

Demant

Sustainability Report 2022



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This report serves as the statutory report to be presented under the sections 99a, 99b, 99d and 107d of the Danish Financial Statements Act. We also disclose requirements of the EU taxonomy on sustainable activities on page 66.



Today, one in five people live with hearing loss, and due to an ageing population, this number is increasing. Testing your hearing is the first step towards better hearing, but many hearing losses go undetected.

Untreated hearing loss has many consequences: One is the inability to communicate on equal terms with others, another is being excluded from social situations. Human beings are social beings who want to participate and feel valued.

We believe that communication facilitates relationships between people, and that conversations make relationships grow. If we can enable more people to hear better, we empower them to tune in to life and take an active part in their community for the good of everyone.

Life-changing hearing health. Benefits everyone.

Sustainability key figures – year

Following the decision to discontinue our Hearing Implants business, financial and sustainability figures have been aligned to reflect this in 2022. Historical figures have not been restated, unless otherwise stated.

	2022	2021	2020	2019	2018
Core					
R&D costs (DKK million)*	1,314	1,139	1,261	1,120	1,009
People					
Average number of employees	19,239	18,130	16,155	15,352	14,250
Global top-level management gender diversity (women/men %)	23/77%	22/78%			
Global top-level management team gender diversity (on/not on target%)	71/29%	65/35%			
Gender diversity, all managers (women/men%)	44/56%	43/57%	42/58%	41/59%	37/63%
Gender diversity, board of directors (women/men %)	40/60	40/60	40/60	20/80	20/80
Engagement rate (1-5)	4.08	4.02	3.93	3.82	3.79
New hire rate (%)	2.9	2.8			
Group employee turnover (%)	26	20			
Accidents in production	17	12	11	13	23
Climate and environment					
Group energy consumption (MWh)	99,622	93,321	71,564		
Group electricity consumption (MWh)	42,954	47,412	37,078		
Group CO2e scope 1 (tonnes)	10,851	8,041	6,842	8,841	7,076
Group CO2e scope 2 (tonnes)	20,498	22,772	17,522	17,673	17,735
Group CO2e scope 3** (tonnes)	643,453	612,812	478,760	544,045	

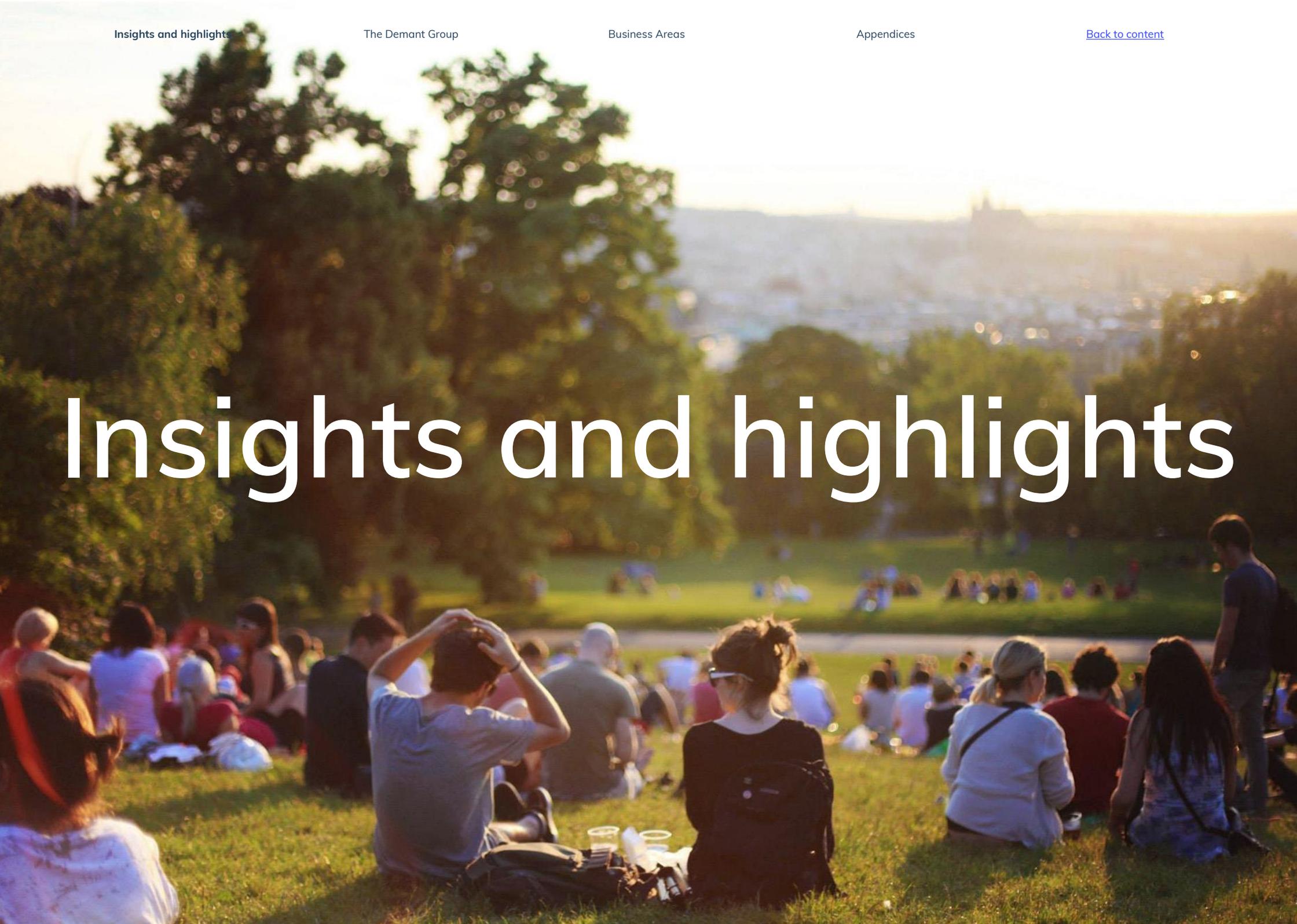
	2022	2021	2020	2019	2018
Giving back (DKK million)					
Foundation donations total	112	124.1	111.9	153.2	111.5
Business ethics and governance					
CEO remuneration ratio (times)	39	38	36	35	33
Whistleblower reports (#)	47	48			
Product recalls (#)	0	1***	0	0	0

*Figures restated for 2021

**Estimate based on spend-based materiality assessment for 2019 and adjusted for revenue growth in local currency

***Voluntary field corrective action in discontinued business Hearing Implants

Find accounting policies on page 69

A large group of people is sitting on a grassy hill, looking out over a city at sunset. The scene is bathed in warm, golden light, with the sun low on the horizon. The city below is visible through the trees, with some buildings and a bridge in the distance. The people in the foreground are seen from behind, some with their hands on their heads, suggesting they are enjoying the view. The overall atmosphere is peaceful and scenic.

Insights and highlights

CEO letter

It seems fair to say that coming into 2022, none of us quite expected what this year had to offer, and in Demant, we welcomed it with ambitious plans. Now, we look back at this year with a strong sense of pride because we managed to navigate global changes while keeping on track in our efforts to become a more sustainable company.

Our core impact is even more apparent

By providing access to sound and good hearing, Demant's technology is unique and life-changing for our users. Our impact reaches beyond our core business because we give people a voice and enable them to take an active part in society, as an individual and as part of communities.

In the past few years, we have all been in a situation where we were – some still are – forced to keep our distance due to coronavirus. With physical distance comes psychological distance. This experience of isolation and disconnection was new, and it illustrates the importance of human interaction in people's lives. And why it matters to help those with hearing loss.

In Demant, we believe that proper hearing healthcare can break isolation and prevent people from being cut off from the lines of communication and conversations. As humans we are social by nature, and there is a big impact in feeling that what you say is being heard and valued. That you



contribute and belong. And the world needs many different voices and thoughts.

Cornerstones of our strategy

It is a fundamental right to be who you are, this is especially true at work, and fostering an inclusive culture is key to unlocking the true potential of Demant's diverse workforce. There is a need to sustain and promote a diverse culture where people feel included and have fair opportunities by carefully considering this in our people agenda. This work is guided by Demant's new [diversity, equity & inclusion \(DE&I\) policy](#), including [2025 targets](#). We focus on gender balance on different management levels and teams, and overall, we look into processes that may stand in the way of creating a workplace that embraces our differences, so that everyone can feel seen and be heard.

In 2022, we continued to take part in the global transition to net zero by integrating

our climate strategy into our business and operations. We have launched projects to [reduce emissions](#) in all scopes, and in 2022 we also submitted these targets to the Science Based Target initiative, awaiting validation in 2023. The majority of Demant's footprint is to be found within our extended value chain, and just like we initiated projects and practices to reduce our own direct emissions, we also took initial steps to engage with our suppliers and manufacturers on their transition to renewable energy. Both actions are fundamental to delivering on our reduction targets.

Towards sustainable development

With a free world comes free trade, and with that new important areas of attention continue to arise. As a responsible business, Demant must do its part to protect human rights and uphold overall ethical business conduct.

In our approach to sustainability, we consider how we support the ten principles of the Global Compact and drive the Sustainable Development Goals. And with our large impact on health and innovation and our contribution to fighting growing global challenges, we want to inspire and engage our stakeholders.

Sustain our impact

As we grow our business, we equally grow our indisputable handprint on health and innovation as well as our obligation to reduce our footprint and lead a responsible business. Alongside progress on climate and DE&I projects, we continue to integrate sustainability in our work and approach to doing business. Sustaining our core positive impact must go hand-in-hand with efforts that reduce inequality, embrace diversity, spur ethical economic growth and combat climate change. This is essential to delivering on our ambitions and ensuring that Demant is fit for the future.

It makes me extremely proud to witness this and to spearhead our growing, impactful Group. With just around 20,000 employees across countries, locations, business areas and brands, Demant will continue to create life-changing differences through hearing health.

Søren Nielsen

A story from Demant

Relief Ukraine

Demant's majority shareholder [William Demant Foundation](#) donated DKK 9 million (approx. USD 1.3 million) to relief-activities in Ukraine. DKK 7 million was donated to UNICEF, and DKK 2 million was allocated for Demant employees to support Ukrainian refugees through selected humanitarian organisations.

William Demant Foundation received more than 30 applications from employees across Demant applying for financial support on behalf of established and officially recognised humanitarian organisations. We call the initiative 'Relief Ukraine'.

Ukrainian refugees in Poland

One of the receiving organisations is FAIR: Fellowship, Aid and International Relief. FAIR is a Canadian charitable organisation that alleviates human suffering and social injustice. The grant supported relief work with refugees arriving in Poland from Ukraine. It also helped buy food, hygiene supplies, blankets and other daily essentials to be able to keep the shelters running.

"I think it's absolutely fantastic that our owners take initiative to help those affected by the war and the organisation, FAIR, expresses their deepfelt gratitude to the Foundation for its support," says Pauline Bott from Hearing Life in Canada.

Young Ukrainian cyclists

Four 15-year-old cyclists, who fled from Ukraine to Poland because of the war, received a grant to support their training. It allowed the boys to join a team and take part in bicycle races and sports camps, and it covered basic needs such as food and school supplies.

Cardiac monitors for hospitals

The Association of Ukrainians in Poland also received a grant, which enabled them to send 18 cardiac monitors to hospitals. The association has been active in offering humanitarian aid to Ukraine since Russia's annexation of Crimea in 2014, and their know-how is essential, says Demant employee Aleksander Fil, who applied on behalf of the organisation:

"With an already established network of trusted partners in Ukraine, when the war escalated in February 2022, our volunteers and connected organisations knew exactly what urgent needs to supports," says Aleksander Fil, Senior Director, New Product Introduction, Szczecin, Poland.



This is Demant



Who we are

Our purpose to create life-changing differences through hearing health is part of our past, present and future. It captures why we exist and emphasises what Demant delivers to individuals and societies.

Demant has developed hearing health for 118 years and from this platform we have taken new steps into the broader area of audio. Our products and services, and the way we work, enable users and employees to tune in to the things that matter.

In 2022, we launched our latest company movie [Tune in to life](#) portraying the internal world of Demant: a high-tech, diverse, warm and unique company. In addition, the film also shines a little light on the difference Demant makes for millions of users worldwide.

Founded on care

Our story begins in 1904 when Demant family members shaped the foundation for hearing health and access to hearing care for their loved ones. In 1957, the Demant family donated their shares in the company and established [William Demant Foundation](#), which holds the majority of the shares in Demant. This unique ownership model provides stability and ensure that we remain a reliable and trusted long-term partner.

Demant is listed on Nasdaq Copenhagen stock exchange. We report on our financial performance in our [Annual Report 2022](#), where additional information about the Demant Group and our business areas can be found.

Our business

We operate in the four business areas Hearing Care, Hearing Aids, Diagnostics and Communications**. Within each area, multiple brands serve their individual markets according to their business area strategy.

Demant's business areas are strongly related within hearing healthcare and audio technology, and we gain value from strong synergies in innovation and technology. Within Hearing Healthcare, we also benefit from collaboration in production, distribution and sales as reflected in the value chain illustration below.

No matter where in our value chain, we aim for the highest level of quality and performance, building on existing knowledge and emerging technologies.

Learn more about [sound, audio and good hearing](#), our [purpose and strategy](#) and our [history](#) on our website.

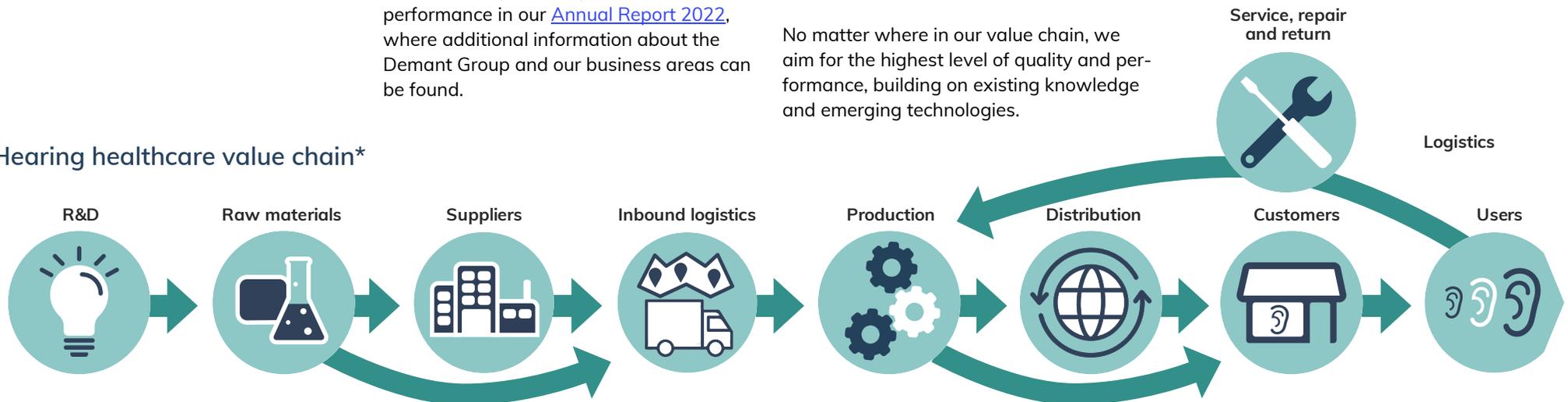


20,570

employees worldwide



Hearing healthcare value chain*



*Excluding the business area Communications (EPOS)

** On 27 April 2022, Demant announced its intention to discontinue the business area Hearing Implants. See reporting scope on page 67

Our global presence

Production

North America

Hearing aids custom production and service and repair:

- Kitchener, Canada
- Somerset, New Jersey, US
- Tijuana, Mexico

Main production in hearing healthcare business activities:

- Tijuana, Mexico
- Dorchester, Southern Ontario, Canada
- Minneapolis, Minnesota, US

Europe

Hearing aids custom production and service and repair:

- Hamilton, UK
- Hamburg and Berlin, Germany
- Firenze, Italy
- Istanbul, Turkey

Main production in hearing healthcare business activities:

- Mierzyn, Poland
- Kołbaskowo, Poland
- Ballerup, Denmark
- Padova, Italy

Asia

Hearing aids custom production and service and repair:

- Shanghai, China
- Tokyo, Japan
- Seoul, South Korea

Pacific

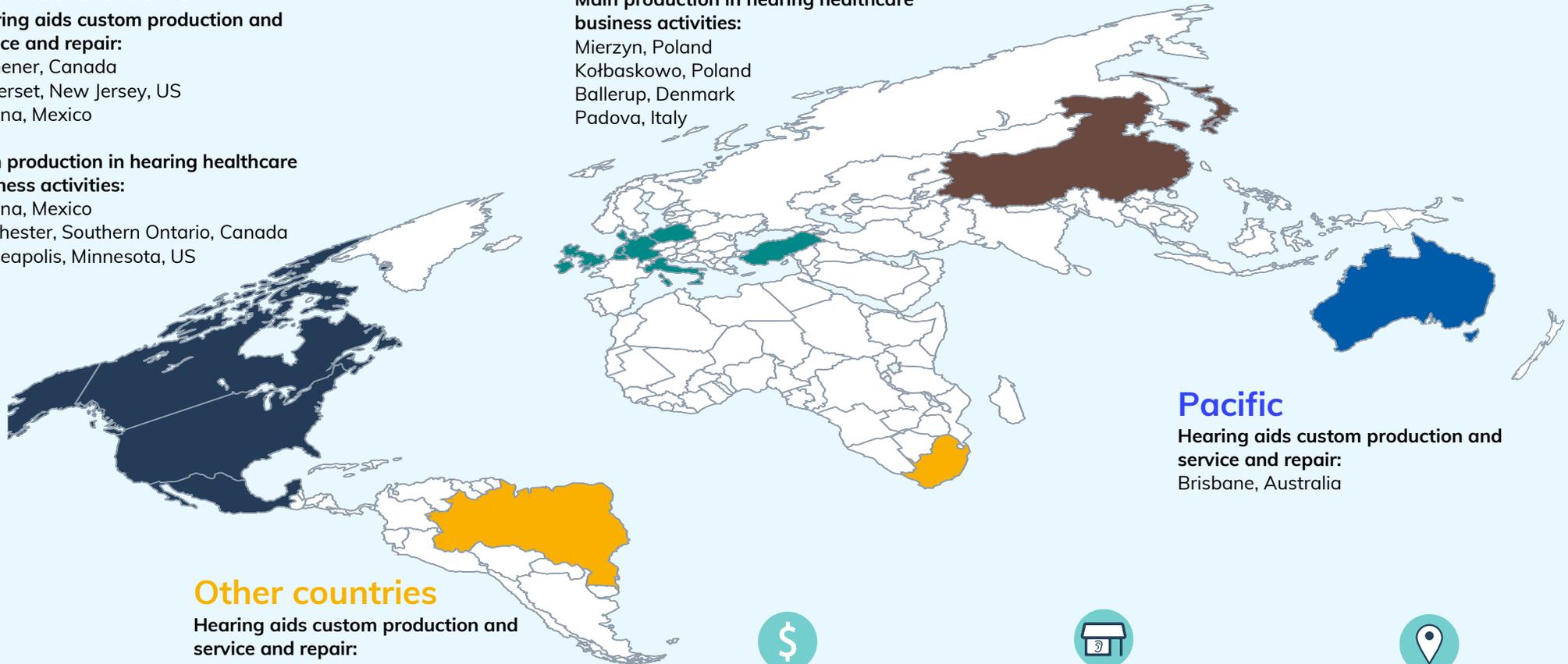
Hearing aids custom production and service and repair:

- Brisbane, Australia

Other countries

Hearing aids custom production and service and repair:

- Rio de Janeiro, Brazil
- Johannesburg, South Africa



Revenue

- Europe: 41%
- North America: 41%
- Asia: 10%
- Pacific: 5%
- Other countries: 3%



Offices and clinics

Companies in more than 30 countries and clinics in over 25 countries



Demant headquarters

Smørum, Denmark

2022 performance



Diversity



Global top-level management positions

Engagement



We did not reach target of 4.15

Climate targets



Submitted targets to Science Based Target initiative

Renewable energy



Roadmap for renewable electricity



R&D investments

William Demant Foundation donations



Business ethics



Updated our Demant Group Whistleblower Policy and Third Party Compliance Code



A story from Demant

Employee resource groups

In 2022, our diversity, equity and inclusion (DE&I) policy, also known as Embrace, was introduced. This policy includes, among others, targets for gender diversity in management and encourages various initiatives to be taken within DE&I. One of these was the launch of an initiative to create employee resource groups (ERGs).

