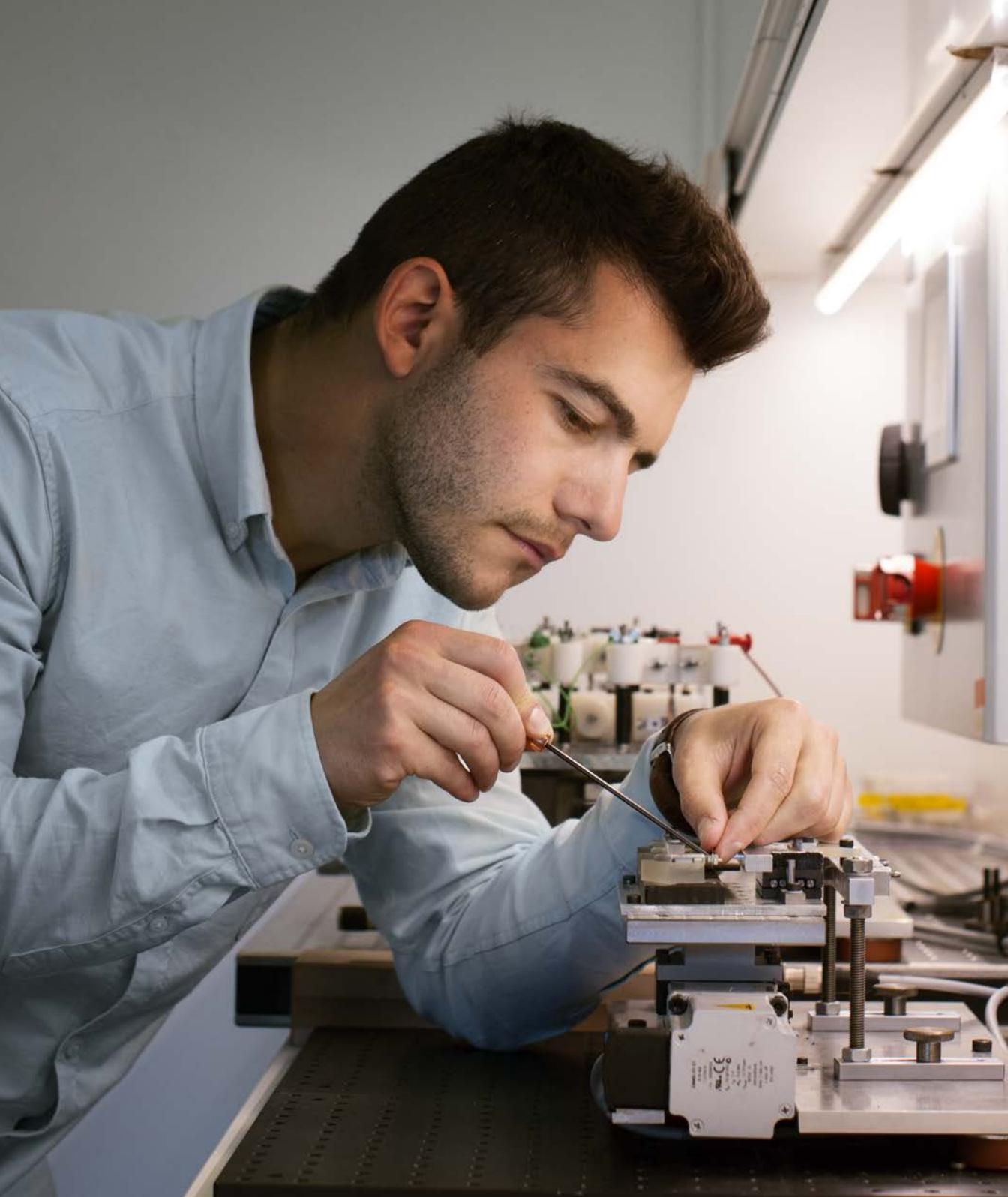


Demant

Corporate Social Responsibility Report 2019





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About the report

Scope

In this report, we present Demant Management's commitment to uphold social and environmental responsibilities tied to our business, and to ensure governance and business ethics.

Communication on Progress

The report serves as Demant's Communication on Progress (COP) as a signatory member of the United Nations Global Compact initiative. Unless it is declared, third parties such as distributors are not included in the reporting. The numbers stated in the report are representative of the Demant Group and the policies encompass all companies within the group, unless stated otherwise. The report pins out specific numbers and initiatives from our joint venture Sennheiser Communications A/S.

With this report, we wish to express Demant's continued support of the UN Global Compact initiative, its 10 fundamental principles, and the 17 Sustainable Development Goals.

Danish Financial Statements Act

This report also covers the statutory reporting requirements on Corporate Social Responsibility (CSR) and the gender composition of management as prescribed by section 99a and 99b of the Danish Financial Statements Act. The report covers the twelve-month period from 1 January to 31 December 2019.

Within Demant, Vice President of Corporate Communication & Relations Trine Kromann-Mikkelsen is responsible for coordinating the CSR policies, activities, reporting, and the liaison between the organisation and the Executive Management Board.

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Reader's guide

The report consists of five main chapters: An introduction to Demant and a brief walk-through of our CSR framework, encompassing our sustainability priorities, followed by four main themes covering the four grand pillars in our current CSR framework (corporate governance, people and society, environmental protection, and business ethics).

As you read the report, each chapter will entail an indication of the relevant Sustainable Development Goals.

Below is an overview of where to find information on the report requirements that apply to us:

Reporting requirements	Where to find it
Communication on Progress, UN Global Compact action platforms, plans and outcomes: <ul style="list-style-type: none"> • Human rights (Principles 1-2) • Labour conditions (Principles 3-5) • Environment (Principles 7-9) • Anti-corruption (Principle 10) 	<ul style="list-style-type: none"> Page 15, 34-36 Page 15, 37-39 Page 15, 43-49 Page 15, 50-51
Danish Financial Statements Act, §99a Business model, Policies, key risks, KPIs and results: <ul style="list-style-type: none"> • Social and employee conditions • Environment and climate • Human rights • Anti-corruption and anti-bribery 	<ul style="list-style-type: none"> Page 15, 37-39 Page 15, 43-49 Page 15, 34-36 Page 15, 50-51
Danish Financial Statements Act, §99b Gender composition in management	Page 15, 40-41

CEO statement



William

Camilla

Hans

源于关爱

Demant集团的建立源自于汉斯·戴蒙特先生希望通过行动，来改善听力受损妻米拉的生活质量，从而改善孩子的人生。百年来，戴蒙集团不忘初心，每一天都坚守：带去改变人生的听力

Taking responsibility for society, people, and the environment is deeply rooted in Demant's culture. We acknowledge the broader responsibility that comes with operating a large, global business – our responsibility towards customers, employees, business partners, shareholders, as well as the society which surrounds us. While strengthening our business activities for the future is essential, we aspire to always put responsibility first.

More than 115 years ago, one man's mission to help his hearing-impaired wife lead a better life paved the way for a business aimed at helping people with hearing loss take an active part in society. To this day, Hans and Camilla Demant and the Demant family's purpose of creating life-changing differences through hearing health remains unchanged. The essence of this, backed by the testimonials from our customers and users, is the reason my colleagues around the world and I wake up every morning and go to work highly committed.

Behind this purpose stands our Group's constant investments in innovation and technology; our contribution to better research, education, and hearing rehabilita-

tion; our efforts to ensure reliability, quality, and safety of our products and services; and our guarantee to secure a responsible value chain.

Hearing health is general health, and this year we have worked with a dedication to deepening and broadening the knowledge and understanding of the detailed relationship between hearing, health, and the brain. Stressing the link between good hearing and well-being is not only extremely important to me personally; with the prospects of an increasing elderly population and more people suffering from hearing loss, it becomes more necessary for countries and their healthcare systems not to neglect benefits from hearing care.

Focus on care extends beyond our customers and users and is essential to everything we do. We care about employee engagement, well-being, development, diversity, and inclusion. This year, I am proud to see that our global engagement score improved, paving the way for further talent development of the Group. This year's reporting has also indicated a need to sustain our ongoing focus on diversity and the need to identify enablers and barriers to create an even more inclusive culture.

Even though our value chain entails limited impact on the environment compared to heavy industry, we are aware of and highly committed to reducing our environmental footprint. As part of this promise, we support the Paris Agreement and are committed to support the 70% reduction target by 2030 brought forward by the Danish government. We have worked to identify opportunities within reducing, reusing, and avoiding excess materials. Furthermore, our business activity Diagnostic has obtained an ISO 14001 certification in their production, and thus we have become the only environmentally certified supplier of audiology equipment in the world.

The Demant family continues to grow and transform, and so does the world around us. This year, we have worked intensely on integrating our modern headset business, Sennhesier Communications A/S, into the Group and on the process of rebranding the company to EPOS.

As a parent group of a complex organisation, we have identified a need to frame a one-company approach to our broader work with CSR. This new approach will not merely lay out drivers for responsible behaviour but set specific priorities for the

companies within our Group. During 2019, we initiated a concentrated process of formulating an updated CSR framework for 2020–22. We will refine and employ the new framework and generally sharpen our CSR focus in 2020. I am personally excited about the journey on which we have embarked towards becoming even better at framing and aligning our work with responsibility and sustainability.

Demant's CSR work mirrors our continued commitment to the United Nations Global Compact and support of the Sustainable Development Goals. We focus on access to health, jobs, and education, as well as innovation and economic growth, sustainable consumption and production, the climate, fair businesses, and inclusive societies.

We believe that progress thrives on the nourishment of creative minds. The cases brought forward in this report illustrate that we do more than pay mere lip service to responsibility. We live it every day and will continue to move forward in the pursuit of improving.

Søren Nielsen President & CEO

Introduction



Company Profile

For more than a century, Demant has played a vital part in developing innovative technologies and know-how to help improve people's hearing. All over the world, in every aspect, at every touchpoint from hearing devices, hearing implants, diagnostic equipment, hearing care, and intelligent audio and video solutions to modern headsets. Demant is present, active, and engaged. We aspire to pave new ways within hearing health while we ensure our long-term presence and conduct responsible business.

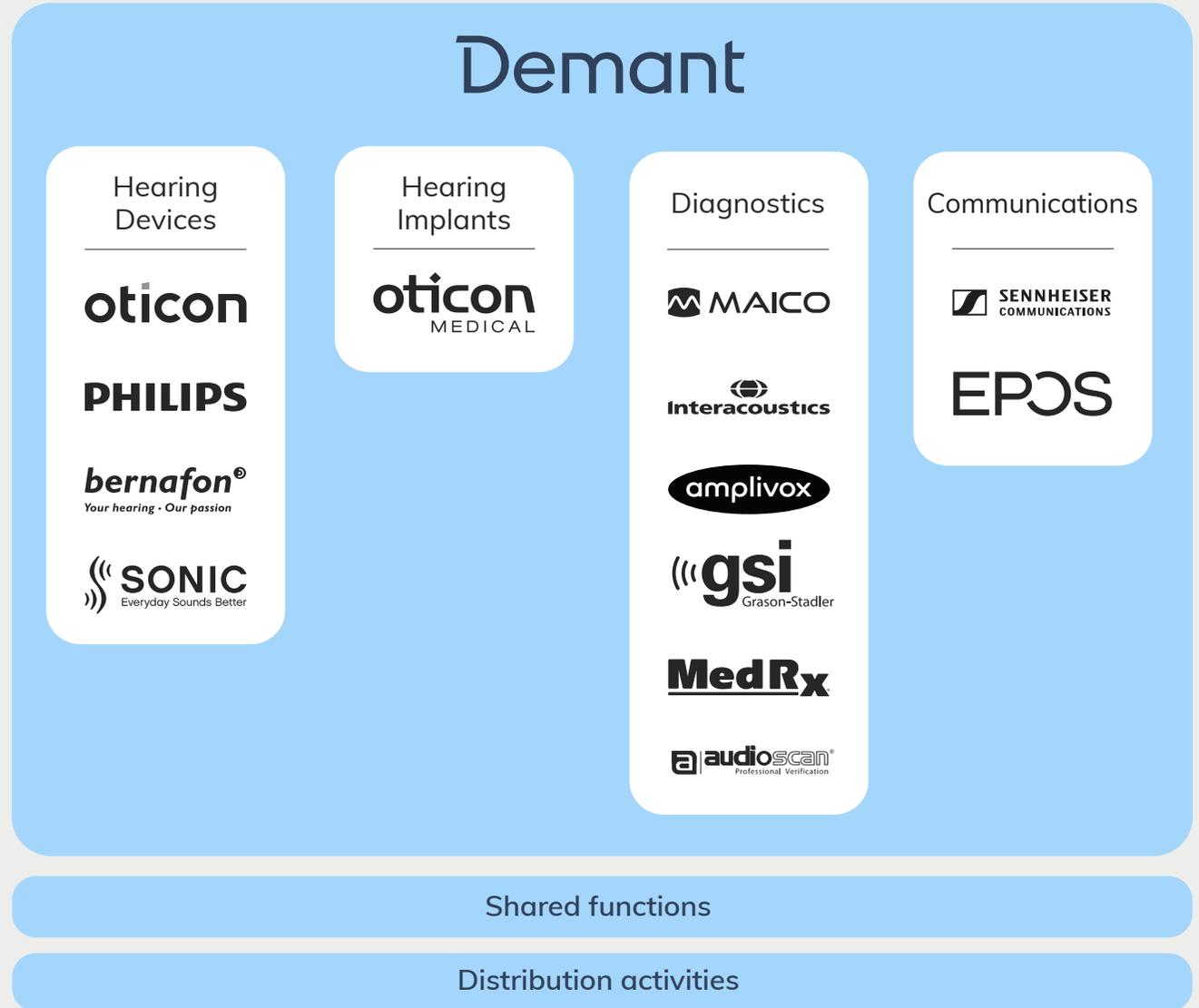


A world-leading hearing health group

The Demant Group operates in a global market with companies in more than 30 countries. We employ more than 15,800 people, and our products are sold in more than 130 countries. We facilitate good hearing by offering the newest technology and hearing care, as well as by bringing true innovation to the market in an efficient manner. Sharing knowledge and expertise across our Group also includes our shared services function, infrastructure, and common distribution to increase cost efficiency and stay highly competitive. In the financial year 2019, total Group revenue was DKK 14,946 million.

