



**United Nations Global Compact
Communication
on Progress
2017**

William Demant



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About the report

This report represents William 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 William Demant Holding A/S, 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 our Communication on Progress (COP) to the UN Global Compact. It also functions as William Demant Holding'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.

This report is published annually and it covers the solar year 2017 from 1 January 2017 to 31 December 2017.

With William 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 10 on Corporate Governance).

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CEO STATEMENT

In 2017, the Board of Directors announced the decision to pass on the torch of CEO of William Demant Holding to me after the 25 years' of successful leadership by Niels Jacobsen. The first top management transition in a quarter of a decade was a significant event for the Group and the process has been entirely positive for William Demant and for the people involved. Our key objectives in the transition were to secure our continued competitiveness and both readiness to change as well as continuity. I feel truly privileged to represent William Demant and in this context walk you through our CSR stories for this year as we are actively stepping up our commitment to the UN Global Compact, its 10 principles and its Sustainable Development Goals.

Care for other people has always been the core and the very foundation of our company and the desire to make a life-changing difference to people suffering from hearing loss is still the definite centre of our business and the vision which follows us to work every morning.

Evidence show that hearing care is healthcare, and as the only company in world representing all areas of hearing healthcare, we know that, in combination, patient understanding, dialogue and modern hearing technology positively change the lives of people living with hearing loss. The severity and hardness of life with a hearing loss is not a quick fix; only by allowing people right access to hearing care with professional caregivers on their side, can we significantly improve their complete experience and quality of life. It is my mission and responsibility as CEO of this company to continue to spread this important message to the healthcare communities around the world.

In addition to our responsibility to improve the lives of hearing impaired, we also have an ambition to generally conduct business in a responsible way, as we believe it will lead us to continue to drive a prosperous company in the future. At William Demant, we are committed to ensuring the highest degree of business ethics, which is anchored in our Business Ethics Policy. We believe that in a global and competitive market, our business can only flourish on a sound basis of business ethics. As an example of new ethical activities of 2017, a data privacy project has been set up to raise awareness of data privacy protection across the Group, to facilitate compliant commercial activities and to ensure our compliance with the new EU regulation.

We are also dedicated to upholding environmental and social responsibilities, and continuously aspire for business results that are financially viable, socially balanced and environmentally sustainable. In 2015, the UN member nations jointly developed and agreed on the UN Sustainable Development Goals (SDGs). The SDGs are encouraging and have set new directions and inspiration for our very own CSR activities. We have seen a natural development in William Demant to improve and contribute towards the sustainable goals 3, 8 and 9 which focus on good

health and well-being, decent work and economic growth as well as innovation.

In response to SDG no. 3 "good health and well-being", we take pride in improving the accessibility, quality and technology of our products and focusing on the social, psychological and physical issues caused by hearing loss. By supporting and collaborating on various hearing healthcare projects and initiatives, we strive to build awareness in the field of audiology and increase the general understanding of living with hearing impairment and treating hearing loss.

With regard to SDG no. 8 "decent work and economic growth", we are a people-centred company and we always pay close attention to the sustainability of our workplace. People are at the heart of everything we do, and we highly prioritise the development of our employees. Having highly engaged employees and the best-in-class managers is essential for our business success, and it has allowed us to develop as the strongest and most innovative company in this industry. In 2017, we rolled out an engagement survey in parts of our global organisation which helps us to understand and enhance engagement level across the Group. We also extended the reporting of female managers and diversity to include more countries and management levels. Moreover, we have been working on reviewing and updating our diversity policy. From 2018 onwards, we will roll out both the engagement project and the diversity policy to a larger scale and cover more companies under our organisation globally. It is our long-term and ambitious goal to create the best working environment for our employees.

William Demant is a company which firmly believes in innovation and we always encourage and support R&D activities, which corresponds well to SDG no.9 "innovation". Every year we sponsor a wide scope of research projects and educational institutes to energize and boost the innovation in audiology and related topics. By investing in innovation, we believe that we can unlock new opportunities for our end-users and customers in new and better ways.

These are just some of our focus areas. I am proud of the great achievements we have made in 2017. Our vision to making a life-changing difference to people suffering from hearing loss offers us both the opportunity and the responsibility to make a difference and be a responsible global partner. I hope this report will inspire our readers to support the UN Global Compact and contribute to a more sustainable future for the world.