The formation of ERGs among employees is a way for a workplace to become more inclusive. The groups and their resources are meant to support and build strong and important communities within our organisation and are designed for the purpose of providing support, enhancing career development and/or building a community within the Demant organisation.

The ERGs are employee-led and are formed based on specific traits that group members possess or want to support. Some of the traits that an ERG could be based on are for example sexual orientation, origin or invisible disabilities. While being employee-led, the groups will only thrive by receiving top management support and involvement.

Let's talk diversity

To kick-start the work with employee resource groups and open the conversations that are necessary to embrace DE&I, Demant held two breakfast clubs featuring

external experts and top management, who shared their perspectives and opened a dialogue with employees.

The first two breakfast clubs, hosted at Demant's Danish headquarters and Interacoustics in Middelfart, Denmark, focused on diversity with external visits from Naima Yasin, Head of Secretariat and the Youth organisation Saga, and Ulla Grøn from Grundfos, and internal representation from Demant Executive Board CEO Søren Nielsen and President Diagnostics and Communications, Arne Boye Nielsen. Here, the topic of diversity in the workplace was the opener for a great discussion.

After the first breakfast club, CEO Søren Nielsen said:

"Being a part of those discussions and viewpoints is for me the very essential starting point for developing a company."

The goal of the Embrace breakfast clubs is to facilitate the creation of employee resource groups (ERGs), based on interest and initiative from employees.



Embrace Breakfast club
Middelfart, Denmark

Materiality assessment

We continuously revisit our material topics in our work and engagement with stakeholders, to whom sustainability considerations have become increasingly important.

To receive input on our sustainability strategy and make sure Demant lives up to stakeholder expectations on the areas environment, social and governance, ESG, we primarily engage with employees, customers, shareholders, investors, suppliers, regulators, local communities, academia and key opinion leaders on whom Demant has an impact or who has an impact on Demant. The engagement happens through the existing channels or through dedicated sustainability meetings or surveys.

When selecting our most material topics within ESG, we apply the concept of double materiality, looking at our current and potential positive and negative impact on society, as well as the financial impacts and risks that the topics present to our business in the short or long term.

The material topics are of high importance to us, and they are generally already a part of our daily work and processes to ensure our success and positive impact as a Group. Among them, we have identified two main priorities – diversity, equity and inclusion and climate impact – as topics with special opportunities for significant improvement in our current sustainability strategy as illustrated on the following page.

The topics not material to us are not included in this report. See more on the [scope of the reporting](#).

Environment
Social
Governance

High impact

Low impact



Sustainability strategy

Through life-changing hearing health, we contribute to building a more sustainable world where all people have the opportunity to hear, actively participate in life and be appreciated.

If we can enable more people to hear better, we can give them a voice and thus the opportunity to be part of society without constraints. We empower them to tune in to life and take an active part in their community for the good of everyone.

We, as a company, also tune in to the world around us by creating workplaces that reflect a diverse world where everyone can contribute, be heard and belong. In 2022, we launched a [new diversity, equity and inclusion policy and targets](#) to guide our progress.

Caring for people's health and well-being goes hand in hand with caring for the environment. In 2022, we initiated various [projects to reduce the emissions](#) of the Demant Group.

Our responsibility reaches further than our own doorstep. We are founded on care, and that legacy is deeply rooted in our business. As a positive impact company, doing business in an ethical way and caring for the rights of everyone in our reach is fundamental. This report will present our progress in all the [areas that are material](#) to Demant and where we contribute to the Sustainable Development Goals (SDGs).

Diversity, equity and inclusion



Women in global top-level management
(compared to 22% in 2021)



Max. ¾ of the same gender on 75% of top-level management teams
(compared to 65% of top-level management teams in 2021)



Climate impact



50% reduction in all scopes by 2030
(compared to 2019)

Governance

The Demant Sustainability Board oversees sustainability activities and drives strategic action on the Sustainability Strategy of the Demant Group. The mission of the Board is to ensure that sustainability considerations and activities are an integral part of the overall business strategy and the daily operations of all business areas, central functions, and company brands in the Group, which are represented by the Board.

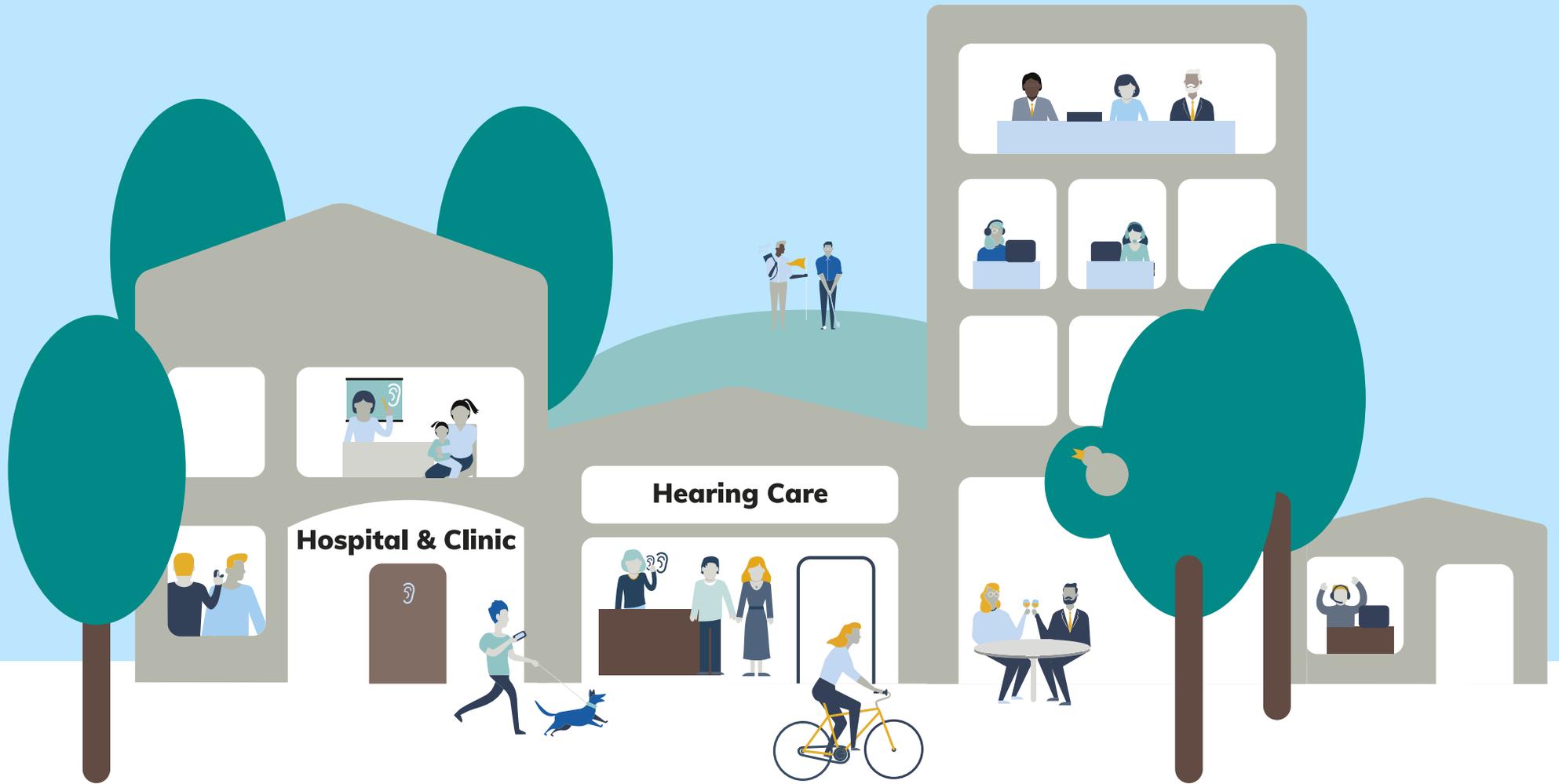
Looking ahead

In 2023, we will continue to focus on advancing on our targets, especially within the main priorities of our strategy: [diversity, equity and inclusion](#) and [climate impact](#), which are shared across all business areas and functions, and in which we all have a role to play.

The year will also be marked by preparations for the vast amount of forthcoming legislation on sustainability, among others the Corporate Sustainability Reporting Directive, that could impact the way we organise and measure our efforts.



The Demant Group



Life-changing hearing health



Core contribution

The differences we make for people living with hearing loss is our most important contribution to the world, because living with hearing loss has influences beyond the individual.

Hearing loss has many consequences: one is the inability to communicate on equal terms with others, another is being excluded from social situations – not just from the people close to you, but also at the workplace, in school or while doing what makes you happy in your free time.

When millions of people are enabled to tune in to life and take an active part in their community, it benefits everyone. That is Demant's core impact.

Through decades of development and testing, fine-tuning and growing insights in paradigm-setting technology and skills in human interaction, we have a substantial impact on innovation within hearing health (SDG9), adding a long-term perspective to our core contribution to good health and well-being (SDG3).



On the following pages, we demonstrate our impact but evidence of the Group's total impact is particularly strong when we zoom into this year's achievements in each business area. Please see the section Our business on page 50-63.

Ambitions

We are a purpose-driven company that first and foremost contributes to global hearing health and awareness of the direct link between good hearing and health

We bring quality of life to people by enabling awareness, access and affordability for millions to experience sound and good hearing with the positive contribution to life that follows

We participate in improving hearing health infrastructure in countries with less developed hearing healthcare systems

We harness our core competencies, entrepreneurship, skills and relevant resources in collaborative efforts with academia, companies and stakeholders to improve global hearing health and audio solutions

Improving global hearing health

Conscious of the role we play in improving global health, we are committed to further providing awareness, access and affordability to hearing healthcare, and to mitigate the risks that prevent this.

We believe that efforts in high-income countries should focus on ensuring the full benefit from treatment. In 2022, the hearing aids industry in the US saw the opening of the over-the-counter (OTC) distribution model, which allows direct sales to the consumer without the involvement of an expert. Demant offers a range of low-priced, easily accessible products, and while we fully support expanding access to hearing aids, we remain convinced that the involvement of a professional is the optimal solution to treating hearing loss most efficiently. We continue to analyse this market in terms of value both for the user and for Demant.

In low- and middle-income countries, age-related hearing loss is less prevalent due to shorter lifetime expectancy. Here, the focus is on children and on establishing the infrastructure needed for assessment and treatment.

To alleviate hearing loss, the first step is to become aware

We directly impact awareness through detection and identification of hearing loss:

- We are an industry partner in large-scale research studies

- We take active part in the European Instrument Manufactures Association (EHIMA)
- Every year we promote WHO's World Hearing Day and its quest to spread awareness and increase adaptation

Making sure that more people get access to treatment

We enable access to hearing healthcare with our global presence:

- We provide direct access with more than 3,500 clinics worldwide
- Around 60 distributors in low-middle income countries provide access to hearing health and engage in local initiatives, NGO partnerships and charitable projects

A positive impact on affordability

The dynamics of a highly competitive market, which is powered by innovation, results in competitive pricing.

- Pricing in the hearing care market contains an essentially high level of service and full return assurance
- Products and services range from basic to premium

Mitigating risks

While we accept and mitigate the risks related to our core business, we continue to seize the opportunities that arise.

Accepting your hearing loss

Demant work to increase awareness of the importance of good hearing. Accepting that your hearing is not good enough is fundamentally difficult, which creates a barrier in seeking the help needed and it slows the progress with adaptation. It is hard to improve the landscape and reduce stigma with hearing solutions alone.

Clinical requirements

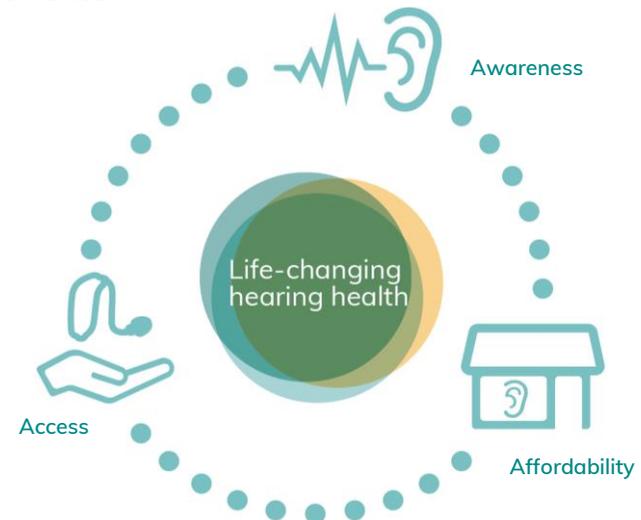
To gain insight, most of our research and development activities rely on access to the right clinical population and clinical monitoring in the market.

Health infrastructure

Access to hearing treatment in low- and middle-income countries continues to be challenging. If there is no infrastructure to support hearing healthcare, it is not possible to service hearing aids in these vulnerable communities. We work with this challenge through awareness and access.

Ambiguous standards

The recommended age threshold for hearing tests can vary based on country. In some places you test at a very late point in life, which means that the hearing loss could have been alleviated much earlier. More streamlined and improved standards can help mitigate this. To seize the opportunity, we engage in international projects that focus on early hearing rehabilitation.



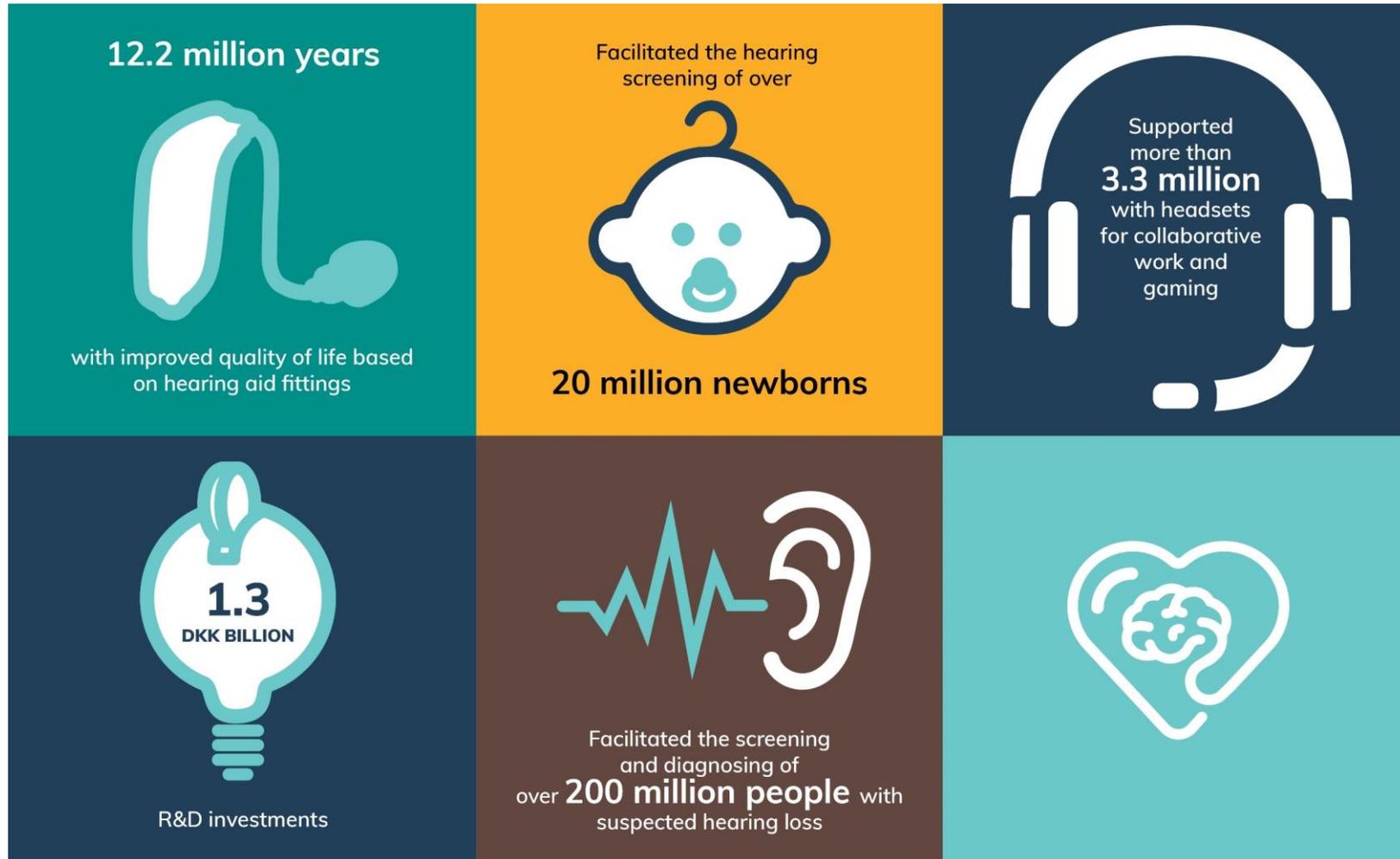
Impact on health

Today, 1 in 5 people live with hearing loss and, due to an ageing population, this number is increasing.

Assessing your hearing loss is the first step towards better hearing, but many hearing losses go undetected.

When not treated properly, hearing loss impacts many aspects of our lives. It has a direct impact on communication and cognitive conditions and indirectly impacts health, education and employment. Ultimately, it has especially economic and social impacts on society.

Our core impact is hearing healthcare. There is a substantial increase in quality of life, not only when a hearing aid is fitted, but over the expected lifetime of the device. In 2022, Demant has facilitated 12.2 million years of improved quality of life* from our hearing aids and hearing care-related activities.



*Read more in accounting policies on page 69

A story from Demant

Experts in audiology

Our research and development activities are imperative for us to deliver on our purpose and ambitions. In 2022, we invested DKK 1.3 billion in R&D.

We offer diagnostic equipment suited for detecting specific hearing losses, skilled and service-minded hearing care and solutions that meet the specific needs of the user.

We are experts in audiology and sound excellence, and we constantly invest in and deliver innovative solutions to empower our core impact.

We use that knowledge to offer cutting-edge technologies and contribute to creating new knowledge.

As a vital part of our R&D activities we assess new opportunities by predicting and understanding current and coming technologies and trends.

Hearing health is brain health

Growing evidence suggests that actively wearing hearing aids can have a preventative effect on cognitive decline.

