Ascendis HEALTH

# INTEGRATED ANNUAL REPORT

# 2023

INTEGRATED ANNUAL REPORT 2023

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# REVIEW OF 2023

R515 million
Senior debt repaid – balance reduced to Zero

Revenue from continuing operations
R1 535 million
(2022: R1 559m)

Loss per Share -Continuing Operations
47.2 cents
(2022: 158 cents)

Impairments of PPE and Intangible Assets
R128.8 million
(2022: R169.8m)

Total banking facilities raised
R82 million
(2022: 0)

Adjusted Operating Loss
R92 million

Tangible net asset value
81 cents/share
(2022: 62 cents)

Head office costs
63% to R35 million
on run-rate basis

# INTRODUCING OUR REPORT

This integrated report is focused primarily on providing our shareholders and the broader investor community with insight into our business operations and strategic growth plans. We also recognise that several important stakeholder groups influence value creation in our business, including our lenders, customers, agencies and suppliers, bankers, regulators and employees.

## Reporting scope and boundary

This integrated report covers the financial and non-financial performance of the continuing operations of Ascendis Health and its subsidiaries ("Ascendis Health" or the "Group") for the financial year 1 July 2022 to 30 June 2023.

Following the recapitalisation and restructuring of the Group over the past year, the financial reporting boundary covers the results of the remaining South Africa-based businesses of Medical Devices and Consumer Health (refer to the Operational review on pages 23 to 27).

The audited annual consolidated financial statements are available at www.ascendishealth.com. We continue to apply the principle of materiality in determining the content and disclosure in the report. The directors have identified material issues which could affect the group's ability to deliver its strategy and could have a material impact on the revenue and profitability of the Group (refer to material issues and risks on pages 6 and 7).

## Reporting standards and compliance

Our integrated report complies with the requirements of the South African Companies Act, 71 of 2008 and the JSE Listings Requirements. Financial reporting complies with International Financial Reporting Standards (IFRS).

The Group has applied (or explained, as necessary) the principles of the King Report on Corporate Governance™ for South Africa, 2016 (King IV)[1] throughout the 2023 financial year and a schedule outlining the group's application of King IV is available on our website at www.ascendishealth.com

The directors of Ascendis have confirmed that, to the best of their knowledge, Ascendis:

(i) complied with the provisions of the Companies Act, and

(ii) operated in accordance with its Memorandum of Incorporation, during the year under review.

## Assurance

The integrated report has been reviewed by the board of directors ("board"), the audit and risk committee, executive management and the group's corporate sponsor, but has not been independently assured.

The group's independent auditor, Nexia SAB&T, has provided assurance on the annual financial statements and issued an unmodified audit opinion.

The non-financial and sustainability information disclosed in the report has been approved by the board's social, ethics and transformation committee. Accredited service providers have determined selected non-financial performance metrics, including market share data. Management has verified the processes for measuring all other non-financial information.

## Forward-looking statements

Shareholders will note that the integrated report includes forward-looking statements which relate to the possible future financial position and results of the group's operations. These are not statements of fact but rather statements by management based on current estimates and expectations of future performance. No assurance can be provided that these forward-looking statements will prove to be correct, and shareholders are advised to exercise caution in this regard. The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events. The forward-looking statements have not been reviewed or reported on by the group's external auditor.

## Board approval

The board has reviewed the integrated report and believes it fairly represents the Group's performance, material issues and risks, strategy and growth prospects. The Audit and risk committee, which has oversight for the integrity of the integrated report, recommended the report for approval by the board, which subsequently approved the 2023 report for release to stakeholders.

**Bharti Harie**
*Independent non-executive chairman*

**Carl Neethling**
*Chief executive officer and acting chief financial officer*

ABOUT US

# ABOUT ASCENDIS HEALTH

# INTRODUCING ASCENDIS HEALTH

*Ascendis Health is a health and wellness investment holding company marketing and distributing a portfolio of leading brands, products and medical devices.*

Established in 2008 and listed on the Johannesburg Stock Exchange ("JSE") main board in the healthcare sector (pharmaceuticals and biotechnology) since 2013, the Group has complemented its organic growth strategy by acquiring a diverse range of healthcare businesses, strong brands, agencies and dossiers.

Following the successful disposal of the Pharma business in October 2022, the Company operates in **two segments** through **eight operating companies:**

## Consumer Health

(wellness, health supplements and speciality ingredients)

Consumer Health is one of the largest vitamin, mineral and supplement suppliers in South Africa, with brands such as Solal, Vitaforce, MenaCal7, Bettaway and Junglevite being among the most established and recognised in their categories.

Consumer Health comprises three independently run consumer-focused businesses targeted at different segments of the value chain namely: Consumer Brands, Chempure, and Compounding Pharmacy.

(refer to Operational review on pages 23 to 27)

## Medical Devices

(distributor of medical devices, *in vitro* diagnostic products and orthopaedic equipment)

Medical Devices was previously composed of three distinct operating businesses: The Scientific Group, Surgical Innovations, and Ortho-Xact. During May 2023, two divisions within Surgical Innovations, Cardio Tech (CardaXes) and InterV-Med  were carved out into separate standalone entities as part of the decentralization strategy. Medical Devices maintains long-standing relationships and holds exclusive distribution agreements with major multinational original equipment manufacturers. These partnerships allow Medical Devices to supply surgical, diagnostic, and medical equipment that enhances patient outcomes in fields such as cardiovascular, acute care therapies, and endoscopic solutions.

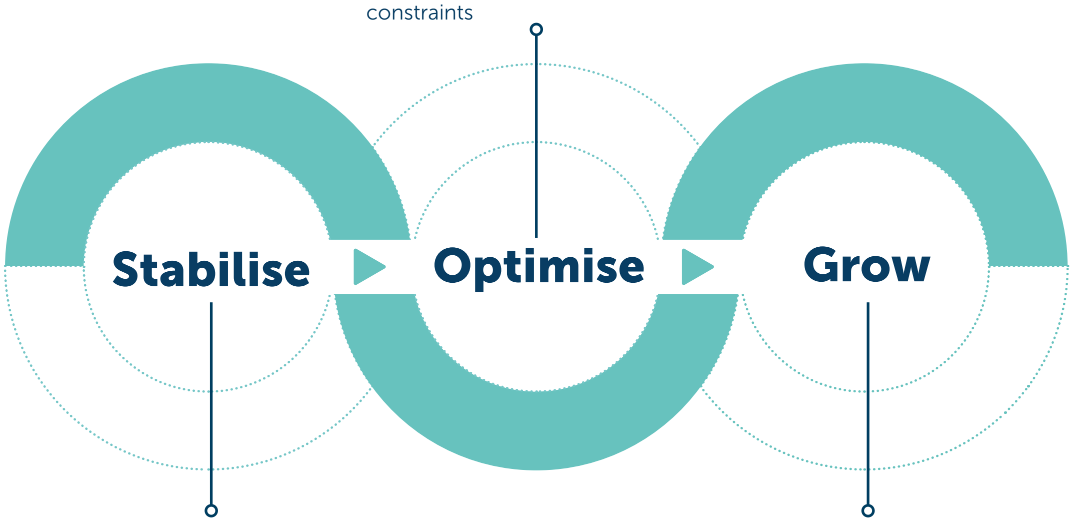
(refer to Operational review on pages 23 to 27)

# GROUP STRATEGY

## Focused execution: stabilise, optimise and grow

Over the past 12 months, the senior management has implemented a three-pronged strategy aimed at steadying the Group, optimising its structure and processes and, ultimately, maximising growth and shareholder returns.

- Transitioning to an investment holding company structure – capital allocation and portfolio management
- Bringing down head office headcount and property rental costs
- Decentralising head office functions, including treasury management
- Creating a culture of austerity and cost consciousness
- Implementing a sustainable group capital structure, including new working capital and ancillary banking facilities
- Deploying capital strategically in order to address arrear capital investment
- Optimising challenged business models after several years of liquidity constraints




- Deleveraging balance sheet through settlement of senior debt
- Enabling Group to manage liquidity while repaying debt using rights offer proceeds
- Negotiating net cash proceeds of R69m more than initial offer received from sale of Pharma
- Allowing Group to benefit from diversified revenue streams through retaining Medical Devices businesses
- Stabilising and enhancing governance structure within the Group through the transition team
- Consolidating and strengthening the Group's shareholder base

- Exploring alternative ways to maximise value for shareholders owing to cost and complexities of operating as a listed company, compounded by the lack of liquidity and operational flexibility
- Generating the most favourable return on invested capital by investing in new product categories and agencies
- Divesting of or restructuring businesses that do not offer sustainable returns to shareholders
- Aligning management and shareholder incentives

# MATERIAL ISSUES AND RISKS

*Material issues which could impact positively or negatively on Ascendis Health's ability to deliver its strategy and on the revenue and profitability of the business, are considered and identified annually by the audit and risk committee, in consultation with executive management. The audit and risk committee then reports, and makes recommendations, on these issues to the board.*

The board considers several internal and external factors in determining these material issues. These factors include the Group's strategy, trading and economic environments, competitor landscape, external opportunities and threats, legislation and regulation, and the needs, expectations and concerns of the group's primary stakeholders.

## 01 CURRENT GLOBAL ECONOMIC CRISIS AND IMPACT ON THE SA ECONOMY

*Global economic and trading conditions could negatively impact revenue and profit growth.*

### Related risks

- Constrained consumer spending: Consumers are under pressure due to a high-interest rate climate, significant inflation, and an escalating cost of living
- Deteriorating South African currency (Rand) due to various  challenges, including political uncertainty, and global market pressure
- The prevailing high inflationary environment in South Africa is intensifying cost pressures
- Increased pressure from medical aids amid a tough economic environment

### Risk mitigation

- Assessing product offerings in Ascendis Consumer Brands and Medical Devices, and ensuring that we have market-aligned products, introducing promotions
- Amid the weakened Rand, we are employing hedging and negotiating with suppliers for better pricing and terms
- Focussed on cost optimisation and reduction initiatives, especially with businesses undergoing Section 189 processes; taking a proactive approach to hiring and expense management
- Engaging with hospitals and proactively addressing price increases in order to limit margin compression

## 02 CASH FLOW, LIQUIDITY MANAGEMENT AND FUNDING

*The sustainability of the business is dependent on efficient cash flow management and long-term liquidity. With the Group's past high gearing, there was a pronounced risk of limited liquidity and cash flow. However, this risk notably subsided after settling the Group's senior debt in February 2023.*

### Related risks

- Lack of liquidity to fund working capital requirements
- Delays in creditor payments
- Adverse creditor trading terms and limited supply of goods and services
- Potential default on payment of salaries and taxes
- Trading under distressed financial conditions
- Delayed payments from public sector debtors

### Risk mitigation

- Successfully completing the recapitalisation, debt restructuring and corporate activities required to deleverage the Group
- Settling senior Group debt in its entirety
- Restructuring head office to reduce costs
- Monitoring of forecasts and actual cash flows each week
- Significantly reducing transaction and restructuring-related costs as corporate activity has slowed
- Engaging with credit insurers to maintain and improve trade credit limits
- Obtaining new working capital and ancillary banking facilities
- Engaging public sector debt recovery specialist to assist with collecting public sector debtors

## 03 RETENTION OF KEY RESOURCES

*Retaining key resources and ensuring leadership stability is critical to the delivery of the Group's strategy.*

| Related risks | Risk mitigation |
|---|---|
| • Experienced executives and skilled staff are in high demand both locally and internationally<br>• Loss of key people and the challenge of retaining staff in the current climate of uncertainty and change within the Group<br>• Instability among the leadership team could compromise the delivery of the Group's strategy<br>• Incentive schemes are currently not attractive owing to below target performance | • Developing internal talent pipeline to address skills shortages<br>• Establishing a list of essential personnel and implementing a succession plan to safeguard against turnover and the loss of institutional expertise<br>• Assessing competitive remuneration packages for key staff<br>• Formulating a short-term incentive plan to retain and incentivise key staff and executives<br>• Communicating regularly with staff and aligning rewards, with heavier weighting towards segment performance<br>• Implementing Personal Development Plans and incorporating blended learning programmes for all staff |

## 04 PRODUCT INTEGRITY

*As a healthcare business, it is paramount that our products are manufactured to the utmost standards, ensuring safety, customer satisfaction, and building trust in our brands.*

| Related risks | Risk mitigation |
|---|---|
| • Poor product quality could cause negative side-effects at the consumer or patient level<br>• Customer claims from product failure could result in financial losses and reputational damage<br>• Product recalls owing to poor standards would negatively impact trust in the brand as well as the profitability of the Group | • Outsourcing Consumer Health manufacturing function<br>• Ensuring suppliers comply with international quality, health and safety standards, and ethical practices<br>• Conducting regular site visits and audits of third-party supplier facilities<br>• Ensuring adequate insurance cover for product recalls and possible product liability |

# STAKEHOLDER ENGAGEMENT

*The Group defines its stakeholders as the people, groups or organisations directly impacted by its activities, as well as those whose activities could impact the Group. Management has a structured system of engagement in place to ensure that they provide timely, accurate and relevant information to stakeholder groups, and that interaction and communication with stakeholders is frequent and effective.*

## SHAREHOLDERS, INVESTORS AND LENDERS

*Our largest stakeholders are strategic investors in South Africa and internationally, with a material number of retail investors holding relatively small numbers of shares.*

### How Ascendis engaged

- Regular engagements with large shareholders
- 'Open door' email and other access for retail shareholders
- JSE SENS announcements, media releases and interim and annual results presentations
- Ongoing engagement with lenders/bankers in respect of working capital and ancillary facilities
- Annual general meeting
- Investor relations resources posted on the Ascendis website

