

Remuneration report for 2019

Demant has adopted a straightforward and transparent remuneration policy concerning the Board of Directors and the Executive Board of Demant.

The overall objective of the remuneration policy is to reward the members of the Board of Directors and Executive Board for their commitment to and achieved results for the company. Additionally, the objective is to attract qualified potential members to our Board of Directors and Executive Board and – once a member – to motivate and retain them.

The most recent update of the remuneration policy was approved at the annual general meeting in 2019. The policy is available on the company's website. At the annual general meeting in March 2020, a revised remuneration policy will be presented and proposed for approval. The principles of remuneration remain unchanged. The revised policy reflects the recent amendments to the Danish Companies Act regarding remuneration policies.

In this report Demant presents the remuneration given to the Executive Board and Board of Directors in 2019.

Remuneration for the Executive Board

Remuneration structure

Remuneration for the members of the Executive Board consists of two components: a fixed salary and a variable component.

The main part of the remuneration for the members of the Executive Board is a fixed salary.

To provide further incentive for the Executive Board to continue their service to the company and to align the interests of the Executive Board with the interests of the shareholders of the company, the members of the Executive Board receive a variable share-based cash remuneration component in the form of an annually revolving retention programme.

The programme for the Executive Board contains a retention period of three years before pay-out. In 2019, an amount equivalent to three months' fixed salary was converted into shadow shares in the company and allocated to the member of the Executive Board. The share price used for the calculation is determined each year based on the average share price of the first five trading days after the date of publication of the company's annual report. After expiry of the retention period, a sum equivalent to the value of the shadow shares at that time is paid out to the member of the Executive Board in cash. The programme does not include any performance targets.

Additionally, the members of the Executive Board may voluntarily choose to enroll in the company's share salary arrangement on equal terms with other employees. Participation in the arrangement requires the employee to set aside a percentage of his or her gross salary each month, which is converted into shares in the company at the end of the year. The shares are held on trust for a period of two years.

Remuneration 2019

Remuneration for the Executive Board appears from the table below.

Søren Nielsen, President & CEO, is entitled to 24 months' notice in the event of dismissal. René Schneider, CFO, is currently entitled to 16 months' notice in the event of dismissal, which increases with seniority.

Members of the Executive Board are not entitled to severance pay.

In 2019, both the CEO and the CFO participated in the company's share salary arrangement on a voluntary basis and had part of their remuneration converted into shares. The allotment of shares took place on 30 December 2019.

Remuneration for the Executive Board

DKK million

	2019			2018			2017		
	Fixed salary	Share-based retention programme – cash payout from 2016 grant	Total	Fixed salary	Share-based retention programme – cash payout	Total	Fixed salary	Share-based retention programme – cash payout	Total
Søren Nielsen, President & CEO	12.5	2.3	14.8	11.8	-	11.8	10.3	-	10.3
René Schneider, CFO	5.5	1.3	6.8	5.3	-	5.3	5.0	-	5.0
Niels Jacobsen, former President & CEO	-	-	-	-	-	-	3.6	-	3.6
Executive Board in total	18.0	3.6	21.6	17.1	-	17.1	18.9	-	18.9

*On 1 April 2017, Søren Nielsen was appointed President & CEO of Demant succeeding Niels Jacobsen.

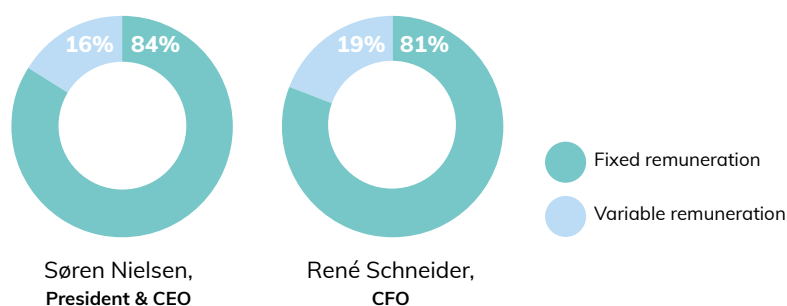
Annual grants under the share-based retention programme converted into cash payout upon expiry of the three-year retention period *

DKK million

	Granted in 2019 to be cash settled in 2022	Granted in 2018 to be cash settled in 2021	Granted in 2017 to be cash settled in 2020
Søren Nielsen, President & CEO	3.1	2	1.8
René Schneider, CFO	1.4	0.9	0.8

*The value corresponds to three months' salary in 2019 and two months' salary in 2018 and 2017. A sum equivalent to the value of the shadow shares at the end of the retention period is paid out in cash.

Proportion of fixed and variable remuneration



Remuneration for the Board of Directors

Remuneration structure

The members of the Board of Directors receive a fixed basic fee. The Chairman receives three times the basic fee and the Deputy Chairman twice the basic fee.

The members of the audit committee each receive a basic fee, and the chairman of the audit committee receives three times the basic fee. There are no fees for members of the nomination, remuneration and IT security committees.

Board members' travel costs are covered by the company. Board members do not receive any other separate fees from the company and are not entitled to severance pay.