Søren Nielsen
President & Chief Executive Office

INTRODUCTION

Company profile

The William Demant Group is a global market leader in hearing healthcare. We develop, manufacture and sell products and equipment that help people with hearing loss connect and communicate with the world around them.

William Demant Holding, the parent company of the Group, is listed on Nasdaq Copenhagen as part of the C25 index consisting of 25 of the largest and most frequently traded Danish shares. The Oticon Foundation is the majority owner of William Demant Holding through the investment company William Demant Invest. A copy of William Demant Holding's annual report for 2017 can be found online at: www.demant.com/About/Business-activities.

We focus on three business activities: Hearing Devices, Hearing Implants and Diagnostic Instruments. By utilising technology from our hearing devices and knowhow from the Group, we also develop and expand our Personal Communication business activity in a growing market of headsets for unified communication and leisure through our joint venture Sennheiser Communications.

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

William Demant operates globally employing more than 13,000 people through local subsidiaries in more than 30 countries and with an extended presence through our trusted distributors in more than 130 countries. Our main volume production is based in Poland and we are present with chip production in Denmark and custom production or service and repair in Denmark, the Americas (US, Canada, Mexico), EMEA region (Poland, Italy, Turkey) and Asia Pacific (Australia, China, Japan and Korea).



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 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.

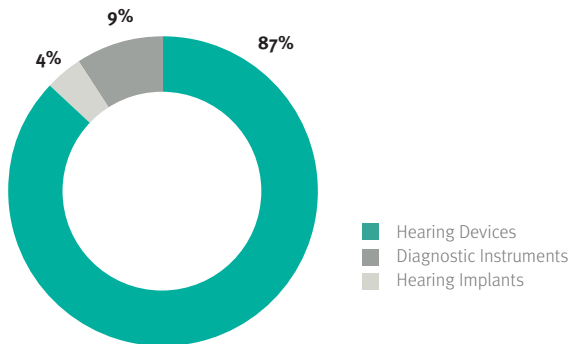
Diagnostic Instruments

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

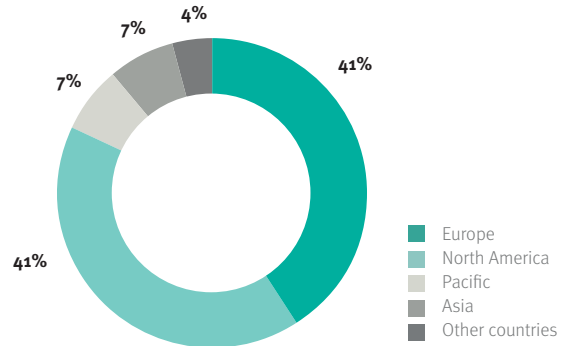
We aim at bringing true innovation to the market in an efficient manner. Sharing knowledge and expertise across our Group also implies using our shared services function, infrastructure and common distribution to increase cost efficiency and stay highly competitive.

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In the financial year 2017, total revenues was a little above DKK 13 billion.



Revenue by business activity



Revenue by geographic region

Vision

Our vision is to make a life-changing difference to people suffering from hearing loss.

Mission

The aim of all our businesses is to become each customer's preferred supplier of state-of-the-art solutions 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.

Identity

All companies in the William Demant Group seek to promote a stimulating and rewarding working environment through a flexible, knowledge-based organisation. Moreover, each company has its own position and unique business model. Everybody is committed to high standards of ethics, quality and fairness and dedicated to meeting our environmental and social responsibilities.

INTRODUCTION

Our sustainability framework

We organise our work within Corporate Social Responsibility in a Sustainability framework which consists of 4 priorities and 14 principles. In addition, we support the UN Global Compact, its 10 principles and its Sustainable Development Goals (SDGs) in their ambition to achieve a better world for all.

The Sustainability framework provides guidance for our management and all employees. William Demant additionally recognises the responsibility to promote similar practices among suppliers and external business partners. The Sustainability framework is reviewed and updated if necessary by William Demant Management on a yearly basis.

- 1 Corporate governance
- 2 People and society
- 3 Environmental protection
- 4 Business ethics

1. Corporate governance

The Board of Directors and Management of William Demant review 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 a view to monitoring, managing and mitigating any material risks associated with our business.