### What they require

- Transparency in disclosure
- Formulation and implementation of business recovery strategy and consistent value-creation initiatives
- Performance against strategy
- Positive financial results and a decrease in Group debt
- Appropriate management of capital expenditure, working capital and expenses
- Business stability and solvency
- Security over assets, ethical stewardship of investments and good corporate governance
- Fair executive remuneration and incentivisation
- Prioritisation of improving ESG credentials

### What Ascendis delivered

- Release of voluntary SENS announcements and strategic press releases on key business developments and terms of material transactions
- Restructure of the Group with improved accountability and transparency in line with decentralisation strategy
- Reduction in head office headcount and head office rental payable
- Settlement of senior debt in its entirety
- Demonstrable progress despite trading environment impact on operational performance
- Ongoing mitigation of funding and gearing risks
- A redrafted remuneration policy reflecting the group's cost-minimisation and value-creation objectives

## CUSTOMERS

*Ascendis has multiple customer channels including retail, pharmacies, hospitals, agents, distributors and state entities via tenders. Ascendis is a critical role player in healthcare transformation and products, equipment and consumables that improve patient outcomes and improve quality of life, while its business model impacts the cost of healthcare.*

### How Ascendis engaged

- Engagements with pharmacy groups, supplier, doctors, specialists and hospitals enable the business to partner to optimise patient and customers outcomes
- Engagements with main customers such as Dis-Chem, Clicks and other retail pharmacies to ensure continuity and supply of appropriate products to meet the changing consumer needs

### What they require

- High-quality, affordable medical products
- Supply of high-quality, safe and effective medical products through regulated channels
- Consistent, dependable and on-time supply of products

### What Ascendis delivered

- Meeting demand for products and services in a tough trading environment
- Proactive innovation and adaptation to evolving trends, including the growing demand for holistic products and services catering to both physical and mental wellbeing
- Addressing the consumer's preference for premium quality products at competitive prices, while staying attuned to shifting trends

# STAKEHOLDER ENGAGEMENT (CONTINUED)

## AGENCIES

*Providers of medical equipment and consumables with whom the Group has distribution agreements.*

### How Ascendis engaged

- Meetings
- Conferences
- Performance audits
- Ongoing engagement to understand the research and development pipelines for the agencies

### What they require

- Positioning of their brands as the preferred choice of hospitals, doctors, retail consumers and other stakeholders across the industry
- Protection of the goodwill of the business licensors' brands in South Africa
- Availability of technically competent staff who understand and can sell their equipment
- Achievement of targets

### What Ascendis delivered

- Rationalising agencies by discontinuing sub-optimal relationships
- Concentrating on enhancing profitability with existing agency partnerships
- Prioritising the onboarding of new agencies that align with our objectives and are fit for purpose

## SUPPLIERS

*Providers of finished products, active pharmaceutical ingredients and raw materials, packaging and services.*

### How Ascendis engaged

- Procurement processes
- Consistent contact at service and management levels
- Audits of supplier production facilities
- Business rescue of Surgical Innovations

### What they require

- Fair engagement terms and timely settlement
- A sustainable and mutually beneficial business partnership
- Ongoing reviews of service level performance against Ascendis' expectations

### What Ascendis delivered

- Successful completion of Surgical Innovations' business rescue process, as a result of which supplier relationships have been strengthened
- Negotiation of extended payment terms in the short-term
- Development of B-BBEE suppliers in South Africa
- Engagement with credit insurers to restore supplier credit limits

**REGULATORS**

*Department of Health and other government departments, regulatory bodies and local authorities in all jurisdictions.*

*As a company listed in South Africa, Ascendis Health is also regulated by the JSE.*

## How Ascendis engaged

- Site inspections by regulatory authorities
- Applications for authority to sell, price, market, and distribute medical products
- Participation in government programmes aimed at creating jobs and social upliftment

## What they require

- Legal and regulatory compliance
- Business practices that ultimately make healthcare more affordable
- Positive or neutral social and environmental impact of operations
- Job creation
- Tax revenues
- Local investment

## What Ascendis delivered

- Internal training on regulatory, compliance and governance developments
- Ongoing report submissions to various regulatory bodies in respect of the Group's compliance with selling, pricing, marketing, and distribution requirements

## STAKEHOLDER ENGAGEMENT (CONTINUED)

**EMPLOYEES**

*Ascendis management and staff who all play key roles in the execution of our strategy*

### Engagement issues, needs and expectations in 2022

- Direct engagements by supervisors and business management
- Internal communications
- Dedicated employee Lifecycle management through the Human Capital Value chain

### What they require

- Job security, skills development and career planning
- Equitable remuneration packages, performance incentives and benefit structures
- Gender equality, diversity and inclusivity
- Equitable policies, practices and procedures
- Employee health, safety and wellness
- Culture and values aligned to a strong Employee Value Proposition (EVP)

### What Ascendis delivered

- Employee wellness programs and communication campaigns
- Regular updates and town hall meetings with staff
- Increased investment in skills programs, leadership development and Personal Development Plans incorporating blended learning techniques implemented for all staff
- Support and guidance provided to employees to guide staff through the Group transition and retrenchments in terms of Section 189A of the Labour Relations Act, 66 of 1995
- Implemented an effective performance management programme that drives productivity and purpose
- Implemented revised variable remuneration structures to increase retention, recognition, and alignment of management and key staff with the strategy.
- Implemented Employment Equity forums in each business to drive a culture of inclusivity.
- Review and implementation of policies to ensure fit for purpose policies
- Fit for purpose structure implementation to deliver on the strategy

# LEADERSHIP REVIEW

LEADERSHIP
REVIEW

# CEO AND CHAIRMAN REVIEW

## Making bold choices for the phase of value-creation

*Dear Stakeholders,*

This past year has been characterised by bold decision-making in the face of adversity and has undoubtedly resulted in large-scale change. Our dedicated team worked tirelessly to ensure stability and lay the foundation for the next phase of Ascendis' growth and value-creation journey. We deeply thank our committed workforce; their resilience and effort have been instrumental in this year's achievements. Our focus on placing the right people in the right roles led to significant organisational shifts, and while this journey hasn't been easy, it has been worthwhile.

Supported by an efficient leadership structure, we have successfully formed a team poised to execute our strategy. Our board has been pivotal in fostering a consistent governance framework and offering unwavering support to the management. Their steadfast belief in the executive team fostered an environment conducive to swift and decisive actions. We are also immensely thankful to our shareholders, particularly the anchor group that shares our vision for the future.

### Navigating complex challenges

Throughout the past year, the Group has navigated a myriad of localised and macroeconomic challenges.

Our medical device distribution businesses faced a weakening Rand, supply chain issues, and hard currency supplier cost increases. Despite these pressures on our margins, we effectively negotiated with customers and suppliers, leveraging innovative solutions to mitigate these challenges and expand our market share.

In our consumer brands segment, particularly Ascendis Consumer Brands, we grappled with internal issues and changing consumer spending patterns with rising pressure on discretionary spending. However, proactive management led to a successful pivot later in the financial year.

The Ascendis Supply Chain business was plagued by various macroeconomic challenges, exacerbated by load shedding. The closure of this business has resulted in substantial savings on overhead costs, significantly improving our Group's cash flow and margins.

The Group faced several more nuanced operational challenges during the year under review, including:

- rebuilding Ascendis's reputation, mitigating supplier relationship damage, and confronting historically embedded institutional memory;
- addressing tax risks and restructuring/transactional exposures;
- managing cash flow and liquidity while repaying the final tranche of external debt;
- salvaging and protecting value in certain medical device businesses;
- closing the Supply Chain facility;
- navigating the Surgical Innovations business rescue process and exiting it successfully; and
- ensuring the correct leadership is in place, staff retention, and addressing key person dependencies.

Until now, our ability to proactively tackle medium- to long-term risks has been constrained by the necessity to prioritise the most pressing and immediate concerns. Having successfully navigated several challenges in the past year, we look forward to embarking on this next phase with enhanced agility in managing risk and a more anticipatory approach.

## Decentralisation strategy

As a Group, we have been guided by our 'Stabilise, Optimise, and Grow' strategy and the introduction of a new, decentralised structure. This has seen the Group transition from a conglomerate to a decentralised investment holding company. This transition has enhanced operational transparency, ensuring that losses and non-profitable business lines are no longer concealed across complex shared services and divisional structures. The decentralisation of cash flow management has encouraged a greater degree of business unit level accountability and has also enhanced transparency and elevated the importance of fact-based and return-oriented capital allocation.

A direct line of communication now exists between the managing directors, and the Group executive team which facilitates peer-to-peer decision-making, improved relationship building, and collaboration. Our collaborative approach has extended beyond internal stakeholders to include our relationships with agencies and suppliers where we have sought to rebuild relationships and engage more proactively. The shift towards decentralisation aligns with our focus on risk management and has already yielded great results.

## Improved cost management

Much of the focus for the year under review has been on right-sizing the Group's cost structures to reposition Ascendis to tackle the challenging local business environment and deliver an attractive return on invested capital.

Head office costs have been reduced to approximately R35 million per year on a run-rate basis with extensive reduction in headcount. While certain initiatives are still underway to reduce this, our listing requirements on the JSE necessitates certain costs to ensure compliance. Our more conservative approach to resource utilisation extends to our business units, where we have implemented further cost control measures. We have also adjusted staff compensation plans to ensure incentives align with sustainable performance.

## Strategic milestones and progress

Further to the above, during the year under review, we achieved several significant strategic milestones, including:

### Stabilising the balance sheet and fixing the capital structure

**Successfully negotiating a R69 million premium for Ascendis Pharma.** The sale of Ascendis Pharma for R432 million realised a R69 million net proceeds premium than the offer made by an alternative buyer. The incremental value negotiated by the management team was pivotal in enabling the repayment of the Group debt and the avoidance of a liquidity shortfall that could have had disastrous consequences for the Group.

**Concluding a highly successful rights issue.** The Group's oversubscribed rights issue resulted in R101 million being raised at a critical juncture for the business. The support of key shareholders was instrumental in this process and together with the Pharma divestment enabled the fortification of the Group's capital structure.

# CEO AND CHAIRMAN REVIEW (CONTINUED)

**Repaying Group debt.** In February 2023, the Group successfully completed its final repayment to settle its historical debt burden, making the Group debt-free for the first time since listing. Formulating and executing a plan to deleverage the Group's balance sheet has been a primary objective for management since the onset of the Group's transition, as it has constrained the Group's risk management agility. The repayment of the Group's debt was enabled by exceptional Group cash flow management and collaboration with the Group's lender in order to align the repayment horizon with the Group's liquidity. Management would be remiss in not recognising the accommodating stance adopted by the lender and shareholder, Austell Pharmaceuticals, to enable the settlement of the debt on reasonable terms. This marks the end of a tumultuous period of divestments for the Group.

**Securing new banking facilities.** Securing new banking facilities to promote growth while sustaining liquidity proved to be a significant challenge for the Group given its history. Fortunately, the management was able to secure a partnership with Rand Merchant Bank on the back of key relationships and this has proven to be invaluable in strengthening our overall liquidity position while allowing the businesses sufficient freedom to grow. At year-end, we had an undrawn R50 million working capital facility in addition to ancillary credit facilities totalling R32 million. While there is still work ahead, we find encouragement in the renewed confidence financial institutions are showing in us.

## Salvaging value in the portfolio companies and addressing major risks

**Business rescue of Surgical Innovations as a mechanism to ensure the best outcome for all stakeholders.** Protecting and retaining value in our medical devices business is a key priority for the Group, given the decision that was taken not to divest these businesses at what was viewed as below fair value. Significant time has been invested in ensuring relationships with our key agencies are stabilised and that working capital and pricing terms are negotiated in a mutually beneficial manner. Furthermore, work was undertaken to optimise organisational structures, fixed expenses, and capital investment in order to promote the financial sustainability of this segment.

The process of salvaging value in our portfolio companies included:

- collapsing costly divisional-level, shared services structures;
- championing and unbundling profitable stand-alone operations;
- deploying capital into opportunities presenting attractive returns; and
- mitigating various business risks.

Although there is still substantial work ahead, our shareholders can have confidence in our clear path toward long-term growth and sustainability.

The difficult but necessary decision was taken to place Surgical Innovations in business rescue. As of the end of September, the business rescue plan has been successfully executed and exited, resulting in the preservation of numerous jobs, and enabling the Group to maintain its crucial medical services. Positively, the process has not distracted Surgical Innovations' operations and the business was recently awarded 'Olympus Distributor of the Year'.

**Closure of loss-making operations.** Several loss-making business lines and projects have been halted during the year resulting in material short- and longer-term savings for the Group. Most notably, we took the decision to close the Ascendis Supply Chain business. This was historically managed alongside Ascendis Consumer Brands. We negotiated a mutually beneficial transaction with Nautilius Pharma (part of the Vital Health group) to take over the manufacturing operations, as well as certain manufacturing assets. Ascendis strategically retained the facility in Wynberg as a potential lever to recoup further value in the future. The closure of the Ascendis Supply Chain business has led to annualised cash savings of up to R60 million in under-recovered production overheads per year.

**Negotiating improved credit terms with our suppliers.** Management of net working capital included improved negotiations with agencies and suppliers which has had a positive impact on cash generation. The Group's historic reputational and liquidity issues led to the enforcement of onerous terms by suppliers which constrained working capital. Across the business units, management has been successful in reinstating more favourable credit terms. This has significantly eased cash flow pressures.

