

A close-up photograph of a fisherman's hands mending a fishing net. The fisherman is wearing a white long-sleeved shirt and a watch. The net is made of light-colored twine and is being held taut. The background is a blurred scene of a boat at sunset, with warm orange and yellow light. The text is overlaid on the left side of the image.

United Nations Global Compact Communication on Progress 2018

Corporate Social Responsibility

Demant



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About the report

This report represents Demant Management's commitment to ensuring good corporate governance and business ethics as well as upholding social and environmental responsibilities of the Group. The reported numbers are representative of the Group and the policies encompass all companies in the Demant Group, which also includes our joint venture Sennheiser Communications A/S. Encompassing our joint venture means that we will pin out specific numbers and initiatives from Sennheiser Communications here and there in the report.

The structure of this report is based on the Group's own sustainability framework and activities as well as our Communication on Progress (COP) to the UN Global Compact. It also functions as Demant's statement on the UK Modern Slavery Act. In addition, this report represents the statutory report cf. Danish Financial Statements Act, section 99a and 99b.

The report is published annually and covers the calendar year 2018 from 1 January 2018 to 31 December 2018.

Within Demant, Vice President of Corporate Communication & Relations Trine Kromann-Mikkelsen is responsible for coordinating the CSR policies and activities and the liaison between the organisation and the Executive Management Board (see page 17 on Corporate Governance).

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CEO statement

With technological development moving at ever faster pace, innovation aimed at creating customer-centric solutions is paramount to success. While strengthening our business activities for the future is essential, we pride ourselves on always putting responsibility first. Care for the world around us – creating life-changing differences – has always been the very core of Demant.

Over a century ago, Hans Demant's passion to help his hearing-impaired wife lead a better life led him to establish the company. Our purpose thus remains unchanged from the founder's: to create life-changing differences through hearing health. The essence of the testimonials from our customers illustrated in this report are the reason my colleagues around the world and I wake up every morning to go to work.

Focus on people, however, extends beyond our customers and precipitates everything we do.

To ensure employee satisfaction and high levels of engagement, we prioritize development of our employees through annual development dialogues, Demant Training Academy's tailor-made courses and retail training for our employees at clinics globally. We also provide numerous employee benefits and advocate healthy work-life balance. In order to monitor the progress of our engagement, we have rolled out a global engagement survey called Demant Pulse.

I am also proud to be a CEO of a diverse and inclusive global group of companies. Diversity and inclusion at all levels are undoubtedly not only crucial drivers of innovation and engagement, but also the only way forward in a modern company. Demant has an official Diversity policy 'More Female Managers', striving to encourage progress of female employees to leadership positions, however we fully embrace diversity along all inherent and acquired traits, such as age and nationality. We have invested a significant amount of time this year to explore what the topics mean to our diverse global companies and employees and how to develop this further in the future.

Our people-centric approach extends to our suppliers as well, which is the reason we have updated our Code of Conduct for suppliers and formalized standards we have always believed in and embraced.

Since the formulation of the Sustainable Development Goals, we have been working on how they can guide our work, in particular the goals that focus on health, sustainable growth and innovation. We are inspired to contribute beyond our business via our engagement and continuous improvement of social and environmental standards and via the William Demant Foundation.

I invite you to read through the report to see how Demant's activities improve lives of people living with a hearing loss, while at the same time furthers the efforts to reach the global Sustainable Development Goals. I hope to inspire you to help us improve the world around us in the years to come.

Søren Nielsen
President & CEO



Company Profile

For more than a century, Demant has played a vital part in developing innovative technologies and know-how to help improve people's hearing. In every aspect, at every touchpoint, from hearing devices, hearing implants and intelligent audio solutions to diagnostic equipment and hearing care all over the world, Demant is active and engaged. Our ambition is to pave new ways in hearing health, while ensuring our long-term presence and conducting business responsibly.



Hearing Devices



Hearing Implants

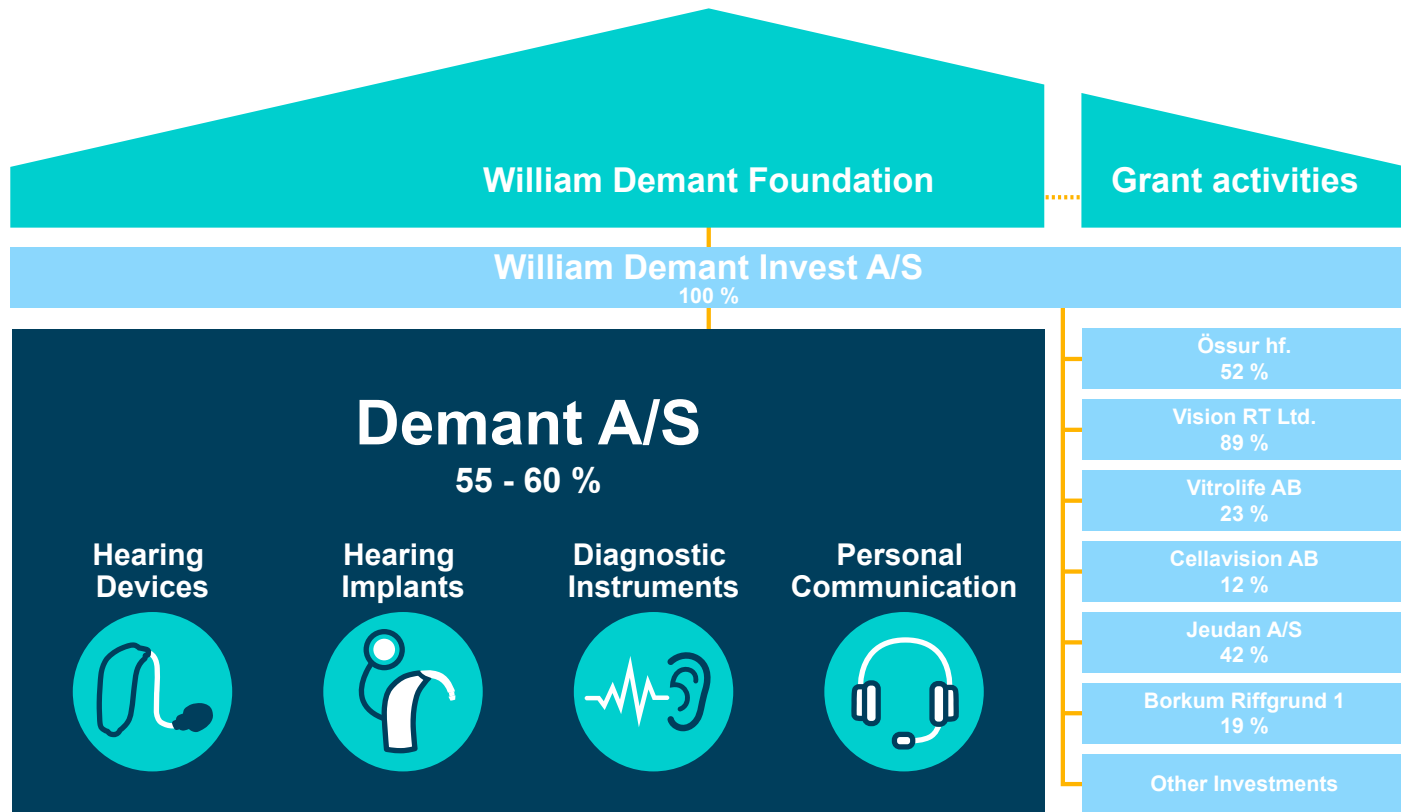


Diagnostic Instruments



Personal Communication

Ensuring hearing health is more important than ever



We facilitate good hearing by offering the newest technology and hearing care. Overcoming the boundaries of hearing loss by the active use of hearing aids and by professional hearing care makes it easier for people living with hearing loss to participate in everyday life. Good hearing is a vital element when it comes to enjoying a healthy life.

Demant A/S is listed on Nasdaq Copenhagen as part of the C25 index consisting of 25 of the largest and most frequently traded Danish shares. The William Demant Foundation is the majority owner of Demant A/S through the investment company William Demant Invest. A copy of Demant's annual report for 2018 can be found online at: www.demant.com/media#media-documents.

We focus on three business activities

Hearing Devices, Hearing Implants and Diagnostic Instruments. By utilising technology from our hearing devices and know-how from the Group, we also develop and expand our activities in the growing market of headsets for office and leisure through our joint venture Sennheiser Communications (in 2020 part of Sennheiser Communications will be fully integrated into the Demant Group and the remainder in Sennheiser KG).

Hearing Devices

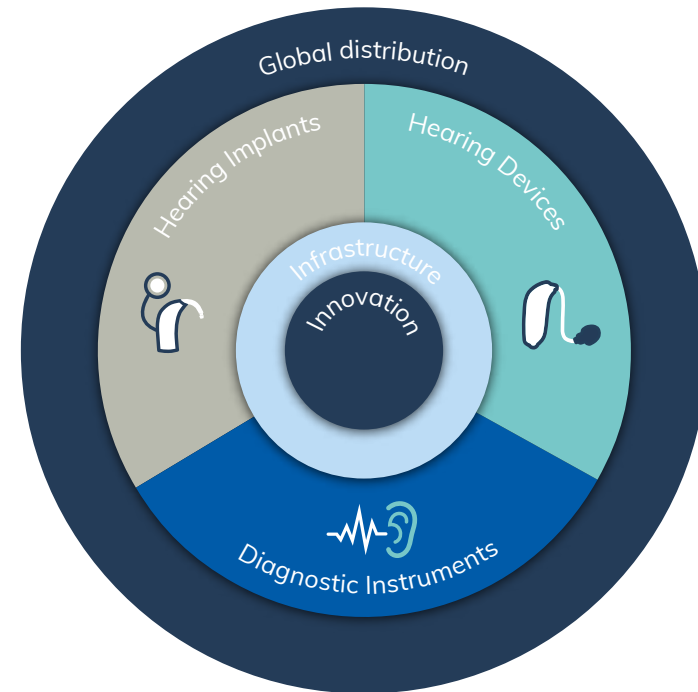
Hearing Devices represents our main focus area. In our journey to improve life of people suffering from hearing loss, we target all sales channels and customer segments striving to deliver the best products possible and state-of-the-art technology.