Please read more on page 10.

2. People and society

The Group makes a positive contribution to individuals and communities by job generation, economic growth, tax payment and the marketing of products that strive to enhance people's quality of life. William Demant supports the Universal Declaration of Human Rights and ILO's Declaration of Fundamental Principles and Rights at Work, the UK Modern Slavery Act.

- 4) We treat our employees with respect and dignity, encourage diversity and ensure fair treatment.
- 5) We do not use and 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 neighbours and the surrounding society through involvement and open communication.

Please read more on page 11.

3. Environmental protection

William Demant endeavours 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 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.
- 11) We monitor our impact on the climate and aim to reduce energy consumption.

Please read more on page 18.

4. 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 refer to 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 strive to avoid facilitation payments.
- 14) To benefit the users of our products is our primary goal. We therefore avoid actions that may influence business decisions to the disadvantage of the end users.

Please read more on page 21.

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Approach

UN Global Compact

The 14 principles stated above imply our commitment to the UN Global Compact's 10 principles which are integrated as a part of our business strategy and daily operations. The 10 principles of UNGC touch upon 4 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 14-15

Labour rights: page 15-17

Environment: page 18-20

Anti-corruption: page 21

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 globally since 2015. We especially recognise our CSR focus in SDG no.3, 8 and 9 (see below) by means of improving good health and people's quality of life, generating sustainable business growth and encouraging innovation in technology and beyond. While we have our main SDG focus, we also directly or indirectly contribute to the other goals through our business operations and CSR initiatives, also listed below.

Our projects and initiatives corresponding to the SDGs can be found all across this report.

Sustainable Development Goal, first priority

SDG 3. Good health and well-being – ensure healthy lives and promote well-being for all at all ages

SDG 8. Decent work and economic growth – promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

SDG 9. Industry, innovation and infrastructure – build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

SDG 4. Quality Education – ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Sustainable Development Goal, second priority

SDG 5. Gender equality – achieve gender equality and empower all women and girls

SDG 13. Climate action – take urgent action to combat climate change and its impact

SDG 17. Partnerships for the goals – strengthen the means of implementation and revitalize the global partnership for sustainable development

William Demant's contribution

- Alleviating hearing loss in distant areas, page 11-13
- Protecting human rights and labour rights, page 13-17
- Running stress management, page 14-15
- Rolling out a global engagement project, page 15
- Investing in talents, page 15
- Formulating a policy to avoid harassment and bullying, page 15
- Supporting education, institutions and research projects in the field of audiology and encouraging innovation, page 12
- Hosting the Audio Explorers Challenges, page 12
- Hosting the Eriksholm Summer Camp, page 12
- Supporting to improve the conditions of hearing impaired children, page 11-12
- Supporting to create inclusive communities and learning environment in schools, page 12-13
- Supporting otologic training in the developing world, page 12
- Establishing a global policy of diversity, page 16-17
- Responsible production, page 18
- Cooperating with various organisations like Børns Læring, IDA and Velkommen Hjem etc, page 12-13

INTRODUCTION

UK Modern Slavery Act

In order to 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 16.

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 approaches. 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 general public and media. We also encourage our employees to study the report.

In order to engage in dialogue with our stakeholders, William Demant has different channels:

Investor Relations department who services analysts and investors on a daily basis by emails and phone calls as well as road shows, capital market days and on our webpage.

Our product brands have direct customer communication via social media, newsletters, magazines, satisfaction surveys, events and conferences as well as direct sales meetings with customers. In 2017 we have rolled out a quality experience project for our customers in over 17 countries. The organisation sponsored by Oticon Foundation, the Ida Institute, has direct dialogue with healthcare professionals and academics.

We have several industry organisation memberships in e.g. Denmark (Dansk Industri), Europe (EHIMA) and US (HIA).

Our supplier dialogue regarding CSR 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. Vækstteam for life science, the People's Political Meeting (Folkemøde) in Denmark and a joint project group with representatives from the industry, patient organisation and health and education system in Denmark. Around the world, we actively participate in political discussion with local authorities and make ourselves available for business/public official visits and collaboration activities. In 2017, we participated in a Danish/Japanese event in Japan to promote the countries collaboration.

