

Chair's review



Kuseni Dlamini
Chair

By delivering on our purpose, Aspen makes a meaningful and lasting contribution to UN SDG 3 of “ensuring healthy lives and promoting well-being for all, at all ages”. The Board remains confident that the Group’s purpose-driven vision and strategy are well positioned to generate strong shareholder returns in the medium term, while creating positive, long-term value for our stakeholders and society as a whole.

A purpose-driven strategy

As we celebrate our 25th anniversary as a JSE-listed company, we continue to pursue the strategy of positioning Aspen as a global pharmaceutical company, uniquely placed to make a meaningful contribution to enhancing access to medicines in Africa and globally.

Everyday our medicines contribute to improving health and making life better for patients in over 115 countries. Our purpose informs and motivates our decisions and actions. Stakeholder value creation is central to our strategy as we recognise the important role we play in society, in the economies of South Africa and the countries in which we have a presence.

Underlining the importance of our commitment to contributing to the global goals of increasing access to high quality, affordable medicines and reducing patient inequality, we have established a senior executive-level Global Access to Medicines Committee. This Committee will drive our position on access to medicines, ensuring our efforts are embedded in the Group’s strategic focus.

Work has continued on strengthening our product portfolio with the recently announced agreements in South Africa and Latin America set to significantly expand our presence in these emerging markets.

Our strategic investment in sterile manufacturing capacity, including biologicals, in Africa and Europe is starting to bear fruit. Through the agreement reached with Serum Institute of India, we have secured four childhood vaccines, and with support from the Bill and Melinda Gates Foundation and Coalition for Epidemic Preparedness Innovations (“CEPI”), we are working on transferring manufacture of these vaccines to our Gqeberha manufacturing site in South Africa. Through the local manufacture of these vaccines, Aspen will contribute to Africa’s broader primary healthcare programmes and further advance health security for the continent. The recently announced contract manufacturing agreement with Novo Nordisk A/S (“Novo Nordisk”) for the manufacture of Human Insulin at this same site also advances our commitment to expanding access to medicines. Through this collaboration, Aspen will support Novo Nordisk in the reliable supply of insulin vials to diabetic patients in Africa.

Key features of 2023

Advances in achieving our commitment to increasing access to medicines

Collaboration with pharmaceutical multinationals expands our positive impact on the lives of patients in need.

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A strong focus on ethical leadership

Mature ethical culture as assessed by The Ethics Institute.

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Increased representation of women in top management

Women in top management roles increased from 17% to 35% over the past five years.

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Increased dividend declared

A dividend of 342 cents (gross) per ordinary share declared, up 5% from 326,0 cents per share in the prior year.

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Chair's review continued

A purpose-driven strategy continued

On the humanitarian front, we continued our support to Ukrainian and other civilians impacted by the ongoing conflict with Russia through the donations of life-saving medicines required for emergency surgeries. We also rapidly responded with humanitarian assistance to those impacted by the series of earthquake in Turkey and Syria.

Over the year, we continued to be part of the dialogue on issues such as healthcare system strengthening and pandemic preparedness, and the part that pharmaceutical companies, like ours, can play. We believe that by delivering on our purpose, Aspen makes a meaningful and lasting contribution to the UN global goal of “ensuring healthy lives and promoting well-being for all, at all ages”.

Group performance and shareholder returns

The global context remained uncertain over FY2023. The ongoing conflict in Russia/Ukraine, global inflation, high interest rates, the devaluation of emerging market currencies against the Euro and the renewed COVID lockdown in China in 2022 are some of the macro factors contributing to a challenging operating environment. The loss of the COVID vaccine revenue and the imposition of volume-based procurement (“VBP”) price cuts in China were further factors impacting performance.