We know that good hearing and sound experiences help your brain stay fit throughout your life.

This is why we see it as part of our responsibility to continue to spread awareness of the important link between hearing health care and health. And we constantly work to deepen our knowledge of this through [Oticon's BrainHearing™ concept](#).



Sound studio
Demant headquarter

People



Care is in our DNA

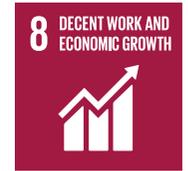
The Demant Group holds many brilliant, innovative and diverse people who are driven by a common purpose of making a difference. Our employees are the most valuable part of our business, and their safety, well-being, engagement and development is fundamental to us and our success.

Through our diversity, equity and inclusion agenda, we positively impact gender equality (SDG5). We can further drive this contribution by ensuring that our employees have equal opportunities to grow professionally, reach personal goals and contribute to Demant's success.

We contribute to decent work conditions and economic growth (SDG8) by creating good working conditions and offering quality jobs. We protect labour rights and promote a safe and secure environment. By providing access to sound and good hearing, we make it possible for people with hearing loss to enter or stay in the labour market.

Governance

Human Resources (HR) in the Group is predominantly driven locally in the day-to-day business. However, Group-wide HR initiatives are prioritised, managed and coordinated via three main global forums all chaired by Demant's Senior Vice President of HR. Read more on our [website](#).



We stay on our toes to ensure that working at Demant is a good experience, both professionally and personally, as well as physically and psychologically.

Ensuring an inclusive culture, which fosters diversity and continues to incite engagement, sustains Demant as a leading employer in our industry, and is ultimately Demant management's responsibility.

Ambitions

We believe in a strong connection between a high engagement among employees and a successful business

We honour diversity and foster an unbiased and inclusive culture with fair opportunities

We protect and honour the human and labour rights of our employees. We proactively and continuously improve working conditions and focus on health and safety

We ensure the highest quality of leadership and talent development as well as a culture driven by our group values

A safe place to work

Behaviour

One of our core values is trust. Following the [Demant Group Code of Conduct](#), violence, bullying, harassment and discrimination of any kind is unacceptable. This type of behaviour does not correspond with our beliefs or the culture we want to convey.

We encourage all employees to raise concern through our [whistleblower hotline](#), should they encounter any of the above behaviours.

We want to provide a safe environment free of any discrimination or harassment, powered by a high level of trust and respect. It is our duty to ensure that our workplaces and facilities are operated in a safe and sound manner.

Health and safety

Health and safety management is anchored locally at our sites, where appropriate training is carried out depending on the specific employee group.

While accidents potentially happen everywhere, including in office spaces, there is often a higher risk of getting more seriously harmed at for instance production

sites. Producing hearing aids, diagnostic equipment and audio solutions does not entail exposure to hazardous situations or dangerous materials and chemicals. Thus, this type of manufacturing is not classified as unsafe or risky. The incidents that do occur in our production are primarily categorised as minor, such as cutting or squeezing a finger.

However, this year we had an extraordinarily unfortunate accident in the parking lot of our hearing aids production in Poland that resulted in a fatality. Following this, we are extra cautious about safety in this area of our premises, and we do everything in our power to prevent this from happening in the future.

See overview of accidents in production on page 72.

Mental health

We understand there is a potential negative impact on mental health related to work, and we do what we can to prevent this. Aspects of working with stress management vary from place to place, including cultural considerations and legal regulations. Consequently, stress is handled on a local scale with HR departments across the Demant Group. The overall responsibility lies with HR management in tight collaboration with relevant managers.



Drive engagement

Having a high level of engagement is key to maintaining a sustainable business. When people feel engaged, they are happier, more innovative and productive.

We work with employee engagement through our global engagement programme, [Pulse](#), including a yearly survey. The survey results are discussed and processed by managers and employees who work with attention areas and actions in the teams throughout the year.

Risk and opportunity

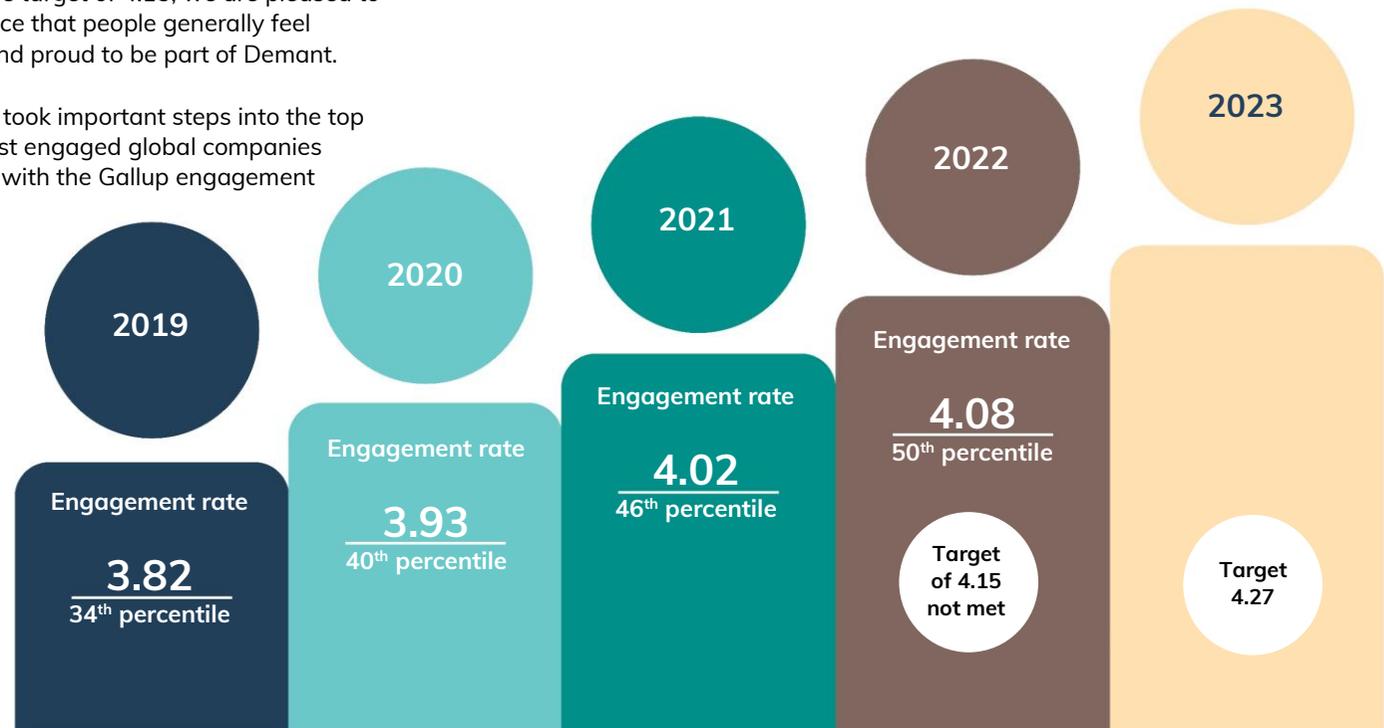
A low level of engagement can impact Demant's ability to attract and retain talent, and it is a clear focal point for us to mobilise an engaged workforce, for the good of our employees as well as the business.

We will continue to seize opportunities and improve our capability to work with engagement globally. Demant is growing, and it is important to respect the pace at which it is possible to introduce changes and build up engagement in a way that is sustainable.

2022

This year, we reached an engagement rate of 4.08 and a participation rate of 86% corresponding to more than 15,500 employees. Even though the result is below the target of 4.15, we are pleased to experience that people generally feel happy and proud to be part of Demant.

We also took important steps into the top 50% most engaged global companies working with the Gallup engagement index.



The engagement survey is conducted by Gallup. It rates our level of engagement on a scale from 1-5. Percentile rank is used as a benchmark to determine how a team's results compare to those in Gallup's extensive database. The 50th percentile indicates that 50% of teams scored lower than Demant on the engagement rate.

Key activities and findings

In 2022, we added new questions to the engagement survey to support our [diversity, equity and inclusion](#) programme, Embrace. We believe that an inclusive workplace creates higher engagement. It is a key driver for everyone's ability to perform well and thrive at work.

The findings show that our people overall feel recognised, valued and enjoy a working environment that provides the right conditions to perform well at work.

We have focused on the importance of individual development, which has had a positive impact. More people feel that they are getting feedback and experience room to learn and grow in their job. Demant's strong values of teamwork and mutual respect are also clearly reflected. And we also see that people trust their colleagues to do their best.

Clarity of expectations, day-to-day management and communication are key to creating an engaging and inclusive workplace.

We must continue to focus strongly on this and enhance the way we pay attention to and support each other in the teams – both as leaders and as colleagues.

Room for improvement

Even though the engagement level overall has improved, and we see good improvements in several areas, we are not where we want to be. The results indicate that we can do more to make all people at Demant feel included in our daily work, and valued for their unique talents and potential.

We direct special attention towards the differences we see on this topic and towards the teams that exhibit difficulties with sustaining and increasing engagement.

We continue to invest in leaders' skills to drive engagement and a culture of inclusion and offer support for the teams that are challenged.



Talent and development

We encourage employees in their development and growth, and we ensure that Demant can attract and retain the right workforce with a skill set that matches business needs and challenges.

Talent

In markets pressured by high demand, the need to attract and retain the right people across many facets of diversity increases still. Many of the markets where Demant operate are at present characterised by a very high demand for labour, especially in certain areas where we need specific competencies.

We are highly dedicated to talent acquisition and have several initiatives supporting this. We benefit from strong company brands that attract talent to Demant, the core target groups being engineers and audiologists.

Demant employees are supervisors and sensors at top universities where they contribute with their expertise, while showcasing us as a place to kickstart a career within engineering and audiology.

Employee turnover

When it comes to the frequency of people leaving and joining the company, there are varying trends within the markets that Demant's business areas are present in.

The most apparent risk is related to our Hearing Care business as increasing levels of resignation as well as hiring is a trend

within retail, where frontline personnel shuffle more frequently between receptionist/assistant-types of jobs.

The combined voluntary and involuntary turnover rate in 2022 was 26%, compared to 20% in 2021, and the number reflects significant variations across the organisation. The US population was not included in the turnover rate reported for 2021. With a US-turnover rate that is significantly above Demant average in 2022, and a population of approximately 3,500 employees, that has been the most significant contributor to the increased turnover rate. A less significant contribution to the increase is our production site in Tijuana, Mexico, which grew by more than 200 employees in 2022 and had a turnover rate that was significantly above the Demant average in 2022.

In general, we see higher employee turnover rate with waged workers than with salaried workers and in retail, our Hearing Care business area, where turnover is traditionally higher than in our other business areas.

Development

At Demant, people development is an ongoing process between manager and employee as part of a manager's responsibility. Several activities brought forward in this chapter is part of our efforts to remain an attractive workplace, while improving business performance.

To deliver on this, we have several initiatives in place globally:

- The Demant Training Academy offers internal training within leadership, project management, people development and professional skills. Our career framework supports managers and employees in seeing all the exciting career opportunities that exists within the Demant Group.

In 2022, 5,956 courses were completed via our Learning Central.

- We want to be a flexible workplace. Our [global position on workplace flexibility](#) guides the Demant Group to implement concrete policies to ensure the flexibility of working partly from home, if the task and local conditions allow.

By 2022, 14 out of 21 countries have implemented local policies on workplace flexibility, such as the Workplace flexibility policy for Denmark.

- Through our Demant Leadership Framework we strengthen and further develop leadership competences and cultivate great leaders to achieve goals in a sustainable way. Good leadership is a valuable component to a well-driven Demant Group within which people can thrive and prosper.

In 2022, managers completed a total of 408 leadership courses under the programme [Leading across Demant](#).

- Students are the future of Demant, and we need to stay relevant to them to secure the future of our business. Besides engaging in numerous academic partnerships, we offer a global [Graduate programme](#) in Denmark that presents young professionals with opportunities across our entire global organisation. It provides the necessary skills and personal development needed to take on a permanent position at Demant.

In 2022, we had 27 graduates in the [Graduate programme](#).

A story from Demant

From graduate to senior manager

Cecilia Rodriguez Garcia's career in Demant started in 2018, when she joined our graduate programme. Today, Cecilia enjoys the position of Senior Integration Manager and describes Demant as her second home.

When Cecilia Rodriguez Garcia applied for [Demant's graduate programme](#), she did not know much about Denmark, let alone Demant, and she had never visited the country. However, with a bachelor's degree in engineering from her home country Mexico, including a semester in Germany, and a master's degree in the US, Cecilia was ready for new ventures in a new country and new industry.

"Starting at Demant was a positive shock, and what is special here is indeed the culture, the skilled people, the environment and the friendly approach towards others. It is not about competition; it is about collaboration and moving forward together," Cecilia says.

Cecilia went through four rotations across Demant within quality, hardware, software and project management. After her third rotation within Software Solutions in R&D, she took on a permanent job following the programme. Today, she is employed as Senior Integration Manager and Scrum Master in Software Solutions.

Network and guidance

Cecilia highlights one central benefit and outcome of the programme: network.

"You get a large network across the company, and looking back now, this was a true advantage which helped me a lot in my following employment," Cecilia explains.

A cornerstone in this network is encounters with different, skilled colleagues on all levels. Especially with managers, Cecilia was, and is still, met with valuable trust, support and guidance all along the way:

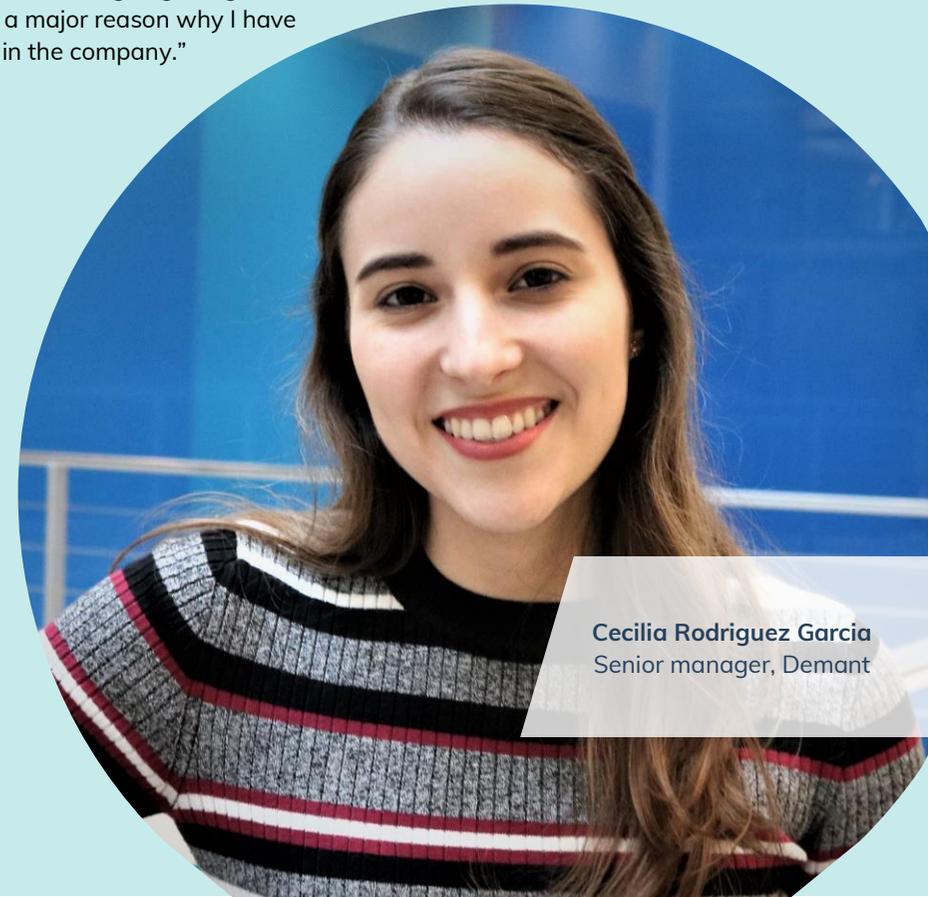
"I have experienced managers who have been very aware of who I am as a person, who guided me towards my interests and helped me develop the skills needed to pursue my dreams. It felt like an investment in me as an employee and a person."

A second home

Looking back at her four years with Demant, Cecilia emphasises the strong company values in Demant – values that you see come alive every day. And these

values along with the warm company culture make Cecilia describe Demant as her second home:

"Joining Demant as a graduate in different rotations quickly started feeling like a small family. You connect with many colleagues and it is a place where people care about you. The feeling of getting a second home is a major reason why I have decided to stay in the company."



Cecilia Rodriguez Garcia
Senior manager, Demant

Embrace diversity

It is a fundamental right to be who you are, also at work, and we want to convey a work environment built on care and respect for others. A culture characterised by diversity and inclusion in which everyone can contribute, be heard and belong.

In Demant, the concepts of diversity, equity and inclusion (DE&I) is an indisputable priority. Working with DE&I boosts performance, improves our leadership and innovation skills, maintains high customer satisfaction and supports our efforts to attract and retain talented minds.

Demant is present in all parts of the world and employ people with different ethnic background, personality, nationality, age, gender and education. We encourage respect for diversity and we strive to treat all employees fairly and equally.

Our approach to this work is focused and guided by a [DE&I policy](#) introduced in 2022 with targets for 2025.

Age, gender, education and background of the members of Board of Directors and Executive Board are listed in the [Annual Report 2022](#).



Activities and targets

We tune in to the world around us by creating workplaces that reflect a diverse world where everyone can feel valued and belong.

To harvest the true potential of Demant’s diverse culture, we continue to grow our understanding of the concepts of inclusion and equity especially. The aim is to address potential unconscious biases and sameness thinking and mitigate risks related to insufficient or misunderstood work with DE&I, as well as to support the engagement of employees who may otherwise refrain from sharing their opinions, ideas and solutions. We steer this through several [key short-term activities](#).

2022

We increased the focus on DE&I in our recruitment process, performance and development process and started DE&I training of leaders. We introduced the concept of inclusive leadership, which will gradually be rolled out across Demant, ensuring that leaders build their skills in driving an inclusive culture.

Inclusive communication attracts more diverse candidates and helps build an inclusive culture. As part of the recruitment for head office-based positions, we screen all job ads using a tool to check inclusive language.

2023

We will embed materials designed to prompt inclusive recruitment behaviour in the Demant global recruitment platform during 2023. DE&I-specific themes of relevance for our employee performance

dialogue will be integrated in the global process for performance dialogue from Q1 2023. DE&I activities in 2023 will also be centred on expanding training in unconscious bias and inclusive leadership behaviours and to developing the capabilities among HR leaders to drive DE&I related topics and training locally.

Targets

To drive the implementation and impact of our DE&I policy we work with two diversity targets. The achievement for the target “gender diversity in global top-level management” is not at a satisfactory level and we will analyse where and how we can improve in 2023.

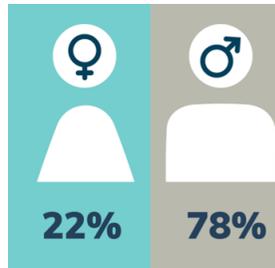
Regarding the target “gender diversity for global top-level management teams”, we have during the year expanded the number of teams in scope for the target, which has improved the balance, but there is further work to be done for each of the teams where the gender balance we aim for is not yet in place.

