

Sustainability Report 2021

Message from editor



This report is an **iPaper** with interactive features that offer different ways of navigating between sections.

In the content list to the right, each title is a direct link to the corresponding page. Just click!

On each page you can easily get back to the content overview. Just click the blue button top right.

[Back to content](#)

Approach

As we continue to improve and grow our efforts to become a more sustainable company, we also improve our reporting. This year, we report in two sections: a report with results followed by Notes to offer a deeper dive into our processes and claims.

Print

Demant's Sustainability Report 2021 can be printed. However, it is structured as an online experience and we urge you to limit printing.

Hope you enjoy!

Andrea Juliane Langkilde

Report editor and Sustainability consultant at Demant



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Introduction



About the report

Scope

This is Demant’s Sustainability Report. It provides insight into how we work with and develop sustainability within the Demant Group. It also accounts for our 2021 efforts to enhance sustainability, presents the most important results of this work and lays out plans for the road ahead.

This Sustainability Report is our way of illustrating our indisputable positive impact on the sustainable development goals, while addressing the risks that our business and operation might entail for people, society and the planet. In doing so, we highlight selected projects, progress and results.

In this report we reference the sustainability reporting standards of the Global Reporting Initiative (GRI) for the first time. This important milestone is part of a larger effort to continuously improve the quality, comparability and transparency of our sustainability reporting. Please find the GRI content index in [appendix III](#).

Information in this report covers the Demant Group and the principles and policies stated encompass all business areas and company brands of the Group. Unless otherwise declared, third parties such as distributors and suppliers are not included in the reporting. The report covers the twelve-month period from 1 January to 31 December 2021.

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



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Reader’s guide

Our Sustainability Report is divided into two parts, the core report, focussing on 2021, and a deeper dive into our processes and claims in Notes.

The structure of the Sustainability Report is defined by our Sustainability Strategy and Framework which categorise our ambitions, progress, and contribution to sustainable development in five pillars: The Core: Life-changing differences through hearing health, People & culture, Society & local community, Environment & climate and Business ethics & governance.

Reporting requirements

This Sustainability Report serves as Demant’s Communication on Progress report to the United Nations Global Compact and as the statutory report to be presented under sections 99a, 99b, 99d and 107d of the Danish Financial Statements Act. It also includes the disclosure requirements of the EU taxonomy on sustainable activities.

On the right, you will find an overview of where to find information on the report requirements that apply to us.



Page	Communication on Progress, UN Global Compact
150, 65-96	Human rights (Principles 1-2)
65-96	Labour conditions (Principles 3-5)
112-140	Environment (Principles 7-9)
151	Anti-corruption (Principle 10)
Page	Danish Financial Statements Act, §99
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75	Diversity policy
Page	EU taxonomy for sustainable activities
127-128	Taxonomy eligibility

CEO letter

The Demant Group holds thousands of skilled and dedicated people all over the world who are driven by a desire to make a life-changing differences through hearing health. We all share this purpose based on our past, present and future, which sums up our reason for existence. It encapsulates why what we deliver to individuals and society matters, because hearing health and the overall well-being to which it contributes are instrumental to a sustainable future.

2021 has been quite a pace-setting year for Demant and our ventures into becoming a more sustainable company. We have worked solidly with the implementation of our Demant Group Sustainability Strategy and set sails on strategic key projects within our two main priorities: diversity, equity and inclusion and climate action.

The roots of our success

Our ability to embrace the strength that lies within our diversity is one of the roots of our success. To fulfil our ambitions of fostering an unbiased and inclusive culture, we introduced a **global position and programme on diversity, equity and inclusion**. It encompasses Demant's target of being an inclusive workplace where people have the right to be who they are and it will, along with an inclusion survey, form the basis of policy making and target setting in the area of diversity, equity and inclusion in 2022.

Ambitious commitment

To deliver on our climate impact ambitions, Demant joined the global Science Based Targets initiative. We made an **ambitious commitment to climate action** which means that we will reduce our own direct and indirect emissions by 50% in 2030. It was further confirmed that the vast majority of Demant's footprint is to be found within our extended value chain. To tackle this, we must explore our own practices but also look at how we collaborate with suppliers and manufacturers, as their transition to green energy is key to lowering emissions in our value chain.

Equally important as these key projects, I am beginning to see how we increasingly integrate sustainability considerations in our work and our approach to doing business, which is fundamental to reach our sustainability ambitions and secure our business in the future.

Doing our part to hit the goals

With our approach to sustainability, including how we lift the Sustainable Development Goals, and our contribution to fighting global challenges, we aim to inspire and engage our stakeholders. Our pursuit to ensure we have a positive impact on health and innovation - both now and in the future - must go hand-in-hand with practices that reduce inequality, increase diversity, spur ethical economic growth and combat climate change.

To us, this means striving for solutions that will have a lasting impact internally in our group and externally on the world at large. A central part of this is to monitor our progress and ensure development, both of which this report demonstrates. Therefore, we continue to improve our sustainability reporting, as well as our ability to take a deep yet focused dive into each of the Demant Group's five business areas. In the coming years, we want to continue to refine our approach to reporting on sustainability by business areas. Our comprehensive climate assessment showed that this is indeed possible and highly relevant.



Value-driven organisation

I never experienced anything but a can-do-attitude across Demant. Personal mindsets, as well as strong team efforts, once again proved that we all do our utmost to ensure Demant's core commitment to society: helping people overcome hearing loss and improving quality of life through innovative solutions. In 2021, we worked extensively with the **values** that we share within the Demant Group. They are what connects us across the globe.

Healthcare is a fundamental right. I am very grateful to see that as a company, we can extend our responsibility beyond our own surroundings. This year, Demant's majority owner, William Demant Foundation, donated DKK 3.5m to support **UNICEF and the vital ACT-A coronavirus vaccine programme** to ease the situation for children, families and healthcare workers in vulnerable communities. What a milestone for us on our mission to contribute to world health..

So, with the great improvements made in 2021, I am very excited to continue at this pace together with more than 18,000 Demant employees across countries, locations, business areas and brands, who stay on their toes to secure that Demant is a valuable and responsible partner for everyone that connects with us. As spearhead of this growing and impactful company, I certainly feel – and welcome – the responsibility to lead this progress. On that note, I naturally confirm our continued support to the United Nations Global Compact and the Sustainable Development Goals.

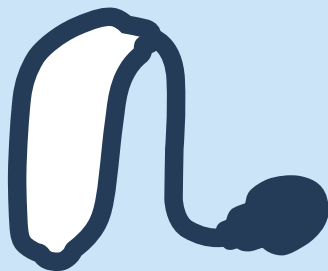
Søren Nielsen, President & CEO

Highlights

2021 Sustainability in brief



The Core:
Life-changing differences through hearing health



11 million years
with improved quality of life
based on the lifetime of fitted
hearing aids



Above 75,000
hearing implant users living
with profound, conductive or
single-sided hearing loss had an
Oticon Medical implant



Facilitated the screening
and diagnosing of
over 200 million people with
suspected hearing loss

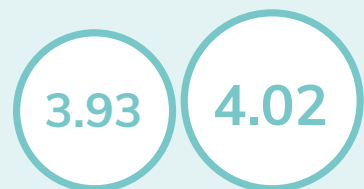


Facilitated the hearing
screening of approx.
20 million children



Supported **more than 4 million**
with headsets for collaborative
work and gaming

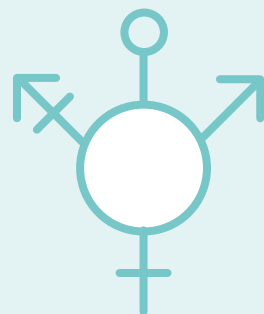
People & culture



Engagement
Employee engagement rate increased from 3.93 to 4.02 on a scale of 1-5



Women in management 2021
1 percentage point increase in number of women in management



Gender diversity total workforce
62% women and 38% men



Global workplace flexibility
Ensuring flexibility of working partly from home

Environment & climate



Science Based Targets initiative
Commitment to ambitious climate action and targets



Reduction targets in scope 1 & 2
We target minimum 50% reduction in emissions by 2030



Scope 3
Our assessment shows that scope 3 accounts for 95% of our total emissions



Material reductions 2021
Reduced 11.5 tonnes plastic in containers for hearing aids' ear wax filters

Society & local community

20
DKK MILLION

Campaign for Better Hearing
Screened and tested 946,361 people and raised more than DKK 20,500,000 since 2018



Donations
William Demant Foundation donated a total of DKK 124.1 million

Business ethics & governance



Whistleblower Hotline
48 cases reported through the Demant Group Whistleblower Hotline



Tax Policy
Disclosed Demant Group Tax Policy



Data Ethics policy
New global Demant Group policy goes beyond compliance



Voluntary recall
Voluntary Field Corrective Action of nonimplanted Oticon Medical Neuro Zti EVO implants

This is Demant

Our purpose of creating life-changing differences through hearing health is based on our past, present and future. It sums up why Demant exist and our legacy to the world. And it captures how what we deliver to individuals and society matters.

Through more than 115 years, Demant has developed hearing health and from this platform, we have taken new steps into the broader area of premium audio and video solutions.



Who we are

Here to make a difference

Demant is a world-leading hearing healthcare and technology group. We cover all areas of hearing healthcare, and our technology enables people all over the world to experience sound – a unique aspect of life.

Our core commitment to society is helping people to overcome hearing loss and improving quality of life through innovative solutions. We are the only company in the world that covers all aspects of hearing healthcare and from this platform, we have also taken steps into the broader area of audio.

We operate in five core business areas: Hearing Care, Hearing Aids, Hearing Implants, Diagnostics and Communications. Within each area, multiple brands have the liberty and unique identity to serve their individual markets to their fullest potential.

Demant is listed in Nasdaq Copenhagen stock exchange. Read more about the Group and its business areas in our [Demant Annual Report 2021](#).

Founded on care

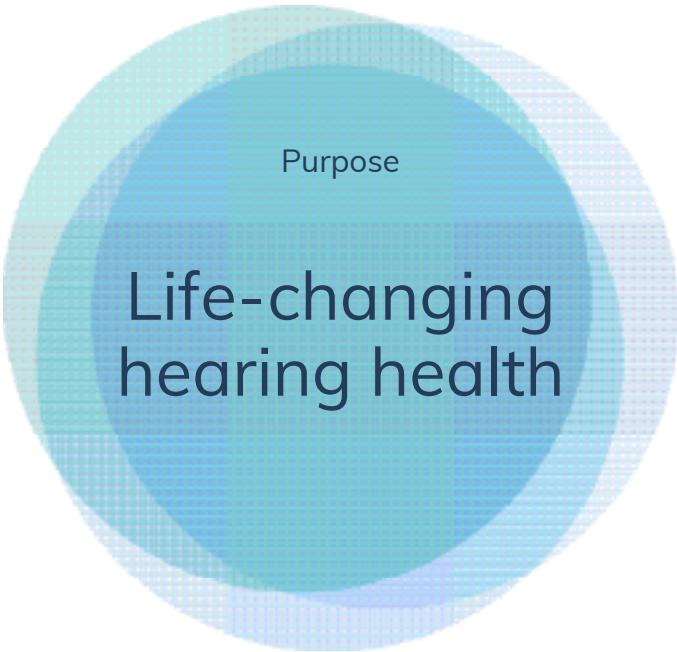
Our story begins in 1904 with Demant family members shaping the foundation of hearing health and access to hearing care. In 1957, William Demant and his wife Ida Emilie donated their shares in the company to the charitable William Demant Foundation, which holds most of the shares in Demant.

This majority ownership by William Demant Foundation and unique ownership model provides stability, ensuring we remain a reliable and trusted partner in the long term. Find more on William Demant Foundation and its reinvestments in society in 2021 on [pages 99-110](#)

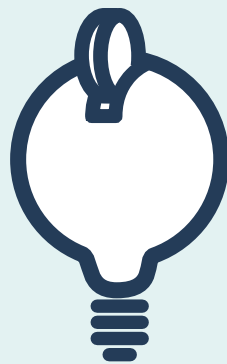
Performance in 2021

The year 2021 was a very good year for the Demant Group, where we have achieved excellent results.

Despite starting the year with high ambitions, we increased our profit expectations for the year three times ending with a record-high EBIT of DKK 3.4 billion and an EBIT margin of 18.4%. This was driven by organic sales growth of 27% for the year. Our hearing healthcare segment performed especially well throughout the year, benefitting from new product introductions, a healthcare reform in France and some pent-up demand being released. On the cost side, we gained temporary savings in the first half year.



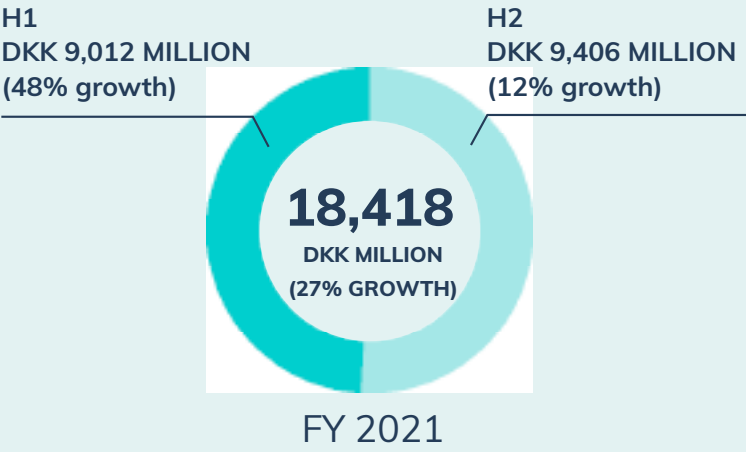
Founded in 1904



R&D investments
DKK 1.35 billion



18,116
employees



Listed on Nasdaq
Copenhagen as part
of the bluechip index,
C25

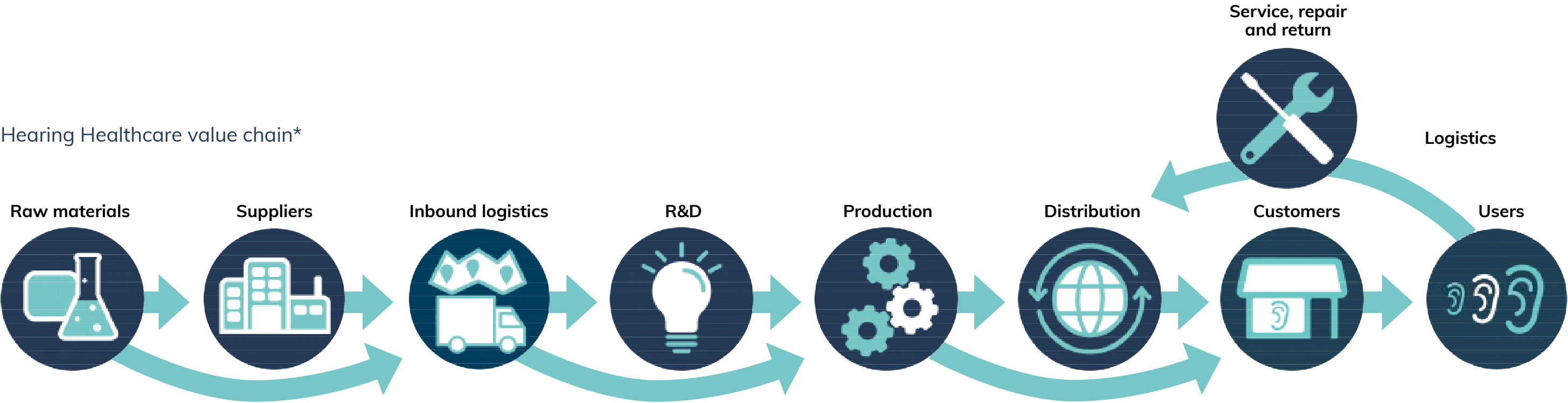
Who we are

Strong synergies

Our business areas are strongly related within hearing healthcare and have cross-over relations between hearing healthcare and audio technology. We prioritise given touch points within the Demant Group and do our utmost to build on commonalities and differences. This enables us to benefit from strong synergies in innovation and technology as well as production, distribution and sales.

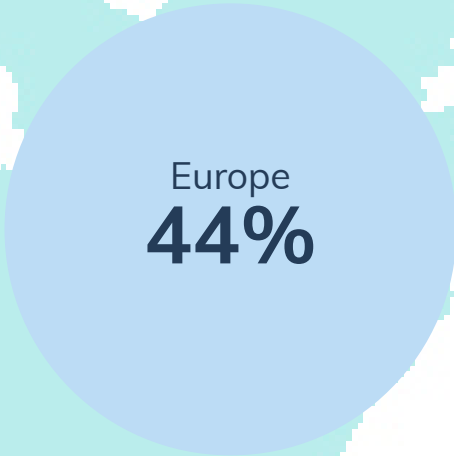
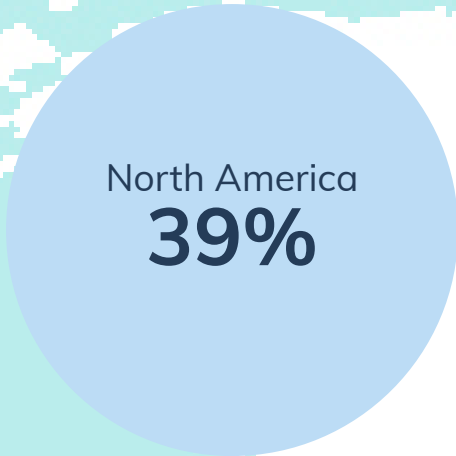
Whether it is through employing the best technical specialists or via our cross-organisational collaborative approach to technology exploration, we aim for the highest level of **quality** and performance, building on existing knowledge and emerging technologies.

Hearing Healthcare value chain*



*Excluding EPOS

Who we are



Our presence

We are present all over the world.

- Revenue by geographical region for the full year 2021
- Main production in hearing healthcare business activities: Tijuana (Mexico), Mierzyn (Poland) and Ballerup (Denmark).
- Hearing implants production: Nice (France).
- Hearing aids custom production and service and repair: Kitchener (Canada), Somerset, New Jersey (US), Rio de Janeiro (Brazil), Hamilton (UK), Hamburg and Berlin (Germany) Firenze (Italy), Istanbul (Turkey), Johannesburg (South Africa), Shanghai (China), Tokyo (Japan), Seoul (South Korea), Brisbane (Australia).
- Headquarter in Copenhagen and offices and clinics in +30 countries.

Approach to sustainability

Driving sustainability in 2021

Sustainability is an area in constant development at Demant, which is how it should be. The focus of 2021 was further implementing our new sustainability strategy developed in 2020.

With a new Group Sustainability Strategy in hand, we were well equipped to work on our ambition to further integrate sustainability considerations in everything we do. We kicked off the year with a series of workshops with the leadership teams of each Business Area and the Group Services functions to further translate the strategy into concrete action.

The advancement of our two main sustainability priorities – diversity, equity and inclusion (DE&I) and climate impact – were especially in focus in 2021. We are proud to say that we progressed very well in both areas. Read more about the actions and progress in these areas on [page 73](#) and [page 117](#).



Approach to sustainability

People & culture

- **Diversity, equity and inclusion**
- Employee engagement and well-being
- Talent development, attraction and retention
- Health and safety

Purpose and Core:

- Life-changing differences through hearing health
- Hearing-related quality of life
- Research and innovation

Society & local community

- Charitable donations
- Local hearing health projects
- Community engagement



Environment & climate

- **Climate impact**
- Green energy
- Materials, packaging and waste
- Green transportation

Business ethics & governance

- Business ethics programme
- Responsible procurement
- Human rights
- Corporate governance

Sustainability strategy

The Group Sustainability Strategy guides our efforts and our aspiration to further integrate sustainability considerations into everything that we do.

As a hearing healthcare and technology group with a broad range of business activities, our Sustainability Strategy embraces the similarities and differences between our business areas, company brands and geographical locations. Our Sustainability Framework, pictured left, provides a quick overview of the areas that are material to us as a group and which Sustainable Development Goals (SDGs) have the biggest and most direct impact. The Sustainability Framework also guides the structure of this report, which holds a chapter explaining how we deliver on the ambitions of each of the five pillars.

[Find an overview of how we contribute to each SDG on our website here.](#)

We continuously revisit our material topics in our work and our engagement with stakeholders, to whom sustainability considerations have become increasingly important. To receive input and make sure Demant lives up to stakeholder expectations, we primarily engage with employees, customers, shareholders, investors, suppliers, regulators, local communities, academia and key opinion leaders to whom Demant has an impact or who has an impact on Demant.

When selecting our most material topics, we apply the concept of double materiality, looking at our current and potential

positive and negative impact on society, as well as the impacts and risks that the topics present to our business. In doing so, we understand that in the short term, risks and opportunities can be material from both a financial and non-financial perspective. Our most material topics, listed in the model to the left, are of high importance to us – they are already a part of our daily work and processes to ensure our success and positive impact as a Group. The main priorities - diversity, equity and inclusion and climate impact - which we have chosen to focus on from a sustainability perspective are topics where we have identified opportunities for significant improvement if we put in extra effort.

[Read more about our sustainability strategy and priorities on **demant.com/about/sustainability**.](#)

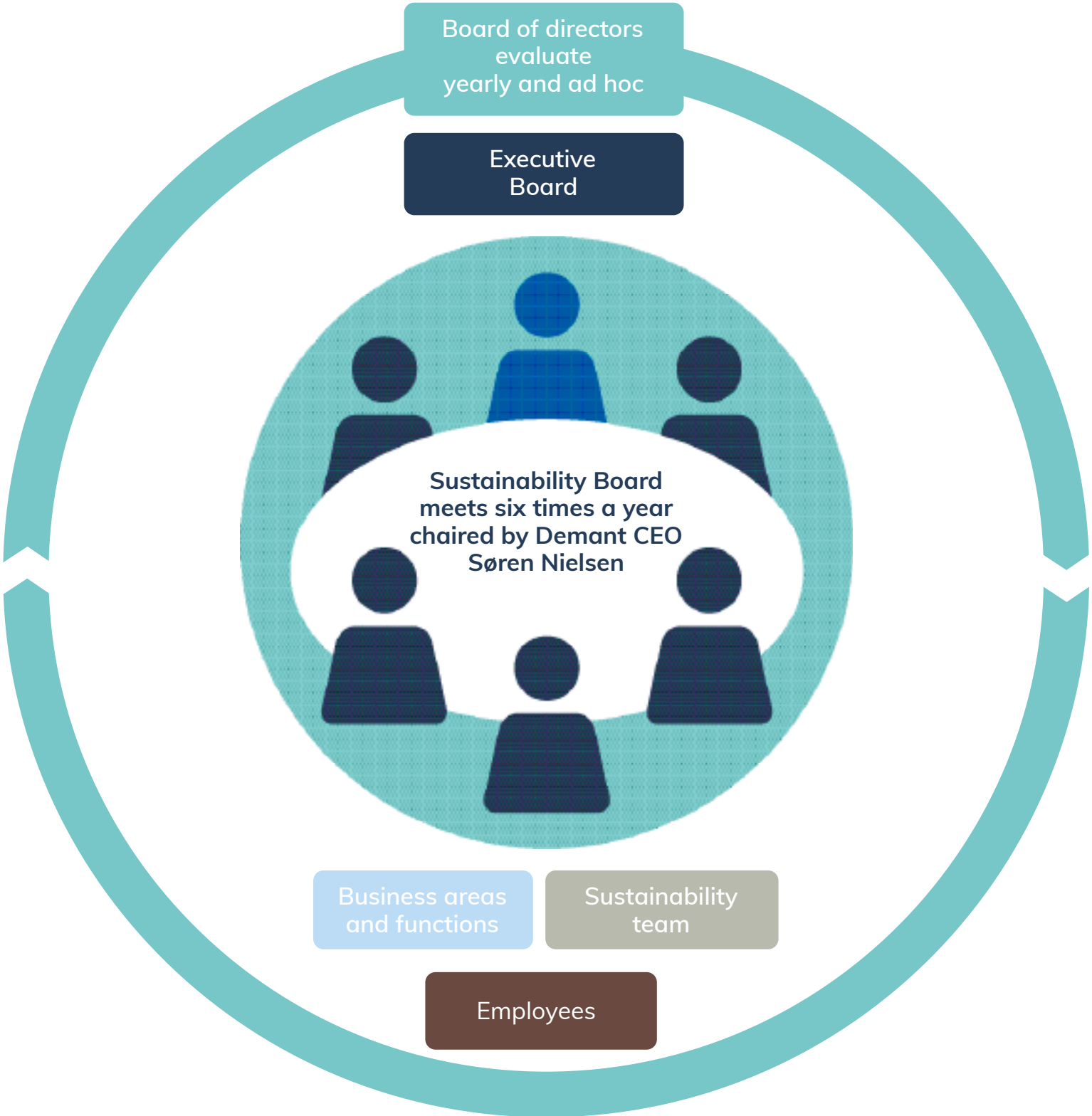
Approach to sustainability

Governance

It is key to have certain structures in place to support our sustainability ambitions and ensure that sustainability considerations are integrated into the way we operate business across Demant.

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.

At Demant, we consider all employees to have a role in ensuring that Demant is a sustainable group. In 2021, we engaged more with our employees receiving input on our main priorities via surveys and through dedicated sustainability projects. In 2022, we will broaden our engagement with our employees and external stakeholders on the sustainability progress, further conducting a materiality assessment refresh.



Approach to sustainability

Looking ahead

Guided by our sustainability strategy, we will continue our work to integrate sustainability considerations into everything we do and become as sustainable an organisation as possible. This includes broadening our engagement with our employees and external stakeholders on the sustainability progress further conducting a materiality assessment refresh.

For our main sustainability priorities - diversity, equity and inclusion (DE&I) and climate impact - we have important goals for 2022. We will finalise a new DE&I policy and programme including goals and activities to further improve diversity, equity and inclusion at Demant.

In terms of our climate impact priority, we will submit targets for validation by the Science Based Targets initiative in line with the 1.5-degree scenario that we committed to in 2021. Furthermore, we will work to improve on the areas and priorities that we have identified or confirmed through this year's robust baseline and scope 3 materiality assessment work, including transition to green energy, a greener fleet and further work with scope 3 data and supplier engagement.

Data quality and improved reporting will continue to be in focus. We will further mature our work with the GRI standards

aiming for another leap in the quality of our sustainability work and reporting. In terms of data, we continue to improve quality, comparability and reliability improving our global systems for cross-group tracking of our performance.



Life-changing differences through hearing health



It is under SDG 3 that Demant has its core contribution to sustainable development. Our core business and purpose of life-changing differences through hearing health change the lives of people with hearing loss. From screening newborns to testing in our clinics, we stay in people's lives to continue to improve their hearing abilities and audio experiences.



By providing ground-breaking scientific research and boosting R&D spending in the countries where we operate with R&D, we bring innovation.

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

The Demant Group's core contribution

Delivering on our purpose

According to WHO, more than 1.5 billion people experience some degree of hearing loss, which can have a significant impact on how they live their lives. Untreated hearing loss influences beyond the individual, affecting families, societies and everyday life. By being present in every aspect of hearing healthcare, Demant contributes to a healthier, more sustainable world.

The differences we make for people living with hearing loss is our most important contribution to global health and the Sustainable Development Goals (SDGs) and as such it is the core of our Sustainability Strategy. We want to lead activities that enact our purpose of creating life-changing hearing health. In order to ensure that we deliver on our purpose, we have the following ambitions for Demant.

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

- We bring quality of life to people by enabling access, awareness and availability for millions to experience sound and good hearing and the positive contribution to life that follows.
- We participate in improving the hearing health infrastructure in countries with less developed hearing health care 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.

Topic	2021 Target	Results	2022 Targets
Project to assess and measure how a remedied hearing loss improves hearing-related quality of life	Scope research project.	Target met.	Negotiate project with potential partners.
	Find funding.	Target not met.	Settle on funding.
	Secure academic partners.	Target not met. Partners identified and dialogue initiated.	Secure clinical and academic partners.

The Demant Group's core contribution

Awareness, access and affordability

Addressing awareness, access and affordability in hearing healthcare implies a distinction between high and low- and middle-income countries. All three parameters are more or less present in high income countries where efforts should focus on getting full benefit from the treatment. In low- and middle-income countries, where age-related hearing loss is less prevalent due to shorter lifetime expectancy, the challenge revolves around creating hearing health infrastructure for future treatment.

Conscious of the role we play in improving global health, we are committed to further improve awareness, access and affordability in hearing healthcare. Though separated below, the three are intertwined and respectively influence one another.

To aid beyond a commercial reach, we channel our philanthropic activities through William Demant Foundation and reinvest in society.

Awareness

We take it upon ourselves to share our extensive knowledge of audiology to limit the negative impact of hearing loss and amplify the benefits of awareness, early intervention, correct treatment and good hearing health. As an industry partner in large-scale research studies, we contribute directly to improve the quality of hearing healthcare standards and to the overall body of knowledge in the field.

Diagnostics and identification of hearing loss – for people with age-related hearing loss and those who are born with it – are key parts of Demant's impact on awareness. As the first step to alleviate hearing loss is to become aware of it.

In our marketing efforts and Hearing Care business, dedicated people work to inform and guide about the importance of early detection of hearing loss.

As a member of European Instrument Manufactures Association (EHIMA), Demant takes an active part in building and supporting public awareness of hearing issues while encouraging scientific research within the field of hearing loss and alleviation. We also join WHO (World Health Organisation) in its annual quest to address the importance of hearing healthcare on World Hearing Day.

