

Demant Group Policy on Anti-Corruption



Demant



1. Fundamentals

Demant is committed to opposing the use of corruption wherever we do business. It is part of our fundamental principles that we compete for business on fair terms and solely on the merits of its services. Corruption is a criminal offence in most jurisdictions. As a global company, Demant adheres to all applicable laws and regulations, including, but not limited to, the United Nations Convention against Corruption, the Foreign Corrupt Practices Act and the UK Bribery Act.

Any failure to comply with anti-corruption laws could have serious adverse consequences for our company, employees, customers and stakeholders. It could lead to lengthy and costly investigations with a serious disruption of management time and subject all parts of the Demant group to heavy fines and costly damages, including reputational damage of the Demant brand and the values we stand for.

This policy includes basic rules on anti-corruption and sets the minimum standards for all employees. It is meant to provide guidance on behaviour in grey zone areas and for particularly exposed employees. We aim to ensure that all relevant targeted managers and their employees are familiar with this policy and have a solid understanding of the rules laid out.

As a global company, we also operate in countries where laws on anti-corruption are flawed, not followed or even not enforced. As a minimum, this policy shall always be applicable and govern the behaviour of employees regardless of local regulations and enforcement. We value our business integrity and no budgetary commitments can justify a violation of this policy.

We encourage transparency and it is possible for all employees and third parties to speak up and report concerns via our whistleblower hotline. We will investigate violations thoroughly, and, subject to nature of the claim and evidence available, we will enforce all legal remedies available and even pursue matters with relevant authorities, if relevant.

We consider a violation of this policy a serious breach of the duties of our employees, and such violation may result in disciplinary actions. Last, but not least, any employee involved could be personally subject to criminal sanctions.

Group Legal & Compliance is responsible for this policy. All managers are responsible for its enforcement.

2. Our approach

This policy consist of a main part relevant for all employees as well as appendices with tailor-made scenarios and examples for each of our business units, including Hearing Aid Wholesale, Hearing Aid Retail, Hearing Implants, Diagnostics and EPOS.



3. Corruption

Corruption is the abuse of entrusted power for private gain – either for the company or you as an individual – not only financial gain, but also non-financial advantages.

In its clearest form, corruption is bribery whereby money changes hands. However, bribery can take many forms if meant to alter the behaviour of the recipient and gain an undue (illegal) advantage, e.g. payments or value in kind (kickbacks) disguised as consultancy fees, bonuses, commissions, sponsorships or donations to charity or political parties, facilitation payments or improper gifts and entertainment.

This policy outlines the most common forms of corruption. However, is not limited in its scope to only the forms mentioned herein.

3.1 Rule of Thumb

Our employees may never receive any undue compensation (kickback or other types of bribes) for simply doing their job. Nor may they give undue compensation.

- Payment flows (for products and services) shall generally be incoming, not outgoing. Therefore, always take special care in situations where Demant makes payments to customers or agents of any kind.
- Always ensure that payments made are truthfully recorded in our books and never given “off books”.
- The invoices must follow the products and there must always be a clear and transparent link between orders, invoices and payments.

When in doubt, always consider the following:

- **Transparency:** Would I mind if others knew what I was doing?
- **Reality:** Is this real or is it made up for the occasion to explain an undue payment?
- **Effect:** Does my action inappropriately affect a process or a person?
- **Fairness:** Would my decision be considered fair by my manager or colleagues?

Please also review the appendix for each business unit with tailormade examples.

If this policy does not offer a solution, always seek guidance before acting. Group Legal & Compliance are always available.



4. Gifts and hospitality

In the medical devices and MedTech industry, many countries have implemented strict regulations regarding gifts and hospitality (financial benefits) for healthcare professionals and other hearing professionals, e.g. dispensers. We will issue a Demant Group Gifts & Hospitality Policy with more details on this matter.

For the purpose of this policy, a gift means any payment, present or advantage offered, given or received to obtain a business advantage, e.g. wine, food baskets, gift cards, memberships, discounts, cash etc.

Although gifts and hospitality are customary and legitimate aspects of day-to-day business activities, certain requirements always apply to ensure that the business advantage is not improperly obtained:

- The contribution must be granted or accepted in a transparent manner.
- Payment must never be offered or accepted as consideration for an unlawful advantage.
- Monetary gifts are generally prohibited unless by specific permission.
- Be aware if you are dealing with a public official. Never provide any gifts or hospitality to a public official without prior approval by the country GM, regardless of the value.
- Always be aware of the frequency of gifts offered to the same recipient.
- During a public tender process, avoid gifts and entertainment altogether, as they can easily be perceived as an attempt to influence the decision-making process.

5. Political contributions

Political contributions are contributions to one or more politician(s), a political campaign or a political party. Such contributions may be perceived as an attempt to gain a commercial advantage and may be considered kickback. Political contributions – whether direct or indirect – are not allowed unless approved by the Group CEO.