Demant is listed on the Nasdaq Copenhagen stock exchange as one of the 25 most traded shares in terms of free-floated market capitalisation, also known as the C25 index. William Demant Invest A/S, a company wholly owned by William Demant Foundation, holds the majority of the shares in Demant A/S, providing stability and strength for the future. A copy of Demant's annual report for 2019 can be found online at:

 www.demant.com/media#media-documents



The Demant brand

During 2019, we changed our name from William Demant Holding to Demant. The name change was part of a bigger journey of providing a stronger parent company brand for the group services, shared functions, and business activities of the Group to use as a corporate communication platform. We have evolved our approach and transformed from a silent holding company to a more active parent company, containing a group of individual companies that all benefit significantly from being part of a global, high-performing hearing healthcare group. All brands continue to approach their markets and customers individually based on a multi-brand and multi-business

approach. The aim of all our businesses is to become each customer's preferred supplier of state-of-the-art solutions and services, and to create a platform for continued organic growth. We strive to meet user needs by maintaining a high level of innovation and constantly expanding our global infrastructure.

The stronger Demant brand has foremost enhanced collaboration and provided a sense of belonging across the Group, while it also works well to attract and retain talent.

Business activities

The Demant companies collaborate and share resources and technologies in multiple ways throughout the entire value chain, from procurement and production to R&D, marketing, and sales. These synergies enable millions of people to experience the joy of sound, whilst at the same time facilitating smarter ways of working. All companies, however, have their own organisation and unique identity in order to service their individual markets in the best way possible.

We focus on four business activities: Hearing Devices, Hearing Implants, Diagnostics, and Communications.

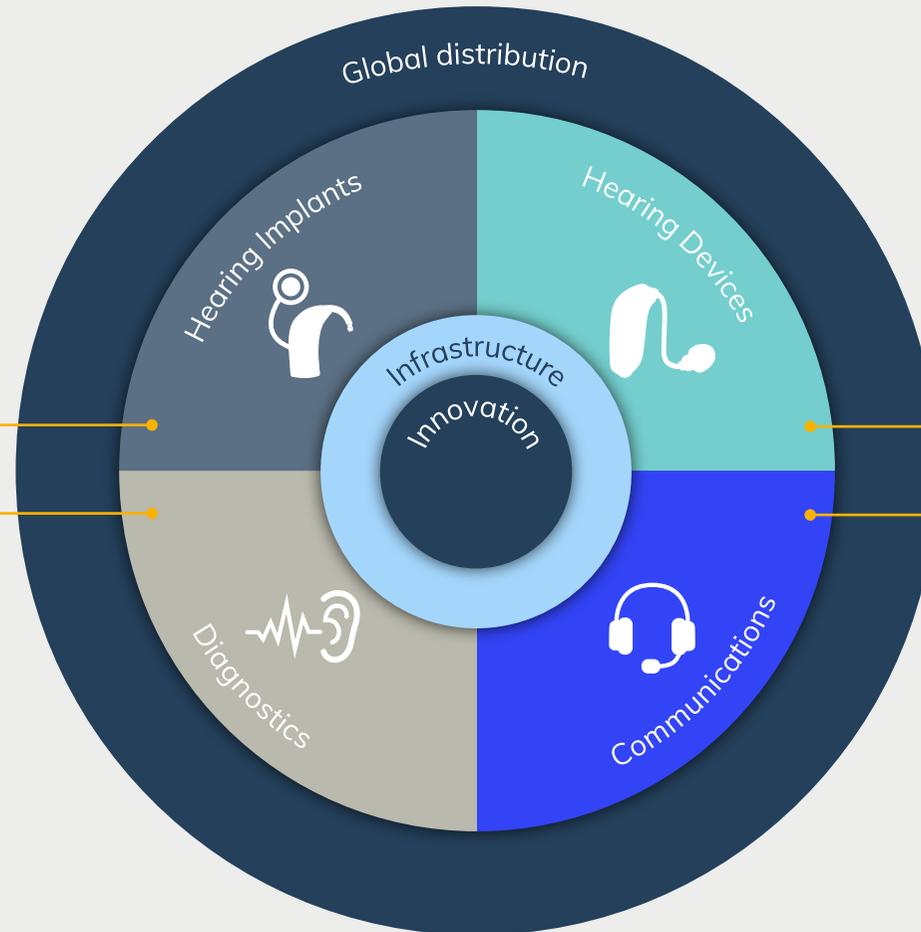
Within Communications, during 2020, our former joint venture Sennheiser Communications will end and the business segments Enterprise Solutions and Gaming Headsets will evolve as a new independent company under the Demant Group, EPOS. In autumn 2019, we announced that the new company will be branded EPOS and will from 2020 be included in Demant's CSR reporting.

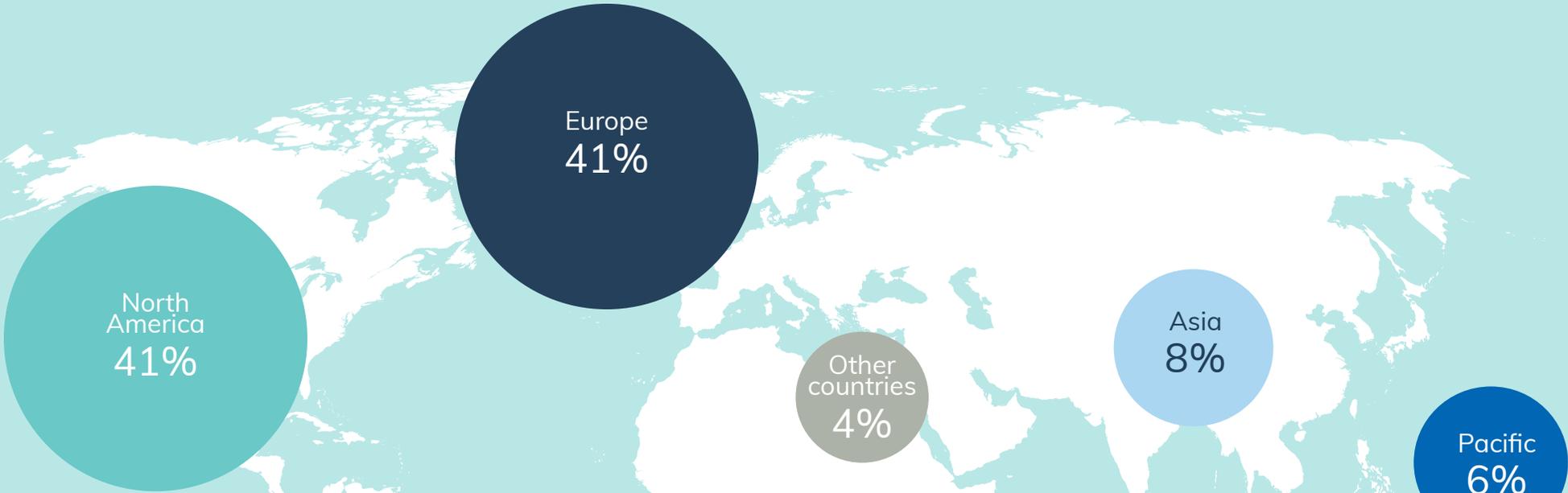
Hearing Implants is comprised of bone-anchored hearing systems and cochlear implants, offering treatment for people who are profoundly deaf or have severe hearing loss.

With Diagnostics, we offer solutions for measurement and diagnostics within hearing and balance, as well as new-born hearing screening and a large service organisation.

Hearing Devices represents our core business. With several hearing aid brands, we target all sales channels and customer segments, striving to deliver the best products possible and state-of-the-art technology.

With our business activity Communications, we address an attractive and fast-growing market for intelligent audio and video solutions. We are active in Enterprise Solutions and Gaming headsets.





Revenue by geographic regions

100% of the total volume of hearing aids production is based in Poland, while our amplifier production is located in Denmark. Custom production and service and repair is located mainly in the Americas (US, Canada, Mexico, Brazil), EMEA region (Poland, Italy, Germany, Turkey, South Africa) and Asia Pacific (Australia, China, Japan and Korea). Hearing implants are produced in France.

Our supply and value chain



Life-changing hearing health

In a world where integrity and authenticity are key decision drivers, being led by an original purpose is an essential reference point for the whole Group: We create life-changing differences through hearing health.

Three pillars that set us apart:



Our company history begins with one man’s passion to help his hearing-impaired wife. By committing to improving the lives of people with hearing difficulties, the Demant family gave us a solid foundation on which to create the future of hearing health. This commitment continues to motivate us every single day.



Hearing care is healthcare and we cannot stress the strong link between hearing and general health enough. Through the unique combination of qualified care and the newest technology in hearing instruments and implants, as well as in diagnostics and fitting equipment, we believe that what we do is more than merely amplifying sound. In the same way, the health care professionals we work with do more than merely fit hearing aids.



Our passion for innovation and technology will help make the unthinkable a reality. With solutions that are compatible with modern life and work in the digital age, we continue to bring innovative products to market. And by pushing scientific boundaries and sharing our research-based expertise, we play a crucial role in shaping a better future; benefitting us all as we live active lives and grow older.

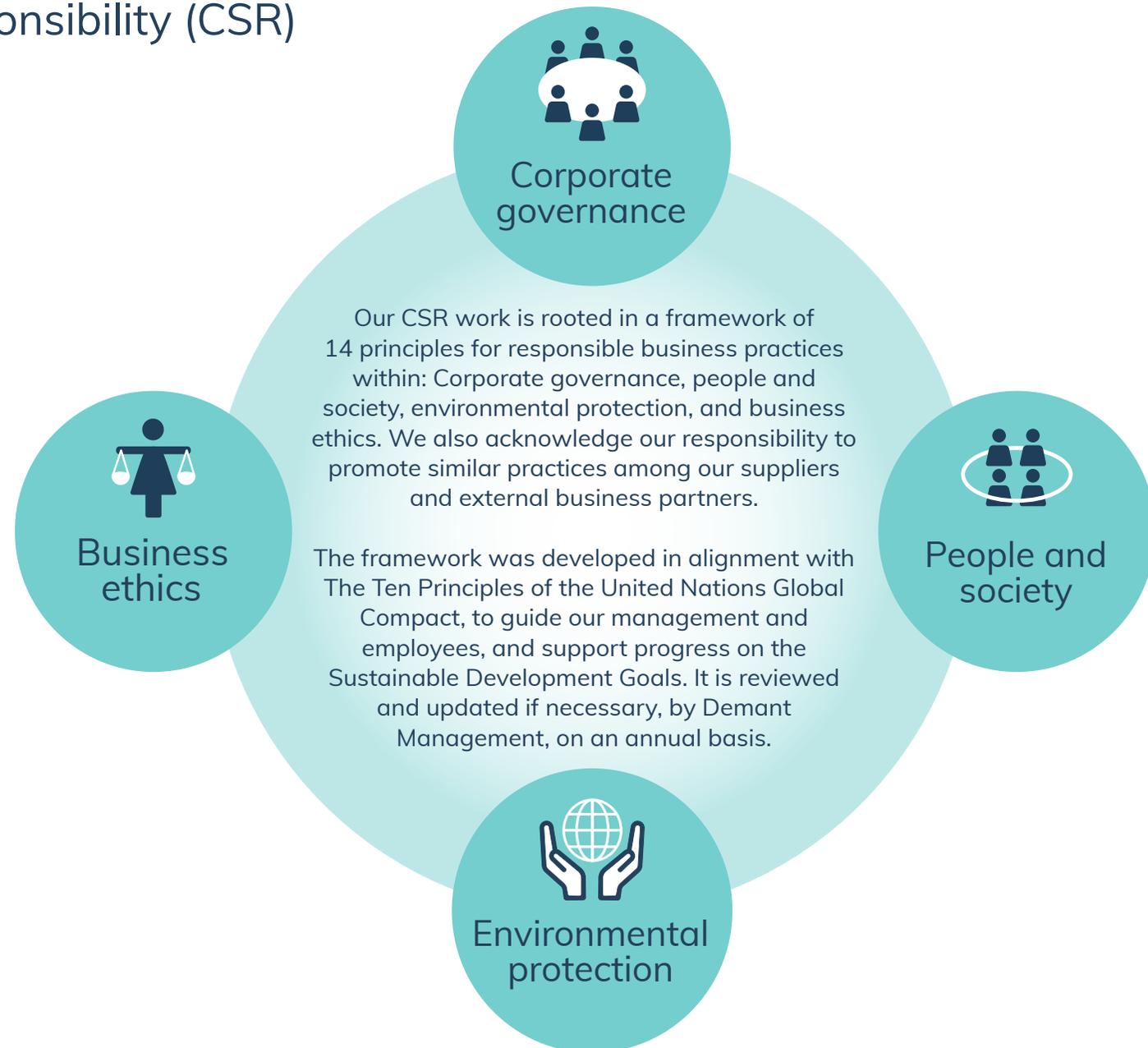
Corporate social responsibility

Demant's activities have an indisputable positive impact on people's health and well-being. Our products and services improve the quality of life of users and patients, new-borns, young and elderly alike, by offering sound to the brain and the access to life it brings. In 2019, we helped more than 2 million hearing aid users and, with our hearing implants, we helped well above 10,000 users with profound, conductive, and single sided hearing loss. Our technology helped diagnose a three-digit million number of people with suspicion of hearing loss and screened a two-digit million number of new-borns.

While we recognise our ability and responsibility to the reduce our environmental footprint and to positively influence ethical behaviour, our core responsibility lies in our ability to make a true difference with our positive impact on world health.



