

Remuneration report for 2020

Introduction

The remuneration report for 2020 for Demant A/S is prepared in accordance with section 139 (b) of the Danish Companies Act.

The remuneration committee prepares recommendations to the Board of Directors in relation to the remuneration policy and remuneration. The committee ensures that the remuneration of the Board of Directors and the Executive Board is competitive and appropriate. This includes an evaluation of the balance between the interests of the company's shareholders and the motivation to pursue long-term growth.

Demant has adopted a straightforward and transparent remuneration policy for 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 March 2020. The policy is available on the company's website www.demant.com.

In this remuneration report, we present the remuneration of the Executive Board and Board of Directors in 2020 based on the remuneration policy.

Remuneration for the Executive Board

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 also receive variable share-based cash remuneration under an annually revolving retention programme according to which the variable component is connected to the share price development.

The retention programme for 2020 contained the following elements:

- An amount equivalent to four months' fixed salary was converted into "shadow shares" in Demant and granted to the member of the Executive Board in question.
- The share price used for the calculation was determined based on the average share price of the first five trading

days after the date of publication of the company's Annual Report 2019.

- The company holds the "shadow shares" for a period of three years before pay-out (retention period).
- After expiration of the three-year 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 retention programme includes a mechanism whereby a member of the Executive Board who resigns or is given notice of termination due to gross negligence shall not be entitled to any payout. The mechanism was not triggered in 2020.

The programme does not include performance targets. It is the opinion of the Board of Directors that long-term value creation corresponds to the development in the share price. Hence, the relevant target – being the share price – is aligned.

When the hearing healthcare business was severely impacted by coronavirus, the Executive Board made a voluntary reduction of 10% of their fixed salary from 1 April 2020 and for the rest of the year.

Table 1: Remuneration for the Executive Board

(DKK million)	2020				2019				2018			
	Fixed salary	Share-based retention programme - cash payout from 2017 grant	Other benefits	Total	Fixed salary	Share-based retention programme - cash payout from 2016 grant	Other benefits	Total	Fixed salary	Share-based retention programme - cash payout from grant	Other benefits	Total
Søren Nielsen, President & CEO	11.7	2.9	0.2	14.8	12.3	2.3	0.2	14.8	11.7	-	0.1	11.8
René Schneider, CFO	5.0	1.3	0.2	6.5	5.4	1.3	0.1	6.8	5.1	-	0.2	5.3
Executive Board in total	16.7	4.2	0.4	21.3	17.7	3.6	0.3	21.6	16.8	-	0.3	17.1

Other benefits: Company car, telephone, health insurance.

The share-based retention programme granted in 2017 vested in 2020 and was paid out in cash. The numbers in Table 1 above do not include programmes introduced in prior years. Please refer to Table 2 below for an overview of programmes introduced in 2018-2020.



Table 2: Fair value of the granted "shadow shares" at time of the granting

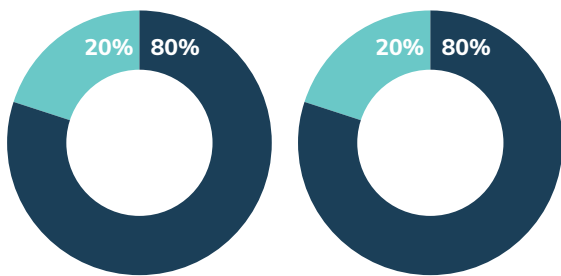
Annual grants under the share-based retention programme converted into cash payout upon expiry of the three-year retention period

(DKK million)	Granted in 2020 to be cash settled in 2023	Granted in 2019 to be cash settled in 2022	Granted in 2018 to be cash settled in 2021
Søren Nielsen, President & CEO	4.2	3.1	2.0
René Schneider, CFO	1.8	1.4	0.9

The value corresponds to four months' salary in 2020, three months' salary in 2019 and two months' salary in 2018. 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 for 2020