6. Charitable donations and sponsorships

Charity donations are made with a view to helping someone in need. Sponsorships are made to support someone or something.

Community support is part of the responsibility and culture of Demant and – subject to budgetary commitments and appropriate authorisation – donations, such as charity or sponsorships, are permitted if they reflect or support the values of Demant.

Charitable donations and sponsorships must always be customary in size and purpose and must never serve as an inducement to obtain an undue advantage. Sponsorships must always serve a business purpose.

Care must be exercised as charitable donations and sponsorships could be a cover for a kickback or a bribe. You should always conduct proper due diligence of the charity organisation or the recipient of a sponsorship before deciding to support it, and the agreement must always be approved in compliance with the grandparent principle and by Demant Management. Donations and sponsorships must always be transparent and always recorded in our books. Never make a payment to a private account.

7. Conflicts of interest

When you do business with family members or friends on behalf of Demant, there may be a conflict of interest, as you may have another interest in such a business situation than Demant. If there is even the slightest risk of such a conflict of interest arising, you are always obliged to inform your manager about this to ensure transparency and obtain approval.

8. Due diligence of business partners in high risk areas

Business partners are partners with whom Demant cooperates but who are not employed by Demant directly, e.g. consultants, distributors or agents doing business with Demant or representing Demant. Demant should only partner with business partners who operate with ethical standards consistent with our own and who abide to international & local legislation.

Generally, we require all our third parties to follow our Demant Group Third Party Compliance Code.

For business partners in high risk areas, we further need to perform a due diligence investigation of partners who:

- Operate in high risk regions (according to transparency index) and
- Act on behalf of Demant (agents, distributors etc.)



Remember, in connection with due diligence, to:

- Carry out a due diligence investigation before entering into an agreement – who are you dealing with and what is their reputation? Be diligent and prudent in your due diligence investigation.
- Ensure that a proper written agreement is entered into with the business partner with a clear scope of services.
- Document communications with the business partner to the extent possible.
- Ensure that the business partner has no direct affiliation or link with the local government or related foreign public officials to avoid the risk that payment to the business partner is a cover for an indirect payment to a public official.
- Record all payments to business partners accurately in the books.
- Ensure that there is always be a clear and transparent link between orders, invoices, payments and shipments.
- Check if the business partner acts in accordance with regulation on export control and trade sanctions.

9. Consultants

It is normal to pay a fee to a consultant. However, take special care if the consultant is not independent of the end-user. Also take special care if the consultant is a healthcare professional.

Do not engage a consultant without a written agreement. The agreement must include a description of a proportional fee for services.

Please be aware that in many countries there are rules on reporting and disclosing payments to healthcare professionals, e.g. the Sunshine Act in the US and various national regulations in Europe, including France, Denmark, Portugal and the Netherlands. These rules are designed to increase transparency of financial relationships between physicians, teaching hospitals and manufacturers of medical devices to avoid improper payments to healthcare professionals to obtain undue advantages. If in doubt, consult Group Legal & Compliance.



10. Facilitation payments

We refrain from the use of facilitation payments. Only in extraordinary circumstances where a Demant employee may suffer harm if payment is not made, can an exception be made.

If possible, you should always contact your manager or Group Legal & Compliance beforehand to seek advice on any facilitation payment. If you have no choice due to the circumstances, you should do the following:

- Actively resist the payment and, if unavoidable, keep payment at an absolute minimum.
- Keep a detailed record of the nature of the payment. Facilitation payments are usually easy to detect. However, in some cases they may be disguised as legitimate commercial transactions. Ask for a receipt, if possible.
- Inform your manager immediately. Managers must share such information with the local General Manager and finance function who will then share it with Group Legal & Compliance.

Special care must be taken if:

- the normal fee is not applied,
- payment is required in cash,
- no receipt is offered or given on payment, and
- facilitation payments are common in the country in question.



11. RED FLAGS in relation to corruption

- providing payment in advance or partial payment immediately prior to a signing a contract,
- providing payments in cash or offshore payments or not getting a receipt for payments made (end-users (consumer customers) buying products in retail clinics are not covered by this provision, as cash payment naturally is acceptable in such cases),
- channelling payments through third parties,
- Payment of combined fees and expenses to business partners,
- providing payments to healthcare professionals or other hearing professionals based on sales to referred end-users,
- business partners who has a bad reputation of being corrupt,
- business partner is subject to sanctions, e.g. appears from a country, regional or global sanctions list,
- business partner is a public official or related to a public official. (There are strict laws and regulations in many countries in relation to interactions with public officials. Any hospitality may be considered a bribery),
- business partner refuses to sign anti-bribery representations in a contract.