## Innovating for our future in healthcare

Ascendis continues to strive to play a transformative role in the healthcare industry. Our remaining businesses are well diversified across customers and suppliers with well-developed networks spanning across sub-sectors. The rapidly evolving healthcare landscape demands innovative strategies to drive growth. As the industry moves towards cost efficiency and consolidation, specifically in the medical devices sector, our commitment to quality and innovation remains. Having fostered stability, we have renewed our dedication to driving new business development, investing in the correct product lines, and ensuring the cost and quality of our portfolio aligns with market needs. This requires a continued effort to maintain robust stakeholder relationships and strategic partnerships. Given our existing footprint within the public healthcare space, we are also well positioned to make the most of opportunities as the National Health Insurance scheme gains prominence.

## Laying the foundation for growth and value realisation

Our forward-focused vision revolves around positioning Ascendis Health as a lean, value-accretive investment holding company rooted in the South African healthcare market with diversified operations across industry sub-sectors. Transitioning from crisis management to seizing growth opportunities represents a crucial next phase in our journey for businesses in our portfolio that are in an intermediate stage. Simultaneously, we will carefully evaluate opportunities to unlock value from our mature assets on a case-by-case basis, whenever such an opportunity aligns with our strategic objectives.

Our capital allocation strategy is guided by our goal of returning a portion of capital made available through disposals or partial disposals to our shareholders, while simultaneously prioritising investments in our high-return and growth-oriented businesses. We remain committed to investing in profitable business lines, partnerships with agencies and suppliers, and strengthening customer relationships in our pursuit of value creation. The Group is actively exploring opportunities to enhance shareholder value. This includes considering delisting from the JSE. This decision is primarily motivated by the acknowledgement that a private setting may more closely align with the Group's unique operational requirements and strategic goals, while also offering substantial savings in both direct and indirect listing-associated expenses.

## Acknowledgements and appreciation

At this pivotal juncture, we extend our gratitude to our board members, committees, and our workforce. The steadfast dedication displayed by every individual in our team has been instrumental in achieving the encouraging strides seen during the past financial year. Although significant progress has been made, various material challenges requiring intervention remain. The actions taken thus far to reduce costs, align staff incentives, merge roles, and optimise operations have been tough, but underscore our commitment to strengthening Ascendis' core. Moving forward, upholding a focused and pragmatic approach is imperative. As a dedicated leadership team, we are committed to driving this approach, ensuring that our decisions and actions steer us towards continued progress.

Sincerely,

Carl Neethling
*Chief executive officer*

Bharti Harie
*Independent non-executive chairman*

**R7.6 billion**
reduction in senior debt

**R1 013 million**
profit on disposals

*It has been my privilege and honour to lead Ascendis Health in my joint capacity as CEO and acting CFO for the second half of the financial year, and I thank the board for their vote of confidence in me. The work performed in the current year sets a firm foundation for the growth phase of the Group's evolution.*

# CFO REVIEW

## Making bold choices for the phase of value-creation

### Revenue

The Group's revenue from ongoing operations was approximately R1 535 million, which is similar to the revenue of R1 559 million during the same period last year.

The consumer segment was a key detractor from growth with revenue in the Consumer Brands business declining by 18% from the prior period. This decline can be primarily attributed to:

- internal operational challenges;
- overselling in the prior period;
- delayed responsiveness to changing consumer behaviour; and
- disruptive restructuring process which included the wind down of Ascendis supply chain.

Amid a challenging macroeconomic backdrop, where discretionary spending was strained and demand for branded products waned in the post-Covid-19 aftermath, the Group faced multifaceted hurdles. Yet, despite these adversities, notable headway was achieved in rectifying the internal issues within the Consumer Health division. The decision to shut down the Supply Chain facility has already produced encouraging outcomes, affirming that the management's strategic choices are yielding positive returns.

The medical devices segment continued to show strong revenue growth, particularly with Ortho-Xact and Cardio-Tech (CardaXes) growing revenue by more than 20%. Meanwhile, Surgical Innovations and InterV-Med both achieved double-digit revenue growth from the prior year. Unfortunately, this was partially offset by a decline of around 11% in revenue earned by The Scientific Group which is primarily attributable to the non-renewal of certain tenders as well as ongoing operational restructuring.

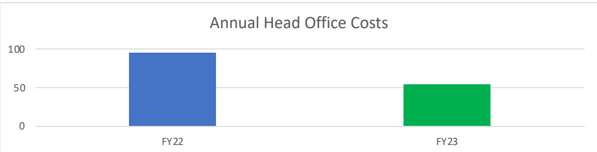
## Gross profit

The Group reported a gross margin of 39.4%, marking a 1.5% decrease from the previous year. This dip primarily stems from structural challenges within the medical devices sector. The weakening Rand, coupled with cost inflation from major foreign suppliers, has placed considerable strain on our gross profit margins. In response, our management team has diligently implemented and seen success from various mitigation strategies, including:

- innovative partnerships with suppliers and customers; hedging the Group's currency exposure to the extent possible and negotiations with all stakeholders; and
- continuously monitoring and managing margins, as it is essential to the ongoing financial sustainability of the Group.

## Cost control

Efficient cost control has been a significant focus area across the Group with a particular focus on the reduction of head office costs. In the year under review, annual head office costs have already reduced from R95 million in the prior year to a total of R54 million in the current year. This has been primarily driven by a reduction in headcount and a reduction in advisory costs. On an annualised run-rate basis head office costs are currently anticipated to be approximately R35 million.




Despite having identified opportunities for further cost savings, the current environment in which Ascendis operates as a JSE-listed group necessitates a certain level of costs and functions to ensure compliance with the listing requirements.

During the year under review, total comparable operating costs including transaction costs and impairments reduced by R55.5 million (6%). Meanwhile, administration costs declined by R47.6 million (36%) as a result of cost containment initiatives. This decrease was partially offset by investment in advertising and selling costs, travel expenses as key staff resumed attendance at global conferences, and a once-off expense raised in respect of the Surgical Innovations VAT dispute with SARS. This matter has now been settled in terms of the business rescue process of Surgical Innovations.

Transaction and restructuring-related expenses have been materially curtailed with a reduction of R46.2 million from the prior period. These costs have been necessitated by several ongoing restructuring processes, the divestments concluded in the past year, and the restructuring of the Group debt.

## Impairment of property, plant and equipment

As part of management's process to enhance the integrity of its financial records, the decision was taken to impair R50.7 million in land, buildings, plant, and machinery that were previously operated by Ascendis Supply Chain. This is a direct result of the Supply Chain exit strategy and pertains to the remaining factory building, land, and associated machinery. Management conducted a revaluation of these assets in line with current market rates and prevailing economic conditions.

After an extensive exercise was undertaken to assess the value of fixed assets held by Surgical Innovations and placed in the market, a decision was taken to impair PPE to the value of R19.9 million. This impairment is included in the income statement for the period prior to the deconsolidation of Surgical Innovations.

## Impairment of intangible assets

Management has recognised impairments totalling R15.5 million for brands associated with Ascendis Consumer Brands and R42.7 million for customer relationships linked to The Scientific Group. These intangible assets were historically recorded on the acquisition of the respective businesses. After a detailed review of the current economic environment and the outlook for these businesses, management has deemed it prudent to reduce the carrying value thereof.

## Surgical Innovations business rescue

During May 2023, the directors of Surgical Innovations made the decision to commence business rescue proceedings. This decision was prompted by various challenges, including VAT and Income Tax assessments from the South African Revenue Service (SARS), which imposed a financial burden of an additional R67 million in taxes, interest, and penalties on the Company, and other financial demands, which made it impossible for the Company to meet its financial obligations in the normal course of business. On 13 July, the company's creditors voted in favour of the business rescue plan. As of the date of this report, this strategic intervention has proven successful and has reached its conclusion.

The effective execution of the business rescue plan, which culminated in Surgical Innovations exiting business rescue on 29 September 2023, has had a significantly positive impact on Surgical Innovations, its employees and other stakeholders. It led to the settlement of outstanding claims with SARS, renegotiated terms with creditors, and the restoration of the Company's financial viability.

LEADERSHIP REVIEW

The Group is grateful for the support of its creditors and customers throughout this challenging process. Despite the inherent disruptions associated with such proceedings, there is confidence that negative impacts have been effectively mitigated.

As a consequence of the business rescue process, compliance with IFRS 10 has necessitated the deconsolidation of Surgical Innovations during the period of business rescue. Therefore, this registers as a 'deemed disposal' in Note 6 of the financial statements, effective from 12 May 2023. This adjustment means that Surgical Innovations' results are only included in the Group's financial statements for a duration of 11 months in the current financial year. Additionally, a gain of R73.3 million from the deemed disposal has been recorded in the Group's income statement, and the net assets of the Company are no longer reflected on the year-end balance sheet.

## Group capital structure

Stabilising the group's capital structure has been a key priority for Ascendis management for several years. Following our final interventions this year, the Group is finally able to close the chapter on an extended period of value-destructive divestments and non-commercial lender arrangements.

| Successful Rights Issue | |
|---|---|
| 143 million shares | R101.5 million raised |

In August 2022, the Group successfully concluded a rights issue to raise R101.5 million through the issuance of 143 million shares. This, together with the sale of Ascendis Pharma for R432 million (R444 million net cash proceeds), enabled the Group to settle most of its external debt by November 2022. The remaining debt was deferred on commercial terms with the lender and was ultimately settled from free cash within the Group by the end of February 2023.

Subsequently, the Group entered a productive partnership with Rand Merchant Bank (RMB), effectively implementing a set of working capital and foreign exchange-related facilities worth R82 million on commercial terms. These facilities are anticipated to provide support to the Group in effectively managing any temporary liquidity gaps that may surface within our portfolio. Furthermore, the facilities secured will play a role in facilitating the ongoing turnaround and growth endeavours of the organisation.

At year end, the Group's solvency position is stable. Surplus net assets improved by 38% from the previous period, totalling R563 million. Additionally, liquidity is stronger, with available cash reserves of R102 million and net working capital in excess of R300 million.

| Surplus net assets | Cash reserves | Net working capital |
|---|---|---|
| R563 million | R102 million | Over R300 million |

## Outlook

While various projects to optimise the operating base and boost revenues are still in the implementation phase, we are confident that the Group is heading in the right direction and will soon return to profitability.

Sincerely,

Carl Neethling
*Acting chief financial officer*

# OPERATIONAL REVIEW

# CONSUMER HEALTH

| Revenue | Normalised EBITDA |
|---|---|
| R469 million (2022: R564 million) | R(8) million (2022: R64 million) |

## Overview

**Consumer Health comprises three independently run consumer-focused businesses targeted at different segments of the value chain:**

- **Ascendis Consumer Brands:** Develops, markets and distributes branded vitamins, minerals, supplements and skin products
- **Chempure:** Imports and distributes speciality ingredients used in sports nutrition, food and beverages, health and wellness, as well as personal care, industries
- **Compounding Pharmacy:** Speciality pharmacy which compounds personalised and speciality medications and wellness products, for patients and medical practitioners, from its premises in Bryanston, Gauteng. The facility includes a state-of-the-art Good Manufacturing Practice-compliant sterile laboratory



**The Consumer Health division incorporates one of the largest vitamin, mineral and supplement (VMS) suppliers in South Africa, with market-leading brands Solal, Vitaforce, MenaCal7, Chela-range, Bettaway and Junglevites being among the most established and recognised in their categories. The division also represents globally reputable agencies, including DSM, Hilmar, Milk Specialities and Vitajoy.**

The Skin and Body business (excluding the Solal business), which formed part of Consumer Health, was disposed of with effect from 31 May 2022.

# CONSUMER HEALTH (CONTINUED)

## Review of 2023 and outlook for 2024

### Ascendis Supply Chain

Unfortunately, due to a lack of manufacturing volumes in a challenging consumer market, coupled with the impact of loadshedding and the consistent increase in energy costs, the board took the difficult, but necessary, decision to exit the Supply Chain business and divest its material assets in March 2023. As at 30 June 2023, the closure of the Supply Chain factory was nearing its conclusion. The manufacturing services it previously supplied have been successfully outsourced, primarily to Nautilus Pharma.

### Ascendis Consumer Brands

The business was negatively impacted by a sharp change in consumer demand, caused by the short-notice relaxation of the Covid-19 restrictions. This led to an unforeseen surplus of immunity products, highly sought after during the Covid-19 epidemic, while concurrently causing stock shortages in other essential ranges like stress relief, which were unavailable at the time.

The closure of the Supply Chain factory also had an impact on the Ascendis Consumer Brands business, as approximately 50% of the Consumer products were manufactured at the factory. As mentioned, the supply of these products has since been transferred to a different GMP-approved third-party manufacturer.

From a personnel perspective, the disposal of the Nimue Skin business led to changes in the management team, resulting in some operational disruptions. Following the departure of these management members, the new leadership undertook a comprehensive operational review. They are now working to further refine internal processes, improve gross profit margins with enhanced in-fill, and introduce advanced sales and marketing strategies. The focus for FY24 will be to maximise the value of the existing brand and product portfolio and to continue to monitor and manage procurement from new suppliers to ensure optimal in-fill rates. Additional sales and marketing focus will also be applied to remain competitive in what is still a challenging retail consumer market.

### Compounding Pharmacy of South Africa (CPSA)

Despite issues with raw material shortages and an isolated raw material quality issue, CPSA performed strongly in FY23 due to efficient inventory management and constant product portfolio innovation, and improvement.

The Group is optimistic about the prospects of CPSA, driven by changing consumer behaviour and an increased focus on individual personalised healthcare, post-Covid-19.

CPSA is focused on growing its national footprint and continuing to develop exciting and innovative products in FY24. The business will also be focusing on marketing and consumer education in FY24, particularly through online channels.