Hearing Implants

Hearing Implants comprises of bone anchored hearing systems and cochlear implants, and we aim to improve the life of people who are profoundly deaf or have severe hearing loss.

Diagnostic Instruments

Diagnostic Instruments helps to diagnose and measure patients affected by hearing loss and balance problems.



Our companies collaborate in many areas and to a wide extent share resources and technologies as well as infrastructure and distribution channels. These synergies help millions of people experience the joy of hearing for many years to come just as they facilitate smarter ways of working and further decreasing the Group's already low environmental impact and footprint.

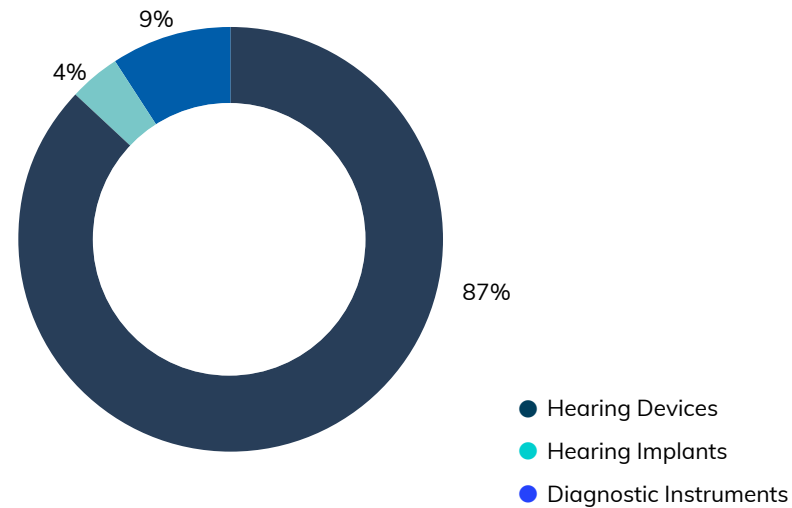
Demant operates globally employing more than 14,500 people. The Group operates through local subsidiaries in more than 30 countries and has an extended presence through our trusted distributors in over 130 countries. Over 95% of the total volume of hearing aids production is based in Poland, hearing implants are also produced in France, while our chip production is located in Denmark and custom production or service and repair is located mainly in the Americas (US, Canada, Mexico, Brazil), EMEA region (Poland, Italy, Germany, Turkey, South Africa) and Asia Pacific (Australia, China, Japan and Korea).

Group Services

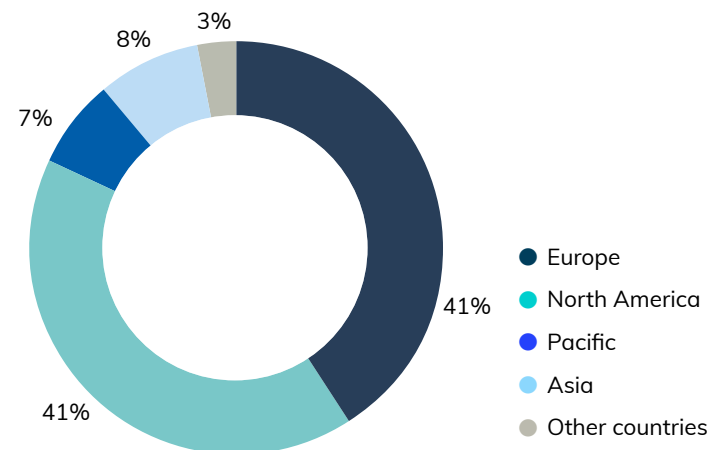
We strive to bring true innovation to the market in an efficient manner. Sharing knowledge and expertise across our Group also implies leveraging our shared services function, infrastructure and common distribution to increase cost efficiency and stay highly competitive.

In the financial year 2018, total revenue was DKK 13,973 million.

Revenue by business activity



Revenue by geographic regions



Life-changing hearing health

Purpose

Our purpose is to create life-changing differences through hearing health.

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

Differentiators

Founded on care

Our company begins with one man's passion to help his hearing-impaired wife: Hans Demant's eagerness to act on Camilla's hearing loss and to truly make a life-changing difference – carried on by their son William. By committing their time and energy to improving the lives of people with hearing difficulties, the Demant family gave us a solid foundation on which to create the future of hearing health. This commitment to change lives through healthcare continues to engage us all at Demant every single day.

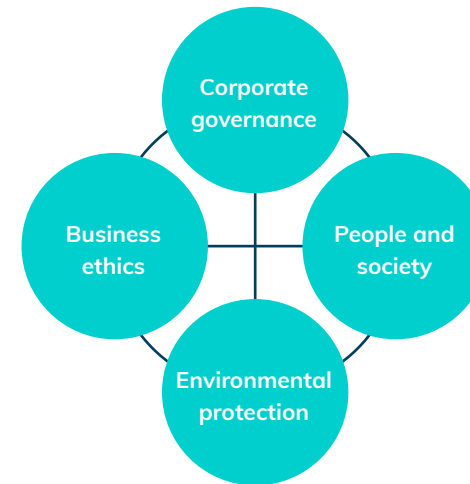
Focus on health

Hearing care is healthcare, and we keep stressing the strong link between hearing care and general health. We are confident that our solutions do more than just amplify sound, and we know that hearing care professionals do more than just fit hearing aids. By combining qualified care and the newest technology – in hearing instruments and implants as well as in diagnostic and fitting equipment – we actually make life-changing differences to people living with hearing difficulties, thereby empowering them to live more active and healthier lives.

Shaping the future

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

Our sustainability framework



We organise our work within Corporate Social Responsibility in a sustainability framework, which is aligned with the UN Compact's principles and supports the Sustainable Development Goals (SDGs) in their ambition to achieve a better world for all. The framework consists of four priorities and 14 principles and provides a guidance for our management and all employees.

Moreover, Demant also recognises the responsibility to promote similar practices among our suppliers and external business partners. The sustainability framework is reviewed and updated – if necessary – by Demant Management on an annual basis.



Corporate
governance

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

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

Please read more on page 17



People and
society

The Group contributes positively to individuals and communities by job generation, economic growth, tax payment and the actual products, which strive to enhance people's quality of life. Demant supports the Universal Declaration of Human Rights, ILO's Declaration of Fundamental Principles and Rights at Work and the UK Modern Slavery Act.

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

Please read more on page 19



Environmental
protection

Demant operates in an industry with very limited environmental impact and use of hazardous materials. Despite the limited impact, we nevertheless endeavour to protect the environment for future generations by monitoring and reducing the environmental impact of our business activities. Furthermore, various projects and initiatives across the Group are undertaken on continuous basis to promote and practice environmental responsibility.

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

Please read more on page 38



Business
ethics

We believe that in a competitive market the Group's business can only flourish if based on sound business ethics. The Group adheres to the United Nations Convention against Corruption and the UK Bribery Act. Most of the Group's activities can be characterised as "relationship business", which frequently involves close interaction with clients, including consulting, training and collaborating with hearing care professionals, for instance audiologists, hearing aid dispensers, ear-nose-and-throat specialists and clinic owners.

12. We are committed to abide by the laws and regulations of the countries in which we operate. In the absence of adequate laws and regulations, we are guided by recognised international standards and industry norms.
13. We work against bribery and other forms of corruption, both directly and indirectly through our business partners, and we avoid facilitation payments.
14. To benefit the users of our products is our primary goal. Therefore, we avoid actions that may influence business decisions with disadvantageous effect on the end users.

Please read more on page 44



Sustainable Development Goals

The 14 principles imply our commitment to the UN Global Compact's ten principles which are integrated as a part of our business strategy and daily operations. The ten principles of UNGC touch upon four main areas: human rights, labour rights, environment and anti-corruption. Our compliance with the principles can be found in the report as below:

Human rights: page 31-33

Labour rights: page 34-37


Environment: page 38-43

Anti-corruption: page 44

In addition, our sustainability framework and CSR activities also contribute to (the achievement of) the UN Sustainable Development Goals, which have been developed and agreed upon globally in 2015. We especially recognise our CSR focus on SDG no. 3, 4, 8 and 9 by improving people's health, their quality of life, generating sustainable business growth, encouraging innovation in technology and beyond and supporting education, research and inclusion. While we have our primary SDGs focus, we also directly or indirectly contribute to secondary SDG goals 5, 7, 12 and 17 through our business operations and CSR initiatives, also listed below.

Primary Sustainable Development Goals

We strive to select projects with potential to be self-sufficient after one or several years of funding, in order to ensure sustainability of progression toward the SDG achievement. Our projects and initiatives corresponding to the SDGs can be found throughout this report.

