



ASCENDIS HEALTH

<https://ascendishealth.com/investor-relations/>

Annual General Meeting

8th November 2018

Financial Year End: 30 June 2018

Proxies voted
The Ditikeni Investment Company

The report is fair for a company the size of Ascendis Health, it makes limited use of info-graphics and whilst it is a bit brighter and bolder than the 2017 report it remains rather dull. The icon's used at the top of the 2017 report have been dropped which is a pity. No concession is made to the fact that most users will read the report on a computer screen and no click-through buttons are provided.

Arguably the most important decision facing the shareholders of any company is the appointment of the board of directors. The directors not only oversee the management of the business and the safeguarding of shareholders investments, but they also set the moral and ethical tone of the company. As such it is of great concern that two of the directors have featured in news reports in a less than favourable light – see 3 below.

The report states *During the year, John Bester stepped down as a member [of the audit committee] in accordance with King IV and the JSE Listing Requirements, as he is the chair of the board.* However, King III introduced in 2009 clearly states *The chairman of the board has a strategic and comprehensive role to play in guiding the board and cannot simultaneously lead and participate objectively in the audit committee. The chairman of the board should therefore not be eligible for appointment as an audit committee member.* We are pleased that the company has finally implemented this but are concerned that this did not happen years ago.

Whilst the lack of detail in the Remuneration Reports made for quick reading they are most inadequate.

The Social and Ethics Report covers a good range of issues but is very short on targets and actual achievements.

	Resolution	Rationale	Vote	Outcome of AGM
	Ordinary Resolutions			
1	Adoption of annual financial statements	It is pleasing that the Annual Financial Statements (AFSs) are presented for adoption as far too many companies no longer present their AFSs. The AFSs have been audited and a clean audit report has been issued.	FOR	FOR 100%
2	Re-appointment of auditors	Pricewaterhouse Coopers are one of the big four international audit practices. They have been auditors for 5 years which is well within the period after which it is recommended that auditors be rotated. The Audit Committee Report clearly states the audit partner will be rotated as he has served for 5 years and who the new audit partner will be.	FOR	FOR 100%
3	Appointment of members of the board.	<p>The company is undergoing a change at senior executive level with the departure of the CEO and the retirement of MD of the South African business (the largest division). One of the founders of the business also resigned as a non-executive director during the year.</p> <p>The following statistics were extracted from the report:</p> <ul style="list-style-type: none"> ✗ Independence: Indep. 56%, Non-exec. 22% and Exec. 22%. ✗ Diversity (excl Exec.): Black 71%, Women 43%. <p>The profile of one of the directors (Mr George Sebulela) was not provided and an online search came up with various news reports about that director but no profile.</p> <p>However, what we do know is that the new director Mr Sebulela recently left Eskom apparently about a conflict of interest but no details of this could be found. Mr Sebulela is also linked in a Daily Maverick article to the supply of medical equipment to the Free State department of Health https://www.dailymaverick.co.za/article/2018-05-16-84321/</p> <p>Another of the independent directors has also appeared in news reports, Dr Kinesh Pather received funding for a company in which he is involved (Kefolile) to invest in Ascendis https://citypress.news24.com/News/uif-billions-for-pic-cronies-20160806</p> <p>Given Dr Pather's company's investment in Ascendis it is difficult to see how he is classified as an independent director and is able to sit on</p>		

