retroviral
<b>B-BBEE</b>	Broad-based Black Economic Empowerment
<b>CAMs</b>	Complementary and alternative medicines
<b>CSR</b>	Corporate social responsibility
<b>DEL</b>	Department of Employment and Labour
<b>DMD</b>	Drug Management and Development
<b>DoH</b>	Department of Health
<b>ED</b>	Executive director
<b>FEC</b>	Forward Exchange Contract
<b>FTC</b>	Fixed term contract
<b>GBV</b>	Gender Based Violence
<b>GDP</b>	Good Distribution Practice
<b>GMP</b>	Good Manufacturing Practice
<b>GQA</b>	Group Quality Assurance
<b>HEPS</b>	Headline earning per share
<b>HIV</b>	Human immunodeficiency virus
<b>IFRS</b>	International Financial Reporting Standards
<b>IT</b>	Information and Technology
<b>JSE</b>	Johannesburg Stock Exchange
<b>kL</b>	Kilolitre
<b>kWh</b>	Kilowatt hour
<b>LSM</b>	Living standards measure

Abbreviation	Definition
<b>LTI</b>	Long-term incentive
<b>M&amp;A</b>	Mergers and Acquisitions
<b>MCA</b>	Marketing Code Authority
<b>MNC</b>	Multinational Company
<b>NBD</b>	New Business Development
<b>NDoH</b>	National Department of Health
<b>NED</b>	Non-executive director
<b>OTC</b>	Over the Counter
<b>PBLTIS</b>	Performance-based long-term incentive scheme
<b>Pharmisa</b>	Pharmaceuticals Made in South Africa
<b>POPIA</b>	Protection of Personal Information Act
<b>PSSA</b>	Pharmaceutical Society of South Africa
<b>PTG</b>	Pharmaceutical Task Group
<b>PV</b>	Pharmacovigilance
<b>QA</b>	Quality Assurance
<b>QC</b>	Quality Control
<b>R&amp;D</b>	Research and Development
<b>RA</b>	Regulatory Affairs
<b>RP</b>	Responsible Pharmacist
<b>SAHPRA</b>	South African Health Products Regulatory Authority
<b>SANBS</b>	South African National Blood Service
<b>SEP</b>	Single Exit Price
<b>STI</b>	Short-term incentive

## Corporate information

### ADCOCK INGRAM HOLDINGS LIMITED

Incorporated in the Republic of South Africa  
(Registration number 2007/016236/06)  
Share code: AIP ISIN: ZAE000123436  
("Adcock Ingram" or "the Company" or "the Group")

#### DIRECTORS

Ms L Boyce (Non-executive director)  
Dr S Gumbi (Independent non-executive director)  
Mr A Hall (Chief executive officer)  
Ms B Letsoalo (Executive director: Human Capital and Transformation)  
Ms B Mabuza (Lead independent non-executive director)  
Ms N Madisa (Non-executive director and Chairperson)  
Dr C Manning (Independent non-executive director)  
Ms D Neethling (Chief financial officer)  
Ms D Ransby (Independent non-executive director)  
Prof M Sathekge (Independent non-executive director)  
Mr M Steyn (Non-executive director)

#### COMPANY SECRETARY

Mr Mahlatse "Lucky" Phalafala

#### REGISTERED OFFICE

1 New Road, Midrand, 1682

#### POSTAL ADDRESS

Private Bag X69, Bryanston, 2021

#### TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Avenue, Rosebank  
Johannesburg, 2196  
Private Bag X9000  
Saxonwold, 2132

#### AUDITORS

PricewaterhouseCoopers Inc.  
4 Lisbon Lane, Waterfall City,  
Jukskei View, 2090

#### SPONSOR

Rand Merchant Bank (A division of FirstRand Bank Limited)  
1 Merchant Place, corner Fredman Drive and Rivonia Road  
Sandton, 2196

#### BANKERS

Investec Bank Limited  
100 Grayston Drive  
Sandton, 2196

Nedbank Limited  
135 Rivonia Road, Sandown  
Sandton, 2146

Rand Merchant Bank  
1 Merchant Place, corner Fredman Drive and Rivonia Road  
Sandton, 2196



[ADCOCK.COM](https://adcock.com)