

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

(Review date: September 2020)

### 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 IV Report on Corporate Governance for South Africa, 2016<sup>1</sup> (King IV™) have been applied and 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 areas for development and are integrated to achieve a holistic and reliable set of corporate values.

This register is reviewed annually 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)

Principle per King IV	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	<p>The board exercises integrity in all governing matters in accordance with the group code of ethics and conduct.</p> <p>The members update the register of interest quarterly, declare any potential conflicts to the company secretary on an ad-hoc basis (if applicable) and recuse themselves from voting in any instances of conflict.</p> <p>Members, executives and senior management are not allowed to deal in securities during prohibited periods, as governed by the group’s information policy.</p>
1.2 Competence	All members are well qualified with a good diversity of skills and with substantial business experience.
1.3 Responsibility	<p>Each member is fully cognisant of their fiduciary and other duties and accepts full responsibility thereof.</p> <p>A formal orientation programme exists for all new members. Upon appointment, each member is granted access to an orientation folder which covers a wide range of subjects and is regularly updated.</p>
1.4 Accountability	Each member accepts that they are fully accountable both severally and jointly in the leadership of the company
1.5 Fairness	The board practices fairness and integrity in all key matters impacting the stakeholders of the company.
1.6 Transparency	The members exercise full transparency with each other and present their views and advice without restriction.
1.7 Policies and procedures	<p>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.</p> <p>The board has delegated to management the responsibility for the implementation and execution of such policies.</p>
1.8 Compliance	The board ensures that its charter is aligned to the King IV™ principles, which is reviewed annually.

<sup>1</sup> Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

<b>1.2 Organisational ethics</b>	
<b>Principle 2</b> <b>The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture</b>	
2.1 Ethics	The board continues to implement a code of ethics and conduct policy which is supported by the company's management. The company also implements a policy on bribery and corruption.
2.2 Conduct	The company has established an anonymous hotline facility. All employees are made aware of the facility, ensuring confidentiality of matters recorded, as well as protection of whistle blowers.
2.3 Communication	Policies and procedures, including those relating to the company's ethical culture, form part of employees' induction and training programmes and are published on the company's intranet.
2.4 Disciplinary measures	The company's management apply disciplinary measures for cases related to, amongst others, fraud, corruption, harassment, and unfair labour practice.
2.5 Implementation of controls	The social, ethics and transformation committee (SETC) is responsible for the application of the code of conduct with suppliers and service providers, and the training and development of employees.
2.6 Monitoring and evaluation	Matters pertaining to breach of ethics and poor conduct are reviewed quarterly and reported to the board.
<b>1.3 Responsible corporate citizen</b>	
<b>Principle 3</b> <b>The Board should ensure that the organisation is and is seen to be a responsible corporate citizen</b>	
3.1 Establishment and delegation	The board is responsible for ensuring the company operates as a good corporate citizen. This responsibility is often delegated to various levels of management.
3.2 Environment, health and safety	The group environmental, health and safety (EHS) manager supervises internal EHS compliance audits with corrective action tracking and monitoring.  Management of safety compliance, accident mitigation and emergency preparedness are enforced.  The board has approved the implementation of sustainability programmes that are relevant to South Africa's socio-economic needs.
3.3 Monitoring and evaluation	The SETC meets three times a year, to review the EHS reports and assess progress made on development and remedies required and advises the board of key matters
3.4 Compliance with regulations	The SETC regularly reviews the company's adherence to regulatory standards, with focus on workplace, economic transformation, society and environment.
<b>2. STRATEGY, PERFORMANCE AND REPORTING</b>	
<b>2.1 Strategy and performance</b>	
<b>Principle 4</b> <b>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</b>	
4.1 Strategy	The board reviews and approves the strategy developed by executive

