

# 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

During the 2024 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 2024 financial year, the committee met twice. 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 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 2025 financial year, which resulted in the FY25 fees remaining the same as those for FY24. 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
- Reviewed and approved the Remuneration policy and Implementation report for inclusion in the 2024 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 2024.

## 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 2023, the holders of 94.2% of shares voted at the AGM voted in favour of the remuneration policy and the holders of 94.2% 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 and consequently, no further engagement with shareholders was required.

## 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
- 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 professional and capability development
- Internal talent pipeline development programmes facilitated through personal development programmes established on a blended learning model
- 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.

### 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.



CORPORATE GOVERNANCE



## REMUNERATION REPORT (CONTINUED)

### 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).	<p>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:</p> <ul style="list-style-type: none"> <li>• 50% on ROIC</li> <li>• 25% on FCF</li> <li>• 25% of the STI is based on personal KPIs which include:               <ol style="list-style-type: none"> <li>I. Setting and implementation of the business strategy</li> <li>II. Internal and business controls development</li> <li>III. Talent management</li> <li>IV. STIs are capped at a maximum of 32% of total annual guaranteed pay respectively.</li> </ol> </li> </ul>

\* FCF – free cash flow

\*\* ROIC – Return on Invested Capital

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

Senior managers and 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 receive discretionary awards based on their financial performance and their participation in key projects.

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	<p>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:</p> <ul style="list-style-type: none"> <li>• 35% on ROIC</li> <li>• 15% on FCFT</li> <li>• 50% of the STI is based on personal KPIs which include:               <ol style="list-style-type: none"> <li>Setting and implementation of the business strategy</li> <li>Internal and business controls development</li> <li>Talent management</li> <li>STIs are capped at a maximum of 16% of total annual guaranteed pay respectively.</li> </ol> </li> </ul>

## 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.



CORPORATE GOVERNANCE



## 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 2024 are provided in this section of the report. The committee is satisfied that the remuneration policy has been consistently applied in the 2023/4 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

	2024 R'000	2023 R'000
Executive Directors	2 189	less than 1
Non-Executive Directors		
• set annual fees	2 116	2248
• other services	n/a	n/a
• additional fee for extraordinary meetings	n/a	n/a
<b>Total</b>	<b>4 305</b>	<b>2 248</b>

#### Staff increases

In respect of the 2024 Non-Executive Directors' remuneration, the committee endorsed an average 9% reduction in the total aggregated fees per position relative to the fees for 2023. 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 5% total payroll movement for lower income earners and selected staff in line with the financial performance of the respective businesses.

#### Executive Directors' emoluments

The committee has assessed the achievement of the financial and individual KPI of the CEO for the year ended 30 June 2024. The remuneration is set out below:

	Basic salary R	Bonus R	Incentives R	Benefits and costs R	Termination cost R	Total
C Neethling	2 158 000	–	–	31 000	–	2 189 000
<b>Total</b>	<b>2 158 000</b>	<b>–</b>	<b>–</b>	<b>31 000</b>	<b>–</b>	<b>2 189 000</b>

## 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 2024 at the AGM held in November 2023:

Fees paid in FY24	R'000
Chairman of the board	647
Member of the board	252
Chairman of the Audit and risk committee	193
Member of the Audit and risk committee	90
Chairman of the Human capital committee	97
Member of the Human capital committee	59
Chairman of the Social, ethics and transformation committee	98
Member of the Social, ethics and transformation committee	51

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 (three meetings);

Human capital committee (two 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. A combination of virtual and in-person meetings were held.

The fees paid for the 2024 financial year represent an average 9,1% reduction in the fees per position from the 2023 financial year.

At the AGM to be held on 29 November 2024, the following amended fee structure will be proposed to shareholders for the 2024 financial year:

(R'000)	Approved fees for FY24	Proposed fees for FY25
<b>Position</b>		
Chairman	647	647
Board member	252	252
Audit and risk committee Chairman	193	193
Audit and risk member	90	90
Social, ethics and transformation committee Chairman	98	98
Social, ethics and transformation committee member	51	51
Human capital committee Chairman	97	97
Human capital committee member	59	59



CORPORATE GOVERNANCE



## REMUNERATION REPORT (CONTINUED)

### Directors' and associates' shareholdings (as at 30 June 2024)

	Direct beneficial shares	Indirect beneficial shares	Indirect non- beneficial shares	Total
<b>2023 Directors</b>				
SL Mulaudzi	–	56 321 482	–	56 321 482
AC 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
<b>Total</b>	<b>10 380 076</b>	<b>200 587 352</b>	<b>2 365</b>	<b>210 969 793</b>

	Direct beneficial shares	Indirect beneficial shares	Indirect non- beneficial shares	Total
<b>2024 Directors</b>				
CA Neethling	9 097 350	58 233 058	–	67 330 408
K Wellner	1 278 124	–	2 365	1 280 489
B Harie	4 200	245 923	–	250 123
HA Nolte	–	–	–	–
A Chetty	–	–	–	–
T De Bruyn	–	126 493 990	–	126 493 990
<b>Total</b>	<b>10 380 076</b>	<b>184 972 971</b>	<b>–</b>	<b>195 355 412</b>

Subsequent to the reporting period, a change in AC Neethling shares was noted as follows: Direct beneficial shares Nil; Indirect beneficial Shares 92 731 867.