Framework for Corporate social responsibility (CSR)



CSR framework



The Board of Directors and the Management of Demant review the corporate governance on an ongoing basis and regularly assess whether amendments of the Company's Articles of Association or managerial processes are required.

1. We maintain an accountable and efficient management structure.
2. We communicate in an open, transparent, impartial, and timely manner with the stock market about the Group's strategy, objectives, and risks.
3. We maintain adequate internal control mechanisms with a view to monitoring, managing, and mitigating any material risks associated with our business.



The Group contributes positively to individuals and communities with our purpose of bringing life-changing hearing health through our products and services and by job generation, economic growth, and tax payment. Demant supports the Universal Declaration of Human Rights, ILO's Declaration of Fundamental Principles and Rights at Work, and the UK Modern Slavery Act.

4. We treat our employees with respect and dignity, encourage diversity, and ensure fair treatment.
5. We prohibit the use of forced or child labour.
6. We provide a safe and healthy working environment where employees can perform to their full potential and where initiative is encouraged.
7. We recognise our employees' rights to freedom of association and collective bargaining.
8. We strive to maintain good relations with local communities and the surrounding society through involvement and open communication.



Demant endeavours to protect the environment for future generations by monitoring and reducing the environmental impacts of its business activities and driving specific initiatives to further increase sustainable practices.

9. We use materials efficiently and strive to optimise packaging as well as waste handling.
10. We limit the use of hazardous substances in products and processes.
11. We monitor our impact on the climate and aim to reduce energy consumption.



We strive to be responsible corporate citizens and are committed to conducting our business in accordance with the law and high ethical standards. Our ambition is to act based on a one company approach. In a competitive market, our business can only flourish if based on sound business ethics. We have implemented a new Demant Group Third Party Compliance Code in 2019. We have also formulated a new Demant Group Code of Conduct which will be implemented in 2020.

12. We are committed to abide by the laws and regulations of the countries in which we operate. In the absence of adequate laws and regulations, we refer to recognised international standards and industry norms.
13. We work against bribery and other forms of corruption, both directly and indirectly, and we strive to avoid facilitation payments.
14. We avoid actions that may improperly influence business decisions.

Sustainable Development Goals

Demant supports the United Nations Sustainable Development Goals (SDGs) and aspires to contribute to their success. Even though we contribute to several of the goals, we believe our contribution primarily falls under SDG 3, 4, 8, 9, and 12. We will briefly introduce why we consider this our biggest contribution. In addition to the primary SDGs mentioned above, we also pay attention to SDG 5, 13, and 16.



Sustainable Development Goals



Goal 3 is about ensuring healthy lives and promoting well-being at all ages.

Here lies our biggest contribution because of our core business: treatment of hearing loss. There is a strong correlation between mental health and hearing health, and state-of-the-art research continues to support this link. We contribute to groundbreaking hearing health research.

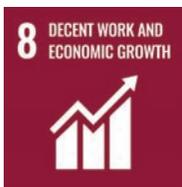
We do our very best to promote a system of care and rehabilitation within hearing health by collaborating with national political bodies and institutions on seeking the best way to treat hearing loss.



Goal 4 is about ensuring inclusive and equitable, quality education and promoting life-long learning opportunities for all.

Through our products and services, we offer the gift of sound to people with hearing loss. Hearing capabilities can be essential for access to education and labour; directly and indirectly, we contribute to increasing the availability of a skilled workforce.

We foster education by supporting hearing health as well as education and research through William Demant Foundation.



Goal 8 is about promoting sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

As a responsible employer, we offer quality job opportunities and decent work conditions for our employees. As a catalyst for jobs, we stimulate the economy while trying to reduce the negative impact we have on the environment. By providing the ability to hear, we make it possible for people with hearing loss to enter or stay in the labour market.

We protect labour rights and promote safe and secure working environments for all employees within our Group. We also work to ensure diversity and inclusion in teams and management.

As part of leading a decent business, we promote responsible supply chain management.



Goal 9 is about building resilient infrastructure, promoting inclusive and sustainable industrialisation, and fostering innovation.

By providing scientific research, upgrading the technological capabilities of relevant industrial sectors, and encouraging innovation, we boost R&D spending in the countries where we operate.

Through William Demant Foundation, we make donations to universities around the world and contribute with cutting-edge health research.



Goal 12 is about ensuring sustainable consumption and production patterns.

Although our core business is not heavy production, we still address how our own products, services, and business operations impact the environment. We continue to pursue substituting more sustainable materials in our operations, production, and products.

We especially focus on reducing waste generation through prevention, reduction, and recycling. We also acknowledge that we must address our own climate impact.

SDG 5

We focus on ensuring equal access to positions, development opportunities and management roles at all levels. We believe diversity is fundamental to driving a successful business. We work on creating an even more diverse and inclusive organisational culture.

SDG 13

Even though the Group's core business is neither intense on energy nor on the use of materials, we are committed to reducing our energy consumption. We strongly believe all large-scale companies can do their part to combat climate change and have joined the Danish climate committee to support this obligation.

SDG 16

To us, most of the targets within SDG 16 is implicit and an undeniable part of conducting a responsible and sustainable business. We are committed to ethical business practices and compliance to detect non-complaint and unethical behaviour within our value chain.

Corporate Governance



oticon
PEOPLE FIRST

8 DECENT WORK AND ECONOMIC GROWTH



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



In order to balance our many stakeholders' interests, we have established a set of processes and relations by which we control and direct our company. Demant's Board of Directors and Management consider Corporate Governance on an ongoing basis and regularly assess whether amendments to the Company's Articles of Association or managerial processes are required.

Demant A/S is subject to the Danish Recommendations on Corporate Governance laid down by the Danish Committee on Corporate Governance in respect to the way in which we adhere to the recommendations. As a listed company, the Group strives to maintain an accountable and efficient management structure and communicate in an open, transparent, impartial, and timely manner with the stock market about the Group's strategy, objectives, and risks. Control mechanisms are in place with an objective to monitor, manage and mitigate any material risks associated with our business.

Management structure

Demant A/S has a two-tier management structure consisting of a Board of Directors and an Executive Board.

Under the Company's Articles of Association, the Board of Directors must consist of four to six board members elected by the shareholders at the general meeting, in addition to staff-elected board members. Currently, the Company's Board of Directors has eight members: five elected by the shareholders and three elected by our employees in Denmark for a duration of four years. The staff elections took place in January 2019.

The Company's Executive Board presently consists of two executives: President & Chief Executive Officer and Chief Financial Officer.

The Executive Board has the overall responsibility for the activities and the day-to-day operations of the Company. The tasks, responsibilities and scope of the Executive Board, as well as the guidelines in respect to the delegation of duties between the Board of Directors and the Executive Board, are stipulated in the Instructions for the Executive Board.

The annual general meeting is the supreme authority in all company matters. The Company has one majority shareholder, the William Demant Foundation, which directly or indirectly holds 55–60% of the shares and voting rights at the annual general meeting.

- Policies for IT, insurance, cash management, procurement etc.
- Reporting instructions, as well as reporting and finance manuals

The responsibility for maintaining sufficient and efficient internal control and risk management in connection to financial reporting, governance, and corporate social responsibility lies with the Executive Board. As such, the Executive Board is responsible for shaping

and supporting the corporate social responsibility mission and activities of the Group, and the responsibility for coordinating, aligning, and reporting to the Executive Board lies with Demant Corporate Communication & Relations.

Internal control and risk management

The Board of Directors and the Executive Board are in an ongoing dialogue on the identification, description and handling of the business risks to which the Company may be exposed. Any material risks are described in the Annual Plan and Budget on an annual basis, which the Board of Directors approves. In the chapter on risk management activities in our annual report, we provide a review of the main elements of our internal control and risk management systems in connection with the financial reporting process.

From a financial reporting process and internal control point of view, once a year

we conduct a very detailed planning and budgetary process. Any deviations from the plans and budgets concluded in the process are carefully monitored on a monthly basis.

To ensure high quality of the Group's financial reporting systems, the Board of Directors and the Executive Board have adopted policies, procedures, and guidelines for financial reporting and internal control to which the subsidiaries and reporting units must adhere, including:

- Continuous follow-up on results achieved compared to the approved budgets

Reporting on corporate governance

When reporting on corporate governance, we follow the "comply or explain" principle, which means a failure to comply with a recommendation does not constitute a breach, as long as we explain why we have chosen not to follow a given recommendation and explain what we do instead. The cases where we have chosen to deviate from a recommendation are well-founded, and we have substantially explained what we do

instead. To further increase transparency, we have decided to provide supplementary and relevant information even when we follow the recommendations. A complete schematic presentation of the recommendations and our compliance, Corporate Governance 2019 – Statutory report on corporate governance, cf. section 107 b of the Danish Financial Statements Act, is available at our website:

 www.demant.com/media#media-document

People and society



Our founder Hans Demant started the company out of a passion to help his hearing-impaired wife Camilla, and subsequently more and more people, live a better life. More than 115 years later, this care continues to be a central part of Demant. Being able to interact with others is a vital part of living. When we hear sound and impulses, they stimulate the brain and help keep our hearing more fit. This allows us to communicate and interact with our surroundings and stay active and engaged. Demant aspires to help people improve their lives through hearing, so that they can engage in conversation with their loved ones, stay in or enter the labour market, and take part in society. We do this as our core business and through various processes, principles and prioritisations presented in the following chapter.



Contributing to society

We work every day to alleviate hearing loss by providing state-of-the-art research, and our majority shareholder William Demant Foundation supports education and research, rehabilitation projects, hearing care programmes, and the society, through several philanthropic activities. With our products and services more people can pursue education, the workforce population grows, mental illness, such as depression can be prevented, and the risk of dementia reduced.

We aspire to aid promotion of better hearing rehabilitation by collaborating with politicians, authorities, institutions, and government officials on constantly refining what we know about hearing loss and treatment hereof.



A word from our users



We've had the TRV Chair ("spinning chair") for two years now and see great potential to be able to treat BPPV (balance disabled) patients quicker and more efficiently.

Dawn Clare, Head of Audiology, Royal National Throat, Nose and Ear Hospital, London, UK



Opn S has changed my world! I'm hearing the nuances of sounds that I missed for years – from the soft sweep of the brushes on my cymbals to the steady beat of my loudest drums. Opn S is helping to bring back the passion I have for my music and my life.

Lenny, Oticon Opn S user



Opn changed my life a lot. Hanging out with friends and not knowing what they're talking about, that was always the worst. With Opn hearing aids I don't have that problem.

Carlo, age 18, Oticon Opn user



I can really participate in life again – that's just fantastic.

Hans Bladt, Oticon Medical Neuro 2 user

Research alleviates hearing loss

Through a joint effort with our research and development experts, we provide groundbreaking scientific research, upgrading the technological capabilities of relevant industrial sectors and encouraging innovation. Our research efforts enable us not only to create exceptional audiological products, but to understand what improves the overall hearing health and quality of life. As shown by scientific proof, quality hearing solutions improve people's overall health and mental well-being. On the following pages, we highlight some of the most prominent research projects and results of the Demant Group in 2019.



Eriksholm Research Centre

At Oticon's Research Centre, Eriksholm, we study hearing, the concept of BrainHearing, and we develop the next generation of solutions. The research is anchored in two megatrend research areas: Augmented hearing science and Cognitive hearing science.

Whereas the most central impact of our research and innovation activities becomes evident when implemented in our products or services, we believe it is essential to share and distribute the knowledge we generate.

Eriksholm Research Centre, 2019:

- 24 papers in published peer reviewed journals
- 6 papers in conference proceedings
- 1 book chapter
- 14 conference posters
- 21 conference presentations

Augmented hearing science

A well-known challenge within hearing healthcare continues to be the "Cocktail party problem", where multiple speakers and background noise create a "babble", which is hard to understand for people with hearing loss. Artificial intelligence is very helpful in solving the issue. While modern hearing aids are powerful and offer many parameters that can be adapted to specific listening conditions, it is practically impossible to adapt all parameters to the ever-changing listening

conditions during a day. Therefore, we experiment with applying artificial intelligence to the user information obtained from hearing aids, in order to create optimised settings dynamically. The technology will make the performance of hearing aids even better and thus give the users the best possible support in any listening situation.

The Deep Neural Networks (DNN) algorithm can mimic the human brain's capability of separating voices. Whereas the capability to separate voices comes easily and intuitively for people with normal hearing, it can be increasingly difficult for hearing impaired people. In recent research with our academic partners at Tampere University in Finland, we were able to show that when using DNN it is possible for people with hearing loss to achieve the same separation of competing voices that people with normal hearing achieve. As part of an ongoing PhD project, Oticon is collaborating with Aalborg University in Denmark to further study DNN and the possibilities of improving speech enhancement by introducing a visual input source to the hearing system. With the combination of visual and auditory inputs, the idea is to build speech enhancement algorithms to work in noisy environments. A demonstration test indicates a significant increase in speech quality when you combine the visual input with the auditory input.

Cognitive hearing science

Pupillometry has proven to be a highly efficient means of measuring the cognitive load of listeners. Our pupils change size depending on the level of cognitive effort we put into listening. Constant monitoring of the listening effort in future hearing aids will help support the listener in keeping the listening effort at a minimum level in any situation.

In an European Horizon 2020 project COCO-HA (COgnitive COntrol of a Hearing Aid), we documented how it is possible to measure the EEG signal of the human brain via electrodes on the hearing aids. EEG is a technology that measures extremely small changes of

tension on the surface of our in-ear skin. The signal can be used to continuously adjust the hearing aid's performance to minimise listening effort by steering the hearing aid with eye gaze. The eyes are strong dipoles and their movements can be measured via the EEG electrodes in the ear. By knowing where the user is looking, we can focus the hearing aid in the same direction. EEG signals measured over long periods of time also offer new opportunities for helping people not only within hearing healthcare but also in general well-being. An combination with the above described DNN for speech separation, this presents a big step toward the solution of the cocktail party problem.