 <p>3</p> <p>Good health and well-being – ensure healthy lives and promote well-being for all at all ages</p>	<p>3.2 By 2030, end preventable deaths of new-borns and children under five years of age</p> <p>3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being</p>	<ul style="list-style-type: none"> • Hearing health research conducted by our research and development experts improving the overall quality of life and health of our customers • Work-life balance and employee benefits • IDA Institute – patient centred hearing care • Mary Foundation – projects alleviating social isolation and bullying • New-born health project in Ethiopia • Hearing health in sub-Saharan Africa – Mario Sanna Foundation
 <p>4</p> <p>Quality Education – ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p>4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations</p> <p>4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all</p>	<ul style="list-style-type: none"> • Supporting the creation of inclusive communities and learning environment in schools: <ul style="list-style-type: none"> - Front Row in Uppsala - The Mary Foundation • Encouragement of youth education: <ul style="list-style-type: none"> - Audio Explorers - Eriksholm summer camp • Velkommen Hjem - education and inclusion at later stage in life • Scholarships and donations for educational purposes made by the William Demant Foundation

Primary Sustainable Development Goals

8

Decent work and economic growth – promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

8.2

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation

8.4

Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation

8.7

Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour

8.8

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

9

Industry, innovation and infrastructure – build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes

9.5

Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries

Demant's contribution

- Protecting human rights and labour rights
- Running a stress management program
- Rolling out a global engagement project
- Investing in talent
- Policy to avoid harassment and bullying
- Circular Economy initiatives
- Further strengthened Code of Conduct for suppliers
- Safe and secure work environment, resulting in a low number of non-severe accidents and no severe ones

- Supporting education, institutions and research projects, encouraging innovation:
 - three new PH.D. projects and continuous sponsorship of the previously awarded PH.D. projects
 - Research funding
 - Donations to universities around the world
- Hosting Audio Explorers Challenges
- Hosting Eriksholm Summer Camp
- Cutting edge hearing health research

Secondary Sustainable Development Goals

	Sustainable Development Goal	Demant's contribution
<p>5</p> <p>Gender equality</p>	<p>5</p> <p>Gender equality – achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> • Diversity policy • Explorative ten-month research and new projects on the horizon focusing on Diversity and Inclusion • Special consideration for pregnant employees in the new supplier Code of Conduct
<p>7</p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>7.2</p> <p>By 2030, increase substantially the share of renewable energy in the global energy mix</p>	<ul style="list-style-type: none"> • Windmills • Low-impact type of a business • IT recycling and refurbishment • Solar energy introduction in our Brisbane (Australia) office • Upgrades in office buildings, IT and production sites around the world leading to continuous energy savings
	<p>7.3</p> <p>By 2030, double the global rate of improvement in energy efficiency</p>	
<p>12</p> <p>Ensure sustainable production and consumption patterns</p>	<p>12.3</p> <p>By 2030, halve per capita global food waste at the retail and consumer levels</p>	<ul style="list-style-type: none"> • Responsible production • Food waste elimination • Organic food increase • Waste academy training for employees • Recycling – in offices and at production sites • Circular Economy team and initiatives
	<p>12.3</p> <p>By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>	
	<p>12.3</p> <p>Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p>	
<p>17</p> <p>Partnerships for the goals</p>	<p>17</p> <p>Partnerships for the goals – strengthen the means of implementation and revitalize the global partnership for sustainable development</p>	<ul style="list-style-type: none"> • Cooperation with various organisations, such as: <ul style="list-style-type: none"> - Børns Læring - Danish Deaf Sports Federation - Velkommen Hjem - Partnership between Mario Sanna Foundation/Gruppo Otologico/Oticon, to collectively make a difference and bring about sustainable changes



UK Modern Slavery Act

In addition to partaking at the UN Global Compact, we also comply with the British legislation of March 2016 that organisations are required to publish an annual statement setting out steps to ensure no modern slavery within their organisation or supply chains, we have included a detailed explanation of our processes and policies in place on page 31. In addition, we have further improved our Code of Conduct for Suppliers to ensure even stricter focus on fair employment and protection of Human Rights.

Stakeholders

This report is a presentation of our CSR activities based on information collected across the Group told in a simple manner yet with a comprehensive scope.

It is intended for stakeholders who are interested in learning about our CSR approach. Our main stakeholders are customers (audiologists, hearing aid dispensers, ear-nose-and-throat specialists and clinic owners), end-users, partners and suppliers, healthcare professionals and policy makers as well as shareholders, analysts, the public and media. We also encourage our employees to study the report.

In order to engage in a dialogue with our stakeholders, Demant employs different channels:

Investor Relations services analysts and investors daily by email and phone calls as well as road shows, capital market days and on our webpage.

Our company brands engage in direct customer communication via social media, newsletters, magazines, satisfaction surveys, events and conferences as well as direct sales meetings with customers. We are also members of several industry organisations, e.g. Dansk Industri (Denmark), EHIMA (Europe) and HIA (United States).

Our supplier dialogue is via our Code of Conduct and audit activities.

Politically, we actively work on pursuing and promoting collaboration on public/private research through our participation in e.g. the People's Political Meeting (Folkemøde) in Denmark and a joint project group with representatives from the industry, patient organisations and health and education system in

Denmark. Around the world, we actively participate in political discussions with local authorities and make ourselves available for business/public officials' visits and collaboration activities.

We strive to maintain an active and open dialogue with the media and provide quick, current, accurate and relevant answers to inquiries in a professional and respectful manner.

Internally, we have the intranet Kitenet, an online news portal also called Demant Inside, as well as an annual global engagement survey Demant Pulse. In addition, our global teams can now also communicate and update each other via the professional social media channel Workplace, which helps us to stay current and engaged daily.

Corporate governance

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

Demant A/S is subject to the Danish Recommendations on Corporate Governance laid down by the Danish Committee on Corporate Governance in respect to the way in which we adhere to the recommendations. As a listed company, the Group strives to maintain an accountable and efficient management structure and

communicate in an open, transparent, impartial and timely manner with the stock market about the Group's strategy, objectives and risks. Control mechanisms are in place with an objective of monitor, manage and mitigate any material risks associated with our business.

1.1

Management structure

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

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

The Company's Executive Board presently consists of two executives: President & CEO and Chief Financial Officer. The Executive Board has the overall responsibility for the activities and the day-to-day operations of the Company. The tasks, responsibilities and scope of the Executive Board as well as the guidelines in respect to the delegation of duties between the Board of Directors and the Executive Board are stipulated in the Instructions for the Executive Board.

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

1.2

Internal control and risk management systems

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

From a financial reporting process and internal control point of view, once a year we conduct a very detailed planning and budgetary process. Any deviations from the plans and budgets concluded in the process are carefully monitored on monthly basis.

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

- Continuous follow-up on results achieved compared to the approved budgets;
- Policies for IT, insurance, cash management, procurement etc.;
- Reporting instructions as well as reporting and finance manuals.

The responsibility for maintaining sufficient and efficient internal control and risk management in connection to financial reporting, governance and corporate social responsibility lies with the Executive Board. As such, the Executive Board is responsible for shaping and supporting the corporate social responsibility mission and activities of the Group and the responsibility of coordinating, aligning and reporting to the Executive Board lies with Demant Corporate Communication & Relations.

Reporting on corporate governance

When reporting on corporate governance, we follow the "abide or explain" principle, which means a failure to comply with a recommendation does not constitute a breach, as long as we explain why we have chosen not to follow a given recommendation and explain what we do instead. The five cases where we have chosen to deviate from a recommendation are well-founded, as well as substantially explained what we do instead. To further increase transparency, we have decided to provide supplementary and relevant information, even when we follow the recommendations. A complete schematic presentation of the recommendations and our compliance, Corporate Governance 2018 – Statutory report on corporate governance, cf. section 107 b of the Danish Financial Statements Act, is available at www.demant.com/media#media-document.

People and society

Care for people is the very foundation of our company. The founder Hans Demant started the company out of passion to help his hearing-impaired wife and other people in need to live a better life. More than 100 years later, this care for other people on which the company was founded and developed is still the core of everything we do. We aspire to help people hear better, have conversations with their loved ones and be a part of the society again.

We will unfold this topic in two sections:

- Empowerment and Support
- Protecting Human and Labour Rights

Empowerment and Support focuses on the topics of alleviating hearing loss, contributing to education and research and empowering people through rehabilitation, hearing care programmes and other philanthropic activities. Protecting Human and Labour Rights elaborates on our policies, actions and outcomes regarding human rights and labour rights, child labour, code of conduct, modern slavery, sustainability in the work place and female leadership.



I feel part of life again – can you imagine how wonderful that is?

Irene, bilateral Ponto 3 SuperPower user



They are so much clearer that it feels like I have a brand-new pair of ears on

Amanda, 18-year-old student, Oticon Opn user



I was going to resign, and I had already turned in my paperwork

Shannon, a committed teacher, already gave up on her passion to help children who need her, when Oticon Opn allowed her to fully engage in her working and private life again.

Shannon, Oticon Opn user



2.1

Empowerment and support

We take pride in empowering and supporting individuals and communities not only directly through our products, but also through our projects and initiatives with the aim of improving people's lives.

Our growth strategy of the Group (see Company Profile) also plays a positive role in our CSR. With an increased focus on CSR, various teams across the organisation have taken actions and initiated projects to better contribute to our people and society. Aside from this, the William Demant Foundation, the majority shareholder of Demant, is a charitable business foundation whose main purpose is to secure and expand the commercial activities of the Group, to invest in society and to donate money to charitable causes. With the income derived from its profits in Demant as well as other investments, the William Demant Foundation sponsors social and educational programmes, publications, conferences, cultural activities and researchers, students, hearing care professionals and the general public. One of the reasons for channelling our Demant

philanthropic activities through the William Demant Foundation is to separate sponsoring and grant activities from the commercial activities of the companies of Demant.

We believe that an independent foundation will enable us to best allocate resources that serve the purpose of empowering and supporting people and society. Following this vision, two experts specialized in audiology and related disciplines work jointly with the William Demant Foundation to ensure applications are reviewed in a strict and professional manner.

In 2018, the William Demant Foundation in total donated DKK 111.5 million to projects in such areas as research, education, culture and care. DKK 62.2 million was donated to projects aiming at alleviating hearing loss all over the world and to education and research projects within hearing healthcare and the rest of the DKK 111.5 million to a variety of projects, e.g. culture activities, exhibitions and humanitarian healthcare projects, described, but not limited to the ones illustrated in this report.

William Demant Foundation

2.1.1

Non-hearing related philanthropic activities

Demant supports various philanthropic activities through both the William Demant Foundation and initiatives across the Group.

Sponsored by the William Demant Foundation, Maternity Foundation has been running a project to enhance maternal and new-born health (MNC) in Ethiopia since 2017. With a joint effort, the project contributes to improving maternal and neonatal health by increasing the quality, availability, acceptability and accessibility of MNC services at facility and community levels in West Wollega Zones in Ethiopia. To empower the local women to make informed choices about their health, the project offers various activities including training, community conversations and reproductive health clubs. Moreover, initiatives like loan associations are adopted to improve livelihood opportunities.

From 2017, Demant has supported the organization **Velkommen Hjem** (Welcome Home). Welcome Home is an organization working with companies to bridge the gap between military veterans and businesses. The road from military to civil can be a big challenge. Therefore, companies offer mentors to veterans to help them start a career out of the military. Following last year's success, Demant was again presented with four veterans to mentor, while the number of Demant volunteers outnumbered the mentees.

