

Ascendis Health Limited (“Ascendis” or “Group”)

Application of King IV Principles

In terms of the JSE Listings Requirements, companies are required to disclose how each of the 16 principles, leading practices and governance outcomes of the King Code have been applied or explain why or to what extent they were not applied.

Ascendis is committed to King IV and believes that its principles embody the aspirations of the journey towards good corporate governance, that the principles present fundamental areas for development and are integrated with each other to achieve a holistic and reliable set of corporate values.

This register is reviewed on an annual basis to ensure that the disclosures are current and remain relevant.

This updated register is made available on the Ascendis website www.ascendishealth.com

Key

1 – Not explainable/will not be applied

2 – In process of development

3 – Full application and demonstration

Principle per King IV	Level of application	Comments
1. LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP		
1.1 Leadership		
Principle 1 The governing body (i.e. the Board) should lead ethically and effectively		
1.1 Integrity	3	The board exercises integrity in all governing matters
1.2 Competence	3	All members are well qualified with a good diversity of skills and with substantial business experience
1.3 Responsibility	3	Each director is fully cognizant of their fiduciary and other duties, and accepts full responsibility thereof
1.4 Accountability	3	Each member accepts that they are fully accountable both severally and jointly in the leadership of the company
1.5 Fairness	3	The board practices fairness in all key matters that are dealt with, and in particular with the employees of the company
1.6 Transparency	3	The members exercise full transparency with each other and present their views and advice without restriction
1.2 Organisational Ethics		
Principle 2 The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture		
2.1 Ethics	3	The Board approved a code of Ethics policy which is supported by the company's management
2.2 Conduct	3	The Board has established a hotline facility which is made aware to all employees to be used, ensuring the confidentiality of matters recorded, as well as the protection of whistle blowers
2.3 Communication	3	The policy and procedures are published on the company's website and form part of employees' induction and training programs
2.4 disciplinary measures	3	The company's management apply strong disciplinary measures for cases related to fraud, corruption, harassment, and unfair labour practice

2.5 Implementation of controls	3	The Social and Ethics Committee (SEC) is responsible for code of conduct with suppliers and service providers, and the training and development of employees
2.6 Monitoring and evaluation	3	Matters pertaining to breach of ethics and poor conduct are reviewed quarterly by the Audit and Risk Committee with further advisement to the Board
1.3 Responsible Corporate Citizen		
Principle 3		
The Board should ensure that the organisation is and is seen to be a responsible corporate citizen		
3.1 Establishment and delegation	3	The Board is responsible to ensure that the company operates as a good corporate citizen, by delegating responsibility to all levels of management
3.2 Environment, health and safety	2	The Board has appointed a group EHS manager to monitor and develop EHS matters across all business divisions
3.3 Monitoring and evaluation	2	The SEC meets three times a year, to review the EHS reports and assess the progress being made on development and remedies required, and advises the Board of key matters
2. STRATEGY, PERFORMANCE AND REPORTING		
2.1 Strategy and Performance		
Principle 4		
The Board should appreciate that the core purpose of the organisation, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process		
4.1 Strategy	3	The Board reviews and approves the strategy developed by executive management at least on an annual basis. The annual budgets are reviewed and approved by the Board
4.2 Direction	3	The Board ensures that the key deliverables of the strategy are set up as KPAs for all senior management, and their incentives are based on performance achieved
4.3 Monitoring and evaluation	3	Management exercises monthly business reviews with divisional management, and a summary report is provided to the Board. Quarterly reviews are done by the Board on the company's solvency and liquidity as well as ensuring that the business is a going concern.
4.4 Corrective measures	2	The Board ensures that there is a continual assessment of negative consequences in the business, and that corrective measures are implemented in a timely manner
2.2 Reporting		
Principle 5		
The Board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the performance of the organisation, and its short, medium and long-term prospects		
5.1 Reports	3	The Board has delegated to management the responsibility preparing and submitting regular reports that provide information that enables appropriate business decisions to be made and implemented to address areas of concern
5.2 Stakeholders	3	Regular reports such as AFS and IAR and investor