Access

Most commonly, the global hearing healthcare market in high-income countries is not necessarily characterised by lack of access points, private or public, and with our more than 2,600 clinics worldwide, and continuing expansion, we take our part in providing access. Our intention is to help people who receive treatment for a hearing loss without fully benefiting from for instance their hearing aids through awareness-raising and outstanding individual care and service. We want to ensure that more people experience the full effect of living with access to a life without hearing loss.

Affordability

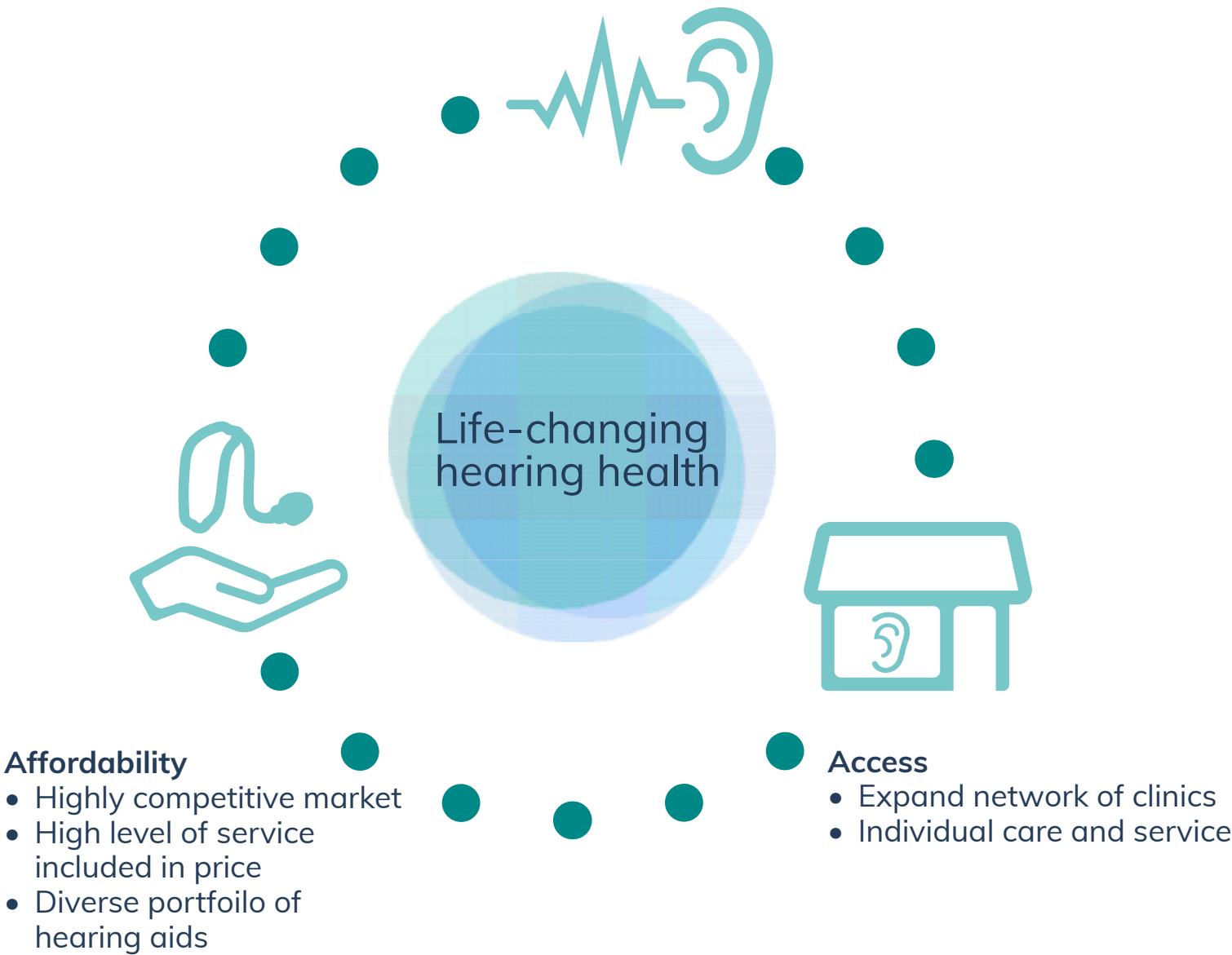
A highly competitive market powered by innovation also gives competitive prices and positively impacts affordability, and in almost every market, hearing aids are partly or fully available through governmental or insurance-based subsidies.

A large part of good hearing healthcare is centered around the time after the first fitting or an implant-surgery, and a high level of service is crucial during this period of treatment. Pricing in the hearing healthcare market also contains an essentially high level of service, which ultimately helps ensure the aforementioned actual benefits of alleviating hearing loss.

To Demant, contributing to affordability means offering a diverse portfolio of hearing aids, ranging from basic to premium categories. We also offer a full return assurance, if the treatment turns out to not be the right fit, because it is fundamental that the treatment in fact is experienced as a help and makes a difference to people's hearing health.

Awareness

- Early detection of hearing loss
- Building and supporting public awareness
- Scientific research



The Demant Group's core contribution

Risks and opportunities

Certain business-related circumstances can pose an unavoidable risk to Demant's ability to deliver on our core contribution. While we accept and do what we can to mitigate these, we are dedicated to continuing to seize the opportunities that arise.

Please note that the elements listed below are both risks and opportunities depending on the approach to mitigate and take advantage of risks.

Slow progress with recognition of hearing loss. For many, it is fundamentally difficult to accept that one's hearing is not good enough and this creates a barrier in seeking help.

Improved technology. Constantly improving technology that enables us to make hearing aids and implants smaller and less noticeable naturally helps adaptation. We therefore greatly invest in innovation and technology.

Fight for talent. There is high global demand for qualified workforce in certain areas in which we need specific competencies. Therefore, talent retention and attraction are high on our people agenda.

Clinical requirements. Most of Demant's activities with research and development rely on access to the correct clinical population and clinical monitoring in the market to gain insights.

Health infrastructure in vulnerable communities. Access to hearing treatment in low- and middle-income countries continues to be difficult. If there is no hearing health infrastructure, it is not possible to service hearing aids.

Ambiguity in standards. Commonly, the recommended age threshold for getting one's hearing tested varies from country to country – and at a very late point in life, which means that hearing losses could have been alleviated much earlier. More streamlined and improved standards can mitigate this risk, and to seize this opportunity we engage in international projects that focus on early hearing rehabilitation.



The Demant Group's core contribution

Hearing health is our core impact

In the following, we report on how our ambitions to deliver on our purpose as a group and in each of our business areas have progressed. We focus on research and development activities that are instrumental to reach our ambitions and highlight those that were impactful for Demant in 2021.

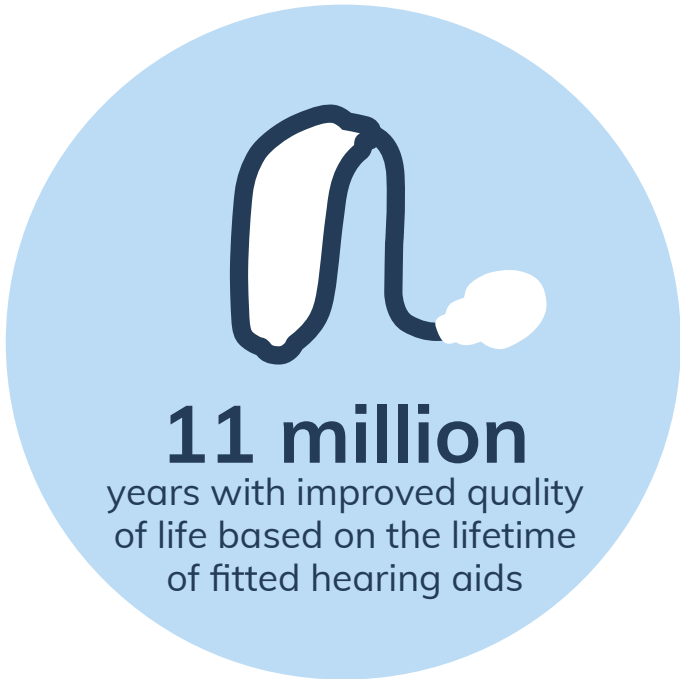
In 2021, Demant has facilitated 11 million years of improved quality of life from our hearing aid and hearing care-related activities.

Hearing loss creates two types of basic problems for people. In noisy situations it becomes harder to hear and soft sounds particularly become harder to hear. This creates problems understanding speech in noise, remember, reflect and respond in conversations which decreases quality of life.

In this context, every time Demant hearing aids are fitted to a person with hearing loss to improve hearing in daily life

listening and communication situations, there is a substantial increase in quality of life, not only when fitted, but over the expected life time of the devices.

We have estimated the life time of our hearing aids to be 58.5 months based on a sample of more than 150.000 hearing aids fitted during 2021. These estimates take into account a number of factors impacting usages of hearing aid, including observed mortality rates. However, there are still some systemic and human factors related to hearing aid usage that have not been factored in yet, but as hearing aid ecosystems evolve, data will allow us to make more precise estimates.



Expanded our BrainHearing™ perspective to paediatrics



Facilitated the hearing screening of approx. **20 million** children



Facilitated the screening and diagnosing of over **200 million** people with suspected hearing loss



Above **75,000** hearing implant users living with profound, conductive or single-sided hearing loss had an Oticon Medical implant

The Demant Group’s core contribution



Unaddressed hearing loss costs the world US dollars 980 billion annually
WHO, 2021

Assessing hearing-related quality of life

As Demant grows, our positive impact grows with us, and we continue to work on ways to fully measure this. In 2021, we defined a research project that will enable us to quantify our contribution to world hearing health by assessing and measuring how a remedied hearing loss improves hearing-related quality of life. We set out to scope the study, and we are pleased to have met that target. With base in our Hearing Aids, Hearing Care and Hearing Implants business, we have:

- Developed a scientific proposal
- Settled on a strategic framework
- Initiated dialogue with academic partners

In 2022, we will settle on funding, secure clinical and academic partners and kickstart the project, enabling us to reinforce reporting on this matter for 2022.

Why hearing health matters

Hearing and general health are strongly connected, and an untreated hearing loss can affect people’s ability to be actively engaged without constraints. The way we interact with the world through sound enriches our life in a unique way. Hearing is essential in our ability to share our thoughts and feelings. It lets us enjoy music and the sound of nature, interact with our friends and family, and connects us with our colleagues.

Recent studies found evidence indicating that timely and effective H.E.A.R.* interventions will benefit health, productivity and economy. They estimate that scaling up ear and hearing care will improve productivity with gains of more than US dollars 2 trillion over 10 years according to WHO.

When not treated properly, hearing loss impacts many aspects of our lives.



Direct impact on ability to communicate, listen and understand.

Direct impact on cognition can cause stress-related and earlier cognitive decline, including memory loss.



Indirect, long-lasting impact on education and consequently employment prospects.

Indirect strain on overall mental health, increasing stigma and risk of social isolation that affects relationships.



Ultimately, indirect economic and social effect on society.

There is also growing evidence suggesting that actively wearing hearing aids can have a preventative effect on cognitive decline. Hearing loss is considered the largest modifiable risk factor that we can act on when it comes to dementia.

We cannot stress the important link between hearing health-care and health enough. We constantly work to deepen our understanding of this through the concept of BrainHearing™.

We also uphold a strong participation in creating new knowledge within the broader fields of audiology and hearing impairment, which benefits all Demant business areas

Some of our contributions are highlighted later in this chapter.

*Hearing screening at different stages in the life course. Ear disease prevention and management. Access to hearing technologies across the life course. Rehabilitation services across the life course.

The Demant Group's core contribution

Experts in audiology

In the Hearing Healthcare business, technology serves us in our quest to enable life through sound. By harvesting synergies across the Demant Group, we continue to contribute through one of our core values: to deliver innovative solutions.

At Demant, we convey good hearing by constantly revolutionising and investing in our technology, pushing our research and development efforts, and ensuring that we always bring true innovation to the market. In short, we facilitate faster and better connections between people and the world around them by means of innovative solutions like deep neural networks, artificial intelligence, low energy audio, new battery and recharging technologies, and overall sound excellence.

Through years of development and testing, fine-tuning and growing our knowledge of hearing care and good sound, we can contribute greatly to SDG 9 Industry, innovation and infrastructure, making our core impact a long-term perspective one.

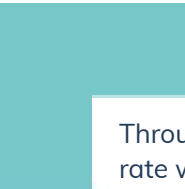
Discovering the future

We scout to stay at the forefront of technology – and venture beyond – to ensure that we deliver the best solutions possible. A vital part of our R&D activities is validating new hearing healthcare opportunities by predicting and understanding current and coming technology and user trends.

[Read more in note 1.1.1](#)

Academic partnerships

Strong and long-term academic partnerships play an essential role in Demant's core activities in research, development and technology. We collaborate with top universities to join forces with different research groups and contribute with our own expertise.



Through **Erikshom Research Center**, we collaborate with more than 40 scientific partners from all over the world.

Demant employees are involved as supervisors or censors, and we consider these collaborations to be a great symbiosis in which we are able to contribute with our expertise and knowledge, as well as showcase our Group as a potential place to kickstart a career within engineering and audiology. Together with our strong technology brand, the powerful partnerships we have formed with universities over the years help ensure that we get in touch with the best and the brightest students.



n's University Program has been developed to establish and reinforce partnerships with audiology graduate programmes across the United States in areas including tele-audiology, paediatric hearing aid fittings, sensorial hearing loss, amplifications strategies and more.



part of our academic relationships and overall engagement in international research communities, we take part in numerous student and research projects each year, including more than 100 bachelor and master projects across different fields. In 2021, within in our main research units, we took part in around 73 PhD and postdoc studies.

Hearing Aids

Hearing Aids

Designing, developing and constantly building upon our knowledge of how hearing aids can alleviate hearing loss are key activities for Demant to be at the forefront of innovation. Our innovations are what give hearing aid users access to an active life and, in effect, better hearing-related quality of life, every day.

The Hearing Aids business area is instrumental to Demant in realising all our ambitions for our core contribution to global health and sustainable development.

Our research and development activities in-house and through collaborations with academia and peers not only allow our users access to innovative technologies now and in the future, but they contribute with significant results to hearing research for the benefit of the global hearing health community. Our continued active engagement in European Instrument Manufacturers Association (EHIMA) compliments

our efforts to raise awareness of healthy hearing, prevention and treatment of hearing loss.

In terms of our ambition to improve the hearing health infrastructure in countries with less developed hearing healthcare systems, we are currently exploring new partnerships that we deem necessary to advance this agenda. We aim to report the updates of this ambition in our 2022 report.

The following highlights research and development activities in 2021, including Oticon's research centre Eriksholm.

Topic	2021 Target	Results	2022 Targets
Demant's BrainHearing™ perspective	Deepen our knowledge.	Target met.	Investigate benefit of well-treated hearing loss among children.
	Explore new dimensions of benefit using new outcome measures.	Target not met.	Explore new methods.
BEAR study	Continue study and evaluate impact of individualisation.	Target met.	Final data analysis. Conclude on BEAR.

Hearing Aids

Eriksholm Research Centre

Much of the research and development taking place within our Hearing Aid business area builds upon scientific discoveries made at Eriksholm Research Centre. Here, we strive to constantly expand our knowledge of audiology, signal processing, and how the brain processes sound. We are currently working within three main focus areas: Personalised audiology, Cognitive hearing effort compensation, and Intent controlled hearing technologies.

[Read more in note 1.2.1](#)



Measuring brain activity

We have implemented new means of measuring changes in the activity of the brain in people using hearing devices. The investment in this equipment broadens the types of BrainHearing™ related research questions that we can ask at Eriksholm and Demant.



Young girls in science

We supported young girls in pursuing science as part of Girls' Day in Science – a national day to inspire more young people to choose an education in the field of science and technology. Since women continue to be underrepresented in Danish science, this event aims to inspire girls in primary and secondary education to consider a future within science.



Linking hearing aids and stress

Eriksholm has measured pupil dilation to determine stress caused by sounds and the effort of listening, as well as studied heart rate both in the lab and the real-world, the results of which demonstrate the importance of effective hearing aid technology and correct fitting. The lab study discovered that periods of noise, especially when listening to speech, increase stress and demonstrates that noise reduction from, in this case, Oticon Opn hearing aids delivers quality sound which helps reduce a person's stress reaction.

Hearing Aids

Hearing and the brain

Hearing health is not only about hearing. It is also about overall health and well-being. We know this from Oticon's many years of intense research of the complex and vital relationship between hearing and the brain. We have gathered all this insight in the concept of BrainHearing™, which encompasses our unique perspective on how the brain hears while also considering how this knowledge can become ground-breaking technology to benefit millions of people with hearing loss.

We have met our 2021-target by continuing to deepen our knowledge in different areas related to BrainHearing and exploring new dimensions of benefit using new outcome measures. This has led us to document less effort in hearing and thus validate the positive impact that our BrainHearing technology has on our users. We expanded the concept to explore BrainHearing for children.

In 2022, we will further investigate the benefit of well-treated hearing loss among children (e.g., emotion perception, participation and communication) and continue to explore new methods within BrainHearing technology.

[Read more in note 1.2.2](#)

Improving hearing rehabilitation standards

As part of the Better Hearing Rehabilitation project (BEAR), we contribute to improving hearing rehabilitation within the public healthcare system in Denmark.

With BEAR, the industry, public clinics and academia join forces to challenge the status quo of hearing rehabilitation in public clinics, proposing fitting strategies and diagnostic tests which consider individual variations.

In 2021, key insights from BEAR was used for recommendations for Danish healthcare authorities to revise the standards of quality guidelines for public hearing rehabilitation for adults. The project is an example of how our research endeavours enable us to make a clear and real-life difference for people with hearing loss.

[Read more in note 1.2.3](#)

Dementia, depression and hearing loss

At Ear Science Institute Australia (ESIA), Oticon is partnering on projects to investigate the link between dementia and depression and living with hearing loss. Studies were kickstarted in 2021 and will move forward in 2022.



Hearing Care

Hearing Care

Through our Hearing Care business, we connect face-to-face with hearing aid users via personalised care and support.



Topic	2021 Target	Results	2022 Targets
Free yearly hearing assessments for people over 60	Minimum 5% increase in assessments conducted.	Target met. We delivered high double-digit growth in hearing assessments conducted compared to 2020. We saw especially large growth due to corona lock-downs in 2020.	Minimum 5% increase in assessments conducted.

The Hearing Care business area, Audika Group, is a global re-tailer that provides hearing care and hearing solutions world-wide. Audika Group is made of several strong local brands such as Audika, HearingLife and Hidden Hearing.

With a global network of approx. 2,600 clinics in 20+ countries, we offer the final step towards life-changing hearing healthcare to people with hearing loss via local customer service and a business approach that caters locally to the diverse customer needs and standard practices.

Demant's ambition to contribute to global hearing health and create awareness of the direct link between good hearing and health is central to our Hearing Care business.

Every day, our hearing care professionals enact on these ambitions in their interaction and care for people with hearing loss in the communities that surround our clinics. Through free hearing assessments for everyone, our clinics help increase awareness of the importance of hearing.

Personalised care

No hearing journey is the same and – other than a few diverse influences such as genetic factors, use of medication or exposure to loud sounds - our ears are unique. Consequently, each individual hearing loss is different. We are here to provide personalised care and licensed hearing care expertise on hearing loss and solutions. It is crucial to try to understand the life of a person living with hearing loss and to do so, our hearing care considers psychological, audiological, cognitive and subjective nuances.

Sharing our knowledge

Whereas technology solutions are born in research and development, the skilled attention of a hearing care professional ensures the actual benefit of a hearing aid through fitting and counselling. Within our Hearing Care business, we inform and grow awareness and ensure the right treatment. Read more about this in the chapter on [Society & local community](#) on page 65.

Hearing Implants

Hearing Implants

When a hearing loss is severe-to-profound, hearing aids might not be the right treatment. The desire and ability to innovate the area of medical hearing technology and solutions help us make certain that choosing solutions from our Hearing Implants brand, Oticon Medical, remains a future-proof choice.

Topic	2021 Target	Results	2022 Targets
Research tools	-	Introduced four new tools.	Use Field Tool with research patients in Denmark.
Bimodal hearing	Continue study with Copenhagen Hearing and Balance Centre (CHBC).	Target not met. Study on hold due to corona restrictions. New study planned.	Begin study.
Haptic benefits to music listening for CI patients	Apply for funding.	Target met. Proposal written. PhD hired and study kicked off in November.	Build a prototype of wireless wearable and build stimuli.
Music training games	Kick-start the project internally and create a prototype.	Target met.	Further develop prototype. AAU project to develop game concepts.

Hearing Implants

Direct impact

Every year we help above 75,000 hearing implant users living with profound, conductive, and single-sided hearing loss. Helping people that need an implant to be able to hear, we pride ourselves on having the highest possible positive impact on our users' hearing-related quality of life. The Hearing Implant business area makes a qualitative impact on a single person's life that is hard to match.

Research is at the heart of all Demant does, including when we improve patient outcomes of implant technology. Close collaboration with other research units within the Group, enables our Hearing Implants business to immediately turn new audiological and surgical discoveries into significant improvement in quality of life for cochlear implant (CI) and bone-anchored hearing system (BAHS) users.

The following highlights research and development activities in 2021 within Oticon Medical.

Research tools

As part of our quest to stay at the forefront of implant technology, we maintain a strong activity within the conceptualisation and development of research tools and platforms. It is part of our commitment to scientific knowledge, and we want to support researchers in generating new concepts that can potentially make a difference to people with hearing loss, while strengthening collaboration with the existing research community.

In 2021, four concrete innovations were released: a Field Tool, a Research Design Tool, a Virtual Reality Platform and a Medical Imaging Tool.

[Read more in note 1.3.1](#)



Music & cochlear implants

There is no doubt that music is an essential part of social life, health, and general well-being. Music initiates a large range of cognitive processes, bringing forward emotions, memories and associations. Frankly, music is important for cognitive health. Therefore, Oticon Medical is involved in research and concepts that aim to uncover knowledge of how we can give cochlear implant users better access to music appreciation.

In 2021, we advanced greatly in this area. This included but was not limited to: hosting the **3rd Music & Cochlear Implant Symposium**; developing **Sound Coding Strategies for Music**; continuing to explore cochlear implant users' perception of musical rhythm and groove at Aarhus University through the project **Feeling the Beat**; and working to create **Music Training Games** that are fun and engaging.

[Read more in note 1.3.3](#)



Optimised bimodal fitting

In most geographies, 70-80% of new cochlear implant (CI) users also wear a hearing aid on their opposite ear. In 2021, we continued to strengthen our knowledge of how to cater for bimodal hearing. Among other activities, we:

- further studied the fundamental basis for binaural fusion and investigated novel CI fittings to facilitate fusion of the electric and acoustic information,
- planned to continue a project at Copenhagen Hearing and Balance Centre (CHBC) at Rigshospitalet, Denmark, to explore image-guided bimodal fitting using our Demant Nautilus platform to better individualise the fitting (due to the impact of coronavirus, the study is currently on hold),
- initiated a new bimodal study at Odense University Hospital and collected data on pupillometry. We expect kick-off in 2022. The objective is to try a longer hearing aid trial period ahead of supporting with a cochlear implant.

Diagnostics

Diagnostics

Whether detecting hearing loss in a newborn or deteriorating hearing abilities in adults, the first step towards alleviation is diagnosis. Based on core knowledge of measuring hearing loss, Demant’s business area Diagnostics collaborates closely with, and provides precise and fast tools for, hearing care professionals around the world.

Topic	2021 Target	Results	2022 Targets
Interacoustic Reserach Centre (IRU)	Improve validation of hearing aid fitting on children aged 3-12 months	Full proof of concept in the target population.	-

Diagnostics

Detecting hearing loss

By providing solutions such as audiometers, tympanometers, balance systems and otoacoustic emission instruments, we are a part of the daily job of audiologists and ear-nose-and-throat specialists.

Demant's Diagnostics business is a global market leader in solutions for hearing and balance assessment. The business are is fundamental for our ability to create life-changing differences through hearing health and to progress on the [sustainability ambitions](#) for our core contribution to society and the Sustainable Development Goals. Diagnostics is, in relation to this, an important pillar in Demant's combined efforts in research and development, among others in close collaboration with Eriksholm Research Centre.

The following highlights research and development activities within Diagnostics in 2021.

Validating hearing aid fittings for children

For several years, improving validation of hearing aid fittings on children aged 3-12 months has been a core theme at Interacoustics Research Unit (IRU) because speech development is crucial at this age. The method is based on electrophysiological responses obtained from specially developed stimuli, which are sufficiently speech-like to drive advanced hearing aids into speech mode. It enables a new way to better validate the fitting. This is a true advancement within the field, which we are pleased to contribute to.

[Read more in note 1.4.1](#)

Diagnosing ear inflammation

A PhD student at DTU Compute uses the latest research in machine learning for image analysis of more than a thousand otoscopy (eardrum) images, so that a mathematical model can determine whether treatment is needed based on eardrum characteristics. The model is just as good as the best ear specialists and much better than doctors who only occasionally treat children with ear pain.

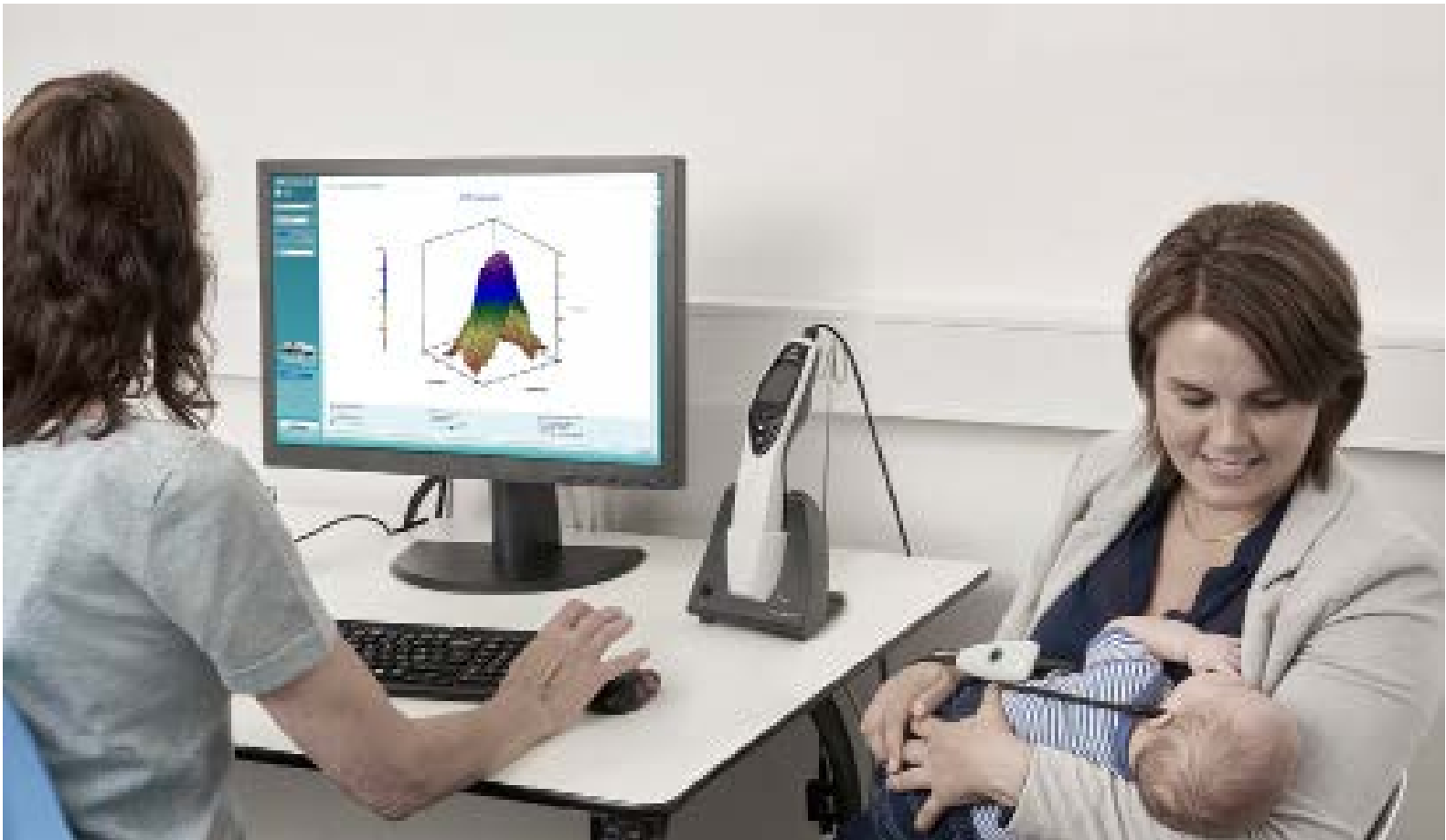
Deep learning requires no input other than training data (images and diagnosis for each image). The mathematical model then itself learns to identify patterns in the data set, without requiring a definition of where it needs to look for these patterns. And, in connection with errors, the model runs the images 'backwards' in its network and examines the things that it has misinterpreted. Read more about the project [here](#).

By other hearing screening ... the world is performed with Demant instruments.



Early intervention is crucial to minimise the adverse impact of hearing loss on language and cognitive development

WHO, 2021



Life-changing differences through hearing health

Communications

Communications

With our Communications business, EPOS, we transform ideas and new possibilities into better audio solutions by looking at audio holistically and engineering every single detail. From artificial intelligence to sound experience and microphone performance, we stay at the forefront of technology to make sound matter.

