

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

(Review date: August 2019)

## 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 otherwise explain why or to what extent they were not applied.

Ascendis is aligned to King IV and believes that the principles embody Ascendis’ commitment to 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](http://www.ascendishealth.com)

### Key to level of application

- 1 – Not applicable/will not be applied
- 2 – In process of development
- 3 – Full application and demonstration

Principle per King IV	Level of application	Comments
<b>1. LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP</b>		
<b>1.1 Leadership</b>		
<b>Principle 1 The governing body (i.e. the Board) should lead ethically and effectively</b>		
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 cognisant 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 and integrity in all key matters that are dealt with, and in particular with the stakeholders of the company
1.6 Transparency	3	The members exercise full transparency with each other and present their views and advice without restriction
1.7 Policies and procedures	2	The Board approves the policies that give effect to the direction of the company, and recognises the need to continue developing additional policies that address critical business needs
1.8 Compliance	3	The Board ensures that its charter is aligned to the King IV principles, which is reviewed annually
<b>1.2 Organisational Ethics</b>		
<b>Principle 2 The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture</b>		
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 company has established an anonymous hotline facility and all employees are made aware of the facility, ensuring confidentiality of matters recorded, as well as the protection

		of whistle blowers
2.3 Communication	3	Policies and procedures are published on the company's website and form part of employees' induction and training programmes
2.4 Disciplinary measures	3	The company's management apply disciplinary measures for cases related to fraud, corruption, harassment, and unfair labour practice The company has implemented a policy on bribery and corruption
2.5 Implementation of controls	3	The Social, Ethics and Transformation Committee (SETC) is responsible for the 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 (ARC) 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 for this to all levels of management
3.2 Environment, health and safety	2	The Board has overseen the appointment of a group environmental, health and safety (EHS) manager to monitor and develop EHS matters across all business divisions
3.3 Monitoring and evaluation	2	The SETC 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
3.4 Compliance with regulations	2	The SETC regularly reviews the company's adherence to regulatory standards, with particular focus on workplace, economic transformation, society and environment

## **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 in an annual Board strategic workshop 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 that 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 on a quarterly basis 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 and effective manner
<b>2.2 Reporting</b>		
<b>Principle 5</b> <b>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</b>		
5.1 Reports	2	The Board has delegated to management the responsibility for preparing and submitting regular reports that provide information that enables appropriate business decisions to be made and implemented in a timely manner to effectively address key areas of concern
5.2 Stakeholders	3	Regular reports such as audited AFS, interim financials, IAR and investor presentations are produced to provide adequate information to all key stakeholders
5.3 Integrity of information	3	The Board delegates responsibility to the ARC to oversee the quality of financial and other reporting, and commissions the services of external and internal auditors and corporate advisors to provide a professional view on the integrity of information being produced
<b>3. GOVERNING STRUCTURES AND DELEGATION</b>		
<b>3.1 Primary role and responsibilities of the Board</b>		
<b>Principle 6</b> <b>The Board should serve as the focal point and custodian of corporate governance in the organisation</b>		
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 programme
6.3 Corporate practices	3	The Board has established a programme for regular board and committee meetings using a corporate calendar process, monitors the attendance and participation of each member, and records key matters and actions arising from these meetings
6.4 Assessment	3	Where deemed necessary the board commissions advice from professional consultants on key matters pertaining to corporate governance concerns
<b>3.2 Composition of the Board</b>		
<b>Principle 7</b> <b>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</b>		
7.1 Independence	3	A majority of Board members are non-executive directors (NEDs), and that all the NEDs are independent non-executive directors (INEDs) The Board has elected an INED as chairman of the Board