### Chempure

The 2023 year was a tough one for Chempure as the business was impacted by a variety of external macro and micro factors, such as the decline in sports nutrition demand, declining disposable income, increased energy costs and the slowdown in immunity health and wellness spend following the lifting of the Covid-19 restrictions. Key customers in the personal care industry also showed continued impact from Covid-19 as several salons closed their doors.

Despite this, the business continued to demonstrate strong cash flow generation due to tight working capital controls, controlled procurement and cost management.

Looking forward to FY24, Chempure is focused on consolidating existing relationships and signing up new agencies in key target growth areas, such as the personal care and food sectors. The business will look to invest in system-improvement capex and key staff resources to capture and grow market share.

# MEDICAL DEVICES

**Revenue***

**R1.1 billion**

(2022: R996 million)

▲ **12%**

**Normalised EBITDA**

**R43 million**

(2022: R45 million)

▼ **4%**

*excludes RCA*

| R'million | Revenue* | | | Normalised EBITDA[PM*] | | |
|---|---|---|---|---|---|---|
| | **June 2023** | June 2022 | **% Change** | **June 2023** | June 2022 | **% Change** |
| The Scientific Group | **335.0** | 376 | **(11%)** | **28.3** | 55 | **(49%)** |
| Surgical Innovations | **519.9** | 464 | **12%** | **(37.0)** | (13) | **(185%)** |
| Cardio Tech (Cardaxes)* | **20.6** | – | **n/a** | **4.11** | – | **n/a** |
| Interv-Med* | **25.7** | – | **n/a** | **3.2** | – | **n/a** |
| Ortho-Xact | **211.4** | 156 | **36%** | **44.6** | 3 | **1 387%** |

## Overview

**Our Medical Devices business is a market leader in the distribution of medical devices and in vitro diagnostics. It has long-standing, well-entrenched and trusted relationships with key suppliers and is the exclusive distributor of leading, globally recognised and sought-after brands. Scale, geographic footprint and deep technical expertise position Medical Devices well as a partner of choice for multinationals looking to access South and sub-Saharan African markets and South African healthcare professionals looking for excellence in products and services.**

Medical Devices serves private and public sector hospitals, laboratories and scientific institutions through a specialist team of sales and service personnel who install equipment, systems, sets and instruments purchased from suppliers at hospitals and laboratories. Income is generated from this installed base through sales of dedicated consumables, sets, reagents, technical service income, and in some instances rental and "pay per use". The products and services provided by Medical Devices improve healthcare outcomes and the quality of life of patients.

Medical Devices comprises five businesses structured around specific market segments, operating in a market worth R38 billion.

## Review of 2023

In the wake of post-pandemic adjustments, Medical Devices witnessed a rise in elective surgeries and trauma cases, enhancing the performance of both Surgical Innovations and Ortho-Xact. Concurrently, The Scientific Group faced challenges as donor funding in other African regions shifted from diagnostic testing to Covid-19 vaccine procurement and distribution. Meanwhile, our incubator business in the cardiology segment, Cardio Tech (CardaXes) — established during Covid-19 — saw growth propelled by the expansion of the Philips agency and the introduction of the Microport agency. We have also seen promising advancements in our operational optimisation strategies, with a keen focus on refining warehouse operations, honing demand planning, and fortifying governance.

# MEDICAL DEVICES (CONTINUED)

## The Scientific Group
Clinical Diagnostics, Life Sciences and POC

### Therapeutic areas

- **Clinical Diagnostics** – Diagnostic instruments, reagents and consumables to pathology laboratories through instrument leases
- **Science** – Services the academic and scientific industries
- **Point of Care** – Cost and time-saving diagnostics at the patient's bedside

### Key agencies

## Surgical Innovations
Surgical, Cardiovascular, ACT and CardaXes

### Therapeutic areas

- **Surgical** – GI, respiratory, ENT, urology, women's health, bariatric and general surgery
- **Acute Care Therapy** – Supplies equipment in circulatory and critical care support

### Key agencies

## Ortho-Xact
Orthopaedic Trauma, Reconstructive and Sports Medicine

### Therapeutic areas

- Adult and paediatric limb deformity correction, internal and external fracture fixation solutions
- Specialised sports medicine and minimally invasive orthopaedic solutions

### Key agencies

## Outlook for 2024

The focus for the 2024 financial year will be on driving organic growth in each business unit and further expansion of new business areas. There is also a continued focus on reducing costs and slimming down to leaner and more efficient units.

### Surgical Innovations and Ortho-Xact:

Both entities are intent on preserving their market presence, heightening efficiencies, and capitalising on cash-positive growth ventures. We are reconsidering their business models to migrate towards income sources demanding less capital outlay. A testament to this shift is the integration of the Rejoin agency in Ortho-Xact, a purveyor of niche sports medicine and minimally invasive orthopaedic solutions. This venture stands as a pillar for tapping into the sports medicine arena's growth potential.

Meanwhile, Surgical Innovations has been innovating its brand offerings, focusing on capital-efficient solutions that amplify consumable revenue streams. We are elated that Ascendis stands as the top-tier interventional diagnostic supplier for esteemed private hospital chains like Netcare and Mediclinic.

### The Scientific Group and Cardio Tech (Cardaxes):

The Scientific Group is channelling its energies towards amplifying its product range and enlarging its geographical footprint across Africa. On the other hand, Cardio Tech's emphasis on interventional cardiology is poised to bolster both revenue and profitability.

### Medical Devices Partnerships:

We are privileged to collaborate with international stalwarts like Olympus, Bayer, and Getinge — all pioneers in the realm of medical technology innovation. Our distribution accords allow for symbiotic relationships, bringing ground-breaking products to the market. We are also honing our strategies to ensure that revenue upticks are mirrored by fitting profit and cash returns.

## Interv-Med
Cardiovascular

### Therapeutic areas

- **Surgical** – Respiratory
- **Cardiovascular** – Market leader in contrast and automation

### Key agencies

BAYER
ARGON MEDICAL DEVICES

## Cardio Tech (CardaXes)
Cardiovascular

### Therapeutic areas

- **CardaXes** – Specialised interventional cardiology and peripheral vascular

### Key agencies

PHILIPS
MicroPort

## Cardiohelp System
Extracorporeal Life Support


OPERATIONAL REVIEW

# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE REPORT

*Ascendis Health is committed to good corporate governance and ethical practices. The Group's governance framework is founded on the principles of accountability, integrity, transparency, ethical standards, fairness and compliance.*

The board is responsible for ensuring compliance with and the implementation of legislation, regulation and governance codes.

Ascendis Health subscribes to the spirit of good corporate governance outlined in King IV and the Group continued to report in accordance with King IV for FY23. Governance processes have been implemented across the business and the directors confirm the Group has, in all material respects, applied the 16 principles of King IV and where it was unable to fully apply the principle, an explanation has been provided. The application and explanation of the group's implementation of each King IV principle, as required in terms of the JSE Listings Requirements, is reviewed and updated annually in the King IV Report which is available on the group's www.ascendishealth.com

## Board of directors

### Board charter

The board has a formal charter detailing the scope of authority, responsibility and functioning of the board. The charter is reviewed annually by the board. In terms of the charter, the directors retain overall responsibility and accountability for the following:

- Adopting strategic plans and setting performance objectives.
- Approving financial results as well as financial objectives and targets.
- Monitoring operational performance, competency and management.
- Ensuring effective risk management and internal controls.
- Complying with legislative, regulation and governance codes.
- Ensuring the liquidity, solvency and going concern of the Group.
- Overseeing the values, ethics and integrity of the Group.
- Selecting, orientating and evaluating the directors.
- Reviewing the terms of reference and composition of board committees.
- Assessing the performance of board members, including the chairman, CEO, CFO as well as the company secretary.
- Ensuring directors' adherence to their fiduciary duties as well as duty of care and skill.
- Ensuring appropriate remuneration policies and practices that are aligned to shareholders' interests.
- Overseeing shareholder communications, stakeholder engagement and shareholder meeting resolutions.
- Determining the dividend policy.

### Board composition

Ascendis Health has a unitary board structure which, at year end, comprised one executive director and five non-executive directors. Three of the five non-executive directors are classified as independent in terms of King IV and the JSE Listings Requirements, including the chairman. The independence of the non-executive directors is reviewed and assessed by the board annually.

The following changes were made to the board during the year:

- Ms Cheryl-Jane Kujenga's fixed-term employment contract with the Group expired on 30 September 2022 and, accordingly, she stepped down from her roles as executive director, CFO and acting CEO.
- Mr Theunis de Bruyn was appointed a non-executive director with effect from 19 October 2022.
- Mr Harry Smit retired as the non-executive chairman (and was not re-elected) with effect from 30 November 2022.
- Mrs Bharti Harie was appointed as chairman of the board with effect from 9 December 2022.

In terms of the Group's governance structure, the roles of the chairman (Bharti Harie, an independent non-executive director) and the CEO (Carl Neethling, an executive director) are separate and clearly defined. This division of responsibilities ensures a balance of authority and power, with no individual having unrestricted decision-making powers.

Carl Neethling's employment as Chief Transition Officer and acting CEO was initially contracted for a period of up to nine months and was thereafter made permanent. During the period under review, with due regard for Ascendis' efforts to contain costs, Carl Neethling voluntarily elected not to receive any remuneration for his role as an executive director and CEO of the Group. The board, with guidance from the Human capital committee, is in the process of reviewing a suitable remuneration structure for the executive function going forward and more details have been disclosed in the remuneration report commencing on page 38 of this integrated report.

During Carl Neethling's tenure as an executive director, CEO and acting CFO, he – in accordance with instructions from the board – has overseen and managed the internal shift in the organisation to an investment holding company structure, with significant autonomy and responsibility devolved to the operating subsidiaries within the Ascendis Group. With support from the transition team, he renegotiated all the major aspects of commercial and cost structures, and fast-tracked the change in the operating model. He implemented the appropriate capital structure and capital allocation framework, ultimately eliminating Group debt and obtaining net working capital and asset-backed facilities for the business units.

The appointment of directors is undertaken in a formal and transparent manner by the board, assisted by the Human capital committee.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

All non-executive directors are subject to retirement by rotation and re-election by the shareholders at least once every three years, as determined in the Company's Memorandum of Incorporation. At the annual general meeting (AGM) held in November 2022, Dr Karsten Wellner was re-elected for a further three years. At the upcoming AGM in November 2023, Amaresh Chetty and Lawrence Mulaudzi will be retiring as non-executive directors and have made themselves available for re-election.

The age, tenure, status and experience of each director are detailed on pages 36 to 37.

### Key focus areas addressed by the board

The board's focus was primarily on setting a stable and sustainable foundation for the future of the Group. As part of this, the board had oversight of  the following key areas during the financial year:

- Repayment of debt and Group restructuring, including the disposal of assets
- Stabilising governance structures, including the implementation of appropriate board structures and ensuring the effectiveness of the board
- Stabilising people and leadership, with a focus on succession planning, retention of key talent and supporting programmes to improve employee wellbeing during the period of instability through the Group restructuring
- Restructuring of the head office to align with the needs of the smaller, post-group restructuring business
- Continued monitoring of the Group's liquidity and cash flow requirements, including the oversight of the negotiation of extended terms with vendors on deferred payments
- Business rescue of Surgical Innovations

The board's focus areas are covered in further detail in the leadership review covered on pages 14 to 21.

## Annual general meeting

At the AGM held on 30 November 2022, the required majority of shareholders did not support the following ordinary and special resolutions:

- Re-appointment of Mr Harry Smit as a non-executive director.
- Authority for the Group to provide financial assistance for purposes of sections 44 and 45 of the Companies Act.

The remainder of the ordinary and special resolutions put forward were passed successfully.

## Company secretary

The company secretary ensures that board procedures and all regulations and governance codes are applied. The company secretary provides guidance to directors on governance, compliance and their fiduciary duties and assists in the orientation of new directors. Directors have unrestricted access to the advice and services of the company secretary.

The board of directors has satisfied itself that the company secretary has the competence, and qualifications to perform the role, as required by the JSE Listings Requirements. The company secretary is not a director of the Company and has an arm's-length relationship with the board.

## Board committees

The directors have delegated specific functions to committees to assist the board in meeting its oversight responsibilities.

The committees all have formal charters, and the directors confirm that the committees have functioned in accordance with these terms of reference during the financial year.

During the reporting period, the board reviewed and amended the committee composition following the changes to the board.

### Audit and risk committee

#### Composition

**Chairman: Amaresh Chetty (independent non-executive director**

Other members:  Dr Karsten Wellner (independent non-executive director) and Lawrence Mulaudzi (non-executive director)

All the members are elected by shareholders at the AGM each year.

The company secretary, external auditor, executive director and key management attend meetings by invitation.

The committee has a formal charter which has been approved by the board and is reviewed annually.

#### Role and responsibilities of the Audit and risk committee

The committee performed the following functions during the year:

- Reviewed the interim and annual results to ascertain that the financial results are valid, accurate and fairly represent the Group's performance.
- Had oversight of integrated reporting and confirmed the integrity of the integrated annual report, as well as any other form of public reporting or announcements containing financial information.
- Reviewed the Group annual financial statements, ensuring they are compliant with accounting standards and legal requirements, and recommended them for approval by the board.
- Ensured that the Company has established appropriate financial reporting procedures and that these procedures are operating, which includes consideration of all entities included in the consolidated group annual financial statements. The Company has access to all the financial information of the Group to allow the Company to effectively prepare and report on the financial statements of the Group and Company.