Board of Directors

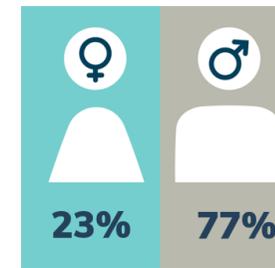
The Board of Directors aims to have at least 40% of the underrepresented gender amongst the Board members elected by the shareholders as this constitutes an even distribution in terms of gender. As of now, there is an even distribution in terms of gender of 40% women and 60% men.

Global top-level management gender diversity

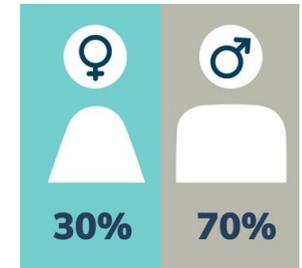
Starting point January 2022



Status December 2022*



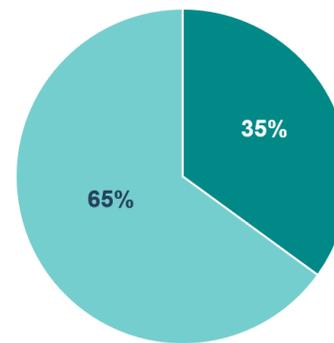
Target 2025



*Managers in scope: 109 (25 women and 84 men)

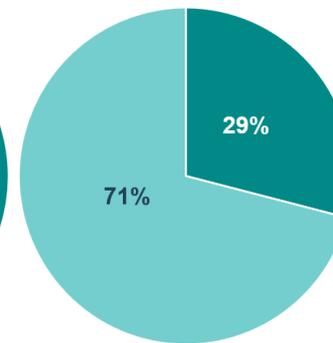
Global top-level management team gender diversity

January 2022



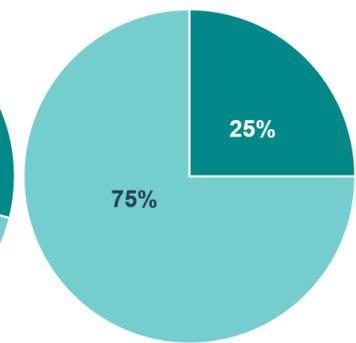
N: 79 teams

December 2022



N: 95 teams

Target 2025



Within the target of max. ¾ of the same gender on a team

Not on target of max. ¾ of the same gender on a team

Impact on climate and environment



Climate impact

Caring for people’s health and well-being goes hand in hand with caring for the environment.

We strongly believe all large-scale companies can do their part to fight climate change. By addressing our emissions, we have the potential to make a solid contribution to SDG13.

On an everyday basis, the Demant Group [Code of Conduct](#) guides our practices by laying out our principles for environmental responsibility and reduced climate impact.

We must always challenge business as usual to increase our contribution to SDG12 and reduce, reuse and recycle as much as possible.

While we have not yet identified any material risks to our company from climate change due to the location of our operations and key suppliers, climate and environmental risks are likely to materialize for

any company in the future as the planet continues to be under heavy pressure, and resource scarcity becomes a greater and greater issue.



Ambitions

We care for nature and our biodiversity through a circular mindset

We reduce, reuse, recycle and replace – with focus on packaging and waste

We introduce sustainable materials in our operations, production and products

We support production and sourcing of green energy and strive for ambitious emission reductions

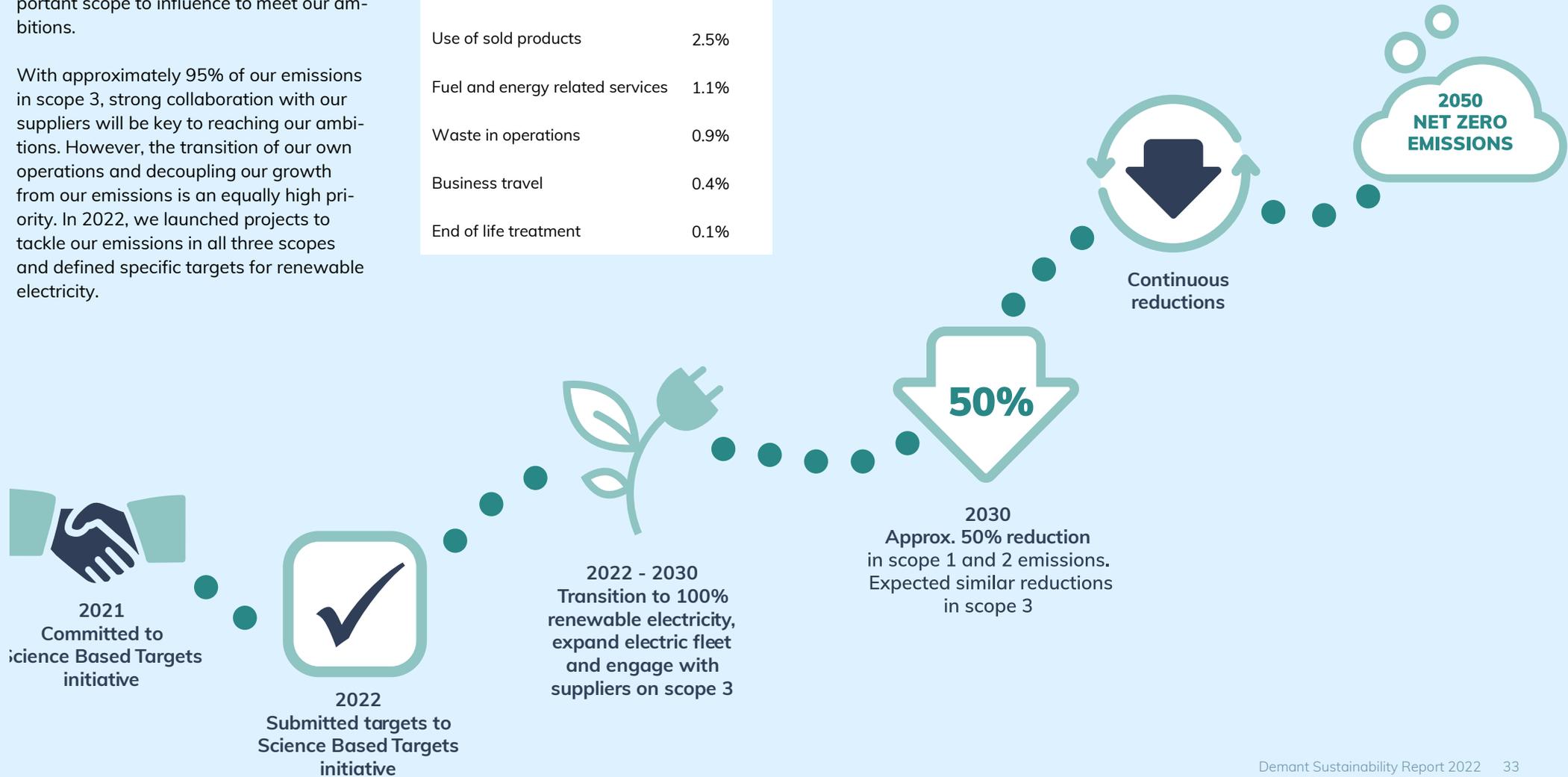
Our road to net zero

In 2022, we submitted our targets to the Science Based Targets initiative, and we are currently awaiting their validation. The scope 3 materiality assessment and scope 1-2 baseline developed in 2021 (with 2019 data) confirmed our belief that our value chain footprint (scope 3) is the most important scope to influence to meet our ambitions.

With approximately 95% of our emissions in scope 3, strong collaboration with our suppliers will be key to reaching our ambitions. However, the transition of our own operations and decoupling our growth from our emissions is an equally high priority. In 2022, we launched projects to tackle our emissions in all three scopes and defined specific targets for renewable electricity.

Scope 3 category breakdown

Purchased goods and services	77.5%
Transportation	10.4%
Employee commuting	7.0%
Use of sold products	2.5%
Fuel and energy related services	1.1%
Waste in operations	0.9%
Business travel	0.4%
End of life treatment	0.1%



Energy

The first step to tackle our emissions from consumed energy is energy efficiency. In 2022, the Group managed to reduce electricity consumption noticeably.

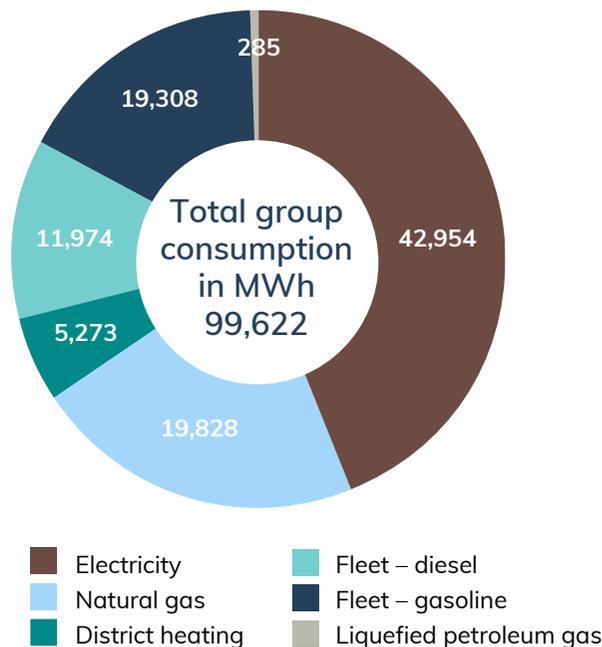
While the business grew, many of our energy intensive sites were able to lower their electricity consumption, especially in the Hearing Care business. Additionally, we improved the data quality and scope of energy reporting further, meaning that more sites reported their energy consumption this year.

Compared to 2021, we see an increase in total energy consumption from 93,321 MWh in 2021 to 99,622 MWh in 2022 mainly due to a significant increase in

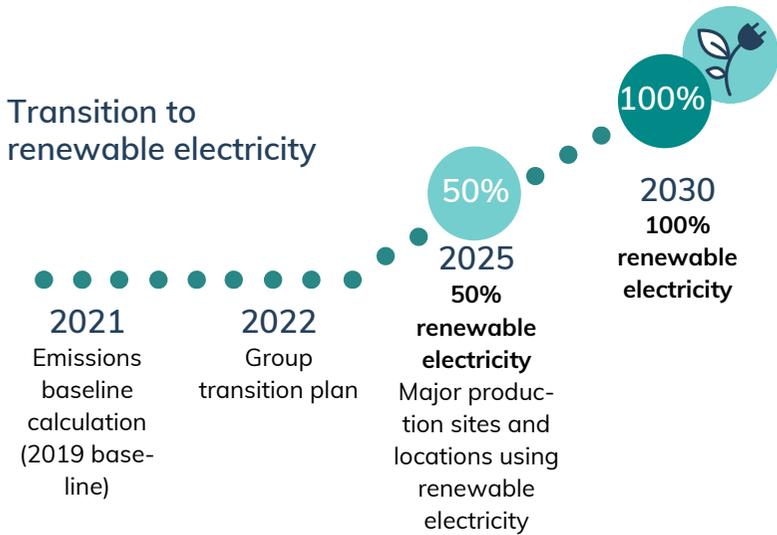
reported natural gas for which the scope of reporting was expanded in 2022.

Renewable electricity

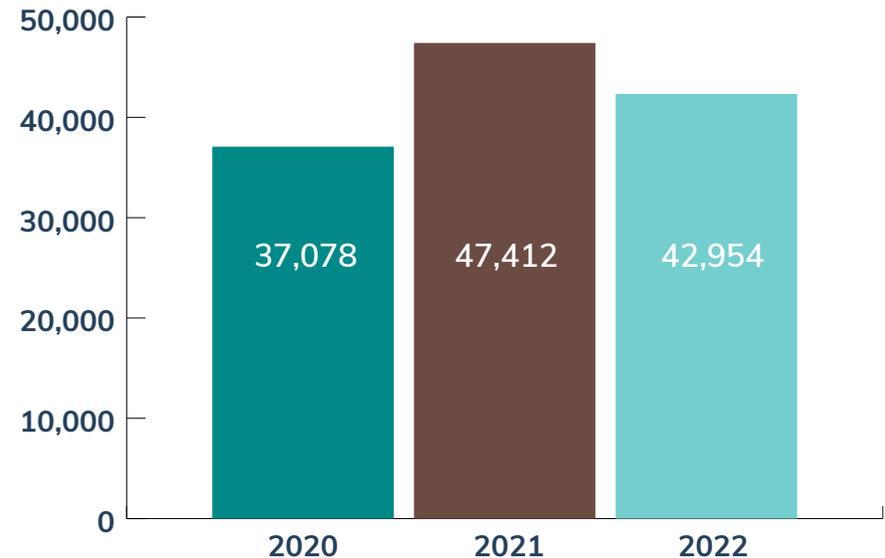
Shifting to renewable electricity is key to our transition. In 2022, we developed a road map for the transition analysing the mechanisms available to us in the countries where we operate. The very first step will be to further invest in solar solutions as well as energy attribute certificates for the main production sites and our headquarter. We will also explore possibilities for power purchase agreements.



Transition to renewable electricity



Electricity consumption (MWh)



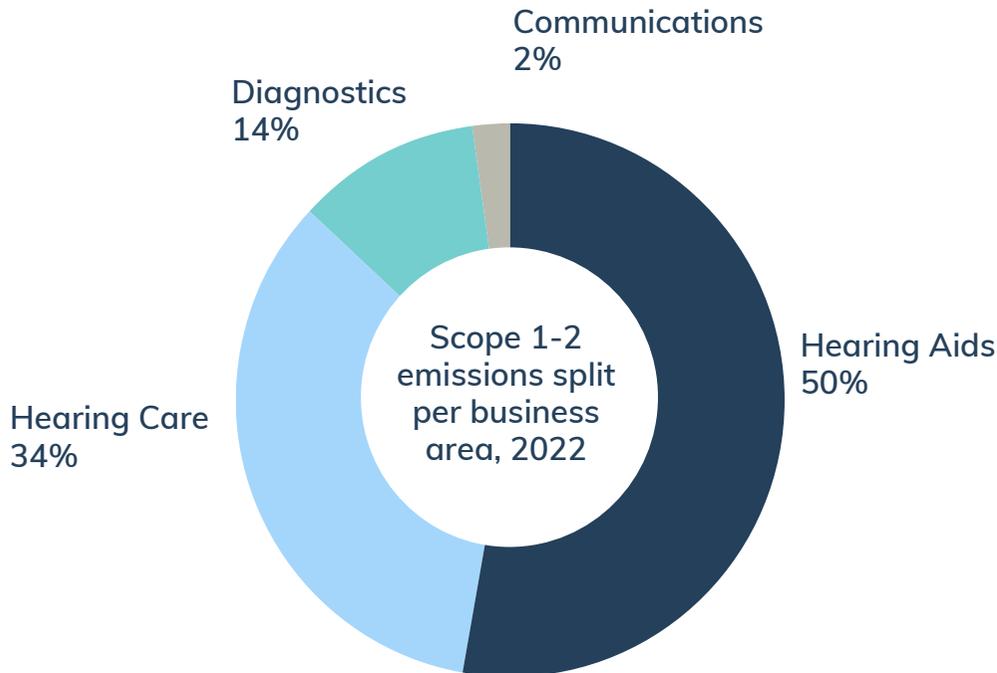
Emissions

Our data shows an increase of 2% percent in CO2e emissions from 2021 to 2022.

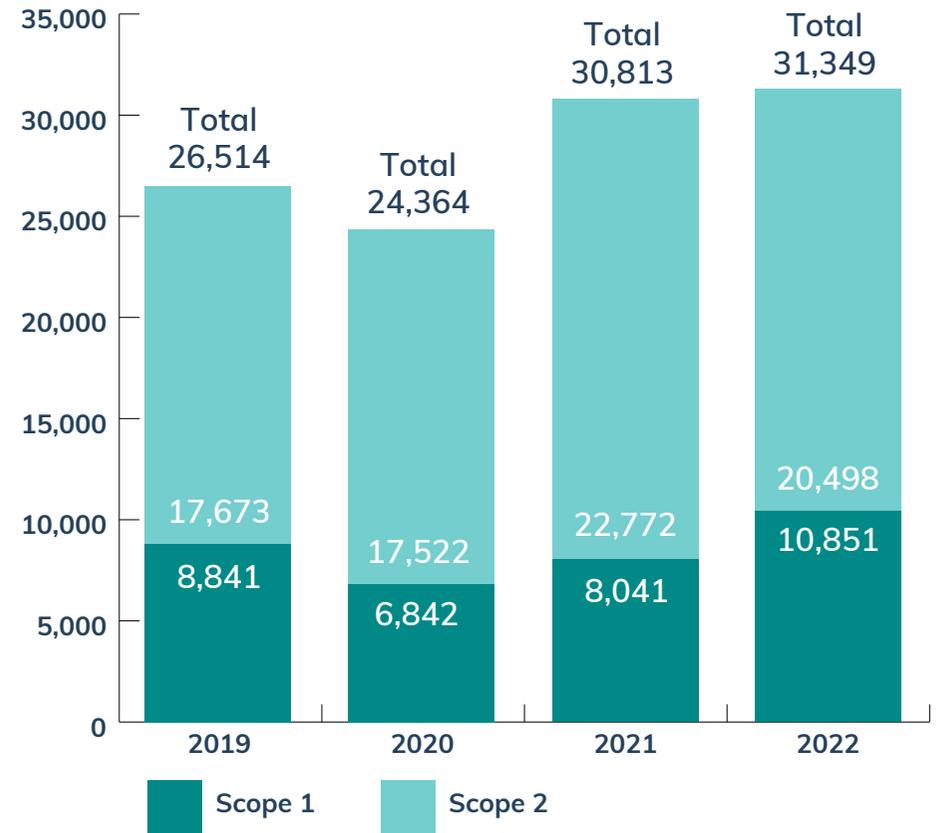
Though we saw a considerable decrease in the reported electricity consumption, our total energy consumption increased in 2022 (see page 34). This was mainly due to a significant increase in reported natural gas (8,796 MWh in 2021 to 19,828 MWh in 2022) for which the scope of reporting was expanded in 2022.

As natural gas in most countries emits less CO2e than conventional electricity, the increase in reported natural gas does not impact the emissions as significantly as the global decrease in electricity consumption does. Furthermore, the newly acquired hearing care retail chain Sheng Wang with approx. 500 clinics has not yet been integrated into our energy reporting.

However, the increase in energy consumption has not resulted in an equivalent increase in emissions.



Scope 1 and 2 emissions (tonnes CO2e)



Scope 3 emissions

Year	2019	2020	2021	2022
Tonnes CO2e	544,045*	478,760**	612,812**	643,453**

*Estimate: 2019 spend based materiality assessment

**Estimate: 2019 spend based materiality assessment adjusted for revenue growth in local currency

A story from Demant

Green practices in operations

In 2022, we worked dedicatedly to improve environmental sustainability practices in Hearing Aids Global Operations.

The project ran throughout the year as six individual tracks, tackling everything from energy and material reduction, commercial [packaging](#) and process efficiency and to mindset and behaviour. The aim was to identify and develop capabilities needed for [Hearing Aids](#) Operations to contribute to the Demant Group's ambitious climate targets.

With 2022 as a pilot project year, we are now ready to sustain and act on the results and learnings of the project. Especially the focus on energy efficiency and reduction at production sites in Poland and Mexico displayed some impactful results, some shown in the graphs to the right.

Energy efficiency

Compared to 2021, we have significantly reduced the amount of electricity used to produce one piece at the production site in Mierzyn, Poland.