	<p>management in an annual board strategic workshop.</p> <p>The annual budgets are reviewed and approved by the board</p>
4.2 Direction	The board ensures that the key deliverables of the strategy are set as key performance indicators (KPIs) for all senior management and that their incentives are based on performance achieved.
4.3 Monitoring and evaluation	<p>Management conducts monthly business reviews with divisional management. A summary report is provided to the board quarterly.</p> <p>Frequent reviews are conducted by the board on the company's solvency and liquidity to ensure the business is a going concern.</p>
4.4 Corrective measures	<p>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.</p> <p>Due to the company's solvency and liquidity constraints, as well as the challenges of Covid-19, the board has been fully apprised of and has regularly monitored interactions with the Lender group and the sustainability of the company.</p>
<b>2.2 Reporting</b>	
<p><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></p>	
5.1 Reports	The board has delegated to management the responsibility of preparing and submitting regular reports that provide information which enables appropriate business.
5.2 Stakeholders	Reports such as the audited annual financial statements, interim financial statements, integrated annual reports and investor presentations are produced to provide adequate information to all stakeholders.
5.3 Integrity of information	The board delegates responsibility to the audit and risk committee (ARC) to oversee the quality of financial and other reporting. The board commissions 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>	
<p><b>Principle 6</b>  <b>The board should serve as the focal point and custodian of corporate governance in the organisation</b></p>	
6.1 Corporate governance standards	The board has developed and approved charters for the board and its committees which are reviewed and updated annually.
6.2 Policies and procedures	<p>The board has delegated responsibility to management for the development and implementation of key policies</p> <p>The policies are available on the company's intranet and form part of the employee training programmes.</p>
6.3 Corporate practices	The board has established a programme of regular board and committee meetings using a corporate calendar, monitors the attendance and participation of each member, and records key matters and actions arising from these meetings.
6.4 Assessment	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	<p>A majority of members are non-executive directors (NEDs), all of whom are independent.</p> <p>The board has elected an independent NED as chairman of the board and ensured that this role is separate to the company's chief executive officer (CEO).</p> <p>The board has appointed a lead independent NED as well, to assist when the chair is not available.</p> <p>The independence of the non-executive directors is reviewed annually.</p>
7.2 Knowledge, skills and experience	Each member is appointed based on the assessment of their business experience, understanding of the industry and qualifications.
7.3 Diversity	<p>The board adopted a policy on race and gender diversity.</p> <p>In accordance with the policy, the current board composition is significantly diverse as regards gender, race and qualifications and is compliant with the in accordance with the group's gender and race policy.</p> <p>The human capital committee (HCC) reviews the composition of the board annually, performs a skills gap analysis and identifies future opportunities for development of diversity and skills.</p>
7.4 Functionality	The company's memorandum of incorporation requires that at each AGM, one third of all non-executive directors retire by rotation and may make themselves available for re-election by the shareholders at the AGM.
7.5 Structure and composition	<p>The company's memorandum of incorporation requires a minimum of four directors on the board with no maximum. The board comprises seven non-executive directors and two executive directors.</p> <p>The chairman of the board is not a member of the ARC and does not serve as chairman of any other board committee. He serves as a member of the HCC and SETC.</p>
<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	<p>The board has appointed the following committees with delegated authority and which are responsible to the board</p> <ul style="list-style-type: none"> <li>• audit and risk committee</li> <li>• human capital committee</li> <li>social, ethics and transformation committee</li> </ul> <p>This delegation by the board of its responsibilities does not constitute a discharge of its accountability.</p>
8.2 Structuring of committee members	<p>The four members of the ARC and the three members of the SETC are all independent NEDs.</p> <p>This composition complies with the Companies Act, King IV™ and the JSE Listings Requirements.</p> <p>All three members of the HCC are independent NEDs.</p>

	Executive directors of the company do not serve on board committees but have standing invitations to committee meetings.
8.3 Monitoring and measuring	All meetings are minuted with actions arising recorded.  Minutes and actions identified are reviewed in subsequent meetings and recorded.  The HCC reviews the membership of committees annually and makes recommendations to the board.
8.4 Succession planning	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	The board performs an annual assessment of its members and committees, using a "360°" procedure of assessment amongst its members.  The findings of these annual assessments are reviewed by the HCC, with recommendations being made to the board.  The following positions and performances are reviewed and assessed annually: <ul style="list-style-type: none"> <li>• chairman of the board</li> <li>• chairman of the ARC</li> <li>• chief executive officer (CEO)</li> <li>• chief financial officer (CFO)</li> <li>• company secretary</li> </ul>
9.2 Effectiveness	The board applies its mind every year on the independence in thinking of each member in terms of their ability to perform their roles and responsibilities.  The lead independent NED deputises for the chairman when required.
<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 and CFO	A new CEO was appointed in October 2019.  The CEO and CFO attend meetings of board committees regularly as invitees.
10.2 Replacement of CFO	The current CFO resigned with effect from 30 September 2020 and a recruitment process has been initiated to appoint a successor.
10.3 Performance evaluation	The board evaluates the performance of the CEO and CFO annually and develops their KPIs and targets for the following financial year.
10.4 Authority framework	The board has implemented a "levels of authority policy" which defines, inter alia, the scope of authority for the executive directors and senior management.  The levels of authority policy is reviewed annually by the ARC and updated to keep current with the group's activities.