- Ensured that the ongoing corporate activity is appropriately accounted for and disclosed in the annual financial statements and other forms of public reporting or announcements containing financial information.
- Reviewed the audit and risk committee and the internal audit charters.
- Confirmed the terms of engagement of the external auditor and had oversight of the change of auditors to Nexia SAB&T.
- Reviewed and monitored the implementation of the policy relating to non-audit services by the external auditor.
- Ensured that the scope of non-audit services did not compromise the independence of the external auditor.
- Had oversight of the activities and co-ordination of the external audits.
- Received feedback from management on systems of internal control.
- Reviewed and received assurances on the independence and objectivity of the external auditor.
- Reviewed and was satisfied with the competence of the external auditors and the designated audit partner and requested the information in paragraph 22.15(h) in their assessment of same.
- Considered the implication of the decision to reduce the extent of internal audit involvement during the current year, due to the state of transition the Group found itself in, and the effectiveness of the related mitigating activities by management.
- Had oversight of IT development with ongoing feedback on progress to the committee.
- Received feedback on follow-up matters arising from the 2022 external audit management letter.
- Conducted an annual assessment of the committee and its members.
- Considered and was satisfied with the appropriateness of the expertise and experience of the acting CFO and the finance department.
- Reviewed the Group insurance cover in place and ensured that the Group was sufficiently covered.
- Reviewed and updated the levels of authority framework.
- Monitored the progress made to improve tax processes, controls and compliance across the Group, and considered whether the correct tax treatment had been applied.
- Ensured that the Group has established appropriate financial reporting procedures and that those procedures are operating effectively.

## Human capital committee

The Human capital committee is responsible for matters pertaining to remuneration and nominations, including the remuneration report which is presented to the shareholders at the AGM for non-binding votes on the remuneration policy and the implementation thereof.

### Composition

**Chairman: Amaresh Chetty (independent non-executive director)**

Other members: Bharti Harie (independent non-executive director) and Carl Neethling (executive director)

The human resources and transformation manager regularly attends meetings at the invitation of the committee.

Harry Smit stepped down from all subcommittees and the board after the AGM on 30 November 2022. The committee has implemented a board-approved charter which is reviewed annually.

Refer to the Remuneration report on pages 38 to 44.

### Role and responsibilities of the Human capital committee

- Ensure the Group has a remuneration policy which is aligned with the Company's strategic objectives and goals, is competitive in the marketplace, and aligned to shareholders' interests
- Review and approve the remuneration of executive directors and senior managers
- Review and approve payments in terms of the annual Short-term Incentive scheme, based on performance measures
- Review and approve incentive schemes
- Propose annual fees for non-executive directors for approval at the AGM
- Determine a long-term strategy for the retention and development of executives and key personnel
- Ensure effective succession planning is in place for executives and senior managers
- Ensure the board and its committees have an appropriate balance of skills, experience, gender and diversity
- Identify and nominate candidates for appointment to the board and committees
- Coordinate the annual board and committee evaluation process
- Review the performance of the chairman and members of the board and committees annually, as well as the CEO, acting CFO, and company secretary
- Co-ordinate the induction programme for new directors and continuing development for all directors
- Recommend to shareholders the annual re-election of non-executive directors by rotation and the appointment of Audit and risk committee members

- The Human capital committee has a policy on the promotion of broader diversity at board level specifically focusing on gender, age, race, culture, field of knowledge, skills and expertise.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## Social, ethics and transformation committee

### Composition

**Chairman: Dr Karsten Wellner (independent, non-executive director)**

Other members: Amaresh Chetty (independent, non-executive director) and Bharti Harie (independent, non-executive director)

The human resources and transformation manager regularly attend meetings at the invitation of the committee.

The committee has implemented a Social, ethics and transformation committee charter which has been approved by the board and is reviewed annually.

### Role and responsibilities of the Social, ethics and transformation committee

- Assist the board in determining the impact of the business on the environment, society and the economy.
- Monitor the Group's activities relating to social and economic development, the environment, and health and public safety.
- Advise the board on factors impacting the long-term sustainability of the business.
- Monitor adherence to corporate citizenship principles and ethical behaviour.
- Ensure the Group's interactions with stakeholders are guided by legislation and regulation.
- Provide guidance on empowerment and transformation, labour and employment.
- Oversee corporate social investment projects.

Refer to the Social, ethics and transformation committee report on pages 45 to 49.

## Board and committee attendance

| | Board | Audit and risk | Human capital | Social, ethics and transformation |
|---|---|---|---|---|
| **Number of meetings** | **5** | **7** | **6** | **3** |
| Bharti Harie | 5 | – | 6 | 3 |
| Dr Karsten Wellner | 5 | 6 | – | 3 |
| Lawrence Mulaudzi | 4 | 5 | – | – |
| Amaresh Chetty | 5 | 7 | 6 | 3 |
| Carl Neethling | 5 | – | 6 | – |
| Theunis de Bruyn | 4[1] | – | – | – |

Notes:

[1] *Theunis de Bruyn only joined the board in October 2022 and has attended all board meetings following his appointment.*

## Risk management

The board is responsible for the governance and oversight of the risk management process and is assisted in this process by the Audit and risk committee. The executive responsible for risk matters ensures an efficient and effective enterprise risk management process operates across the Group. He is responsible for compiling and overseeing the implementation of the Group risk management policy and reports to the Audit and risk committee and board on risk management and mitigation measures.

The implementation of the business strategy is dependent on management taking calculated risks that are in the best interests of the Company and its stakeholders and ensuring that adequate controls are in place to mitigate the level of risk. Sound management of risk enables Ascendis Health to anticipate and respond to changes in the healthcare industry and make informed decisions under conditions of uncertainty.

The purpose of the risk management policy is to identify, assess, manage and monitor the risks to which the business is exposed. Risk registers are maintained and reviewed periodically in all the group's businesses as well as for the Group as a whole. Information technology governance forms an integral part of the Group's risk management process, with the Audit and risk committee assisting the board in meeting its responsibilities in this regard.

Management has implemented systems of internal controls and effective risk-based internal audits aimed at:

- Safeguarding assets and reducing the risk of loss, error, fraud and other irregularities
- Ensuring the accuracy and completeness of accounting records and reporting
- Preparing timely and reliable financial statements and information in compliance with relevant legislation
- Complying with generally accepted accounting policies and practices
- Increasing the probability of anticipating unpredictable risk
- Mitigating key risk exposures

The board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business in the past financial year. The board also ensures that its risk management is aligned to the King IV principles.

### Accountability and compliance

Details of the systems of internal controls, as well as the external audit function, are contained in the Audit and risk committee report in the audited annual financial statements for the year ended 30 June 2023, available on the Group's website: www.ascendishealth.com

### Legislative compliance

Legislative and regulatory compliance is monitored by the company secretary and the Group's internal legal department.

A regulatory universe process has been implemented and is managed with the divisional heads. There were no cases of material legislative or regulatory non-compliance, and no penalties or sanctions were imposed on the Group or any of its directors or officers during the year.

### Ethics management

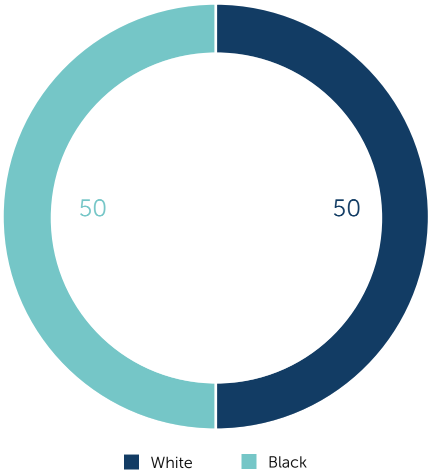
The board considers the ethics of the Group as critical to the successful operation of its businesses. Ethical practices and good corporate governance are key values of the Ascendis Health culture and are constantly promoted and measured in the regular activities of the employees and management. To this extent, Ascendis Health has established a code of ethics and policies on, among others, conflicts of interest, fraud, bribery and corruption, and sanctions.

Our employees are expected to report concerns or suspicion of human rights violations, unethical labour and business practices in our business or any supplier tier at the earliest possible stage. If preferred, the employee can utilise our anonymous fraud and corruption hotline AscendEye. AscendEye is a 24-hour, toll-free fraud hotline available to all Ascendis Health employees, suppliers, consumers, contractors, subcontractors and agents to report suspected violations of our code.

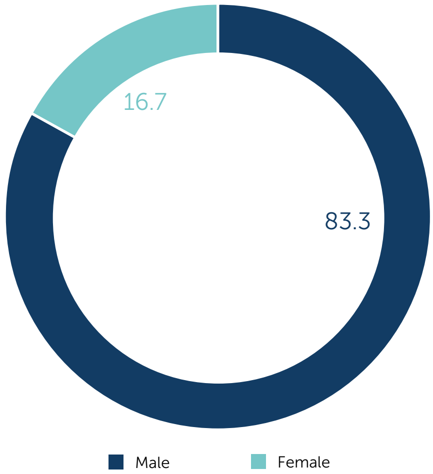
The hotline is independently administered by KPMG and information reported will be kept confidential, except as needed to conduct a full and fair investigation. The identity of the whistle-blower is protected. All received disclosures are categorised into high, medium or low priority and are subsequently reported appropriately.

# BOARD PROFILE

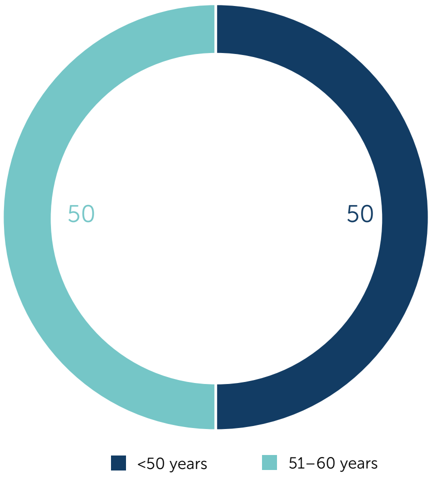
### Board race diversity (%)



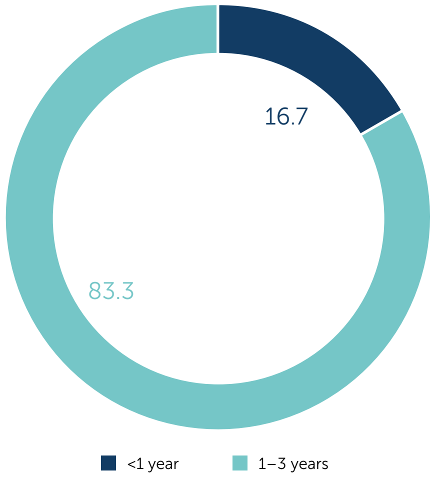

### Board gender diversity (%)



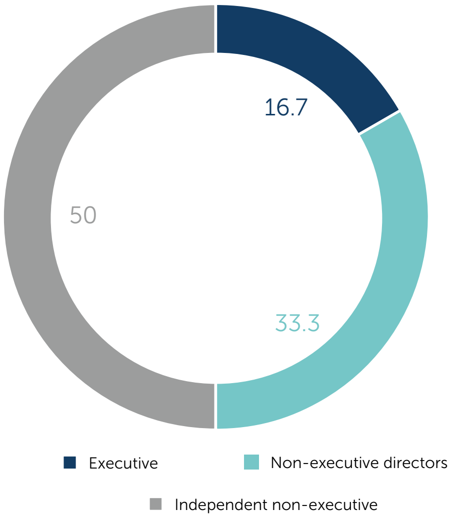

### Board ages (%)




### Board tenure (%)




### Director classification (%)




CORPORATE GOVERNANCE

# BOARD OF DIRECTORS

## Carl Neethling (43)

Executive director
CA(SA)
*Appointed to the board in May 2022*

Carl has extensive commercial experience having co-founded Acorn Private Equity, a leading alternative asset fund manager, in 2009.

He is a respected dealmaker and entrepreneur who serves in different positions on various company boards and, as Chief Investment Officer of Acorn, he oversees the management of more than R5 billion in assets alongside a highly regarded investment team.

Prior to founding Acorn, Carl was Global Investment Controller for all real estate and private equity investments at Westmont Group, in partnership with Goldman Sachs and other influential investors.

Carl has gained an extensive network through his vast business interests and has a unique mix of local and international experience that brings a well-tested perspective on value creation, management, and governance.

## Bharti Harie (52)

Independent non-executive and Chairman of the board
LLM BA LLB
*Appointed to the board in May 2022*

Bharti is a seasoned director with over 10 years of experience, with experience in board deliberations relating to shareholder/stakeholder relations, traversing tough economic times and black swan events such as Covid-19 and business recovery planning.

She presently serves as an independent non-executive on the following boards, where she also is chairman of various sub-committees: Stefanutti Stocks Limited; Lenmed Investments Limited (Lenmed); Bell Equipment Sales South Africa; St. David's Marist Brothers, Inanda; and EOH Holdings Limited.

Bharti has previously served as lead independent non-executive director of Ascendis Health Ltd.

Bharti is an Admitted Attorney, Notary and Conveyancer.

## Amaresh Chetty (45)

Independent non-executive director
BCom; Post-graduate Diploma in Business Management; Master of Business Administration; Certificates (Valuations; Corporate Restructuring; Mergers and Acquisitions)
*Appointed to the board in May 2022*

Amaresh has in excess of 20 years' investment and commercial experience with significant healthcare experience having previously completed a R1 billion empowerment transaction with Medi Clinic.

Amaresh has extensive capital markets experience supplemented with operational experience and transactions that have ranged from early stage to growth capital, replacement capital and leveraged buy-outs, and includes cross-border transactions.