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		<p>the audit committee, notwithstanding that his company's investment is relatively small at 6.8% of the shares in Ascendis.</p> <p>Kilimanjaro Capital of which Dr Pather is chairman was referred to the public protector (no evidence of an investigation could be found)</p> <p>https://www.fin24.com/Economy/the-letter-bantu-holomisa-sent-to-thuli-madonsela-20160125.</p> <p>Ms Bharit Harie appears to be a person of integrity however, she also sits on the board of Lenmed a company invested in private hospitals. We cannot be comfortable with the level of independence of this board nor can we be comfortable with the number of news articles relating to investments ultimately in Ascendis, and the shadow this casts on the integrity of some of the directors.</p> <p>The changes at management level indicate a need for stability.</p>		
3.1	Re-appointment of Bharti Harie as an independent non-executive director	<p>Ms Harie, 48, is suitably skilled and experienced to serve as a director. She has been a director for 5 years and her attendance record was acceptable (92% for board meetings and 100% for audit committee meetings).</p> <p>She is a director of 4 other companies and as such her level of commitment is becoming a concern.</p> <p>One of the companies of which Ms Harie is a director is Lenmed, a private hospital company and presumably a client of Ascendis. This is not what we would wish to see.</p>	FOR	FOR 99.5%
3.2	Re-appointment of Mary Sina Bomela as an independent non-executive director	<p>Ms Bomela, 45, is suitably skilled and experienced.</p> <p>She has been a director for 2 years and her attendance record was of concern (92% for board meetings, 50% for audit committee meetings and 0% for social and ethics committee meetings – overall 80% which is considered the minimum attendance percentage).</p> <p>She is a director of 4 other companies and as such her level of commitments is becoming a concern.</p>	FOR	FOR 99.5%
4.1	Appointment of Thomas Bjerregaard Thomsen as an executive director	<p>Mr Thomsen, 49, is the recently appointed CEO. He joined the company in 2017 as head of their European operations.</p> <p>His attendance record since his appointment to the board was impeccable.</p>	FOR	FOR 99.8%

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4.2	Appointment of Dr Noyulolo Yoza Jekwa as a non-executive director	<p>Dr Jekwa, 49, is suitably skilled to serve on the board. She was appointed to the board at the year-end and as such her attendance cannot be assessed.</p> <p>She is not an independent director as she is a director of Coast2Coast who hold 28% of the shares of Ascendis. Coast2Coast have another appointee to the board, their CEO Gary Shane and the interim COO was previously a director of Coast2Coast.</p> <p>In addition to the directorships of Coast2Coast and Ascendis, Dr Jekwa is a director of one other listed company.</p>	FOR	FOR 100%
4.3	Appointment of Johannes George Sebulela as an independent non-executive director	<p>No profile of Mr Sebulela was provided in the Report nor is he listed on the Ascendis website. A search of the internet did not come up with a profile of Mr Sebulela.</p> <p>However, a number of news reports were found and these are dealt with in the introduction to this report. It is of concern that this board has more than one director who is featured in the news in a less than favourable light.</p>	AGAINST	FOR 99.5%
5	Appointment of members of the Audit Committee	<p>As noted under 3 above, the independence of this board is of concern with 44% of the board either executives or appointees of the largest shareholder.</p> <p>In addition, there is a shadow over some of the other directors (22%) based on media reports.</p> <p>It is pleasing that the chairman of the board has finally stepped down from the audit committee, King III first published in 2009 noted that the chairman of the board was not eligible to serve on the audit committee.</p>		
5.1	Appointment of Bharti Harie as a member of the Audit Committee	<p>As noted under 3.1 above, Ms Harie is a director of Lenmed, a company which owns and manages a number of private hospitals which are presumably clients of Ascendis. This is insufficient for us to oppose her appointment to the board but we do oppose her appointment to the audit committee.</p>	AGAINST	FOR 99.5%

	Resolution	Rationale	Vote	Outcome of AGM
5.2	Appointment of Mary Sina Bomela as a member of the Audit Committee	Ms Bomela is suitably skilled to serve on this committee, she is a new appointee and there is are no questions regarding her independence.	FOR	FOR 99.5%
5.3	Appointment of Dr Kinesh Sachidanandan Pather as a member of the Audit Committee	Dr Pather is another of the directors to feature in a less than favourable light in news reports and as such we do not consider him a suitable candidate to serve on the audit committee.	AGAINST	FOR 96.4%
6	General authority to issue shares of the Company for cash	<p>This resolution gives the directors the right to issue all or any of the unissued shares in the company subject to (in brief):</p> <ul style="list-style-type: none"> ✗ The total number of shares so issued shall not exceed 15% of the issued share capital; ✗ The discount applicable to such issue shall not exceed 10%; ✗ This resolution shall expire at the next AGM. <p>No reason whatsoever is given for this resolution – not even a vague and general reason is provided. The resolution requires a 75% majority to be passed.</p>	AGAINST	FOR 77.7%
	Special Resolutions			
1	Approval of non-executive directors' remuneration	<p>The report states: <i>The increase in fees for NEDs who were paid fees in the 2018 financial year, is 16% which is due to alignment to market surveys provided by the Institute of Directors South Africa and PricewaterhouseCoopers.</i></p> <p>Over and above that increase, there is one additional director, furthermore, the directors nominated by Coast2Coast were previously not paid directors fees by Ascendis, however they will now be paid fees.</p> <p>Total directors' fees increase as a result of the above from R 2 198m to R 3 300m an increase of 50%. This after an increase of 49% from 2017 to 2018.</p> <p>The 2017 Report stated: <i>The fees are determined and compared to similar listed companies and are based on an assessment of the independent non-executive director's participation in meetings as well as increased regulatory and governance responsibilities.</i></p>	AGAINST	FOR 92.9%