EPOS strives to unleash human potential by perfecting audio experiences for business professionals and gamers alike. This work is an ode to audio engineering, craftsmanship and a deeply rooted passion to enable users to perform their best.

Pioneering audio technology

In Demant, we recognise that there are useful technology overlaps in hearing health and audio and video solutions, and we keep investing in such innovative synergies. Pioneering technology means having engineering capabilities to stay at the forefront of what is technically possible, while never compromising on the user experience.

EPOS' dedication to providing customers with an exceptional audio experience goes deeper than audio quality alone. Their solutions are crafted with rigorous testing and high-quality materials that are built to last while being comfortable to the ear for long periods of time.

With Communications, Demant is on a mission to develop premium solutions that deliver excellent audio experiences that enable people and teams to perform better and immerse themselves. In doing so, EPOS draws upon decades of psycho-acoustics research, which the Demant Group upholds. Being part of the Demant Group allows EPOS to leverage R&D synergies from other companies within the Group, such as Oticon and their research centre Eriksholm, use their research facilities and share expertise through cross-functional projects.

Superior sound in education

Remote learning is today's new reality, and professors and students alike are embracing new learning techniques and technologies to connect, communicate and motivate. The traditional classroom has largely been replaced by a makeshift virtual one that can emerge almost everywhere.

Both high-quality video and especially outstanding audio on both sides of the screen are critical aspects of learning from anywhere. On the contrary, poor audio can result in misunderstandings, tiring and time-consuming repetition, loss of concentration and more.

In a survey of educators, more than 50% responded that they faced top challenges with "keeping students engaged digitally" and ensuring overall participation (Microsoft, 2020). Such trends emphasise the importance of excellent audio to enhance learning in more connected, digitalised and efficient ways.

Please read more about EPOS in our [Annual Report 2021](#)

Good quality audio alleviates communication pain points

37%
believe that the right audio can reduce miscommunication to a great extent

40%
feel that they would significantly reduce the need to repeatedly clarify information

37%
believe good audio would prevent participants from missing critical information to a great extent

audio leads to bad outcomes

35%
feel frustration, irritation and annoyance due to bad audio

25%
experience moments of stress

15%
feel embarrassment or lack of confidence

Source: EPOS: Understanding Sound Experience Study, 2020

People & culture



Through one of our main sustainability priorities, diversity, equity and inclusion (DE&I), we work to positively impact SDG 5. Though our DE&I work is much broader than gender, we can contribute further to this SDG and ensure equal opportunities for all our employees to develop as professionals, obtain their personal goals and contribute to the company's success.



Contributing to SDG 8, we offer quality job opportunities and good working conditions for our employees and, as a catalyst for jobs, we stimulate the economy. We protect labour rights and promote safe and secure working environments for all employees within our Group and we work with suppliers to ensure good working conditions at their end as well.

By providing the ability to hear, we make it possible for people with hearing loss to enter or stay in the labour market. Through our audio solutions, we boost collaboration and productivity.

Key performance data

	Unit	2021	2020	2019	2018	2017	Target
Gender diversity, all employees	% women/men	62/38	60/40	60/40	-	-	-
Gender diversity, management	% women/men	43/57	42/58	41/59	37/63	-	-
Gender diversity, Board of Directors	% women/men of shareholder-elected members	40/60	40/60	40/60	20/80	20/80	-
Employee turnover	%	20.3*	-	-	-	-	-
New hire rate	%	2.8	-	-	-	-	-
Engagement rate	1 to 5	4.02	3.93	3.83	3.79	-	4.15 in 2022 4.27 in 2023
Employees (headcounts)	#	18116	16591	15837	14614	13000+	-

*Calculated on the basis of 60% of the Demant population.

Our approach

How we work

The Group contains many bright, innovative and entrepreneurial employees that are driven by a desire to make a difference. Our employees are our greatest strength and the most valuable part of Demant. Their safety, well-being, engagement and development is fundamental to our success.

We want to convey an atmosphere characterised by care and respect for others. We foster an unbiased and inclusive culture with fair opportunities for all and seek to ensure this through both global directions that lay out the path for our group and local policies and programmes.

With an increasing need to attract the right people across many facets of diversity, in markets that are pressured by high demand, we stay on our toes to ensure that working at Demant is a good experience professionally, personally, physically and psychologically. Care is our DNA, and we take good care of the people we employ, which is Demant management's overall responsibility.

To ensure Demant is a leading employer in our industry, we have the following ambitions:

- Demant believes in a strong connection between a high engagement among employees and a successful business,
- Demant honours diversity and fosters 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.



Our approach

Our values

In 2021, we introduced our Demant Group values, which are fundamental in supporting our purpose and our ambitions. The values express how we do things at Demant; they create a strong platform for collaboration across the Group and they clarify the key traits of how we operate as an organisation to ensure that we always build on this DNA in our daily actions.



We create trust

We value the opinions of our customers and colleagues. We promote a work environment based on inclusion, honesty, integrity and respect. We always keep our promises.



We are team players

We collaborate and network effectively across Demant. We take initiative and help each other achieve our ambitious goals.



We create innovative solutions

We challenge ourselves to improve and find new, value-adding solutions. We are curious to share ideas and insights to increase our collective innovativeness.



We apply a can-do attitude

We always look for opportunities to win the business and do our best to add value to our customers. We find solutions and act.

Governance

Given our global presence, HR is predominantly driven locally in the day-to-day business. However, Group-wide HR initiatives are prioritised, managed and coordinated through three main global forums (to the right) which are all chaired by the Demant Senior Vice President of HR.

The Global HR Board sets direction and priorities; approves strategies, initiatives and funding; makes decisions on operating models. The Board meets bi-monthly.

The Global Strategic HR Forum meets monthly and is, among others, responsible for preparing the strategic agenda for the Global HR Board, while aligning and managing execution on HR strategy for Global HR communication planning.

The Global HR Forum covers information sharing, HR strategy communication and HR community building in quarterly meetings.

Diversity, equity and inclusion

Come as you are

It is a fundamental right to be who you are, also at work. The Demant Group employs a diverse group of people from all parts of the world with many different backgrounds, and our ability to embrace the strengths that diversity brings to the table is one of the key roots of our business.

Topic	2021 Target	Results	2022 Targets
Diversity, equity and inclusion	Introduce a new Demant diversity, equity and inclusion (DE&I) policy.	Target not met. Published an internal position paper to form basis of policy.	Finalise and implement DE&I policy across the Demant Group.
Diversity, equity and inclusion	Conduct an employee survey on diversity, equity and inclusion (DE&I).	Target met.	Use learnings to inform policy, initiatives and target-setting.

Diversity, equity and inclusion

An embracing culture

Rooted in our business, culture and history, we strongly believe in diversity. Demant management holds the overall responsibility for ensuring a diverse and embracing culture.

Since 2012, Demant has had a diversity policy as well as specific initiatives aimed at ensuring equal terms between genders. Age, gender, education and background of the members of Board of Directors and Executive Board are listed in the Annual Report 2021.

We work with a focused approach to diversity, equity and inclusion (DE&I). To guide this work, in 2021 we introduced a new Demant diversity, equity and inclusion position paper, which has steered our work and formed the basis of DE&I policy-making and target-setting in 2022. Most importantly, it has helped us understand existing perceptions of diversity, equity and inclusion and enabled us to better mitigate risks and address potential unconscious biases and sameness thinking. It will also support us in engaging employees who may otherwise refrain from sharing their opinions, new ideas and solutions.

We have initially identified targets to be our starting point for working with DE&I. In short, they include:

- developing a DE&I baseline check,
- educating leaders via DE&I training,
- focusing on DE&I in recruitments,
- launching new Demant DE&I policy and targets, striving to achieve a relevant gender balancing when it comes to our entire workforce, increasing the number of women in senior management, having 70-80% of teams in Demant live up to a set of diversity principles in regard to composition of the teams.

[Read more in note 2.2](#)



Diversity, equity and inclusion

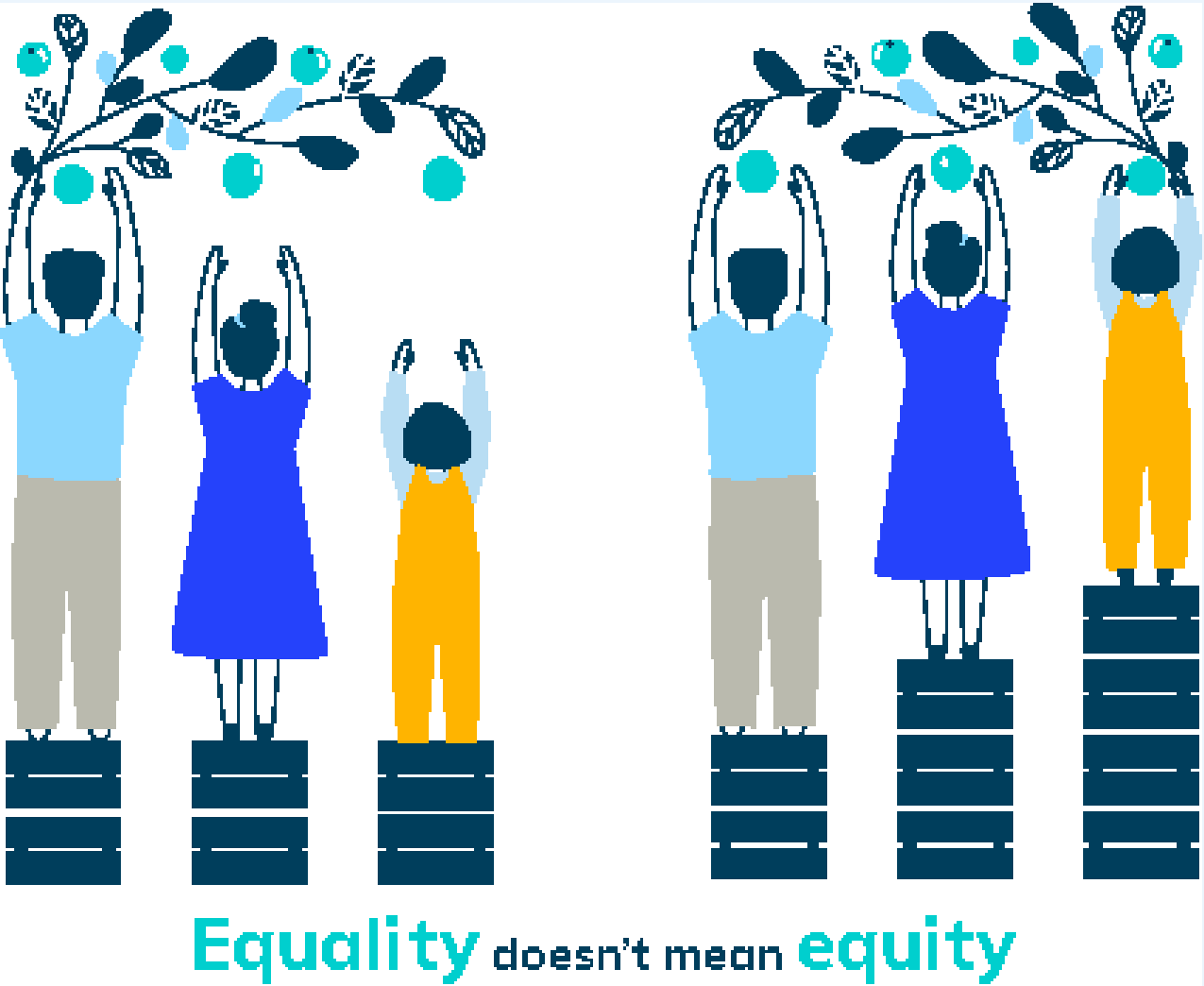
More to the concepts

Diversity covers more than just gender diversity, and it is important to have broad focus on various diversity aspects when working with the diversity agenda. Working with gender diversity can also be a catalyst for working with other aspects of diversity. Working with diversity alone, however, does not secure the benefits of diversity, thus we have added two more concepts to our journey with diversity, equity and inclusion. While diversity across Demant allows us to draw on a wide range of experience, equity, and in particular inclusion, unlocks the strenghts of diversity. We refer to the DE&I agenda and programme at Demant as **Embrace**.

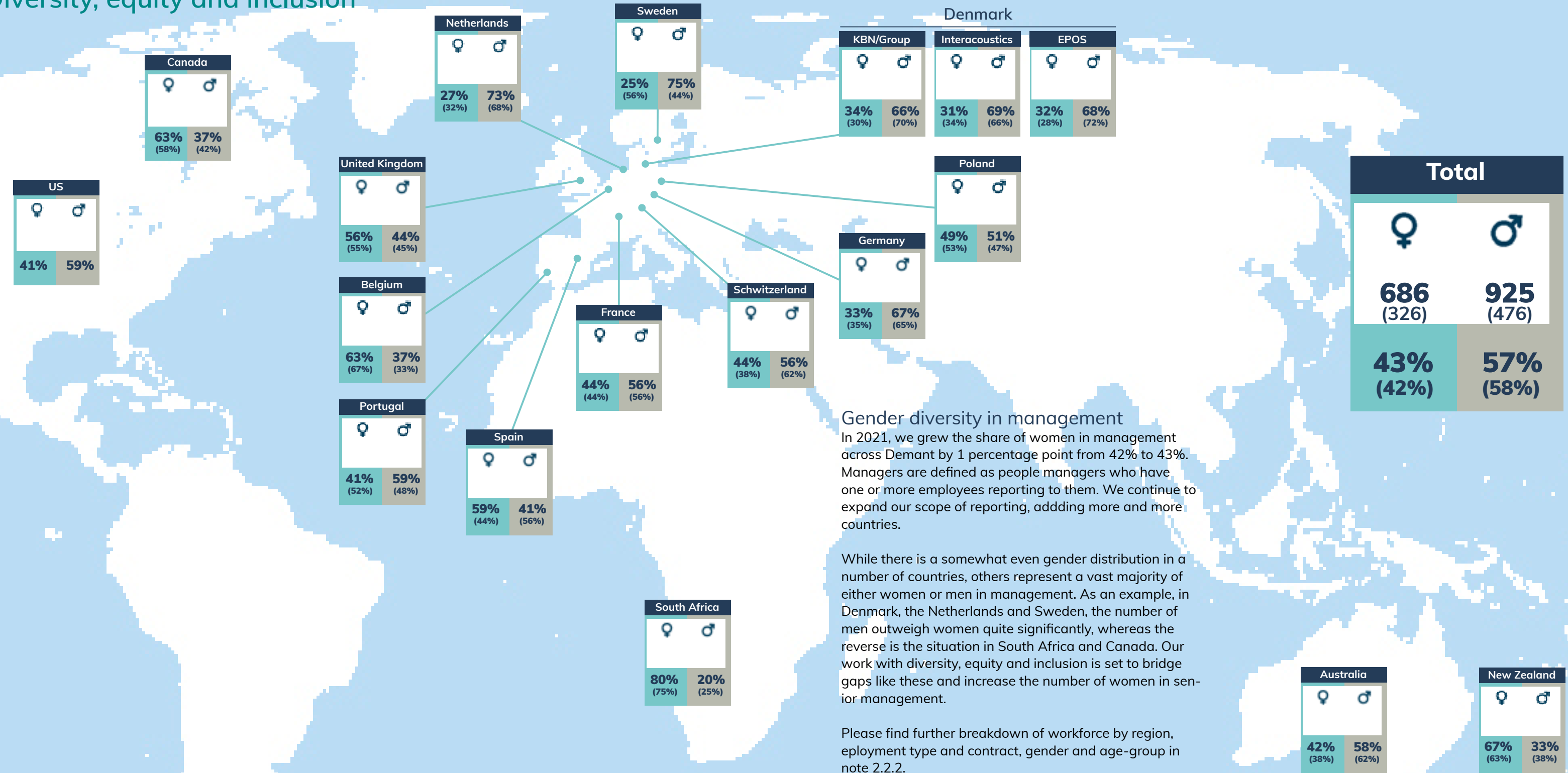
The full spectrum of human difference: **Diversity** refers to differences in the values, attitudes, cultural perspective, beliefs, national or ethnic background, sexual orientation, gender identity, skills, knowledge and life experiences of each individual in any group of people.

Equity is obtained by fair treatment of all as well as access, opportunity and advancement for all and by striving to identify and eliminate barriers that have prevented the full participation of some groups.

We believe in an **inclusive culture** that welcomes and embraces diversity by valuing the unique perspectives and contributions of all, thus enabling everyone to participate and perform to their full potential.



Diversity, equity and inclusion



Working with employee engagement

An engaged workforce

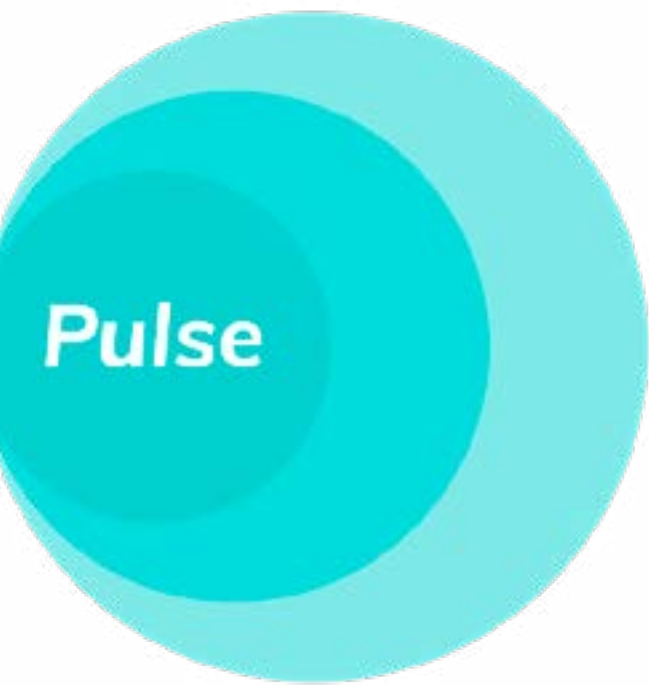
At Demant, ensuring an engaged workforce is part of maintaining a sustainable business. We want to create a good work environment where people are comfortable and feel they can contribute. Our Demant Group engagement rate continues to grow steadily while we look out for new opportunities and potential for further improvement.

It is Demant management's responsibility to ensure a culture and work environment that continues to induce engagement. At the same time, across Demant, we all have a collective responsibility to influence our workplace in a way that corresponds with [Demant's values](#).

To be part of an engaged workforce is a fundamental aspect of well-being and performance. A low level of engagement can impact Demant's ability to [attract and retain talented employees](#) as well as impacting employees' lives. It is a clear focal point for us to mobilise an engaged workforce while we grow and remain a leading player in our industry.

Topic	2021 Target	Results	2022 Targets
Engagement	Engagement rate 4.15 in 2021.	Target not met. The rate increased from 3.93 in 2020 to 4.02 in 2021.	Engagement rate 4.15.
Engagement	Understand how coronavirus impacts engagement.	Target met. Introduced global position paper on workplace flexibility.	-

Working with employee engagement



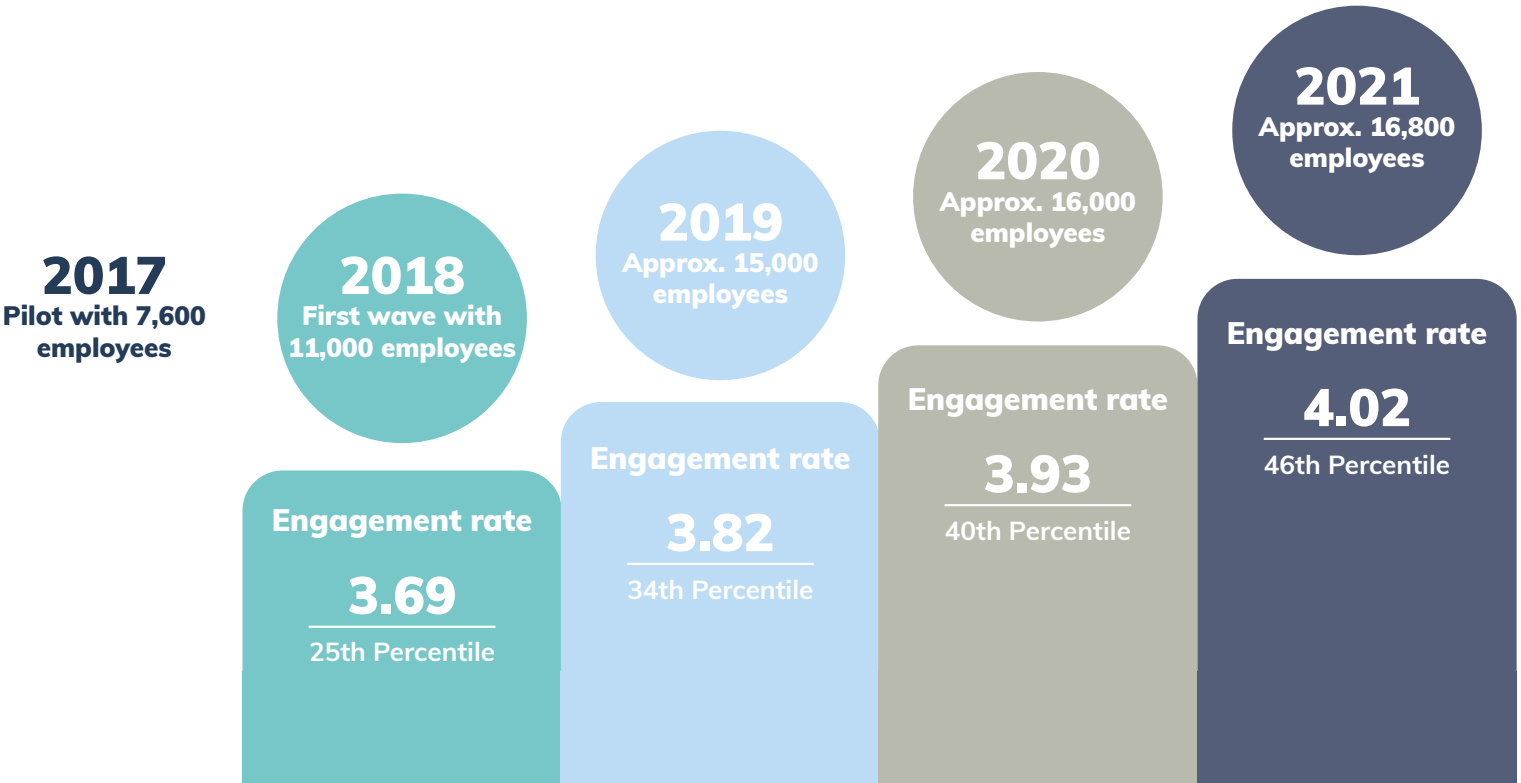
Taking the Pulse of engagement

We work with and focus on employee engagement via our engagement programme, Pulse, including a yearly global survey.

In 2021, our engagement continued to grow, and we found that people are happy and proud to be part of the Demant Group. Although our engagement has increased steadily over several years, we did not reach our 2021 engagement rate target of 4.15, landing at 4.02 instead. We will continue to seize opportunities and improve our capability to work with engagement globally.

Consequently, to keep us on the right track we are ambitiously targeting an engagement rate of 4.27 in 2023. We aim for 4.15 as a midway-target in 2022.

Read more in note 2.3



Percentile rank is used as a benchmark to determine how a team’s results compare to those in Gallup’s overall database. The 25th percentile indicates that 75% of teams scored higher on the engagement rate.

People development

Development and growth

Supporting our employees in developing their professional competencies to grow individually, as part of a team and as part of Demant is high on our agenda. Therefore, we encourage people in their development and growth, while ensuring that everyone has the right function with a skill set that matches business needs and challenges.

Topic	2021 Target	Results	2022 Targets
Leadership development	Develop new leadership training program.	Target met.	-
Accidents, Hearing Aids production	0	9	0
Accidents, Diagnostics production	0	3	0
Accidents, Hearing Implants production	0	0	0
Stress management, Denmark	Increase sick leave efforts and introduce stress awareness workshops.	Target met.	-

People development

Training

At Demant, people development is an ongoing process between manager and employee as a part of a manager’s responsibility. Demant’s Training Academy offers internal training within leadership, project management, people development and professional skills. In 2021, we launched a learning experience platform globally to grow our ways of learning, collaborating and sharing knowledge across communities and teams.

Fostering great leaders

At Demant, we believe that competent leaders are central to engaged, satisfied employees and an overall enjoyable work culture. As a consequence work with dedication to cultivate great leaders within the Group.

In 2021, we developed a Demant leadership framework to clarify the key requirements of being a leader and project manager at Demant. It helps people strengthen and further develop leadership competences to achieve goals more efficiently by offering assessment and development tools.

The framework consists of a training programme and a leadership model. The training programme Leading across Demant focuses on the ability to: provide change management; build high performing teams; and drive organisational effectiveness. The leadership model aims at developing these skills among Demant leaders.

Read more in note 2.4



Retention and attraction

To sustain the right workforce

It is crucial for us to ensure that we can attract and retain the competencies and profiles needed for us to drive our business. Thus, talent retention and attraction are a high priority on Demant’s people agenda.

Many of the markets where we operate are at present characterised by a very high demand for labour, especially in certain areas where we need specific competencies. In some areas, there is also a trend of increasing levels of resignation, which imposes a risk to our business. Consequently, talent retention and attraction are of high priority to us.

Based on our knowledge of global trends in our business, we consider our employee turnover rate of 20.3% to be representative of our global business. In the last six months of 2021, we had a higher employee turnover rate with waged workers than with salaried workers. The latter includes our Hearing Care business area where turnover is traditionally higher than in our other business areas.

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. The employee turnover rate is calculated on the basis of the 60% of the Demant population that has reported relevant numbers into our HR data management system for the full calendar year.

To keep Demant an attractive place to work, while also improving business performance, we have many initiatives in place globally.

- We have a global Demant position paper on workplace flexibility that guides the Demant Group, influenced by local conditions, to implement concrete policies to ensure the flexibility of working partly from home if the tasks allow.
- We have introduced a new Group position paper on diversity, equity and inclusion at Demant.
- We have continued to work with our Leadership Framework to develop and train all managers on what leadership at Demant means.
- We run an annual global engagement programme and have a follow-up process to make sure, that we continuously follow and react on how our employees feel about working at Demant.
- We have created a new Career Framework to support managers and employees in seeing all the exciting career opportunities in the Demant Group.

With a global fight for personnel, we are highly dedicated to our talent acquisition and several initiatives endorsing this. We benefit from strong company brands that attract talent to Demant, the core target groups being engineers and audiologists.

Read more in note 2.5

Young talent

We particularly focus our efforts on the younger talent pool and at any given time, we have around 85 students at different stages of their studies working at headquarters in Denmark. Demant staff also contributes at universities as external lecturers, mentors and censors.

Demant’s global Graduate Programme in Denmark accepts young professionals and offers opportunities across our entire global organisation.



A safe place to work

Guiding behaviour

We must provide a safe work environment free of any discrimination, harassment or unacceptable behaviour. A workplace culture in which everyone can feel safe and able to participate.

We are built on care and trust is one of our core values. While we expect all Demant employees to treat each other with respect, it is up to Demant management to ensure the structures needed for such an atmosphere to flourish.

Following with [Demant's Code of Conduct](#), which can be found on page 149, bullying, violence, harassment or discrimination of any kind is considered unacceptable behaviour that does not correspond with our beliefs, or the work environment we want.

We encourage employees to raise their concerns about serious and sensitive improper action that fails to comply with our Code of Conduct, applicable laws and regulations, and or affects the health, safety and well-being of employees via our global [whistleblower hotline](#).

Find more details on both in the chapter on [Business ethics & governance on page 141-174](#).



A safe place to work

Ensuring a safe workplace

It is our duty to take good care of our employees by ensuring that our workplaces are operated in a safe and sound manner.

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. As an employer, it is our responsibility to do everything we can to minimise the risk of employees injuring themselves while doing their job.

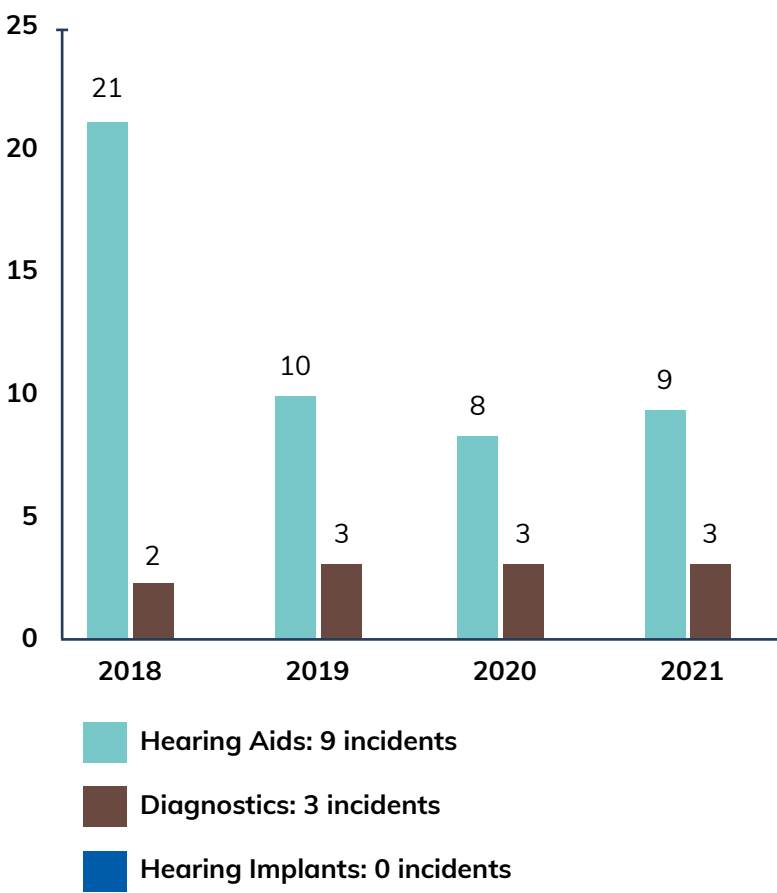
Producing hearing aids, implants, diagnostic equipment and audio solutions does not entail exposure to hazardous situations or dangerous materials and chemicals. Thus, this type of manufacturing is not classified as unsafe or risky. However, there is always the risk of stumbling while walking, cutting a finger or accidentally banging your head on something. We take the risk of accidents seriously and have different measures in place to ensure safety. Similar to previous years, there is no alarming pattern for the incidents that do occur. They are primarily categorised as minor, such as cutting or squeezing a finger.