Remuneration 2019

At the annual general meeting in March 2019, it was decided to keep the Board of Directors' annual fee of DKK 350,000 and the annual fee of DKK 50,000 for the members of the audit committee for the coming year. The fees were most recently increased in 2016.

Remuneration for the Board of Directors

(DKK thousand)	2019			2018			2017		
	Base fee	Audit committee fee	Total	Base fee	Audit committee fee	Total	Base fee	Audit committee fee	Total
Niels B. Christiansen	1,050	50	1,100	1,050	50	1,100	875	75	950
Niels Jacobsen	700	50	750	700	50	750	525	38	563
Thomas Duer	350	-	350	350	-	350	350	-	350
Peter Foss	350	50	400	350	50	400	438	50	488
Casper Jensen	263	-	263	-	-	-	-	-	-
Lars Nørby Johansen	-	-	-	-	-	-	263	13	275
Benedikte Leroy	350	50	400	350	50	400	350	50	400
Ole Lundsgaard	87	-	87	350	-	350	350	-	350
Jørgen Møller Nielsen	350	-	350	350	-	350	350	-	350
Lars Rasmussen	350	150	500	350	150	500	350	125	475
Karin Ubbesen	-	-	-	-	-	-	88	-	88
Total	3,850	350	4,200	3,850	350	4,200	3,938	350	4,288

Correlation between remuneration, strategy and goals

It is our strategic ambition to be a leading global hearing healthcare company and to create value through a long-term commitment to the shareholders and other stakeholders.

The remuneration of the Board of Directors and the Executive Board is designed to support these strategic goals and to generate value in Demant and thus support Demant's business strategy. Additionally, the remuneration policy supports a straightforward and transparent remuneration structure for the Board of Directors and the Executive Board to the benefit of the companies' shareholders.

In the opinion of the Board of Directors, the combination of fixed remuneration and a long-term variable component constitutes an adequate balance between the interests of the company's shareholders and at the same time motivate to pursue long-term growth without promoting short-term or risky behaviour.

The fixed fees described in the remuneration policy aim at rewarding the commitment to and achieved results for the company and, additionally, attracting qualified potential

members to the Board of Directors and Executive Board and – once a member – to motivate and retain them.

The annually revolving share-based retention programme aims at aligning a long-term commitment and the interests of the Executive Board with the interests of the shareholders of the company and at rewarding long-term value creation in the company.

In the opinion of the Board of Directors, the remuneration of the Board of Directors and the Executive Board of the company reflects a competitive remuneration level.

As part of the determination of the remuneration for the Executive Board, the ratio of the Executive Board's remuneration to the salaries of other employees has been assessed as well as the Executive Board's terms of employment to the terms of employment of other employees.

The Executive Board's remuneration takes the responsibility, scale and complexity of the roles and duties of the Executive Board into consideration and the principles applied are based on general salary benchmarking practices.

Changes in Executive Board's and the Board of Directors' remuneration – comparative numbers

The tables below show annual changes in received remuneration and in company performance. The percentage-wise development is based solely on published financial information, which is available in this report or the Annual Report for the equivalent year.

Annual changes

	2019	2018	2017
Board of Directors			
Niels B. Christiansen*	0%	16%	111%
Niels Jacobsen*	0%	33%	0%
Thomas Duer	0%	0%	4%
Peter Foss*	0%	-18%	-32%
Casper Jensen**	0%	0%	0%
Lars Nørby Johansen*	-	-	-74%
Benedikte Leroy	0%	0%	7%
Ole Lundsgaard**	-75%	0%	4%
Jørgen Møller Nielsen	0%	0%	0%
Lars Rasmussen*	0%	5%	58%
Karin Ubbesen	-	-	-74%
Executive Board			
Søren Nielsen*	26%***	14%	24%
René Schneider	29%***	6%	2%
Parent company			
Profit before tax	-8%	3%	24%
Increase in the average salary per FTE	-13%	19%	41%
Group			
EBIT	-8%	20%	3%
Increase in the average salary per FTE	3%	-2%	0%

Danish Group companies

Increase in the average salary per FTE

* On 1 April 2017, a number of management changes took effect:

Niels B. Christiansen became chairman of the Board of Directors succeeding Lars Nørby Johansen.

Niels Jacobsen became vice-chairman of the Board of Directors succeeding Peter Foss.

Lars Rasmussen became chairman of the audit committee succeeding Niels B. Christiansen.

** In 2019 Casper Jensen was elected to the Board of Directors by the employees succeeding Ole Lundsgaard.

***In 2019 the retention programme granted in 2016 was converted into cash, which constitutes the vast majority of the increase.

Holding of Demant shares

Holding of Demant shares (number)

Board of Directors and Executive Board

	31-Dec-19	Changes +/-	1 January 2019
Niels B. Christiansen	8,060		8,060
Niels Jacobsen	1,001,340		1,001,340
Thomas Duer	1,335		1,335
Peter Foss	12,940		12,940
Casper Jensen	500		500
Benedikte Leroy	3,000		3,000
Jørgen Møller Nielsen	366		366
Lars Rasmussen	22,500		22,500
Søren Nielsen	18,367	2,847	15,520
René Schneider	11,979	2,917	9,062