		presentations are produced to provide adequate information to all key stakeholders
5.3 Integrity of information	3	The Board commissions the services of external and internal auditors and corporate advisors to provide a professional view on the integrity of information being produced
3. GOVERNING STRUCTURES AND DELEGATION		
3.1 Primary role and responsibilities of the Board		
Principle 6 The Board should serve as the focal point and custodian of corporate governance in the organisation		
6.1 Corporate governance standards	3	The Board has developed and approved charters for the board and its committees which are reviewed and updated on an annual basis.
6.2 Policies and procedures	2	The Board has delegated the responsibility to management for the development and implementation of key policies. The policies are available on the company's intranet, and forms part of the employees training program.
6.3 Corporate practices	3	The Board has established a program for regular board and committee meetings, using a corporate calendar process, and monitors the attendance and participation of each member.
6.4 Assessment	2	Where deemed necessary the board commissions advice from professional consultants on key matters pertaining to corporate governance concerns
3.2 Composition of the Board		
Principle 7 The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively		
7.1 Independence	3	The composition of the Board represents a majority of the members are non-executive directors (NEDs), and that a majority of the NEDs are Independent non-executive directors (INEDs). The Board has elected an INED as chairman of the Board and ensured that its role is separate to the company's CEO.
7.2 Knowledge, skills and experience	3	Each Board member has been appointed based on the assessment of their business experience, qualifications, knowledge of the industry.
7.3 Diversity	3	The current Board is sufficiently diverse as regards gender, race and qualifications. The Board has also developed a Diversity Policy which focuses on diversity, gender and age. The Nominations Committee reviews annually the composition of the board and identifies future opportunities for development of diversity.
7.4 Functionality	3	The company's MOI requires that a third of all non-executive directors go through a process of re-election as approved by the shareholders in the AGM
3.3 Committees of the Board		
Principle 8		

The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of duties		
8.1 Committees	3	The board has appointed the following committees with delegated authority and which are responsible to the Board <ul style="list-style-type: none"> • Audit and Risk committee (ARC) • Remuneration and Nominations committee (Rem/Noms) • Social and Ethics committee (SEC)
8.2 Structuring of committee members	3	The ARC has three members all of who are INEDs The chairman of the Board is not a member of the ARC All the members of Rem/Noms are INEDs The Executive Directors (EDs) of the company do not serve as members on the board committees but have standing invitations to the various committees.
8.3 Monitoring and measuring	3	All meetings held are minuted with actions arising. Minutes and actions identified are reviewed in subsequent meetings and recorded. The Nominations committee reviews the membership of the committees on an annual basis and makes recommendations to the Board
8.4 Succession planning	2	The Board recognises risks and opportunities presented by succession planning and this is part of the annual work plan of the ARC.
3.4 Evaluation of the Performance of the Board		
Principle 9 The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in performance and effectiveness		
9.1 Evaluation	3	The Board performs an annual assessment of its members and committee members, using a “360” procedure of assessment amongst its members. On annual basis, the following positions are reviewed and assessed: <ul style="list-style-type: none"> • Chairman of the board • Chairman of the Audit Committee • CEO • CFO • Company secretary
9.2 Effectiveness	3	The Board commissioned an external consultant to assess the independency of each member in terms of their ability to perform their roles and responsibilities. The results confirmed the categories recognised for each director i.e. INED, NED, and ED
9.3 Succession planning	1	The Board is considering the appointment of a Lead INED who will: <ul style="list-style-type: none"> • Evaluate the performance of the chairman of the Board • Serve as a stand-in for the chair when required
3.5 Appointment and delegation to management		
Principle 10 The Board should ensure that the appointment of and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities		
10.1 CEO	3	The Board has appointed the new CEO effective March 2018 The CEO is not a member of any of the Board committees but attends them as an invitee.
10.2 Succession plan for CEO	1	The Board recognises the need for succession planning for the CEO, noting that he is a recent appointment.
10.3 Performance evaluation	2	The Board has the responsibility of annually evaluating the performance of the CEO, and has developed his KPIs and

		targets for FY19
10.4 Authority framework	3	The Board had implemented a Levels of Authority policy which defines, inter alia, the scope of authority for the executive directors and senior management, which is reviewed annually by ARC.
10.5 Corporate governance services	3	The ARC reviews and appoints the external and internal auditors every year. The Board outsources critical matters to recognised legal firms for advisement. The Board has appointed a Company Secretary (who is not a member of the Board) and reviews his performance on an annual basis.
4. GOVERNANCE FUNCTIONAL AREAS		
4.1 Risk Governance		
Principle 11 The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives		
11.1 Risk direction	3	The Board has determined a risk appetite policy and has establish a Risk Committee and charter (ARC) to review and assess material risk matters in the Ascendis Group and advise the Board and mitigation actions taken.
11.2 Risk mitigation	3	The ARC has appointed a Chief Risk Officer (CRO). ARC reviews risk registers by business division and for the group that are maintained and updated annually
11.3 Risk assessment	2	The CRO has commissioned a professional third party, Marsh Risk Consulting to perform risk control assessments at the company's major locations, with mitigation action plans being determined and implemented.
11.4 Insurance	3	The Board has approved a Group insurance policy which is reviewed annually by the ARC. The CRO has appointed Marsh as the Group insurance brokers and has developed and implemented global insurance cover in all key insurance related areas, which is renegotiated annually.
4.2 Technology and Information Governance		
Principle 12 The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives		
12.1 IT policies	3	The Board has approved a set of group IT policies and delegated authority to the Group IT manager that addresses, inter alia, IT security, IT network, IT data protection and back-up, and data classification.
12.2 IT controls	1	The ARC has requested that an IT steering committee be established that is responsible for IT development, standardisation of IT practices, and business tools.
12.2 systems architecture and integration	2	The ARC recognises that with the Group's significant increase in acquisitions in recent times, particularly into international territories, that there is consider further development required to ensure effective IT architecture and integration.
12.3 IT protection	2	The ARC is aware of the material increase in cyber risk are addressing mitigation measures in the Group's IT strategy and development. Group cyber insurance cover has also been obtained.
12.4 Data protection	2	The ARC has ensured that the Company's policies and