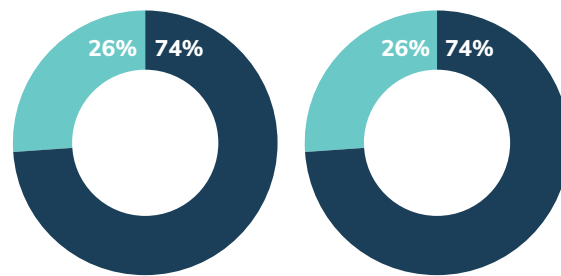
 Variable remuneration paid out in cash in 2020 based on vested "shadow shares" for the current year
 Fixed remuneration



Søren Nielsen,
President & CEO

René Schneider,
CFO

 Variable remuneration proportion based on "shadow shares" granted in 2020
 Fixed remuneration



Søren Nielsen,
President & CEO

René Schneider,
CFO

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 subsequently held on trust for a period of two years.

In 2020, 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 2020. An overview of the

shareholdings of the Executive Board and the Board of Directors is given in Table 5.

Søren Nielsen, President & CEO, is entitled to 24 months' notice in the event of dismissal. René Schneider, CFO, is currently entitled to 17 months' notice in the event of dismissal, which increases by one month for every year of employment, however to a maximum of 24 months. Søren Nielsen may resign from his position at minimum 12 months' notice and René Schneider at minimum six months' notice.

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

Remuneration for the Board of Directors

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

At the annual general meeting in March 2020, 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.

The Board of Directors decided to reduce their fee by 20% from 1 May and for the rest of the year due to the severe impact of coronavirus on the hearing healthcare business.

Table 3: Remuneration for the Board of Directors

(DKK thousand)	2020			2019			2018		
	Base fee	Audit committee fee	Total	Base fee	Audit committee fee	Total	Base fee	Audit committee fee	Total
Niels B. Christiansen	910	43	953	1,050	50	1,100	1,050	50	1,100
Niels Jacobsen	607	43	650	700	50	750	700	50	750
Thomas Duer	303	-	303	350	-	350	350	-	350
Peter Foss	87	13	100	350	50	400	350	50	400
Casper Jensen	303	-	303	263	-	263	-	-	-
Benedikte Leroy	303	43	346	350	50	400	350	50	400
Ole Lundsgaard	-	-	-	87	-	87	350	-	350
Anja Madsen	216	31	247	-	-	-	-	-	-
Jørgen Møller Nielsen	303	-	303	350	-	350	350	-	350
Lars Rasmussen	303	130	433	350	150	500	350	150	500
Total	3,335	303	3,638	3,850	350	4,200	3,850	350	4,200

Correlation between remuneration, strategy and goals

It is Demant's strategic ambition to be a leading global hearing healthcare company and to create value by pursuing growth on the long term. Demant is a purpose-driven company that has provided hearing health since it was founded. Therefore, we aim at operating a sustainable business, the purpose of which is to bring life-changing hearing health to and thereby increase the quality of life of our users.

The remuneration of the Board of Directors and the Executive Board is designed to support these strategic long-term goals and to generate value for Demant. Additionally, the remuneration policy supports a straightforward and transparent remuneration structure for the Board of Directors and the Executive Board.

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 the motivation of the Board of Directors and the Executive Board 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, attracting qualified potential members to the Board of Directors and Executive Board and – once a member – motivating and retaining 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 for the company.

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

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

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 table below show annual changes in the remuneration for the Board of Directors and Executive Board and in the development in company performance. The percentage

development is based solely on published financial information, which is available in this report or in the annual report for the year in question.