BrainHearing and better fitting

Oticon life-changing technology

Oticon works with improving the understanding of the detailed relationship between hearing and the brain and using insights from that work to develop new technologies that empower the brain. Reduced access to all the details in sound and noise is what limits the brain of a person with hearing loss. By ensuring that hearing aids deliver more details from sound that can be used by the brain to effectively navigate noisy environments, we can provide increased quality of life to people with hearing loss.

How the brain can grasp sound more effectively

This year, we have had a breakthrough in our understanding of how the brain makes sense of sound when a person has a hearing

loss. Traditional hearing aid technology was often not able to provide full audibility during chewing, hugging, drinking, or standing close to reflective surfaces. This is due to feedback, the squealing sound that still haunts many hearing aid users and their significant others. A new technology developed in the Demant innovation labs, and integrated into the products launched in 2019, prevents feedback from happening when the hearing aids are fitted according to clinical best practices. With this new technology and launch (e.g. in Oticon Opn S), we have seen continued reduction of both objective and perceived listening effort as well as an improved ability to remember what was heard.

Combining the above-mentioned technology with noise reduction technology, we have

been able to document that hearing aids empower the brain to better organise complex sound environments. We documented this using a new research method developed in the previously mentioned, EU-funded European Horizon 2020 project COCOHA (COgnitive COntrol of a Hearing Aid), working together with leading universities in the UK, France, Switzerland, and Denmark. It is the first time that hearing aids have been documented to be able to improve this most central listening ability of the brain, using objective research methods.

Improving customisation from the public healthcare system

Oticon continues to be actively involved in the Danish BEAR study, which investigates the benefits of better individualisation of treatment for people who are fitted with hearing aids from the public healthcare system. Modern hearing aids can be customised to individual diagnoses and other listening

needs, however, most of the public healthcare providers do not have enough time nor the capabilities to provide such customisation. The BEAR project investigates how diagnosis of hearing loss and customisation of hearing aids can be improved to show that, in the long term, it leads to improved health outcomes and presents a good investment for the public healthcare system.

In 2019, we made the first major learnings from the BEAR project, which we are now using to create improved methods for hearing aid fitting and rehabilitation. These improved methods will be tested in a large-scale clinical study in 2020.

BrainHearing for hearing implants

Within our business activity Hearing Implants, we run several BrainHearing research projects with Cochlear Implants (CI) and Bone-Anchored Hearing Systems (BAHS) partners across the globe to ensure that





patients are using solutions and fittings that not only bring audibility, but also minimise listening effort. The programme “The Brain-Hearing Network”, is being rolled out at clinics across the globe, including Medical School Hannover, Seoul National University hospital, Gentofte/ Rigshospitalet in Denmark, University Hospital of Sao Paulo, and many others.

We continue to develop and grow our portfolio of research tools and projects for understanding the adverse implications of hearing deprivation on cognition. Through studies with academic and clinical partners, we learn that hearing care is really about brain care, and that intervention with, for example, a Cochlear Implant (CI) can have positive effects on cognition and even delay cognitive decline. In 2020, we will, through our participation in the European Horizon 2020 research project Comm4Child, further expand our activities in the BrainHearing domain to include more research on the importance of low listening effort for learning for children with hearing loss.

Music and cochlear implants

Listening to music evokes many cognitive processes including emotional responses and can be used for relaxation or even management of mental health conditions such as stress. Music also triggers associations and activates motor functions such as tapping or dancing, and it plays an important role in social interactions. Many Cochlear Implant (CI) users are deprived of this experience. Our portfolio of activities in this area embodies our dedication to support the research community in bringing music to CI users to improve mental health and social well-being. For example, the bi-annual Music & Cochlear Implants Symposium, as well as our

multi-national research programme with academic partners in Denmark and the United Kingdom on combining CI and haptic (vibro-tactile) stimulation. Although it is not a simple fix but an effort which requires substantial research and technology development in the years to come, we are determined to bring a better music experience to CI users.

Creating solutions that work for the individual user

Across manufacturers, we see a large variance in outcomes, especially for Cochlear Implants (CI). There is no single reason for this; differences in pathologies, hearing history, duration of deafness, access to good rehabilitation, and surgical aspects all contribute to the variation. As manufacturers, we are obliged to understand how we can help reduce the variation in outcomes to make treatments more cost-effective and enable a higher penetration of implantable hearing solutions. To this end, we are supporting a range of research projects within:

- Image-guided CI surgical planning and evaluation for individual anatomies
- Analysis of individual and fundamental mechanisms for bio-integration of implants
- Understanding real-life needs and challenges for implanted patients through statistical analysis and Artificial Intelligence modelling of multi-modal data collected across many patients in the field
- Use of virtual reality and virtual acoustics setups for emulating real-life sound and visual environments in the lab

Improving hearing health and giving back to society



Improving life with hearing loss

Oticon Medical Friends – Connecting users

Oticon Medical Friends is the new online community for Oticon Medical users. It premiered for American Ponto users (bone-anchored hearing systems) in November 2019 and will expand to Neuro users (cochlear implants) in France, in 2020. The community welcomes both users and caregivers of users, such as parents and relatives.

Oticon Medical Friends features:

- Groups based on interests, device type, and experience, where people can connect and exchange experiences and ideas
- A library with downloadable articles and guides on how to make the most of your implantable hearing device. These materials are exclusively available to Oticon Medical Friends members
- Direct messaging capabilities that allow you to chat directly with fellow Oticon Medical users and Oticon Medical employees
- First looks at new products and accessories
- Exclusive offers and competitions

The community will continuously welcome new countries during 2020, eventually making it possible for Oticon Medical users to connect worldwide. In the community, they will be able to exchange experiences and advice, as experienced users can guide new

users and people with common interests can connect and learn from each other.

WHO's World Hearing Day

World Hearing Day is held on 3 March each year to raise awareness of how to prevent deafness and hearing loss and to promote ear care and hearing health across the world. Each year, Demant partners up with WHO to communicate and create awareness around different topics of hearing care – and to enlighten and educate on how to take care of your hearing. A great part of the Demant DNA is to develop innovative technologies and know-how to help improve people's hearing health and it is therefore natural for us to celebrate and take part in World Hearing Day.

In recent years, an increasing number of countries and other partner agencies have joined World Hearing Day by hosting a range of activities and events locally, thus supporting this global initiative. We celebrate the day by opening our company doors to meet and engage in dialogue with users and citizens about hearing health.

The Veterans Health Administration

Oticon has been awarded the Veterans Health Administration (VA) National Hearing Aid and Wireless Accessories contract effective from 2019–2024. VA is the United

States' largest integrated health care system, providing care at 1,243 health care facilities, serving 9 million enrolled veterans each year. Roughly 500 of the sites provide audiology services, including compensation, pension, and hearing aid dispensing. During the VA fiscal year 2018–2019, it dispensed more than 843,000 hearing aids.

Demant has in recent years grown to become one of the leading suppliers of hearing aids to the VA system, currently representing around 16% of the hearing aids purchased by the VA. Much of this success is due to Oticon's sound quality and life-changing technology, enabling veterans to increase their participation in the situations that matter most to them, in turn improving their quality of life. Demant partners with the VA within the area of Teleaudiology to increase and ease the veterans' access to care through the VA. Here follow some examples of how:

- The Automated Method for Testing Auditory Sensitivity (AMTAS) was developed by Robert Margolis, PhD, through a partnership between Audiology Incorporated and three research institutions: the University of Minnesota, the University of Utah, and the James H. Quillen Veterans Affairs Medical Center. Within the Demant Group, Grason-Stadler (GSI) has implemented it in products and introduced it to the market. AMTAS is a patient-directed, diagnostic audiometry test that enables veterans in remote locations to receive a full clinical evaluation without the test being attended by an audiologist. The results are then forwarded to a VA audiologist for evaluation. The AMTAS Pro uses patented test methods and provides quality indicators to

the audiologist as they evaluate the test. It operates on GSI audiometers and utilises a touchscreen computer. This telehealth technology will improve efficiency, save travel time, and enable remote locations in the VA to provide hearing care without having an audiologist at that location.

- Oticon has developed a technology called Oticon RemoteCare, which will enable the VA audiologist to remotely fine-tune the veteran's hearing aids while they are in the comfort of their own home.

Velkommen Hjem

From 2017, Demant has supported the organisation Velkommen Hjem (Welcome Home), which works with companies to bridge the gap between military veterans and businesses. The road from military to civil can be challenging. Therefore, companies offer mentors to veterans to help them start a career out of the military. Following previous year's success, Demant mentors have mentored two veterans in 2019.

Changing perceptions of hearing loss

The Oticon Focus on People Awards recognise the achievements of people with hearing loss and hearing care professionals who help eliminate the negative stereotypes which often discourage people from seeking help for hearing loss. More than 100 hearing care professionals and Oticon staff celebrated the 2019 award winners: 13 remarkable individuals whose courage and commitment are changing perceptions of what it means to live with hearing loss. Nearly 15,000 votes were cast by people from across the US to help determine the first, second, and third place winners. It is a national celebration of

people with hearing loss, to create the kind of awareness that changes attitudes and opens the doors of opportunity for all.

Campaign for Better Hearing

An initiative from our hearing aid retailers puts hearing on the healthcare agenda by offering free hearing aids and providing crucial information and education about hearing healthcare and the consequences of untreated hearing loss. Each time someone gets their hearing tested in one of the clinics participating in the campaign, the Campaign

for Better Hearing gets a donation. With the donation money we provide free hearing aids to people who need them but cannot afford them, based on nominations from the clinics. So far, ten markets (Australia, Brazil, Canada, France, Ireland, the Netherlands, Portugal, Spain, the UK, and the US) have launched the campaign. In 2019, we have screened 465,633 people with a Campaign for Better Hearing campaign code, raised more than USD 1.75 million, and helped 509 people by providing 865 free hearing aids.



Grants and donations through William Demant Foundation

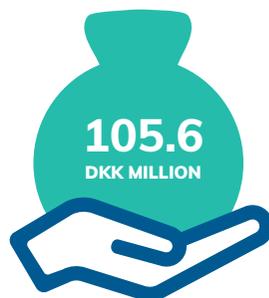
Since 1957, William Demant Foundation, the majority shareholder of Demant, has been a charitable business foundation whose main purpose is to secure and expand the commercial activities of the Demant Group. The Foundation reinvests in society by donating to altruistic causes and by expanding its sustainable investments, particularly in the MedTech industry. Based on its charter to donate to the hearing loss cause, as well as research, education, culture, and care, the Foundation supports social and educational programmes, publications, conferences, cultural activities and researchers, students, and hearing care professionals.

Demant channels its philanthropic activities through William Demant Foundation, based on a wish to separate grants and donations from the commercial activities of the companies within the Group. We believe that the Foundation allows us to allocate resources to people and society in the best possible way. Following this, two experts specialised in audiology and related disciplines work jointly with the board of the Foundation to ensure the necessary expertise and see that applications are reviewed in a professional manner.

With a grant of DKK 40 million from William Demant Foundation, the leading specialised hospital in Copenhagen **Rigshospitalet** will be able to offer complicated audiological patients specialised treatment and research within hearing loss, and to offer balance treatment at a new hearing and balance centre.



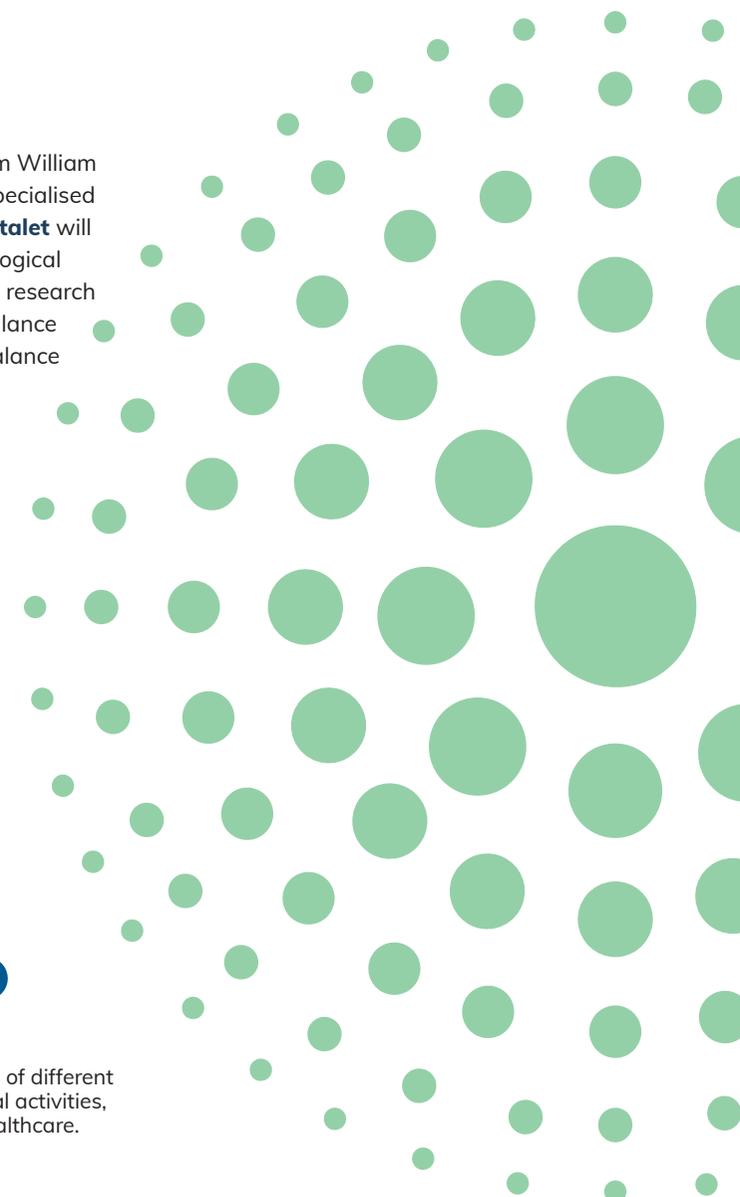
In 2019, William Demant Foundation donated a total of DKK 153.2 million to projects within research, education, culture, and care.