In 2018, William Demant Foundation decided to award **Mary Foundation** with a donation of DKK 10 million to support its noble work of inclusion. The Mary Foundation's efforts focus on three areas: Bullying and Well-being, Domestic Violence and Loneliness. It strives to get these issues onto the public agenda and to identify, develop and complete projects in schools, after-care centres, crisis centres and other areas in life where people feel alone. Through its work, the Foundation promotes diversity and gives everybody the right to belong.

2.1.2

Hearing health projects

The Veterans Health Administration (VA) is the United States' largest integrated health care system, providing care at 1,243 health care facilities, serving 9 million enrolled Veterans each year. Roughly 500 of the sites provide audiology services including compensation, pension, and hearing aid dispensing. The VA fiscal year 2017-2018 dispensed more than 760,000 hearing aids.

Demant has grown greatly within the VA system over the past two years, currently representing 21% of the hearing aids purchased by the VA. Much of this growth is due to the success of Oticon's Opn 1, offering life changing technology for veterans. This technology has enabled veterans to increase their participation in the situations that matter most to them, in turn improving their quality of life.

Oticon has also partnered with the VA in creating a remote programming offering. This technology, called RemoteCare, will enable the VA audiologist to remotely program the veteran's hearing aids while they are in the comfort of their home. Hence, increasing the VA's access to providing care to their veterans. The VA's choice in working with Demant on this initiative shows both organizations commitment to a long term working relationship. RemoteCare is expected to be released within the VA in the first half of 2019.

The current VA hearing aid contract is in its fifth and final year, and Demant is working on its submission for the next five-year contract. We are excited to continue working with the VA in providing unsurpassed hearing healthcare offerings for years to come.

Next, Oticon USA's week-long event, **OtiCongress 2018**, combined professional development and humanitarian efforts, bringing more than 100 independent hearing care professionals who work with Oticon's products to rural communities in southwest Alaska. Oticon partnered with Yukon-Kuskokwim Health Corporation (YKHC), a Tribal Organization that administers a comprehensive healthcare delivery system for 58 rural communities, to provide hearing tests to more than 200 patients and fit more than 150 hearing aids donated by the Oticon Hearing Foundation. The Oticon USA President Gary Rosenblum took part as well and described the experience, "Although I've spent most of my career in healthcare with a focus on consumer-driven medical devices, I didn't fully understand the immediate impact a hearing device can have on someone's life until I spent time with our customers and sat in on their fittings. Then, I joined the mission trip in Alaska and saw that change on a different level—hundreds of lives changed in a matter of hours."

We keenly listen to our customers, their families and strive to remain close to those we serve to. This year we had 21 advocates and their families attend our **Oticon Medical Friends: Advocacy Weekend** event where we met and heard stories from new and old patient advocates. The conference was an opportunity for patients and their families to connect with Oticon Medical staff, learn more about our product, Ponto, and share their thoughts and ideas with our team. "What I enjoyed the most? I think finding others that you have so much in common with that formed immediate bonds. And that Oticon Medical is an amazing company that really cares about their patients," explained one of the participants, Kim Russel.

Audika in France has joined a noble project National Campaign for Better Hearing, a part of an international program uniting different partners to help raise awareness about the importance of early hearing screening at 60 years of age. A part of the project includes free hearing screening at mobile clinics throughout France, as well as financial support for the Campaign.

Early screening is undoubtedly essential, but so is prevention. Audika has therefore also partnered up with the largest music festival in France **Les Vieilles Charrues**, attended by nearly 300,000 predominantly young visitors to help educate them about the importance of hearing health and protection, giving out advice, free audiological screening and earplugs.

Inclusion and equal opportunities for all are principles Demant strongly believes in and has supported **Dansk Idrætsforbund**, the Danish Deaf Sports Federation, with DKK 4 million, which will be distributed over the next four years to ensure that hearing impaired athletes have the best possible conditions for preparation, qualification and participation at European Championships, World Championships and the 2020 Paralympic Games in Tokyo.

Mario Sanna Foundation in collaboration with Oticon, Gruppo Otologico and funded by William Demant Foundation have initiated a three-phase project in sub-Saharan Africa to help with learning, diagnosing and treating hearing loss and related issues, build up a network with suppliers of hearing aids and cochlear implant devices to treat as many people as possible. The project is enabled using a telehealth platform for remote diagnostic and hearing care support, and a hub-and-spoke model for hearing treatment in selected clinics. In the region, hearing loss especially among children poses a big risk of complete societal exclusion. Therefore, treatment and diagnosis, even in remote areas with poor audiological infrastructure is a major need. The project expands an already existing telehealth platform and online infrastructure originally developed for supporting remote area clinics in diagnosing and treating HIV with remote support from doctors in Europe. The platform is already operational in more than 40 remote clinics in sub-Saharan Africa, and the key focus of the project is to extend the platform and local infrastructure to hearing diagnosis, and in linking remote clinics to selected treatment facilities (hub-spoke model), and training and supporting medical staff on-site at the hubs to treat hearing loss with relevant hearing solutions (including CI surgery) and providing relevant aftercare. The end goal of the project is to ensure access to hearing care in the region through a project that is self-sustainable in a long-run.

2.1.3

Education and research

Supporting education, institutions and research projects in and outside of the field of audiology is an important part of the William Demant Foundation's activities.

The **Audio Explorers Challenge** was also carried out successfully for the third time. Oticon and the William Demant Foundation hosted a nationwide competition aimed at engineering students with an interest in mechanical, electrical or software development. 250 students signed up in small teams to solve a real hearing instrument related brainteaser posed by our research and development team. In the spring, 25 highly talented students who won the challenge flew to New York together with the Oticon crew for a study trip. During the trip, they experienced audiological lectures given by renowned professionals and mapped the sound levels in the urban space to find out whether it poses danger to healthy hearing – and in the long run – do comparative studies in other large cities.

For several years, the William Demant Foundation has funded the **IDA Institute** and it has contributed DKK 12.5 million to the work of the Institute in 2018, while allocating the same sum for 2019. IDA is an organisation working to integrate person-centred care in hearing rehabilitation. The work of the institute aims at enabling people with hearing loss to take an active role in their care by expressing their needs and preferences. Together with hearing care professionals around the world, IDA develops free tools and resources to strengthen the counselling process.

Another enriching educational initiative sponsored by the William Demant Foundation is the **Eriksholm Summer Camp**. In 2018, the 13th Eriksholm Summer Camp invited 59 young audiologists from 20 countries to participate a programme packed with interesting lectures and social activities with leading scientists from Eriksholm Research Centre, guest experts, Oticon audiologists and specialists. The theme of the summer camp is Hearing and the Brain, and lectures and workshops exploring the link between hearing and other cognitive processes were carried out among the participants, giving the young audiologists the chance to learn more about the field.

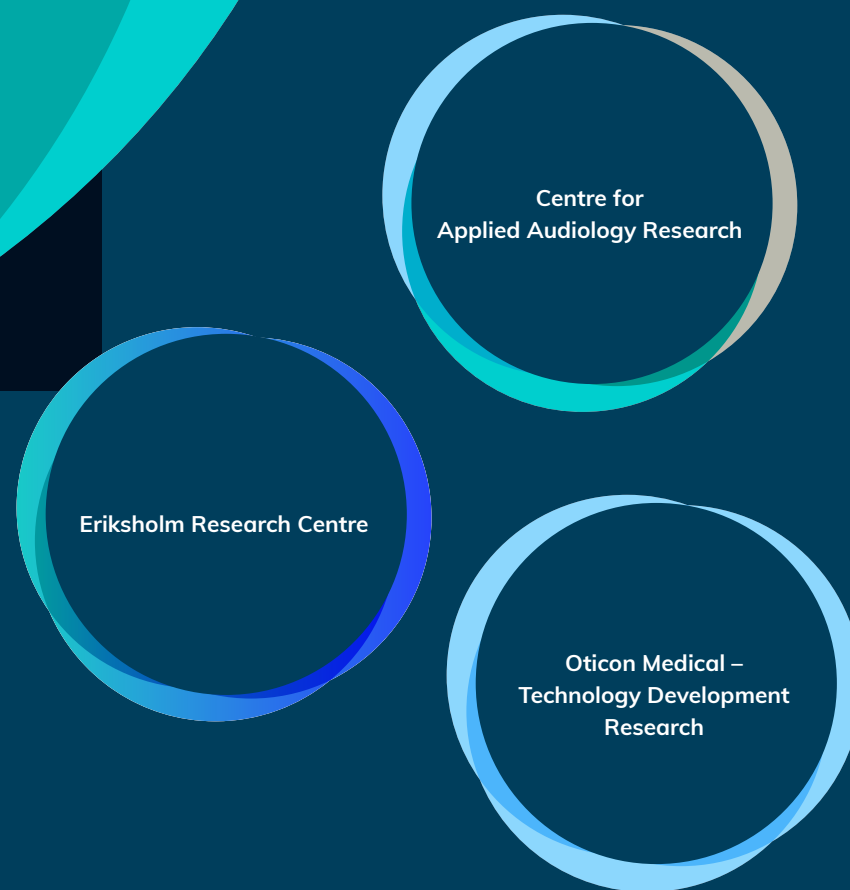
Moreover, the William Demant Foundation has a long history of funding projects that promote research and the dissemination of knowledge in audiology. In 2018, the Foundation financed 19 research projects, including three new PH.D. projects. As the PH.D. projects typically last three years, the Foundation also funded seven continued PH.D. projects from the previous years.

In 2018, the Oticon Foundation donated a total of DKK 12.3 million to leading universities around the world in for instance the US, Canada, the UK and Spain. Approximately DKK 17.2 million was donated to Danish universities.

In 2018 we also contributed to Uppsala Commune with Front Row equipment, which enables both children with hearing difficulties, as well as children with normal hearing to hear and learn better. This enables all children to attend regular schools and be integrated in a classroom.