We hit below our target for nearly the entire year.

Electricity consumption

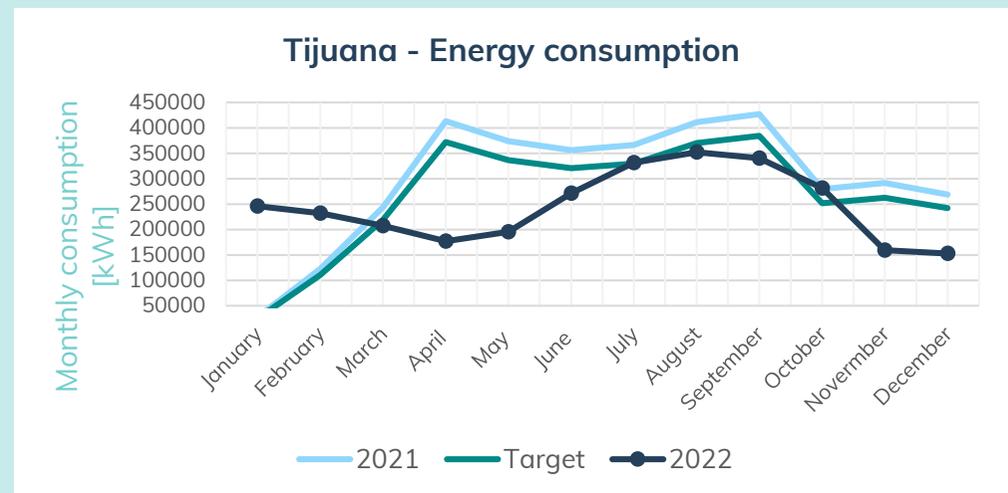
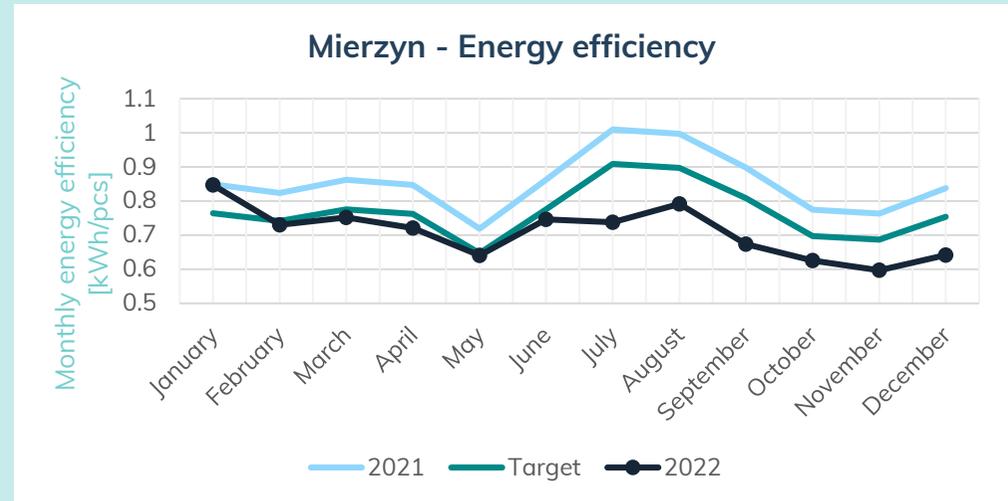
Despite a growing production, we have managed to bring down the total electricity consumption at our production site in Tijuana, Mexico. The site was up and running consistently in the Spring of 2022.

In 2022, we reduced our energy consumption by 17.8% compared to 2021 which represents an estimated 15% reduction in emissions.

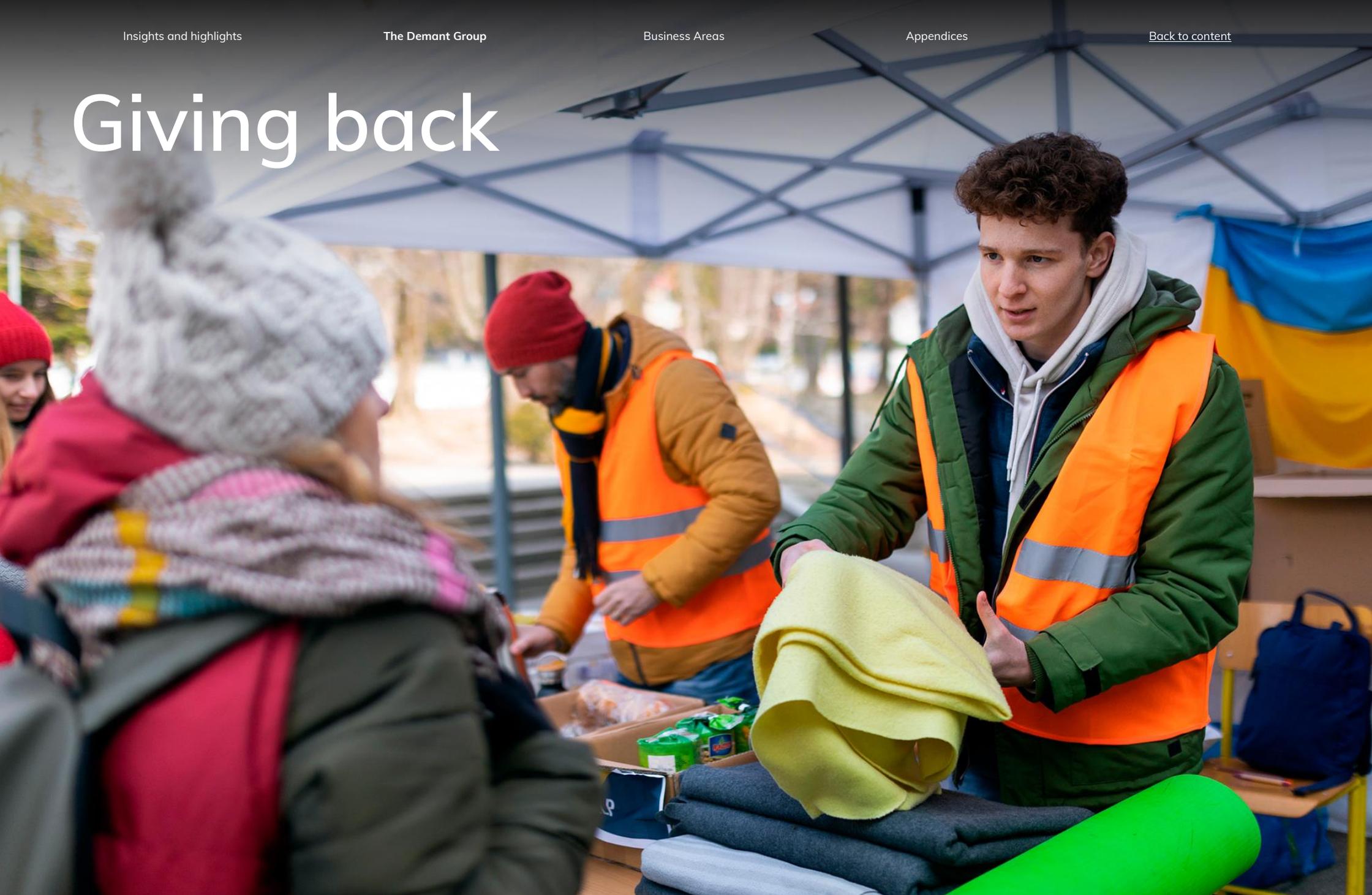
Solar energy

We will initiate the instalment of solar panels at our production site in Tijuana, Mexico in early 2023.

The solar panels will produce 20% of current energy demand by June 2023.



Giving back



Society and community



We take being a good neighbour very seriously – sharing our resources, donating to causes with a purpose and engaging with the communities we are part of. It is about limiting any risk our presence might entail, while working towards a positive social and humanitarian impact.

Demant was founded on care, and that legacy is deeply rooted in our business. William Demant Foundation reinvests in people and society, and Demant has many enthusiastic employees who want to contribute to local communities and well-being.

We share knowledge and awareness of hearing healthcare, help those who do not have access to proper hearing rehabilitation and have significant impact on health and well-being (SDG3). Furthermore, good hearing capabilities are essential for inclusive and equal access to education (SDG4) and employment.

 Read more about our Hearing Care business and its effort to increase hearing healthcare awareness via [Campaign for Better Hearing](#).

Ambitions

We represent an overall positive impact on the economic and social well-being of the communities in which we operate

We reinvest in society, and William Demant Foundation donates to altruistic causes and expands its suitable investments

William Demant Foundation

Our foundation ownership is a central part of our DNA. It ensures long-term stability and allows us to reinvest in people and society.

William Demant Foundation reinvests in society by donating to altruistic causes and by expanding its sustainable investments. The Foundation's donations are based on the profit of Demant.

In 2022, William Demant Foundation granted a total of DKK 112 million to 2,317 projects, some of which are highlighted to the right.

By means of its charter, the Foundation works with four larger categories for distributing its funds:

Audiology and hearing impairment

To support projects that can prevent and alleviate hearing loss. This includes research within audiology and psychoacoustics in large research institutes and smaller

groups, or by individual researchers.

Social and humanitarian causes

To social initiatives focusing on health and well-being among children and young people, such as projects and information campaigns that aim to relieve social isolation.

Art and culture

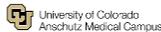
To large and small projects that serve a cultural purpose, mainly within music but also film, dance, theatre and projects with an ecclesiastical purpose.

Education and science

To support research projects and overall education, including when young people study abroad.

William Demant Foundation donations - year

	2022	2021	2020	2019	2018
Donations (DKK million)					
Total	112.0	124.1	111.9	153.2	111.5
Audiology and hearing impairment	40.2	71.4	61.3	106.7	62.3
Social and humanitarian causes	10.7	4.4	1.9	1.9	11.6
Art and culture	31.0	32.0	32.9	21.6	17.9
Education and science	30.1	13.3	15.8	23.0	19.7

				
DKK 3.2 million	DKK 5.6 million	DKK 2.7 million	DKK 3.6 million	DKK 2.5 million
Research on how hearing loss impacts cognition and the associated neurophysiological and cortical mechanisms	Research on listening fatigue from hearing loss and how hearing aids can relieve fatigue issues	Implementation of research concerning over-the-counter hearing aids	To continue Centre for Acoustic-Mechanical Micro Systems (CMM) for the years 2022-2026	A research project over three years, called 'Healthy Hearing for Healthy Ageing' (HAHA)
				
DKK 9.0 million	DKK 1.7 million	DKK 1.5 million	DKK 3.0 million	DKK 1.2 million
Relief-activities in Ukraine consisting of humanitarian aid and a charity fund for local organisations	New programmes to sustainably develop local expertise, services and resources to benefit babies and young children in Nepal	A perennial project to establish a new festival as well as a production of the opera Orfeo	A festival across the Danish Folkeskole and a talent initiative to inspire young talent within natural science	Support for relatives of young people and children living with hearing loss

Business ethics and governance



Founded on high ethics



To Demant, ethical behaviour and strong governance processes are an undeniable part of conducting a sustainable business and fundamental for a global society to achieve sustainable development.

As a global company with a high focus on ethics, our anti-bribery and anti-corruption activities represent our primary contribution to peace, justice and strong institutions (SDG 16).

Working diligently with quality and ensuring a responsible supply chain is vital for us to sustain the high standards and reliability of our products, ensure the safety of our customers and users and uphold our business' integrity. We report individually on quality and safety as well as how we work with suppliers and manufacturers in relevant business areas in the section Business Areas on page 47.

Ambitions

We live the principles of our Code of Conduct; high ethics always prevail in any business decision

We adhere to the laws of each country in which we operate. Should national legislation and international principles, such as human rights principles, conflict, we adhere to the higher standard

We are truly transparent and actively work to eliminate corruption in our value chain

We use our buying power responsibly and consider our suppliers as true partners in value creation

Corporate governance

Leading a responsible business involves balancing several stakeholder interests.

Read more about how we govern Demant, including our internal control and risk management systems, in our [Corporate Governance Report](#). In the chapter 'risk management activities' on pages 46-49 in our [Annual Report 2022](#), we review the most material risks identified.

Updated remuneration policy

Demant's remuneration policy for the Board of Directors and the Executive Board was updated in 2022 to include performance targets in short-term and long-term incentive programmes for the Executive Board. The performance criteria are closely aligned with Demant's strategy and will be linked to financial, business and sustainability targets. In our [Remuneration Report](#), we present the remuneration of the Executive Board and the Board of Directors in 2022, including the CEO remuneration ratio.

Tax

Our [tax policy](#) ensures that we are tax compliant and that we abide by domestic and international tax legislation while securing a competitive tax rate for the Demant Group. The policy applies globally. In correspondence with the [Group code of conduct](#), which reflects our commitment to a high level of business ethics, it is mandatory for management and all employees to comply with the tax policy.

In compliance with section 161, paragraph 19(2) and 22(2) of schedule 19 Finance Act 2016, Demant confirms that the tax policy meets requirements with regards to the UK tax strategy, UK taxation and dealing with HMRC.



Business ethics programme

Our business ethics programme reflects our commitment to a high level of business ethics, and it lays the foundation for Demant’s larger sustainability agenda.

The Demant Group business ethics programme contains our [code of conduct](#), a global [whistleblower system](#) as well as a portfolio of global policies and guidance within business ethics.

Code of conduct

-  Anti-Corruption
-  Compliance with Competition Laws
-  Fraud
-  Data Privacy
-  Human Rights
-  Environment
-  Workplace Environment
-  Business Partner Relations
-  Export Controls & Sanctions
-  Raise Concern

You can find an overview of all publicly available policies [here](#) and read more about our business ethics programme on the following pages.

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, including the Modern Slavery Acts of the United Kingdom and Australia. Statements can be found on the relevant company websites.

Wherever we operate, we strive to meet local human rights standards. Should national legislation and international human rights principles conflict, we adhere to the higher standard. We consider the most significant risks of adverse impact on human rights to exist in certain parts of our supply chain.

We have not identified any human rights violations in 2022.

Implementation and training

In December 2022, we updated all the policies and guidelines within our Demant Group business ethics programme. We have implemented new regulations in our whistleblower policy and in our [third party compliance code](#), e.g. EU requirements.

It is part of our responsibility to ensure that Demant’s employees are familiar with and understand the policies and guidelines in our programme, and we continuously ensure internal implementation. Across the Demant Group, we make use of ‘read and understand tools’, face-to-face training and quizzes to support this.

We reached 60% of our total workforce with various levels of implementation efforts this year, as well as we did in 2021. However, we have grown significantly in terms of number of employees. The largest part of the implementation was face-to-face or online training.

The Group Business Ethics Programme is governed by Group Legal and Compliance, supported by a network of 62 business ethics champions locally and in group business functions.

In 2023, we will focus on developing and implementing global e-learning on our code of conduct and whistleblower policy.



Business partner relations

When dealing with third parties, we use our [third party compliance code](#), which reflects the behaviour that we as a Group expect from third parties.

Given their differences, [Hearing Aids](#), [Diagnostics](#) and [Communications](#), report individually on how they work to ensure a responsible supply chain living up to Demant's standards.

Anti-corruption

We oppose 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 our services. Our [anti-corruption policy](#) sets the minimum standard for all employees. It includes rules and guidance on behaviour particularly for exposed employee groups. In addition, individual appendices for each business area provide scenarios and examples in grey zone matters relevant to the business.

The most significant risk is related to doing business in, and collaborating with third parties from, countries where corruption is high.

As a global business, we also operate in countries where laws on anti-corruption are flawed, not followed or not enforced. Demant's policy shall always be applicable to govern employee behaviour regardless of local regulations and enforcement. We value our high business integrity and do not accept any budgetary commitment as justification for violation of our policy on anti-corruption.

Due diligences

As part of our anti-corruption programme, we have implemented a risk-based process for due diligence of business partners. We perform due diligence of high-risk distributors, such as distributors who operate in countries where risk of corruption is high. We base our scope for evaluation of risk on the Transparency International Corruption Index.

Our process includes collecting information via questionnaires and required commitment by distributors to the Demant Group Third Party Compliance Code. In some instances, we perform more in-depth due diligence, based on the level of risk. The highest risk for our business is typically our export business.

In 2022, we performed 65 due diligences to reach a total of 140 due diligences towards high-risk distributors.

We expect a similar scope for due diligences related to anti-corruption in 2023.

Trade compliance

We implemented a sanctions screening process and performed sanctions checks for distributors engaging in business in countries subject to sanctions, for example by the EU and the US.

In 2022, we carried out sanctions checks of 12 distributors.

Since the Russian invasion of Ukraine in late February, Demant has halted all its trade activities in Russia and Belarus also to ensure our compliance with the sanctions towards the regions imposed by among others the EU and the US.

We have performed sanctions checks and re-checks of all our distributors and other third parties in Russia and Belarus, in total 17 sanctions checks.

Interaction with healthcare professionals

Maintaining appropriate interaction with healthcare professionals (HCPs) is fundamental to an ethical company like Demant. In several of our business areas, we interact with HCPs on a regular basis in different contexts. We make sure we do not pay above fair market value of their services and that we are transparent about our collaboration with them. Our processes are guided by local policies as well as country specific regulations.

65

HIGH-RISK
DUE DILIGENCES

17

SANCTIONS CHECKS
OF DISTRIBUTORS
AND OTHER
THIRD PARTIES

Whistleblower system

Our business integrity is non-negotiable and in line with Demant's values and code of conduct.

Should any employee or business partner encounter serious, sensitive or improper behaviour that fails to comply with policies and requirements of our business ethics programme or applicable laws, our whistleblower hotline provides a secure and confidential platform to inform about concerns without retaliation if provided in good faith.

The Demant Group whistleblower scheme consist of a [whistleblower policy](#), a [hotline](#) and guidelines for investigation.

The whistleblower hotline is available in multiple languages reflecting the diversity of the Group and local regulations. It is available on our [website](#), on various internal platforms and via the Demant Business Ethics App.

Governance

The hotline is operated by an external systems provider and Group Legal and Compliance reports all whistleblower cases to Demant's audit committee on a regular basis. Governance regarding potential reports on our top management is regulated in our Demant Group Management Protocol.

Reports

The reports filed in 2022 covered a broad range of the subjects in scope for the hotline. Primarily, reports were related to HR matters, workplace environment (harassment and discrimination), fraud and other matters. The hotline is updated to comply with the relevant EU regulations.

In 2022, 47 reports were filed through the whistleblower system.

Investigations

Incoming reports are handled by Group Legal and Compliance who perform timely investigations. We deploy a template for whistleblower investigation reports and support any action following a reported case according to our guidelines for investigation. As part of this, we ensure that any report filed is treated cautiously and genuinely, while making sure that we protect whistleblowers from reprisals and retaliation by safeguarding their privacy and anonymity.