He has previously served as Head of Private Equity at a family office and was a founder director of Ithuba, the operator of the South African national lottery.

Amaresh brings an extensive network of corporate relationships and currently holds several active directorship roles including on various audit, remco and investment sub-committees.

## Theunis de Bruyn (55)

Non-executive director
CA(SA)
*Appointed to the board in October 2022*

Theunis is an accomplished businessman and qualified chartered accountant. He is the founder and managing director of Calibre Capital, a material shareholder in the Company, and he brings to the Company a wealth of broad experience across several sectors and business disciplines, including private equity, asset management and investment research. Theunis has been educated in South Africa (University of Pretoria and UNISA) and the United States of America (Harvard).

## Dr Karsten Wellner (61)

Independent non-executive director
Master's degree in Economics; PhD in International Economics (magna *cum* laude)
*Appointed to the board in December 2021*

Karsten has extensive top management and M&A experience with global healthcare and retail companies.

Karsten was the co-founder and Group CEO of Ascendis Health (Pty) Ltd, seeing the Company through its listing on the JSE and growth in its former years. He is the founder of GEC Consulting, has been a director of Alpha Pharm Western Cape and EC Holdings and worked for the listed global healthcare company, Fresenius, for 18 years in various countries and regions like Germany, Switzerland, Eastern Europe, the Middle East and South Africa.



## Lawrence Mulaudzi (45)

Non-executive director
National Diploma Information Technology; Post-graduate Diploma in Computer Auditing
*Appointed to the board in December 2021*

Lawrence (Shumani) has extensive experience at a senior and directorship level and is currently serving as a director on the boards of Total Energies Marketing Services (formerly Total South Africa), Tosaco Energy, Kilimanjaro Capital, Kefolile Health Investments, Kefolile Consumer Brands and Blackgold renewable energy. Lawrence is the co-founder of Kilimanjaro Capital and has invested more than R2.5 billion in multiple businesses ranging from health, consumer products and energy.

# REMUNERATION REPORT

## PART 1: BACKGROUND INFORMATION

### Remuneration philosophy

The Group's remuneration policy is aimed at creating a performance-based culture and strategy. The primary objective of the policy is to motivate management and employees to contribute to the Group's strategy by achieving operational and financial objectives and effectively managing operating expenditures.

The remuneration policy is based on the philosophy that the growth and sustainability of the Group's business is dependent on its ability to motivate and retain employees with competent skills and commitment to their scope of responsibilities, within a performance-based culture, and with ethical and responsible corporate citizenship.

### Remuneration structure overhaul

As previously reported, both staff costs and skills mix at the end of the 2022 financial year were incongruent with the needs of a smaller and more agile group. During the 2023 financial year, the remuneration structure was disposed of and the committee, in consultation with senior management, formulated a new framework from first principles. To this end, the committee took cognisance of the newly introduced strategic objectives of the board, as well as the interventions that senior management had made in the business, including:

- organisational restructuring that flattened the top structures in the Group, ensuring that the CEO and CFO roles are more operational in nature;
- ensuring that people with the right competencies are placed in the appropriate roles at the right earnings level;
- alignment of incentive structures across the Group with performance outputs that drive shareholder value; and
- benchmarking of salaries, bearing in mind the reality of the Group's smaller size.

### Remuneration governance

The board is responsible for the remuneration policy and has delegated responsibility to the Human capital committee for the Group's remuneration practices.

The committee comprises three directors, namely, Amaresh Chetty (chairman and independent non-executive director), Bharti Harie (independent non-executive director) and Carl Neethling (executive director) and conforms with the King IV guidelines. The committee is governed by a formal charter which is reviewed and approved annually by the board.

The committee meets at least three times a year and additional meetings can be held to discuss specific issues arising in the business. In the 2023 financial year, the committee met six times. The meetings are aligned to the review and approval of the budgeted remuneration for each year.

The executive directors are responsible for the implementation of the remuneration policy and ensuring that performance metrics are cascaded appropriately throughout the organisation.

The fees for non-executive directors are reviewed annually by the committee and presented to the board for approval. These fees are then presented to shareholders for approval at the AGM.

During the financial year and to the date of this report, the committee addressed the following key matters:

- Provided oversight of the implementation of the head office restructure with a view to materially reducing the head office costs and aligning them with the needs of the smaller post-recapitalisation South African-only business;
- Provided input on revised remuneration structure to ensure staff are appropriately remunerated in accordance with their competencies and responsibilities;
- Determined a revised short-term incentive model in line with the aforementioned revised strategic objectives in respect of remuneration for the 2024 financial year;
- Determined and recommended to the board the proposed non-executive directors' fees for the 2024 financial year, which resulted in an average 9% reduction in the total aggregated fees per position. The proposal is aimed at equitable compensation to non-executive directors during a period of multiple corporate actions while taking into consideration the current economic environment and the liquidity challenges faced by the company. This updated fee structure is discussed on page 44 and will be proposed to shareholders for approval at the forthcoming AGM; and
- Reviewed and approved the Remuneration policy and Implementation report for inclusion in the 2023 integrated annual report and presentation at the next AGM for shareholders' approval as non-binding resolutions.

This remuneration report focuses on the remuneration of the executive directors and non-executive directors for the period ended 30 June 2023.

## Shareholder engagement and voting

The remuneration policy and the implementation report are subject to separate non-binding advisory votes at the AGM each year, in accordance with the recommendations of King IV. In line with the requirements of King IV, should either the remuneration policy or the implementation report receive 25% or more dissenting votes, management will engage directly with these shareholders to determine the reasons for the dissenting votes and take reasonable measures to address legitimate concerns. The steps taken to address legitimate and reasonable concerns will be disclosed in the following year's integrated report.

At the AGM held in November 2022, the holders of 95.8% of shares voted at the AGM voted in favour of the remuneration policy and the holders of 96.3% of shares voted at the AGM supported the implementation report in these non-binding advisory votes. These non-binding advisory votes thus passed with overwhelming support by shareholders.

## PART 2: REMUNERATION POLICY

### Remuneration principles

The key principles embedded in the remuneration policy are designed to:

- Align remuneration practices with the delivery of the Group's strategy and ensure that remuneration of executive management is fair and responsible in the context of overall employee remuneration
- Ensure that executive reward schemes are aligned with shareholders' interests and are subject to performance conditions
- Develop and retain employees in the healthcare industry who contribute to the group's sustained business growth
- Establish remuneration packages that comprise annual guaranteed pay, performance-based bonuses for participating management teams who are key to the delivery of growth strategies and other appropriate benefits
- Recognise and reward employees by promoting a performance-based culture which incorporates both short- and long-term objectives
- Ensure the Group's remuneration structures are competitive in the market in comparison to similar size businesses
- Ensure internal equity among employees
- Grant annual increases which are performance-based, in line with the responsibilities of the job and within the market benchmark and the employee development curve
- Encourage career path aspirations and develop succession planning within the Group
- Ensure compliance with applicable legislation and regulatory codes

### Fair and responsible remuneration

The Group is aware of the societal tensions relating to minimum wages and the wage gap and is committed to adopting fair and responsible remuneration practices as a responsible corporate citizen.

The committee is required to ensure that executive remuneration is justifiable in the context of overall employee remuneration. The Group is committed to applying measures that will realise the principle of fair and reasonable remuneration, including:

- Equal pay for equal work
- Performance reviews
- Annual assessment of competitive remuneration packages for key personnel
- Position grade and development curve placement inform the benchmark percentile to ensure market competitive remuneration
- Increased investment in training and leadership development to facilitate promotional opportunities, retention, and ongoing capability development
- Internal talent pipeline development programmes facilitated through personal development programmes established on a blended learning model
- Discretionary and promotional increase programmes based on measurable performance and development metrics
- Total payroll movement percentage determined by the board, as guided by the annual increase in the consumer price index and economic and employment market conditions

### Remuneration practices

The complexities of the Group's business model are considered together with the regulatory environment within the healthcare sector in which the Group operates. The pay policy aims to pay employees on the 50th percentile on average. Skilled positions where it is difficult to source talent are paid at levels to retain the best skills and are generally paid between the 50th and 75th percentile.

Attrition savings are applied where necessary, to align human resource costs to business performance. Staff turnover is measured monthly and reported to the committee and the Social, ethics and transformation committee, and the underlying reasons are assessed in terms of risk to the Company.

Diversity and gender-based appointments continue to improve employment equity and employee diversity.

### Impact of the Group restructure and senior management incentives during FY21-FY23

The committee has evaluated the original management incentive plan (MIP) set up during FY21 and implemented over FY22 and part of FY23, as part of the Group recapitalisation to ensure that its construct was fair and appropriate for the Group. An independent remuneration consultancy firm, 21st Century Pay Solutions, was engaged to review the contracts for the MIP to:

- Determine whether the base enterprise values were set appropriately
- Ensure that the computation of the MIP was correct, considering the contractual performance conditions such as penalties for not meeting agreed milestones

# REMUNERATION REPORT (CONTINUED)

- Assess whether the MIP can be renegotiated within permitted parameters

The outcome of 21st Century's assessment was that the committee is within its right to apply reasonable discretion to determine the ultimate payments of the MIPs. The payments were ultimately finalised on this basis.

The committee approved discretionary awards to individuals during FY23 based on the financial performance and additional effort applied but did not formalise a Management Incentive Scheme during this period due to the overlap of the MIP.

## Future incentive scheme

The committee has approved a revised future Short-Term Incentive (STI) scheme for management and key personnel aimed at delivering shareholder value through operational excellence, in the form of short- and longer-term objectives.

The scheme comprises both financial and personal KPIs, with the highest weighting geared towards financial targets in line with the Group's strategy. The scheme has also been capped at a maximum of 32% of annual earnings for staff who participate in Category A (Top and Senior Management staff) and a maximum of 16% of annual earnings for staff who participate in Category B (Other staff), which the committee believes is fair and reflective of the operating environment, size of business and industry benchmarks.

## Prescribed officers

The prescribed officers of Ascendis Health in terms of the Companies Act are the executive directors and their remuneration is disclosed annually in the implementation report.

## Executive directors' (CEO and managing directors) remuneration structure and design

In FY22-FY23 executive directors were remunerated in line with legacy employment and incentive agreements and the committee has since embarked on a revision and implementation of an appropriate executive-level remuneration structure for FY24 that is aligned to the size and key objectives of the underlying portfolio companies, and which is in alignment with the Group's strategy.

The remuneration structure of the executive directors is based on:

| Guaranteed pay | | Variable pay |
|---|---|---|
| **Core component of remuneration. It is set to reflect the market value of the role within a 50th to 75th percentile.** | | **Encourages achievement of mid- to long-term targets** |
| **Base salary** | **Benefits** | **STI (Category A)** |
| Market-related salary based on role within the size of the business and prescribed performance. | Benefits include medical aid, provident fund, disability, life and funeral cover and access to an employee assistance programme (EAP). | The STI incentivises the achievement of strong operational results. Targets are based on a 12-month view aligned with the reporting period and taken in the context of the longer-term goals of the Group. Targets are both financial and non-financial. The financial targets constitute 75% of the STI and are based on an average weighted achievement of 90% of FCF, ROIC and Personal KPIs, weighted as follows:<br>• 50% on ROIC<br>• 25% on FCF<br>• 25% of the STI is based on personal KPIs which include:<br>I. Setting and implementation of the business strategy<br>II. Internal and business controls development<br>III. Talent management<br>IV. STIs are capped at a maximum of 32% of total annual guaranteed pay respectively. |

## Other management and staff (functional heads and key staff)

Senior managers and selected key staff receive an annual guaranteed salary, which includes retirement and healthcare benefits. Salaries may include premiums of up to 25% for scarce and critical skills and positions. A performance-based, market-related annual salary increase is applied dependent on the financial position of the Company.

Selected other management and staff received discretionary awards during FY23 based on their financial performance and their participation in key projects, but a Management Incentive Scheme was not formalised during this period for all participants, as a result of the MIP overlap.

In future, the variable portion will be based on a performance-based annual bonus, which comprises financial and non-financial objectives contained within the STI scheme under Category B.

| Guaranteed pay | | Variable pay |
|---|---|---|
| **Core component of remuneration. It is set to reflect the market value of the role within a 50th to 75th percentile.** | | **Encourages achievement of mid- to long-term targets** |
| **Base salary** | **Benefits** | **STI (Category B)** |
| Market-related salary based on role within the size of the business and prescribed performance. | Benefits include medical aid, provident fund, disability, life and funeral cover and access to an EAP. | The STI incentivises achievement of strong operational results. Targets are based on a 12-month view aligned with the reporting period and taken in the context of the longer-term goals of the Group. Targets are both financial and non-financial. The financial targets constitute 50% of the STI and are based on an average weighted achievement of 90% of FCF, ROIC and Personal KPIs, weighted as follows:<br>• 35% on ROIC<br>• 15% on FCFT<br>• 50% of the STI is based on personal KPIs which include:<br>V. Setting and implementation of the business strategy<br>VI. Internal and business controls development<br>VII. Talent management<br>VIII. STIs are capped at a maximum of 16% of total annual guaranteed pay respectively. |

## Non-executive directors

In the annual review of the non-executive directors' fees, the committee takes into consideration external benchmarking surveys such as the Institute of Directors SA Non-Executive Directors' Fees Guide. In addition, the proposed directors' fees consider the level of responsibility and activity of each director in the meetings of the board and its committees.

The non-executive directors are paid a quarterly fee for their services as directors as well as for serving on the board committees. The fees are based on the number of meetings planned for the year as well as regulatory and governance responsibilities.

In accordance with best corporate governance practices, non-executive directors do not participate in the Group's incentive schemes, nor do they have employment contracts with the Group.