We are proud to have our own research centre, Eriksholm, which together with our research and development experts continuously pushes the boundaries of research to study human hearing, the concept of brain hearing and develop the next generation of solutions, which provide not only exceptional audiological products, but improve the overall quality of life and health of people.

It has been proven that quality hearing solutions improve people's overall health and mental well-being and we are inspired to deliver superb products enabling people to live to their fullest potential and feel included.





Eriksholm Research Centre

First, Eriksholm's research is focusing on the three megatrend research areas eHealth, Augmented Hearing and Cognitive Hearing Science. Following are the selected highlights of the recent research in these three fields.

eHealth

- Under the EU Horizon2020 framework, Eriksholm is leading the multinational Evotion project, involving 13 mainly academic partners across Europe. The project is receiving an EU grant of EUR 5 million over the period of three years. The purpose of the project is to enable and realize hearing health policies through collection and integration of solid evidence. The project therefore collects data from more than 1000 hearing aid users, which will enable the development of a Big Data informed decision support system for the improvement of hearing loss prevention, rehabilitation, and treatment.

Augmented Hearing

- A well-known challenge within hearing healthcare continues to be the "Cocktail Party Syndrome", where multiple speakers and a background noise create a "babble", which is hard to understand for people with hearing impairment.

Artificial Intelligence is highly instrumental in solving the issue. While modern hearing instruments are powerful and offer many parameters, which can be adapted to specific listening conditions, it is practically impossible to adapt all parameters continuously to the ever-changing listening conditions during a day. Therefore, we experiment with applying Artificial Intelligence on the user information obtained from hearing instruments, in order to create optimized settings dynamically. This would help the users to always get the optimum performance of the hearing instruments, thus the best possible support in any listening situation.

In addition, the Deep Neural Networks (DNN) algorithm can mimic the human brain's capability of separating voices. A capability which comes easy and intuitive for the normal hearing and increasingly difficult for people with hearing impairment.

In recent research with our academic partners at Tampere University in Finland we were able to show that using DNN, it is possible for people with hearing impairment to achieve the same separation of competing voices, which people with normal hearing achieve.

Cognitive Hearing Science

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

In another European Horizon2020 project, CoCoHa, we showed it is possible to measure the EEG signal of the human brain via electrodes on the hearing instrument.

Also, the signal can be used to continuously adjust the hearing instrument performance to minimize listening effort. One application method is steering the hearing instrument with your eye gaze. The eyes are strong dipoles and their movements can be measured via the EEG electrodes in the ear. By knowing where the user is looking, we can focus the hearing instrument to the same direction. In combination with the above described DNN for speech separation, this presents a big step toward the solution of the Cocktail Party Syndrome. Additionally, the EEG signals measured over long periods of time offer new opportunities for helping people not only within hearing healthcare, but also in general healthcare.



Improved learning for children with hearing aids

- First, The US study focuses on children with hearing loss and their ability to learn. In the study we look at how specific novel technologies can both increase general learning and speed up the learning process, preventing children with hearing loss from developing at a slower rate than their peers. In addition, the project also looks at how the brain structure matures over time in children with hearing loss, who wear hearing aids. A major challenge associated with treating hearing impairment is that speech perception varies a lot in children with similar extent of hearing loss. The project will provide valuable knowledge on how the brain connectivity and function are associated with the variability in speech perception and learning in children wearing hearing aids.

Better customization of hearing aids from public healthcare system

- Oticon is also involved in the Danish BEAR study, looking into the benefits of better individualization of hearing aids for people getting hearing aids from the public healthcare system. Modern hearing aids can be customized to individual diagnosis and other listening needs, however, most of the public healthcare providers do not have sufficient time and the capabilities to provide such customization. The BEAR project investigates how diagnosis of hearing loss and customization of hearing aids can be improved, with the long-term objective to show it leads to improved health outcomes and presents a good investment for the public healthcare system.

Oticon A/S is involved in applied research on new technologies. Two current projects in Denmark and in the US show our commitment to pursuing the BrainHearing research, creating technologies that make it easier for the brain to make sense of a sound and free up brain capacity for other processes, such as remembering what one has heard, reflecting and responding.





Oticon Medical –
Technology Development
Research

Music and Cochlear Implants (CI)

- Listening to music evokes many cognitive processes, including emotional responses and can be used for relaxation or even management of mental health conditions, such as stress. Music also triggers associations and activates motor functions - tapping or dancing, while playing an important role in social interactions. Many CI users are deprived of this experience. Our portfolio of activities in this area, for example the bi-annual International Symposium on Music and CI, is our dedication to support the research community in bringing music to CI users, thereby better mental health and social wellbeing. Although it is not a simple fix, but requires substantial research and technology development in the years to come, we are determined to bring better music experience to CI users.

BrainHearing for hearing implants

- We are running many BrainHearing research projects with Cochlear Implants (CI) and Bone Anchored Hearing Systems (BAHS) partners across the globe to ensure CI and BAHS patients are using solutions and fittings that not only bring audibility, but also minimizes listening effort. The program is being rolled out at clinics across the globe, including Medical School Hannover, Seoul National University hospital, Gentofte/Rigshospitalet, University Hospital of Sao Paulo and many others.



2.2

Protecting Human and Labour rights

Demant always strives to fulfil its responsibilities toward the people and organisations it works with and toward the surroundings it influences through its business. Therefore, Demant supports the Universal Declaration of Human Rights and ILO's Declaration of Fundamental Principles and Rights at Work.

We evaluate the potential adverse impacts on human rights and labour rights on an on-going basis and have not identified any critical or significant risks embedded in our operations or business networks. Nevertheless, we always uphold and respect the universally-accepted human and labour rights and have in place principles, policies, internal systems and approaches to ensure our compliance and contribution.

Our five human and labour rights principles (see Sustainability Framework page 10) are set as our guidance for operations, business activities and relationships.

In the recent years, we have also established a strategic global HR Board, which functions as a coordinating body in terms of HR strategy, organisational and leadership development, as well as deployment of global HR systems. The board convenes on regular basis and can also be activated in case of an urgency or a breach of company policies. We also

strive to ensure our suppliers and external partners comply with our code of conduct and execute audits if necessary.

Regarding enactment of our human and labour rights and principles, we have implemented a global/local approach in our global organisation. The Demant Group centrally formulates policies and guidelines, while the local management has the mandate and is responsible for daily operations, as well as solving, reporting and taking actions in line with both the company policies and local legislations.

We have adopted a Code of Conduct to improve and encourage high human and labour rights standards for our suppliers, which will be explained further in the following section. Besides, the Group has taken various approaches to contribute to and work on protecting human rights and labour rights respectively. For instance, we always aspire to achieve workplace sustainability and create a rewarding, respectful and safe working environment for our employees to thrive professionally and personally. Therefore, we have adopted approaches like stress management, engagement project and diversity strategy to achieve that.

Our focus and actions aimed at protecting human and labour rights have fuelled Demant to grow in a responsible way and develop into a successful and sustainable global company.





2.2.1

Code of conduct

All new suppliers must sign a comprehensive code of conduct that lists criteria, governing aspects of human rights, labour rights, the environment as well as anti-corruption. The code of conduct is to help our suppliers improve social and environmental standards and is the guidance for our suppliers to contribute to the protection of human and labour rights.

The code of conduct has been introduced and used since 2010 throughout the Group, while improved this year even further. Although we have always encouraged the following points, we have taken an active approach to add them to the

Code in writing:

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

We are continuously working on inactivating suppliers that we no longer do business with and consolidating expense. In 2018, we have conducted business with 360 suppliers out of which 309 have signed the code of conduct. That constitutes 86%, compared with last year, when 72% of our active suppliers were the code signatories. The continuous improvement is an achievement we are proud of.

We select and assess our suppliers based on this code. The suppliers are grouped in three categories according to the level of risk of breaching our code of conduct. The risk assessment is based on Demant's own methodology. It is subject to independent audit and based on the supplier's geographical presence, sector, management practices and strategic importance for Demant. The categorisation of suppliers helps us to prioritise the resources needed for further dialogue with the suppliers.

If we identify a risk that a supplier does not live up to our code of conduct, we conduct an audit followed by a report, listing the issues that need to be addressed before we can initiate or continue a cooperation with that supplier. In 2018, six CSR audits to our suppliers were performed. In addition, four external CSR audits has been performed by Sennheiser Communications.



2.2.2

Human rights

Demant respects the protection of human rights through the implementation of the established principles and regulations contained in its business ethics policy and code of conduct. The policies can be found on our website at: www.demant.com/media/#media-documents.

When we look into our productions, operations and business network, we haven't identified any significant process that implicates adverse impact or human rights violation. For example, the production of hearing aids is not identified as a dangerous or risky manufacturing activity, since employees are not exposed to dangerous procedures, materials or environments. Therefore, we do not see any significant risk from our productions and we have a good record on low production accident rate. In 2018, the global accident report from our production and service sites in Denmark, Poland, Mexico and US shows only 31 accidents among 3500 employees, none of which were severe or critical.

At Demant, more than 90% of our turnover comes from the OECD countries; this does not mean we absolutely avoid the risk of human rights violation; however, it still has a considerably low potential of risk. In countries where protection of human rights is covered by

local legislation, we act in accordance to the UN Global Compact Principles. On top of this, we have in place the implementation of principles and policies from our Code of Conduct and Business Ethics Policy.

Most of our production sites are located in OECD countries. When we operate in countries outside of OECD we mitigate the risk by making sure we only employ and conduct business with highly skilled labour to handle our products. Violating proclaimed human rights is against our business model and against our business ethics and policy.

Where local legislation does not naturally protect human rights and labour rights, we apply our code of conduct to ensure that high standards are met when doing business and dealing with stakeholders (e.g. suppliers), which are beyond the boundaries of our own company.

All in all, we endeavour to support the protection of internationally proclaimed human rights within and beyond the corporate boundaries. Even though it can hardly be justified as protection of human rights, Demant tries to exercise a positive spill-over effect and improve conditions for people less fortunate, with a specific focus on our core business and mission: health and hearing care.