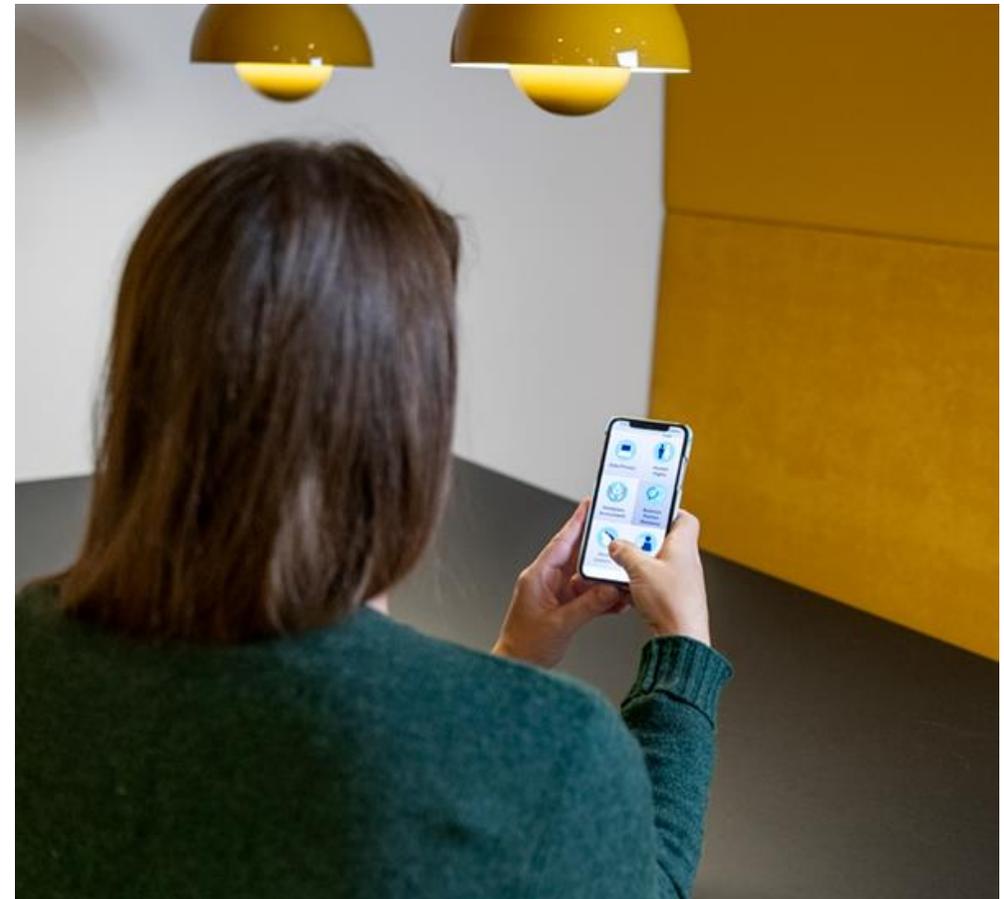
Awareness and trust

For a whistleblower system to work as intended, it is crucial that all employees are aware of our hotline, how to report and the level to which they are protected if doing so.

We want to build trust in our system by continuing to mature our business ethics

programme. This includes increasing awareness and conducting training to ensure implementation of our whistleblower scheme.

We did a global awareness campaign for our hotline in December 2022 to increase awareness and trust with employees.



Data and IT security

Demant is entrusted with personal data and committed to protecting this. We ensure a high level of IT security, stay on track with trends in the cyber landscape and continuously update our control mechanisms to prevent threats related to IT and data.

Data

Demant handles personal data on our employees, customers, users and business partners, and we are committed to protect such personal data through high-level security measures and responsible policies.

In 2022, we have solidified our data privacy framework, both in terms of geography and the intensity of the privacy efforts. We also improved documentation and transparency which benefits our Hearing Care customers in Europe.

As our industry and products increasingly become more digital the internal demand for privacy support grows. We strive to make sure that our business is provided with the best possible guidance while ensuring that our internal procedures help facilitate this continuous work.

We experience increasing interest in privacy matters from our customers, users and employees and spend significant resources to ensure that any privacy queries are addressed. In Europe we see an increase in actual data subject requests i.e., people exercising their rights in accordance with the GDPR.

Data ethics

We are implementing our global [data ethics policy](#) in relevant parts of our business, and it is mandatory for management and employees to comply with the policy. The policy is global and covers all processing of data, including personal and non-personal, and goes beyond compliance as we already work diligently to ensure the processing of personal data is done in accordance with regulatory frameworks. The policy provides additional protections to the benefit of our customers, users and employees, and it is aligned with Demant's existing core values.

IT security

IT compliance is our license to operate, and we keep an eye on and follow regulatory requirements.

Our IT setup supports daily business activities across the world, focussing on automation, streamlining, monitoring, testing and training.

Among others, IT functions support comprehensive documentation, sales, logistics management and knowledge-sharing infrastructure, and we consider it a central part of our business' resilience.

To uphold solid IT security and the IT mechanism needed to support this, we have several initiatives in place to mitigate risks associated with IT security. This includes preparing Demant for a future in which cyber threats are imminent, and we ensure a strong, robust and updated IT infrastructure. Our global security improvement programme Armstrong refers directly to the Board of Directors' IT Committee, using the NIST Cyber Security Framework for industry benchmarking.

Policy

It is mandatory for all Demant employees to familiarise themselves with our IT security policy, which is internally available to all, and to follow guidelines for how to handle company IT equipment. We regularly update the policy to properly reflect our business and needs.

Training

All employees receive security awareness training with tests monthly or quarterly.

In 2022 the training expanded to +14 languages to support the growing global coverage.

We focused our efforts on ensuring faster business recovery capabilities and raise the business protection bar of our infrastructures, both internally and externally. We will extend this work in 2023, with a focus on raising the protection of business applications supporting our customers sales and production.

In 2023, we aim to obtain ISO/IEC 27001 and 27001 certifications to comply with recognised standards on information security, cybersecurity and privacy protection.





Business Areas



Our business

Hearing Healthcare

Hearing Aids

Hearing Care

Diagnostics

Communications

EPOS

Hearing Aids



Oticon
Hands free
communication

Core SDG impact



3 GOOD HEALTH AND WELL-BEING

Based on the estimated lifetime of hearing aids and the total number of fittings by the Group over a period of five years, we facilitated 12.2 million years with improved quality of life in 2022.



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The Eriksholm Research Centre contributed to a new outcome measure that can indicate communication difficulties. A clinical version of this assessment method will enable hearing healthcare professionals to provide more personalised and effective treatment to people with hearing impairment at an earlier stage.

Key 2022 sustainability results



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We improved electricity efficiency at our main production site in Mierzyn, Poland, and reduced our total electricity consumption at our production site in Tijuana, Mexico.



We hear with our brain

Your ears collect sound, but it is your brain that understands it. Good hearing and sound experiences help your brain stay fit throughout your life.

We constantly work to deepen our knowledge of this through Oticon's concept of [BrainHearing™](#), and this year was no exception. Among others Oticon carried out:

- A collaboration with Rigshospitalet Glostrup, Denmark and Panum at Copenhagen University to explore the association between hearing loss, hearing aids and cognitive abilities in 'The Metropolit 1953 Danish Male Birth Cohort'¹. The study will deepen our understanding of the relationship between hearing loss and hearing aid use and brain health.
- A PhD study which found evidence suggesting that people with mild cognitive impairment need to exert more effort in challenging listening situations².
- A study of the benefits of well treated hearing loss among children by looking at how children using our technology performed in a word learning task.
- A paediatric study which showed improved communication access using our hearing technology³.
- A voice emotion recognition study which showed that children (well-)fitted with our hearing technology performed on par with children with normal hearing⁴.
- A continued investigation of new methods and a project that looks at "audio-visual" listening effort – or how listening effort changes when we both see and hear the person we are talking to.

¹The Metropolit cohort is defined as the 11,532 men, born in 1953 in the Copenhagen Metropolitan area, who were living in Denmark in 1968.

²Feldman, A. N. (2022). Listen Carefully: Healthcare design for listening effort and cognitive function. (Unpublished doctoral dissertation). Technical University of Denmark (DTU).

³Gordey, D. & Ng, E. H. N. (2021). Oticon Play PX: Supporting Communication, Learning and Inclusion for Children and Teens. Oticon Whitepaper.

⁴Gordey, D. (2022). Clinical Studies with Oticon Play PX: Exploring New Domains in Paediatric Amplification. Oticon Whitepaper.

Eriksholm Research Centre

Every year at Oticon's research centre Eriksholm, multi-disciplinary experts do translational science which pushes the latest advances in psychoacoustics, audiology, signal processing, communication behaviour and cognitive neuroscience.

[Eriksholm Research Centre](#) is the largest scientific research facility in the hearing aid industry. Being part of Oticon ensures that the scientific results are applied in solutions to benefit people with hearing impairment and hearing healthcare professionals. In the following, we highlight some of the exciting work done at Eriksholm during 2022.

When we give up on listening

We studied how our hearing aids impact

listening effort for people with hearing impairment.

Earlier work using pupillometry indicates that when listening becomes too difficult and demanding, people with hearing impairment start to disengage in listening. We call this listening fatigue, and we have developed tools that help us study more systematically and accurately when people using hearing aids start to disengage in a listening situation.

Based on pupil responses, we now know more about listening fatigue and the point at which the test participants start to give up on listening. The project also involved use of functional near-infrared spectroscopy (fNIRS) to look at the language-related areas of the brain.

Together with leading experts from universities in Denmark, Canada and the United Kingdom, we will continue developing tools to help us predict listening fatigue in everyday life of people using hearing aids.

Distracting sounds

On one hand, users of hearing aids report that spatially directed amplification in their hearing aids reduces their situational awareness. On the other hand, they easily feel distracted by irrelevant sounds. This project aimed to provide a tool that can help find the 'sweet spot' between reducing noise and amplifying relevant, environmental sounds in a hearing aid.

The Demant company in audio technology, EPOS, was also involved as partner in exploring this topic since it is highly relevant for the development of noise cancellation in headsets.

Measuring communication difficulties

Hearing loss is a chronic health condition that limits the ability of people to communicate in their everyday life.

In collaboration with the Technical University of Denmark (DTU), we have investigated how difficulty in interactive communication, caused by noisy environments or manipulation in hearing abilities, can be monitored using e.g. speech, behaviour, and physiological responses to derive a series of communication outcome measures.

The findings of this work contribute to producing a new outcome measure which can indicate communication difficulties as a function of speech production (e.g., how loud we speak), conversational behaviour (e.g., where do we look when talking) and physiological responses (e.g., cardiovascular measures).

The proposed outcome measure will set the future direction for hearing healthcare and the hearing industry in applying new best practices to assessing hearing and hearing technology.

Specifically, a clinical version of this assessment method will empower hearing healthcare professionals to provide more personalised and effective treatment of people with hearing impairment at an earlier stage than what is currently possible with existing diagnostic and evaluation tools.

The first result shows that changes in physiological responses recorded during interactive communication reflects the communication difficulties.



From research to market

It is essential that healthcare professionals and users can trust the claims we make about our products.

When we make statements that declare or imply that our products or services provide a benefit to customers or users, we ensure that such claims are substantiated based on scientific standards and thus truthful and not misleading.

We have an established claims management process that defines how to assess, substantiate, and monitor a claim. Claims management follows a formal process, which follows the general product development process outlined in the figure below. This includes annual training of relevant employees in claims management and processes to ensure both compliance with global regulatory requirements and a high quality standard of claims.

BrainHearing claims

We conduct auditory neuroscience work to document performance improvements within our [BrainHearing™](#) concept.

Commercial packaging

In 2022, we took a closer look at the carbon footprint of our commercial packaging, reducing it by more than 1,000 tonnes of CO₂.

Beginning with the most carbon-intensive elements in the hearing aids packaging portfolio, we have reduced the footprint by 12%-23,5% across the portfolio (cradle to gate). We can now present packaging that is better designed in more sustainable materials with less waste to our customers.

Outside our own doorstep

We encourage suppliers related to commercial packaging to invest in establishing their baseline and reduce their energy consumption too. Among our key suppliers, this did already bear fruit with supplier-initiatives such as certified life-cycle-assessment (LCA) calculation, new power installation and reduced transport.

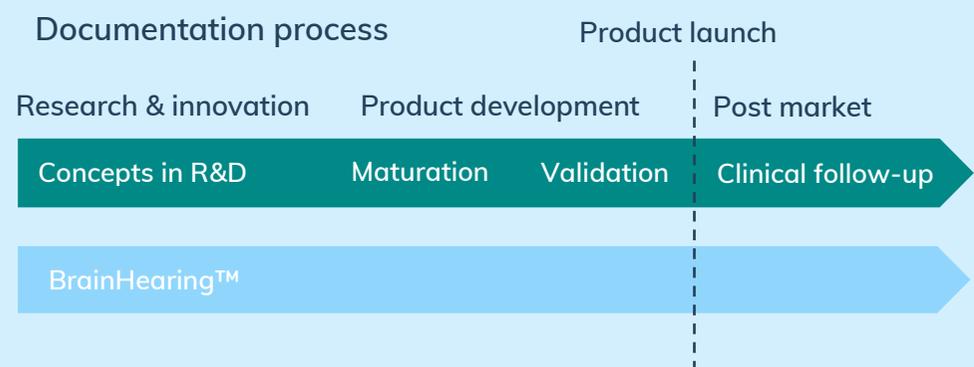


Desk charger packaging*
23,5% less carbon

Customer centric packaging
23% less carbon

Stock keeping unit packaging
12% less carbon

Plastic blisters
50% sustainable materials



*For Oticon and Bernafon

Hearing Aids

Working with suppliers and ensuring quality

Suppliers

In Hearing Aids, we collaborate with direct and indirect suppliers which match our roadmap in terms of commercial, technical and quality-related requirements. We monitor and address global supply risks such as sustainability risks.

We engage suppliers that are directly linked to manufacturing but also indirectly to the goods and services that enable our operations. The direct suppliers we collaborate with to manufacture and distribute hearing aids are mainly manufacturers of electromechanics, electronics, mechanics, production consumables and material supporting packaging and marketing activities.

New direct suppliers sign our Third party compliance code as part of their approval process.

During 2022, we have approved and signed five new direct suppliers under the [Demant third party compliance code](#).

All 475 approved direct suppliers delivering into our production and distribution have signed our code.

Risk assessment

We have a process in place through which we risk assess our direct suppliers based on their ability and willingness to comply with our code. In doing so, we consider

business sector and certified management systems as well as a geographical risk assessment based on international standards, which considers bribery, economy, unemployment, human rights and other material risks.

When considering a potential partner, we assess the level to which the supplier can be mobilised in Demant's sustainability agenda to ensure that we create the most impact.

Following procedure, we have risk-assessed all five new suppliers prior to approval in 2022.

Pre-risk assessments are carried out when or if we identify the need.

Sustainability supplier audits

In 2022, we conducted two sustainability audits, which were related to packaging materials in China.

In China, the auditor TÜV SÜD found a total of 9 non-compliances: 1 critical, 3 major and 5 minor, all of which have been corrected according to the corrective action advised.

Pressured global supply chain

In the market for electronics, compound, paper, cardboard and precious materials – most of which we use in our products – a global shortage on raw materials is still

impacting supply chains and logistics all over the world. We navigate these markets via close supplier relations and planning, and we have been able to minimise the impact on our ability to deliver to our customers.

Quality and safety

We follow our Hearing Aids quality policy, which can be found on our [website](#), to ensure the safety and quality of our solutions. It covers activities supporting development, manufacturing, marketing and servicing in our business area as well as it defines and describes specific managerial responsibilities.

2022

When audited, we target zero major findings. In 2022, we had an MDD (Medical Device Directive) audit and our notified body TÜV SÜD completed the re-certification audit against MDSAP and ISO 13485, and the surveillance audit for Medical Device Regulation (MDR).

The result of the MDD audit was 9 minor and 0 major non-conformities. The MDSAP and ISO 13485 audit found 8 non-conformities of which 1 was major and 7 were minor findings. All will be closed according to protocol before the next audit.

We closed non-conformities from 2021, and new findings will be handled according to our quality policy.

Quality targets

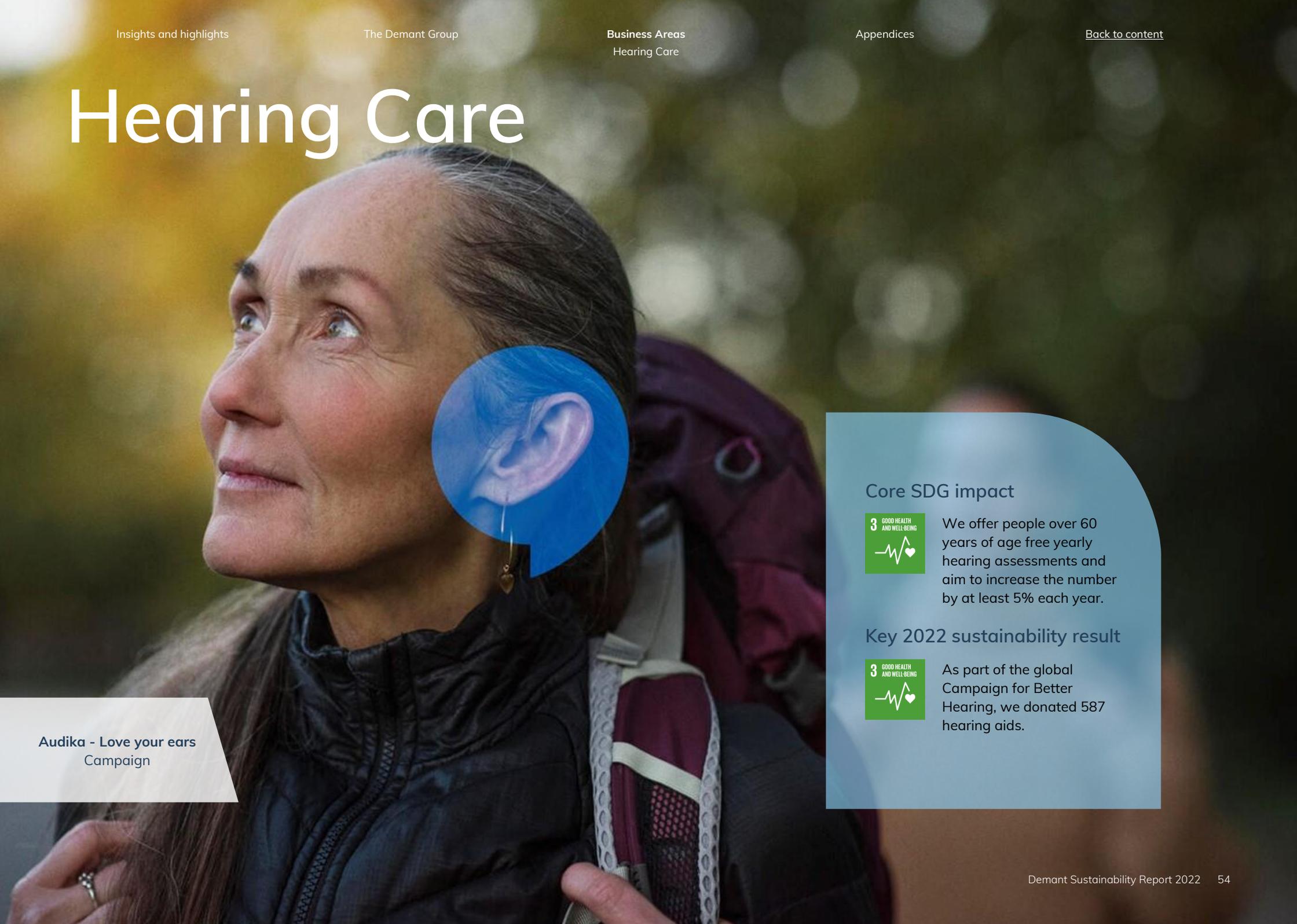
We work with several quality targets, including, but not limited to:

- **Product quality:** 3 months complaints vs. 3 months sales should not exceed an agreed percentage. **Target achieved** since January 2022.
- **Production quality:** agreed on monthly process quality control (PQC) percentage. **Target achieved** since January 2022.
- **Safety:** no vigilance cases (no Medical Device reporting). **Target achieved.**
- **QMS:** Internal audit fulfilment versus plan. **Target achieved.**



**ZERO
PRODUCT
RECALLS**

Hearing Care



Audika - Love your ears
Campaign

Core SDG impact



We offer people over 60 years of age free yearly hearing assessments and aim to increase the number by at least 5% each year.