# REMUNERATION REPORT (CONTINUED)

## PART 3: IMPLEMENTATION REPORT

Details of the remuneration paid to executive and non-executive directors for the financial year ended 30 June 2023 are provided in this section of the report. The committee is satisfied that the remuneration policy has been consistently applied in the 2022/3 financial year and that there have been no deviations from this policy.

Disclaimer: Executive and non-executive remuneration may seem low in comparison to prior years due to tenure.

### Total directors' remuneration

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Executive directors | **less than 1** | 24 010 |
| Non-executive directors | | |
| • set annual fees | **2 248** | 3 079 |
| • other services | **n/a** | 3 285 |
| • additional fee for extraordinary meetings | **n/a** | 801 |
| **Total** | **2 248** | 31 175 |

### Staff increases

In respect of the 2023 non-executive directors' remuneration, the committee endorsed an average 9% reduction in the total aggregated fees per position relative to the fees for 2022. The committee also took a decision to apply an average 5% increase for the staff in the business units, effective 1 July 2023.

For the 2024 financial year, the committee awarded 3-5% total payroll movement for lower income earners and selected staff in line with the financial performance of the respective businesses.

### Executive directors' emoluments 2023

The committee has assessed the achievement of the financial and individual KPI of the CEO and CFO for the year ended 30 June 2023. The remuneration is set out below:

| | **Basic salary R** | **Bonus R** | **Incentives R** | **Benefits and costs R** | **Termination cost R** | **Total** |
|---|---|---|---|---|---|---|
| C Neethling | **9** | – | – | – | – | **9** |
| CJ Kujenga | **234 791** | – | – | **132 743** | **3 333 370** | **3 700 904** |
| **Total** | **234 800** | – | – | **132 743** | **3 333 370** | **3 700 913** |

## Non-executive directors' fees

The remuneration of non-executive directors has been reviewed by the committee, taking into consideration the reduced size of the Group, the industry and complexity of the business, the continued large volume of ad hoc board and committee meetings, the time commitment required of the non-executive directors and the level of experience, skills and knowledge the non-executive directors bring to the board.

Shareholders approved the following non-executive directors' fees for 2023 at the AGM held in November 2022:

| Fees paid in FY23 | R'000 |
|---|---|
| Chairman of the board | 798 |
| Lead independent non-executive director | 293 |
| Member of the board | 265 |
| Chairman of the Audit and risk committee | 211 |
| Member of the Audit and risk committee | 89 |
| Chairman of the Human capital committee | 95 |
| Member of the Human capital committee | 57 |
| Chairman of the Social, ethics and transformation committee | 119 |
| Member of the Social, ethics and transformation committee | 59 |

The fees comprised an annual fee based on the positions fulfilled by each director, with the expectation of attendance at a pre-determined minimum number of meetings per annum: board (four meetings); Audit and risk committee (four meetings); Human capital committee (three meetings); and Social, ethics and transformation committee (two meetings). All travel and accommodation expenses incurred by directors to attend board and committee meetings are paid by the Company. Due to the lifting of the Covid-19 lockdown restrictions, a combination of virtual and in-person meetings were held.

The fees paid for the 2023 financial year represent an average 15.8% reduction in the fees per position from the 2022 financial year.

The fee structure that was approved by shareholders at the AGM and was paid to the non-executive directors for 2023 was as follows:

| (R'000) | Base fee for FY23 | Fee per extraordinary meeting attended | Capped total additional fee |
|---|---|---|---|
| **Position** | | | |
| **Board (maximum 12 additional meetings)** | | | |
| Chairman | 798 | 12.1 | 146 |
| Lead independent non-executive director | 393 | | |
| Board member | 265 | | |
| **Audit and risk committee (maximum four additional meetings)** | | | |
| Chairman | 211 | 3.2 | 13 |
| Member | 89 | | |
| **Social, ethics and transformation committee (maximum three additional meetings)** | | | |
| Chairman | 95 | 1.5 | 5 |
| Member | 57 | | |
| **Human capital committee (maximum two additional meetings)** | | | |
| Chairman | 119 | 1.8 | 4 |
| Member | 59 | | |

# REMUNERATION REPORT (CONTINUED)

At the AGM to be held on 30 November 2023, the following amended fee structure will be proposed to shareholders for the 2024 financial year:

| (R'000) | Approved fees for FY23 | Proposed fees for FY24 |
|---|---|---|
| **Position** | | |
| Chairman | 798 | **647** |
| Lead independent non-executive director | 393 | **n/a** |
| Board member | 265 | **252** |
| Audit and risk committee chairman | 211 | **193** |
| Audit and risk member | 89 | **90** |
| Social, ethics and transformation committee chairman | 95 | **98** |
| Social, ethics and transformation committee member | 57 | **51** |
| Human capital committee chairman | 119 | **97** |
| Human capital committee member | 59 | **59** |

## Directors' and associates' shareholdings (as at 30 June 2023)

| **2023 Directors** | **Direct beneficial shares** | **Indirect beneficial shares** | **Indirect non-beneficial shares** | **Total** |
|---|---|---|---|---|
| SL Mulaudzi | – | **56 321 482** | – | **56 321 482** |
| CA Neethling | **9 097 350** | **65 947 438** | – | **75 044 788** |
| K Wellner | **1 278 124** | – | **2 365** | **1 280 489** |
| B Harie | **4 602** | **245 923** | – | **250 525** |
| A Chetty | – | – | – | – |
| T De Bruyn | – | **78 072 509** | – | **78 072 509** |
| **Total** | **10 380 076** | **200 587 352** | **2 365** | **210 969 793** |

| 2022 Directors | Direct beneficial shares | Indirect beneficial shares | Indirect non-beneficial shares | Total |
|---|---|---|---|---|
| SL Mulaudzi | – | 56 321 482 | – | 56 321 482 |
| CA Neethling | 7 013 806 | 15 569 699 | – | 22 583 505 |
| K Wellner | 1 278 124 | – | 2 365 | 1 280 489 |
| H Smit | 220 000 | – | – | 220 000 |
| B Harie | 3 548 | 189 600 | 6 535 | 199 683 |
| Total | 8 515 478 | 72 080 781 | 8 900 | 80 605 159 |

# SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

*The board's Social, ethics and transformation committee (SETC) is a statutory committee which assists in monitoring the Group's business behaviour and ensuring that it reflects the ethical, transformative and sustainability objectives of the larger Group. The SETC is governed by terms of reference which detail its duties in terms of the Companies Act, the JSE Listings Requirements and King IV, as well as responsibilities delegated to it by the board.*

This report is presented in accordance with the requirements of the Companies Act.

## Role and responsibilities of the SETC

The SETC acts in terms of the delegated authority of the board and is a central part of the Group's governance structure. It assists in monitoring the Group's activities and disclosures in terms of legislation, regulation and codes of best practices relating to:

- Social and economic development
- Ethics practices
- Good corporate citizenship
- Consumer relationships
- Labour and employment
- Transformation, empowerment, gender and diversity
- The impact of the Group's products or services on the environment, society and the economy
- Health and safety standards

The SETC also advises the board on any social, ethical or transformation issues that may impact the long-term sustainability of the business. The SETC monitors functions required in terms of the Companies Act and its regulations and ensures appropriate short-, medium- and long-term targets are set by management.

## Composition and functioning

The SETC comprises independent non-executive directors Dr Karsten Wellner (chairman), Bharti Harie and Amaresh Chetty. Executive and operational management, including the Group transformation and human resources manager, attend meetings at the invitation of the SETC.

The effectiveness of the SETC is assessed as part of the annual board and SETC evaluation process.

## Activities

The SETC met twice during the 2023 financial year. While the primary emphasis for the Group during this period centred on debt and corporate restructuring and corporate initiatives, the SETC maintained its vigilance in assessing the Company's progress across various domains. These included human resources, corporate social responsibility, employment equity, B-BBEE and transformation, black management development, and adherence to environmental, health, and safety regulations. The SETC also retained its responsibility for ensuring the effective implementation of all required health and safety protocols. Its activities are summarised below and are disclosed as recommended by the King IV principles.

# SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT (CONTINUED)

## Corporate social investment

Ascendis Health Group is acutely aware of South Africa's malnutrition crisis. Recent data indicates that malnutrition afflicts two out of every three children under five. Disturbingly, acute malnutrition, spanning both moderate and severe cases, underpins a third of all child in-hospital deaths in the country.

Our products are designed to bolster weakened immune systems in both children and adults, actively combating the nation's malnutrition statistics. To amplify our impact, we have donated vitamins to numerous children's homes. In FY23 alone, we welcomed partnerships with Othandweni Children's Home, TLC Children's Home, Seven Passes, and Doctors for Life, intensifying our support for underserved communities by prioritising child health.

Our commitment to Corporate Social Investment (CSI) pivots on fostering partnerships and collaborations. Ascendis actively unites with governmental bodies, non-profit entities, and community-based organisations, pooling resources to reinforce and magnify positive health outcomes.

*CSI Donations FY23:*

| Fiscal | Name of Organisation | NPO Number | Details of Stock | Value of Donation | Date of Donation |
|---|---|---|---|---|---|
| FY23 | Othandweni Children's Home | 000-566 NPO | Stock | R87 704,12 | 20 Oct 22 |
| FY23 | TLC Children's' Home | 054-364 NPO | Stock | R392 945,00 | 23 Mar 23 |
| FY23 | Seven Passes | 065-133 NPO | Stock | R132 355,00 | Apr 23 |
| FY23 | Doctors for Life | 030-091 NPO | Stock | R438 780,00 | Apr 23 |
| FY23 | Othandweni Children's Home | 000-566 NPO | Stock | R168 405,00 | Apr 23 |

## Transformation

The SETC has set objectives for each of the five elements of the revised DTI Codes of Good Practice on Black Economic Empowerment (B-BBEE) and maintains the responsibility for monitoring and reviewing all aspects of the group's B-BBEE strategies. The Group's B-BBEE rating improved from a Level 3 in FY23 to a Level 2 in FY24.

The SETC has taken steps to secure top management's dedication to B-BBEE by integrating it into KPI measurements. The Group initiates a baseline assessment consistent with the published Economic Active Population statistics, which establish the foundation for the transformation targets agreed upon with each portfolio company.

These targets are then translated into KPIs. Performance relative to these KPIs is evaluated monthly during regular business review cycles and is overseen by both the Human capital committee and the SETC.

Furthermore, the Group has updated its recruitment procedures to enhance fairness and inclusivity, mandating top management's approval for every new hire. The Group, in conjunction with its newly established Employment Equity Committees in its underlying portfolio companies, has revised the recruitment to include the use of new recruitment platforms and an inclusive interview panel format, ensuring that new recruits are interviewed by a diverse and inclusive interview panel.

## Employee support and retention

In accordance with the Group's strategy as a whole, and in response to the risks identified in relation to the potential loss of key resources within the Group's staff, the Social, ethics and transformation committee prioritised enhancing the Employee Value Proposition (EVP) of the Group in the following ways:

1. **Internal development of talent pipeline to address skills shortages**

   The Group has identified skills deficiencies within the industries in which we operate. To bridge these gaps, we have collaborated with pertinent SETAs, introducing learnerships for existing staff. This initiative not only cultivates our upcoming leadership from within but also fosters a culture of continuous growth and mentorship.

2. **Employee health and wellness**

   As the Group operates in the healthcare industry, the Company recognises the long-term benefits of healthy living and actively promotes programmes that are focused on enhancing the health and wellbeing of its employees.

As part of the commitment to "making tomorrow healthier", the Company continues to implement and promote internal programmes including fitness development, health awareness topics, occupational health and safety training, provision of medical benefits, a smoke-free workplace, and ongoing fitness challenges focused on nutrition and mental wellbeing. Employees also benefit from the annual Discovery Wellness Day where testing and screenings are undertaken to ensure monitoring and awareness of their health status.

The Company employee assistance programmes, ICAS and Strove, are available to provide counselling and intervention for those suffering from issues such as burnout, stress and depression.

3. **Personal development plans incorporating blended learning programmes implemented for all staff**

   Employees undergo the Ascendis Health Talent Assessment annually, whereby employees in conjunction with management prepare a dedicated Personal Development Plan based on the outcome of the assessment which includes both the employee and business aspirations for the year. Once concluded, the appropriate development channels are identified by the dedicated Learning and Development department and employees benefit from both formal and informal training, as well as Coaching and Mentorship programmes administrated by subject matter experts.

4. **Talent management put in place to mitigate staff turnover**

   The Group strongly believes in a holistic approach to talent management without losing sight of the aspirations and requirements of each individual employee, which forms the base of our EVP. The Group has multiple learning and development opportunities for employees supported by strong leadership and reinforced by our culture and values. Employees have access to several employee engagement initiatives throughout their tenure with the Group, which include but is not limited to recognition, enablement, development, retention, and support programmes.

5. **Critical staff list and associated successor programme put in place to mitigate turnover, and loss of institutional knowledge**

   Through the talent assessment conducted annually, staff critical to the Group strategy are identified in conjunction with a potential successor. The critical staff and their successors form part of a formalised development programme to ensure that our critical talent is developed in line with their aspirations and to prepare them for the next level within the organisation. The critical employees identified, in turn, act as mentors to the identified successors in order to equip the successor with the required skills and knowledge to move to the next level once the critical employee is promoted or moves to another position within the Group.

6. **Increased investment in training and leadership development**

   The Group has partnered with several educational institutions to provide industry/functional training for its staff and utilises the SETA-funded programmes to develop and improve the capability of both employed and unemployed individuals.