Despite the challenging socio-political and economic backdrop, the Group has remained focused on the execution of our strategy and we were able to deliver solid results in 2023, with revenue growth at 5% (-3% CER), gross profit growth at 3% (-4% CER), and normalised EBITDA growth at 1% (-6% CER). The impact of foreign exchange losses and higher interest rates is reflected in the decline in normalised headline earnings per share (“NHEPS”) of 8% (-15% CER). Aligned to the capital allocation model, and reflecting the Board’s confidence in prospects for future growth and cash generation, a dividend of 342 cents per ordinary share was declared, an increase of 5% over the prior year, which resulted in R1 526 million of retained income flowing to shareholders in September 2023.

A heightened focus on sustainability and ESG

As a global business we are playing our part by operating ethically and responsibly. Our commitment to contribute sustainably to patients, our people, society and the environment underpins our sustainability strategy. The Group continues to uphold the principles of the UN Compact. We aim to drive a positive impact on the SDGs that we have identified as being areas where we can make a difference. We have made steady progress in developing our sustainability strategy under the direction of the Executive Sustainability Forum. In addition to our focus on access to medicines referred to previously, we have made progress in our plans to transition our Gqeberha site to renewable energy and have worked with stakeholders to address water scarcity issues facing that region. We continue to engage with our investors, funders, customers and other stakeholders on environmental, social and governance issues and work towards achieving improved transparency in our engagement and disclosures. We are proud to have retained our position in the Top 30 of the FTSE/JSE Responsible Investment Index and remain a constituent of the FTSE4Good Index. We are also pleased that our Integrated Report for 2022 was rated as “Excellent” in this year’s EY Integrated Reporting Awards.

Creating an inclusive and enabling environment for our people

An area of specific focus for the Board is the health and well-being of our people. We remain focused on ensuring that a safe, enabling environment is created where employees can reach their full potential. We are pleased to see the continued progress being made in the implementation of the Group’s Human

Capital Strategy and the focus on equity, diversity and inclusion and specific campaigns addressing issues such as gender-based violence, mental health, unconscious bias and anti-bullying. As a signatory to the United Nations Women Empowerment Principles (“WEP”), we are pleased with the progress in achieving increased gender representation at more senior levels of the organisation. Through a continued focus on our strong safety culture, we have maintained our record of no occupational fatalities for 10 consecutive years and our health and safety incident rates continue to remain within tolerance levels.

Fostering positive relationships with our stakeholders

We strive to create mutual value for and with our stakeholders. They are an integral part of our business because they can impact Aspen or are impacted by our business. The Board continues to monitor relationships with our stakeholders and is kept informed of key engagements throughout the year and receives formal reporting at each Board meeting. In certain instances, directors engage directly with key stakeholders. The Social & Ethics Committee provides specific oversight of our relationship with key stakeholders in relation to patients, employees and societal matters. Our assessment of our relationship with our key stakeholders is largely positive.

Ethical leadership

At Aspen, we are committed to creating a strong ethical culture that supports behaviour aligned with our Code of Conduct. This commitment was emphasised by the Board and Group leadership at our annual Aspen Group Strategic Leadership Conference where the connecting theme of “Ethical Leadership” underpinned the key messages from all leaders.

The Group’s ethics programme, endorsed by the Group Chief Executive and supported by the Group Ethics Committee (executive), receives the close oversight of both the Social & Ethics and the Audit & Risk Committees and we are pleased with the continued strengthening of our ethics and compliance programmes across our operations.

During the year, we noted the outcomes of an assessment performed by The Ethics Institute of South Africa of our ethical culture. The assessment, performed through an anonymous survey conducted across all Aspen businesses, assessed Aspen’s ethical culture as “mature”. While a positive outcome, certain areas that could be enhanced were identified and action plans have been developed to address these observations.

Succession planning and remuneration

The Board, supported by the Remuneration & Nomination Committee, continues to focus on establishing a senior executive team positioned to drive the performance of the Group, ensuring succession planning for key executive and critical roles.