		<p>and ensured that its role is separate to the company's CEO</p> <p>The Board has elected a Lead independent non-executive director (LINED) who appointment is reviewed on an annual basis</p> <p>The Board commissions an external consultant at least every three years, to perform an assessment of the independence of the INEDs</p>
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	<p>The Board adopted a policy on race and gender diversity</p> <p>The current Board composition is significantly diverse as regards gender, race and qualifications</p> <p>The Human Capital Committee (HCC) reviews annually the composition of the board, performs a skills gap analysis and identifies future opportunities for development of diversity and skills</p>
7.4 Functionality	3	The company's memorandum of incorporation requires that one third of all non-executive directors retire by rotation each year and make themselves available for re-election by the shareholders in the AGM
7.5 Structure and composition	3	The chairman of the Board is not a member of the ARC and does not serve as chairman of any of the other Board committees. He serves as a member of the HCC, SETC and IC
<b>3.3 Committees of the Board</b>		
<b>Principle 8</b>		
<b>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</b>		
8.1 Committees	3	<p>The Board has appointed the following committees with delegated authority which are responsible to the Board</p> <ul style="list-style-type: none"> <li>• Audit and Risk committee (ARC)</li> <li>• Human Capital committee (HCC)</li> <li>• Social, Ethics and Transformation committee (SETC)</li> <li>• Investment committee (IC)</li> </ul>
8.2 Structuring of committee members	3	<p>The ARC has three members all of who are INEDs</p> <p>This composition complies with the Companies Act, King Code and the JSE Listings Requirements</p> <p>All the members of the HCC are INEDs</p> <p>The executive directors of the company do not serve as members on the board committees but have standing invitations to the various committees</p>
8.3 Monitoring and measuring	3	<p>All meetings held are minuted with actions arising recorded</p> <p>Minutes and actions identified are reviewed in subsequent meetings and recorded</p> <p>The HCC reviews the membership of the committees on an annual basis and makes recommendations to the Board</p>
8.4 Succession planning	3	The Board recognises risks and opportunities pertaining to succession planning and ensures that it has a structured board succession plan in place which is reviewed regularly by the HCC
<b>3.4 Evaluation of the Performance of the Board</b>		

<b>Principle 9</b>		
<b>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</b>		
9.1 Evaluation	3	<p>The Board performs an annual assessment of its members and committee members, using a “360°” procedure of assessment amongst its members</p> <p>The findings of these annual assessments are reviewed by the HCC, with recommendations being made to the Board</p> <p>On an annual basis, the following positions and performances are reviewed and assessed:</p> <ul style="list-style-type: none"> <li>• Chairman of the board</li> <li>• Chairman of the ARC</li> <li>• CEO</li> <li>• CFO</li> <li>• Company secretary</li> </ul>
9.2 Effectiveness	3	<p>The Board commissioned an external consultant to assess the independence of each member in terms of their ability to perform their roles and responsibilities.</p> <p>The results confirmed the categories recognised for each director i.e. INED, NED, and ED</p>
9.3 Succession planning	3	<p>The Board has appointed a Lead INED who will:</p> <ul style="list-style-type: none"> <li>• evaluate the performance of the chairman of the Board</li> <li>• serve as a stand-in for the chair when required</li> </ul>
<b>3.5 Appointment and delegation to management</b>		
<b>Principle 10</b>		
<b>The Board should ensure that the appointment of and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities</b>		
10.1 CEO	2	<p>The Board terminated the contract of the previous CEO in May 2019 and has subsequently recruited a new CEO.</p> <p>The CEO attends the board committees regularly as an invitee, and is a member of the Investment Committee</p>
10.2 Succession plan for CEO	1	<p>The Board recognises the need for succession planning for the CEO position, once the new CEO is appointed</p> <p>The chairman of the Board is currently acting as the CEO until a suitable replacement is appointed</p>
10.3 Performance evaluation	3	<p>The Board has the responsibility of annually evaluating the performance of the CEO, and has developed his KPIs and targets for the 2020 financial year</p>
10.4 Authority framework	3	<p>The Board had implemented a levels of authority policy which defines, inter alia, the scope of authority for the executive directors and senior management</p> <p>The levels of authority policy is reviewed annually by the ARC and updated to keep current with the group’s activities</p>
10.5 Corporate governance services	3	<p>The ARC reviews and re-appoints the external and internal auditors every year</p> <p>The ARC determines the independence of the external auditors on an annual basis</p> <p>The re-appointment of the external auditors is presented to the shareholders for approval at the AGM</p> <p>The Board outsources critical matters to reputable legal firms for advisement</p>

		The Board has appointed a Company Secretary who is not a member of the Board and reviews his performance on an annual basis
<b>4. GOVERNANCE FUNCTIONAL AREAS</b>		
<b>4.1 Risk Governance</b>		
<b>Principle 11</b> <b>The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives</b>		
11.1 Risk direction	3	The Board has determined a risk appetite statement and has establish a Risk Committee and charter (ARC) to review and assess material risk matters in the Ascendis Group and advise the Board on mitigation actions taken
11.2 Risk mitigation	3	The Board has appointed a Chief Risk Officer (CRO) The ARC reviews risk registers recorded 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 and strategy 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 are renegotiated annually
11.5 Risk governance	2	The company regularly reviews its levels of risk and limits of potential loss to the Group, as well as its capacity to tolerate risk The company performances a business continuity assessment every few years, using external consultants
<b>4.2 Technology and Information Governance</b>		
<b>Principle 12</b> <b>The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</b>		
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 determined that an IT steering committee be established that is responsible for the group's IT development, standardisation of IT practices, and business information solutions
12.3 Systems architecture and integration	2	The ARC recognises that with the group's expansion internationally, that there is considerable further development required to ensure effective IT architecture and integration across all businesses
12.4 IT protection	2	The ARC is aware of the material increase in cyber risk, and is addressing mitigation measures in the group's IT strategy and development The company has implemented group cyber insurance