   In FY23, the Group onboarded over 75 learners onto its learnership programmes with the aim of developing talent within the various industries and disciplines in which we operate.

7. **Development of a Short-Term Incentive (STI) scheme that comprises an annual bonus based on KPIs (Category A- 75% Financial/ 25% KPI and Category B – 50% Financial/50% KPI)**

   The Group identified several areas of improvement within its underlying company portfolios and has developed an STI scheme to achieve its strategic objectives by developing a reward structure that drives the correct behaviour, aligns shareholder value and rewards staff for the achievement of KPIs.

8. **Implementation of an effective Performance Management programme that drives productivity and purpose**

   Each underlying portfolio company within the Group has set strategic objectives, which have been converted into operational objectives. The operational objectives have been filtered to each occupational level within the portfolio companies to ensure that staff understand the strategy and performance criteria, and to enable them to contribute to the Group's strategic objections meaningfully. The financial objectives are measured informally monthly and formally bi-annually, through a business unit review process.

## Environment, health and safety

The SETC plays an important role in furthering the Group's environmental objectives. These environmental, health and safety (EHS) development objectives continue to be centred on identifying opportunities for environmental sustainability and development and energy saving.

# SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT (CONTINUED)

## Culture of safety

The group's EHS department continues to monitor and evaluate incidents and report findings to the committee.

The group's companies are audited internally by the EHS department annually, as measured against local legislation and ISO standards (9001, 14001 and 45001).

During the year, emphasis was also placed on ensuring that all mandatory legal training was completed.

Furthermore, the Group exhibited its dedication to safeguarding the health and welfare of its workforce by establishing a secure and health-conscious workplace. This commitment also extended to environmental conservation, as evidenced by the ongoing enforcement of an EHS policy, which is prominently communicated and prominently displayed across all its sites. A detailed EHS Framework (with set procedures, documents, registers and forms) – placing the focus on managing EHS through legal compliance and risk management – continued to be applied.

## Energy and water saving

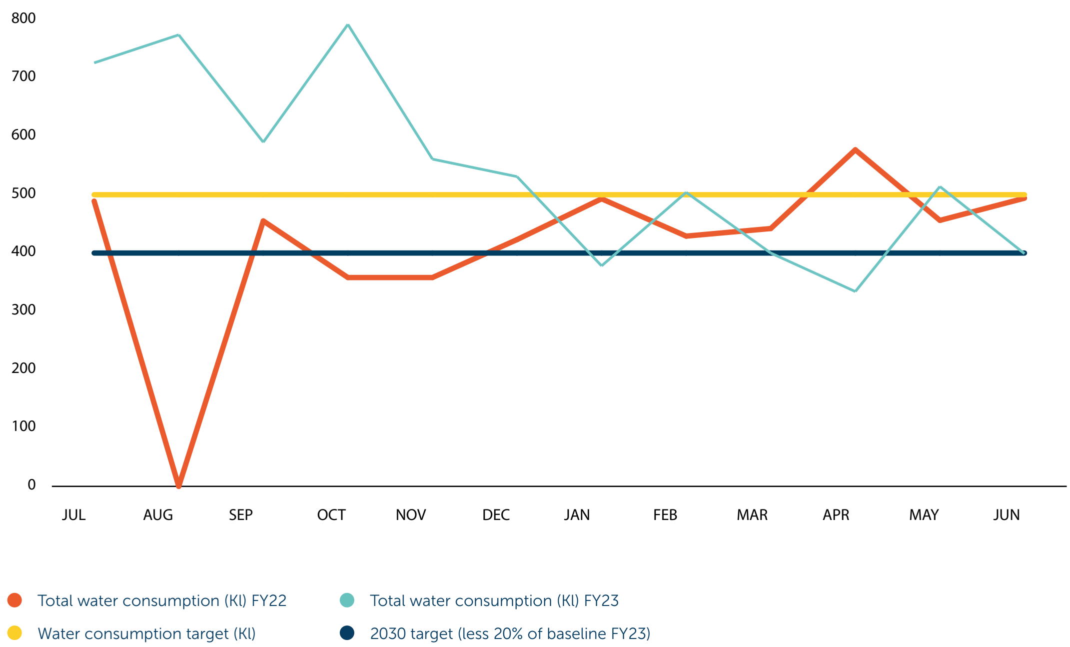
Monitoring water and energy usage metrics is vital for the Group as it supports cost savings, environmental responsibility, and compliance with regulations. Efficiently managing our water and energy resources not only aligns with our commitment to environmental stewardship but also yields tangible benefits for our bottom line. By meticulously tracking these metrics, we can identify opportunities for cost reduction and operational efficiency improvements.

The Group also installed a solar PV System at two of its branches, demonstrating the Group's commitment to sustainable energy practices but also providing a step towards reducing operational costs and carbon footprint. This eco-friendly initiative aligns with our broader vision for environmental responsibility and energy efficiency.

The Group monitors its water consumption closely to ensure responsible use of water across all sites. Many factors influence the water-usage statistics in our companies, including bathroom facilities that have low water usage functions, and further actions include the implementation of water-saving taps. Our water-usage metrics over FY23 are outlined below:

### Environmental indication – Water (Medical Companies)

### Water consumption (Kl)



## Recycling and waste management

Closely monitoring waste and recycling metrics is essential for the Group. By tracking these metrics diligently, we can identify opportunities to reduce waste, optimise resource utilisation, and lower operational costs. Furthermore, our commitment to efficient waste management aligns with our corporate responsibility and sustainability goals.

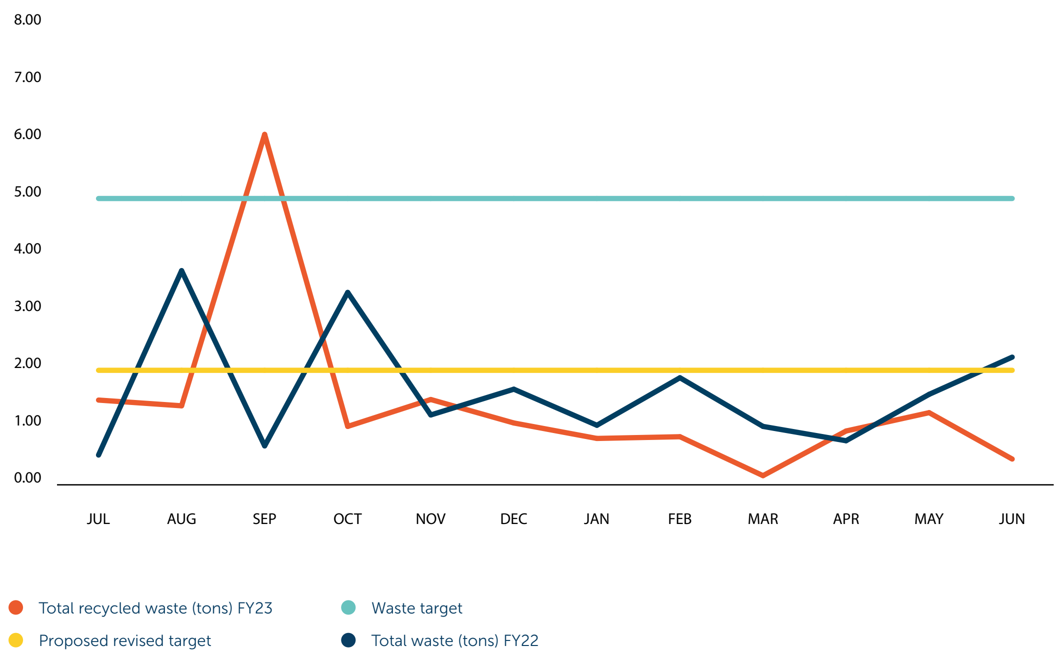
Additionally, in a world increasingly focused on sustainable practices, proactive monitoring of waste and recycling metrics helps us stay compliant with evolving regulations and mitigate potential risks. In short, our oversight of waste and recycling metrics reflects our dedication to sustainable growth, responsible corporate citizenship, and the protection of shareholder interests. The Group continues to monitor and measure waste management against internal objectives to reduce and reuse non-toxic material and recycle at source, with all Group companies actively sorting recycling waste.

The Medical Devices business has a well-established waste sorting and separation facility with efforts focused on the recycling of cardboard, paper, plastic and tetrapack.

The Group's waste management metrics for FY23 are outlined below:

## Environmental indicators – Waste (Medical Companies)

**Waste recycling (Kl)**




CORPORATE GOVERNANCE

## Conclusion

In FY23, while the Group's primary focus remained on tackling financial challenges, navigating a complex operational environment, and carrying out strategic restructures and corporate initiatives, the SETC remained instrumental in driving the Group's social, ethical, and transformational agendas. The SETC is satisfied that it has performed in accordance with legislative requirements, acknowledging that despite the Group's downsized scale and limited resources, it continues to fulfil the social, ethical, and transformational mandates outlined by the Companies Act and King IV. Our commitment to corporate citizenship and transformation objectives remains unwavering.

**Dr Karsten Wellner**
*Chairman*
*Social, ethics and transformation committee*

# SHAREHOLDER INFORMATION
as at 30 June 2023

| 30 June 2023<br>Spread of ordinary shareholders | Number of shares | Percentage of shares | Number of shares | Percentage of shares |
|---|---|---|---|---|
| Public shareholders[(1)] | **415 075 683** | **65.6%** | 400 776 015 | 81.9% |
| Non-public shareholders | | | | |
| – Directors and associates of the Company | **210 969 793** | **33.4%** | 80 602 794 | 16.5% |
| – Treasury shares (own holdings) | **6 424 483** | **1.0%** | 8 091 150 | 1.7% |
| Total | **632 469 959** | **100.0%** | 489 469 959 | 100.0% |

*[(1)] Represents 16 232 public shareholders.*

According to the Company's register of shareholders, read in conjunction with the Company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 5% or more of the issued share capital at 30 June 2023:

| | 30 June 2023 | | 30 June 2022 | |
|---|---|---|---|---|
| **Major beneficial shareholders holding 5% or more** | **Number of shares** | **Percentage of shares** | **Number of shares** | **Percentage of shares** |
| Calibre Investment Holdings (Pty) Ltd | **78 072 509** | **12.3%** | 10 053 973 | 2.1% |
| International Finance Corporation | **61 686 663** | **9.8%** | 61 686 663 | 12.6% |
| Kefolile Health Investments (Pty) Ltd | **56 321 482** | **8.9%** | 56 321 482 | 11.5% |
| Alpvest Equities (Pty) Ltd | **47 802 918** | **7.6%** | 36 608 772 | 7.5% |
| Cresthold (Pty) Ltd | **44 087 648** | **7.0%** | 10 465 259 | 2.1% |
| Dendrobium Capital (Pty) Ltd | **36 741 922** | **5.8%** | 9 100 000 | 1.9% |

| 30 June 2023<br>Distribution of registered shareholdings | Number of shareholders | Percentage of shareholders | Number of shares | Percentage of shares |
|---|---|---|---|---|
| 1 – 1 000 | **12 661** | **77.9%** | 1 784 676 | 0.3% |
| 1 001 – 10 000 | **2 417** | **14.9%** | 8 344 886 | 1.3% |
| 10 001 – 100 000 | **880** | **5.4%** | 30 190 303 | 4.8% |
| 100 001 – 1 000 000 | **228** | **1.4%** | 66 154 112 | 10.5% |
| 1 000 001 shares and over | **64** | **0.4%** | 525 995 982 | 83.1% |
| | **16 250** | **100.0%** | 632 469 959 | 100.0% |

# SHAREHOLDERS' DIARY

| | |
|---|---|
| **Annual general meeting** | **30 November 2023** |
| **Results and reporting:** | |
| Interim results to December 2023 | March 2024 |
| Annual results to June 2024 | September 2024 |
| Publication of 2024 integrated annual report | September 2024 |

SHAREHOLDER INFORMATION

# CORPORATE INFORMATION

## Ascendis Health Limited

| | |
|---|---|
| Registration number | 2008/005856/06 |
| Income tax number | 9810/017/15/3 |
| JSE share code | ASC |
| ISIN | ZAE000185005 |
| Registered office | 1 Carey Street, Wynberg, Sandton, 2090 |
| Postal address | PostNet Suite #252, Private Bag X21, Bryanston, 2021 |
| Contact details | +27 (0)11 036 9600<br>info@ascendishealth.com<br>www.ascendishealth.com |
| JSE sponsor | Valeo Capital (Pty) Ltd |
| Auditors | Nexia SAB&T (appointed 6 April 2023)<br>PricewaterhouseCoopers Inc. (terminated 17 March 2023) |
| Transfer secretaries | Computershare Investor Services Proprietary Limited<br>Rosebank Towers, 15 Biermann Avenue<br>Rosebank, 2196<br>Private Bag X9000, Saxonwold, 2132<br>Telephone +27 11 370 5000 |
| Company secretary | Joseph Fine (B. Soc Sci LLB)<br>joe.fine@ascendishealth.com |
| Directors | B Harie (Chairman)*#<br>AC Neethling (CEO and acting CFO)<br>A Chetty*<br>T De Bruyn~^<br>K Wellner*<br>SL Mulaudzi~ |

* *Independent non-executive*
~ *Non-executive*
^ *Appointed 19 October 2022*
\# *Appointed as chairman 9 December 2022*

*HJ Smit retired as chairman and independent non-executive director on 30 November 2022 and was not re-elected.*

*CJ Kujenga resigned as an executive director on 30 September 2022*

**ASCENDIS HEALTH LTD**
1 Carey Street
Wynberg
Sandton, 2090
South Africa
Phone +27 11 036 9600
Email info@ascendishealth.com
**www.ascendishealth.com**