Sustainability in the workplace

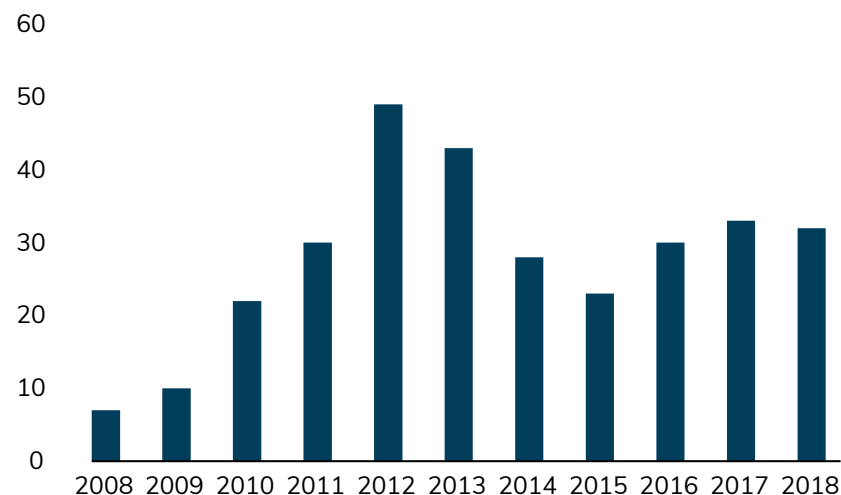
The occupational health and safety team makes sure our company is run in a safe environment. Our initiatives include: safety evaluations at work, risk assessment, safety training for employees, safety instructions at the workplace, protective measures and relevant consultancy.

To ensure that our employees develop in the best possible way and thrive within the organisation, managers evaluate their competences, performances and career plans on an annual basis by development dialogues, and the Group has established an education platform called Demant Training Academy which offers a broad variety of training opportunities. A healthy lifestyle and work-life balance is one of our company's emphasis. In some of our premises, we have built gym areas in the office for our employees. In our headquarter, employees can sign up for our canteen schemes, which serves freshly made meals made of 67% of organic food. A variety of leisure activities and sport clubs are also offered to our employees.

Stress management

Prevention and handling of stress is a part of our responsibility as a modern and accountable company and for this reason we actively engage employees in preventing and dealing with stress. The company has established a stress policy to support this focus, and have defined prevention initiatives, courses and toolbox. The purpose of our stress policy is to clarify what is expected of each of us in our various roles and not least, during the different phases of cases of stress. The policy should be treated as a guideline for what we must do depending on the role we have in the company. It is our ambition to keep stress to an absolute minimum and to constantly strive to keep it minimized for the benefit of employees and the company. Top Management expects that leaders in the company, as a part of their duties, know when a member of their staff is suffering from stress. In these cases, the leader must take the necessary action normally in cooperation with Human Resources. Our top Management also expects that leaders have made themselves familiar with the company stress policy and the tools described in the Stress Toolbox. By developing the stress policy and taking actions, we have managed to decrease the occurrence of stress cases significantly, as shown by the table to the right.

Number of employees at Danish sites affected by stress per year



The numbers include all occurrences from minor, short-term situations to longer, monthly leave of absence. They cover employees at our locations in Denmark.

In 2018, we see the approximately same number of employees affected by stress as in 2017 out of an increasing number of employees in our Danish sites. This encourages us to keep our strong focus. In peer to peer analysis, we only find few other companies with as comprehensive policies and actions as us and we trust our continuous commitment to the stress management policy to keep us on the right track.

As the perception of and focus on work related stress is very dependent on country culture we do not work with stress prevention as a global concept. However, at our production site in Poland as well as our site in Bern, Switzerland, stress prevention is also on the agenda.



Demant Pulse – Global Employee Engagement project

Having deeply engaged employees and the best in class managers is paramount in our journey to develop Demant as the strongest and most innovative Group in this industry – with the purpose to make life-changing differences through hearing health. We have in 2017 taken the first steps to perform a yearly, global engagement survey including parts of the global organisation and expanding this to the rest of Demant globally over the next two years. In 2018, we have asked 11.000 employees to complete the engagement survey and have worked actively with the results in the included organisations globally. This provides us with valuable information on the engagement level across our global business, while, at the same time, enabling us to work with engagement in a far more professional manner.

It is our ambition to make Demant a Group where each company or organisation offer an environment where we can all do our best in our daily work, no matter in which part of the world we work, or whether we belong to Group Services, Hearing Implants, Hearing Instruments, Diagnostics or Retail.

Policy to avoid harassment and bullying

Demant is committed to providing a safe work environment for all employees, free from discrimination on any ground and from harassment at work, including sexual harassment. Demant will operate a zero-tolerance policy for any form of bullying or sexual harassment in the workplace and will treat all incidents seriously and promptly investigate all allegations of sexual harassment. In 2017, we have developed and formulated a policy to avoid harassment and bullying.

The policy is in accordance with Danish legislation, which states that the employer is responsible for protecting the employees from harassment and violence at work. All existing employees have been informed, while all new employees are instructed to read the policy during their introduction courses. All complaints of bullying, violence or sexual harassment will be taken seriously and treated with respect and in confidence. No one will be victimized for making such a complaint.

Graduate programme and talent investment

In order to attract new talents and to train them within the organisation, Demant has developed a Graduate Programme scheme starting in 2014. The Graduate Programme is a two-year program where recent university graduates explore Demant and develop their personal and professional skills throughout four job rotations. The programme has

now developed to the following streams: Digital Business, Global Finance, Global Operations, Engineering and Diagnostics Business. The graduates have rotations in organisations like: Finance, Operations, IT, Sales & Marketing, Quality and R&D, Retail, Wholesale US, Sales Denmark and Corporate Functions.

To secure and plan for future recruitment of engineers, which is always a top priority for Demant, we have invested in the Polish market and established a development centre in 2016 called Demant Technology Centre. In 2018, we have further expanded the research and development division in Warsaw.



2.2.3

Labour rights

Protecting labour rights

The Demant Group has signed collective agreements with relevant labour unions. Subsequently, we negotiate and sign local agreements, duly considering local conditions, thus further improving terms regarding salary, working hours, salary increments, education, etc.

We respect the individual's membership of labour unions.

Engagement against child labour

As declared in our business ethics policy and code of conduct, and likewise implemented by our suppliers, we uphold the effective abolition of child labour and condemn its usage.

Since there are certain requirements to handle our products and services, the vast majority of our employees and the employees of the companies with which we conduct business are highly skilled with years of training and/or education. Thus, we have concluded that the risk of negative impact or child labour in our business activities is considerably low and we have not had any case of it.

Statement on the UK Modern Slavery Act

Last year we updated our reporting in order to adhere to the new British legislation on Modern Slavery. We stand by building awareness of modern slavery and against exploitation of labour, slavery, servitude, forced and compulsory labour and human trafficking. We have not had any cases of modern slavery.

We consider the risk of human trafficking in our supply chain to be very mild. Our revenue model has a predominant base in OECD countries, where the government has a higher level of control over human rights, labour rights and modern slavery enforcement. In terms of production and assemblies of our products, the company operates predominantly in Europe, North and Latin America, where the risks are contained.

We tackle the risk of exploitation in the labour market by working with suppliers, entities, sales subsidiaries and distributions network that comply and abide with our code of conduct, regulations on human rights, labour rights and business ethics. A significant percentage of our collaborators has to undergo formal education and training scheme, and this reduce even more the risk associated with human trafficking.

More details about our statement on the UK Modern Slavery Act can be found on our website at: www.demant.com/about/responsibility.

Diversity and gender equality

Diversity at management level addresses age, gender and nationalities. In recent years, soft law and statutory requirements have focused specifically on gender equality. On 1 April 2013, new rules for the gender-specific composition of top management in all large Danish companies became effective. The rules aim to ensure that the percentage of females in managerial positions in large companies increase significantly. The rules oblige companies to set a target for the representation of the under-represented gender on the company's board and to set a deadline for reaching this target.

Moreover, companies must establish policies in place on how they will enhance women's access to managerial positions based on the assumption that more women in managerial positions will – generally speaking – lay the foundation for future recruitment of female board members.

The rules also require that once a year the company must announce its targets regarding gender equality in top management and incorporate its policies and progress either in the company's annual report or on its corporate website. As a responsible company, Demant complies with the rules of law by our commitment to the UN Global Compact and we report on relevant topics via our annual CSR reports.

This report covers our focus, policy and progress on female leadership. More details are available on our website: www.demant.com/about/responsibility We continuously work on encouraging more female employees to seek opportunities for executive and managerial positions. This commitment is anchored with the Board of Directors and the Management. In 2012, we defined a diversity policy and specific initiatives for increasing the ratio of female managers in the Group, which is called 'More Female Managers'. On an on-going basis, various initiatives have been taken to support the policy, from communication to recruitment and leadership. Furthermore, there will be an on-going update with Demant's executive management.

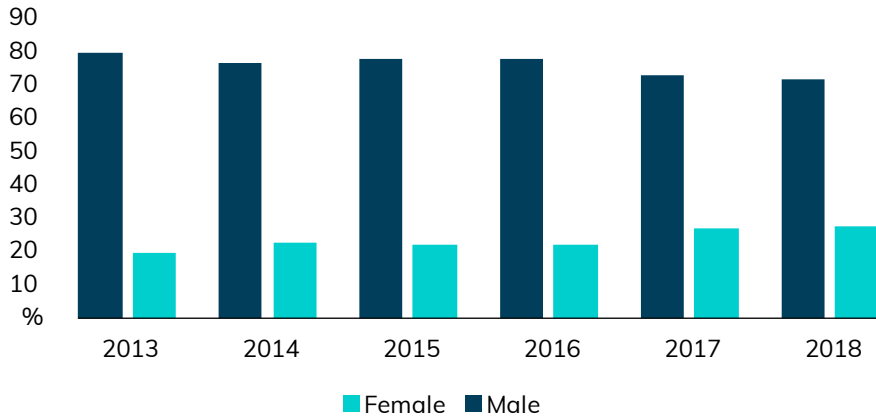
In terms of gender equality in the Board of Directors, a female Board member was elected at the annual general meeting in April 2014 and reelected in 2018, which also means that the Board reached its first target within one year after the target was set. In 2016, the Board set a new target on female leadership: by the end of 2020, the Board of Directors aims to have at least two female members.