		<p>procedures adequately address the responsibility of data protection pertaining to the Group's critical business information and intellectual capital, as well as the protection of privacy of personal information. The IT manager regularly reports to ARC on data protection breaches and security upgrades.</p> <p>The group is compliant with POPI regulations in South Africa and GDPR in Europe, and these adherences are monitored and evaluated annually.</p>
12.5 Business tools	1	The Board has tasked the Group CFO and IT manager to develop an ERP solution for the Group's diversified and internationally structured businesses.
4.3 Compliance Governance		
Principle 13		
The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen		
13.1 Compliance standards	3	The Board sets the direction for compliance with applicable laws, as well as codes and standards that the Group endorses.
13.2 Monitoring and measurement	2	The ARC as authorised by the Board, has implement a regulatory universe program which determines and tracks the key elements of legislations that are relevant to each business division.
13.3 Legal matters	3	The ARC regularly reviews the Group's register of litigation matters and assesses further any fraud matters in terms of remedial actions taken, as well as the potential quantum of loss.
4.4 Remuneration Governance		
Principle 14		
The Board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term		
14.1 Governance	3	<p>The Board has created a charter and appointed a Remuneration Committee (Remco) and has delegated authority to it govern the Group's policies and procedures on remuneration.</p> <p>The Remco meets at least three times a year and reports key matters to the Board.</p>
14.2 Policies and procedures	3	<p>The Remco has established the following key principles:</p> <ul style="list-style-type: none"> • Remuneration policy which is included in the Company's IAR, and is presented to the shareholders in the AGM for their non-binding vote • Benchmarking of positions and remuneration ranges using recognised external professional consultants • Short term incentive scheme for all layers of management which is performance based on pre-determined KPAs • Long term incentive scheme for senior management to ensure effective retention and medium-term business performance • Remuneration is reviewed once a year and increases are reviewed and approved which are based on performance measures • Career development is promoted using the internal marketing of positions when they arise

		<ul style="list-style-type: none"> Reviews and approves the remuneration packages for executive management Reviews and recommends to the Board, the directors' fees for NEDs and INEDs, and which are subject to shareholders' approval at the AGM.
14.3 Compliance	3	<p>Remco has developed the Company's remuneration policy to be aligned to the 3 parts that are recommended in the King IV code.</p> <p>The Board is committed to responding further to the shareholders, if there is more than 25% "No" votes at the AGM for either of two resolutions on Remuneration Policy and the Implementation Report.</p> <p>The Remco ensures that standard employment equity practices exist in the Group.</p>
4.5 Assurance		
Principle 15		
The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports		
15.1 Compliance	2	<p>The Board has delegated the responsible to the ARC for the implementation and tracking of a combined assurance model that includes:</p> <ul style="list-style-type: none"> Effectiveness of internal controls Risk management processes Integrity of information Reporting of material matters to the Board
15.2 Monitoring and measurement	3	<p>The ARC appoints and reviews the findings of the external auditors, the internal auditors, risk and legal consultants. The ARC assesses and ensures the independency of these service providers.</p> <p>The ARC measures and monitors the progress made on remedies made to the findings reported on internal controls.</p>
5. STAKEHOLDER RELATIONSHIPS		
5.1 Stakeholders		
Principle 16		
In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time		
16.1 Compliance	3	<p>The Board has delegated the responsibility of investor relations (IR) to the executive directors (EDs).</p> <p>The members of the Board are responsible for the protection of price sensitive information and complying with the procedures required by the JSE pertaining to market communication on material business matters.</p> <p>The Board has ensured that policies and procedures on stakeholder relationships includes customers, government and employees.</p>
16.2 Application	3	<p>The IR program ensures that there is regular and proactive interaction with the Company's key stakeholders</p> <p>Bi-annual analysts' presentations are done as aligned to the Company's financial interim and yearend results.</p> <p>The Eds also present the stakeholder with updates on the Company's strategy from time to time.</p>