12.5 Data protection	3	<p>The ARC has ensured that the company's policies and 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 by Ascendis' legal division</p>
12.6 Business information tools	1	The Board has tasked the CFO and IT manager to develop an ERP solution for the group's diversified and internationally structured businesses
<b>4.3 Compliance Governance</b>		
<b>Principle 13</b>		
<b>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</b>		
13.1 Compliance standards	3	The Board sets the direction for compliance with applicable laws, as well as codes and standards that the company endorses
13.2 Monitoring and measurement	2	The ARC as authorised by the Board, has implemented 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 company's register of litigation and fraud matters and assesses further any remedial actions to be taken, as well as the potential quantum of loss to the company's financials
13.4 Environmental compliance	2	The Board monitors compliance inspections carried out by environmental regulations
<b>4.4 Remuneration Governance</b>		
<b>Principle 14</b>		
<b>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</b>		
14.1 Governance	3	<p>The Board has implemented an HCC charter and appointed an HCC, with delegated authority to it to govern the company's policies and procedures on remuneration and human resource practices</p> <p>The HCC meets at least three times a year and reports key matters to the Board</p>
14.2 Policies and procedures	3	<p>The HCC has established the following key principles:</p> <ul style="list-style-type: none"> <li>• remuneration policy, which is included in the company's IAR, and is presented to the shareholders in the AGM for their non-binding vote</li> <li>• remuneration implementation report which is also included in the Remuneration Report in the company's IAR, and which is presented to the shareholders at the AGM for their non-binding vote</li> <li>• benchmarking of positions and remuneration ranges using the internationally recognised Hay system</li> <li>• short-term incentive scheme for all layers of management</li> </ul>

		<p>which is performance based on pre-determined KPAs</p> <ul style="list-style-type: none"> <li>• long term incentive scheme for senior management to ensure effective retention and medium-term business performance</li> <li>• remuneration is reviewed once a year and increases are reviewed and approved by the HCC</li> <li>• career development and succession planning are promoted using the internal advertising of positions when they arise</li> <li>• review and approval of the remuneration packages for executive management</li> <li>• review and recommendation to the Board, the directors' fees for NEDs and INEDs, and which are subject to shareholders' approval at the AGM</li> </ul>
14.3 Compliance	3	<p>HCC reviews and approves the company's remuneration report that is included in the IAR, which is aligned to the three parts that are recommended in the King IV code.</p> <p>The Board is committed to responding further to the shareholders, if there are more than 25% votes against either of the resolutions on the Remuneration Policy and the Implementation Report at the AGM.</p> <p>The HCC ensures that standard employment equity practices exist in the group</p> <p>The HCC also ensures that the company's diversity policy on gender and race is effectively implemented</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 responsibility to the ARC for the implementation and tracking of a combined assurance model that includes:</p> <ul style="list-style-type: none"> <li>• effectiveness of internal controls</li> <li>• risk management processes</li> <li>• integrity of information</li> <li>• reporting of material matters to the Board</li> </ul>
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</p> <p>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>
15.3 Accountability	3	<p>The Board directs how assurance of external reports are carried out, and that their findings are turned into actions</p> <p>The Board has implemented an internal audit charter which is reviewed by the ARC on an annual basis</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 are implemented on stakeholder relationships including shareholders, customers, government, regulators, suppliers and employees</p>
16.2 Application	3	<p>The IR programme ensures that there is regular and proactive interaction with the company's key stakeholders</p> <p>Bi-annual investor presentations are made on the company's interim and annual financial results</p>
16.3 Structure	3	<p>The Board is responsible for ensuring that all the subsidiaries in the group are fully aligned and compliant to the holding company's policies and procedures</p> <p>The Board requires that the reporting from the subsidiaries to the group is comprehensive, timely and accurate</p>