10.5 Corporate governance services	<p>The ARC reviews and re-appoints the external and internal auditors every year.</p> <p>The ARC assesses 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 professional firms for advice.</p> <p>The board has appointed a company secretary who is not a member of the board.</p>
<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	The board has adopted a risk appetite statement and established an audit and risk committee to review and assess material risks in the group and advise the board on mitigation actions taken.
11.2 Risk mitigation	<p>The risk function is centrally managed with mitigation measures applied across all business divisions.</p> <p>The ARC reviews risk registers at business division and group levels. These registers are maintained and updated bi-annually.</p>
11.3 Risk assessment	The board applies an enterprise risk management assessment tool which supports risk management in all key areas and all major locations.
11.4 Insurance	<p>The board has approved a group insurance policy and strategy which is reviewed annually by the ARC.</p> <p>The risk team negotiates global insurance cover for all key areas annually.</p>
11.5 Risk governance	<p>The company regularly reviews its levels of risk and potential loss to the group, as well as its capacity to tolerate risk.</p> <p>The company conducted a business continuity assessment during the year, using external consultants.</p>
<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	The board has approved a group IT policy and delegated authority to the group chief information officer (CIO) to address IT security, IT network, IT data protection and back-up, and data classification.
12.2 IT controls	<p>A group CIO has been appointed to oversee the IT and information function of the group.</p> <p>An IT steering committee has been established and is responsible for the group's IT development, standardisation of IT practices, and business information solutions.</p> <p>Group IT is represented at the ARC meetings.</p>

12.3 Systems architecture and integration	Owing to capital constraints, a decision has been taken to continue using the existing IT architecture and not to standardise IT systems across the group.
12.4 IT protection	The ARC is aware of the material increase in cyber risk and is developing mitigation measures in the group's IT strategy and development.  Cyber security posture and related reports are presented regularly at the IT steering committee and ARC quarterly meetings.
12.5 Data protection	The ARC ensures that the company's policies and procedures adequately address the responsibility of data protection of the group's critical business information and intellectual capital, as well as the privacy of personal information. The CIO regularly reports to the ARC on data protection breaches and security upgrades.  The group is compliant with POPI regulations in South Africa and GDPR in Europe. This compliance is monitored and evaluated annually by the group's legal division.
12.6 Business information tools	The IT department is developing a data warehouse solution that will collect all data from across the group and aggregate it at head office for management reporting purposes.
<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	The board sets the direction for compliance with applicable laws and codes and standards that the company endorses.
13.2 Monitoring and measurement	The ARC as authorised by the board, has implemented a regulatory universe programme which determines and tracks the key elements of legislation that are relevant to each business division.
13.3 Legal matters	The ARC regularly reviews the company's register of litigation and fraud matters, agrees remedial actions to be taken and assesses the potential quantum of loss to the company's financials.
13.4 Environmental compliance	The board monitors compliance through environmental inspections carried out internally in accordance with 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	The board has implemented a HCC charter and appointed an HCC having delegated authority to govern the company's policies and procedures on remuneration and human resource practices.  The HCC meets at least three times a year and reports key matters to the board.
14.2 Policies and procedures	The HCC has established the following key principles: <ul style="list-style-type: none"> <li>• remuneration policy and implementation report, are included in the company's IAR and proposed to 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 levels of management which is performance based on pre-determined KPIs</li> <li>• long term incentive scheme for senior management to ensure</li> </ul>

	<p>effective retention and medium-term business performance</p> <ul style="list-style-type: none"> <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 through advertising positions internally</li> <li>• review and approval of the remuneration packages for executive management</li> <li>• review and recommendation to the board of the directors' fees for NEDs and independent NEDs. These fees are subject to shareholders' approval at the AGM</li> </ul>
14.3 Compliance	<p>HCC reviews and approves the company's remuneration report that is included in the IAR. The report is aligned to the recommendations of the King IV code.</p> <p>The board is committed to engaging with shareholders when more than 25% of shareholders vote against either the remuneration policy or 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>
<b>4.5 Assurance</b>	
<b>Principle 15</b>	
<b>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</b>	
15.1 Compliance	<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	<p>The ARC appoints and reviews the findings of the external auditors, the internal auditors, risk and legal consultants.</p> <p>The ARC assesses the independence of those responsible for providing assurance and legal services.</p> <p>The ARC measures and monitors the progress made on remedies made to the findings reported on internal controls.</p>
15.3 Accountability	<p>The board directs how the assurance of external reports is accomplished.</p> <p>The Board has implemented an internal audit charter which is reviewed by the ARC on an annual basis.</p>
<b>5. STAKEHOLDER RELATIONSHIPS</b>	
<b>5.1 Stakeholders</b>	
<b>Principle 16</b>	
<b>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</b>	
16.1 Compliance	<p>The board has delegated the responsibility of investor relations (IR) to the executive directors (EDs).</p>

	<p>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 ensures that policies and procedures are implemented on stakeholder relationships including shareholders, customers, government, regulators, suppliers and employees.</p>
16.2 Application	<p>The IR programme ensures that there is regular and proactive interaction with the company's key shareholders.</p> <p>Bi-annual investor presentations are made on the company's interim and annual financial results.</p>
16.3 Structure	<p>The board is responsible for ensuring that all the company's subsidiaries are fully aligned and compliant to the holding company's policies and procedures.</p> <p>The board requires that reporting from the subsidiaries to the group is comprehensive, timely and accurate.</p>