Accidents in production, manufacturing and distribution sites

In Hearing Aids Global Operations, covering key production and distribution sites in Poland, Mexico and US as well as production and headquarters in Denmark, we manage to uphold a considerably low rate of recordable incidents, defined as incidents that result in days away from work or restricted work. In 2021, we recorded 9 incidents, all categorised as minor.

Diagnostics had three minor incidents in its manufacturing facilities, covering Denmark, Poland, UK, Canada and US.

In Hearing Implants, covering France, there was zero accidents in 2021.



A good place to work

Mental health

Mental health is an essential part of health and well-being. We want to be a responsible workplace in which employees thrive and enjoy spending their time at work.

Regardless of the causes, experiencing stress has serious consequences for an employee as well as a workplace. At Demant, 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. Commonly, stress is handled in a collaboration between employee, manager and HR. The overall responsibility lies with HR management in tight collaboration with relevant managers.

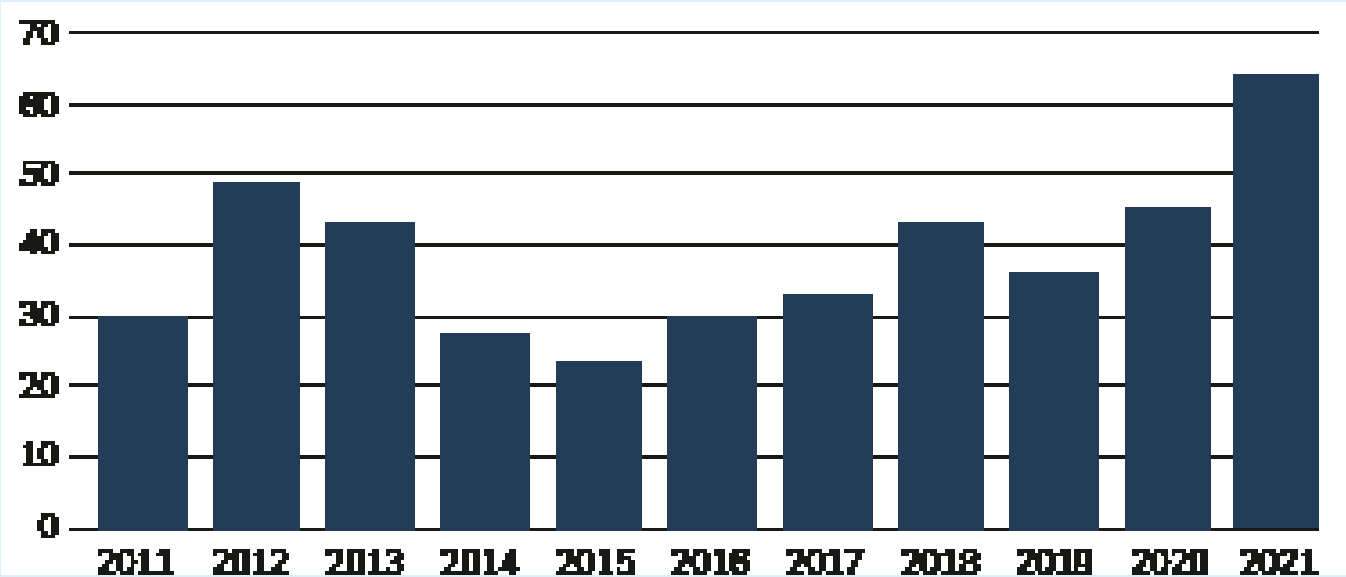
In **2021**, working conditions were influenced by coronavirus. At our sites in Denmark, we have experienced some increase in the number of employees who have been through our stress handling process.

An important reason for this has been the general situation with coronavirus, which has affected us all. To mitigate, we offer stress awareness workshops online and continue to increase the effort towards those employees that return from sick leave and make the experience of returning to work at Demant even better than it is today.

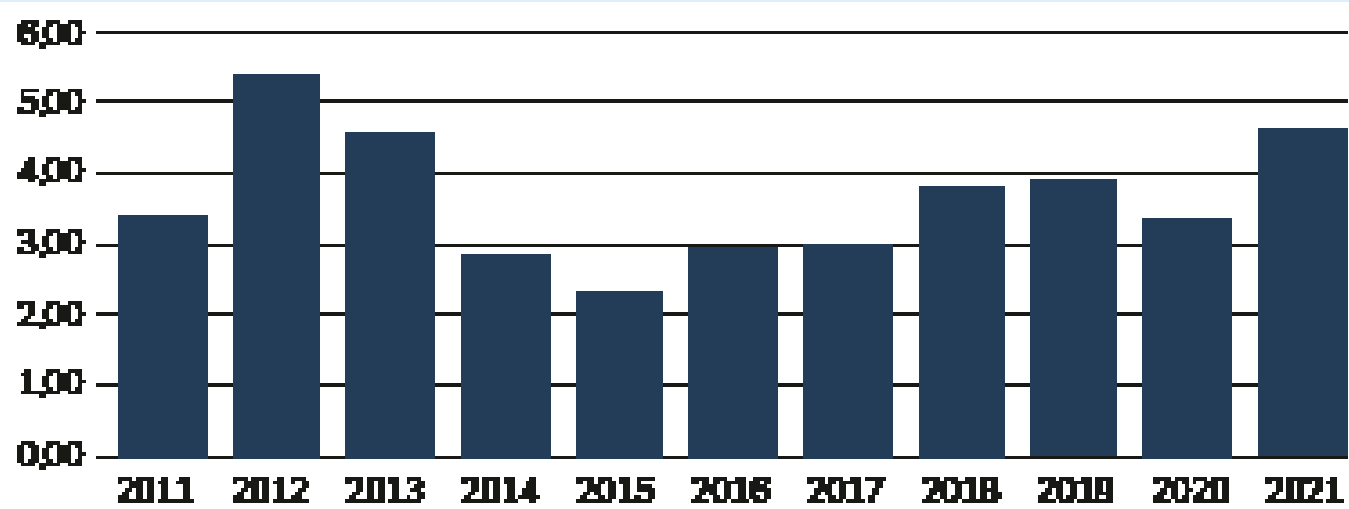
For **2022**, we aim to retain the good work and progress we continue to make in this area and our position on workplace flexibility supports this work.

Read more in note 2.8

Employees at Danish sites affected by stress per year



Percentage of employees at Danish sites affected by stress per year



Society & local community



Through our clinics we deliver good health and well-being in the local communities surrounding our clinics. We do so by spreading knowledge to increase awareness of hearing healthcare and by helping those who do not have access to proper hearing rehabilitation on their own. Through our majority owner, William Demant Foundation, we reinvest in healthcare projects around the world.



Good hearing capabilities are essential for inclusive and equal access to education and employment. Through our products and services, we offer the gift of sound to people with hearing loss. We foster education by supporting hearing health as well as donating to educational projects through William Demant Foundation.

Key performance data

	Unit	2021	2020	2019	2018	2017	Target
William Demant Foundation donations	Millions of DKK	124.1	111.9	153.2	111.5	98	-

Giving back

A contributing neighbour

From its mere existence, a company is an important part of the societies which surround it, and it is imperative to Demant to give back to the society that raised us.

Topic	2021 Target	Results	2022 Targets
Campaign for Better Hearing	Enrol Greece and sustain pre-coronavirus progress.	Target met. Greece is fully enrolled, and despite a tricky start to 2021 due to lockdowns and local restrictions, we managed to raise more than DKK 20 million to donate 1609 free hearing aids.	-
William Demant Foundation	-	Donated a total of DKK 124.1 million to 1,627 projects.	-

Giving back

A positive contribution

We take it very seriously to be a good neighbour. That means sharing our resources, donating to purposeful causes and engaging with the communities we are a part of. We want to positively contribute to local conditions and eliminate any risk of negative social, economic or environmental impact our presence might pose.

The founding belief of Demant is centred around care for others, and all across the Demant Group many whole-hearted and involved employees do what they can to contribute to the local community and atmosphere.

To ensure that we give back to society by supporting hearing health, educational, social and cultural initiatives, we have the following ambitions:

- we represent an overall positive impact to the economic and social well-being of the communities in which we operate,
- we reinvest in society and channel our philanthropic activities through William Demant Foundation, which donates to altruistic causes and expands its sustainable investments.



Giving back

World Hearing Day

On World Hearing Day, March 3, we joined the World Health Organisation (WHO) in a global call for action to address hearing loss that underlines the importance of hearing health throughout a lifetime. World Hearing Day marks the release of the yearly World Report on Hearing that presents critical data on hearing loss and hearing care, based on the best available evidence.

The spotlight on hearing loss communicates powerful messages to policy makers and the general public about the widespread impact of hearing loss on people around the world.

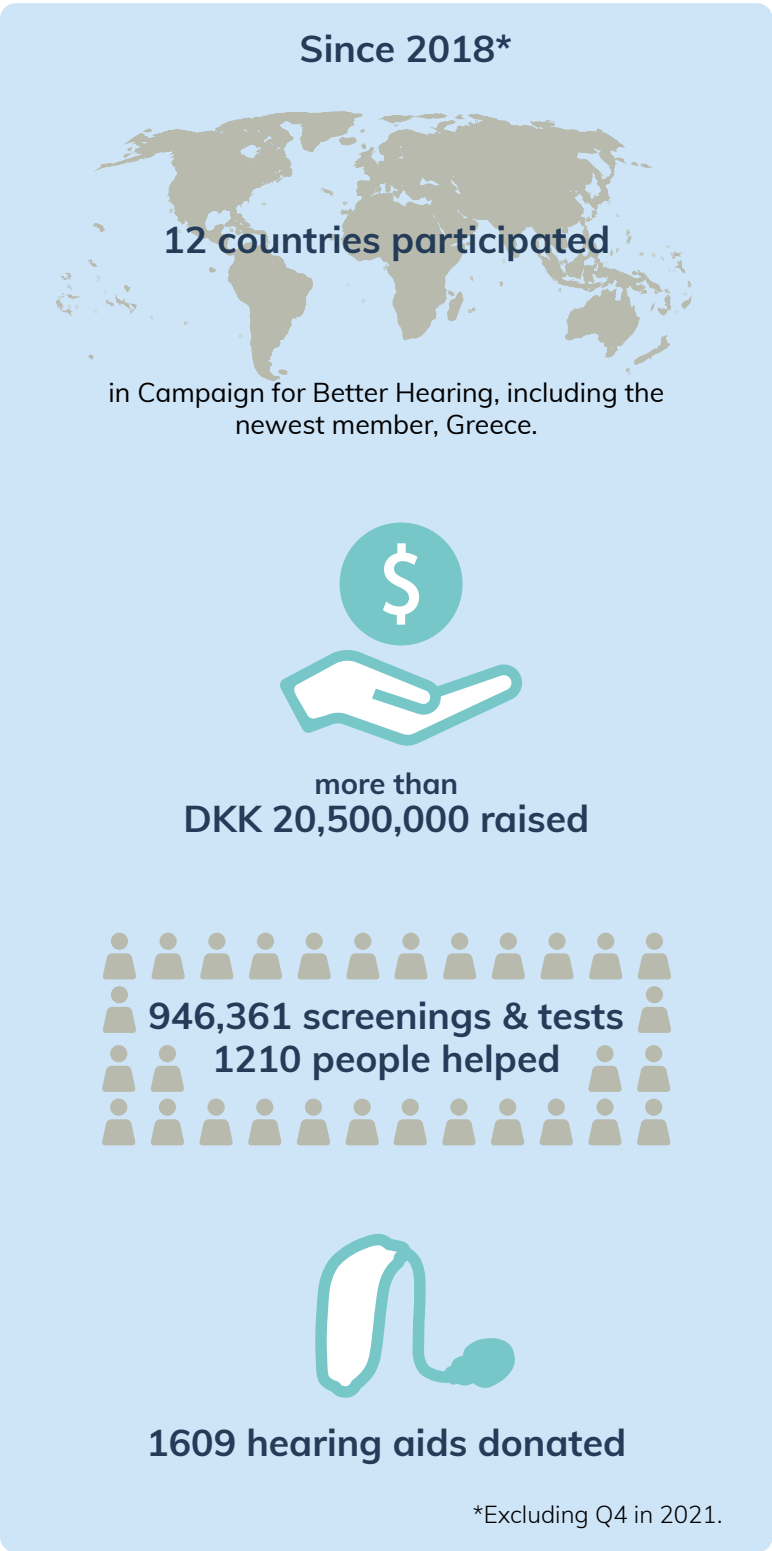
In 2021, World Hearing Day called for “Hearing Care for All”. To help spread the message, one of Demant’s Hearing Aids brands, Oticon, wanted to facilitate action on hearing loss. Motivating people with hearing loss to seek professional care is a year-round commitment for Oticon. New initiatives have been carried out throughout 2021 to drive hearing health awareness among the general public and organisations that advocate for people with hearing loss. Hearing care is health care, and the value of regular hearing care and life-changing technology is communicated in outreach to consumers through media and social channels in countries around the world.

Our Hearing Care business in Denmark, Audika, marked World Hearing Day with a virtual concept focusing on the importance of seeking professional care and getting a hearing test annually. The pandemic made it even more clear how important and necessary instant fitting and remote care are. Instant fitting makes it possible to experience the sound quality right away, and at the same time the customer avoids unnecessary visits to the clinic. Most customers who visit Audika are vulnerable in relation to coronavirus and being able to help them with their hearing aids from a distance by remote care has made a big difference.

Campaign for Better Hearing

In our Hearing Care business, we continue to run the global initiative Campaign for Better Hearing to get hearing health-care on the agenda. Through the campaign, we engage locally and donate free hearing aids to people with hearing loss, while providing crucial information and education about the consequences of untreated hearing loss.

The campaign is simple: Every time someone gets their hearing tested in one of the clinics enrolled in the campaign, the clinic donates a specific amount of money to Campaign for Better Hearing. The donations are allocated to provide free hearing aids to people who need hearing aids but have low purchasing power. The recipients are picked based on local nominations from the clinics. The target is to spread awareness of the importance of early hearing screenings, and it links closely to the relation between hearing and aggravating consequences such as depression, mental fatigue, reduced cognitive capacity and dementia.



In the first half of 2021, the campaign experienced a stagnation when conferences and other campaign activities were put on hold because of tight coronavirus restrictions. However, we successfully launched in Greece in February 2021, achieving one of the targets for the year. The second half of the year kicked off with a lot of social media and PR activities along with physical events such as Go Bananas Tour to raise awareness of the campaign.

We also experienced a positive effect from the new Hearing Healthcare Reform in France: A boom in appointments at the clinics positively impacted the amount of money raised to give back and increased the total amount of hearing screenings and tests done.

We are satisfied with the results considering the challenging and uncertain market we have seen the last year. We look forward to continuing to develop this initiative and to keep pushing the importance of hearing healthcare.

In 2022, with coronavirus still creating uncertainty for in-person activations, we will shift focus somewhat from emphasising community events - although, when possible, these will continue - to using the campaign message in one-on-one conversations with clients, doctors and other influencers who can inspire others to get their hearing tested. We believe this will help keep test counts high, enabling us to continue to increase the number of hearing aids given through the campaign.



Giving back

Philanthropic contributions

Our foundation ownership is a large part of our DNA. It ensures stability in the long run, and it allows us to reinvest in people and society in the name of hearing healthcare and audiology in the best way possible.

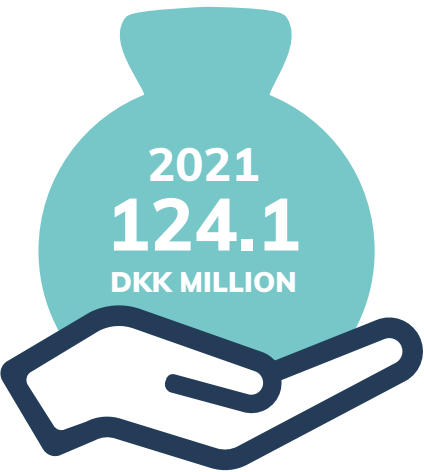
Societal reinvestments

When William Demant and his wife Ida Emilie donated the shares in the company to the charitable William Demant Foundation back in 1957, we got a unique ownership structure, plus the opportunity to continue to grow and evolve our group. Today, based on a wish to separate grants and donations from the commercial activities of Demant brands, we channel our purely philanthropic activities through the Foundation.

William Demant Foundation reinvests in society by donating to altruistic causes and by expanding its sustainable investments. Since 1957, the Foundation has donated more than DKK 1 billion, particularly to research projects and knowledge sharing within the field of audiology and hearing impairment. To support the board of William Demant Foundation, three experts within audiology and other related fields provide their expertise and guidance, while helping to ensure that applications are reviewed in a professional manner.







In 2021, William Demant Foundation granted a total of DKK 124.1 million to 1,627 projects, some of which are highlighted on the following pages.

By means of its charter (which can be found in Danish [here](#)), the Foundation works with four core categories for distributing its funds: audiology and hearing impairment; social and humanitarian causes; art and culture; and education and science.



Audiology and hearing impairment

The Foundation allocated **DKK 71.4 million** to support projects that can prevent and alleviate hearing loss. This includes research within audiology and psychoacoustics in large research institutes and smaller research groups or by individual researchers, such as those below.

					
DKK 17 million (over 5 years) to the Technical University of Denmark to establish a brand new Centre for Auditory Neuroscience in collaboration with clinics and the hearing aid industry.	DKK 5.6 million to the National Center for Rehabilitative Auditory Research in the US to study how hearing aid settings relate to clinical estimation of spectro-temporal modulation detection abilities.	DKK 3.3 million for University of Waterloo to develop physiological measures to assess listening effort and fatigue during interactive communication.	DKK 2.7 million to East Carolina University for studying clinical implications of sensitivity to pulse phase duration in cochlear implants.	DKK 3.6 million for Aalborg University to do a research project about the TVR chair, and how it can alleviate ear stones. The TVR chair is a unique tool for diagnostics and treatment.	DKK 4.5 million for the Danish Deaf Sports Association to support its work to ensure inclusive and effective sports activities for people who are deaf.

Giving back

Social and humanitarian causes

DKK 4.4 million were allocated to social initiatives with focus on health and well-being among children and young people, such as projects and information campaigns that aim to relieve social isolation.



Ida Institute

For several years, as part of its contribution to audiology, William Demant Foundation has allocated funds for the **Ida Institute** in Denmark. Ida is a non-profit organisation that builds a community based on person-centred care to empower people to seek the hearing healthcare they need. In collaboration with clinicians, academics and people with hearing loss, the institute offers resources that help people expand knowledge, skills and confidence to better manage hearing loss.

Since 2007, the Foundation has supported this work with approximately **DKK 12 million** annually.

Today, the Ida Institute has a community of more than 18,000 hearing care professionals and partners with 28 leading organisations in hearing care. This includes patient associations, professional organisations and universities around the world – all to advance person-centred care in hearing.



DKK 3.5 million to UNICEF fight coronavirus

In 2021, the Foundation granted **DKK 3.5 million** (USD 530 thousand) to vital corona vaccines, health protection and treatment benefitting children, families and healthcare workers in vulnerable communities around the world. The funding goes to UNICEF and the ACT-A programme, which helps low- and middle-income countries tackle the coronavirus pandemic. [Read more here.](#)

Contributing to world health is the key sustainability goal of the Demant Group, and the donation from the Foundation will support UNICEF and partners in their goals to:

- deliver more than 4 billion coronavirus vaccines,
- deliver 988 million diagnostic tests,
- support treatment of 120 million cases,
- support 2.7 million health workers with personal protective equipment.

Art and culture

William Demant Foundation granted **DKK 32 million** to large and small projects that serve a cultural purpose, mainly within music, but also film, dance, theatre and shows as well as projects with an ecclesiastical purpose. A few examples from this year follows below.



DKK 600,000 in a two-year partnership with the Foundation for Entrepreneurship in Denmark to create and develop teaching material for an annual Danish Entrepreneurship Festival.

DKK 1 million to establish a new Refugee Museum of Denmark.

DKK 500,000 to The National Gallery of Denmark, SMK, to exhibit 17 female artists who all work with searing societal issues in their art.

DKK 300,000 to KLANG - Denmark's largest Avantgarde Music Festival in Copenhagen.

Education and science

Every year, William Demant Foundation allocates a large amount of its funds to support education. In 2021, the Foundation granted **DKK 16.3 million** for research projects and overall education such as when young people study abroad.

Environment & climate



SDG 12 is central to our application of a circular mindset. Challenging business as usual, we reduce, reuse, recycle and replace materials in our operations, production, products and packaging.



We are dedicated to reducing our climate impact and committed, in 2021, to the Science Based Targets initiative. We strongly believe all large-scale companies can do their part to combat climate change. By addressing our emissions, we have the potential to make a solid contribution to goal 13.

Key performance data

	Unit	2021	2020	2019	2018	2017	Target
Scope 1 emissions	Tonnes CO2e	8,040	5,019	7,489	7,076	4,368	Minimum 50% re- duction in scope 1+ 2 emissions in 2030 (2019 baseline)
Scope 2 CO2e emissions	Tonnes CO2e	22,548	18,121	20,107	17,735	19,897	
Scope 1 and 2 emissions per employee	Tonnes CO2e	1.96	1.59	2.03	1.98	-	
Energy consumption	GJ	335,195	-	-	-	-	-

Our approach

Caring for our planet

All companies can do their part to combat rapid climate change, biodiversity loss and other challenges facing our planet.

We have an ambition to ensure that we continuously address our own impact on the climate and environment.



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, productions and products.



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

Our ambitions are realised through group initiatives as well as individual projects in our five business areas. On an everyday basis, our [Code of Conduct](#) guides our practices laying out our principles for environmental responsibility and reduced climate impact.

While we have not yet identified any material risk to our company from climate change, they might occur in the future. The planet is under pressure, and the world is currently experiencing supply chain risks linked to this. As for our own risk of negatively impacting the environment, we must decouple our emissions from our business growth. As a growth company, we cannot deny that our operations present a risk of negative impact on the climate and environment if we are not able to transition to net-zero emissions or live up to our environmental ambitions.



Our climate impact

Climate action

In 2021, we took an important step forward in our journey to work with our climate impact with an ambitious commitment to the Science Based Targets initiative, baselining our scope 1 and 2 emissions and mapping our scope 3 emissions through a spend-based materiality assessment.

Topic	2021 Target	Results	2022 Targets
Climate action and reporting	Further qualify our data on scope 1 and 2.	Target met. Robust 2019 baseline for scope 1 and 2 established and projects identified.	Green energy transition and electric fleet projects.
Climate action and reporting	Set targets for emission reductions.	Target met. Overall Group targets set, and commitment made to the Science Based Targets initiative.	Validate targets with the Science Based Targets initiative.
Climate action and reporting	Scope 3 materiality assessment conducted.	Target met. Group and business area scope 3 materiality assessment concluded.	Improve scope 3 data quality and initiate projects for top two categories.
Data quality	Commence implementation of new robust climate reporting system.	Target met.	Finish global roll-out of reporting system.

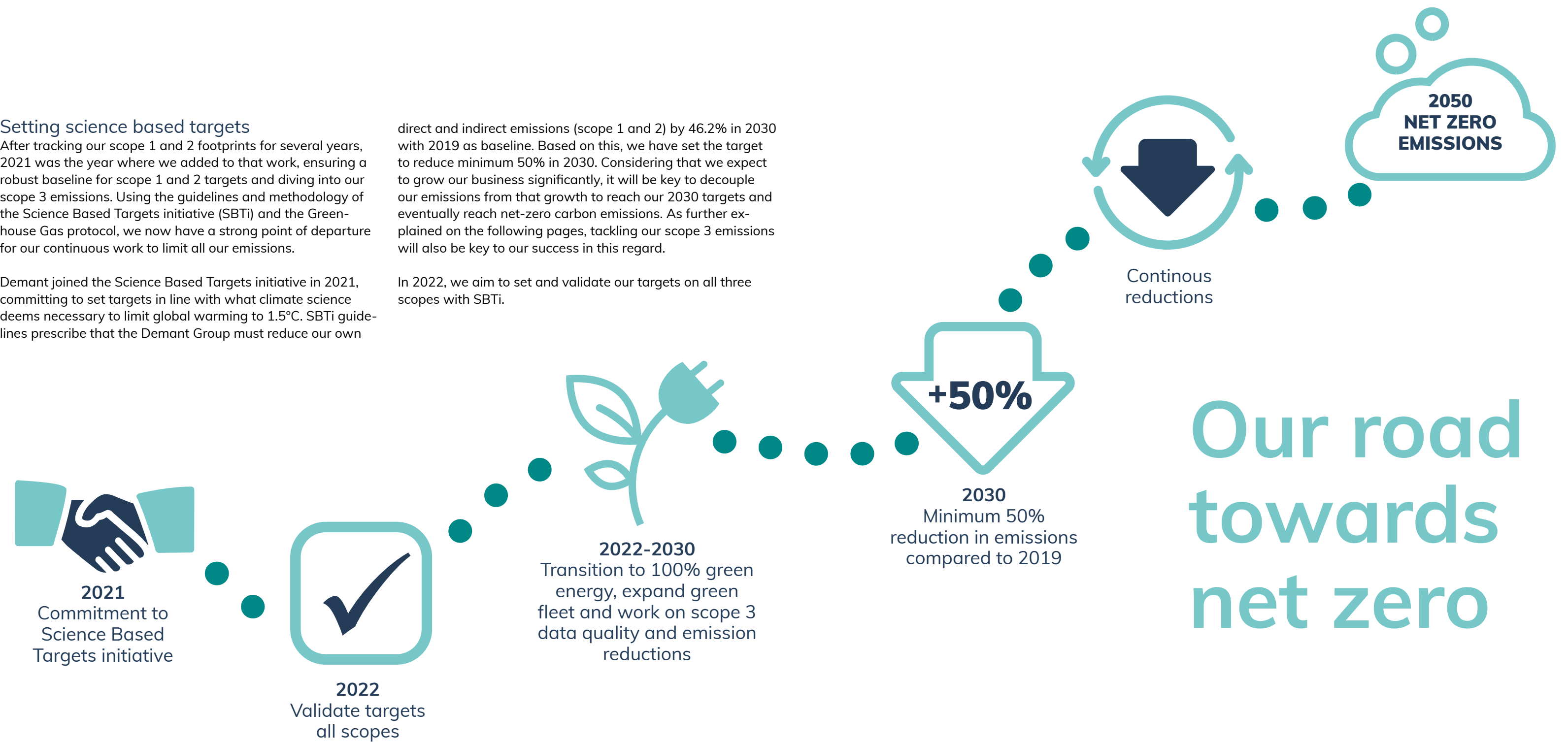
Our climate impact

Setting science based targets
After tracking our scope 1 and 2 footprints for several years, 2021 was the year where we added to that work, ensuring a robust baseline for scope 1 and 2 targets and diving into our scope 3 emissions. Using the guidelines and methodology of the Science Based Targets initiative (SBTi) and the Greenhouse Gas protocol, we now have a strong point of departure for our continuous work to limit all our emissions.

Demant joined the Science Based Targets initiative in 2021, committing to set targets in line with what climate science deems necessary to limit global warming to 1.5°C. SBTi guidelines prescribe that the Demant Group must reduce our own

direct and indirect emissions (scope 1 and 2) by 46.2% in 2030 with 2019 as baseline. Based on this, we have set the target to reduce minimum 50% in 2030. Considering that we expect to grow our business significantly, it will be key to decouple our emissions from that growth to reach our 2030 targets and eventually reach net-zero carbon emissions. As further explained on the following pages, tackling our scope 3 emissions will also be key to our success in this regard.

In 2022, we aim to set and validate our targets on all three scopes with SBTi.



