



Internal control

Key elements of the Group's system of internal control are as follows:

- regular Board meetings with a formal schedule of matters reserved by the Board for decision;
- Board approval of the Group's strategic plan and annual budget;
- an annual risk review by the audit committee and subsequently by the Board, based on business risk reviews and control self assessments;
- clearly defined organisational structures and appropriate delegated authorities for the Group's Divisions, businesses and corporate functions with delegated authorities reviewed on an annual basis;
- monthly reviews by the executive management of key performance indicators to assess progress towards objectives, with action being taken as required;
- continuous monitoring of regulatory developments;
- procedures for planning, approving, executing and monitoring acquisitions, divestments and capital expenditure projects, supplemented by post-investment performance reviews;
- dispensing and professional pharmacy protocols which are reviewed and against which compliance is audited on a regular basis;
- procedures for security and specialist handling of certain drug classes;
- a rolling programme of surveys by the Group's insurance brokers to advise on physical risks;
- centralised treasury operations, operating within defined limits and subject to regular reporting requirements;
- a Group internal audit function providing independent scrutiny of internal control systems and risk management procedures;
- operational review teams within individual businesses, providing management assurance on key controls, primarily in wholesale distribution centres and retail stores;
- regular monitoring of risks and control systems throughout the year by businesses, with periodic exception reporting;
- a self-certification process, whereby businesses are required to confirm in writing that the system of internal control is operating effectively and the internal controls are documented including where and how frequently the controls are performed and by whom;
- the Director of Internal Audit & Risk Management has the right of direct access to the audit committee and the Executive Chairman of the Company;
- continuous monitoring by the Group legal function of claims and litigation throughout the Group;
- a requirement for specialist legal, financial and other professional advice to be obtained as part of the Group's business activities; and
- monitoring the Group's defined benefit pension funds, including the evaluation of investment policy and performance and a regular assessment of pension liabilities and net funding, with the support of independent actuaries and specialist pensions advisors.