Key 2022 sustainability result



As part of the global Campaign for Better Hearing, we donated 587 hearing aids.

Love your ears

Every day, our hearing care professionals realise Demant's purpose of providing life-changing hearing health and connect face-to-face with hearing aids users to provide personalised support and care.

Our Hearing Care business, Audika Group, is a global network of more than 3,500 clinics in 20+ countries. Our hearing care professionals perform excellent customer service that caters to diverse customer needs, because every ear is different and no hearing journey is the same.

Test your ears at 60 years

The first step to taking care of your ears is to get them tested. Through our clinics, we offer free yearly hearing assessments to people over 60 years of age.



Every time someone gets their hearing tested in a clinic enrolled in the Campaign for Better Hearing, the clinic donates a specific amount of money to the campaign.

To increase our reach, we aim to increase the number of free assessments by at least 5% each year, which we also achieved in 2022.

Campaign for Better Hearing

Since 2018, Demant's Hearing Care business has run a global initiative to get hearing healthcare on the agenda. Through the Campaign for Better Hearing (CFBH), many of our Hearing Care clinics engage locally and donate free hearing aids to people with hearing loss. We want to increase awareness and educate on the consequences of an untreated hearing loss, as well as the importance of early hearing screenings.



Donations are allocated to provide free hearing aids to people who need hearing aids but have low purchasing power. Recipients are then picked based on local nominations from the clinics.

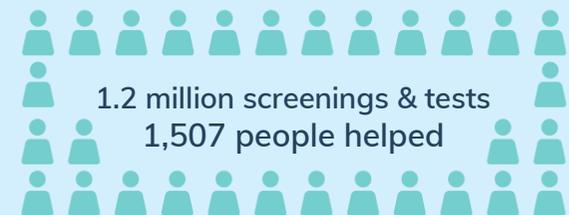
Increasing awareness since 2018



12 countries are part of the Campaign for Better Hearing



Almost DKK 25 million raised



2,196 hearing aids donated

Diagnostics



Grason-Stadler
Corti™ ear screener

Core SDG impact



3 GOOD HEALTH AND WELL-BEING

Every year, our technology helps screen and diagnose over 200 million people with suspected hearing loss and screen over 20 million newborns.

Key 2022 sustainability results



3 GOOD HEALTH AND WELL-BEING

Thinking beyond the audiogram, we researched new methods of measuring the ability to hear in noise, and we continued to improve validations of hearing aid fittings on children aged 3-12.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

As planned, we obtained ISO 14001 certification of our headquarters in Middelfart, Denmark.

Assessing is the first step

Our Diagnostics business area collaborates closely with and provides precise and fast tools for hearing care professionals around the world.

By providing solutions such as audiometers, tympanometers, balance systems and otoacoustic emission instruments, we are part of the daily job of audiologists and ear-and-throat specialists. Our products and services guide clinicians in decision-making on diagnoses and rehabilitation options, which can have a life-long impact.

The first step towards alleviation is assessing a hearing loss.



Every second hearing screening worldwide is performed with Demant instruments

Early intervention is crucial to minimise adverse impact of hearing loss on language and cognitive development according to WHO (2021)

Designing for sustainability

As part of our ISO 14001 environmental certification, we have implemented eco-design for the Diagnostics brand Interacoustics.

This means that we in our design process look into how we can make our products more sustainable by:

- Designing for long product life and high serviceability.
- Reducing electricity consumption.
- Increasing the amount of sustainable materials for products.
- Reducing waste.
- Investigating usage of recyclable components.

Eco-friendly packaging

In our main production, we work with packaging materials to introduce more sustainable materials:

- 100% FSC or recycled cardboard.
- 100% recycled plastic packaging tape.
- 48% of plastic bags are made from recycled materials, targeting 85% in 2023.
- 80% recycled materials in stretch foil (used for pallet wrapping).
- 10% less plastic bags shipped with products, compared to 2021.



Research impact

[Interacoustics Research Unit](#) (IRU) carries out applied research, aimed at solving clinical challenges within the field of diagnostics. As the name implies, IRU activities foremost contribute to the Interacoustics brand, but findings are distributed to all of Diagnostics.

Improved fitting on children

A core theme for IRU is to improve validations of fittings on children aged 3-12 months who are simply too young for audiogram testing.

In collaboration with Manchester University, IRU has investigated and developed a new method to validate hearing aid or cochlear implant fittings in young children.

Subjective validation of hearing aids in adults is straightforward “Do you hear me better now?” But this method cannot be used for children who are too young to speak. This is why objective validation methods based on electrophysiology are important.

The method is based on cortical responses and will allow clinicians to evaluate whether short frequency-specific speech-like stimuli are perceived by the patient.

This will serve as a clinical validation and demonstration to parents and caregivers that the hearing aids or cochlear implants do indeed make speech audible as intended.

New test for hearing aid-fitting

Together with internal and external partners, IRU is investigating a novel test for

hearing aid fitting: the Audible Contrast Threshold test, ACT™.

For more than a century, hearing aids have been fitted almost exclusively based on hearing threshold data, as measured by the audiogram. Even though every audiologist knows that a hearing loss is much more than the inability to hear soft sounds, which is what the audiogram measures.

In contrast, ACT tests the quality of hearing when listening to clearly audible sounds. These sounds are created specifically for each patient based on the audiogram, and the test assesses the degree to which small changes imposed in a noise signal can be heard.

The test is fast and easy to do. In several experiments, across several languages, it has been found that ACT has high predictive power over ecologically valid speech-in-noise performance measured in the aided condition.

Results from the ACT test have the potential to enhance the hearing aid fitting process in terms of setting the right expectation, individualisation of advanced features and counselling.

From research to release

The Interacoustics Research Unit (IRU) is part of Interacoustics, but located at the Technical University of Denmark (DTU). IRU carries out research in new technology and test options – often in collaboration with external universities and research partners.

Once validated, the technology is further matured and developed by Interacoustics' in-house R&D department and implemented into a product. Before putting it

on the market, the product is tested and validated both internally and externally to make sure that it complies with clinical and safety standards, and that any clinical claims are supported by clinical data and evidence, as depicted in the figure below.

We ensure claims management via solid processes, training of relevant employees and internal audits.



Diagnostics

Working with suppliers and ensuring quality and safety

Suppliers

Purchasing covers the global Diagnostics Group. In our Diagnostics business, we collaborate with 465 suppliers, which are mainly manufacturers of consumables and accessories for audiology and balance testing. We work with direct suppliers of electronics, mechanics, plastics, packaging materials, marketing material, units for resale and production material, as well as indirect suppliers of service such as freight.

Risk assessments

When we approve suppliers, they must pass the approval process according to our ISO14001 document, which includes environment and the [Demant third party compliance code](#). We assess within specific supply and quality risk areas which lead to the actual classification of the supplier.

Suppliers' footprint

Suppliers are categorised according to their environmental impact and encouraged to work to reduce it. Our suppliers make out the largest part of Diagnostics' footprint, and we have a generic environmental protection agreement with major suppliers. We have started to analyse in detail the carbon emissions of our key purchased goods with our six major suppliers. The aim is to identify components which

can have their carbon footprint reduced by 50% by 2030.

We navigate a pressured supply chain in some markets (electronics, compound, paper, cardboard and precious materials) by strengthening our close supplier relations and plan, and we have not experienced impact on our ability to deliver products and services to customers.

Quality and safety

We follow our Diagnostics quality policy, which can be found on our [website](#), to ensure the safety and quality of our solutions. It covers activities supporting development, manufacturing, marketing and servicing in our business area, as well as managerial responsibility of quality in Diagnostics.

Ahead of any product entering the market, the quality and safety is documented, and key documents of the final product are reviewed and approved by management.

2022

When audited we target zero major findings.

In 2022, we had re-certification audit for ISO 13485, MDSAP and MDR (Medical Device Directive).

The result of the MDR audit was zero non-conformities. The MDSAP and ISO 13485 found two non-conformities, one major and one minor.

All have been closed according to the protocol ahead of the following audit.

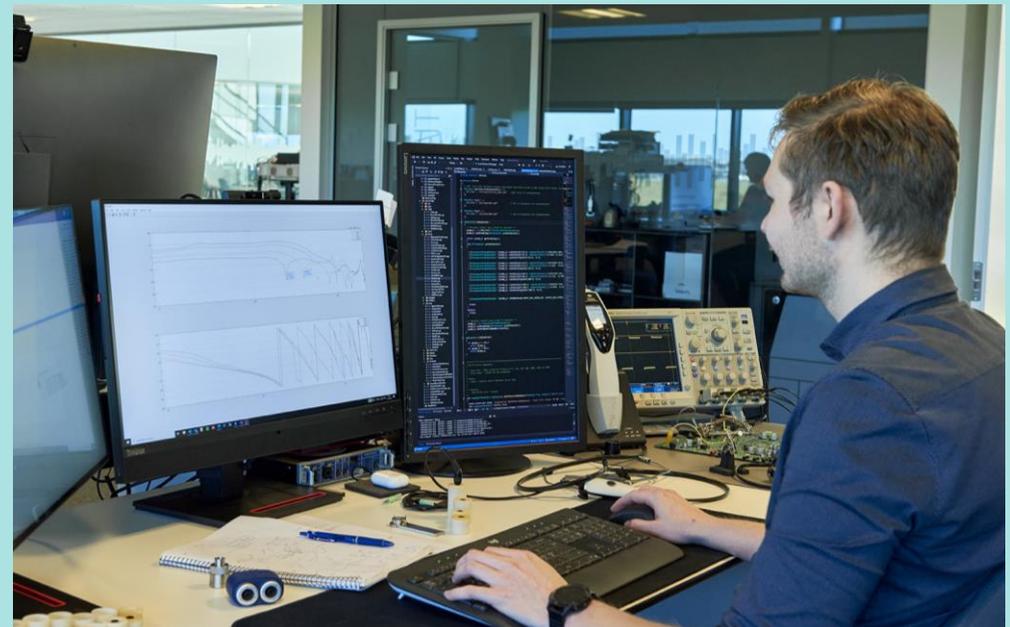
We also managed to close non-conformities from 2021.

If we get new findings, they will be reported as CAPA (corrective and preventive action) and closed prior to the next audit.

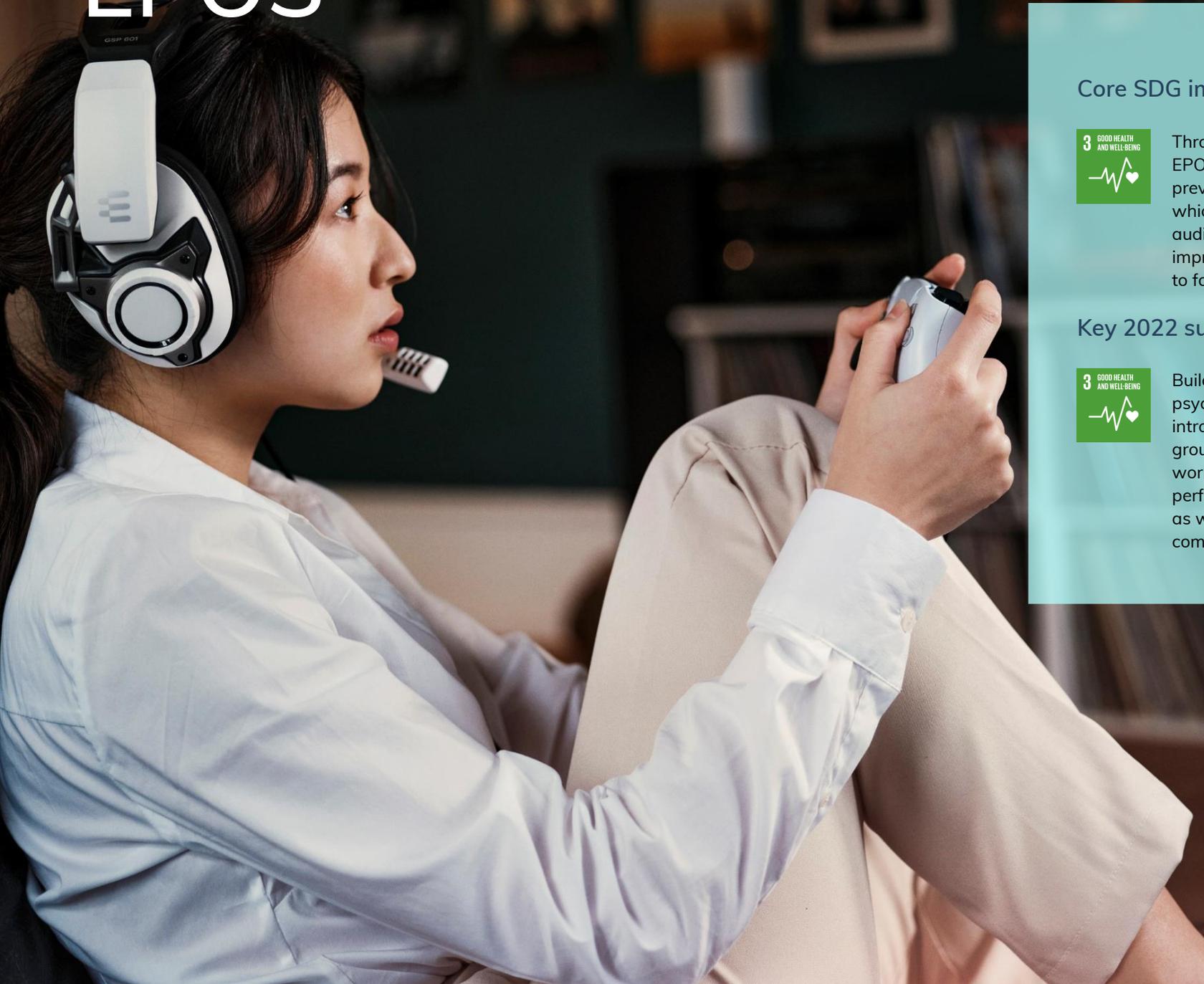
Quality targets

We work with several quality targets, including, but not limited to:

- **Product quality:** monthly complaints vs. monthly sales should not exceed an agreed percentage. **Performance slightly over a strengthened target in 2022.**
- **Final inspection failure:** monthly failures in final inspection vs. monthly total produced systems should not exceed an agreed percentage. **Target achieved since January 2022.**
- **safety:** no vigilance cases (no medical device reporting). **Target achieved.**
- **QMS:** Internal audit fulfilment versus plan. **Target achieved.**



EPOS



Core SDG impact



Through pioneering audio excellence, EPOS audio and video solutions help prevent stress and listening fatigue, which can be caused by imperfect audio experiences, and also help improve concentration and the ability to focus for longer.

Key 2022 sustainability results



Building on the existing expertise on psychoacoustics in Demant, EPOS introduced EPOS BrainAdapt™, a group of pioneering technologies that work together to improve cognitive performance. This benefits the user as well as people taking part in the communication.

EPOS BrainAdapt™ - Audio designed for your brain

EPOS delivers premium audio and video solutions for business professionals and gamers. Based on pioneering audio technology, EPOS strives to unleash human potential by perfecting audio experiences.

In 2022, EPOS introduced [EPOS BrainAdapt™](#), a group of pioneering technologies that work together to improve cognitive performance.

Bad audio causes misunderstandings, miscommunications and distractions – making it harder to focus and concentrate on the things that matter.

The benefits of reduced cognitive load are scientifically proven through decades of psychoacoustic research. The benefits are:

- Improved concentration.
- The ability to stay focused for longer.
- Reduced stress and listening fatigue.

EPOS products that are built on the EPOS Brain-Adapt™ approach are designed to support the brain's natural way of processing sound.

This means less fatigue and more focus for both the user, the quality of communication and the people involved.



Unleashing human potential through the power of audio by...



...enabling communication, education and remote work.



...offering solutions that foster collaboration without unnecessary travelling and transportation.



...designing audio and video solutions based on EPOS BrainAdapt™ technology providing the best conditions.

EPOS

Managing quality and safety

The Quality Management System (QMS) of EPOS ensures that we consistently meet user needs and comply with local, regional and global regulatory requirements, while obtaining relevant certification to operate in specific markets.

In contrast to software, hardware can vary in production due to tolerances and human errors. We are attentive towards hardware calibration and verification at the point of production.

Following our QMS, there has been no recall with our users and there was not any health liability related to any issue reported.

In 2022, we focused on consolidating our updated QMS setup further. We refined the R&D and quality processes and adjusted them to new requirements in the new video segment.

In 2023, we will introduce automation in the administration of the document review process, which will release resources to strengthen and improve the process itself as a continuous project.

Training

We ensure that those working directly with quality are well-equipped to take care of their tasks.

EPOS products do not involve high-risk quality issues. However, we are aware that the lithium batteries in electronics entail a possible safety risk and we are attentive to and mitigate any risk related to this. We have trained everyone in the updated QMS.

For 2023, we target focusing on USB cable and connector quality which, especially with the increased requirements to the EU standardized USB-C connectors, has become more demanding.

Working with manufacturers

EPOS operates with contract manufacturing and has not any in-house production. Our suppliers are mainly manufacturers located in the East Pacific region with whom we work closely to ensure conformity with Demant's third-party compliance code.

Activities in this area cover:

- Maintenance of product documentation to make sure that product information is up to date and correct.
- Strategic procurement to secure availability and pricing on larger material components such as semiconductors.

Working closely with our manufacturing partners is key to our operations, and we have teams to oversee this locally with support from EPOS headquarters.

Areas of attention

Due to the geographical location of our manufacturing partners, we work with an extended supply chain. This can entail a risk of uncertainty from production to distribution (mainly within Europe). This has been further emphasised in the past few years due to different macro-economic factors, which have had an impact on the global supply of semiconductors. To mitigate risk, we work dedicatedly with sub-suppliers to our manufacturing partners to ensure availability of material components, including long-term contracting. We have been willing and able to meet price climbs as well as adjust procurement to ensure necessary components and inventory.

Audits and results

EPOS does not carry out audits of its manufacturing partners but outsources this to a third-party partner, SGS. Naturally, EPOS is responsible for conveying Demant's standards to the auditor. If audits show non-conformity, we classify it as minor, major or critical and have procedures in place to ensure the proper corrective actions and appropriate follow-ups.

External auditor DVN did an ISO 9001 audit in 2022, which found one minor non-conformity.

In 2021, our quality tests, audits and inspections identified some quality issues at the manufacturing site before shipping. These were solved in 2022 in collaboration with the manufacturer.

Main suppliers hold relevant certifications, including ISO/EN14001, ensuring that production complies with environmental standards and compliance obligations.

