

# Demant

## Remuneration report for 2021

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# 1. Introduction and activities in 2021

The Remuneration Report for 2021 for Demant A/S is prepared in accordance with section 139 (b) of the Danish Companies Act.

The Remuneration Report is available on the company's website [www.demant.com](http://www.demant.com).

In this Remuneration Report, we present the remuneration of the Executive Board and the Board of Directors in 2021 based on the Remuneration Policy.

## Governance

The remuneration committee prepares recommendations to be considered by the Board of Directors in relation to the Remuneration Policy. The remuneration committee also evaluates the remuneration and prepares the Remuneration Report for approval by the Board of Directors before submission for advisory approval at the annual general meeting.

The remuneration committee ensures that the remuneration of the Board of Directors and the Executive Board is competitive and appropriate and in accordance with the Remuneration Policy. This includes an evaluation of the bal-

ance between the interests of the company's shareholders and the Executive Board's motivation to pursue long-term growth.

To increase transparency in the remuneration offered to the Board of Directors and the Executive Board, the remuneration committee is committed to providing the information needed to explain how the remuneration is linked to the overall strategy of Demant. This information is provided annually in the Remuneration Report, which is presented to the shareholders at the annual general meeting.

## Main activities in 2021

The Remuneration Policy applicable for the remuneration in 2021 was approved at the annual general meeting in March 2020. In February 2021, a minor change was made to the Policy, as the retention period in the Executive Board's variable remuneration component was adjusted to be minimum three years before payout instead of two years.

In the past year, the remuneration committee has been engaged in the following activities in addition to its normal tasks pursuant to the committee charter:

- The design of the remuneration of the Executive Board was benchmarked against relevant peers.
- The variable remuneration of the Executive Board was redesigned, resulting in a revised Remuneration Policy, which will be proposed for adoption at the upcoming annual general meeting.
- The main changes to the remuneration of the Executive Board proposed for adoption at the annual general meeting in March 2022 are:
  - Introduction of a cash-based short-term incentive programme with performance targets.
  - Introduction of performance targets in the long-term incentive programme.
  - Allocation of restricted stock units instead of "shadow shares" in the long-term incentive programme.

## Overall remuneration principles

Demant has adopted a straightforward and transparent Remuneration Policy for the Board of Directors and the Executive Board.

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

## Overall Group performance in 2021

Although 2021 was characterised by some uncertainty due to the corona pandemic, the Demant Group again proved healthy in 2021 and delivered great results. We had high ambitions from the beginning of the year, but nonetheless upgraded our expectations of profit for the year three times in 2021, resulting in an EBIT for the year of DKK 3.4 billion and an EBIT margin of 18.4%. This was driven by organic sales growth of 27% for the year where we also saw

very strong cash generation with free cash flow of DKK 2.5 billion.

The remuneration to the Board of Directors and Executive Board reflects the Remuneration Policy, and when taking the overall Group performance in 2021 into account, the Board of Directors considers the remuneration to be fair.

## Advisory vote on the Remuneration Report 2020 at the annual general meeting

The Remuneration Report for 2020 was approved at the annual general meeting on 5 March 2021 without comments.

## 2. Remuneration of the Board of Directors

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

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

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

At the annual general meeting in March 2021, it was decided to increase the Board of Directors' annual base fee by DKK 50,000 to DKK 400,000. The annual base fee of DKK 50,000 for the members of the audit committee was maintained.

**Table 1: Remuneration for the Board of Directors**

(DKK thousand)	2021			2020			2019		
	Base fee	Audit committee fee	Total	Base fee	Audit committee fee	Total	Base fee	Audit committee fee	Total
Niels B. Christiansen	1,200	50	1,250	910	43	953	1,050	50	1,100
Niels Jacobsen	800	50	850	607	43	650	700	50	750
Thomas Duer	400	-	400	303	-	303	350	-	350
Peter Foss	-	-	-	87	13	100	350	50	400
Casper Jensen	400	-	400	303	-	303	263	-	263
Benedikte Leroy	100	13	113	303	43	346	350	50	400
Ole Lundsgaard	-	-	-	-	-	-	87	-	87
Anja Madsen	400	50	450	216	31	247	-	-	-
Jørgen Møller Nielsen	400	-	400	303	-	303	350	-	350
Sisse Fjelsted Rasmussen	300	113	413						
Lars Rasmussen	100	38	138	303	130	433	350	150	500
Kristian Villumsen	300	38	338						
<b>Total</b>	<b>4,400</b>	<b>352</b>	<b>4,752</b>	<b>3,335</b>	<b>303</b>	<b>3,638</b>	<b>3,850</b>	<b>350</b>	<b>4,200</b>

In 2020, when the hearing healthcare business was severely impacted by coronavirus, the Board of Directors decided to reduce their fee by 20% from 1 May until the end of the year.