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

Internally, we have the intranet Kitenet, an internal newspaper Demant Inside, and an online news portal also called Demant Inside as well as Demant Pulse, a yearly global engagement survey.

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. William Demant Holding'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.

William Demant Holding 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 thrives 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 a view to monitoring, managing and mitigating any material risks associated with our business as explained below.

1.1 Management structure

William Demant Holding 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.

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 of 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 ultimate shareholder, the Oticon 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 a yearly 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 carry through a very detailed planning and budgetary process. Any deviations from the plans and budgets resulting from this process are carefully monitored month by month.

To ensure high quality in the Group's financial reporting systems, the Board of Directors and 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 with 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 William Demant Corporate Communication & Relations.

1.3 Reporting on corporate governance

When reporting on corporate governance, we follow the "comply or explain" principle, which means that 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 also explain what we do instead. The two cases where we have chosen to deviate from a recommendation are well-founded, and we explain 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 2017 – 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

As noted earlier, care for other people is the very foundation of our company. The founder Hans Demant started the company out of sheer passion to help his hearing impaired wife and other people in need 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.

“I feel like I’m alive again. I can participate in all the discussions that I previously wasn’t a part of.”

End-user of Oticon Opn hearing aid, Eugene Goetz

“In the past 20 years, I’ve worked in this field, I never encountered such a big breakthrough.”

Hearing care professional and end-user of Oticon Opn hearing aid, Roland Zweers

“The cochlear implant had a huge impact on my mental well-being. I insist on wearing my sound processor all the time.”

End-user of Neuro One sound processor, Karin

To better illustrate the stories, we will unfold this topic in two sections: Empowerment and Support and Protecting Human and Labour Rights. In both sections, we will elaborate on the policies, actions and outcomes.

Empowerment and Support focuses on the topics including alleviating hearing loss, contributing to education and research and empowering people through rehabilitation and hearing care programmes.

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.

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 life.

Our growth strategy of the Group (see *Company Profile*) also plays a positive role in our work with CSR. With an increased attention to CSR, various teams across the organisation have taken action and initiated projects to better contribute to our people and society. Aside from this, the Oticon Foundation, the majority owner of William Demant, is a charitable business foundation whose main purpose is to secure and expand the commercial activities of the Group, to investment in society and to donate money to charitable causes. With the income derived from its investment in William Demant, the Oticon Foundation sponsors social and educational programmes, publications, conferences, cultural activities and campaigns for researchers, hearing care professionals and the general public. One of the reasons for channelling our philanthropic activities and some of our CSR work through the Oticon Foundation is to separate sponsoring and grant activities from the commercial activities of the companies of William Demant.

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

In 2017, the Oticon Foundation in total donated DKK 98 million to projects in such areas as research, education, culture and care. DKK 60 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 98 million went to a variety of projects, e.g. culture activities, exhibitions and humanitarian healthcare projects.

2.1.1 Alleviating hearing loss in distant areas

Supported by the Oticon Foundation, the research project IHEAR was initiated to ensure that no child with hearing impairment is left behind in school. Many of the companies in the William Demant Group support the project with the time and work of dedicated employees. The project focuses on children with hearing impairment in state and private schools. By investigating methods for children to overcome challenges, the unique cross-disciplinary project involves children, parents, patient organisations, schools and public communication centres as well as hospitals and the hearing healthcare industry. The project, which will run for four years, follows 48 children, who will get auditory-verbal practice to ensure that they reach the same academic level as their peers – and thus get the same opportunities in life.

Last year, the Oticon Foundation has donated funds to a programme in Mongolia run by the Global Foundation for Children with Hearing Loss. With the funding and support from the Foundation, the programme establishes national newborn

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hearing screening in Mongolia and builds expertise among local professionals in order to support babies and young children with hearing loss. During the programme period, hearing screening devices were purchased and supplied to three maternal hospitals, the general hospital and the children's hospital in Ulaanbaatar, and a series of training programs were carried out for local doctors and nurses.

Sponsored by the Oticon Foundation, the Maternity Foundation ran a project to enhance maternal and newborn health in Ethiopia in 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 there.

Another great initiative the Foundation supported in 2017 is run by the Human Practice Foundation in Nepal, with the purpose to improve and implement social impact management activities and re-enforce existing school construction and quality education projects.