Donated in 2019 to projects aiming at alleviating hearing loss all over the world, as well as to promote education and research projects within hearing healthcare.



Allocated in 2019 to support a range of different projects within areas such as cultural activities, exhibitions, and humanitarian healthcare.



William Demant Foundation is the sponsor of the annual, world-renowned **Eriksholm Summer Camp**. In 2019, the 14th camp engaged 57 young audiologists from 23 countries. This year's theme 'The Future of Audiology' involved an academic programme packed with fascinating, hands-on lectures ranging from audiology best practices and paediatric trends, to big data and cognitively controlled hearing aids. As always, the participants took part in a slew of exciting social activities such as bonfires and a GPS scavenger hunt, explored Copenhagen, and took part in an international evening organised by the participants. A dedicated team of Oticon

employees, leading scientists from Eriksholm Research Centre, guest experts, audiologists, and specialists put in a huge effort to create a very successful 2019 summer camp.

Oticon and William Demant Foundation hosted their fourth nationwide competition, the **Audio Explorers Challenge**, aimed at engineering students with an interest in mechanical, electrical, or software development. 250 students signed up in small teams to solve a real hearing technology brainteaser posed by our R&D team. The 25 highly talented winners went for an action-packed study trip to New York with the Oticon crew, during

which they experienced audiological lectures given by renowned professionals, visited universities, and visited Oticon's US headquarters. The students were fitted with a specially modified Oticon Opn hearing aid to log and map the sounds of the urban space. By measuring the sound and then labelling it in a special app, the students helped to train an artificial intelligence application – something that will eventually help the engineers of Oticon make hearing devices even better.

An increasing number of young people are at risk of suffering from either tinnitus, de facto hearing loss, or hearing sensitivity. In

2019, William Demant Foundation donated DKK 2 million to support the **Danish Hearing Association** in its efforts to prevent further hearing impairment among young people in Denmark.

Since 2007, William Demant Foundation has funded the **Ida Institute**, a non-profit organisation working to integrate person-centered practice in hearing care. In collaboration with hearing care professionals and other experts around the world, the institute develops tools and resources that help professionals deliver care based on the needs and life situations of their clients and enable people





with hearing loss to take a more active part in their own care. To further promote hearing health, William Demant Foundation supports the Ida Institute on its mission to integrate person-centred practice in hearing care and help professionals deliver the best care possible. Ida has a growing community of 16,000 hearing care professionals and partners with 24 leading patient associations, professional organizations, and universities around the world. In 2019, the institute trained +2000 professionals in providing person-centred care.

What is earwax really? Is it true that humans have a “drum” inside their ear? And what role does the shape of our ears play in making us hear sound? With support from William Demant Foundation, the Danish non-profit organisation **Børneliv** is unfolding these questions, alongside the rest of the wondrous world of hearing, by creating engaging workshops for children. The aim of the project is to boost children’s knowledge of hearing loss, as well as contributing to minimising the risk of hearing damage among the youngest members of society.

Quality products and services

Guided by our quality policy, we pay special attention to the quality assurance of our products and services. We know that when we deliver the expected and required quality on time, it has a positive impact on our customers and users and helps us fulfil our purpose of making life-changing differences through hearing health.

Product compliance and safety within hearing aids

With people at our core, it is essential to us that we produce and provide safe products and services. As a quality-focused healthcare company, we adhere to EU and national regulations for product safety. Thus, we follow the safety standard IEC 60606 and conduct safety tests in accredited test houses following ISO 17025, as assessed by our notifying body. In the end, it is Demant Management's responsibility that our products and services are safe when they reach the customers and users, and we take this on with great care.

We carry out risk assessments on all products, and safety procedures are available for the products on the market in order to identify, correct, and prevent any safety issues. Our quality team attends to external databases to capture any potential safety reporting from other MedTech companies, and we have internal procedures to ensure that we report any safety issues to national authorities. All the above are assessed through audits conducted by our notifying body. Today, all employees working within hearing aids are carefully introduced to the department of quality and to how we work with product safety. Some employees are also enrolled in national committees, through which matters concerning medical safety are brought forward.



Quality within our business activity

Hearing Implants

Within our Hearing Implants business activity, we also follow a quality policy covering Oticon Medical BAHS (Bone-Anchored Hearing Systems). Oticon Medical AB is the legal manufacturer of the Ponto system, which is a medical implant.

Quality objectives include product quality as measured through QSP (quality system procedures), complaints, vigilance, and delivery quality. We also measure through objectives related to other areas such as follow-up on project goals, supplier monitoring, delivery performance, employee training, launch quality, and continuous improvement



to the quality management system to ensure efficiency and support a fast-growing organisation.

During 2019, we focused on developing our new sound processor Ponto 4, to ensure reliability. Based on what we have learned via the complaint system and return investigations of previous-generation products, we have implemented learnings from the Demant group in the new design, by leveraging synergies in development and testing. During the forthcoming year, we will target further implementation of and certification according to the EU Medical Device Regulation, will update our quality management system to cover higher classification products, and continue aligning with the Group on systems and processes.

ISO 10993

ISO 10993 is used to evaluate biological safety of our products. By deciding to utilise the ISO 10993, we have committed to reduce animal testing as much as we possibly can. The following presents how we operate with testing of this kind within our three main business activities: Hearing Implants, Hearing Devices and Diagnostics.

Regarding hearing implants, the key safety objective is to ensure that our devices are safe for skin contact and for long-term implantation in the body. We evaluate products' contact safety according to standard ISO 10993 and the 3R principle, which encourage that animal testing is kept at a minimum.

We therefore utilise assessment by chemical extraction and characterisation of materials when viable. The evolution of the standard ISO 10993-23 is closely monitored, to replace animal irritation testing with in vitro testing as soon as it is possible. The primary role of the standard is to serve as a framework in which to plan a biological evaluation. The standard also minimises the number and exposure of animal tests by giving preference to in vitro models and to chemical, physical, morphological, and topographical characterisation testing. This applies in situations where these methods yield equally relevant information to that obtained from in vivo models.

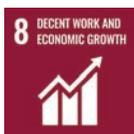
We also use ISO 10993 as the guiding standard in connection with biological safety evaluation of our hearing aid products. We evaluate materials in skin contact in accordance with the standard, and when necessary we perform animal testing according to sub-standard ISO 10993-10. Comparable to the procedure in hearing implants, we evaluate whether chemical extraction and characterisation is suitable instead. For both business activities, tests are performed at external partners who ensure animal welfare.

When producing diagnostic equipment, we are committed to reduce animal testing as much as we possibly can in accordance with ISO 10993-1 as well. We solely utilise animal testing whenever it is necessary, in order to test the safety of our products. The test is conducted by authorised test laboratories.

Marketing claims

Within the Demant Group we work extensively with research to ensure that we hold evidence to substantiate all product and campaign claims stated in our marketing materials. It is essential that healthcare professionals and users can trust the claims we make. The research spans from audiology research for our hearing aid wholesale and Diagnostics to surgical, medical and biological research for our implantable business in Oticon Medical. The claims in our materials are created and substantiated at Headquarters for the hearing aid wholesale brands, and in collaboration with clinic and researchers worldwide for our implantable brands.





Protecting human and labour rights

Demant is committed to internationally recognised human rights standards and relevant laws and regulations aimed at protecting and promoting human rights globally and at work. Wherever we operate, we strive to meet local human rights standards. Should national legislation and international human rights principles conflict, we adhere to the highest standard. As a large, international group, we do not fail to acknowledge our responsibility in this matter, yet we have neither encountered nor identified any risk of adverse impact on human rights within our activities.



Human and labour rights

We are obligated to shoulder our responsibility towards the people and organisations we work with, and we are aware of how we influence our surroundings through our business. We are committed to respecting everyone's human rights and dignity, and we support international efforts to promote and protect human rights. Where local legislation does not naturally protect human and labour rights, we apply UN Global Compact principles as well as principles from the Universal Declaration of Human Rights, ILO's Declaration of Fundamental Principles and Rights at Work, and the UK Modern Slavery Act as well as our Group Codes and policies. We did not identify any human rights violations during 2019.

Please find our Demant Group Third Party Compliance Code at our website:

www.demant.com/media#documentlibrary

Even though 90% of Demant's production sites operate in OECD countries, we cannot completely avoid the risk of human rights violations. However, it presents a significantly low risk. When present in countries outside of the OECD, we take precautions to cope with the risk of human rights violations by adhering to our five human and labour rights principles as guidance for operations, business activities, and relationships. Violating proclaimed human and labour rights is not in accordance with Demant's business model and against our business ethics.

UK Modern Slavery Act

UK Modern Slavery Act

Demant adheres to the UK Modern Slavery Act and we stand against exploitation of labour, slavery, forced labour of any kind, and human trafficking. We have not had any cases of modern slavery. However,

as a large company that works within a global environment, we recognise a risk hereof and strive to be compliant. Further details about our statement on the UK Modern Slavery Act can be found on our website at:

www.demant.com/about/responsibility



Commitment against child labour

We strongly condemn child labour. Our production and other functions call for certain requirements and skills. Therefore, most of our employees and the employees of the companies with which we conduct business are highly skilled, with years of

training and/or education. We have concluded that the risk of child labour within our business activities is very low, and we have not had any cases of child labour.

Collective agreements and labour unions

In relevant areas Demant signs collective agreements with labour unions. Subsequently, we negotiate and sign local agreements, duly considering local conditions,

thus further improving terms regarding salary, working hours, salary increments, education.

Policy to avoid harassment and bullying

We are committed to providing a safe work environment free of any form of discrimination, including sexual harassment at work. We strive to avoid harassment and bullying.

We want to highlight our Danish Headquarter policy, which states that the employer is responsible for protecting the employees from harassment and violence at work. We will treat all incidents seriously and promptly investigate all allegations of harassment and they are treated as confidential. There is no obligation to report

complaints to one's immediate manager, before bringing the matter to the attention of one of the other designated representatives; manager's manager, HR business Partner, or anyone in HR. We then clarify the incident(s), if needed, an independent third person is brought in to mediate and help resolve disciplinary or grievance issues. We received one allegation in 2019. The policy is formulated by the Work Environment Committee and is approved by the Organisational Development Board. It is currently applied locally, but efforts on a global level have been initiated.

Risk and accidents

On an ongoing basis, we assess our potential adverse impact on human rights and labour rights and have not identified any critical or significant risks rooted in our operations or business networks. Producing hearing health equipment is not identified as a dangerous or risky manufacturing activity, as employees are not exposed to hazardous materials, chemicals, or procedures.

Demant upholds a considerably low accident rate within production. In 2019, Global Operations within hearing devices registered 10 recordable incidents across our key manufacturing and distribution sites in

Mierzyn in Poland, Tijuana in Mexico, Somerset in the US, and Ballerup & Smørum in Denmark. This is a positive development compared to 21 accidents in 2018, none of which were significant or fatal. Recordable incidents are defined as incidents that result in days away from work or restricted work. We have not observed any systematic patterns to the incidents and the great majority of the incidents are likely to occur in any situation, such as stumbling while walking or finger cuts.

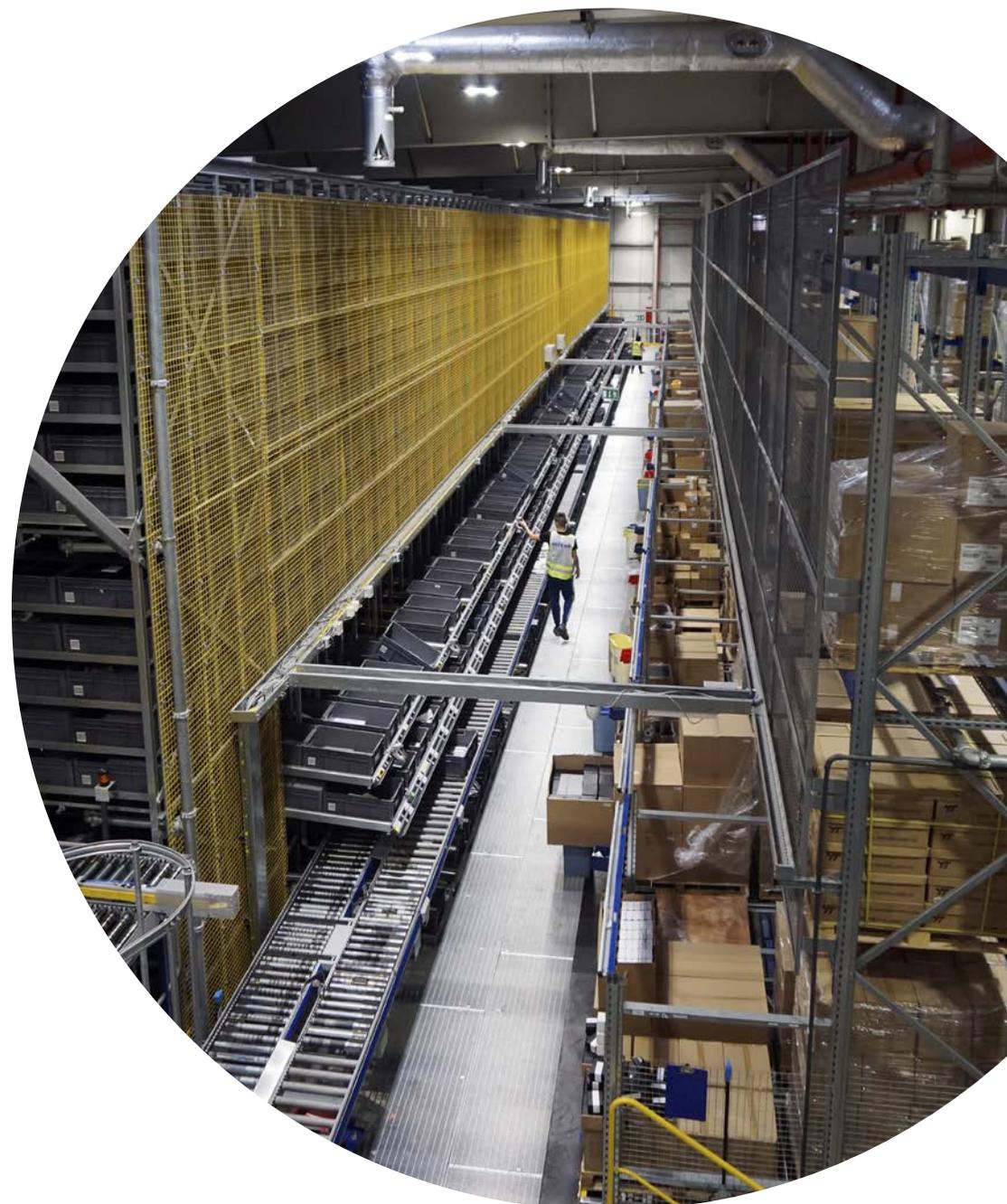


Taking good care of our employees

With people at our core, caring for employees is of course of high importance to Demant. We want to create conditions within which it is possible for everyone to establish good relationships as well as a healthy balance between work, family life, and leisure. Through every part of the Group, we have a responsibility to generate, sustain, and develop a safe, healthy, and open working environment for employees to thrive in. Managers especially have an obligation and are empowered by the Group to act on cases of stress or other aspects that might affect employee well-being.