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		<p>Individual increases in director fees were: 23%, -3%, 21% and 17%. So the stated 16% increase does not apply in total nor in detail.</p> <p>Directors' fees have more than doubled over the last 2 years.</p> <p>Nevertheless, the fees are not excessive but the reporting is a mess and we are given no information on increases in staff salaries. During the same period EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) increased 119% with most of this increase in the 2017 financial year.</p> <p>Fees do not include an attendance component, this is an imperfect measure but it is a measure and as such we recommend this.</p> <p>Attendance at Ascendis meetings is less than optimal.</p> <p>The scrappy reporting and lack of attendance fees are unacceptable.</p>		
2	General authority to repurchase shares in the Company	<p>This resolution is subject only to the regulations of the JSE (Johannesburg Stock Exchange) and states: <i>The directors of the Company have no specific intention at present to effect the general repurchase but will continually review this position having regard to prevailing circumstances.</i></p> <p>As a matter of policy, Active Shareholder opposes the repurchase of shares and this resolution is vague and general in the extreme.</p>	AGAINST	FOR 93.7%
3	Approval of financial assistance in terms of section 44 of the Act	<p>As above this resolution is subject only to the law and regulations and no information is provided of any such assistance to be provided nor is any information provided on the terms and conditions under which such assistance will be provided.</p>	AGAINST	FOR 89.3%
4	Approval of financial assistance in terms of section 45 of the Act	<p>Once again. As above this resolution is subject only to the law and regulations and no information is provided of any such assistance to be provided nor are the terms and conditions made available.</p>	AGAINST	FOR 88.8%

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7	Endorsement of Ascendis' Remuneration Policy	<p>The Remuneration Committee (Remco) consists of 2 independent directors. The CEO attends by invitation.</p> <p>The report, when referring do Director's Fees states <i>The remuneration committee applies an external survey every two-to-three years for benchmarking directors' fees to ensure that the company is aligned with market trends. The last survey and alignment were undertaken in 2017.</i> However under Directors' Fees it states <i>The increase in fees for NEDs who were paid fees in the 2018 financial year, is 16% which is due to alignment to market surveys provided by the Institute of Directors South Africa and PricewaterhouseCoopers.</i></p> <p>This is most confusing.</p> <p>The report states that Salaries (Guaranteed Pay) are reviewed according to a benchmarking but no details are provided of whether this is independently done, who does it or the comparable companies used in the benchmarking.</p> <p>The Short Term Incentive scheme pays out cash bonuses based on various targets which are approved by the Remco. The report includes a fairly general statement about the targets but does not give detailed targets and weighting.</p> <p>A Long Term Incentive scheme was implemented in 2018. The report gives general information regarding targets and vesting periods but again no detailed information or targets are provided.</p> <p>An inadequate report that is too short on detail for a proper and informed decision.</p>	AGAINST	FOR 85.7%
8	Endorsement of Ascendis' Remuneration Implementation Report	<p>No information other than the raw figures of amounts paid is provided. This is the most inadequate Remuneration Implementation Report to be reviewed by Active Shareholder. Executive directors' salaries increased by an average of 23%.</p>	AGAINST	FOR 89.2%
9	Authority to sign all documents	An administrative matter for which no resolution is in fact required.	FOR	FOR 100%