2.1.2 Education and research

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

For the second year in a row, the Audio Explorers Challenge was carried out successfully in 2017. Supported by the Oticon Foundation, Oticon hosted a nationwide competition aiming at engineering students with an interest in mechanical, electrical or software development. 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 helped with mapping the sound levels in the urban space in order to find out if it can be damaging to the hearing – and in the long run – do comparative studies in other large cities.

Another enriching educational initiative sponsored by the Oticon Foundation is the Eriksholm Summer Camp. In 2017, the 12th Eriksholm Summer Camp invited 65 young audiologists from 23 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 for last year's summer camp was Hearing in the Brain, and lectures and workshops exploring the link between hearing and other cognitive processes were carried

out among the participants, giving them the chance to learn about audiology.

For several years, the Oticon Foundation has funded the Ida Institute and has contributed with DKK 24 million to the work of the Institute in 2018-2019. The Ida Institute is an organisation working to integrate person-centred care in hearing rehabilitation. The work of the institute aims to enable 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, the Ida Institute develops free tools and resources to strengthen the counselling process.

The Oticon Foundation has a long history of funding projects that promote research and the dissemination of knowledge in audiology. In 2017, the Foundation financed three PH.D. projects and 17 research projects within the field of audiology and hearing. These sponsored projects are strictly selected among a number of applications submitted on 1 December 2016.

In 2017, the Oticon Foundation has donated a total of DKK 20 million to leading universities around the world in for instance the Netherlands, the US, France, the UK, Switzerland, Germany and in the Nordic countries. Approximately DKK 10 million was donated to Danish universities.

2.1.3 People empowerment

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

In 2017, the Oticon Foundation supported an organisation called Børns Læring (Children's Learning) to improve the conditions for hearing impaired children in Greenland. By inviting audiological experts to give lectures and visits, the project aimed at educating parents and teachers in schools and improving the general level of competencies with respect to language acquisition, hearing impairment and hearing aids.

The Oticon Foundation also funded the ORL Sans Frontières to support otologic (diseases and anatomy of the ear) training activities in the French speaking developing world. Established three years ago, the organisation works with ENT doctors to teach training programmes dedicated to hearing consultation and examination for general practitioners, nurses and medics working in primary medical care. With the sponsorship from the Foundation, the activity will be expanded into a larger scope to contribute to improving otologic treatment.

In 2017, supported by the Oticon Foundation, District School Smørum has cooperated with Phonic Ear to improve the learning environment for both students and teachers in order to create inclusive communities. Another meaningful initiative

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sponsored by the Foundation last year is to purchase hearing diagnostic testing equipment for a vocational education programme run by the Southern Denmark College.

The Engineering Association IDA has launched a project Professional Engineering Academy aiming at providing refugees with an engineering and science background the optimal prerequisites for entering the Danish labour market and better integrated into the society. In 2017, William Demant supported this project by offering one engineering refugee with an 8-week internship. During this internship, a daily mentor was assigned to this colleague and his work was testing print boards.

Another exciting project in 2017 is the project Velkommen Hjem (Welcome Home). The organisation works with private companies to help war veterans through mentorships. With the aim to help the society with an important social task – to reinstate war veterans into the Danish job market – William Demant worked jointly with Velkommen Hjem to successfully match four volunteered employees with four veterans with a mentorship for six months. During this period, the mentor helped the veteran covert and interpret his/her strengths into civilian competencies. One of the four veterans has finished the mentorship programme and started his career life recently.

2.2 Protecting Human and Labour rights

William Demant always strives to fulfil our responsibilities for the people and organisations we work with and for the surroundings where we have an influence through our business. Therefore, William Demant supports the Universal Declaration of Human Rights and ILO's Declaration of Fundamental Principles and Rights at Work.

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

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

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

our suppliers and external partners, we ensure they comply with our code of conduct and execute audits if necessary.