### 3. Remuneration of the Executive Board

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

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

To provide further incentive for the Executive Board to continue their service to the company and to align the interests of the Executive Board with the interests of the shareholders of the company, the members of the Executive Board also receive variable share-based cash remuneration under an annually revolving retention programme according to which the variable component is connected to the share price development.

The retention programme for 2021 contained the following elements:

- An amount equivalent to five months' fixed salary was converted into "shadow shares" in Demant and granted to the member of the Executive Board in question.

- The share price used for the calculation was determined based on the average share price of the first five trading days after the date of publication of the company's Annual Report 2020.
- The company holds the "shadow shares" for a period of three years before payout (retention period).
- After expiration of the three-year retention period, a sum equivalent to the value of the "shadow shares" at that time is paid to the member of the Executive Board in cash.

The retention programme includes a mechanism whereby a member of the Executive Board who resigns or is given notice of termination due to gross negligence or wilful misconduct shall not be entitled to any payout. The mechanism was not triggered in 2021.

The programme does not include performance targets. It is the opinion of the Board of Directors that long-term value creation corresponds to the development in the share price.

**Table 2: Remuneration for the Executive Board**

(DKK million)	2021				2020				2019			
	Fixed salary	Share-based retention programme - cash payout from 2018 grant	Other benefits	Total	Fixed salary	Share-based retention programme - cash payout from 2017 grant	Other benefits	Total	Fixed salary	Share-based retention programme - cash payout from 2016 grant	Other benefits	Total
<b>Søren Nielsen, President &amp; CEO</b>	12.7	2.4	0.2	15.3	11.7	2.9	0.2	14.8	12.3	2.3	0.2	14.8
<b>René Schneider, CFO</b>	5.4	1.0	0.3	6.7	5.0	1.3	0.2	6.5	5.4	1.3	0.1	6.8
<b>Executive Board in total</b>	<b>18.1</b>	<b>3.4</b>	<b>0.5</b>	<b>22.0</b>	<b>16.7</b>	<b>4.2</b>	<b>0.4</b>	<b>21.3</b>	<b>17.7</b>	<b>3.6</b>	<b>0.3</b>	<b>21.6</b>

Other benefits: Company car, telephone, health insurance.

The numbers in Table 1 above include the fixed salary and the cash paid out based on the share-based retention programme. The numbers in Table 1 above do not include payouts from grants that are not yet fully vested. Please refer to Table 2 below for an overview of programmes introduced in 2019-2021.

In 2020, when the hearing healthcare business was severely impacted by coronavirus, the Executive Board made a voluntary reduction of 10% of their fixed salary from 1 April 2020 until the end of the year.

**Table 3: Fair value of the granted “shadow shares” at time of the granting**

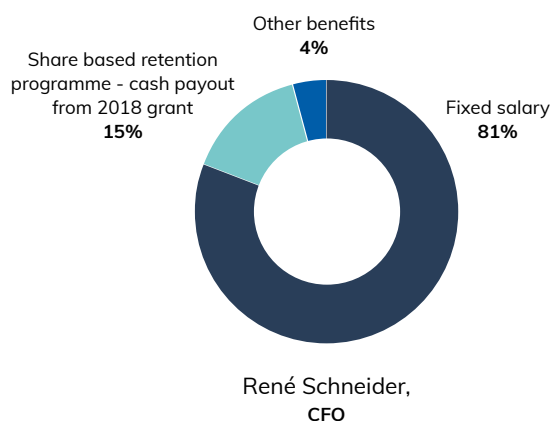
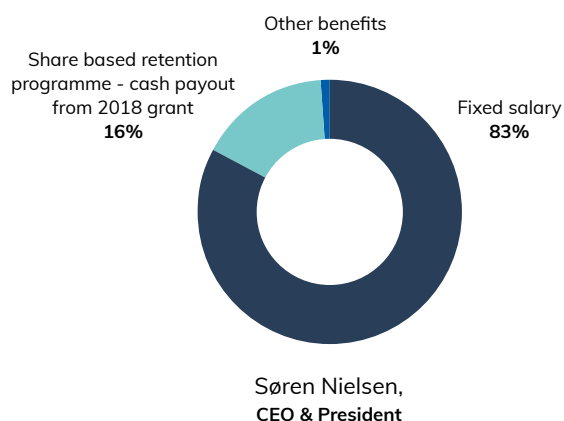
Annual grants of “shadow shares” under the share-based retention programme converted into cash payout upon expiry of the three-year retention period.