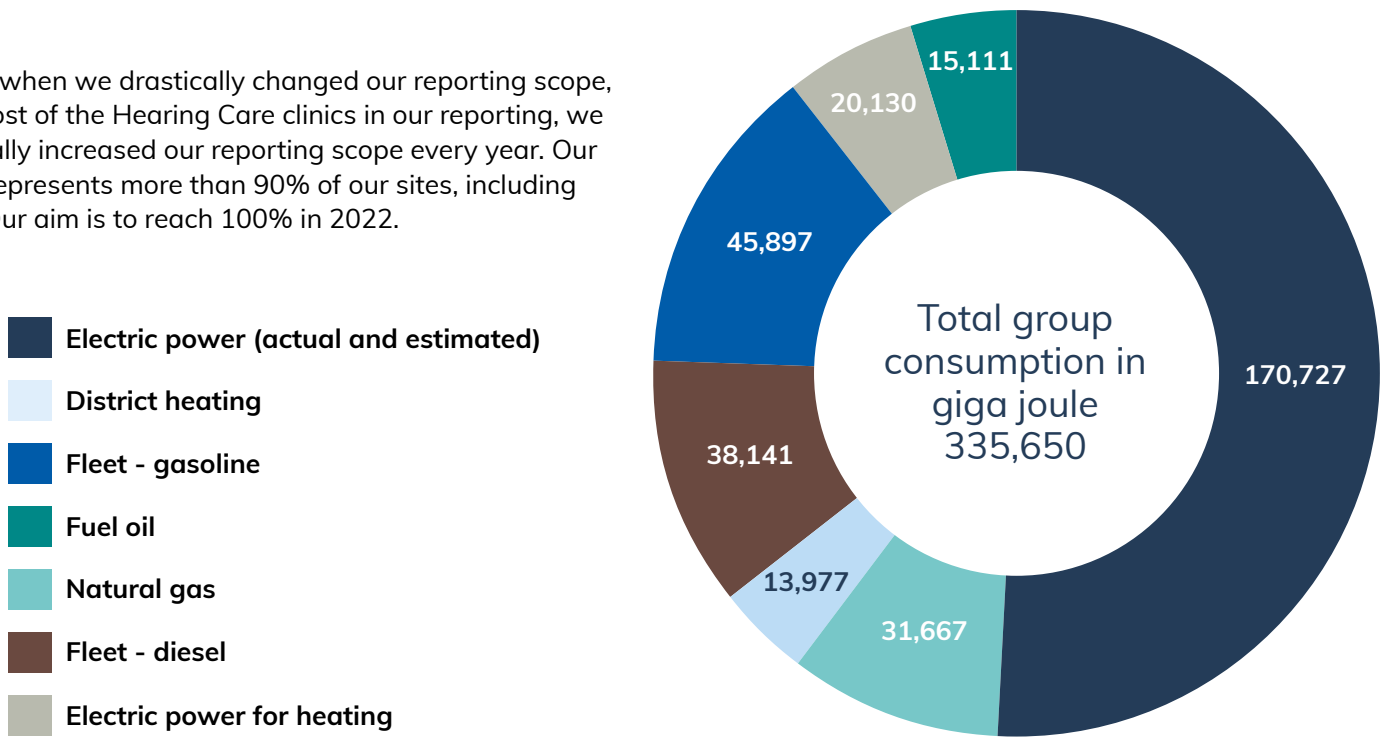
Our climate impact

Our own direct and indirect emissions

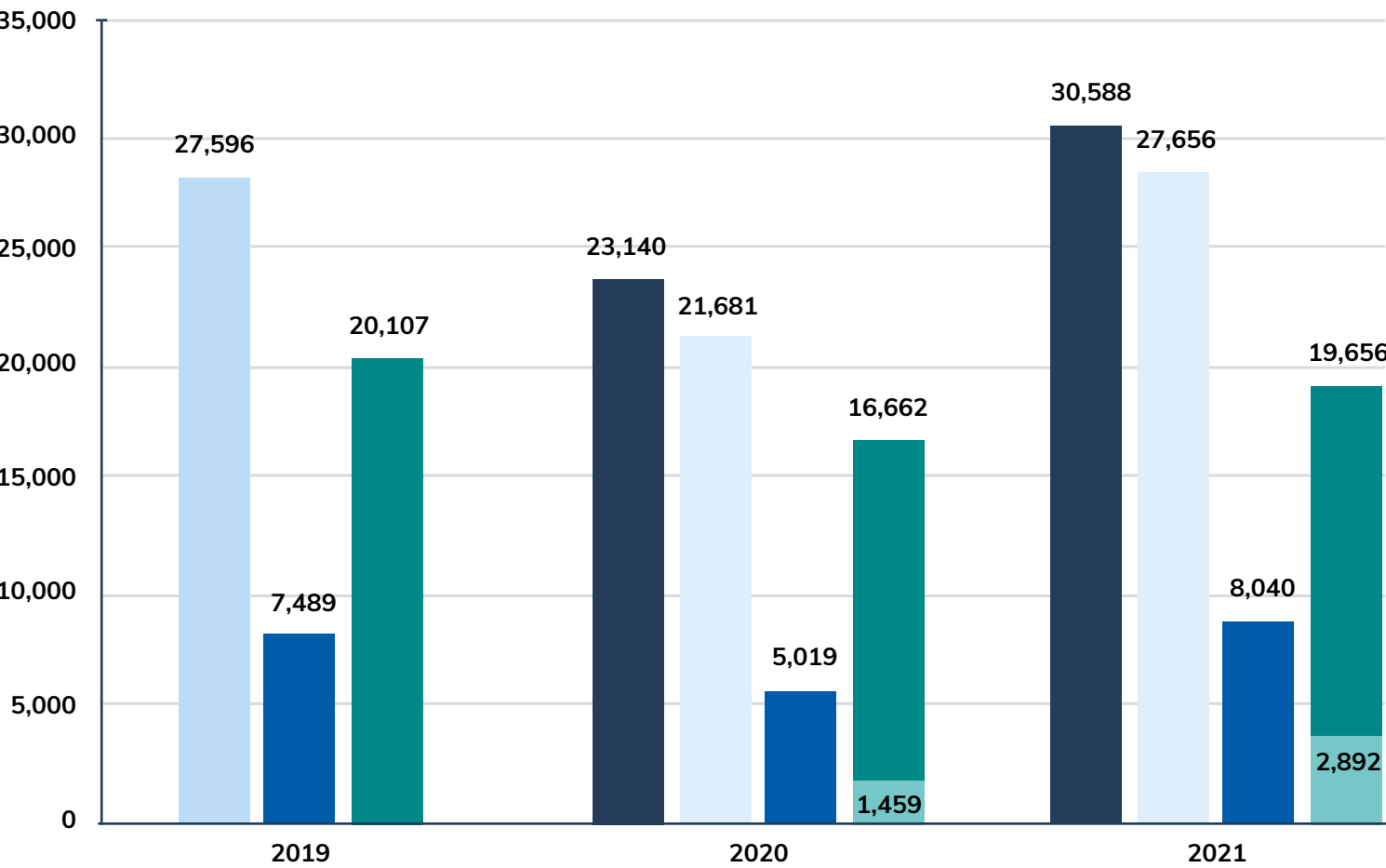
We report on scope 1 and 2 and continue to improve our data to track our progress.

After a large decrease in emissions in 2020 due to corona lockdowns, we saw a rise in our global emissions. Considering our Group's growth in 2021, we have succeeded in decreasing our emissions per employee compared to 2019 slightly. However, our ambition for 2022 is to begin an ambitious transition to green energy to decouple our growth from our climate impact.

Since 2017, when we drastically changed our reporting scope, including most of the Hearing Care clinics in our reporting, we have gradually increased our reporting scope every year. Our 2021 data represents more than 90% of our sites, including estimates. Our aim is to reach 100% in 2022.



Group emissions, tonnes CO2e



- Group total including estimated scope 2 emissions
- Group total scope 1 and 2 actual emissions
- Scope 1 actual emissions
- Scope 2 actual emissions
- Estimated scope 2 emissions from non-reporting Hearing Care clinics

Emission factors
Scope 1: National or regional emission factors were used following the guidance of GHG protocol:

- Department for Environment, Food & Rural Affairs (DEFRA) CO2 Emissions from Fuel Combustion and Refrigerants,
- US EPA Emissions & Generation Resource Integrated Database (eGRID) for US locations,
- International Energy Agency (IEA) Emission Factors database for remaining locations.

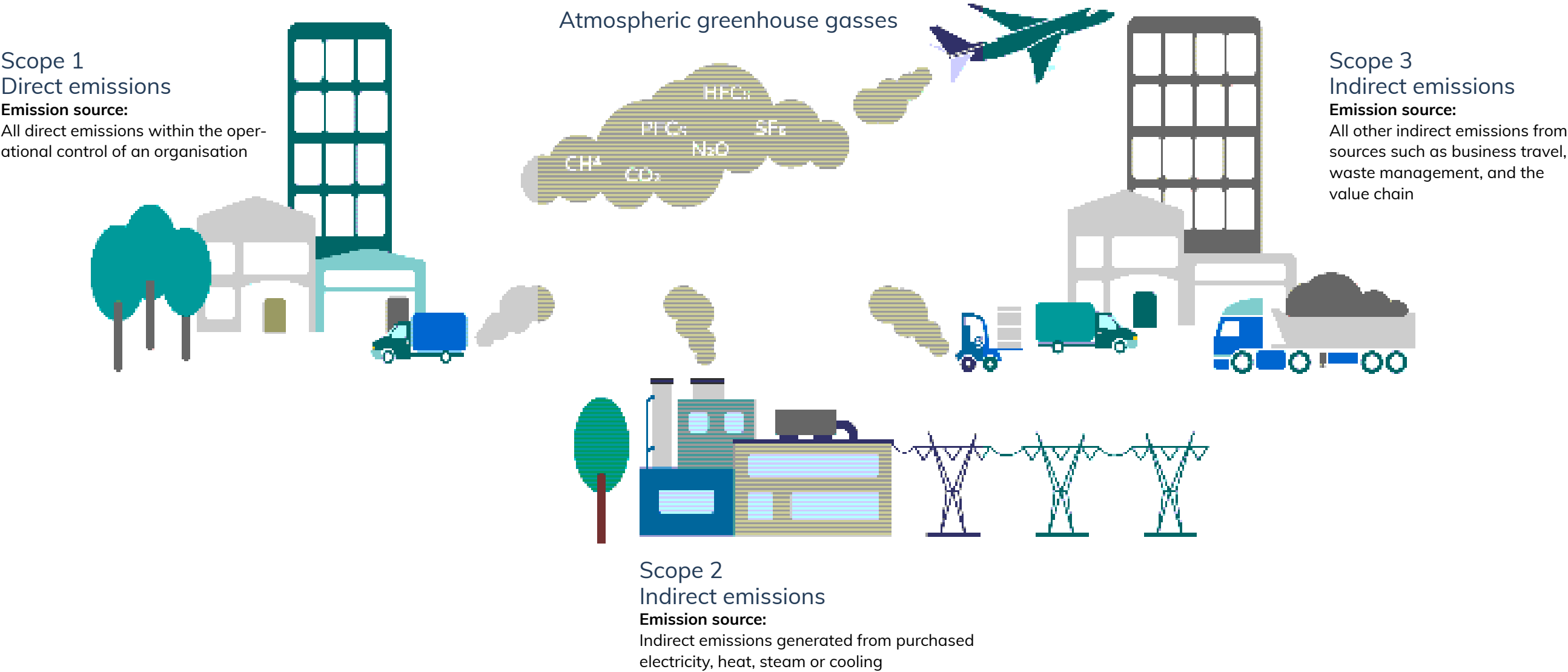
Scope 2: Depending on availability, residual mix or location-based emission factors were used following guidance of the GHG Protocol.

Our climate impact

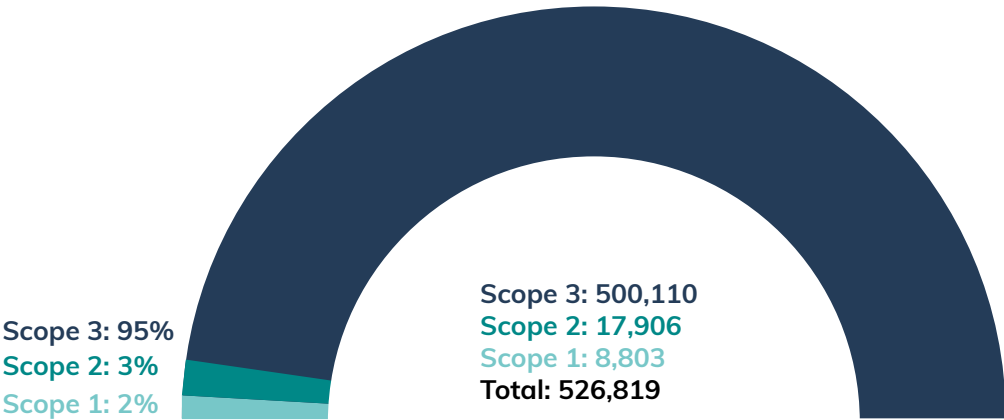
Assessing our full value chain footprint

Mapping the emissions from our entire value chain by adding a scope 3 materiality assessment based on spend-data to our 2019 scope 1 and 2 baseline, we unsurprisingly discovered that our scope 3 emissions account for most of our footprint.

Scope 1, 2 and 3
The Greenhouse Gas (GHG) Protocol classifies a company's GHG emissions into three 'scopes', illustrated below.



Our climate impact

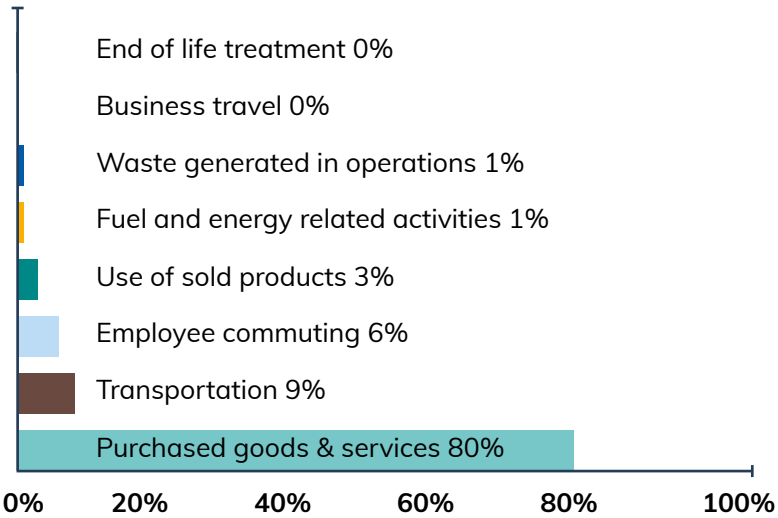


Our 2019 baseline
2019 was chosen as our baseline year, as it was the latest representative year before we saw a significant drop in energy and fuel consumption as well as general purchasing of materials, products and services in 2020, mainly due to coronavirus.

Though our scope 1 and 2 emissions might seem insignificant compared to scope 3, this is where we have the most power to act in the short term and must act having committed to SBTi. Looking into our data, it is evident that to reduce our emissions and meet our commitment to the SBTi, we must realise our ambition to transition completely to green energy and introduce more electric cars to our fleet over time.

To reduce our scope 3 emissions, the journey is less straight forward, though for the first time we have a good overview of where our actual impact is the greatest. Among the 15 categories under scope 3 defined by the GHG protocol, our purchased goods and services, more specifically electrical equipment, account for most of our scope 3 emissions. This means that we must further explore our own practices and efficiency as well as engage and collaborate with suppliers and manufacturers, as their transition to green energy can make the biggest impact on our scope 3 emissions. Further underlining our ambitions and previous assumptions, the materiality assessment also confirms that our upstream and downstream transportation is material for us to work with under scope 3.

We are now ready to take action. We conducted the scope 3 materiality assessment on business area level, allowing us to identify individual trends and shared focus areas across the business.



Scope 3 emissions breakdown
Though two categories show 0 emissions, Demant does have emissions in these categories. However, they make up less than 1% of our total scope 3 emissions.

Our climate impact

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 companies to report their environmentally sustainable economic activities, hereunder revenue, operating expenses (Opex) and capital expenditures (Capex) which are eligible under the taxonomy.

A delegated act has specified two environmental objectives, and a list of activities included, to be contained in the reporting for 2021: climate change mitigation and climate change adaptation. Demant’s disclosure for the year 2021 are within these objectives.

Demant is a hearing healthcare and audio technology group with product and services which alleviates hearing loss and support virtual collaboration and gaming. According to our understanding of the regulation, we do not have revenue activities which are taxonomy-eligible, and thus we only report on economic activities related to Opex and Capex as defined by the delegated act and list of activities.

Capex
Capex equals the sum of intangible and tangible assets minus goodwill. Taxonomy-eligible capex is calculated from the following economic activities:

- Activity 7.1 Construction of new buildings
- Activity 7.2 Renovation of existing buildings
- Activity 7.7 Acquisition and ownership of buildings
- Activity 8.1 Data processing, hosting and related activities
- Activity 8.2 Computer programming, consultancy and related activities

In the costs, we have included the Group’s expenditures that we consider eligible under the mentioned economic activities.

Opex
Opex equals the sum of R&D, transportation and admin expenses. For the Group, Taxonomy-eligible opex includes:

- Activity 6.2 Freight rail transport
- Activity 6.6 Freight transport services by road
- Activity 6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities
- Activity 8.1 Data processing, hosting and related activities
- Activity 8.2 Computer programming, consultancy and related activities

In the costs, we have included the Group’s expenditures that we consider eligible under the mentioned economic activities.

Opex	
Taxonomy-eligible economic activities	Proportion of Opex
6.2 Freight rail transport	0.08%
6.6 Freight transport services by road	0.60%
6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities	0.28%
8.1 Data processing, hosting and related activities	0.37%
8.2 Computer programming, consultancy and related activities	0.42%
Total	1.75%

Capex	
Taxonomy-eligible economic activities	Proportion of Capex
7.1 Construction of new buildings	1%
7.2 Renovation of existing buildings	0.20%
7.7 Acquisition and ownership of buildings	0.10%
8.1 Data processing, hosting and related activities	0.83%
8.2 Computer programming, consultancy and related activities	2.10%
Total	4.23%

Reduce, reuse, recycle and replace

Designing greener products

We want to improve ways in which we can design greener Demant products. To support this, we form strategic partnerships and grow our positive impact while learning from others’ best practices.

Since 2017, Demant’s Hearing Aids business has collaborated with Philips to become brand licensee for the Philips Hearing Solutions brand, which was introduced in 2019. Through such partnerships, we co-create value from the expertise within two different companies.



Responsible Business Alliance

As brand licensee our products must comply with Philip’s Sustainable Manufacture Requirements. To ensure this, we carry our RBA (Responsible Business Alliance) audits every third year at production sites. The audits include in-depth evaluations of the social, ethical, occupational health and safety and environmental performance.



Substances

As a market leader with sustainability, Philips’s requirements bring value to all Demant brands. The collaboration also confirms that Demant are on track with much of what we do:

- Total alignment and strong cooperation between our **substance restricted list** and Philips RSL (regulated substances list) which combines legal, industry, and Philips voluntary requirements.
- Strong engagement and motivation for the Material and Chemical team to work with an external partner who share the same focus of interest and overall goals.



Green products

At Demant, we are experts in audiology, and Philips sits on core knowledge about consumer electronics. The aim of green products is to make the world more sustainable, and together our two companies can get one step closer toward this ambition.



Focal areas	Desired end-points
Circularity	> 100% energy efficiency
Packaging	> Use of recycled materials
Substances	> Use of materials of renewable sources
Materials	> No harmful substances

Reduce, reuse, recycle and replace

Limiting waste

As part of Demant’s efforts to reduce, reuse, recycle and replace, we continue to find ways to limit waste as well as to consider how to create more value from the waste we do generate. From tools for production to packaging for products - we introduce more sustainable materials and methods.

Topic	2021 Target	Results	2022 Targets
Hearing aids, packaging	Implement new packaging on all hearing aids brands.	Target met.	80% recycled plastic insert for hearing aids travel charger packaging going forward. Hearing aids plastic blister in min. 50% recycled plastic (RPET). Replacement for Neodymium-magnet in hearing aids packaging.
Hearing aids, POS	All new releases of clinical display elements should be made of recycled materials.	Target met.	Where possible, use recycled materials for next generation of POS portfolio – including the POS shipping packaging.
Hearing aids, accessories	Replace non-certified paper and cardboard with FSC-certified options where possible.	Target met.	Implement recycled plastic where possible.
Hearing aids, materials	Continue to investigate ways to reduce, reuse, recycle and replace.	Target met.	Implement process.
Hearing aids, materials	Make material savings by optimising production tools in new areas of production.	Target met. 78% less plastic on damp-ing element for hearing aids.	Replicate process on other elements.

Reduce, reuse, recycle and replace

Limiting and reusing waste

Although our [scope 3 materiality assessment](#) showed that our waste accounts for a very small portion of our emissions, it is on our agenda to create less waste, and do what we can to put our waste into good use. When it comes to limiting waste, activities within Demant's Hearing Care business, as well as Operations in other parts of our Hearing Healthcare business, are strong focal areas. To be sustainable, it is important that we can grow our business without increasing, or even while reducing, the materials we use, and the waste we generate. Consequently, we continue to introduce more environmental-friendly packaging as well as optimise and implement more circularity in our production.

Packaging

Hearing aids are considered medical devices in all the markets we operate in. Therefore, we comply with all national and international regulations for packaging. While doing so, we continue to challenge status quo and introduce more sustainable packaging.

In 2021, we introduced new refill dome-packaging in RPET material, which is made out of 100% recycled plastic.

We also updated elements of POS (Point of Sale):

- A Non-coated 100% recycled ABS plastic clinical display set, wrapped in 100% bio-degradable non-toxic paper, packed in FSC-certified and recycled cardboard with instructions of use printed directly on the packaging.

Moreover, 170 countries worldwide have already pledged to reduce the consumption of single use plastic by 2030 and many more will join. Such development is great fuel to continue reducing this type of plastic in our hearing aid merchandise. Therefore, we have investigated ways to introduce a new type of merchandise bag for multiple-use. The current test is made out of 20% recycled fabric, and our suppliers furthermore indicate that customers are 90% more prone to re-using such a bag than a regular plastic bag.

In 2022, we will:

- Introduce travel charger in FSC-certified cardboard packaging that includes an 80% recycled plastic insert, and we focus on making it easy to take apart for scraps.
- Introduce an innovative solution to replace the neo-magnet in our hearing aid packaging, estimated to reduce the carbon footprint of the box with approximately 25%.



Reduce, reuse, recycle and replace

Production tools

We continue to bring forward new innovative practices in our production to improve the way we manage and consider waste when updating production tools. Previously, this has led to significant material reductions, including 11.5 tonnes plastic in 2021.

To continue this path, we further built upon the same philosophy and implemented it into new parts of our production.

As a result, we have identified strong potential when it comes to limiting and reusing waste, some of which are highlighted below. For reference, an element refers to one of our hearing aids accessories, including but not limited to wax filters, handles and domes. Our efforts are structured around material-heavy elements, but we also consider where there is most impact to achieve.

Reducing plastic use for hearing aids and components by more than 15%:

- We can grind waste from filter production into plastic granulates and use it to produce new handles, reusing 9 tonnes of plastic per year,
- we will introduce a new moulding tool to produce handles, eliminating more than 11 tonnes plastic per year,
- we will redesign all plastic components of one of our chargers to reduce 12-40% across all plastic parts of the charger,
- we have reduced materials by 78% on a damping element in some of our hearing aids, saving 400 kg of plastic per year.



Reduce, reuse, recycle and replace

Environmental management

Driven by a wish to become more sustainable and get certified based on our activities, we work to become better at managing environmental aspects and impacts.

Topic	2021 Target	Results	2022 Targets
Diagnostics, packaging	Find ways to reduce footprint of new product packaging.	Target met. Plan to replace materials based on product life cycle assessment.	Replace material on several packaging components with recycled materials.

Reduce, reuse, recycle and replace

Certifications in Communications

In our Communications business, EPOS, all main contractual suppliers hold relevant certifications, including the ISO/EN14001 Environmental certification.

The EPOS products fall under the EU mandatory WEEE (Waste Electrical and Electronic Equipment) regulations, and there are global sub-contractors for customer returns under warranty or returns for scrap. These are handled according to regulations applicable in specific regions.

ISO14001

In 2021, our largest Diagnostics brand, Interacoustics, progressed with a large effort towards updating their environmental management system (EMS). The project addresses the entire product life cycle of different diagnostic equipment to assess what we can do to reduce our environmental footprint. Based on this, Interacoustics' headquarters in Middelfart plan to apply for an ISO14001 certificate. The certifying audit is scheduled for March 2022. The Diagnostics' production and storage site in Mierzyn, Poland, already holds an ISO14001 certification from 2020, and other Demant sites are certified or in progress as well.

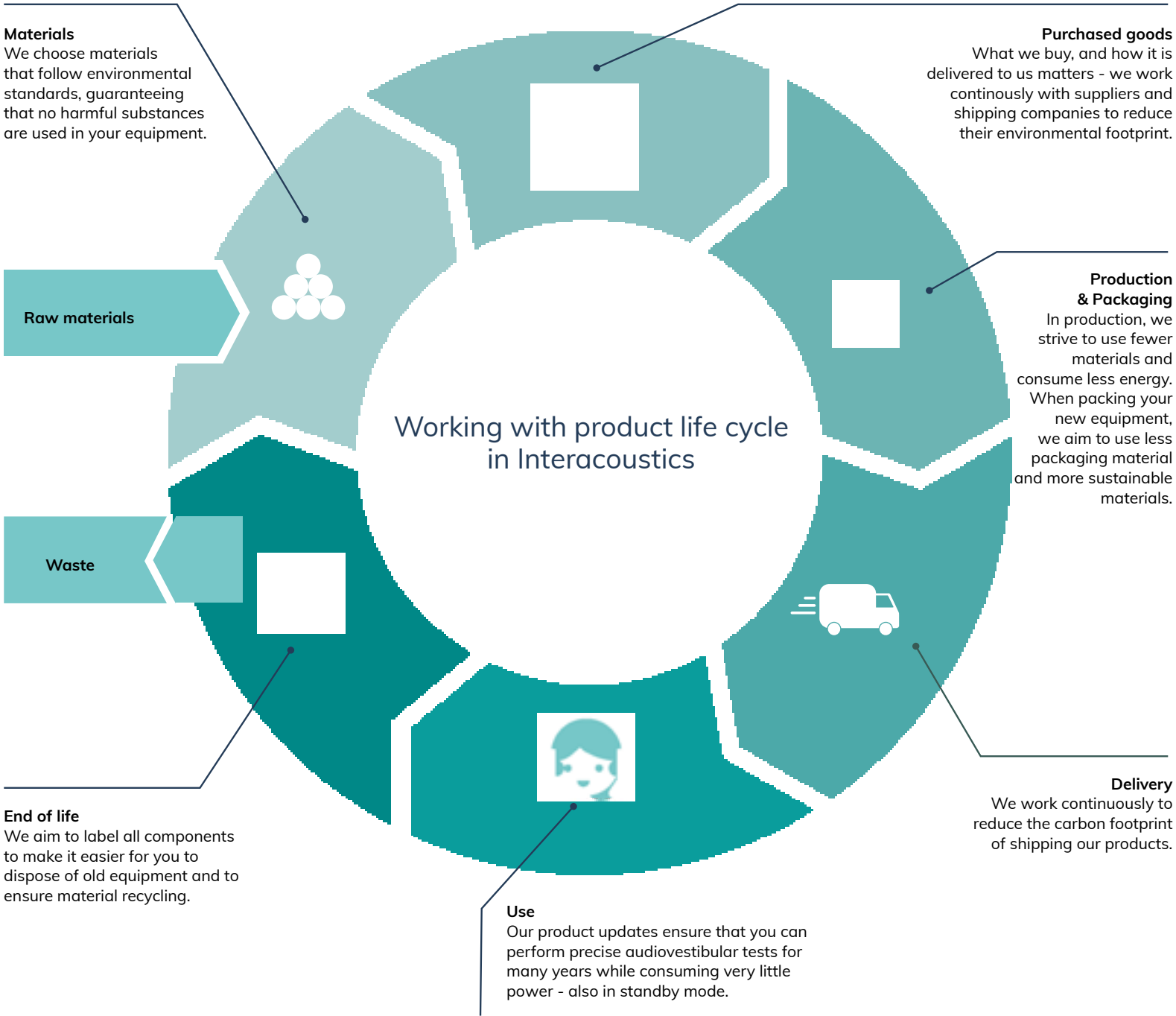
Work tracks

In 2021, and continuing in 2021, a focal point was to reduce the footprint of new products from product development to packaging. This included the use of electricity, waste generation and using reusable or recyclable components. It further targeted the building of environmental improvements into new product requirements, and a project was launched to introduce more sustainable packaging and shipment materials.

Together, Diagnostics carry 130 different instruments that all call for different ways of packing. Based on thorough tests, the goal is to introduce several alterations, including shifting to:

- tape made from 100% recycled materials,
- stretch foil made from 80% recycled materials,
- plastic bags made from 50% recycled materials,
- cardboard made from 100% FSC or re-cycled resources.

These are considered the most eco-friendly yet sufficient solutions to keep the diagnostic equipment safe on every step of the journey from production to customer.



Business ethics & governance



Demant was founded on high ethical standards. Through our Business Ethics Programme we contribute to eliminate bribery and corruption under SDG 16.

To us, business ethics are an undeniable part of conducting a sustainable business and fundamental for a global society to achieve sustainable development.

Key performance data

	Unit	2021	2020	2019	2018	2017	Target
CEO remuneration ratio	Times	35	36	35	33	36	-
Product recalls	#	1*	0	0	0	0	0
Whistleblower reports	#	48	-	-	-	-	-

*Voluntary field corrective action

Our approach

Ethics and quality come first

Demant acts responsibly, and we are committed to doing business based on high ethical standards and in accordance with the law. We govern this standpoint well and require third parties to do the same, while urging that people raise their voices on behaviour that fails to meet our standards.

At Demant, the high standards we set are reflected in the way we conduct our business and connect with third parties such as customers, partners, including suppliers and distributors. We act upon our responsibility as a societal actor and base this effort on a commitment to doing business based on high ethical principles in accordance with the law. Our business areas and company brands are guided by individual quality policies and robust processes that ensure the highest level of product quality and safety.