The occupational health and safety team makes sure our company is run in a safe environment. Our initiatives include safety evaluations at work, risk assessments, safety training for employees, safety instructions at the workplace, protective measures, and relevant consultancy.

Our HR Board serves as a coordinating body in terms of HR strategy, organisational and management development, and deployment of global HR systems. It meets regularly and can furthermore be summoned in case of urgency or breaches of company policies.



People development

To ensure that our people have the right roles and competencies to match our business needs and challenges, people and talent development is high on Demant's agenda. People development functions as an ongoing process between manager and employee, and our concept of an annual Employee Development Dialogue supports this process by following up and planning actions to ensure further development.

Our Training Academy offers internal training within leadership, project management, people development, and professional skills. The training is conducted by internal trainers or selected external trainers. In 2019, we developed new training opportunities within project management. We have begun carrying out training within stakeholder engagement, trust, and cultural awareness in teams. Employees and managers can, as individuals or as groups, request external training when they have specific training needs.

In the future, we wish to utilise new ways of learning. In certain parts of the organisation we have already gathered great experiences that support knowledge sharing and learning communities. There are great opportunities to build on this in the interests of the entire Demant Group.



Pulse

Employee engagement



We believe that employee engagement is a crucial aspect of general well-being and key to a thriving workforce. Ensuring highly engaged employees is not merely a responsibility towards our employees, it is essential for Demant to evolve and maintain a leading position globally. We acknowledge that employees are a key resource for uncovering potential gaps and ways of improving, and the annual engagement survey “Pulse” is our way of establishing a dialogue within the organisation about how we can develop our shared workplace.

The Pulse survey provides valuable information on the employee engagement level throughout our global business, as well as enabling us to work actively with improv-

ing employee engagement. To ensure the most effective processes, each part of the business works on locally identified actions based on the results of the yearly survey, in order to increase employee engagement.

The engagement survey was introduced in parts of the business in 2017. In 2018, we measured engagement based on input from approximately 11,000 employees from 13 countries, and in 2019, our ambitions led us to fully roll out the survey in our global organisation, involving approximately 15,000 employees worldwide.

A main target for 2019 was to effectively introduce and implement the employee engagement focus globally within all business activities apart from Sennheiser Com-

munications A/S. Compared to 13 countries in 2018, the 2019 survey engaged a total of 29 countries. We believe that we have, to a large extent, achieved our 2019 goal, which is evident in the positive responses we have received throughout the business. However, we recognise that this is an ongoing task that we must continue to work on, thus a fruitful implementation is a clear target for our 2020 engagement activities as well.

The engagement survey is carried out by an external collaborator, Gallup, and in 2019 we reached an employee participation level of 84%. In 2018, our engagement score was 3.69 (on a scale from 1–5). In 2019, we improved our engagement score to 3.83. Looking at the Gallup benchmark,

this result puts us just below average compared to other companies enrolled in Gallup’s survey. According to Gallup, this year’s development is a statistically significant increase, which indicates that we are on the right track. Pulse gives us a sense of where we are at, and even though we are pleased about the development, we do not fail to acknowledge that there is still quite some potential for further improvement.

We sense that the introduction of Pulse has brought needed attention to employee engagement throughout the Group, and we aspire to continue to grow this awareness. As of 2021, EPOS, alongside other newly acquired companies joining the Demant family, will also be enrolled in the survey.

Diversity and inclusion

With an organisational culture characterised by care and respect for others, and with an increasing need to attract talent across borders, cultures, and backgrounds, the areas of diversity and inclusion are important drivers. During 2019, we have analysed our work culture with the aim of identifying potential enablers and barriers to sustaining our inclusive culture. The analysis will lead to concrete efforts to address and handle unconscious biases and other factors that influence the Demant work culture.

Demant wants to be able to attract talent from all parts of the world and across genders. We wish to stay an open and inclusive organisation, which encompass many nationalities, cultures, and languages. And we know that diversity is an important driver for innovation. We strive for diversity in candidate shortlists for any vacancy, as we want to be sure that we tap into the full talent pool. In 2020, we will revisit our diversity policy, to ensure that it is updated and reflects any updated objectives within this field.

Female leadership

Our understanding of diversity is that it refers to age, gender, and nationalities. In recent years, soft law and statutory requirements have focused explicitly on gender equality. Our annual CSR report covers our focus, policy, and progress on female leadership.

We are obligated to set a time framed target for representation of the under-represented gender in the Board of Directors. Our target is to have at least two female members of the Board before the end of 2020. At the annual general meeting in 2019, the Board of Directors decided to propose re-election of the candidates as the Board assessed that the competences and qualifications of the members meet the needs of the company. Hence, the composition of the Board of Directors did not change. At the annual general meeting in March 2020, the Board of Directors will propose election of another female member and thus – if adopted – reach the target set.

Gender diversity is not merely about board representation, and Demant tries to promote female managers at all levels

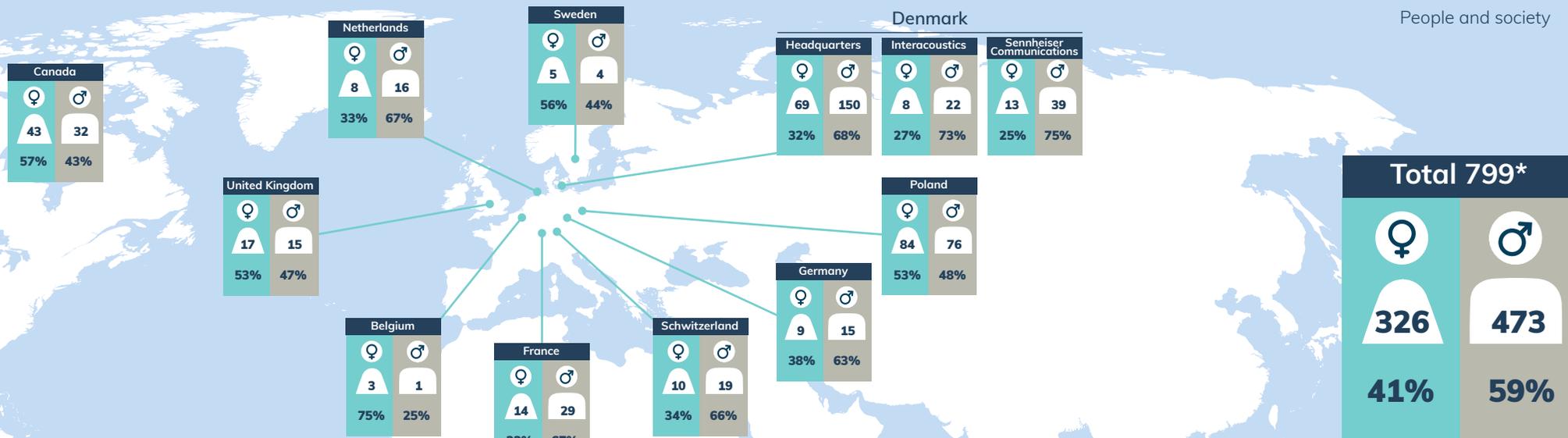
Approaches to enhance female employment in the Group:

- We always strive to balance the tone between gender-related connotations and visuals in job advertisements, employer branding material, and communication
- When we cooperate with external recruitment agencies, we require qualified female candidates in the second round. In terms of external recruitment events, relevant departments must prioritise appointing female employees to relevant jobs
- From a talent management perspective, our managers make an effort to guide and nudge female talent towards pursuing opportunities for promotion

within the Group. Our policy “More female managers” encourage and blaze a trail for female employees to seek opportunities for executive and managerial positions. The policy points to areas within recruitment and qualifications, and ensures that female candidates and employees can obtain executive positions in Demant. Unless otherwise stated, “managers” refers to all personnel managers regardless of their level, not including project managers.

There are currently no female Board members at Sennheiser Communications A/S. As the joint venture will end during 2020

and Enterprise Solutions and Gaming headsets will evolve as a new independent company, EPOS, under the Demant Group, the female leadership of EPOS will be a part of Demant’s reporting and future focus. By default, the policy will apply to all Group companies worldwide, but the adopted initiatives will, as the initiatives prove their worth in the Danish part of the business, subsequently be propagated to other Group companies. Moreover, we continuously oversee initiatives to support the policy, including communication, recruitment, and governance.



Gender representation in management

Continuously expanding our scope of reporting, we currently report on the basis of input from 13 countries and a total of 8,414 employees (out of a total of 15,837 employees).

From a global perspective, we see a positive development in 2019 in Denmark, Australia, South Africa, Poland, and the UK. Notably in Poland, Canada, South Africa, Sweden, and the UK, there are currently more female than male managers. In France, New Zealand, and Germany, our companies have indeed engaged female managers during 2019, but not to a similar or larger extent than they have male managers.

In our Danish companies, the percentage of female managers has been relatively stable for the past four years. Since we started tracking these numbers, the male/female manager ratio in our Danish companies has improved from 89% male and 11% female in 2009 to 70% male and 30%

female managers in 2019. Over the last six years, we have been able to grow the share of female managers in the Group by 8% in Denmark. However, from 2018 to 2019, the number remained stable, and hence we will put in additional efforts to recapture the growth of this area seen in previous years.

We will continuously work on our recruitment process to address gender equality and employ even more talented females in the Group.

At our joint venture Sennheiser Communications A/S, the ratio of male and female managers in top management in 2019 was 2/0, which is the same ratio as the previous year. The ratio of male and female managers until second management level in 2019 was 39/13 compared to 25/7 in 2018 and 28/5 in 2017, which indicates progress. We are proud of the steady progress and intend to continue to develop this area when part of Sennheiser Communications A/S will join the Demant family as EPOS during 2020.

*Based on reporting from 13 countries with a total of 8,414 employees

Stress management

Demant takes prevention and handling of stress seriously and we actively engage employees in avoiding and dealing with stress. At Headquarters, our work is guided by a company stress policy. The stress policy covers prevention initiatives, courses, and a stress toolbox. It aims at specifying what we as individuals and as part of the organisation must do based on our role within the company, and it clarifies what is expected of each of us in our various roles during different stress phases. We strive to keep stress to an absolute minimum and to always get better at preventing and handling the cases we encounter. It is expected that managers are acquainted with the company stress policy so they can act accordingly should anyone in their team be affected by stress.

The development in table 1 shows a slight decrease in stress-related cases in 2019. The numbers include all occurrences from minor, short-term situations to longer, monthly leaves of absence due to stress. Table 2 shows the percentage of employees affected by stress in relation to total volume of employees at Headquarters. Even though we are pleased about the positive development, we are well aware of the potential for further improvement within this area.

We want to maintain our solid focus on stress prevention to strengthen our employee's well-being and general health. It is a clear ambition of ours to identify cases of stress early - preferably before they occur.

During 2019, we continued to work with linking the tools from our leadership training programme with the tools we have for preventing stress. A similar link is pursued between the stress tools and our Gallup Q12 employee engagement system – the Pulse survey. The aim is to make it easier for the individual manager to determinedly relate concrete learnings from training to their work with employee well-being. Being a new initiative, it is too early to comment on results but a zero increase in stress cases compared to the previous year is our target for the coming year.

Our 2020 ambition is to sustain the strong focus. As something new, we plan to pilot a tool that assists employees in recharging their energy during a workday. The concept is based on short breaks to recharge the brain by bringing attention to, for instance, breathing. All to improve work well-being.

Stress management globally

Within the Group, perception of and focus on work-related stress is highly dependent on country culture, which is why our stress policy does not function on a global scale. However, stress management is on the agenda throughout the Group. In Poland, we are working dedicatedly on structuring our work with stress management, and the same goes for Bern in Switzerland, where a stress workshop was initiated this year.