	Granted in 2021 to be cash settled in 2024		Granted in 2020 to be cash settled in 2023		Granted in 2019 to be cash settled in 2022	
	DKK Million	No. of “shadow” shares	DKK Million	No. of “shadow” shares	DKK Million	No. of “shadow” shares
Søren Nielsen, President & CEO	5.2	19,797	4.2	18,371	3.1	15,705
René Schneider, CFO	2.3	8,552	1.8	7,936	1.4	6,784

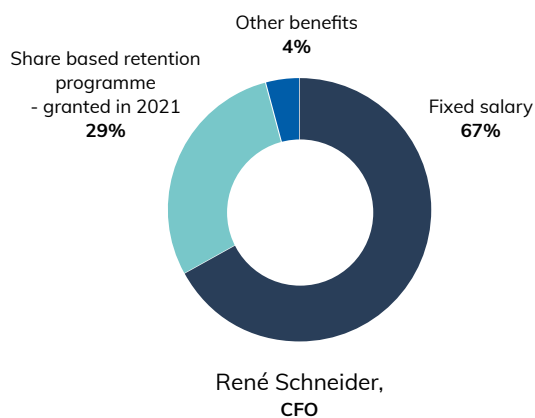
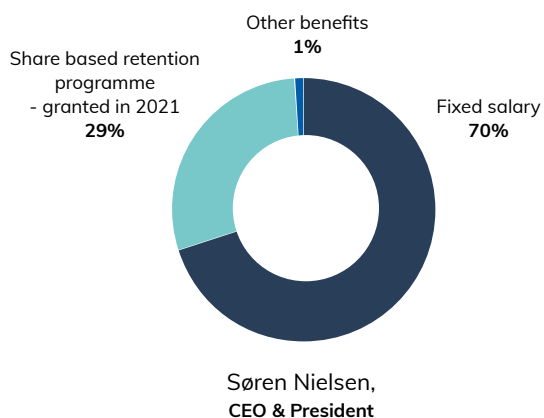
The value corresponds to five months’ salary in 2021, four months’ salary in 2020 and three months’ salary in 2019.

A sum equivalent to the value of the “shadow shares” at the end of the retention period is paid out in cash.

**Proportion of fixed and variable remuneration for 2021 - cash payout**



**Proportion of fixed and variable remuneration for 2021 - grant**



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

In 2021, both the CEO and the CFO participated in the company's share salary arrangement on a voluntary basis and had part of their remuneration converted into shares. The allotment of shares took place on 30 December 2021. An

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

Søren Nielsen, President & CEO, is entitled to 24 months' notice in the event of dismissal. René Schneider, CFO, is currently entitled to 18 months' notice in the event of dismissal, which increases by one month for every year of employment, however to a maximum of 24 months. Søren Nielsen may resign from his position at minimum 12 months' notice and René Schneider at minimum six months' notice.

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

## 4. Correlation between remuneration, strategy and goals

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

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

In the opinion of the Board of Directors, the combination of fixed remuneration and a long-term variable component on the one hand and the interests of the company's shareholders on the other hand strikes an appropriate balance and motivates the Board of Directors and the Executive Board to pursue long-term growth without promoting risky behaviour.

The fixed fees described in the Remuneration Policy aim to reward the Board of Directors' and Executive Board's com-

mitment to and achieved results for the company, to attract qualified potential members to the Board of Directors and Executive Board and – once a member – to motivate and retain them.

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

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

As part of determining the remuneration for the Executive Board, Demant has assessed the ratio of the Executive Board's remuneration to the salaries of other employees and compared the Executive Board's terms of employment with the terms of employment of other employees.

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

## 5. Changes in the Executive Board's and the Board of Directors' remuneration

Table 4 below shows annual changes in the remuneration of the Board of Directors and Executive Board and in the development in the company's overall performance. The percentage development is based solely on published financial information, which is available in this Remuneration Report or in the annual report for the year in question.