While there is currently no female Board member at our joint venture Sennheiser Communications, it will be fully integrated in the Demant Group by 2020 and we are therefore directing our focus at ensuring we have the needed female representation at the Demant Board.

We also continue with the previously established approaches adopted to enhance female employment and leadership in the Group:

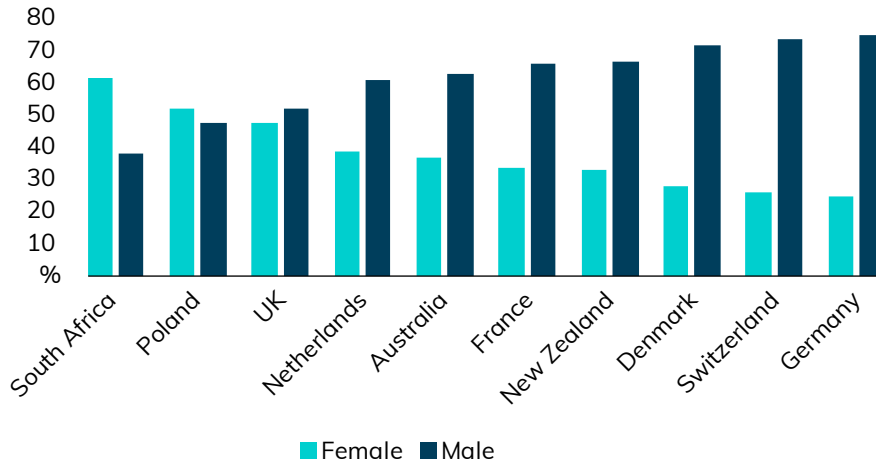
- In job advertisements, employer branding material and communication, we always strive to balance the tone between male and female connotations and visuals.
- Regarding recruitment, we require qualified female candidates in the second round when cooperating with external recruiting agencies. In terms of external recruitment events, relevant departments in the Group must prioritise sending female employees to job fairs.
- From a talent management perspective, our managers make an effort to guide and nudge female talents towards pursuing opportunities for promotion.

Split of female vs. male managers, Denmark, 2013 - 2018



Since we started tracking these numbers in 2009, the male/female manager ratio in our Danish companies has improved from 89/11 in 2009 to 72/28 in 2018. In middle and first-line management, the ratio has increased from 84/16 in 2009 to 71/29 in 2018.

Split of female vs. male managers, Selected countries, 2018



From a global perspective, our companies in South Africa, Poland and the UK have a relatively high female manager ratio compared to the other countries in 2018.

Total numbers of female vs. male managers, Selected countries, 2018

Country	Female	Male	Total
South Africa	5	3	8
Poland	70	65	135
UK	13	14	27
Netherlands	9	14	23
Australia	29	49	78
France	14	27	41
New Zealand	3	6	9
Denmark	66	167	233
Switzerland	7	20	27
Germany	2	6	8

Some of the global offices with larger numbers of employees have naturally greater challenge to optimize the gender balance, however nevertheless keep improving on yearly basis. In our Danish companies, the percentage of female managers has been relatively stable for the past four years.

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

Regarding our joint venture Sennheiser Communications, in 2018, the ratio of male and female managers in top management is 2/0, which remained unchanged from last year; and the ratio of male and female managers until 2nd management level is 25/7, which was increased from 28/5 in 2017. We are proud of the steady progress and intend to continue the improvement. Please note that organisational levels in Denmark were redefined in 2016 and actual numbers may not be directly comparable with previous years.

In 2018, our recruitment team has organized two workshops to explore the themes of diversity, inclusion and external bias in recruitment processes.

Recognising the importance of the topic for Demant, we have additionally dedicated 12 months of thorough internal and external research on the topic of diversity and inclusion and best practices within the area. Throughout the year, the top Management has paid keen attention, been a sparring partner in the discussion and convened two Global HR Board meetings to elaborate on the outcomes of the research, discuss what diversity and inclusion should embody in the world of Demant and what new initiatives to roll out in 2019, in order to continue improvement.

Environmental protection

On the basis of our sphere of influence, we are committed to minimising our impact and footprint on the environment and undertaking initiatives that advocate environmental responsibility. Moreover, we encourage the development and diffusion of environmentally friendly technologies in the Group.

Naturally, we comply with all current environmental rules and regulations in all the countries where we operate. Through an internal risk evaluation to assess our environmental impact, we have concluded that there is no significant environmental risk in Demant. Our product-related environmental impact is considerably limited, and we have not identified any significant environmental risks arising from our business activities. The production of hearing devices and diagnostic equipment does not involve significant amount of material or water and we strictly comply with our product safety rules and restricted list. By way of example, one single hearing aid weighs only 2-6 grams and contains no hazardous substances.



3.1

Material Compliance

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

It is mandatory for our suppliers to comply with the restricted list, which is controlled through a declaration of conformity and/or audits.

The list is based on the following regulations:

- Restriction of Hazardous Substances (ROHS)
- Toys directive
- Conflict minerals that are subject to the requirements of Dodd-Frank Section 1502
- Registration, and the Evaluation, Authorisation and Restriction of Chemicals directive (REACH)

Substances are categorised as below:

Class I

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

Class II

Restricted (for restricted use only)

Class III

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

Class IV

Under observation (can be used after thorough risk assessment)

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



3.2

Energy consumption performance

We started tracking our energy consumption from 2008, providing us with a means of measuring and recording our environmental impact and footprint. In 2017, we made the decision not to continue the Carbon Dioxide Project (CDP) reporting. Instead, we have expanded the reporting of our energy consumption performance with a more comprehensive scope in this report. Reports about former energy consumption performance are available on our website under: demant.com/media#media-documents. Management continuously seeks to minimise any financial consequences of damage to corporate assets, including any operating losses incidental to potential damage. The Company has not identified any significant risks and/or opportunities arising from climate changes.

Our emission rates both in total and per employee are considerably low and we do not consider it relevant to set up specific reduction targets. The most significant emissions come from Scope 1, the electricity and heating in our buildings. Hence, we consider the emission factor every time we make minor or major physical changes and act accordingly and responsively.

We experience stable growth rates throughout the Demant Group, both in financial terms and number of employees. This growth is both organic and related to acquisitions, and it has mirrored in a slight growth in emissions; yet, we seek to minimise the growth in emissions as much as possible by making wise choices along the way.

3.2.1

Environmental risk management

The Company has not identified any significant risks and/or opportunities arising from climate changes. However, when preparing the strategic, budgetary and annual plans, the directors always consider all risks identified by the Company. Due to the fact that the Group's scope 1 and scope 2 emissions are relatively low and that energy costs only account for a minor part of total costs, we do not anticipate any future regulation regarding direct Greenhouse Gas (GHG) emissions to significantly impact our operations. Among the general regulatory risks, which are not only applicable to Demant, but to most manufacturing companies, are: stricter energy efficiency requirements for offices and factories, higher taxation on energy consumption leading to higher production and logistics costs and mandatory energy standards for manufacturing equipment.

Unlike in the past, modern hearing aids contain no lead, nor any heavy metals. The entire industry is embarking on the change to rechargeable batteries, which will significantly reduce environmental impact due to their reusability and durability.

We believe that customers, investors and potential employees prefer to work with companies like Demant whose sustainability concerns are integrated into the Group's daily business operations. Focus on climate change and CSR in general presents an opportunity for us to attract talented staff, long-term investors and possibly also customers. In addition, our responsible business practices ensure continued access to the increasing number of investors signing up for the UN Principles for Responsible Investments. Finally, as products become increasingly similar in technological capabilities, the conduct of the companies behind may gain importance when customers select supplier of products and services. As our customers do not currently consider climate changes when selecting products, the timescale for materialisation of such opportunities may be long-term. Acting responsibly towards our stakeholders globally has always been part of our heritage, be they customers, staff, investors or other groups. For us, taking environmental responsibility means ensuring that our companies limit any adverse impacts on the external environment, including climate changes, as much as possible.

Emissions by GHG scope, 2018

Scope	CO ₂ emissions (tonnes)	
	Retail entities included	Retail entities excluded
1: direct greenhouse gas	7,199	3,960
2: indirect greenhouse gas	33,369	11,951
Total	40,568	15,911

Emissions by countries, 2018

Selected countries	CO ₂ emissions (kg), non-retail	CO ₂ emissions (kg), retail	CO ₂ emissions (kg), country total
Australia	257,023	1,496,459	1,753,482
Canada	221,443	31,163	252,606
France	393,316	1,158,235	1,551,550
Portugal	--	1,224,388	1,224,388
Poland	5,453,561	16,728,452	22,182,013
Switzerland	51,623	57,701	109,324
UK	241,094	1,187,869	1,428,963
USA	5,059,236	2,678,310	7,737,546
Denmark	2,233,779	--	2,233,779
Italy	226,833	--	226,833
Germany	684,515	--	684,515
Brasil	45,205	--	45,205
Korea	114,888	--	114,888
Malaysia	68,804	--	68,804
Japan	138,307	--	138,307
China	160,594	--	160,594
Singapore	26,736	--	26,736
Turkey	127,727	--	127,727
South Africa	213,779	--	213,779
Spain	192,497	--	192,497

3.2.2

CO₂ consumption performance

In 2018, our Group's CO₂ emissions reached 40,568 tonnes, including Sennheiser Communications and our retail entities. While the number presents an increase compared to 37,671 tonnes in 2017, it should be seen in the light of the ongoing expansion of our business activities and the gradual inclusion of new retail entities into the Group.

In 2017, we have included the energy consumption results from our retail entities in France, USA, Canada, Poland and Australia, while adding the UK, Switzerland and Portugal in 2018, hence delivering on our last year's commitment to continue expanding our reporting scope. Our energy consciousness is thus better reflected in CO₂ emissions per employee, which has decreased from 3.5 tonnes in 2017 to 3.24 CO₂ tonnes per employee. We have therefore decreased our CO₂ emission per employee by 7.4% in just one year.