The Board also strives to ensure that remuneration is fair and transparent. This year, we have progressed our remuneration philosophy and practices to ensure that they are aligned to best practice. We have actively engaged with investors following the 31,12% votes against the Group’s remuneration implementation report at the December 2022 annual general meeting. We continue to work on improving our disclosures and have implemented further changes in our reporting this year. Work also continues in reviewing the structure of our executive remuneration packages to achieve an appropriate variable component that is subject to personal performance measures, aligned with corporate financial, operational and ESG performance.

Chair's review continued

A balanced Board

Diversity and experience of the Board is vital to support the delivery of our strategy and value creation. Our Board is diverse in its skills, thinking and composition, which assists in balanced decision-making, combined with the ability to add value to the strategic direction of the Group. We are committed to ensuring that we have the right competencies in place to meet future challenges.

During the year, an assessment of the performance of the Board, its Committees and individual directors was performed through an extensive external process. Areas for improvement that were raised mostly related to the need for more formalised strategy-setting processes, a focus on the digitalisation of the Group and ongoing efforts to ensure the appropriate appointment of a director to fill the current vacancy on the Board. Action plans to address these areas are currently underway.

Effective 29 May 2023, Babalwa Ngonyama stepped down from the Board. We are grateful for the contribution Babalwa made during her tenure and the role she played in chairing the Audit & Risk Committee. In June 2023 changes were made to the composition and chairmanship of our Board Committees: Ben Kruger stepped down as Chair of the Social & Ethics Committee (but remained a member) and was appointed as Chair of the Audit & Risk Committee. Yvonne Muthien was appointed as Chair of the Social & Ethics Committee and as a member of the Audit & Risk Committee. The Board is confident that the membership structure of its Committees provide the requisite balance of skills and experience to effectively deliver on their respective mandates.

Following the tragic passing of Riaan Verster on 28 January 2023, Reginald Haman, Group Chief Corporate Services Officer, was appointed as Company Secretary to ensure continuity. An internal candidate has been identified to fulfil the role of Company Secretary, in line with our executive succession plan. This candidate is currently being transitioned into the role to be effective January 2024.

Well positioned for future growth

Despite the challenging socio-political and economic backdrop, the Board remains confident that the Group's strategy positions us to contribute to the well-being and growth of the societies in which we operate and create value for our stakeholders. Significant strides have been made in delivering against the strategy and we remain confident in Aspen's agility and resilience to adapt to the changing global operating context. We know our employees go above and beyond every day. We remain so proud of the collective efforts of our people at Aspen who have consistently performed over the past 25 years toward one common goal – ensuring the delivery of medicines to so many patients who need them.

I wish to thank Stephen and the executives as well as our Aspen team around the world for their ongoing commitment to our mission and values. I commend each of them for the discipline and agility in what has been a challenging period. I also wish to thank my fellow directors for their wise counsel and support and acknowledge the substantial additional time and effort they have spent attending to key issues during these challenging times. We remain grateful to our shareholders and other stakeholders for their ongoing engagement and support.

In Memoriam: Riaan Verster

The Aspen family was deeply shocked by the tragic passing of Riaan Verster following a motorcycle accident on 28 January 2023. Riaan joined Aspen on 1 December 2011 when he was appointed as the Company Secretary and Group Governance Officer. His most recent position was that of Group Executive: Governance & Communications. He also held the position of Group Company Secretary at the time of his passing.

Riaan was a greatly valued colleague who demonstrated unwavering commitment to Aspen, his colleagues, and the Group's values which he proudly endorsed at every opportunity. He was a highly proficient Company Secretary and provided each Board member with an exceptional level of support. To his colleagues he was a servant leader, a valued team member, a mentor and a friend. He has left an indelible mark on Aspen and he will always be remembered for his fierce loyalty to the Group and the substantial impact that he made on all those whom he dealt with professionally and personally.



Key Board outcomes

- Oversight of the Group's overall strategic performance
- Approval of key product acquisition and contract manufacturing agreements
- Approval of dividends
- Additional focus on ESG
- Succession planning for key executives
- Oversight of the Group's Digital Transformation Strategy implementation (📄 page 38)

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