If you see any red flags and are in doubt, please consult your General Manager or Group Legal & Compliance.

12. Contact with authorities

If authorities suspect that Demant, one of our subsidiaries or employees are violating anti-corruption laws, this may trigger an investigation. Any investigation may have serious consequences for Demant, even if the suspicion proves to be groundless.

In the event of an investigation, Demant will always cooperate with the appropriate authorities, and employees may not obstruct the authorities from carrying out their investigations.

If a report is received, describing an illegal act that is a criminal offence, Group Legal & Compliance will assess the need to report the incident to the authorities. If deemed necessary to do so, Demant will involve the relevant authorities.



13. Communication and reporting of breaches

If you have any questions with respect to this policy always ask/seek guidance before acting by sending an email to Groupcompliance@demant.com. You are also welcome to reach out by phone to Group Compliance Manager (+45 2267 8301), our US Compliance Counsel (+1 609 235 8007) or our Group General Counsel (+45 2049 8910). Any communication will be treated seriously and will be subject to a considered and objective review.

If you are contacted by authorities, please immediately contact your manager, country management or Group Legal & Compliance.

If you expect a breach of the rules, you may file a report via our whistleblower hotline. Any Demant Group employee who becomes aware of a serious breach of the Code of Conduct or this policy can report such breach to our secure and externally hosted hotline available at:

- your local website,
- <https://www.Demant.com> (www.demant.com/about/policies®ulations) or
- via an app for iPhone or Android.

Reporting can be done anonymously, and there will be no retaliation towards the employee filing a report.

All external communication regarding corruption should be handled by the Corporate communications team. For further information, please contact brand@demant.com or head of Corporate Communication & Relations (+45 3917 7300).

14. Definitions

Bribery

Bribery is an offer or receipt of any gift, loan, fee, reward or other advantage to or from any person as an inducement to do something which is dishonest, illegal or a breach of trust in the conduct of the company's business.

Conflict of Interest

Conflict of interest typically occurs when the personal activities of the employees, members of their families or friends clash with the interests of the company and thus impair the employee's ability to make unbiased, arm's length decisions on behalf of the company.

Corruption

Corruption is the abuse of entrusted power for private gain – either for the company or for you as an individual – and comprises not only financial gain, but also non-financial advantages.

Hospitality

Hospitality means any payment of lodging and accommodation, transport and travel associated or not with a business conference, meeting or event or tickets to social events, including sports events, shows, concerts or similar entertainment.



Facilitation Payment

Facilitation payment (sometimes also called “grease money”) usually refers to situations where a small sum of money is offered to lower-level public officials to secure or expedite the performance of a routine governmental action (such as processing paperwork for visas, permits, certificates or licences, loading or unloading cargo, mail delivery, releasing goods held in customs or obtaining utility services, water or power).

Gifts

Gifts means any payment, present or pecuniary advantage offered, promised, given or received to obtain an undue business advantage, e.g. wine, food baskets, gift cards, memberships, discounts, cash etc.

Kickback

Kickback is a form of negotiated bribery whereby a commission is paid to the bribe taker in exchange for services rendered. It is an illegal payment intended as compensation for favourable treatment or other improper services. Paying or receiving kickbacks is a corrupt practice that interferes with the individual’s ability to make unbiased decisions.

The most common form of kickback involves a vendor submitting a fraudulent or inflated invoice (often for goods or services not needed), with an employee of the (victim) company assisting in securing payment. For his/her assistance in securing payment, the employee receives some sort of payment or favour.

Kickbacks are one of the most common forms of government corruption.

Healthcare Professionals

Healthcare professionals are doctors, nurses, clinical staff, social and healthcare assistants and students within these fields. The deciding factor is the individual’s educational background and ability to influence the writing of prescriptions and/or medical evaluations. This definition goes beyond the MedTech industry.

Ear nose and throat doctors (ENT doctors) and licensed audiologists are healthcare professionals.

Other Hearing Professionals

These include:

1. Owners of and managerial staff in shops that sell medical devices.
2. Medical devices technicians and other persons who on a professional basis give advice about the purchase of medical devices, including persons in the hospital sector.

The deciding factor are the actual responsibilities and activities exercised by the individual.

The rules on financial advantages provided by medical devices companies apply.



Public Officials

A public official is:

- A healthcare professional who works full time or part time at a public hospital or a public clinic,
- a buyer employed in the public sector or
- an employee with a public authority, such as the police, tax authorities or a customs officer.

This definition varies from country to country. In some countries, this definition is very much broader.

Third Party

Any individual or legal entity with whom the Demant Group collaborates or who acts on behalf of Demant, including, without limitation, suppliers, distributors, contractors, manufacturers, vendors, consultants, customers, agents, business partners, public and private hospitals, universities and institutions as well as non-governmental organisations.

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