Table 4: Annual changes

	2020	2019	2018
Board of Directors			
Niels B. Christiansen	-13%	0%	16%
Niels Jacobsen	-13%	0%	33%
Thomas Duer	-13%	0%	0%
Peter Foss	-75%	0%	-18%
Casper Jensen	0%	0%	-
Benedikte Leroy	-13%	0%	0%
Anja Madsen	-	-	-
Jørgen Møller Nielsen	-13%	0%	0%
Lars Rasmussen	-13%	0%	5%
Executive Board			
Søren Nielsen	0%	27%	19%
René Schneider	-4%	29%	11%
Parent company			
Profit before tax	-20%	-8%	3%
Change in average salary per FTE	3%	-12%	5%
Group			
EBIT	-29%	-8%	20%
Change in average salary per FTE	-3%	3%	-2%

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 Deputy Chairman of the Board of Directors succeeding Peter Foss.

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

Søren Nielsen was appointed CEO succeeding Niels Jacobsen.

In 2019, Casper Jensen was elected to the Board of Directors by the employees.

In 2020, Anja Madsen was elected to the Board of Directors at the annual general meeting, as Peter Foss did not stand for re-election.

In 2019 and 2020, the "shadow shares" granted under the retention programme for the Executive Board in 2016 and 2017, respectively, were converted into cash payouts in accordance with the terms of the programme. These cash payouts constitute the by far most part of the increase.

Holding of Demant shares

Table 5: Holding of Demant shares (number)

Board of Directors and Executive Board	31 December 2020	Changes +/-	1 January 2020
Niels B. Christiansen	8,060		8,060
Niels Jacobsen	1,001,340		1,001,340
Thomas Duer	1,335		1,335
Casper Jensen	500		500
Benedikte Leroy	3,000		3,000
Anja Madsen	1,500	+1,500	0
Jørgen Møller Nielsen	366		366
Lars Rasmussen	22,500		22,500
Søren Nielsen	21,637	+3,270	18,367
René Schneider	14,150	+2,171	11,979

Statement by the Board of Directors

The Board of Directors has today considered and approved the remuneration report of Demant A/S for the financial year 1 January - 31 December 2020.

The remuneration report has been prepared in accordance with section 139 (b) of the Danish Companies Act.

In our opinion, the remuneration report is in accordance with the remuneration policy adopted at the annual general

meeting and is free from material misstatements and omissions, whether due to fraud or error.

The remuneration report will be put to an advisory shareholder vote at the annual general meeting on 5 March 2021.

Smørum, 9 February 2021

Board of Directors

Niels B. Christiansen, Chairman

Niels Jacobsen, Deputy Chairman

Thomas Duer

Casper Jensen

Benedikte Leroy

Anja Madsen

Jørgen Møller Nielsen

Lars Rasmussen

Independent auditor's report

To the shareholders of Demant A/S

We have examined whether Management has fulfilled its obligations to disclose the information required by section 139 b (3) of the Danish Companies Act in the company's remuneration report for 2020.

Management's responsibility

Management is responsible for the preparation of the remuneration report in accordance with section 139 b of the Danish Companies Act and the remuneration policy adopted at the Annual General Meeting.

Further Management is responsible for the internal control that the Board of Directors considers needed to prepare the remuneration report that is free from material misstatement and omissions, whether due to fraud or error.

Auditor's responsibility

It is our responsibility to express a conclusion on whether Management has fulfilled its obligations to disclose the information required by section 139 b (3) of the Danish Companies Act in the company's remuneration report.

We have conducted our examinations in accordance with ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and additional requirements under Danish audit regulation to obtain reasonable assurance about our conclusion.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our examinations included an examination of whether the remuneration report, to the extent relevant, includes the disclosures required by section 139 b (3), items 1-6, of the Danish Companies Act for the remuneration of each member of Management.

Our examinations have not included an examination of accuracy and completeness of the disclosures, and we do not express any conclusion on this.

Conclusion

It is our opinion that Management has fulfilled its obligations to disclose, in all material respects, the information required by section 139 b (3) of the Danish Companies Act in the company's remuneration report for 2020.

Copenhagen, 9 February 2021

Deloitte

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