To ensure our own ethical behaviour, legal compliance and strengthened responsible practices in our supply chain, we have the following 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 and to do so, we have established a set of processes and relations by which Demant is governed and supervised.

Management structure

Demant has a two-tier management structure, consisting of a Board of Directors and an Executive Board. The general meeting is the supreme authority in all company matters. The company has one majority shareholder, William Demant Foundation, which directly or indirectly holds 55-60% of the shares and voting rights at the general meeting. Read more about how we govern Demant in our [Corporate governance report](#).

Internal control and risk management systems

The Board of Directors and the Executive Board are in ongoing dialogue about the identification, description and handling of the business risks to which the company may be exposed. Any material risks are described once a year in the Annual Plan and Budget, which is approved by the Board of Directors. In the [‘Risk management activities’](#) chapter in our annual report, we review the main elements of our internal control and risk management systems in connection with the financial reporting process.

Remuneration

Demant has adopted a straightforward and transparent remuneration policy for the Board of Directors and the Executive Board. In our [Remuneration report](#), we present the remuneration of the Executive Board and the Board of Directors in 2021, including the newly introduced data point CEO remuneration ratio.

Sustainability governance

The Demant Sustainability Board chaired by Demant CEO, Søren Nielsen, oversees sustainability activities and drives strategic action on the Sustainability Strategy of the Demant Group. The Board of Directors evaluates Demant’s sustainability goals and progress on a yearly basis or ad hoc as needed. Read more on page [25](#).

Tax policy

Our [Demant Group 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 Demant Group Code of Conduct, which reflects our commitment to a high level of business ethics, it is mandatory for management and all employees within the Demant Group 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 Group Tax Policy meets requirements with regards to the UK tax strategy, UK taxation and dealing with HMRC.

Read more at www.demant.com

Global business ethics

IT security

Demant ensure a high level of IT security, stay on track with trends in the cyber landscape and continuously update our control mechanisms to prevent potential threats related to IT.

We do our utmost to ensure an efficient IT setup to support our daily business activities all across the world. A continuous focus is automation, streamlining, monitoring, testing and training, and as compliance is our license to operate, we keep a persistent eye on rising regulatory requirements.

To uphold solid IT security and the IT mechanisms needed to support this, we have initiated several efforts to mitigate risks associated with IT security and prepare Demant for a future in which cyber threats are imminent, and there is a continuous need for a strong, robust and updated IT infrastructure.

A ransomware incident in 2019 further affirmed the importance of cyber security. In the wake of the incident, we launched the Board of Directors Security Committee and the Armstrong security improvement program. The incident taught us the important role that IT has supporting comprehensive documentation, sales, logistics management and knowledge-sharing infrastructure.

In 2021, we focused our efforts on ensuring business recovery capabilities and raise the business protection bar of our infrastructures, both internally and externally. We will continue this work in 2022, with a focus on clients, servers and our production facilities.

IT security policy

It is mandatory for all Demant employees to acquaint themselves with our IT Security Policy and follow guidelines for how to handle company IT equipment. The Policy is internal and covers logging and monitoring, using email, cyber security incidents, internet use, device usage, software and data handling. It is updated regularly to reflect our business.



Global business ethics

Business ethics programme

Our business ethics programme reflects our commitment to a high level of business ethics. It contains our Demant Group Code of Conduct, a global whistleblower system and a portfolio of global policies and guidance within business ethics.

Demant is committed to internationally recognised standards, relevant laws and regulations. Wherever we operate, we strive to meet or exceed local standards, including protection of human rights.

Our Demant Group Code of Conduct outlines and guides expected behaviour within Demant. When dealing with third parties, we use our [Demant Group Third Party Compliance Code](#). Together, these represent the standard of Demant’s global business ethics.

We have ongoing internal implementation exercises, like various read and understand tools, face-to-face training and quizzes in place across the majority of the Group. Implementation is tailored towards business areas and governed within Group Legal and Compliance, supported by a network of 60 business ethics champions locally and in group business functions.

A focal point for this year has been to communicate about and implement the new programme, including training. In 2021, we reached 60% of our total workforce in various levels of implementation exercises and created awareness of the programme, including understanding of our Demant Group Code of Conduct and our Demant Group Whistleblower Policy.

The implementation is based on the concept of “read and understand”, which entails reading policies, training and quizzes. 17% of the total workforce has completed online Business Ethics Quizzes.

Code of Conduct

The code of conduct has policies and principles on an array of business ethics matters.

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

Read more about policies and regulations at www.demant.com/policies-and-regulations

Governing human rights

Demant is committed to internationally recognised human rights standards, relevant laws and regulations, including the Modern Slavery Acts of the UK and Australia, aimed at protecting and promoting human rights globally and at work. Wherever we operate, we strive to meet or exceed local human rights standards. Demant respects freedom of association and the right to collective bargaining. Demant will not accept any form of slavery or human trafficking, use of compulsory labour or the employment of children. 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 violation in 2021. Modern slavery act statements can be found on relevant country entity websites.

Data privacy

Demant is entrusted with personal data on our employees, customers, users and business partners, and we are committed to protecting such personal data through high-level security measures and responsible policies. Collecting and processing personal data must be done in accordance with applicable laws and regulations, including GDPR (EU/EEA), CCPA & HIPAA (US), etc. Failure to comply with the rules may not only have serious consequences for the persons whose data we possess, but may also result in large fines for Demant (up to 4% of Group revenue) if the rules are violated.

Data privacy continues to be among our top compliance priorities. We are aware and highly respectful of the sensitive nature of the personal data that our customers, users, employees and other stakeholders entrust us with. As planned, for 2021 we had a special focus on providing general training to all relevant employees in Europe. This has been accomplished with success, and the awareness of data privacy rules has improved. As a result, the number of reported data subject requests and data breaches has increased.

We have also continued to monitor the international developments in the privacy landscape. As a result of this, we have made great efforts to ensure that our South African company is compliant with the new Protection of Personal Information Act (POPIA) by onboarding them to our general privacy framework. Our team of privacy professionals has also grown considerably in size (50%), allowing us to strengthen our efforts in privacy and to make our programme even more scalable.

In 2022 we will continue to focus on extending our current privacy programme both geographically and in terms of intensity. By way of example, in the Demant Group, we have agreed on a new Data Ethics Policy in December 2021. The policy is global and covers all processing of data, including personal and non-personal. The policy goes beyond compliance as we already work diligently to ensure the processing of personal data is done in compliance with regulatory frameworks. It is mandatory for management and employees in the companies belonging to the Demant Group to comply with this policy. The policy meets the Danish legal requirement of a data ethics policy as established by the Danish Financial Statement Act Section 99d. Our privacy team will be working with the implementation of this policy and will continue to improve the general privacy programme for the benefit of all our customers, end-users and employees.

Global business ethics

Business partner relations

International conventions, laws and standards (Foreign Corrupt Practices Act, the UK Bribery Act, UN Global Compact & OECD) require that companies must have adequate procedures in place and perform due diligence of third parties to avoid collaboration with corrupt third parties. Furthermore, we have an obligation to ensure that third parties operate ethically and uphold human rights. 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 the risk of corruption is high. We base our evaluation of risk on the Transparency International Corruption Index. The process is anchored with our anti-corruption programme and includes the collection of information via questionnaires and commitment to the Demant Group Third Party Compliance Code. In some instances, we perform our due diligence more in depth.

In 2021, we performed a total of 75 due diligences. We have performed sanctions checks for distributors engaging in business in countries subject to EU and US sanctions. In total, we carried out sanctions checks of 10 distributors.

Anti-corruption

We oppose corruption wherever we do business. It is part of our fundamental principles that we compete for business on fair terms, solely on the merits of our services. Corruption is a criminal offence in most jurisdictions and as a global group, we adhere to all applicable laws and regulations in the markets where we operate. This includes but is not limited to: the United Nations Conventions against Corruption, the Foreign Corrupt Practices Act and the UK Bribery Act.

The most significant risk of corruption is related to doing business in and collaborating with third parties from countries where corruption is high. We are aware of this and monitor the Transparency International Corruption Index for guidance. Our highest risks are typically in our export business to emerging markets.

We understand that failure to comply with laws on anti-corruption can have serious adverse consequence on our business. We adhere to our Demant Group Anti-Corruption Policy which includes rules and sets the minimum standard for all employees. It is also publicly available [here](#). In addition to the group policy, we have developed individual appendices for each business area providing scenarios and examples relevant for the particular area of business.

By means of our global presence, we also operate in countries where laws on anti-corruption are flawed, not followed or even not enforced. At a minimum, our policy shall always be applicable to govern employee behaviour regardless of local regulation and enforcement. We value our business integrity and do not accept any budgetary commitment as justification for violation of our policy on anti-corruption. We have not received any reports on breaches of anti-corruption in 2021.

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Global business ethics

Whistleblower Scheme

Should any employee or business partner encounter serious, sensitive or improper conduct that fails to comply with policies and requirements of our business ethics programme, our whistleblower hotline provides a secure and confidential platform to inform about concerns.

The Demant Group Whistleblower scheme contains a Whistleblower Policy, our Whistleblower Hotline and guidelines for investigation.

Hotline

The group hotline is a global reporting system through which concerns can be raised confidentially, anonymously and without retaliation if provided in good faith. It is available in multiple languages so a report can always be provided in local language. The hotline is available on our website, various internal platforms and via the Demant Business Ethics app. The hotline is operated by an external systems provider and incoming reports are handled timely by Group Legal and Compliance.

Investigations

We perform timely investigations of reports when relevant. We deploy a template for whistleblower reports and have guidelines for investigation, formulated by Demant Group Legal & Compliance. This functions as a practical guide for anyone responsible for conducting investigation as an action following a reported case. As part of this, Demant ensures that any report filed is treated carefully and genuinely, while we guarantee protecting people from reprisals and retaliation while upholding privacy and anonymity. We ensure that the process follows laws and regulations and protects the whistleblower.

Awareness and trust in our system

In order for a whistleblower system to work as intended, it is imperative that all employees are aware of our hotline, how to report and what kind of protection they have. This is regulated in our policies, guidelines and principles that apply to them. We aim to build trust in our system from all employees. Moreover, we want to further mature the business ethics programme, including increasing awareness and training to ensure implementation.

In 2021, 48 cases were reported through the Demant whistleblower system. Reports covered a broad range of the subjects in scope for our hotline. A large number of the reports were related to HR matters and workplace environment (harassment and discrimination). Group Legal and Compliance reports all whistleblower cases to the audit committee on a regular basis.

Governance regarding potential reports on our top management is regulated in our Demant Group Management Protocol.



Global business ethics

A responsible supply chain

Demant collaborates 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, and work across business areas to harvest group synergies.

By means of our different business activities, Demant is required to adhere to international conventions to safeguard that our suppliers are ethical, non-corrupt and comply with our standards as well as adhering to number of regulations, such as the FDA, ISO13485 and Medical Device Directives. As a consequence, proper measures must be taken when working with and evaluating suppliers, for instance for suppliers within calibration of equipment and machinery, certification and certain advisory services.

Demant’s direct suppliers are mainly linked to manufacturing. To ensure compliance, we require that direct suppliers are signed under the Demant Third Party Compliance Code, which is part of our **Compliance and business ethics programme**.

The code describes international standards and specific criteria which govern aspects of human and labour rights, including forced labour, child labour and young workers; freedom of association and non-discrimination; health and safety measures; environmental protection and privacy and ethics, including bribery and corruption.

Variations depending on business area
Some of Demant’s business areas deploy varying practices in order to offer world-class, high-quality products and services to our customers and users. In the following, we unfold such variations as well as report on relevant activities of 2021.



Global business ethics

Hearing Aids

Within our Hearing Aids business area, we engage suppliers that are directly related to manufacturing but also indirectly to the goods and services that enable operation.

The direct suppliers we collaborate with to manufacture and distribute hearing aids and the external parts for hearing implants are mainly manufacturers of electromechanics, electronics, mechanics, production consumables and material supporting packaging and marketing activities.

During 2021, we dealt with 330 direct suppliers out of which 319 were signed under the Demant Group Third Party Compliance Code. Out of all 330 direct suppliers, 11 were not signed yet due to the current pressure on supply markets. We require of these to sign when possible, corresponding with our procedures.

Year	Active Direct Suppliers	Signed Direct Suppliers
2018	360	309 (86%)
2019	381	313 (82%)
2020	327	322 (98%)
2021	330	319 (97%)

Supplier risk assessment and sustainability audit

Our procedure does not imply that suppliers re-sign annually. Instead, we have a due-diligence process in place through which we frequently risk assess our direct suppliers based on their ability and willingness to comply with our Third-Party Compliance Code. The assessment considers business sector and certified management systems, as well as a geographical risk assessment created based on international standards, which takes factors, such as economy, bribery, unemployment, social factors and such into account. We also consider the level to which a potential supplier can be mobilised in Demant’s sustainability agenda so that we direct our effort to where they have the largest impact.

In 2021, we signed eight new direct suppliers. During our procedure, none of these required a risk-assessment.

We did one re-assessment of an existing supplier, which led to a sustainability audit within which we found three critical non-compliances that were handled according to our protocol. Re-assessments are not a part of our standard procedure but is carried out when we identify a need to.

Navigating a global supply chain under pressure in 2021

With no doubt, the global shortage of raw materials – for instance in the market for electronics, compound, paper, cardboard and precious materials, most of which we use in our products – is impacting supply chains and logistics all over the world. However, this has not impacted Demant sales, and we have successfully navigated the markets via close supplier relations and by thinking ahead.

Indirect procurement

Indirect procurement relates to goods and services which allow us to operate our business, like facility, IT and consultancy. Although we do not currently have a shared standard process for indirect suppliers in regard to the Demant Group Third Party Compliance Code today, we continue to work towards this.

During 2021, we engaged in a freight partnership with a new supplier based on their ambitions towards sustainability and their ability to meet our business needs. As part of a wish to adjust to more sustainable methods of freight in terms of price, environmental impact and accessibility, we took – and will continue to take – measures to transport products via ship and train rather than by plane.

New suppliers in 2021

In 2021, we added eight new suppliers, mainly distributors as well as a few mechanical suppliers within Europe. The strains on global supply markets, especially in Asia, made it challenging to add new direct suppliers and consequently, we added European distributors to help us access suppliers within this region. We do not do audits of distributors, but perform due diligences as previously explained, as they are obliged to conduct their own manufacturer and supplier audits.

Global business ethics

Hearing Implants

While the activities within Hearing Aids described above cover parts of our Implants business’ procurement, including the external part(s) of an implant, such as the sound processor, Oticon Medical is responsible for supplier management related to the internal parts of the cochlear implant (CI).

In 2021, Oticon Medical worked with 402 service and production suppliers, out of which 251 are signed under the Demant Third Party Compliance Code. 151 suppliers are not yet signed under the Demant Code of Conduct. The compliance code was implemented into the procedure in 2020, and the work to collect all documentation required for all approved suppliers is still ongoing. Some of the signed suppliers are not yet signed under our Code of Conduct but have their own, which is assessed to be corresponding to the standards brought forward in the Demant Code of Conduct.

Year	Active Direct Suppliers	Signed Direct Suppliers
2021	402	251 (62%)

There is a procedure in place that comprises supplier assessment, based on level of criticality from I-III - I being the most critical - and supplier approval. It includes supplier profiling, Code of Conduct, quality audit, restricted substances and more. For some production suppliers, a third-party assessment (ISO 9001 – ISO 13485 – COFRAC) is made, depending on level of criticality.

A production supplier must be registered to the US FDA if the supplier is involved in the production and the distribution of medical devices intended for commercial distribution in the United States.

Communications

Demant's Communications business, EPOS, operates with contract manufacturing and has thus no in-house production. In this case, suppliers are mainly manufactures located in the East Pacific region with whom we work closely to ensure conformity with Demant Third Party Compliance Code to bring high-quality electronics to market.

Global Operations, including Contract Manufacturing, Planning and Global Quality and Support, is responsible for handling the partnerships. Activities in this area cover maintenance of product documentation to make sure that product information is up to date and correct. It also covers strategic procurement, to secure availability and pricing on larger, material components, such as semiconductors as well as procurement of end-product with our suppliers. Working closely with our partnering manufacturers is key to our operations, and we have teams that oversee this locally with support from EPOS headquarters.

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, which is mainly within Europe. Coronavirus and the impact on global supply of semiconductors in particular has further emphasised this. To mitigate this risk, we work dedicatedly with sub-suppliers to our manufacturing partners to ensure 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.

As part of the Demant Group, EPOS is subjected to the Demant Group Code of Conduct with reference to Demant Third Party Compliance Code in supplier contracts. Main suppliers hold relevant certifications, including ISO/EN14001, ensuring that the production complies with environmental standards and compliance obligations.

EPOS do not oversee audits of its manufacturing partners, as this is outsourced to a third-party partner, SGS. Naturally, EPOS is responsible for conveying Demant standards, including our Third-Party Compliance Code, to our third-party auditor. If the audits show non-conformity, we classify it as minor, major or critical and have procedures in place to ensure the proper corrective actions and appertaining follow-ups.

In 2021, we included two new manufacturers to our audit list, meaning that we cover approximately 95% of all procurement. The remaining 5% account for softer production partners such as earpads for headsets.

EPOS' target is that all Tier 1 partners will approve and sign the compliance code during 2022.

Product governance

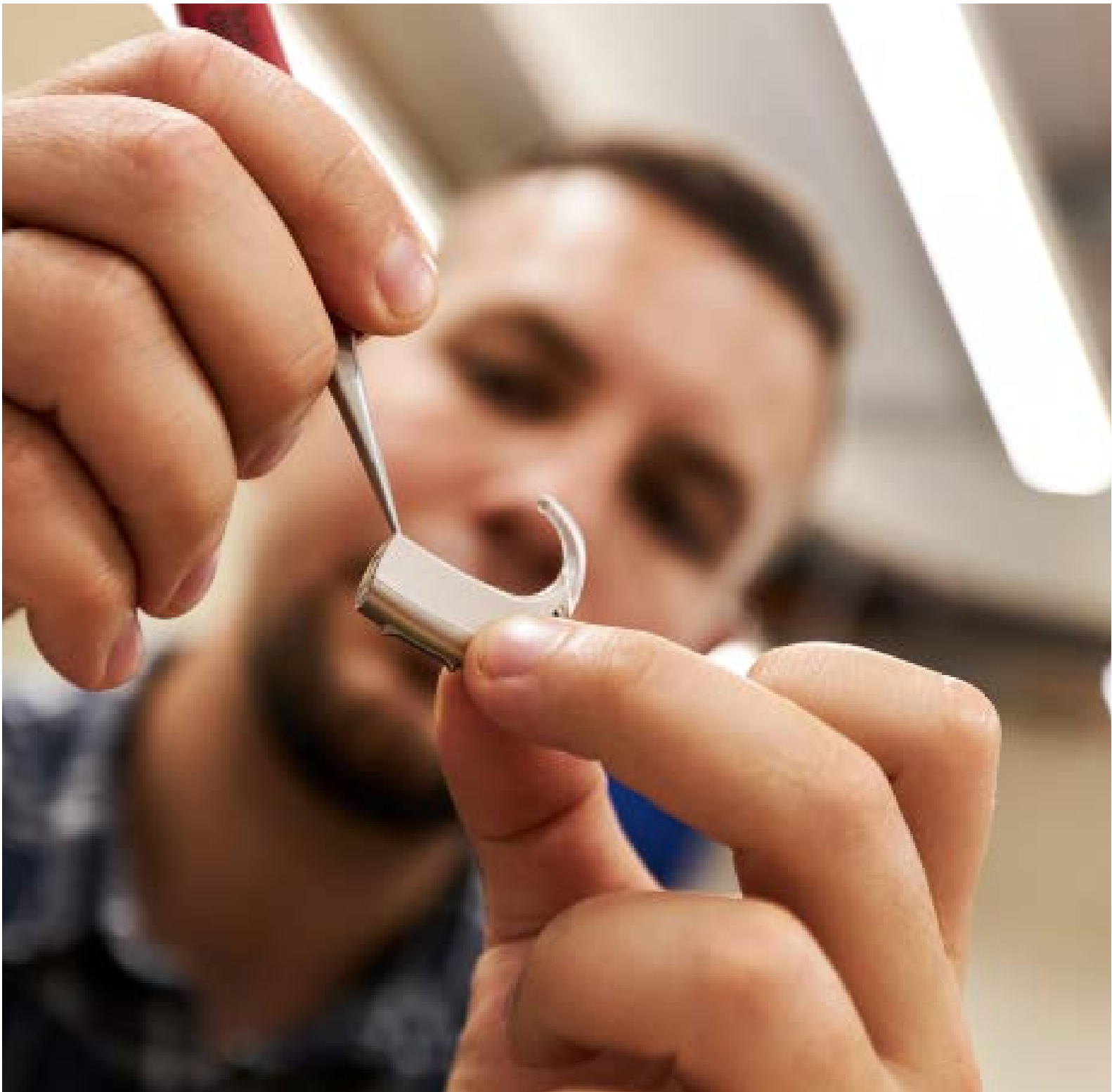
A quality mindset

It is part of Demant's responsibility to ensure the safety and quality of our products. Hence, working with quality is vital for us to sustain the high standards and reliability of our products and to ensure the safety of our customers and users.

Across the Group, we have systems and controls in place to make sure that our products meet legal and regulatory requirements. Ranging from medical devices to electronics, the nature of each business area entails different measures for working with product governance, which we now unfold.

Though there are variances, one thing is certain: the quality and safety of our products is inherent in our work and a natural way of thinking.

Quality requires a company-wide commitment to compliance which goes beyond answering questions or ticking boxes to develop innovative, high quality and safe hearing solutions while driving efficiency through effective, streamlined processes.



Product governance

Hearing Aids

Demant Hearing Aids want to be the preferred hearing aid manufacturer in the market by delivering the best quality products and services to our customers and users.

As part of this ambition, we are committed to complying with the medical device regulations and standards (e.g., EN ISO 13485:2016, Medical Device Directive 93/42/EEC (MDD), Medical Device Regulation 2017/745 (MDR), FDA 21CFR Part 820, local countries regulatory requirements and MDSAP requirements) and to continually improve the effectiveness of our quality management system. We always deliver safe and effective products to our customers and users in all markets.

Our Quality Policy is embedded in our way of working and making decisions:

- We provide our customers and users with reliable and compliant products that meet their expectations for safety and effectiveness throughout the expected lifetime.
- With our hearing aids, our Hearing Care Professionals experience the best audiological performance which effectively helps users overcome hearing loss.
- Our users are delighted by the design of our hearing aids which is attractive, small and easy to use.
- Our customers and users experience high quality and seamless functionality of our products.
- Each employee is accountable for the quality of their deliveries and the Quality function assures that quality and compliance are delivered by the organization. We are all committed to the satisfaction of our customers and users.
- Our Quality policy is endorsed by Demant Hearing Aids management and communicated to all Hearing Aids employees. It is periodically reviewed to ensure that it remains effective and realizes the company objectives.

Mitigating risks

The most apparent risks to quality lie within substance matter in our solutions. Although the use of raw materials in our production is limited compared to other industries, we take an approach steered by precaution when it comes to environmental and health-related issues with raw materials. We mitigate risk related to this by evaluating quality and safety against our [Restricted List](#), which offers instructions and information on how to categorise (Class I-IV) and use substances and raw materials. On top of the mandatory requirements according to law, we have enforced extra specifications; for example, a ban on the use of all phthalates and natural rubber latex. The management of risk is handled as described in the harmonised standard ISO 14971. The standard describes how to ensure that all risk, including the material risks, are detected, evaluated, controlled, and mitigated. The purpose is to ensure that the final product is safe to use for the end user.

Quality Management System

Our QMS helps us demonstrate our ability to offer medical devices which consistently meet customer needs and comply with regulatory requirements. Extensive reliability testing ensures safety and effectiveness during a product's lifetime, and we test on a component, assembly and product level. We ensure that all employees are trained on the relevant processes to fulfil their task.

The authorities appoint notified bodies to make inspections, and companies within the Hearing Aids business area are inspected by two notified bodies every year. The results from the audit in 2021 have been very satisfactory with few comments from the notified bodies.

[Read more in note 4.1.1](#)

None of the inspections resulted in notice or warnings from the authorities. Like previous years, there have been no product recalls in Hearing Aids in 2021.



Product governance

Hearing Implants

Demant's Hearing Implants business area comprises bone-anchored hearing systems (BAHS) and cochlear implants (CI) that entail measures towards quality and safety, which are similar to those of our Hearing Aids business area. Working with medical devices, it is our foremost priority to ensure the safety of patients and professionals working with our solutions.

Bone-anchored hearing systems

The bone-anchored hearing systems (BAHS) business is covered by a quality policy, which is available to all employees. According to the policy, BAHS:

- Shall have innovative, reliable and safe products for hearing health care,
- Strive to fulfil customer expectations regarding reliability, function and design,
- Shall continuously ensure an effective QMS and carry out processes for improvements,
- Shall deliver products that always comply with applicable national laws and regulations.

The QMS in BAHS corresponds to the requirements according to QSR 21CFR Part 820, Canadian Medical devices regulations SOR/98-282, Brazil RDC 16/2013 and Australian Therapeutic Goods Regulations 2002.



We have formed contracts with Notified Bodies Intertek Semko AB and TÜV SÜD, who perform yearly audits. 2021 audits resulted in zero warnings or notices.

- Intertek Semko AB last audit September 2021
Result: no Non-Conformities.
- TÜV SÜD last audit September 2021
Result: no Non-Conformities.

Certificates include:

- EN ISO 13485:2016, certificate no Q5 106872 001 issued by TÜV SÜD, Notified Body 0123.
- MDSAP (Medical Device Single Audit program for US, CA, BR, AUS) certificate no QS6 106872 0002 issued by TÜV SÜD, Notified Body 0123.
- REGULATION (EU) 2017/745 (MDR) Annex I QMS, certificate no G10 106872 issued by TÜV SÜD, Notified Body 0123.
- MDD EC Certificate with product list no 41315807-02 issued by Intertek Semko AB, Notified Body 0413.

Products are tested according to the QMS and verified to comply with regulatory directives and international standards. In case we receive a report, we assess whether a deficiency relates to an incident that shall be completed through the procedure for serious incidents.

Serious incidents are reported to concerned authorities within required timeframes. We have not received reports on any incidents in 2021, nor have we issued any product recalls in the BAHS business.

All new employees are trained in the QMS and company products according to the personnel procedure. When new or revised procedures are introduced, Quality Management, or the responsible function, secures that concerned personnel are trained. In 2021, we met our training plans.

Any given complaints are received from the market through our distributors. In case of a complaint, we assess a critical level for the deficiency at hand. At monthly cross functional meetings, we present complaints and vigilance statistics to discuss trends and follow-ups, including quality targets.

Risk management is considered throughout all phases in the life of a medical device where risk is evaluated and mitigated in the various phases of a product life cycle, including but not limited to development, manufacturing and post-market surveillance activities.

[Read more in note 4.1.2](#)



Product governance

Cochlear implants

As per the European Medical Device Regulation (MDR), a cochlear implant (CI) is classified as class III medical device and as per The Active Implantable Medical Devices Directive (AIMDD), it is an Active Implantable Medical Device.

Our cochlear implant (CI) business, is covered by an internal quality policy stating that CI:

- Is obliged to satisfy regulatory and standard requirements,
- Continually will improve the Quality management System (QMS) efficiency,
- Commits to provide the right focus and energy to comply with this,
- Gives delegation to the Quality Assurance & Regulatory Affairs Senior Director who oversees ensuring the durability of the QMS.

Certificates include:

- NF EN ISO 13485: 2016 N°10178 issued by GMED, notified body 0459.
- MDSAP (Medical Device Single Audit Program for CA, BR, AUS, US (new certificate to be issued)) N°33854 issued by GMED.
- EC Certificate ANNE II excluding section 4 Directive 90/385/EEC concerning medical devices N°10425 issued by GMED.



Date of last audit by notified body: October 2021. Result: 7 minor non-conformities.

The quality manual, which is part of the QMS, entails several regulatory references, references to standards, harmonised standards and technical standards. Please find details in notes.

All new employees are trained in the QMS and company products according to the HR process and Oticon Medical Introduction Program (OMIP).

Products are tested according to the QMS provisions and verified to comply with regulatory directives and international standards.

When receiving a complaint notification from field, a complaint is recorded in our QMS and the need to report the incident to NCA (National Competent Authorities) is evaluated. If required, the incident is reported to NCA.

Risk management is considered throughout all phases in the life of a medical device, where risk is evaluated and mitigated in the various phases of a product life cycle, including but not limited to development, manufacturing and post-market surveillance activities.

Voluntary recall

In October 2021, our CI business issued a Voluntary Field Corrective Action of all nonimplanted Oticon Medical Neuro Zti EVO implants with a serial number from NZB04074 and above, and of all non-implanted Oticon Medical Neuro Zti CLA implants with a serial number from NZA02454 and above. The recall is entirely related to the identification of performance issues in a small subset of implants, and there have been zero reported safety events with the implants. The reason for the voluntary recall is the rising trend of early failures compared to the baseline. Please read more about this in the notes.

[Read more in note 4.1.2](#)

Product governance

Diagnostics

Demant's Diagnostics business area follows an internally available quality policy.

It states that we supply products and services in compliance with regulatory requirements that meet the requirements and expectations of users; that we have risk management process in place to review activities and ensure risk management efficacy; and that we will maintain an efficient quality management system.