Contained CO₂ emissions despite our growth and increased scope of reporting are a result of higher utilization of green power, such as solar energy in our Brisbane office leading to 15% decrease in electricity consumption, merging of offices or deployment of power efficient IT solutions.

The total Sennheiser Communications CO₂ emission reached 243.8 tonnes compared to 232 tonnes in 2017. However, the emission per employee has decreased from 1.15 to 1.14 CO₂ tonnes, therefore pointing to the same trend as the rest of the Group – business growth accompanied by improved energy efficiency.

In 2018, Demant's CO₂ emissions are split among electricity and heating accounting for 61% and cars for 39%. While last year's cars accounted for 23% of CO₂, we have increased our scope of retail reporting. The nature of retail business inherently encompasses more frequent travel.

The selected retail entities' CO₂ emissions reached 24,657 tonnes, representing 4.9 CO₂ tonnes per employee, a significant improvement compared to last year's 7.01 tonnes. While a sampling methodology was adopted, the selected retail entities represent over 77% of our shops. We have increased our retail reporting scope by 16% compared to last year. After benchmarking with other companies in the industry, the energy consumption of our retail entities is aligned with the common expectation within the industries.

3.3.

Environmental initiatives

3.3.1 In-house environmental initiatives – facility, IT, employee activities.

At Demant, we aspire to act in a responsible way and raise awareness across the Group by developing innovative initiatives and optimizing our solutions to contribute to the environment. Besides paying attention to product safety and our energy consumption performance, we also stress the importance of environmentally friendly initiatives in our daily workplace. We believe that seemingly trivial actions may result in a collectively significant impact on our energy consumption and hence on our environmental footprint.

We have actively adopted various approaches regarding facility in the offices to reduce energy consumption. At our headquarter, a cooling system that helps saving energy was installed in the summer of 2017. Sun protection films were applied to the skylight windows in our main buildings and it positively reduces the energy consumption used by cooling during summer time.

To support our employees in embracing sustainable lifestyle, we have also introduced new charging stations for electrical cars at our headquarters this year. In order to achieve and maintain optimal waste management, Demant has collaborated with WastePartner Management to establish an educational training programme called WasteAcademy. With a joint effort, our employees are offered training in correct waste management and gaining an overview of our entire waste management system, containers, fractions, disposed amounts and the cost involved is developed. In 2019, we will continue to work on innovative ways to recycle waste with the purpose to achieve even better environmental contribution and optimize cost saving. For example, we have entered into a collaboration with DAKA, a company collecting our unconsumed food waste and turning it into energy source. As a result, we have saved more than 50 tonnes of organic waste in 2018, which would have been otherwise thrown away.

Further supporting circular economy efforts, Demant collaborates with Tier1Asset, a global hardware recycling company. While our Danish IT department has collaborated with Tier1Asset previously, we are proud to be joined by our Spanish, French and the US office. We have made a global request to all our entities in December 2018 and look forward to be joined by the rest. Tier1Asset first collects used hardware, predominantly computers and printers. All data is then deleted correctly with Blancco tool, ISO 27001 certified, ensuring we abide the latest GDPR regulations. Instead of instantly recycling the material from the hardware, it refurbishes and repurposes 90% of the hardware, expanding its lifespan and decreasing the IT waste.

Demant has continued our ambitious goal to ensure more for less and has succeeded in the area of decreasing power consumption at our main datacentre. While we have been growing, we have still lowered our power consumption due to investments in more efficient solutions and meticulous planning. Decreasing the power consumption in the datacentre is a vital parameter, but the paramount accomplishment is our centralization of services in countries with more environmentally friendly power deliveries. In the years ahead, we will include the same focus on optimization and ensure strict attention to avoid overcommitment to power consuming resources.

In Denmark, Demant joined the campaign Bike to Work. The Danish Cyclists' Federation organizes the Bike to Work campaign that has been an annual tradition since 1997. The campaign runs during the month of May and has had between 70,000 and 110,000 participants in the last five years. The purpose of the campaign is to encourage more people to use their bike for commuting and everyday transportation, and thereby improve their physical and mental health, and reduce the damage to the environment. One person can reduce CO₂ emissions by 450 kilos per year by biking six kilometres back and forth every day.

The participants join in teams competing with and against each other biking to and/or from work as many days as possible in May. Demant employees have cumulatively biked 1845 days together, compared to 1709 days in 2017, together adding up to staggering 47,567 kilometres, which exceeds the distance around the earth. Each of our bikers had an average of 12.3 biking days and traversed 317 kilometres compared to other Danish teams, where an average participant biked ten days. We are proud to see our employees contribute positively to the environment, but also inspire others around them.



Circular economy

We are excited to report on a new cross-departmental team of employees passionate about circular economy, who have been exploring the past year throughout our global supply chain how and where meaningful initiatives could be introduced to bring even more sustainable practices to Demant. The activities include, among others, investigating new sustainable materials for both our packaging and hearing aids, where tests will be conducted throughout 2019.

How to measure the effect of new packaging methods is being aligned with our Future Operating Model project, which could significantly decrease our overall packaging consumption globally. Among other initiatives, we are continuously improving our stock forecasting and optimising the use of resources. The circular economy initiative has also been analysing requirements necessary to develop better fit for purpose packaging that will ultimately eliminate double-packaging. In addition, by 2020 50% of all our packaging will be FSC marked. These are only few examples of all the initiatives we have been working on in 2018 and will pursue further in the coming years.

3.3.2

Offshore windmills farm

Another example of our environmental initiatives is our stake in the offshore windmills farm in the German North Sea, which was commissioned in 2017. It is an investment that is capable of producing electricity to the equivalent consumption of 320,000 households with all 78 wind turbines operated.

The investment of DKK 1.7 billion was made in early 2012 by the William Demant Foundation via William Demant Invest (WDI), the majority owner of Demant. WDI's interest in the windmills farm constitutes about 18.5%. In 2018, the revenue of the windmills farm is estimated to be DKK 1.8 billion with the production in 2019 estimated at 1,297GWh.

Business ethics and data privacy

4.1 Corruption and Bribery

We are convinced that our business can only flourish if based on sound business ethics. We develop innovative, high-quality products and our primary goal is for the users to benefit from our products. We therefore have no interest in supporting business conduct that contributes to distorting market mechanisms. Equally, we want to protect any end-user data that we process.

In 2010, we adopted a formal business ethics policy that applies to all Group companies. The policy outlines how we want to act and how we want to be perceived, when it comes to the ethical aspects of doing business and interacting with customers. Specifically, the policy provides guidelines as to what is appropriate and inappropriate marketing, hospitality and other interaction with hearing healthcare professionals. During 2019 we will review the business ethics policy to assess whether it is still valid or if it needs to be updated.

We do not offer, give, accept or receive bribery in any form and we discourage facilitation payments. Along these lines, it is important to note that situations where corruption is prevalent often occur in third-world countries in connection with public tenders and that these tenders represent a very limited part of our total revenue. By the nature of our business, challenges regarding corruption are thus extremely rare. Nevertheless, according to the policy, we have incorporated business ethics principles into contracts with third parties where relevant, and we have applied a set of principles to avoid misuse of payments and financial transactions.

The Group adheres to the United Nations Convention against Corruption and the UK Bribery Act. Most of the Group's activities can be characterised as "relationship business", which frequently involves close interaction with clients, including consulting, training and collaborating with hearing care professionals, for instance audiologists, hearing aid dispensers, ear-nose-and-throat specialists and clinic owners.

The Group's strong focus on ensuring the highest degree of business ethics possible has resulted in the fact that the Group has not received any reports on cases of either corruption or bribery in 2018. We believe that this is a direct result of the significant attention paid to the business ethics policy by employees and managers on all levels of the Group.

4.2 Data Privacy

Data privacy continues to be among our top compliance priorities. We are aware and highly respectful of the sensitive nature of the personal data that our customers, end-users, employees and other stakeholders trust us to process, and we are committed to protecting such personal data through high levels of security measures and responsible policies. In 2018, with the implementation of GDPR, we have raised awareness of data privacy in the Group even higher and taken measures to ensure compliance with the applicable legal frameworks. Data privacy is not a project but is the backbone of an increasingly digital organisation and will thus continue to be of utmost importance to us. A permanent function as Data Privacy Manager for Demant has thus been created to reflect this. For 2019 we envision that the main focus will be on the continued training of employees and adherence to policies.

Concluding remarks

Looking back at 2018, we are proud we have invested the time and resources to comply with our 14 principles and to deliver on the promises we made (put forward in last year's report) to our best abilities. We have been updating our supplier risk assessment system, while having rolled out a new Code of Conduct for suppliers. We have also focused on anti-bribery legislation and invested a significant amount of time into exploring the concepts of diversity and inclusion in Demant. In addition, our energy consumption reporting has been extended by including more retail entities and countries.

We have defined the below initiatives as our guidance for corporate social responsibility in 2019 and beyond:

- Further improve ongoing data collection on diversity and inclusion throughout our global Group.
- Add new initiatives to the already existing ones to further enhance diversity and inclusion and explore whether our current diversity policy addresses our needs.
- Continue strengthening our one company approach by leveraging synergies and collaborations in the CSR area.
- Invite more stakeholders to work across our functions, company brands and countries to collectively define what Corporate Social Responsibility means to us, improve our processes and develop our way of contributing to Sustainable Development Goals.
- During 2019 we will also review the business ethics policy to assess whether it is still valid or needs to be updated.

Demant is committed to ensuring its business practices are responsible, transparent, in line with our principles and with the UN Global Compact, contributing to the UN Sustainable Development Goals on continuous basis.

This report complements Demant's Annual Report 2018 which presents the Group's strategy and consolidated results regarding financial, social and environmental performance. In addition, our reporting resembles the requirements such as company profile, a clear explanation of our processes, risk assessments and KPIs.

Our ambition is to pave new ways in hearing health, while ensuring a long-term, sustainable profile and conducting business in a responsible way.

Our purpose is to create life-changing hearing health.