

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

(Review date: September 2023)

Application of King IV Principles

In terms of the JSE Listings Requirements, companies are required to disclose how each of the 16 principles, leading practices and governance outcomes of the King IV Report on Corporate Governance for South Africa, 2016¹¹ (King IV™) have been applied and explain why or to what extent they were not applied.

Ascendis is aligned to King IV™ and believes that the principles embody Ascendis’ commitment to good corporate governance, that the principles present areas for development and are integrated to achieve a holistic and reliable set of corporate values.

This register is reviewed annually, looking back over the preceding financial year, to ensure that the disclosures are current and remain relevant. This updated register is made available on the Ascendis website www.ascendishealth.com

Principle per King IV	Comments
1. LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP	
1.1 Leadership	
Principle 1 The governing body (i.e. the board) should lead ethically and effectively	
1.1 Integrity	<p>The board exercises integrity in all governing matters in accordance with the group code of ethics and conduct.</p> <p>The members update the register of interest quarterly, declare any potential conflicts to the company secretary on an ad-hoc basis (if applicable) and recuse themselves from voting in any instances of conflict.</p> <p>Members, executives and senior management are not allowed to deal in securities during prohibited periods, as governed by the group’s information policy.</p>
1.2 Competence	<p>All members are well qualified with a good diversity of skills and with substantial business experience. Members attend periodic training on the JSE Listings Requirements and directors’ duties.</p> <p>The members take reasonably diligent steps to become informed about matters for decisions and the business operations, with regular update sessions with the business unit executives.</p>
1.3 Responsibility	<p>Each member is fully cognisant of their fiduciary and other duties and accepts full responsibility thereof. The members assume collective responsibility for steering and setting the direction of the organization; planning; overseeing and monitoring of implementation and execution by management; and setting standards to ensure accountability for organisational performance.</p> <p>The board ensures that new members are made aware of their duties and responsibilities prior to their appointment.</p> <p>Members make themselves readily available for board and committee meetings, including both the planned quarterly etc. meetings and any <i>ad hoc</i> meetings required.</p>

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1.4 Accountability	<p>Each member accepts that they are fully accountable both severally and jointly in the leadership of the company.</p> <p>Each board member is willing to answer for the execution of their responsibilities even when those powers were delegated. Following the various changes to the board over the preceding financial year, decisions that were made by previous board members were interrogated upon implementation to ensure ultimate responsibility and accountability by the members carrying through those decisions.</p>
1.5 Fairness	The board practices fairness and integrity in all key matters impacting the stakeholders of the company. The board adopts a stakeholder-centric approach and considers all the stakeholders of the organisation when making decisions in the best interest of the company over time.
1.6 Transparency	The members exercise transparency with each other and the manner in which they exercise their governance role and responsibilities.
1.7 Policies and procedures	<p>The board approves the policies that give effect to the direction of the company and recognises the need to continue developing additional policies that address critical business needs.</p> <p>The board has delegated to management the responsibility for the implementation and execution of such policies.</p>
1.8 Compliance	The board ensures that its charter is aligned to the King IV™ principles, which is reviewed annually.
1.2 Organisational ethics	
Principle 2	
The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	
2.1 Ethics	The board continues to implement a code of ethics and conduct policy which is supported by the company's management. The company also implements a policy on anti- bribery and corruption.
2.2 Conduct	The company has established an anonymous hotline facility. All employees are made aware of the facility, ensuring confidentiality of matters recorded, as well as protection of whistle blowers.
2.3 Communication	Policies and procedures, including those relating to the company's ethical culture, form part of employees' induction and training programmes and are published on the company's intranet. The company has established an "Ask the CEO" facility to allow employees to engage with the CEO and management directly on issues affecting them.
2.4 Disciplinary measures	The company's management apply disciplinary measures for cases related to, amongst others, fraud, corruption, harassment, and unfair labour practice.
2.5 Implementation of controls	The social, ethics and transformation committee (SETC) is responsible for the application of the code of conduct with suppliers and service providers, and the training and development of employees.
2.6 Monitoring and evaluation	Matters pertaining to breach of ethics and poor conduct are reviewed quarterly and reported to the board..
1.3 Responsible corporate citizen	