Diagnostics' quality policy calls for the quality personnel to have adequate training, skill and experience to fulfil our quality objectives.

Product design, manufacturing and improvements

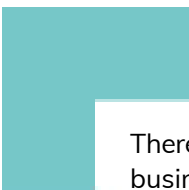
New products are designed by gathering information about the customer needs, product requirements and procedures, and by applying risk management throughout the entire product life cycle.

When manufacturing diagnostic instruments, processes are in place to test and verify the products according to specifications for which only suitable production and test equipment that are calibrated as necessary are used. To maintain and, if necessary, improve the quality level of a Diagnostics product or service, there are processes of regular monitoring of customer satisfaction and collection and evaluation of customer feedback. Upon receiving a complaint, we aim for the case to be closed within 90 days, and we meet this target every year.

Testing products

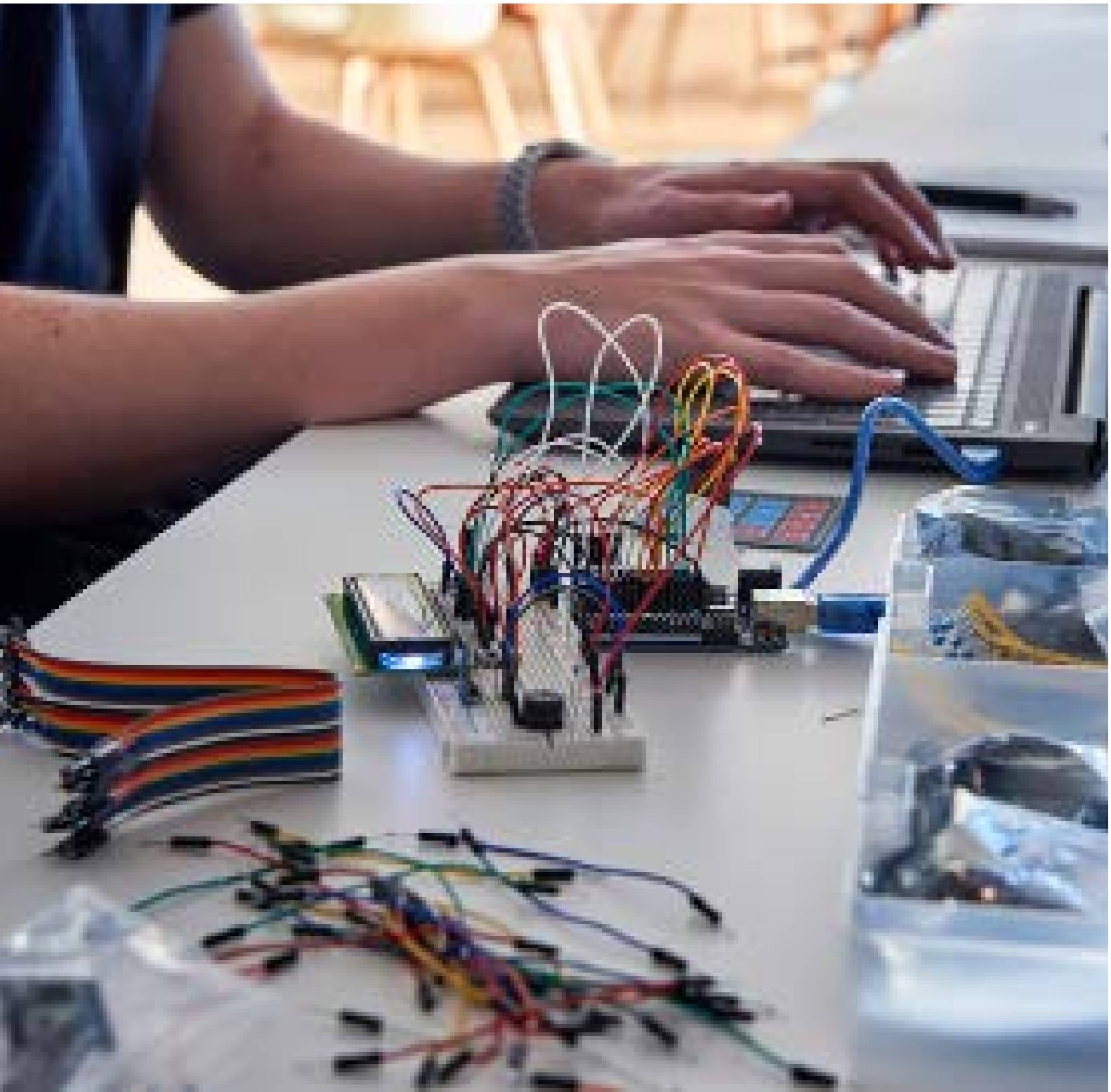
All developed audiometric equipment is verified according to state-of-the-art performance standards for audiometric equipment as well as in a clinical setting. Before placing the product on the market, compliance to regulations worldwide is assured.

We do a 100% test and final inspection of our products to make certain that they comply with and fulfil specifications. When it comes to investigation, and to ensuring proper corrective action and investigation, we always start with a risk assessment.



There were no product recalls in our Diagnostics business in 2021, and the last audit was from TÜV SÜD in May 2021 in which three minor findings were found and no notices or warnings were received.

[Read more in note 4.1.3](#)



Business ethics & governance

Product governance

Communications

In the Quality Management System (QMS) of our Communications business, EPOS, we describe how we develop our products and which quality plans products must follow to cover for the standard quality issues. As part of this, our QMS also ensures that we consistently meet user needs and comply with local, regional or global regulatory requirements while obtaining relevant certification to operate in the specific markets.

Our product quality plans cover initial launch verification for software and hardware. Opposite to software, hardware can vary in production due to tolerances and human errors. We therefore direct a lot of attention to perform hardware calibration and verification at the point of production on a regular basis.

When compliance is ensured, we seek certifications based on our Declaration of Conformity that aggregates safety standards for all specifications and requirements encompassed in EPOS design. This also includes conformity with ROHS and REACH.

In case of a quality issues in production or even in the market, we assess whether it is a one-time production issue or a serial issue. With serial issues, we create a quality case in our QMS, and our in-house experts work closely with our manufacturing partner to solve the issue at hand. With EPOS, we have a return rate of less than 1% which we believe is evidence of premium quality.

Updated QMS

In 2021, we worked on significantly updating the way we work with our QMS, including a new user and maintenance-friendly user interface. The new QMS covers all departments and ap-pertaining processes, from Sales and Marketing to Global Op-erations, including R&D, offices and manufactures in the APAC region. We intended to deploy a QMS and a Quality mindset that work as a catalyst for the business and strengthens our position in the market.

The new updated setup has been introduced in November 2021 will be further consolidated during 2022.

Training

It is part of EPOS employee onboarding to be informed on where to find the QMS as well as how it is used, who is re-sponsible and what that means to different functions. We en-sure that those working directly with quality are well-equipped to take care of their tasks.

As part of this, we have trained everyone in the updated QMS. For 2022, we are targeting special training for hardware engineers to build on the existing knowledge of good battery safety.

2021

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

Following our QMS, there has been no recall with our users. There is no health liability related to any issue, rather it was a matter of reworking parts of the production before the prod-ucts reached the market.

Once a year we order an external partner to audit our produc-tion partner in China in line with our code of conduct for third parties.

[Read more in note 4.1.4](#)


Product governance

Clinical studies

Working with usability and clinical audiology, hereunder clinical evaluations of the full product, is an integrated part of the product development of hearing aids. To maintain a safe and transparent usability and clinical approach and routine, this work needs to follow authority regulations comprising FDA and EU Medical Device Regulation.

Clinical studies of **hearing aid products** under development takes place mainly in Denmark. We have clear processes in place for working with both usability, design validation and clinical evaluation on our products.

The clinical studies serve the purpose to ensure that we only bring high quality hearing aids and hearing aid accessories to our customers and users. Examples of clinical studies are controlled listening tests in sound studios where we test if the test participants obtain more listening benefit with a new feature or with a new device compared to an old device.

The partnership we have with our test participants, all part of a base of users, is based on mutual respect, and we have practices to protect the test users personal and sensitive information as well as a high level of transparency before, during and after tests. The test users do not get compensation for participating in the different studies.

Our Standard Operation Procedures are updated biannually, or when there are updates to the regulations and standards from authorities. We have high demands to the education of our staff performing the usability and clinical studies and make sure that they are trained in the Standard Operation Procedures.

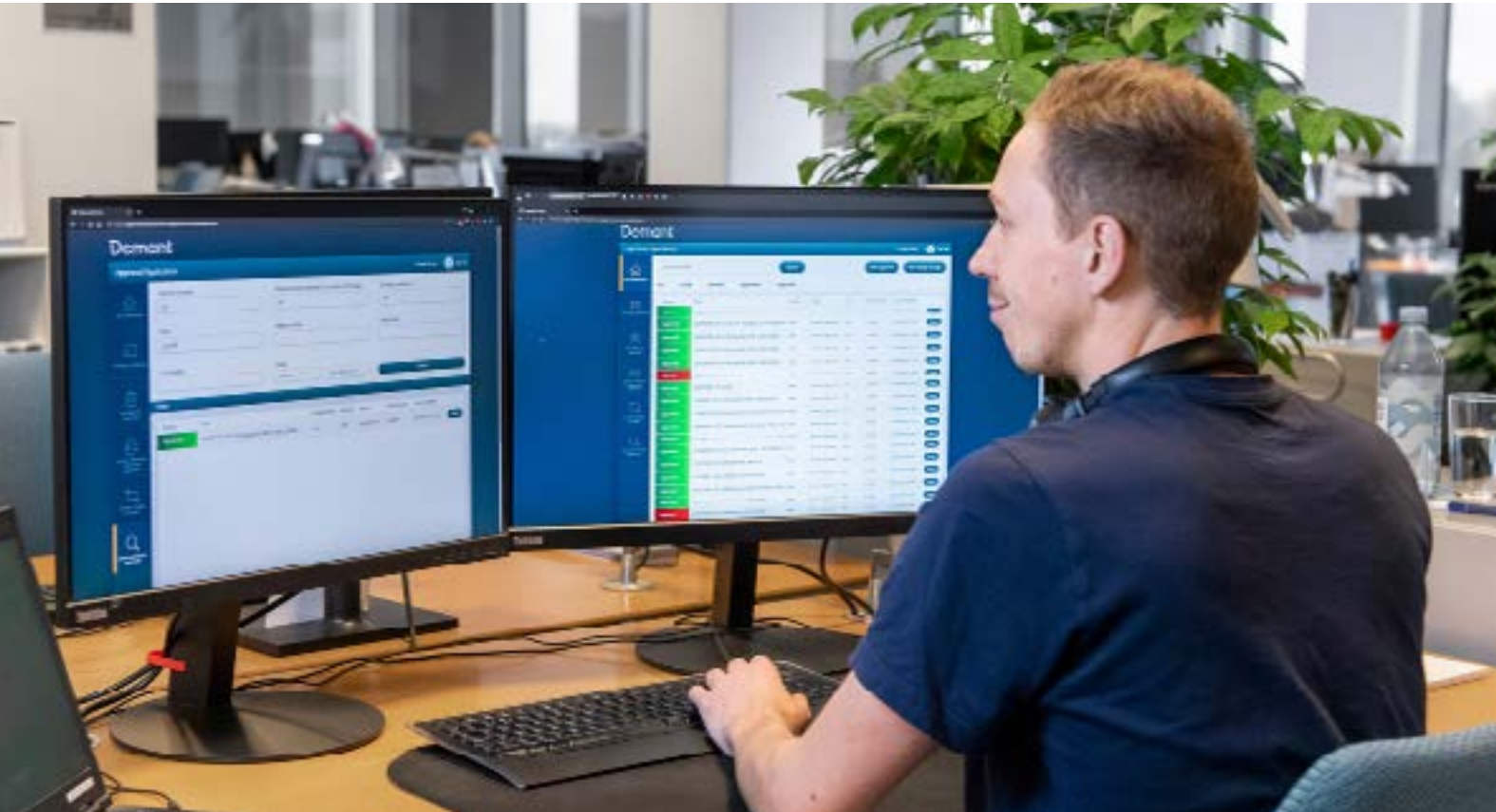
Hearing implants, sound processors and accessories are included in both pre-approval and post-market clinical studies where Oticon Medical acts as sponsor. Studies are performed together with a range of hospital and clinics throughout the world in accordance with global standards and national and regional regulations.

Responsible marketing

Within the Demant Group, we work extensively with research to ensure that we hold evidence to substantiate all product and campaign claims stated in our marketing materials.

For our hearing health business, it is essential that healthcare professionals and users can trust the claims we make. The research spans from audiology and acoustics research for Hearing Aids and Diagnostics, to surgical, medical and biological research for Hearing Implants. As a deep understanding of the intimate links between hearing and the brain is fundamen-

tal to ensure very high-performance standards of our hearing solutions, we are increasingly conducting auditory neuroscience work to document performance improvements. For the Hearing Aid brands, the claims in our materials are created and substantiated at Headquarters based on scientific standards and involving independent researchers.



Notes



1

Life-changing differences through hearing health

1. Life-changing differences through hearing health

1.1 Experts in audiology and sound

1.1.1 Discovering the future

Continuing the innovative thinking of our founding father, we scout to stay at the forefront of technology – and venture beyond – to ensure that we deliver the best solutions possible. As a vital part of our R&D activities, we validate new hearing healthcare opportunities by predicting and understanding current and coming technology and user trends. Prior to integrating these properly into our product architecture and preparing it for mass production, we test, tweak and build actual product concepts and features, to make the technology and trends a perfect fit for Demant products, predominantly hearing aids.

In this, unmet user and customer needs are addressed in an interdisciplinary teamwork that covers ideas and concepts with potential to significantly impact hearing healthcare solutions. We further strengthen this work through external partnerships with vendors, technology partners, audiologists and testers. “It is about pushing boundaries for what is technically possible to help people with hearing loss live a better life. It might sound quite pompous, but it is really what hearing healthcare does. In Demant, we all work with that as a common objective, and in Discovery we do so by seeking to understand emerging technologies and innovations and figure out how to create even more value from that.” – Thor Højlund Olsen, Director of Discovery at Demant.

Harvesting synergies across Demant business areas are central to our business to ensure that our products create optimal value for as many as possible. Hearing Aids R&D collaborate with Communications on emerging technologies, which are relevant for the future solutions for both industries. Hearing Implants and Aids collaborate to provide the optimal hearing loss compensation by utilizing chipset synergies.

1.2 Hearing Aids

1.2.1 Eriksholm Research Center

Since 1976, Eriksholm Research Center (Eriksholm) has been a key player in Demant’s contribution to expanding the existing knowledge of audiology, signal processing and behavioural science.

At Eriksholm, we make audiological discoveries with the potential to significantly enhance end-user benefits in future hearing care. The research activities and discoveries built on close collaborations with world-leading academic research institutions to form synergies and this lays the foundation for Demant Hearing Aids company brands to further develop audiological concepts and apply them in hearing solutions. Currently Eriksholm work within three areas of focus: Personalised audiology, Cognitive hearing effort compensation, and Intent controlled hearing technologies. Read more here [LINK].

New ways to measure brain activity

In 2021, Eriksholm introduced a brand-new piece of equipment for measuring brain activity in hearing device users. The new ‘functional near-infrared spectroscopy’ (fNIRS) device complements Eriksholm’s current electroencephalogram (EEG) setups. The fNIRS device provides similar information to a functional magnetic resonance imaging scanner (fMRI) but at a fraction of the size, cost, and complexity.

The investment in this equipment broadens the types of BrainHearing related research questions that we can ask at Eriksholm and Demant. It is in high demand in auditory research, also in cochlear implant and bone-anchored hearing systems, because the light-based measurement technology is immune to the electro-magnetic interference that implants create. It is very comfortable and can be used for people of all ages including new-borns.

Girl’s Day in Science

In October 2021, 20 young girls visited Eriksholm Research Centre as part of the national Girls’ day in science. The event is initiated and coordinated by the private, non-profit organization House of Natural Sciences that work to bridge the gap between schools and companies. Their main objective is to inspire more young people to choose an education in the field of science and technology.

Since women continue to be underrepresented in Danish science, this particular event aims at inspiring girls from fourth to tenth form as well as upper secondary school to consider a future within science. This is done by having companies, organizations and educational institutions all over Denmark open the doors and invite the girls to meet inspiring role models who show them what they do and talk about their own career paths.

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1.2.2 Hearing and the brain

BrainHearing™ is Demant’s unique perspective on how the brain hears. Years of diving into this field has taught us how the brain naturally processes sound and how Demant solutions can support this.

We know that a large part of hearing takes part in the brain, stressing the strong link between hearing and brain health. There are two brain subsystems that needs support and therefore the brain benefits from getting access to the full sound scene to zoom in on particular, essential sounds. This is the way our brains naturally process sound. The innovative Demant POLARIS-platform rolled out in all four brands in 2021 delivers full sound representation to the brain, essentially providing the best conditions for it to listen naturally.

BrainHearing technology as used in the Oticon More hearing aid enables us to provide people with hearing care solutions

that naturally support the brain to help it process sound. The insights into BrainHearing is a broader Demant understanding and the learnings from it bring value throughout the Group.

For the year of 2021, we set out to learn more about how changes in the brain relate to listening difficulties and effort. Based on our knowledge of deep neural networking, we further expanded the BrainHearing perspective into paediatric hearing healthcare.

Less effort in listening

We are positive of the brain benefits of full sound representation, yet it is adjacent to wonder if the brain uses more effort when offered more sound. With electroencephalography (EEG) and pupillometry we got a better understanding hereof and have found that, in fact, the opposite is the case. Because our BrainHearing technology supports the brain in its natural way of working, it has proven to be less effortful to listen when provided with the full sound scene. This confirms that our technology helps the brain as it makes listening easier based on what is brain friendly. Therefore, at Demant, hearing technology is about creating cognitive benefit in addition to making sounds loud or clear.

BrainHearing for children

In 2021, we expanded the Demant BrainHearing perceptive to paediatric hearing healthcare and grew a better understanding of how to support the young, developing brain. This approach requires a different perspective than BrainHearing for adults, as there is a different need for providing sounds that are clear, audible or optimally amplified to give the best conditions for children with hearing loss to grow, learn and develop.

From birth, a new-born needs sound to mature the brain, and brain-maturing depends on two things: Nature and nurture. Whereas the natural aspect refers to growth of brain cells and neurons and depend on genetic factors, nurture relates to how a young brain is shaped by sensory experience and how it develops based on what the child sees, hears and does.

Back to chapter

1. Life-changing differences through hearing health

So, when the brain grows, it grows hardware and software. The former are the neurons and brain cells, which continue to grow until capacity is full. Then, the brain begins to prioritise and thus strengthen certain neural networks linked to certain abilities. As a result, other networks are removed based on the child's sensory experience which takes place very early in life. The developing brain of a child who is deprived of sound will eliminate a lot of these connecting networks because they are not activated through experiencing certain sounds. Having less connections affects subsequent language learning and development because the hardware is not fully equipped as for a child with normal hearing sensitivity.

Other than emphasising the importance of early detection and treatment, this shows that Demant BrainHearing technology has great potential to benefit children with hearing loss by giving them a complete sensory experience from the environment and thus supporting their natural brain development. This is important in the very first years of life, but also while growing older, because children learn languages, as well as social skills, based on incidental learning. More sounds amount to a more fully-matured brain and thus more participation on equal terms.

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1.2.3
Improving standards for hearing rehabilitation
The Better Hearing Rehabilitation project (BEAR) is a comprehensive collaboration between the industry (Oticon, Widex, and GN Resound), public clinics and academia, joining forces on a collective cause. It has run for years and, despite delays due to coronavirus, it is reaching its finalising stage in 2021/22. The project has run for five years.

Together, the parties work to improve hearing rehabilitation in and outside Denmark through evidence based innovation

of clinical guidelines and policies. By documenting outcomes of current clinical policies and conducting studies evaluating new methods and their clinical applicability, new hearing aid compensation strategies across the three companies are now ready to be further tested.

The project challenges the status quo of hearing rehabilitation in public clinics, the audiogram, and proposes fitting strategies and diagnostic tests which consider individual variations: The key findings have led to core data and recommendations for Danish healthcare authorities to revise the standards of quality guidelines for public hearing rehabilitation for adults. Based on the insights brought forward by the BEAR project, authorities will propose a new standard, which is currently being evaluated in a hearing. The prospects are good, and BEAR is an example of how our research endeavours enables us to make a clear and real-life difference for people with hearing loss [not confirmed yet].

BEAR results in brief
The project has mapped the current clinical landscape to identify which data, fitting strategies and procedures are in use.

A study with 2000 patients investigated a standard Questionnaire for Self-Reported Hearing Aid Effectiveness to identify which factors, other than degree of hearing loss, influence self-perceived benefits of wearing hearing aids. The study found that all sorts of factors, such as motivation, type of hearing loss, level of usage and gender, impact the level of satisfaction experienced by the user. Furthermore, testing SSQ (Speech, Spatial and Qualities of Hearing Scale) on different generations of hearing aids, including the newer Oticon Opn used in the research, justifies usage of more advanced technology, as it is found in newer hearing aid technology. Existing research and the results of the auditory profiling study have confirmed that the audiogram plays a role but also that it does not tell us the whole story. Alongside these, BEAR concludes that the audiogram does not fully consider individual variations of hearing loss.

So, what can then be done with clinical profiling and fitting strategies to accommodate individualisation better? BEAR researchers have used different machine-learning methods to develop a clinical auditory profiling tool, considering two different dimensions of hearing loss to better individualise the compensation needed.

Then, these findings have been translated into real individualised hearing aid compensation strategies. The strategies are aligned across manufacturers, despite their differences in algorithms and technology which differs depending on the user profile. This has enabled testing of a new fitting rationale for hearing aids and of a new protocol for how to adjust advanced features such as noise reduction, based on the user's auditory profile.

In 2021, the new research fitting procedures were implemented at Odense University Hospital and Aalborg University Hospital to directly test the new way of profiling and the BEAR fitting protocol on 500 people. The data collection ended at the end of 2021 and the data analysis is now in progress.

- Other work packages in BEAR:
- The prospects for optimising diagnostic tests to be able to be done outside of a clinical or on a tablet for instance,
 - Understanding why some people show lower benefits from hearing aids by looking at the way we assess effectiveness,
 - Improving clinical efficiency from the current value proposition from both patients and hearing care professionals.

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1. Life-changing differences through hearing health

1.3 Hearing Implants

1.3.1 Research tools

Developing reserach tools helps us assess performance in different ways to develop the next generation of solutions. However, we also develop tools and platform to be shared with external academic or clinical researchers to ease and reinforce the quality of research. Some of them are device-agnostic and be used on other devices than those from Demant. However, the depth on the data can sometime increase when testing a Demant product because the tools connect to the device, including hearing aids. This work is thus not driven purely by commercial interest, and it further strengthens our relation to and collaboration with the existing research community. It also means that we can engage in new partnerships with clinics that wish to do research on cochlear implants and benefit from our expertise.

We create tools that address different populations of cochlear implant users, and it enables us to constantly improve our devices and their performance and ability to meet the needs of the user. Below follows four concrete innovations released in 2021:

Field Tool

A field platform or app that can be tailored to address different research questions, go out in the field and collect data to understand how our solutions perform amongst users. Lab-testing has its limits. We are really good at tuning implants so that they perform expertly in the lab, but it can be tricky to tune and fit in a way that mimic the needs in real-life. The platform increases the ecological validity; how reflective the tests are to the real problems that our users face. Plan to use it in Denmark with research patients in 2022.

Research Design Tool

Allows researchers to develop research designs in a much easier way. What previously could have taken several weeks, can be done in half a day. We use it internally and have deployed it in a number of ongoing projects across Demant.

Virtual Reality Platform

A tool that brings the field into the lab by enabling researchers to do VR-research based on ecological-validation. The tool registrates head and eye movement and listening effort, as well as it allows different testing conditions, such as recreation of very advances special sounds.

Medical Imaging Tool

Solution for processing CT scans for CI users. Makes it possible to reconstruct the cochlear and locate the implant to better determine the grade of success of a CI operation.

Knowing the exact position of the electrode have implication for how the device can be fitted, which can make a difference to the patient.

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1.3.2 3rd Music & Cochlear Implant Symposium

In 2021, we – together with partners from Cambridge Hearing Group, University of San Francisco and the Danish Technical University – gathered top-researchers, clinicians, surgeons and people using cochlear implants from across the globe for the 3rd Music & Cochlear Implant Symposium.

1.3.3 Music and cochlear implants

Sound Coding Strategies for Music. The sound coding strategy, which describes the signal processing algorithms the cochlear implant system uses to convert sound to electrical stimulation, is integral to user perception of complex sounds, such as music. We are investigating several concepts for potential next generation sound coding strategies to improve aspects of music perception. We strive to find ways to tweak our current strategies to enhance the musical experience of our users. For example, in a research collaboration with Prof. Waldo Nogueira at the Hannover Medical School, we are investigating a new configuration of our current coding strategy that aims to improve enjoyment of popular music. Preliminary results of this joint project suggest patients prefer the updated configuration over the standard configurations.

Feeling the Beat. The Center for Music in the Brain at Aarhus University and the Institute for Sound and Vibration Research at University of Southampton will explore cochlear implants user's perception of musical rhythm and groove, with and without a wearable electro-haptic device. Perception of music and how the brain processes music are central focal points as well as is the dynamic interplay between predictable structures in music and predictive brain processing as a way to better understand the enjoyment of music. The study is supported by William Demant Foundation.

1.3.4 Music Training Games

While auditory training may improve music perception skills and music enjoyment, training programs designed for adult CI users are typically not available outside of research protocols. Furthermore, training activities can be rather tedious or boring and many CI users fail to complete them. Therefore, we are working to make music training fun and engaging by developing innovative games focusing on different musical aspects, such as pitch, timbre and harmonicity.

In parallel to the music games developed in-house, we are working in collaboration with Aalborg University Copenhagen to develop different game concepts as well as to explore the benefit of including vibrotactile stimulation (see Figure 3). This collaboration has received support by the Danish Sound Cluster. The music training games will be presented to a group of CI users in 2022 as part of a workshop at the royal Danish academy of music, which is co-organized by Aalborg University Copenhagen.

1.4 Diagnostics

1.4.1 Validating hearing aid fittings for children

Interacoustics Research Unit (IRU) works in the field of applied research, aimed at solving a concrete clinical pain or issue for people with hearing loss or for hearing-care professionals. Hence its name, the research that emerges from IRU activities foremost contributes to the work of our brand Interacoustics, but to harvest synergies, findings are furthermore diffused to all of the Diagnostics business areas. IRU engages in long-lasting and strong international partnerships with common interest in creating actual impact via diagnostic instruments.

1. Life-changing differences through hearing health

One of the core themes for IRU has been to improve validation of hearing aid fittings on children aged 3-12 months who are simply too young to take part in for instance audiogram testing. Whereas an adult can easily respond to certain stimuli during a hearing test, small children do not have the capacity to do so. Therefore, an alternative objective method of validation, based on electrophysiological measurements has been investigated.

During the first 12 months of life, speech development is vital because it can be very difficult to catch up on learnings that were not made in this phase. Adding to that, the very small ear canals of infants means that the acoustic coupling between the hearing aid and the ear is highly variable, which corroborates the need for validation of the hearing aid fittings.

One specific challenge to this idea was that standard stimuli for electrophysiological hearing testing (the CE-Chirp stimuli) inevitable would be treated as noise by advanced modern hearing aids, which would lead to gain reductions and thus a misleading measurement. To circumvent this problem, IRU has devised a speech-modified version of the CE-Chirp stimuli, which can drive modern hearing aids into speech mode while at the same time evoking the electrophysiological responses of interest.

To test it on actual users, IRU benefitted greatly from one of their strong relations with external partners, in this case University of Manchester. The university helps with gaining access to test populations, which are otherwise difficult to reach, such as these very young children with hearing loss. By means of a moving test-van, it was possible to gather enough data to make a preliminary validation of the method, which is yet to be published.

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2

People & culture



2. People & culture

2.2 Come as you are

Ensuring a diverse and embracing culture is an executive responsibility and in 2021 we have introduced a focused approach to diversity, equity and inclusion (DE&I) in Demant.

This will, on one hand, boost performance, improve our leadership and innovation skills, maintain high customer satisfaction as well as attract and retain great people. On the other hand, it will help us understand existing perceptions of diversity, equity and inclusion and enable us to better mitigate risks of and address potential unconscious biases and sameness thinking. It will also support us in engaging employees who may otherwise refrain from sharing their opinions, new ideas and solutions.

2.2.1 Targeting improvement

Rooted in our business, our culture and history, we strongly believe in diversity. We are a global company, present in all parts of the world, we employ people with different ethnic background, personality, age, gender and education and diversity is part of our cultural DNA. However, one can always do better, and we wish to become more inclusive and further recognise that we are all different, which is what makes each of us important. Our new Demant diversity, equity and inclusion position paper, unfolded below, will guide this work and form the basis for create policy and targets in the area.

Ambition

Our ambition is to ensure that the Demant culture is permeated by inclusiveness. We value diversity, recognise differences and foster an inclusive culture with fair opportunities for all. Initially, we will focus our efforts on the diversity traits of gender and nationality. With this focus in mind, we believe that we will set a development in motion and overall become more inclusive towards all traits of diversity. In our position paper, we have initially identified seven targets. They will be our starting point for working with DE&I and we will follow up them each year to ensure progress.