Table 1: Number of employees at Danish sites affected by stress per year

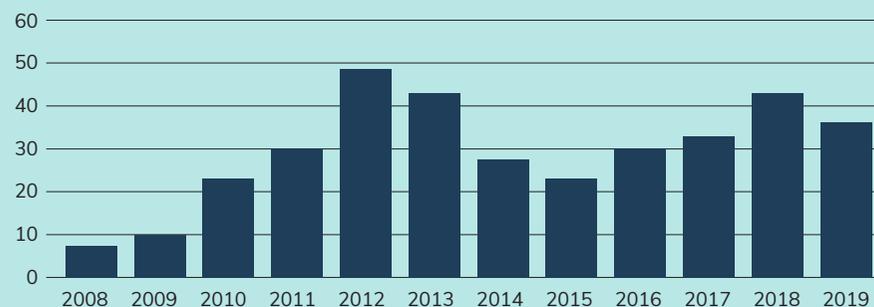
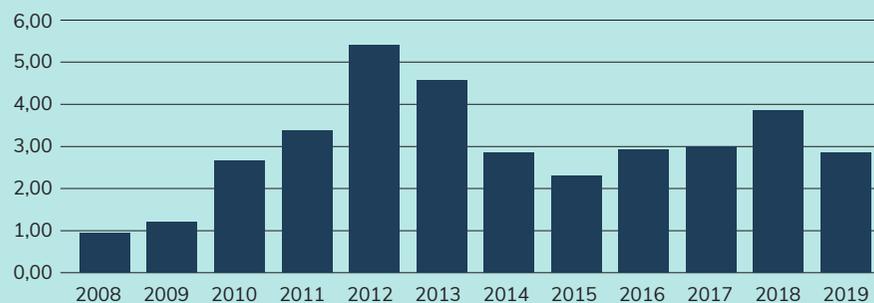


Table 2: Percentage of number of employees at Danish sites affected by stress per year



Environmental protection



Demant naturally complies with all current environmental rules and regulations in every country we operate in, and we are committed to minimising our negative impact on the environment, as well as to undertaking initiatives that advocate environmental responsibility and reduction of our environmental footprint. To reduce our footprint, we aspire continuously to optimise our operation, and as a result of our efforts in previous years, we do see the potential to improve.

Climate impact

As a Group in growth, we do not fail to recognise that as we expand our business, we face a risk of negative environmental impact on the societies that surround us. We wish to stay conscious about our impact and we are determined to improve our environmental performance. The impacts of our business on climate change are considered minimal and the risks are low; we have not identified risk of climate change affecting our business. To us, taking on an environmental responsibility means ensuring that our Group limits any adverse impacts on the external environment, including climate changes, as much as possible.

Among the general regulatory risks, which are not only applicable to Demant, but to most manufacturing companies, are: Stricter energy efficiency requirements for offices and factories, higher taxation on energy consumption leading to higher production and logistics costs and mandatory energy standards for manufacturing equipment. Within the material challenge of our operation, we have identified potential for reducing our footprint by reducing consumption of materials, such as plastic in production and excess materials in our packaging. Read more on page 47.

Climate committee

In the wake of the Paris Agreement, an ambitious climate policy formulated by the Danish government and a target to reach a 70% greenhouse gas reduction by 2030 measured from 1990, Demant is faced with an opportunity to contribute to the definition of a more climate-friendly future for the life science sector. We have therefore joined a climate committee initiated by public authorities and the industry organisations in Denmark in which we will take an active part in the dialogue and presentation of solutions to meet the 2030 target.

Energy consumption and CO2 emissions

To track our corporate CO2 emissions, we collect consumption data annually. The total Group CO2 emissions refer to the total emissions of the entities currently in our scope.

In 2019, our Group's CO2 emissions reached 27,595 tonnes compared to 24,811 tonnes in 2018*, which is an 11% increase.

Even though our industry is not notoriously a "black" industry, we take the current development very seriously and are committed to work on reducing our footprint. Demant's value chain does contribute to emission of greenhouse gasses, and we have an obligation to raise awareness of where we ourselves can do better in pursuit of a more climate friendly future for MedTech and healthcare companies, both in the local and international communities and our suppliers.

Total Group CO2 emissions (tonnes)

2015:	14,406
2016:	14,973
2017*:	24,265
2018*:	24,811
2019:	27,595

To improve our reporting, we attempt to expand our scope by including more retail entities each year, and have done so since 2017. During 2019 this has not been pos-

sible, but it is our clear ambition to expand the scope in 2020 and continue this progress in the years to come.

The increase in absolute emissions from 2017 to 2018 is minor considering that we included four additional retail entities in our scope in 2018.

Energy consumption 2019

In 2019, some of our production and retail sites around the world carried out initiatives to reduce energy consumption, and we hope to see even clearer results from this the forthcoming year. Maico in Germany, Audmet Canada, and Bernafon Switzerland reduced their consumptions by shifting from Diesel to gasoline on all company vehicles, and Demant Technology Centre in Poland and SES in Turkey leased fewer cars in 2019. Hidden Hearing Portugal equipped all their lamps with LED bulbs, leading to a large decrease in energy consumption. Oticon Germany managed to reduce their electricity consumption by deactivating a cooling system.

At the other end of the scale, we do also experience an increase in energy consumption within some of our entities, mainly in the US, Poland, and Switzerland. This should be understood in the light on the expansion of our business activities, but at the same time it indicates that there is potential for improvement.

Emissions per employee

Demant has a growth strategy, and in terms of both revenue and employees we continuously experience increasing growth

rates. If we look at CO2 emissions per employee in 2019 compared to 2018, we see a minor increase of 2%.

Emissions per employee (tonnes)

2015:	2.36
2016:	2.32
2017*:	2.25
2018*:	1.89
2019:	2.03

Scope 1 and scope 2

We track our CO2 emissions using scope 1 (vehicles) and scope 2 (electricity and heating). In 2017, electricity and heating accounted for 82% and vehicles for 18% of the Group's total CO2 emissions. In 2018, electricity and heating accounted for 71% and vehicles for 29%. In 2019, electricity and heating accounted for 72% and vehicles for 28%.

This development can be explained by our growing business on one side, and by sites changing their consumption structure for electricity and fuel on the other. Furthermore, we included more retail entities in the reporting in 2018. The retail entities included in the reporting represent over 77% of our shops, and the nature of retail business inherently encompasses more frequent travel. Despite the expanded scope in 2018, the reported retail entities' CO2 emissions have moved from 9,9 tonnes in 2017 to 9,1 tonnes in 2018, and the same in 2019, where the scope was unchanged from 2018.

Emission mission factors

Demant's emissions are calculated using emission factors and reported as carbon dioxide gases (CO2e) as required by the GHG Protocol. Emission factors convert operational activity data (e.g., kilometres driven, kilowatt hours of purchased electricity) into a value indicating the GHG emissions generated by that specific activity. Externally sourced emissions factors have been used to calculate our scope 1 and 2.

The emission factors are based on calculations from national energy agencies and similar official bodies. The emission factor is among others determined by the conversion efficiency of each country, and thus fluctuations are likely to occur when the factors are updated.

Sennheiser Communications

The total Sennheiser Communications CO2 emission reached 384.9 tonnes in 2019 compared to 243.8 tonnes in 2018, and 232 tonnes in 2017. The emission per employee reduced from 1.15 tonnes in 2017 to 1.14 tonnes in 2018. In 2019, the emission per employee reached 1.50, which should be seen in the light of business growth.

We have tracked our energy consumption since 2009. Former reports on energy consumption can be found here:

 www.demant.com/media#media-document

*Adjusted numbers due to overstatement in 2017 and 2018

Material compliance

Although the use of raw material is limited in our manufacturing compared to other industries, we still enforce a precautionary approach to environmental challenges connected with raw materials. We have implemented the use of a “restricted list”, which provides instructions and information on the utilisation and categorisation of substances and materials. The aim is to ensure that the Group complies with relevant regulations related to specific substances. In the restricted list, all relevant substances that are banned or restricted are listed.

The restricted list is based on the following regulations:

- Restriction of Hazardous Substances (ROHS)
- Toys directive
- Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) directive

In relation to conflict minerals that are subject to the requirements of Dodd-Frank Section 1502, suppliers are requested to declare content.

Substances are categorised as below:

Class I:

Prohibited (not to be introduced in the production or be presented in any products put on the market by companies of Demant)

Class II

Restricted (for restricted use only)

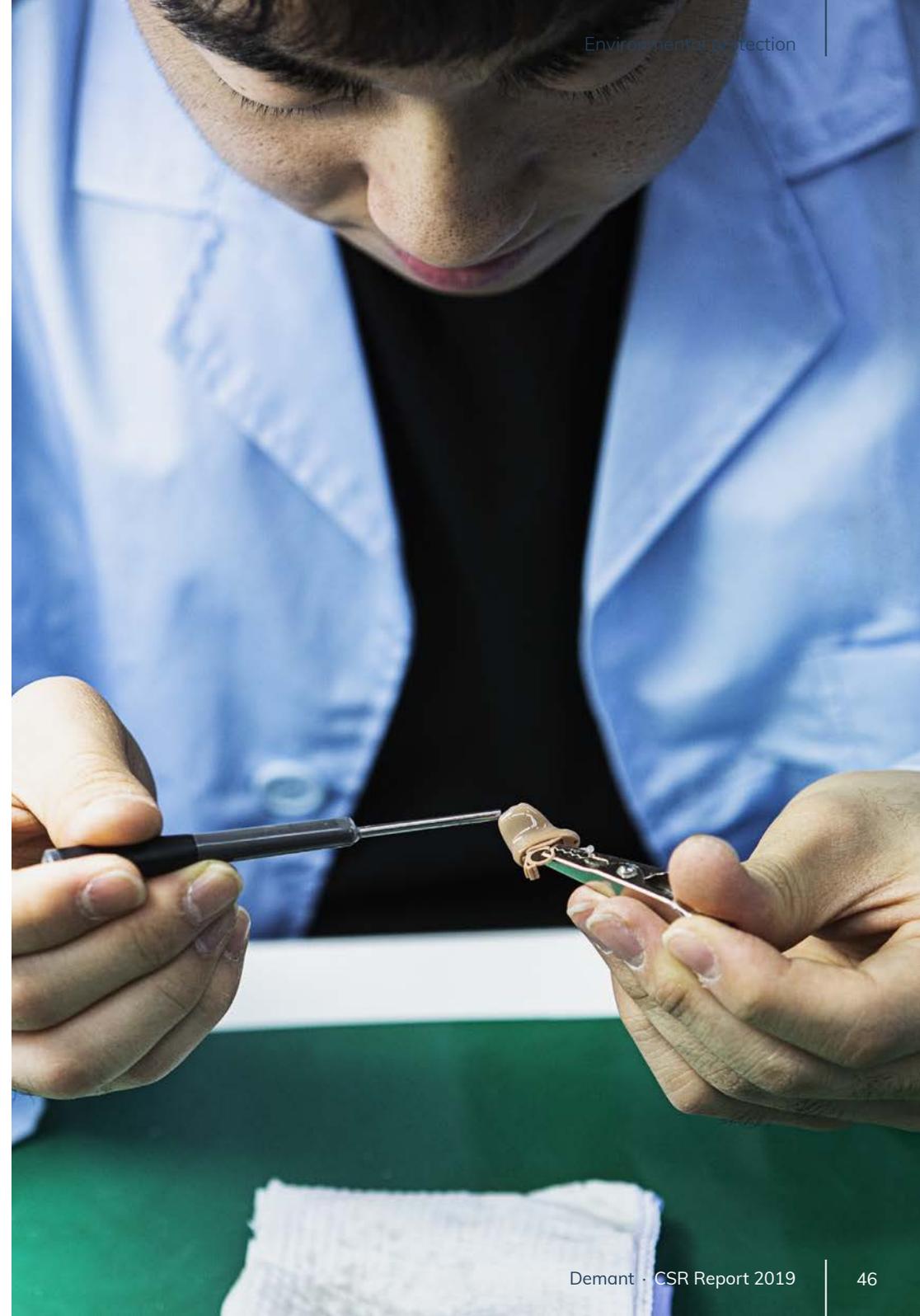
Class III

Subjected to special deliberation (can be used, but under observation)

Class IV

Under observation (can be used after thorough risk assessment)

On top of the mandatory requirements according to law, we have enforced extra specifications, for example a ban on the use of all phthalates and natural rubber latex. Working with the restricted list ensures full transparency on the use of hazardous substances, compliance with relevant directives, and the opportunity to set a higher bar than the external required or recommended standards. We have introduced a risk-based approach where material compliance is not only secured by supplier declarations, but also via material analysis for high risk materials.





Efforts to reduce our environmental impact

New exciting and innovative projects will lead us to reduce, reuse, and avoid extensive amounts of excess materials in both our packaging and merchandise portfolios, as well as in production of parts of our hearing devices. At our Danish sites, we have initiated several in-house environmental initiatives within IT and Facility Management. Finally, waste optimisation and reduction are paving the way for production of diagnostics equipment with less environmental impact.

Packaging and merchandise

We continue to work dedicatedly to reduce waste as well as to substitute materials for more sustainable options within our packaging and merchandise portfolios. As a result, our packaging management team within Oticon Sales & Marketing is carrying out a large transformation of our hearing aid packaging, making it more sustainable by reducing excess materials and substituting with recycled materials. The ongoing process is driven by a user-centric focus and based on feedback from hearing aid users and hearing care professionals through a large study in 2019.

In 2020, we introduce packaging with fewer components, 70–100% recycled and FSC-certified materials, and a significant reduction of excess packaging. We will reduce need for transportation, as the new boxes will be produced in Sweden, with 100% certified green electricity.

We are proud to declare that by the end of 2020, the majority of Demant hearing aids will be transferred to this improved packaging. We are indeed excited about this progress and motivated by the opportunities that lie ahead to develop this area further. During 2019, we have taken initial steps to reach the above-mentioned ambition of making our packaging more sustainable.

As an example, we have introduced FSC-certified paper on wax filters as well as FSC-certified charger boxes. We have also removed excess plastic components on speaker unit packaging. Initiatives started to reduce our global CO2 footprint.

To improve further, we collaborate with our packaging suppliers, who support us with knowledge on trends and world-class standards within sustainable packaging. Demant aspires to continue this development of how we pack our products in the forthcoming year.

By early 2020, within the range of Oticon merchandise, the paper bags we supply will be made from FSC-certified and 100% recycled paper. This covers a development from 0% recycled paper to 100%.

Turtles of tomorrow

Our New Product Development team has worked intensively on how to optimise production of certain objects. One of them is the small plastic containers for the user to store ear-wax filters for hearing instruments, internally referred to as a “turtle”. We discovered a huge potential for alterations. Briefly, the alterations include reducing plastic usage, both in terms of the subject itself, and excess material from production. The new part optimisation also eliminates use of an additive blowing agent, and the production optimisation will lead us to cut back time and administration in both production and logistics – all of which contribute to Demant reducing its negative footprint.