Principle 3 The Board should ensure that the organisation is and is seen to be a responsible corporate citizen	
3.1 Establishment and delegation	The board is responsible for ensuring the company operates as a good corporate citizen. This responsibility is often delegated to various levels of management.
3.2 Environment, health and safety	The group environmental, health and safety (EHS) manager supervises internal EHS compliance audits with corrective action tracking and monitoring. Management of safety compliance, accident mitigation and emergency preparedness are enforced. The board has approved the implementation of sustainability programmes that are relevant to South Africa's socio-economic needs.
3.3 Monitoring and evaluation	The SETC met three times during the 2022 financial year, to review the EHS reports and assess progress made on development and remedies required and advises the board of key matters. The SETC acknowledges that the key focus area for the group during the period was the completion of the group recapitalization which was followed by ongoing debt restructuring and corporate activity, the committee continued to monitor and measure the company's development in the areas of human resources, good corporate citizenship, employment equity, B-BBEE and transformation, black management development, and compliance with environmental, health and safety regulations.
3.4 Compliance with regulations	The SETC regularly reviews the company's adherence to regulatory standards, with focus on workplace, economic transformation, society and environment.
2. STRATEGY, PERFORMANCE AND REPORTING	
2.1 Strategy and performance	
Principle 4 The board should appreciate that the core purpose of the organisation, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	
4.1 Strategy	The board reviews and approves the strategy developed by executive management in an annual board strategic workshop. Following various changes to the lender group and the board membership, the board composition has stabilised and is now focused on transitioning the organisation to a fit-for-purpose operating model. The Transition Team, led by the CTO/acting CEO is developing and executing a number of strategic initiatives across the group. The annual budgets are reviewed and approved by the board.

4.2 Direction	The board ensures that the key deliverables of the strategy are set as key performance indicators (KPIs) for all senior management and that their incentives are based on performance achieved. Executive management is developing a proposal for revised incentive model for staff.
4.3 Monitoring and evaluation	Management conducts monthly business reviews with divisional management. Summary reports are provided to the board periodically. Frequent reviews are conducted by the board on the company's solvency and liquidity to ensure the business is a going concern.
4.4 Corrective measures	The board ensures that there is a continual assessment of negative consequences in the business and that corrective measures are implemented in a timely and effective manner. As the company has gradually resolved its solvency and liquidity constraints and wound down corporate actions linked thereto, the board has been fully appraised of and has regularly monitored interactions with key stakeholders, including suppliers, customers and lenders, and continuously assesses the sustainability of the group.
2.2 Reporting	
Principle 5 The board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the performance of the organisation, and its short, medium and long-term prospects	
5.1 Reports	The board has delegated to management the responsibility of preparing and submitting regular reports that provide information which enables appropriate business.
5.2 Stakeholders	Reports such as the audited annual financial statements, interim financial statements, integrated annual reports and investor presentations are produced to provide adequate information to all stakeholders.
5.3 Integrity of information	The board delegates responsibility to the audit and risk committee (ARC) to oversee the quality of financial and other reporting. The board commissions external and internal auditors and corporate advisors to provide a professional view on the integrity of information being produced.
3. GOVERNING STRUCTURES AND DELEGATION	
3.1 Primary role and responsibilities of the board	
Principle 6 The board should serve as the focal point and custodian of corporate governance in the organisation	
6.1 Corporate governance standards	The board has developed and approved charters for the board and its committees which are reviewed and updated annually.
6.2 Policies and procedures	The board has delegated responsibility to management for the development and implementation of key policies. The policies are available on the company's intranet and form part of the employee training programmes.

6.3 Corporate practices	The board has established a programme of regular board and committee meetings using a corporate calendar, monitors the attendance and participation of each member, and records key matters and actions arising from these meetings.
6.4 Assessment	<p>Where deemed necessary, the board commissions advice from professional consultants on key matters pertaining to corporate governance concerns.</p> <p>In addition to the 4 annual set board meetings, the board held 24 extraordinary meetings during the preceding financial year, with near 100% attendance at each meeting.</p> <p>The board is satisfied that it has fulfilled its responsibilities in accordance with its charter during a challenging reporting period.</p>
3.2 Composition of the board	
<p>Principle 7 The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</p>	
7.1 Independence	<p>A majority of members are non-executive directors (NEDs), and three of those NEDs are independent.</p> <p>The board has elected an independent NED as chairman of the board and ensured that this role is separate to the company's chief executive officer (CEO).</p> <p>The independence of the non-executive directors is reviewed annually by the board. During the period, the independence of the independent NEDs was assessed and confirmed by the board at each time new directors were appointed to the board.</p> <p>The board is aware of the need to increase the number of independent directors and is taking steps to remedy this as soon as is practicably possible.</p>
7.2 Knowledge, skills and experience	<p>Each non-executive director of the current board was elected and appointed by shareholders at the annual general meeting and special general meeting convened to appoint directors to the board.</p> <p>The board makes appointments based on the assessment of their business experience, understanding of the industry and qualifications.</p>
7.3 Diversity	<p>The board has a policy on race and gender diversity.</p> <p>In accordance with the policy, the current board composition is sufficiently diverse as regards race and qualifications and is largely compliant in accordance with the group's gender and race policy. The board is aware of its shortcomings in respect of more gender diversity and will continue to assess opportunities to be more compliant in this aspect.</p> <p>The human capital committee (HCC) reviews the composition of the board annually, performs a skills gap analysis and identifies future opportunities for development of diversity and skills.</p>
7.4 Functionality	The company's memorandum of incorporation requires that at each AGM, one third of all non-executive directors retire by rotation and may make themselves available for re-election by the shareholders at the AGM.