**Table 4: Annual changes**

	2021	2020 <sup>3</sup>	2019	2018 <sup>1</sup>
<b>Board of Directors</b>				
Niels B. Christiansen	31%	-13%	0%	16%
Niels Jacobsen	31%	-13%	0%	33%
Thomas Duer	32%	-13%	0%	0%
Casper Jensen <sup>2</sup>	52%	0%	0%	-
Anja Madsen <sup>2</sup>	82%	-	-	-
Jørgen Møller Nielsen	32%	-13%	0%	0%
Sisse Fjelsted Rasmussen <sup>4</sup>	-	-	-	-
Kristian Villumsen <sup>4</sup>	-	-	-	-
<b>Executive Board</b>				
Søren Nielsen <sup>5</sup>	3%	0%	27%	19%
René Schneider	3%	-4%	29%	11%
<b>Parent company</b>				
Profit before tax, DKK million	1,983	776	968	1,398
Profit before tax, annual change in %	156%	-20%	-8%	3%
Full time employees, FTE	29	29	27	27
Change in average salary per FTE	4%	-2%	4%	-1%
<b>Group</b>				
EBIT, DKK million	3,445	1,530	2,151	2,532
EBIT, annual change in %	125%	-29%	-8%	20%
Full time employees, FTE	17,500	16,155	15,352	14,250
Change in average salary per FTE	1%	8%	9%	-9%
CEO remuneration ratio <sup>6</sup>	35	36	35	33

<sup>1</sup>On 1 April 2017, a number of management changes took effect:

- Niels B. Christiansen became Chairman of the Board of Directors.
- Niels Jacobsen became Deputy Chairman of the Board of Directors.
- Søren Nielsen was appointed CEO, succeeding Niels Jacobsen.

<sup>2</sup>In 2019, Casper Jensen was elected to the Board of Directors by the employees.

In 2020, Anja Madsen was elected to the Board of Directors at the annual general meeting.

<sup>3</sup>In 2020, when the hearing healthcare business was severely impacted by coronavirus, the Board of Directors decided to reduce their fee by 20% from 1 May until the end of the year. The Executive Board made a voluntary reduction of 10% of their fixed salary from 1 April 2020 until the end of the year.

<sup>4</sup>In 2021, Sisse Fjelsted Rasmussen and Kristian Villumsen were elected to the Board of Directors at the annual general meeting, as Benedikte Leroy and Lars Rasmussen did not stand for re-election.

<sup>5</sup>In 2019, 2020 and 2021, the "shadow shares" granted under the retention programme to the Executive Board in 2016, 2017 and 2018, respectively, were converted into cash payouts in accordance with the terms of the programme. These cash payouts constitute the by far major part of the increase in remuneration.

<sup>6</sup>CEO remuneration ratio is calculated as the CEO total remuneration / average employee total remuneration for the Demant Group.

## 6. Holding of Demant shares

Table 5: Holding of Demant shares (number)

	At 1 January 2021	Added or sold during the year	At 31 December 2021
<b>Board of Directors:</b>			
Niels B. Christiansen	8,060		8,060
Niels Jacobsen	1,001,340	-100,000	901,340
Thomas Duer	1,335		1,335
Casper Jensen	500	+694	1,194
Anja Madsen	1,500		1,500
Jørgen Møller Nielsen	366		366
Sisse Fjelsted Rasmussen	0		0
Kristian Villumsen	0	+4,130	4,130
<b>Executive Board:</b>			
Søren Nielsen	21,637	+6,405	28,042
René Schneider	14,150	+1,665	15,815



## 7. Statement by the Board of Directors

The Board of Directors has today considered and approved the Remuneration Report of Demant A/S for the financial year 1 January – 31 December 2021.

The Remuneration Report will be put to an advisory shareholder vote at the annual general meeting on 10 March 2022.

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

Smørum, 8 February 2022

In our opinion, the Remuneration Report is in accordance with the Remuneration Policy adopted at the annual general meeting and is free from material misstatements and omissions, whether due to fraud or error.

### Board of Directors

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Niels B. Christiansen, Chairman

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Niels Jacobsen, Deputy Chairman

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Thomas Duer

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Casper Jensen

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Anja Madsen

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Jørgen Møller Nielsen

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Sisse Fjelsted Rasmussen

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Kristian Villumsen

## 8. Independent auditor's report

### To the shareholders of Demant A/S

We have examined whether Management has fulfilled its obligations to disclose the information required by section 139 b (3) of the Danish Companies Act in the company's Remuneration Report for 2021.

### Management's responsibility

Management is responsible for the preparation of the Remuneration Report in accordance with section 139 b of the Danish Companies Act and the Remuneration Policy adopted at the annual general meeting.

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

### Auditor's responsibility

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

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

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

We have complied with the requirements for independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of

Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and ethical requirements applicable in Denmark.

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

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

### Conclusion

It is our opinion that Management has fulfilled its obligations to disclose, in all material respects, the information required by section 139 b (3) of the Danish Companies Act in the company's Remuneration Report for 2021.

Copenhagen, 8 February 2022

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56

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