We have worked to make a sustainable optimisation of the turtle without compromising its functionality and quality.

We have used some of the brilliant technology we have at our hands today, which was not available when the first turtles were produced. In total, we are looking at a reduction of material use of ~10,000 kg/year.

The first new turtles will come out of their moulds by summer 2020. We are especially pleased with this optimisation because it indicates potential within other parts of our production. The next subject on the agenda is the handles, which hold the small filters in place inside the turtles. Opportunities for optimising different containers for filters will be investigated too.

We produce around
13.5 million turtles a year.

In total, we are looking at a
**reduction of material use of
~10,000 kg/year.**

Additionally, in early 2020, we will purchase a grinder for plastic to grind the excess plastic materials from when we produce hearing aids. This will further enable a reduction in waste materials, and this too is a development we are pleased with.

IT – Hardware recycling and refresh

Supporting circular economy efforts, Demant collaborates with Tier1Asset, a global hardware recycling company. Our work with Tier1Asset includes our Danish, Spanish, French, and US offices. Tier1Asset collects used hardware, predominantly computers and printers. All data is then deleted correctly with an ISO 27001 certified Blancco tool, ensuring we abide by the latest GDPR regulations. Instead of instantly recycling the material from the hardware, Tier1Asset refurbishes and repurposes 90% of the hardware, increasing its lifespan and decreasing IT waste.

We continue our ambitious goal of ensuring more for less, and we have succeeded in decreasing power consumption at our main data centre. While growing, we have lowered our power consumption due to investments in more efficient solutions and meticulous planning. Decreasing the power consumption in the data centre is a vital parameter, but the paramount accomplishment is our centralisation of services in countries with more environmentally friendly power deliveries.

With a high degree of virtualisation of our IT infrastructure, we already run a power-efficient IT environment. And as we replace older hardware with newer and better hardware on an ongoing basis, we will slowly but surely improve our power efficiency. Pulling us further in the right direction is our gradual adoption of cloud-based IT services, as cloud data centres are even more power-efficient than our own.

Offshore wind farm

Another example of our environmental initiatives is our stake in the offshore wind farm in the German North Sea, commissioned in 2017. It is an investment that can produce electricity equivalent to the consumption of 320,000 households with all 78 wind turbines operating.

Environmental initiatives in Denmark

At our Headquarters in Smørum, Denmark, our canteen has introduced a new system for waste disposal of biodegradable waste. To ensure the high standard and level of organic food (70–90%), the food is made from scratch and this process leaves quite an amount of leftover material. The new disposal machine helps discard our 55 tons of biodegradable waste every year. We have experimented with disposal of hard plastic waste from the kitchen, and during 2019 abrogated all single-use plastic from our servings and the take-home food scheme we offer employees. Development within this area also means that we now collect, wash, and compress the hard plastic we use, so it takes up less space in containers and during transportation.

Every fourth year, our internal certified energy expert – in collaboration with an external partner to oversee the process – carries out energy inspections at all our Danish sites. In general, our headquarters site has a low energy use, which we are proud of, but we do aspire to improve the conditions, if possible, on all Danish sites.

In 2020, we open a new building at headquarters. Environmental aspects of this new building have been a strong focus, and consequently all lighting in and outside the building including parking lots will use LED lighting sources. Additionally, we are upscaling the opportunities for parking electrical cars in the new parking lot. Compared to the four current spots, the new lot will offer spots for 18 electrical cars.

Reducing waste in Diagnostics

At the production facility of business activity Diagnostics we have a clear ambition to reduce waste, and in 2019 we have implemented an environmental management system according to ISO 14001 – in fact,

we are the world's first diagnostic equipment company to obtain this certification. The initiatives to support this goal are formulated in an Environmental Policy and centred around three main areas: Packaging, paper, and waste.

Reducing waste in accordance with ISO 14001

Packaging optimisation

- Reduction of packaging material pre shipped unit
- Reduction of transportation space

Paperless factory

- Reduction of printing on paper
- Releasing of human resources needed

Waste segregation

- Waste segregation system
- Training and awareness among employees
- Elimination of plastic cups, spoons and bottles

We have already reduced the use of printing on paper in the Diagnostics production, and our goal is to run a paperless factory by the end of 2020. Furthermore, we are in the process of reducing the use of packing material, including the way we pack items and produce boxes for shipping. This will also reduce the space needed in transportation.

To secure recycling of the waste, we have implemented waste segregation, and employees have been trained in waste segregation. Furthermore, we have eliminated all plastics cups, spoons, and bottles, and replaced these with environmentally friendly material.

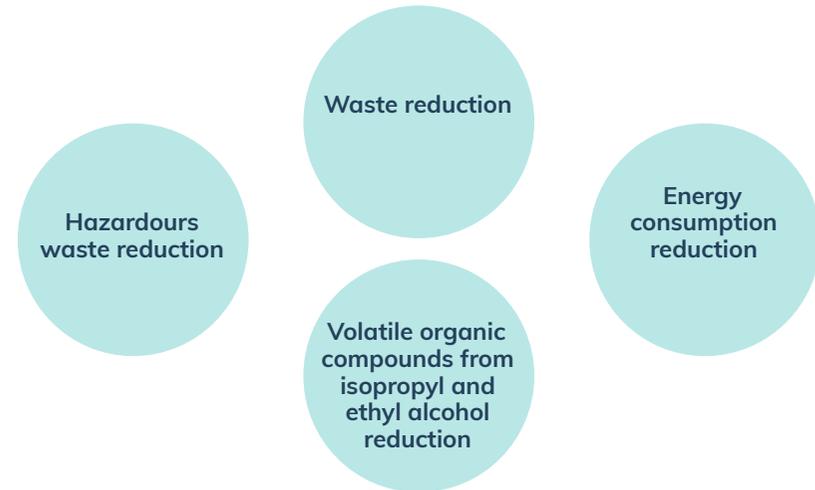
Diagnostics Environmental Policy

Concern for the surrounding environment is a declared part of our business. We aim to introduce such changes in our organisation, to move towards economic development becoming equivalent to ecological development. We act in accordance with the requirements to maintain and improve the effectiveness of the environmental management system. Thanks to this, we have the possibility of effective risk management and continuous improvement in the area of our business results. Our commitment to environmental protection is confirmed by our engagement with preventing environmental pollution during production processes, technologies and materials used.

Waste optimisation at hearing aid production side

Our hearing aid production site in Poland have also worked on waste reduction and proper waste segregation. This includes employee training, updated communica-

tion on and systems of waste disposal, as well as reducing the use of disposable plastic in the workplace. During 2019, this strengthened focus has given rise to four targets to reduce influence on the environment:



Each month, we monitor our initiatives to lower the environmental impact and we are pleased to see that two of the targets have been met.

Compared to 2018, for each product produced we have managed to significantly decrease the waste weight, resulting in a

15% reduction of energy consumption as well as a 1% reduction of volatile organic compounds from isopropyl and ethyl alcohol. Unfortunately, we have not met the targets connected with waste and hazardous waste reduction because of a supplier related procedure. Consequently, we wish to focus on meeting the remaining two goals for 2020.

Business Ethics



Business ethics and legal compliance

We are convinced that high ethical standards play a significant role in ensuring our continued growth and success. At Demant, we strive to do business with integrity and honesty when we deliver innovative technologies and services to help improve people's health and hearing. Our primary goal is for the users to benefit from our products, and we disapprove of business conduct that contributes to distorting market mechanisms. Equally, we want to protect any user data that we process. In 2019, we have increased our strategic efforts and focus on business ethics, and have recently formulated a new Group Code of Conduct, which sets out the standards and ethical principles applicable to all employees and third parties.

We have incorporated business ethics principles into contracts with third parties.

We make sure that our business parties are familiar with our Demant Group Third Party Compliance Code and apply a set of principles to avoid misuse of payments and financial transactions.

Anti-corruption and bribery

Demant is against any form of direct or indirect corruption and bribery, and we are committed to avoid such practices. We did not identify any cases of anti-corruption or bribery during 2019.

Demant adheres to the United Nations Convention against Corruption, Foreign Corrupt Practices Act and the UK Bribery Act.

Most of the Group's activities can be characterised as "relationship business", which frequently involves close interaction with clients, including consulting, training, and collaborating with hearing care professionals, for instance audiologists, hearing aid dispensers, ear-nose-and-throat specialists, and clinic owners.

We have various processes in place to ensure that our third parties adhere to the same standards of anti-corruption that we uphold.





Whistleblower Hotline

In 2019, we decided to establish a global Whistleblower Hotline. We are now in the process of formulating the content and process of introducing such new global Hotline. With a Whistleblower Hotline we will encourage our employees and third parties to raise their concerns of serious and sensitive improper actions that fail to comply with our Group Code of Conduct and/or applicable laws and regulations. The Whistleblower Hotline will be launched in 2020, and will be available in various languages via www.demant.com or directly via an app on mobile devices, and we will ensure anonymity if desired and no retaliation towards whistleblowers.

Data privacy

Data privacy continues to be among our top compliance priorities. We are aware and highly respectful of the sensitive nature of the personal data that our customers, users, employees, and other stakeholders trust us to process, and we are committed to protecting such personal data through high levels of security measures and responsible policies.

In 2019, the Privacy Office continued its tireless efforts to increase awareness of data privacy in the organisation as well as to develop and refine internal processes and procedures. Further, additional resources were added to the Privacy Office during 2019. For 2020, we envision continuing our primary focus on training employees, whilst adhering to policies and monitoring the international development in privacy regulations. Naturally, following the IT incident in September 2019, the increased investment in and focus on IT security will also affect the work of the Privacy Office, as IT security is an integral part of data privacy.

Responsible procurement

In our hearing aid wholesale, which is the majority of our business, we set high ethical standards – it is an essential part of our culture and the way we do business. As a company that engages with suppliers worldwide, we must document the way we handle and interact with our suppliers. Consequently, we require that most of our strategic suppliers sign and comply with our Demant Group Third Party Compliance Code.

The Demant Group Third Party Compliance Code lists criteria governing aspects of human rights, labour rights, the environment, as well as anti-corruption. It is aimed at helping our suppliers improve social and environmental standards, and works as guidance for our suppliers, to contribute to the protection of human and labour rights.

In 2019, Demant worked with a total of 381 active direct suppliers, out of which 313 suppliers have signed our Demant Group Third party Compliance Code. In 2018, 309 out of a total of 360 active suppliers signed.

We assess our direct suppliers based on their ability and willingness to comply with the Demant Group Third Party Compliance Code. Based on our assessment, the suppliers are grouped into three categories. The category determines which CSR action should be taken towards the suppliers. The risk assessment is based on the supplier's geographical presence, sector, etc.

If we identify a high risk of a direct supplier not living up to our standards, we conduct a CSR audit documented by an audit report listing the observations that need to be addressed. In 2019, we estimated a need for CSR auditing and re-auditing of four direct suppliers. The audits indicated zero critical, 12 major and 12 minor non-conformities (a total of 24 non-conformities) within all audited suppliers. The following re-audits identified a total of six non-conformities.

Sennheiser Communications carried out 5 CSR audits during 2019.

Today, our indirect suppliers are not directly covered by the Demant Group Third Party Compliance Code. The next step is to investigate how to deploy some of these CSR criteria within indirect procurement in the future. Find our Demant Group Third Party Compliance Code document here:

 [www.demant.com/
media#documentlibrary](http://www.demant.com/media#documentlibrary)

Demant Group Third Party Compliance Code in writing:

- Further assurance to prevent and reduce modern slavery
- Defining a maximum amount of weekly working hours
- Provision of religious breaks
- Clearer and better-defined health and safety rules, including signs on machinery, machine guarding, precautionary rules for pregnant women, clear instructions in languages understandable to all workers, physically demanding tasks needing to be identified and controlled
- Bonded labour and recruitment fees defined and prohibited
- Increased focus on environmental issues, impacts, and proactive preventative measures
- Defined data privacy
- Defined fair business
- Encouragement of management systems and management processes to ensure compliance and follow-up

Looking ahead

For many years, Demant's CSR work has been rooted in the previously presented framework. However, as the Demant Group continues to grow and transform, so does the world around us. Within Demant, we all share a strong purpose of contributing with life-changing hearing health.

And as a parent company of a large and complex group we have initiated work, which will eventually lead to a new, updated framework for our responsibility and sustainability work. A framework that will help us optimise our resources and refine the way we define our targets for the Group as a parent company.



Plans for 2020

In 2019, we conducted a materiality assessment - a process of identifying potential social, environmental, and ethical topics, which could affect our business in the future. Based on this assessment we have defined around 40 relevant CSR topics. Looking at these, it is evident that within people & society lies our core contribution for a sustainable and healthy future for all. Our contribution to a healthier world has always been and will continue to be part of our DNA.

Based on this, we will continue to work on formulating and scoping the CSR framework for 2020–22. We aim to begin driving action on selected priorities and

projects, as well as investigating continued stakeholder feedback and engagement, to strengthen the framework process and thus the outcome.

Consequently, during 2020 a CSR board will be set up to drive strategic action on the CSR framework of the Demant Group. The CSR board will ensure that responsibility and sustainability considerations and activities are anchored in the strategy and daily operations of business activities across the group. All business activities across the group are represented in the CSR board to ensure employment in all parts of our business.

The materiality process in short

1. Scoping
2. Analysis
 - Internal interviews
 - Peers analysis
 - Stakeholder analysis
 - Existing policies and processes
 - Laws, regulations, and standards
3. Categorisation of material topics
4. Scoring topics on impact on business and importance to internal and external stakeholders
5. Prioritisation
6. Management engagement

A graphic consisting of two overlapping circles. The front circle is a dark teal color and contains the text 'Life-changing hearing health'. The back circle is a lighter teal color and is partially obscured by the front one.

Life-changing
hearing health

Demant