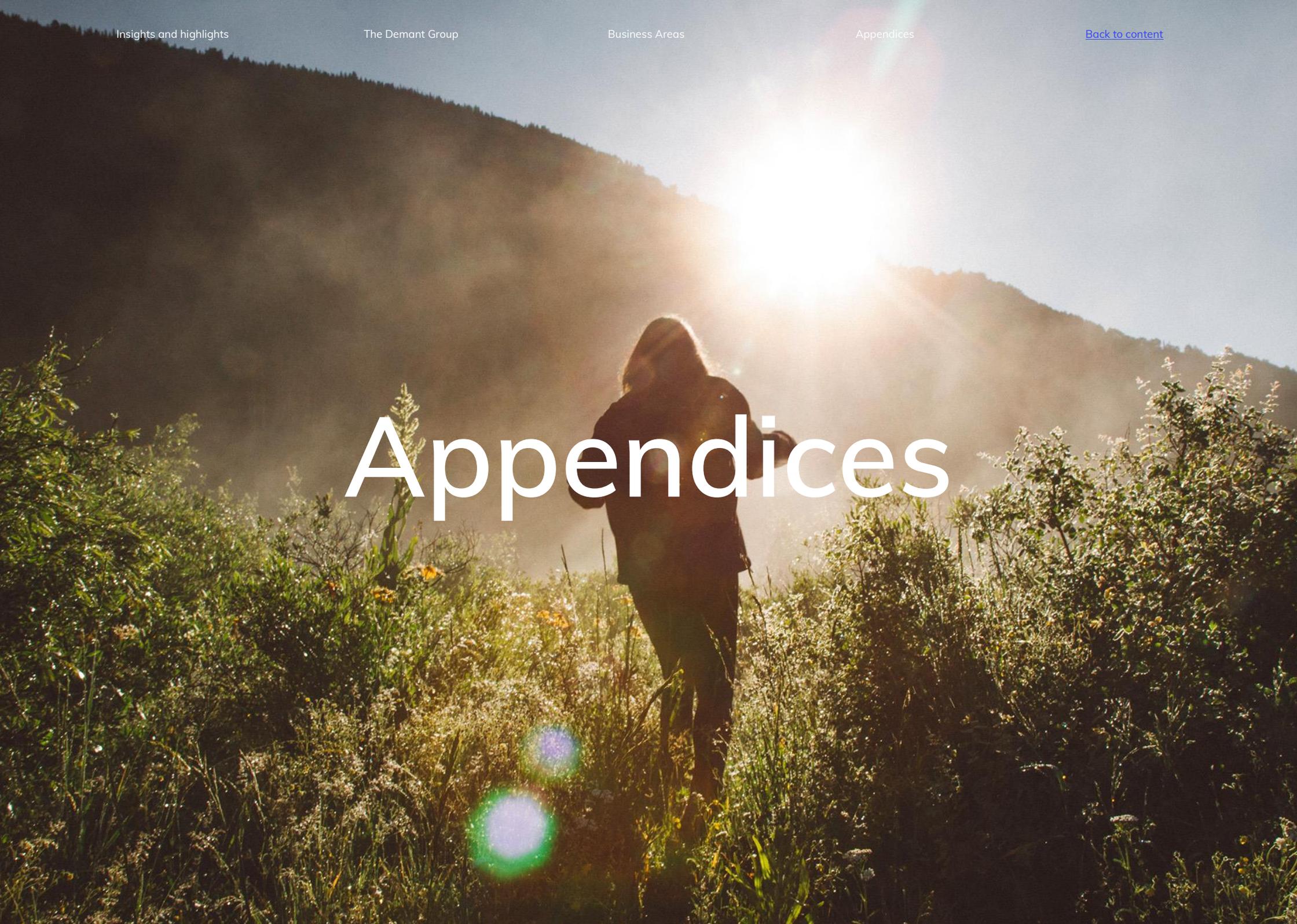
The audit list covers 95% of all procurement. The remaining 5% covers softer production partners such as earpads for headsets.

All Tier 1 partners have approved and signed the third-party compliance code.

Once a year, we invite our external partner SGS to audit our production partners in China in line with the [Demant third party compliance code](#). We have corrected any critical or major non-conformities from the audit in 2021 according to the corrective actions appointed and await results from the latest audit.

**RETURN
RATE LESS
THAN 1%**

Appendices

A person is seen from behind, walking through a field of tall grass and wildflowers. The sun is low in the sky, creating a bright, hazy glow over a mountain range in the background. The overall scene is peaceful and scenic.

Reporting scope and requirements

The sustainability report is our way of illustrating our positive impact on the sustainable development goals, while also addressing the material risks that our business might pose to people, society and the planet.

Standards and requirements

As part of a larger effort to continuously improve the quality, comparability and transparency of our reporting, we reference the sustainability reporting standards of the Global Reporting Initiative (GRI). You can find a [GRI content index](#) in appendices.

Scope of reporting

As we continue to improve and grow our efforts to become a more sustainable company, we also improve our reporting. All information in this report covers the policies stated encompass all business areas and company brands. It is clearly stated if reporting covers only part of the Group.

Unless otherwise declared, third parties such as distributors and suppliers are not included in the reporting. To match the structure of our sustainability strategy and activities, we report on group-level and business areas, respectively. While business areas are covered by everything disclosed as Group-reporting, they have individual projects and ambitions to support our journey of becoming a more sustainable company.

The report covers the twelve-month period from 1 January to 31 December 2022.

Discontinued business area

As announced on 27 April 2022, we have decided to discontinue our Hearing Implants business area, which is therefore recognised separately as a discontinued operation in our annual report. This business area is therefore not included in our 2022 consolidated reporting of the Group's sustainability efforts and advancements. This does not apply to historical data.

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Danish Financial Statements Act, §99a

Business model

Social and employee conditions

Environment and climate

Human rights

Anti-corruption and anti-bribery

Danish Financial Statements Act, §99b

Gender composition in management

Danish Financial Statements Act, §99d

Data ethics policy

Danish Financial Statements Act, §107d

Diversity policy

EU taxonomy for sustainable activities

Taxonomy eligibility and alignment



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EU Taxonomy

The Demant Group's reporting on EU taxonomy follows the Regulation (EU) 2020/852 of the European Parliament and of the Council, which requires non-financial listed companies to report their environmentally sustainable economic activities that are eligible under the taxonomy and aligned with the screening criteria for the two environmental objectives to be contained in the reporting for 2022: climate change mitigation (objective 1) and climate change adaptation (objective 2).

In order to determine Demant's eligible activities we have screened our revenue, Opex, which equals the cost of research and development, short term leases, maintenance and repair, and Capex, which equals the net investments in tangible and intangible assets, against the activities of the Taxonomy Compass.

Changes since 2021

In 2021, Demant reported all eligible activities according to our interpretation of the requirements at the time. Since then, we have received clearer guidance on how to determine eligibility, including only to include activities directly carried out by our own organisation, or for which we have operational control, which leaves out transportation and hosting activities. Furthermore, last year we included all expenses related to buildings including what we now consider non-eligible

activities understanding the substantial contribution criteria better.

Findings for 2022

Demant is a hearing healthcare and audio technology group with product and services which alleviates hearing loss and support virtual collaboration and gaming. As concluded in 2021, we do not have revenue activities which are taxonomy eligible to our understanding. Due to the reasons explained in the previous paragraph, we have not identified any eligible activities related to our Opex and Capex either.

Looking ahead

We continue to monitor the development and guidance of the taxonomy and are aware that the following four goals of the taxonomy could result in Demant having taxonomy eligible activities.

Turnover

Economic activity	Absolute turnover (DKK)	Proportion of turnover (%)	Substantial contributions to objectives 1-6 (%)						Do no significant harm to objectives 1-6 (y/n)						Minimum social safeguards	Taxonomy aligned turnover	Category enabling/transitional
			Climate change adaptation	Climate change mitigation	Water and marine resources	Circular economy	Pollution prevention and control	Protection of biodiversity	1	2	3	4	5	6			
Taxonomy aligned activities																	
None	0 DKK	0%	0%	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Taxonomy eligible but not aligned activities																	
None	0 DKK	0%															
Taxonomy non-eligible activities																	
Total	19,705 DKK Million*	100 %															

*Revenue, Annual Report 2022, p. 2

Opex

Economic activity	Absolute Opex (DKK)	Proportion of Opex (%)	Substantial contributions to objectives 1-6 (%)						Do no significant harm to objectives 1-6 (y/n)						Minimum social safeguards	Taxonomy aligned Opex	Category enabling/transitional
			Climate change adaptation	Climate change mitigation	Water and marine resources	Circular economy	Pollution prevention and control	Protection of biodiversity	1	2	3	4	5	6			
Taxonomy aligned activities																	
None	0 DKK	0%	0%	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Taxonomy eligible but not aligned activities																	
None	0 DKK	0%															
Taxonomy non-eligible activities																	
Total	1,454 DKK million	100 %															

Capex

Economic activity	Absolute Capex (DKK)	Proportion of Capex (%)	Substantial contributions to objectives 1-6 (%)						Do no significant harm to objectives 1-6 (y/n)						Minimum social safeguards	Taxonomy aligned Capex	Category enabling/transitional
			Climate change adaptation	Climate change mitigation	Water and marine resources	Circular economy	Pollution prevention and control	Protection of biodiversity	1	2	3	4	5	6			
Taxonomy aligned activities																	
None	0 DKK	0%	0%	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Taxonomy eligible but not aligned activities																	
None	0 DKK	0%															
Taxonomy non-eligible activities																	
Total	979 DKK million*	100 %															

*Capex, Annual Report 2022, p. 20

Accounting policies

Impact on health

R&D costs

As stated in note 9.1 Group accounting policies in the Annual Report 2022.

Years of improved quality of life

Years of improved quality of life is calculated based on the estimated lifetime of hearing aids, which is based on the total number of hearing aid fittings made by the Group over the last five years.

We have estimated the lifetime of hearing aids to be 58.5 months based on a sample of more than 500,000 hearing aid fittings. In 2022, we have sold and fitted hearing aids to 2,502,000 people.

These estimates consider factors impacting usage of hearing aids, including observed mortality rates. However, there are still some systemic and human factors related to usage that have not yet been factored in. As hearing aid ecosystems evolve, data will allow us to make better estimates, as hearing aids can detect many characteristics of their usage, based on innovative use of the data from the microphones.

Facilitated screening and diagnosing

The estimated lifetime of a product in the market, that is used daily, is seven years. We sell around 27,000 relevant instruments a year, each instrument has an

average of two and a half users who carry out four diagnostics tests each (several different tests on the same person count as one test). We base the calculation on a global average of 250 working days a year. We believe the estimated numbers used are conservative, but we have nevertheless added a safety factor of app. ½ to arrive at the reported number. A similar calculation is used to arrive at the reported screening number.

Number of people supported with headsets

Based on total amount of sold EPOS headsets in 2022.

People

Employees worldwide

Number of employees in the Demant Group as of the 31 December 2022.

Gender diversity

Gender diversity is calculated based on the data from the countries enrolled in our global HR data management system. In 2022, 90% of our employees were registered in the system.

Gender diversity, all managers shows the gender distribution between women and men in percent among all people managers with one or more reports.

Global top-level management gender diversity shows the gender distribution between men and women in management levels from Vice Presidents and up.

Global top-level management team gender diversity shows the percentage of top-level management teams that are on or off the target of 75% of all teams having a maximum of 75% of one gender.

Gender diversity, Board of directors shows the gender distribution between women and men of the shareholder elected members of the Board of Directors.

Employee turnover rate

Employee turnover rate is calculated by dividing the total number of terminations (voluntary and involuntary) with the average number of employees during the reporting period and multiplying with 100. The employee turnover rate is calculated based on the 84% of the Demant population that has reported relevant numbers into our HR data management system for the full calendar year.

New hire rate

New hire rate shows the relation between new employees and the average number of employees during the reporting period.

Engagement rate

Engagement rate is the average

engagement score given by the employees on a scale of 1 to 5.

Impact on climate and environment

Energy consumption

Energy consumption entails actual and estimated consumed electric power, district heating, natural gas, diesel, gasoline and fuel oil in megawatt hours.

Carbon emissions

Carbon emissions are measured using the carbon dioxide equivalent (CO₂e) to include relevant greenhouse gases according to the Greenhouse Gas Protocol. The consolidated emissions data comprises entities where Demant has operational control. These includes emissions data from leased facilities.

Scope 1 emissions (direct GHG emissions) cover CO₂e emissions from actual and estimated consumed natural gas, liquefied petroleum gas, gasoline and diesel. Department for Environment, Food & Rural Affairs (Defra) emissions factors were used.

Scope 2 emissions (own indirect GHG emissions) cover CO₂e emissions from actual and estimated purchased and consumed electricity and district heating. International Energy Agency (IEA) CO₂ Emissions from Fuel Combustion factors

were used for location-based emissions and residual mix for market-based emissions (when available) generated from electricity. Department for Environment, Food & Rural Affairs (Defra) emissions factors were used for district heating.

Scope 3 emissions are estimated using primarily spend data from our Science Based Targets baseline year 2019 following the GHG protocol guidance. Only the material categories of the 15 scope 3 categories of the GHG protocol are shown in the scope 3 category split.

Scope 3 emissions from 2020 and onwards are calculated using the 2019 spend based materiality assessment adjusted for revenue growth in local currency.

Giving back

Foundation donations

All financial grants made by William Demant Foundation.

Business ethics and governance

CEO remuneration ratio

CEO remuneration ratio is calculated using the annual total remuneration of the CEO divided by the average remuneration of Demant employees excluding the CEO.

Product recalls

Product recalls covers both voluntary and mandatory recalls.

Whistleblower reports

Number of cases received within the whistleblower hotline.

Additional GRI data

FTE

FTE is full time equivalent.

Accidents in production

Hearing Aids: Accidents in key production and distribution sites in Poland, Mexico and the US, as well as production and headquarters in Denmark.

Diagnostics: Accidents in key production sites in Poland, Denmark (prototype production), the US, Italy and Canada.

Additional GRI data

Please find more detail in accounting policies on page 70.

FTE by employee contract, by region, 2022*

Region	Permanent	Temporary	Externals	Total (#)
Europe	10,039	506	470	11,015
North America	4,196	29	19	4,244
Pacific	934	28	19	981
Asia	536	8	36	580
Other Countries	867	10	1	878
Total (#)	16,572	581	545	17,698

FTE by gender, by employee type, 2022**

Employee type	Female	Men	Total (#)
Full-Time	9,058	6,167	15,225
Part-Time	390	1,538	1,928
Total (#)	9,448	7,705	17,153

FTE by gender, by employee contract, 2022*

Employee contract	Female	Men	Total (#)
Permanent	10,230	6,343	16,573
Temporary	368	213	581
External	333	211	544
Total (#)	10,931	6,767	17,698

*Including externals

**Excluding externals

***One extraordinarily unfortunately accident resulted in a fatality

FTE by employee type, by region, 2022**

Region	Full-time	Part-time	Total (#)
Europe	9,463	1,081	10,544
North America	3,817	409	4,226
Pacific	644	319	963
Asia	533	11	544
Other Countries	768	108	876
Total (#)	15,225	1,928	17,153

Accidents in production, 2022

Business areas	Total (#)
Hearing Aids***	14
Diagnostics	3
Total (#)	17

GRI content index

Statement of use	Demant has reported the information cited in this GRI content index for the period 1 January 2022 to 31 December 2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI 2: General disclosures 2021	
1. The organisation and its reporting practices	
Disclosure	Location
2-1 Organisational details	Page 9-11
2-3 Reporting period, frequency and contact point	Page 65
2. Activities and workers	
Disclosure	Location
2-6 Activities, value chain and other business relationships	Page 9-10
2-7 Employees	Page 9 and 71
3. Governance	
Disclosure	Location
2-9 Governance structure and composition	Corporate Governance Report
2-10 Nomination and selection of the highest governance body	Corporate Governance Report
2-11 Chair of the highest governance body	Corporate Governance Report
2-12 Role of the highest governance body in overseeing the management of impacts	Page 15
2-13 Delegation of responsibility for managing impacts	Page 15 , Corporate Governance Report
2-14 Role of the highest governance body in sustainability reporting	Page 15
2-15 Conflicts of interest	Corporate Governance Report
2-16 Communication of critical concerns	Corporate Governance Report
2-17 Collective knowledge of the highest governance body	Corporate Governance Report
2-18 Evaluation of the performance of the highest governance body	Corporate Governance Report

Disclosure	Location
2-19 Remuneration policies	Page 42 , Remuneration Report
2-20 Process to determine remuneration	Remuneration Report
2-21 Annual total compensation ratio	Remuneration Report
4. Strategy, policies and practices	
Disclosure	Location
2-22 Statement on sustainable development strategy	Page 14
2-23 Policy commitments	Page 24 , 27 , 29-30 and 42-46
2-24 Embedding policy commitments	Page 24 , 27 , 29-30 and 42-46
2-25 Processes to remediate negative impacts	Page 45
2-26 Mechanisms for seeking advice and raising concerns	Page 45
2-27 Compliance with laws and regulations	Page 41-46
2-29 Approach to stakeholder engagement	Page 13 , Corporate Governance Report

GRI 3: Material Topics 2021	
Disclosure	Location
3-1 Process to determine material topics	Page 13
3-2 List of material topics	Page 13
Material Topics	
GRI 205: Anti-corruption 2016	
Disclosure	Location
3-3 Management of material topics	Page 43-45
205-2 Communication and training about anti-corruption policies and procedures	Page 43
205-3 Confirmed incidents of corruption and actions taken	Page 43-45

GRI 207: Tax 2019	
Disclosure	Location
3-3 Management of material topics	Page 42
207-1 Approach to tax	Page 42 , Tax policy
207-2 Tax governance, control, and risk management	Tax policy
207-3 Stakeholder engagement and management of concerns related to tax	Tax policy
GRI 302: Energy 2016	
Disclosure	Location
3-3 Management of material topics	Page 32
302-1 Energy consumption within the organization	Page 34
GRI 305: Emissions 2016	
Disclosure	Location
3-3 Management of material topics	Page 32
305-1 Direct (Scope 1) GHG emissions	Page 35
305-2 Energy indirect (Scope 2) GHG emissions	Page 35
305-3 Other indirect (Scope 3) GHG emissions	Page 35
GRI 308: Supplier Environmental Assessment 2016	
Disclosure	Location
3-3 Management of material topics	Page 53 , 59 and 63
GRI 401: Employment 2016	
Disclosure	Location
3-3 Management of material topics	Page 23-30
401-1 New employee hires and employee turnover	Page 4 and 27
GRI 403: Occupational Health and Safety 2018	
Disclosure	Location
3-3 Management of material topics	Page 24
403-9 Work-related injuries	Page 72

GRI 404: Training and education 2016	
Disclosure	Location
3-3 Management of material topics	Page 23 and 27
404-2 Programs for upgrading employee skills and transition assistance programs	Page 27
GRI 405: Diversity and equal opportunity 2016	
Disclosure	Location
3-3 Management of material topics	Page 23
405-1 Diversity of governance bodies and employees	Page 4 , 29-30 and 71
GRI 406: Non-discrimination 2016	
Disclosure	Location
3-3 Management of material topics	Page 24
GRI 409: Forced or compulsory labour 2016	
Disclosure	Location
3-3 Management of material topics	Page 43
GRI 414: Supplier social assessment 2016	
Disclosure	Location
3-3 Management of material topics	Page 53 , 59 and 63
GRI 416: Customer health and safety 2016	
Disclosure	Location
3-3 Management of material topics	Page 53 , 59 and 63
416-2 Incidents of non-compliance concerning the health and safety impacts of products	Page 4 , 53 , 59 and 63
GRI 418: Customer privacy 2016	
Disclosure	Location
3-3 Management of material topics	Page 46