We will:

- Develop a DE&I baseline check to understand existing perceptions of diversity, equity and inclusion. As a first step, in 2021, we conducted surveys in those countries where we have the majority of our employees. Based on this, we will identify and plan relevant actions and formulate more specific targets.
- Educate leaders via DE&I training to better understand the value of DE&I and how it can positively contribute to talent management and succession planning.
- Focus on DE&I in recruitments, while adhering to the principle of hiring the best qualified for the job, we will have short lists for all recruitments that reflect a mix of gender (and additional diversity parameters).
- Launch a new Demant DE&I policy with more detailed description of our ambitions and goals in the coming years. The Demant Group DE&I position paper lays the grounds here for.
- Strive to achieve a relevant gender balancing when it comes to our entire workforce. The gender balance of the local labour market varies from country to country, and our efforts will thus reflect both the local situation and our desire to contribute to improving the local gender balance.
- Have 70-80% of the teams in the Demant Group live up to a set of diversity principles in regard to composition of teams. We will further define these principles in DE&I policy.
- Increase the number of female managers in senior management. This is one of our focus areas, so when openings for senior management positions are advertised, we will insist that the candidate short list includes qualified female candidates.

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2.2.2 Employee data breakdown

Employees by age group, by average headcount

% of total workforce	2021	2020	2019
Women	62	60	60
Men	38	40	40

Employees by age group, by avergae headcount

	2021
<30	2228
30-50	6381
>50	2766

Employees by employment contract

	2021
Permanent	16158
Temporary	658
External	385

Employees by employment type, by gender

	2021
Women (full-time)	8080
Men (full-time)	5737
Women (part-time)	2526
Women (full-time)	859
Total	17202

2. People & culture

Employees by gender, by employment contract

	2021
Women (permanent)	10000
Men (permanent)	6158
Women (temporary)	423
Women (temporary)	235
Total	16816

Employees by region, by employment contract

	2021
Permanent	
Europe	9686
North America	4449
Pacific	1033
Asia	428
Other countries	562
Total	16158

Employees by region, by employment contract

	2021
Temporary	
Europe	586
North America	40
Pacific	29
Asia	3
Total	658

Employees by region, by employment type

	2021
Full-time	
Europe	8254
North America	3975
Pacific	682
Asia	408
Other countries	498
Total	13817

Employees by region, by employment type

	2021
Part-time	
Europe	2358
North America	522
Pacific	409
Asia	32
Other countries	64
Total	3385

2. People & culture

2.3 Engaged employees

When people feel engaged, they are happier, more innovative and productive, which tends to reflect positively on work processes, structures and habits.

2.3.1 Taking the Pulse of engagement

Through a yearly global survey, we obtain knowledge of the current levels of engagement in the individual teams. The survey covers all of the Demant Group, and while it is the cornerstone of the Pulse programme, the real work lies within each team during the year. In collaboration, managers and employees discuss results, attention areas and actions throughout the year. The dialogue on survey results take place locally in individual teams and are both highly encouraged and supported by Demant HR.

2.3.2 Continued strong engagement

In 2021, our engagement continued to grow, and we experience that people are happy and proud to be part of the Demant Group.

Whereas our engagement has increased steadily over several years, we did not reach our 2021 engagement rate target of 4.15 and landed at 4.02. Naturally, this does not meet our expectations. However, we are pleased that we, despite challenging conditions in relation to the pandemic, managed to fully enrol many new employees into the programme:

Our Communications business EPOS, our sales company in Israel and our new Operations site in Mexico. Overall, the Pulse programme is implemented well covering 100% of our employees which gives us further insight into where to direct efforts in the future to support and build employee engagement.

Similar to 2020, this year meant unpredictable working conditions due to coronavirus for some Demant employees. Con-

sequently, we have not been able to run the Pulse process entirely as usual. We want to get a better understanding of how these changes impact engagement at Demant, as well as how we can reduce potential consequences hereof. We have not identified a concrete pattern in regard to this, however, we know that most employees report having felt involved with appropriate communication and the overall experience is that Demant has been a safe workspace. It has been a clear priority of ours to support managers in their work with engagement and action points during these times.

2.3.3 Consistent progress

We direct special attention to teams that exhibit difficulties with sustaining and increasing engagement and this has also been the case in 2021. There are large variety in what causes the challenges and therefore working with these also entail different topics of attention. This work is a joined effort between employees, manager, manager's manager and local HR.

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 with which it is possible to introduce changes and build up engagement in a way that is sustainable. The work with engagement always takes a starting point in what is important for the team and how can manager and team together increase the engagement. This ensures that the effort and time is spend on the right actions and that we respect the context that each team are in instead of specifying actions further from the team. This minimises the risk of spending time and effort on actions that does not have a positive effect on the engagement.

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2.4 People development

2.4.1 Grow within Demant

Training is individually assigned via agreement with a manager based on requests and resources. It is conducted by internal educators or selected external consultants.

Our learning experience platform, further enables us to learn, collaborate and share knowledge with different communities and teams in Demant. Fuse covers all of our workforce, which among others strengthens our ability to roll our learning globally in a more engaging way to support development in an ever-growing group.

2.4.2 Fostering great leaders

Our Demnant leadership framework sets the direction for developing leaders and for leaders and project managers to drive strategy execution on all leadership levels. It ensures that Demant as an organisation can assess and develop leaders individually while respecting business lines and geographies. The framework helps people strengthen and further develop their leadership competences to achieve their goals more efficiently by offering assessment and development tools.

The framework consists of a training programme and a leadership model. **The training programme** 'Leading across Demant' focuses on the three leadership capabilities:

- Provide change management
- Build high performing teams
- Drive organizational effectiveness

The leadership model from Harvard Business school with 20 competences, which we believe will support people in developing their capabilities providing change management, building high performing teams and driving organisational effectiveness.

Demant shall foster great leaders, because good leadership is a valuable component to a well-driven and functional Demant Group within which people can thrive and prosper.

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2. People & culture

2.5 To sustain the right workforce

2.5.1 A high priority

We have a number of initiatives in place to keep Demant an attractive place to work, while also improving business performance. We:

- Want to be a flexible workplace. Therefore, following learnings from the work situation impacted by coronavirus, we introduced a global Demant position paper on workplace flexibility that guides all of the Demant, led by local conditions, to implement concrete policies to ensure the flexibility of working partly from home, if the tasks allow. This makes sense from a business perspective because certain tasks can be done from home, as well as it establishes conditions for a healthy work-life balance that corresponds with the general progress of work situations globally.
- Created a new Career Framework to support managers and employees to see all the exciting career opportunities in the Demant Group
- Recently introduced a new Group position paper on diversity, equity and inclusion [LINK to section] in Demant.
- Continue to work with our Leadership Framework [LINK to section], where we develop and train all managers on what leadership in Demant means – having the right leadership is essential to attract, develop and retain the right talent and competencies for present and future business needs
- Run an annual global engagement [LINK to section] survey and have a follow up process to make sure, that we continuous follow and react on how our employees feel about working in Demant

2.5.2 Attracting the right fit

Students are our future Demant people, and we need to stay relevant to them to secure the future of our business. In Denmark we direct special focus towards the younger talent pool to reach out while they are still studying or being young professionals. In order to cater for this target group, we are present at career fairs and host various tours of our sites, as face-to-face interaction is key to building up authentic relationship that can lead future talent into our career nurture flow. Moreover, Demant staff contributes at universities as external lectures, mentors, censors and so on whenever possible.

Via our social media channels, website and online job boards, we create communications and material that show the culture and inside life of Demant. We emphasise the opportunity to work with cutting-edge technology and contribute to changing lives through hearing healthcare.

As part of our recruiting efforts, we employ engineering students in our different business areas. We work to build up a nurture flow; from first point of contact over internships, Bachelors, Masters and thesis collaborations and regular student activities to a fixed contract with Demant.

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2.8 Mental health

In 2021 working conditions were influenced by coronavirus. We entered 2021 with local lockdowns in many of our markets, which naturally had an impact on people's every day and work life. For some, the elongated periods of working from home proved challenging, for example due to isolation or loneliness. Yet for others, working more and more remotely have been helpful to balance work and life. For 2022, we aim to retain the good work and progress we continue to make in this area and our position on workplace flexibility supports this.

Denmark
In Denmark, we follow our Stress Policy, which is internally available. The policy states that to maintain a good working environment and minimise risk of serious cases of stress, expectations should be clear and there needs to be a correlation between what is expected and the resources available. Also, managers must provide ongoing feedback to indicate whether or not she/he experience those expectations are met. Alongside the policy, we offer a guide to manage and prevent stress.

If a manager informs HR about an employee feeling stressed, the employee is enrolled in our stress process, which includes stress coaching and/or opportunity to speak to a therapist. We also facilitate third-party conversations with manager and employee to ensure that the work situation is adjusted in a way that support fast recovery in the best way possible.

We have worked dedicatedly with stress management for 10 years. We believe that employees see this effort and overall experience Demant as a responsible company when it comes to governing mental health. We allocate many resources towards this and see that people recover from long-term sick-leave fairly quickly.

In 2021 we have experienced some increase in the number of employees that have been through our stress handling process, and we think an important reason for this has been the general situation with coronavirus, which has affected us all. We have offered stress awareness workshops online and continue to increase the effort towards those employees that return from sick leave and make the experience of returning to work at Demant even better than it is today. For 2022, we aim to retain the good work and progress we continue to make in this area.

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4

Business ethics & governance



4. Business ethics & governance

4.1 A quality mindset

4.1.1 Hearing Aids

When it comes to ensuring quality and safety of Demant hearing aids, we are committed to comply with the regulatory requirements. Our Quality Policy covers activities supporting development, manufacturing, marketing and servicing of our products. We continually improve the effectiveness of our Quality Management System (QMS).

The managerial responsibility of product quality and safety is defined and described in all concrete and relevant procedures. However, the overall responsibility lies with Demant Management, who enact this responsibility through an annual management meeting and management reviews to assess general state of quality and set direction for the coming year. Moreover, management responsibility is present by means of key document approval. Before a product enters the market, the quality and safety is documented in order for it to be reviewed and approved by Management.

Throughout the development of a product, the quality and safety of the final product has a high focus. The management responsibility is present here as the approval of the key documents are done by management.

Quality Management System

Our QMS is audited both internally by our audit team and externally by our notified body, as well as maintained to reflect the development and changes of our organisation.

During the product development process, reliability requirements are defined. Our requirements are based on standards, regulations and our long experience with making hearing aids, but also considers specific design for the individual product. The products are tested against these requirements during development. At the end of the development process, final verification testing of production equivalent products is performed to secure safe and effective products.

From the start of employment, employees have a CV and a job description which are assessed to evaluate the training plan related to the job function. Each manager establishes a training plan securing training ahead of performing any critical quality and safety activities. The training is documented, and we evaluate the training performance and effectiveness. All employees having a role in the processes and procedures in QMS are automatically trained and their 'Read and Understood' are recorded.

All complaints are handled in our complaint system and processed in a uniform and timely manner. Our complaint handling procedure ensures that all complaints on products marketed and sold are registered, evaluated, and investigated. We have a monthly focus on complaints that are trending and make sure to inform Demant Management in case of a deviation of the quality target at hand.

Regulatory inspections

In case of an incident, we assess if it classifies as reportable to relevant health and or national authorities to take appropriate actions. We have a dedicated procedure in our QMS which ensures the right coordination and execution based on national regulations. Each incident is handled in our CAPA (Corrective and Preventive action) system which enable us to conduct a methodical risk analysis, a root cause analysis, a corrective action of the issue and ensure to prevent the issue to reoccur. Dedicated resources with relevant competencies are immediately allocated to the task.

Mitigating risks

Our Restricted List offers instructions and information on how to categorise (Class I-IV) and use substances and raw materials. It contains all the raw materials that are forbidden in our products or banned from production and is based on authority regulations (ROHS, REACH and Toys Directive). In case of conflict minerals that are subjected to requirements of Dodd-Frank Section 1502 or Regulation (EU)2017/821, we request of our suppliers to declare relevant content.

We furthermore mitigate risks associated with quality and safety by Biological Safety Evaluation and use ISO10993 as a guiding standard. We evaluate materials in skin contact in accordance with the standard and when necessary, we perform animal testing according to ISO10993-10, while evaluating whether chemical extraction and characterisation is deemed sufficient instead. The tests are conducted by external partners.

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4.1.2 Hearing Implants

Bone-anchored hearing systems

Within our BAHS business, we apply a risk-based approach to all activities and our Quality Management System (QMS) defines policies, procedures, and practices for analysing, evaluating, and controlling product risk throughout product realisation. Relevant general standards, directives, regulatory requirements and common specifications applicable to our QMS are identified alongside relevant product specific standards that are then implemented in the product requirements. We perform clinical and risk management evaluations, considering applicable state-of-the-art treatments within the indication for use and we identify requirements for new markets and document these.

Hearing Implants management team have the overall responsibility for all BAHS-related products and services provided by us. Executive Management is responsible for supervising and reviewing efficiency of the QMS as well as to develop the system and methods for working with quality.

To secure that we fulfil our quality policy, quality reports are made covering all functions and areas of the business. These are reviewed at least twice a year and reported on management reviews meeting where we make further decisions about

our quality objectives and how they should be measured. Quality objectives includes product quality as measured through Quality Samples Program (QSP), complaints, vigilance and quality of delivery. Additionally, we have objectives related to other areas, such as follow-ups on project goals, supplier monitoring, delivery performance, employee trainings, launch quality and continuous improvement of the QMS, to ensure efficiency and support a fast-growing organisation.

The quality system is based on EN ISO 13485:2016 and the requirements from LVFS 2003:11, including amendments and corresponding requirements in Council Directive MDD93/42/EEC of 14 June 1993 concerning medical devices including amendments, and Regulation (EU) 2017/745 of the European parliament and of the council of 5 April 2017, on medical devices. Conformity is assessed according to Article 52, for class I follow Annex II and III and for class >1 Annex I with applicable sections.

Based on learnings from our previous generation products, as received through the complaint system and return investigations, we continuously implement improvements in our design. Also, learnings from other business areas of the Demant Group are implemented by leveraging on synergies in development and testing.

The quality department initiates an investigation with the priority as required by the seriousness of the incident and corresponding responsibilities are assigned. In collaboration with competent personnel a risk assessment of the situation is made. The risk assessment determines whether an incident has or could have occurred and whether the malfunction is related to all articles produced, a production batch or a single article. Then, necessary actions are identified, and responsibility is assigned.

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As part of this, we consider several actions to prevent or minimise the effect of an incident:

- Quarantine products: Aims at preventing further distribution of products to minimize damage caused by the product. The product is blocked for shipping.
- Additional surveillance of the device(s) in use.
- Information to concerned stakeholders: Aims at quickly provide information to concerned parties on what action to take in use, modification, disposal, quarantine or return of a medical device. If the information is sent out in relation to a Field Safety Corrective Action (FSCA) or a recall – procedure ref#1 shall be followed.
- FSCA / recall: The risk assessment shall conclude if a FSCA/recall is required, and the extent of the FSCA/recall required. If a FSCA/recall is required, this shall be made according to ref#1.

Training

All new employees are trained in the QMS and company products according to the personnel procedure. When new or revised procedures are introduced, Quality Management, or the responsible function, secures that concerned personnel are trained. Training sessions can also be held when needed to improve quality awareness and procedure compliance. Overall need for training is discussed and planned at an annual management review meeting, and for the individual employees it is part of the development dialogue. In 2021, we have met our training plans.

Complaints

Depending on seriousness of a complaint and whether the issue is trending, we prioritise. Each case is then investigated, actions determined, and a reply is made to the complaint issuer on the result of the investigation. At monthly cross functional meetings, we also cover progress or issues of specific investigations. Such procedures are in place for us to be able to react to trends, spread information and raise awareness

across the organisation and provide input to new product development projects.

Mitigating risks

The risk-management process is initiated in phase 2 of our development model and documented in the risk management file (RMF) templates, one for safety and one for security. The RMF is updated during the project as needed before market release and continuously as part of the post market surveillance process.

The appropriate risk control measures are identified to reduce risk with the following priority:

1. Inherent safety and security by design and manufacturing.
 1. Protective measures in the medical device itself or in the manufacturing process.
2. Information for safety and security and, where appropriate, training.

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Cochlear implants

To secure that we fulfil our quality policy, quality reports are made covering all functions and areas of the business. These are reviewed quarterly and reported on management reviews meeting where we make further decisions about our quality objectives and how they should be measured through non-conformances, complaints, vigilance and delivery performance.

Additionally, we have objectives related to other areas, such as follow-ups on project goals, supplier monitoring, delivery performance, employee trainings, launch quality and continuous improvement of the QMS, to ensure efficiency and support a fast-growing organisation.

The quality manual entail several standards references:

Standards references:

- NF EN ISO 13485 (2016) – Medical Devices – Quality Management Systems – Requirements for Regulatory Purposes
- ISO 13485 (2016) – Medical Devices – Quality Management Systems – Requirements for Regulatory Purposes

Regulatory references:

- European directives 90/385/EEC of 20 June 1990 amended by the Directive 2007/47/EC
- European Medical Device Regulation MDR EU 2017/745
- French Public Health Code Book II
- Canadian Medical Devices Regulations (MDR) SOR/98-282
- Brazilian Good Manufacturing Practices (RDC ANVISA 16/2013, RDC ANVISA 23/2012, RDC ANVISA 67/2009)
- Australian Therapeutic Goods (Medical Devices) Regulations, 2002, Schedule 3 Part 1 (excluding Part 1.6) – Full Quality Assurance Procedure
- American Quality System Regulation (Medical Devices) 21 CFR part 820 and associated regulations: 21 CFR Part 11 (Electronic Records; Electronic Signatures — Scope and Application), 21 CFR Part 803 (Medical Device Reporting (MDR) Regulation), 21 CFR Part 806 (Medical Devices; Reports of Corrections and Removals), 21 CFR Part 810 (Medical Device Recall Authority)
- Regulatory requirements for countries (outside of Europe) in which products are authorized for sale.
- South Korean, Korean Good Manufacturing Practices (KGMP)
- Ukrainian DSTU EN ISO 13485 (2018) Medical Devices - Quality management system - Requirements for regulatory purposes (EN ISO 13485:2016, IDT; ISO 13485:2016, IDT)

Harmonised standards

The harmonised standards (published in the Official Journal of the European Union) serve as a presumption of conformity with the above-mentioned European directives.

Technical standards

Depending on the requirements of the specific country, recognised technical standards shall equally apply to presume conformity with the various regulations.

The CI business upholds the following certificates:

- NF EN ISO 13485: 2016 N°10178 issued by GMED, notified body 0459
- MDSAP (Medical Device Single Audit Program for CA, BR, AUS, US (new certificate to be issued)) N°33854 issued by GMED
- EC Certificate ANNEX II excluding section 4 Directive 90/385/EEC concerning medical devices N°10425 issued by GMED

Voluntary recall

On 14 October 2021, our CI business undertook a voluntary field corrective action of all nonimplanted Oticon Medical Neuro Zti EVO implants with a serial number from NZB04074 and above, and of all non-implanted Oticon Medical Neuro Zti CLA implants with a serial number from NZA02454 and above. The recall affects both 1.5T and 3.0T MRI compatible implants. There is no safety issue related to this recall. While the Cumulative Survival Percentage (CSP) of the Neuro Zti implants is 99.25% after 6 years according to the European Consensus Statement on Cochlear Implant Failures and Explantations¹, the Oticon Medical quality system has recently identified an increase in the number of Neuro Zti device explants and devices under surveillance to be explanted because of a loss of hermeticity.

Even though the prevalence of the problem is low, and there are no safety concerns for users, it was decided to act on an increase in performance issues in a small subset of implants, staying true to the company's commitment of delivering products of highest quality. The rising trend of early failures compared to the baseline is the reason for this voluntary recall.

Please read the complete company announcement here

4. Business ethics & governance

Testing
Products are tested according to the QMS provisions and verified to comply with regulatory directives and international standards. Based on learnings from our previous generation products, as received through our Post-Market Surveillance process including the complaint system and return investigations, we continuously implement improvements in our design. Also, learnings from the Demant Group are implemented by leveraging on synergies in development and testing.

Complaints
When receiving a complaint notification from field, a complaint is recorded in our QMS and the need to report the incident to NCA (National Competent Authorities) is evaluated. If required, the incident is reported to NCA. When receiving the product, it is investigated, and the incident is classified following provisions of the AAMI C186. Based on the results of investigation, an analysis report is issued and sent to NCA, where applicable, and to customers.

For each incident, the need to open a corrective action is evaluated. Moreover, a trend analysis on incident type is done quarterly in order to verify the need to implement a corrective action.

The corrective action could result in a Field Safety Corrective Action.

In that case several measures are taken:

- Identifying the batches and/or serial numbers of the products to be recalled.
- Locating the products to be recalled (hospitals, distributors, OTICON MEDICAL - affiliates, etc.).
- Reconciling the number of manufactured and located products.
- Hold, segregate and identify all in-house products associated with the recall.
- Issuing a notification to National Competent Authorities (NCA) of all the countries where the products were shipped.
- Issuing a communication letter to customers or OTICON MEDICAL - representative of the countries associated with the recall.

Training
All new employees are trained in the QMS and company products according to the HR procedure and Oticon Medical Introduction Program (OMIP). When new or revised procedures are introduced, HR department, in collaboration with managers, secure that concerned personnel are trained. Training sessions can also be held when needed to improve quality awareness and procedure compliance. Needs for training are discussed with employees during annual development dialogue. They are then discussed and validation with the HR department and the Management. An annual plan is issued.

Risk mitigation
Risk management is considered throughout all phases in the life of a medical device, where risk is evaluated and mitigated in the various phases of a product life cycle, including but not limited to development, manufacturing and post-market surveillance activities. The process is initiated in phase 2 of our development model and documented in the risk management file (RMF) templates, one for safety and one for security. The RMF is updated during the project as needed before market release and continuously as part of the post market surveillance process.

The appropriate risk control measures are identified to reduce risk with the following priority:

1. Inherent safety and security by design and manufacturing.
2. Protective measures in the medical device itself or in the manufacturing process.
3. Information for safety and security and, where appropriate, training.

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4.1.3 Diagnostics
Managerial responsibility
When it comes to ensuring the quality and safety, Diagnostics management establishes measurable quality goals, communicates them to properly, provide adequate resources and review our ability to reach these goals at least once a year.

It is also a managerial responsibility to make certain that the products and services we supply meet the requirements and expectations of our distributors and end users. This responsibility is lifted via: designing products that live up to current standards; by manufacturing the products to the highest standard in our field; by delivering products and services in the agreed quality and time; by responding to customer feedback in a timely and accurate manner and by using our customers feedback as input for improvements as well as for new design.

Resources
Diagnostics' quality policy also calls for the quality personnel to have adequate training, skill and experience to fulfil our quality objectives. All new employees are trained with additional training upon request and need. As part of this, we provide adequate tools, materials and other resources as necessary, as well as make sure that buildings, workplaces and communication tools are adequate for the line of work.

Product design
New products are designed by gathering information about the customer needs and any statutory requirements; by establishing product requirement; developing the product according to our established procedures; by verifying and/or validating the design before it is transferred to production, as appropriate; by verifying the product is transferred correctly to production and by establishing and applying risk management throughout the entire product life cycle:

- When purchasing parts and services for our products we select suppliers that can deliver parts and services in the required quality
- Monitor the suppliers' performance, as appropriate
- Give feedback to the supplier, as appropriate

Manufacturing
When manufacturing diagnostic instruments, processes are in place to test and verify the products according to specifications for which only suitable production and test equipment that are calibrated as necessary are used. Parallely, suitable and validated production processes are used as well as both manufacturing, storage and transportation of products are always under suitable conditions to avoid damage, mix-up, contamination and other effects that could negatively affect product quality.

Improvements
To maintain and, if necessary, improve the quality level of a Diagnostics product or service, there are processes of regular monitoring of customer satisfaction and collection and evaluation of customer feedback. Moreover, Diagnostics perform internal audits, monitor the efficiency of manufacturing processes and monitor the performance of products prior to release, as well as we record and analyse information on non-conforming products and implement corrective and preventive actions as necessary to maintain or improve the quality level. Upon receiving a complaint, we target for the case to be closed within 90 days and we meet this target.

Testing products
In Diagnostics design department, new instruments, accessories and software are developed by internal engineers and specialists in close collaboration with external researchers and medical professionals. Before launch, products are extensively tested in accredited test houses following international recognised state-of-the-art standards for safety. Diagnostics commit to reducing animal testing as much as possible in accordance with ISO 10993-1. We solely utilise animal testing whenever it is necessary in order to test the safety of our products. The test (if applicable) is conducted by authorised test laboratories.

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4. Business ethics & governance

4.1.4 Communications

We make use of test facilities at our Tier 1 manufacturing partners and test hardware directly on production sites. To support this, individual Quality Control Managers are assigned to each Tier 1 supplier to oversee the process. It is part of our supplier agreement that Tier 1 partners carry out the tests and file report on any given quality-nonconformity. When compliance is ensured, we seek certifications based on our Declaration of Conformity that aggregates safety standards for all specifications and requirement, encompassed in EPOS design. This also includes conformity with ROHS and REACH. Besides testing at our Tier 1 partner site, we keep our internal test facilities fairly limited and collaborate mainly with third party test houses which ensure at all the time up to date test equipment with highly qualified test personnel.

In case of a quality issues at production or even in the market, we assess whether it is a one-time production or a serial issue. With serial issues, we create a quality case in our QMS, and our in-house experts work closely with our manufacturing partner to solve the issue at hand. With EPOS, we have a return rate of less than 1%, which we believe is evidence of premium quality.

Training

Contrary to medical devices, EPOS products do not involve high-risk quality issues. However, we are aware that the lithium batteries in electronics entail a probable safety risk, and we thus stay on our feet to mitigate any risk.

2021

In 2021, our quality tests, audits and inspections identified a number of quality issues at the manufacturing site before shipping. Those were solved in collaboration with the manufacturer. Following our QMS, there has been no recall with our users, and there is no health liability related to any issue and it was rather a matter of reworking parts of the production before the products reaches the market.

When necessary, we update the firmware at our warehouses in the regions to reduce efforts for distribution and customers adapting to recent phone or soft phone interoperability changes in the market.

Once a year we order an external partner to audit our production partner in China in regard to our code of conduct for third parties. This includes questions about health and safety, child labour and more.

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Appendixes

Appendix I: Sustainability performance data

	Unit	2021	2020	2019	2018	2017	Target
Gender diversity, all employees	% women/men	62/38	60/40	-	-	-	-
Gender diversity, management	% women/men	43/57	42/58	41/59	37/63	-	-
Gender diversity, Board of Directors	% women/men of shareholder elected members	40/60	40/60	20/80	20/80	20/80	-
Employee turnover	%	20.3*	-	-	-	-	-
New hire rate	%	2.8	-	-	-	-	-
Engagement rate	1 to 5	4.02	3.93	3.83	3.79	-	4.27 in 2023
Employees (Headcounts)	#	18116	16591	15837	14614	13000+	-

*Calculated on the basis of 60% of the Demant population

Appendix I: Sustainability performance data

	Unit	2021	2020	2019	2018	2017	Target
William Demant Foundation donations	Millions of DKK	124.1	111.9	153.2	111.5	98	-
Scope 1 emissions	Tonnes co2e	8,040	5,019	7,489	7,076	4,368	Minimum 50% reduction in scope 1+ 2 emissions in 2030 (2019 baseline)
Scope 2 co2e emis-sions	Tonnes co2e	22,548	18,121	20,107	17,735	19,897	
Scope 1 and 2 emis-sions per employee	Tonnes co2e	1.96	1.59	2.03	1.98	-	
Energy consumption	GJ	335,195	-	-	-	-	-
CEO remuneration ratio	Times	35	36	35	33	36	-
Product recalls	#	1*	0	0	0	0	0
Whistleblower reports	#	48	-	-	-	-	-

*Voluntary field corrective action

Appendix II: Accounting principles

Scope 1 emissions entails tonnes of CO2e emissions from natural gas, gasoline, diesel and fuel oil consumed in Demant.

Scope 2 emissions entails tonnes of CO2e emissions from actual and estimated consumed electric power and consumed district heating of Demant's main production sites, offices and clinics. Every year the data quality and scope of reporting is improved. The 2021 data covers more than 90% of our total sites including estimates.

Scope 1 and 2 emissions per employee is calculated using the total scope 1 and 2 emissions of the year in tonnes of CO2e divided by the number of employees in the scope 1 and 2 reporting sites.

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

Gender diversity, all employees shows the gender distribution between women and men in percent of the employees in countries enrolled in our global HR data management system. In 2021, 90% of our employees was registered in the system.

Gender diversity, management shows the gender distribution between women and men in percent among all people managers with one or more reports. The data is extracted from our HR data management system that held 90% of our employees in 2021.

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

Employee turnover rate is calculated dividing the total number of terminations (voluntary and involuntary) with the average number of employees during the reporting period. The employee turnover rate is calculated on the basis of 60% of the Demant population that has reported relevant numbers into our HR data management system for the full calendar year.

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

Engagement rate is the average score given by the employees on a scale of 1 to 5.

Employees are total headcounts at the end of the reporting period excluding interns, trainees, externals and temporary employees.

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 covers both voluntary and mandatory recalls.

Appendix III: GRI content index

Statement of use	Demant has reported the information cited in this GRI content index for the period January 1, 2021 to December 31, 2021 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 19-24
2-3 Reporting period, frequency and contact point	Page 9
2. Activities and workers	
Disclosure	Location
2-6 Activities, value chain and other business relationships	Page 21-22, Annual Report
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