7.5 Structure and composition	<p>The company's memorandum of incorporation requires a minimum of four directors on the board with no maximum. As at 30 June 2023, the board comprised five non- executive directors and one executive director.</p> <p>During September 2022, the board appointed Carl Neethling as the chief transition officer and acting CEO, tasked with transitioning the group's structures and culture from a large multinational organisation, into a leaner, agile and more entrepreneurial business. Following Cheryl-Jane Kujenga's departure as CFO, Carl Neethling, together with the company's finance team, has taken responsibility for the CFO's function, pending appointment of a permanent replacement. The JSE has granted dispensation for this arrangement.</p> <p>The chairman of the board is not a member of the ARC and does not serve as chairman of any other board committee. She serves as a member of the HCC and SETC.</p>
3.3 Committees of the board	
<p>Principle 8 The board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of duties</p>	
8.1 Committees	<p>The board has appointed the following committees with delegated authority and which are responsible to the board</p> <ul style="list-style-type: none"> • audit and risk committee • human capital committee • social, ethics and transformation committee <p>This delegation by the board of its responsibilities does not constitute a discharge of its accountability.</p>
8.2 Structuring of committee members	<p>ARC: There are three members of the ARC, two of whom are independent NEDs.</p> <p>SETC: There are three members of the SETC – two independent NEDs and one non-independent NED.</p> <p>HCC: There are three members of the HCC, the majority of whom are independent NEDs.</p> <p>The committee compositions comply with the mandatory provisions of Companies Act and the JSE Listings Requirements and take into account the recommended principles of King IV™.</p> <p>Relevant executive directors and management have standing invitations to committee meetings.</p>
8.3 Monitoring and measuring	<p>All meetings are minuted with actions arising recorded.</p> <p>Minutes and actions identified are reviewed in subsequent meetings and recorded.</p> <p>The HCC reviews the membership of committees annually and makes recommendations to the board.</p>

8.4 Succession planning	<p>The board recognises risks and opportunities pertaining to succession planning and ensures that it has a structured board succession plan in place which is reviewed regularly by the HCC in accordance with the needs of the board and the company.</p> <p>The group faced several challenges during the 2022 financial year with focus largely on implementation of the group recapitalization, disposals and debt restructuring. The JSE has granted dispensation for the role of acting CEO to Carl Neethling, and responsibility for the role of CFO by Carl Neethling, together with the company's finance team. The board, through the HCC, is prioritising succession planning for both the CEO and the CFO roles.</p>
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3.4 Evaluation of the performance of the board

Principle 9

The board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in performance and effectiveness

9.1 Evaluation	<p>The board performs an annual assessment of its members and committees.</p> <p>The findings of these annual assessments are reviewed by the HCC, with recommendations being made to the board.</p> <p>The following positions and performances are reviewed and assessed annually:</p> <ul style="list-style-type: none"> • chairman of the board • chairman of the ARC • chief executive officer (CEO) • chief financial officer (CFO) • company secretary <p>The board conducted an informal internal assessment of the independence of the board, which confirmed the classification of all the non-executive directors as independent or non-independent NEDs.</p>
9.2 Effectiveness	<p>The board applies its mind every year on the independence in thinking of each member in terms of their ability to perform their roles and responsibilities.</p>

3.5 Appointment and delegation to management

Principle 10

The board should ensure that the appointment of and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities

10.1 CEO and CFO	<p>The CEO and CFO attend meetings of board committees regularly as invitees.</p> <p>The board received dispensation from the JSE in January 2022 to appoint Cheryl-Jane Kujenga as the joint interim CEO and CFO, ensuring there was no leadership vacuum in the organisation. During September 2022, the board appointed Carl Neethling as the chief transition officer and acting CEO, and in October 2022, the JSE granted dispensation for Carl Neethling, together with the finance team, to assume responsibility for the CFO function, which the process to appoint a permanent CFO is undertaken.</p>
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10.2 Succession planning for CEO and CFO	The board is focused on identifying and appointing a suitable longer-term CEO and CFO for the group.
10.3 Performance evaluation	The board evaluates the performance of the CEO and CFO annually and develops their KPIs and targets for the following financial year.
10.4 Authority framework	<p>Manage, the board is in the process of establishing a new levels of authority and delegation policy which will define, inter alia, the scope of authority for the executive directors and senior management.</p> <p>The levels of authority policy is reviewed annually by the ARC and updated to keep current with the group's activities.</p>
10.5 Corporate governance services	<p>The ARC reviews and re-appoints the external auditors every year.</p> <p>The ARC assesses the independence of the external auditors on an annual basis.</p> <p>The re-appointment of the external auditors is presented to the shareholders for approval at the AGM.</p> <p>The board outsources critical matters to reputable professional firms for advice.</p> <p>The board has appointed a company secretary who is not a member of the board.</p>
4. GOVERNANCE FUNCTIONAL AREAS	
4.1 Risk Governance	
<p>Principle 11 The board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives</p>	
11.1 Risk direction	The board has adopted a risk framework and appetite statement and established an audit and risk committee to review and assess material risks in the group and advise the board on mitigation actions taken.
11.2 Risk mitigation	<p>The risk function is centrally managed and ensures that mitigating actions are in place and adequate for all risks identified across the group. Material risks and mitigating actions are recorded at divisional level and consolidated onto the group risk register.</p> <p>The ARC reviews risk registers at business division and group levels. These registers are maintained and updated periodically. This includes the risk function's robust process of supporting, challenging and monitoring the operating effectiveness and validation of management's risk response plans.</p>

11.3 Risk assessment	The board, in consultation with management, applies a robust risk assessment and management process to proactively identify risks and mitigate them as completely and efficiently as possible
11.4 Insurance	<p>The board has approved a group insurance policy and strategy which is reviewed annually by the ARC.</p> <p>The risk function negotiates global insurance cover for all key areas annually in-order to appropriately mitigate insurable business risks including identifying emerging risk exposures and recommending additional areas of insurance cover required.</p>
11.5 Risk governance	<p>The company regularly reviews its levels of risk and potential loss to the group, as well as its capacity to tolerate risk. This includes identifying appropriate risk governance structures to aid decision making.</p> <p>The company has setup a Risk and Combined Assurance Forum. The Forum facilitates a collaborative approach to risk identification, mitigation, and assurance activities between management of the different operational segments and assurance providers. For the 2021/2022 financial year the combined assurance committee did not meet the stipulated number of meetings as per the combined assurance policy approved by the board. Reasons for the shortfall are a material change in group structure, strategy and focus following the group recapitalisation, restructure and considerations around remaining listed. For the 2022/2023 financial year, the board will give consideration to finalizing the group strategy which in turn will provide a final sense of direction to the reinstatement of the combined assurance committee including repurposing the committee to be fit for the new group.</p>
4.2 Technology and information governance	
<p>Principle 12 The board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</p>	
12.1 IT policies	The board has approved group ICT policies and delegated authority to the group chief information officer (CIO) to address ICT security, governance, risk compliance, ICT data protection and back-up, and data privacy management.
12.2 IT controls	<p>A group CIO oversees the IT and information function of the group.</p> <p>An IT steering committee is in place and is responsible for the group's IT development, standardisation of ICT practices, and business information solutions.</p> <p>Group IT is represented at the ARC meetings.</p>
12.3 Systems architecture and integration	Owing to capital constraints, a decision has been taken to continue using the existing IT architecture and not to standardise ICT systems across the group.

12.4 IT protection	<p>The ARC is aware of the material increase in cyber risk and is developing mitigation measures in the group's ICT strategy and development.</p> <p>Cyber security posture and related reports are presented regularly at the ICT steering committee and ARC quarterly meetings.</p>
12.5 Data protection	<p>The ARC ensures that the company's policies and procedures adequately address the responsibility of data protection of the group's critical business information and intellectual capital, as well as the privacy of personal information. The CIO regularly reports to the ARC on data protection breaches and security upgrades.</p> <p>The group is compliant with POPI regulations in South Africa and GDPR in Europe. This compliance is monitored and evaluated annually by the group's legal division.</p>
12.6 Business information tools	<p>The IT department is developing a data warehouse solution that will collect all data from across the group and aggregate it at head office for management reporting purposes.</p>

4.3 Compliance governance

Principle 13

The board should govern compliance with applicable laws and adopted, non-binding rules, codes and

standards in a way that supports the organisation being ethical and a good corporate citizen

13.1 Compliance standards	<p>The board sets the direction for compliance with applicable laws and codes and standards that the company endorses.</p>
13.2 Monitoring and measurement	<p>The ARC as authorised by the board, has implemented a regulatory universe programme which determines and tracks the key elements of legislation that are relevant to each business division.</p>
13.3 Legal matters	<p>The ARC regularly reviews the company's register of litigation and fraud matters, agrees remedial actions to be taken and assesses the potential quantum of loss to the company's financials.</p>
13.4 Environmental compliance	<p>The board monitors compliance through environmental inspections carried out internally in accordance with environmental regulations.</p>

4.4 Remuneration governance

Principle 14

The board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long Term

14.1 Governance	<p>The board has implemented an HCC charter and appointed an HCC having delegated authority to govern the company's policies and procedures on remuneration and human resource practices.</p> <p>The HCC meets at least three times a year and reports key matters to the board. During the 2022 financial year, the committee met a total of five times to deal with pertinent matters.</p>
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<p>14.2 Policies and procedures</p>	<p>As a result of the implementation of the group recapitalisation and group restructuring, the historical approach to incentivising management needed to be aligned with the direction agreed by the board, senior lenders and shareholders.</p> <p>The committee believed that the compensation approach needed to be relevant and competitive while aligning the required outcomes of the business with strategic value creation. The objectives of this alignment were to:</p> <ul style="list-style-type: none"> • ensure a continued focus on operational performance; • ensure the group remains liquid and solvent; • drive the successful completion of the disposal of assets and the group restructuring; • unlock optimal shareholder value post the group recapitalisation and the restructuring; and • continue to retain key talent within the group. <p>The committee has evaluated the original management incentive plan (MIP) to ensure that its construct was fair and appropriate for the group.</p> <p>The HCC has established the following key principles:</p> <ul style="list-style-type: none"> • remuneration policy and implementation report, are included in the company's IAR and proposed to shareholders at the AGM for their non-binding vote • benchmarking of positions and remuneration ranges using the internationally recognised Hay system and where applicable SAMED. • short-term incentive scheme for all levels of management which is performance based on pre-determined KPIs • remuneration is reviewed once a year and increases are reviewed and approved by the HCC • review and approval of the remuneration packages for executive management • review and recommended to the board the directors' fees for NEDs. These fees are subject to shareholders' approval at the AGM.
<p>14.3 Compliance</p>	<p>HCC reviews and approves the company's remuneration report that is included in the IAR. The report is aligned to the recommendations of the King IV code.</p> <p>The board is committed to engaging with shareholders when more than 25% of shareholders vote against either the remuneration policy or the implementation report at the AGM.</p> <p>The HCC ensures that standard employment equity practices exist in the group.</p> <p>The HCC also ensures that the company's diversity policy on gender and race is effectively implemented.</p>
<p>4.5 Assurance</p>	

Principle 15 The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports	
15.1 Compliance	<p>The board has delegated responsibility to the ARC for the implementation and tracking of a combined assurance model that includes:</p> <ul style="list-style-type: none"> • effectiveness of internal controls • risk management processes • integrity of information • reporting of material matters to the board.
15.2 Monitoring and measurement	<p>The ARC appoints and reviews the findings of the external auditors, the internal audit function, risk and legal consultants.</p> <p>The ARC assesses the independence of those responsible for providing assurance and legal services.</p> <p>The ARC measures and monitors the progress made on remedies made to the findings reported on internal controls.</p>
15.3 Accountability	<p>The board directs how the assurance of external reports is accomplished.</p> <p>The Board has implemented an internal audit charter which is reviewed by the ARC on an annual basis.</p>
5. STAKEHOLDER RELATIONSHIPS	
5.1 Stakeholders	
Principle 16 In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time	
16.1 Compliance	<p>The board has delegated the responsibility of investor relations (IR) to the executive directors (EDs).</p> <p>Members of the board are responsible for the protection of price sensitive information and complying with the procedures required by the JSE pertaining to market communication on material business matters.</p> <p>The board ensures that policies and procedures are implemented on stakeholder relationships including shareholders, customers, government, regulators, suppliers and employees.</p>
16.2 Application	<p>The IR programme ensures that there is regular and proactive interaction with the company's key shareholders which include both retail and institutional investors.</p> <p>Bi-annual investor presentations are made on the company's interim and annual financial results.</p>
16.3 Structure	<p>The board is responsible for ensuring that all the company's subsidiaries are fully aligned and compliant to the holding company's policies and procedures. The board requires that reporting from the subsidiaries to the group is comprehensive, timely and accurate.</p>