With regard to governing our principles and policies protecting human and labour rights, we have implemented a global/local approach in our global organisation. William Demant Holding centrally formulates policies and guidelines and the local management has the mandate and responsibility of daily operation as well as solving, reporting and taking actions according to both the company policies and local legislation. Furthermore, 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, and we have adopted approaches like stress management, engagement project and diversity strategy to achieve that. Our focus and actions on protecting human and labour rights have fuelled William Demant to grow in a responsible and sustainable way and develop into a successful 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 used since 2010 throughout the Group, and in 2017, 379 out of 576 have signed the code of conduct, which was increased by 5% compared to 2016. Furthermore, we are continuously working on inactivating suppliers that we no longer do business with and consolidating expense. If only active suppliers are considered, 348 out of 481 active suppliers have signed the code of conduct (72%) in 2017, which is a high percentage 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 William 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 William Demant. The categorisation of suppliers helps us to prioritise the resources needed for further dialogue with the suppliers.

If we find a risk that a supplier does not live up to our code of

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conduct, we carry out an audit and prepare a report, listing the items that need to be addressed before we can initiate or continue cooperation with that supplier. In 2017, three CSR audits to our suppliers were performed. In addition, seven external CSR audits have been performed by Sennheiser Communications. The external audits were followed up by internal audits, to ensure that initiatives stated in prior action plans had been carried out, and to take actions on the results of the audits.

The most common non-compliances among suppliers are:

- Too many working hours per week
- Lack of one day off per week
- Fines to workers for breaking internal rules, e.g. violation of smoking prohibition
- Lack of evidence of CSR audits of subcontractors
- Emergency exits blocked
- Lack of exit signs
- Lack of training in fire extinction and emergency handling
- Lack of written emergency plans

2.2.2 Human rights

William 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: <http://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 2017, the global accident report from our production and service sites in Denmark, Poland, Mexico and the US shows only 21 accidents among 3500 employees, none of which was severe or critical.

At William 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 conducts 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, William 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 a yearly 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 emphases. 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 serve freshly made meals 65% of organic food. A variety of leisure activities and sport clubs are also offered to our employees.

Stress management

Dealing with 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 in this regard, 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(s) 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

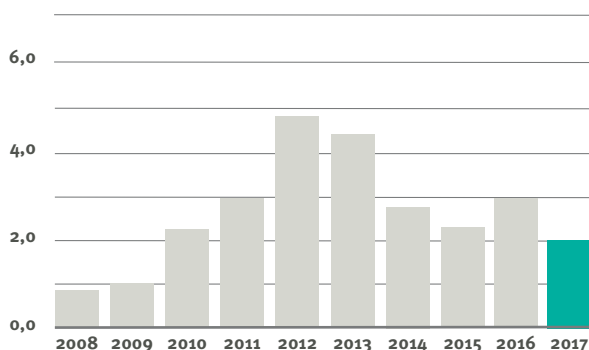
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member of their staff is suffering from stress. In these cases, the leader must take the necessary action normally in cooperation with HR. Top Management also expects that leaders have made themselves familiar with company stress policy and the tools described in the Stress Toolbox.

In 2012, we experienced a significant increase in the number of our employees affected by stress. By developing a policy and taking actions, we have managed to decrease the occurrence of stress cases significantly, as shown by the table below. 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 2017, we see a further decrease compared to the previous years. 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.

Percentage of employees affected by stress



Engagement project

Having the deeply engaged employees and the best in class managers is paramount in our journey to develop William Demant as the strongest and most innovative Group in this industry. 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 the William Demant Group globally over the next two years. 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 William Demant a Group where each company or organisation offers an environment where we can all do our best in our daily work - no matter in which part of the world we work or which part of the organisation we belong to.

Policy to avoid harassment and bullying

William 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. William 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 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, William Demant has developed a Graduate Programme scheme starting in 2014. The Graduate Programme is a two-year scheme where young candidates explore William Demant and develop their personal and professional skills throughout four job rotations. The programme has now developed to the following streams: General 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 William Demant Holding.

To secure and plan for future recruitment of engineers, which is always a top priority for William Demant, we have invested in the Polish market and established a development centre in 2016 called Demant Technology Centre. In 2017, we have further expanded the research and development division in Warsaw.

2.2.3 Labour rights

Protecting labour rights

William Demant Holding 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

PEOPLE AND SOCIETY

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.

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 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 size of our collaborators have to undergo formal education and training scheme, and this reduces 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 is increased significantly in the coming years. 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, William 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 report.

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 will be developed to support the policy, from communication to recruitment and leadership. Furthermore, there will be on-going update with William Demant management on their decision to expand reporting and update policies.

In terms of gender equality in the Board of Directors, a female Board member was elected at the annual general meeting in April 2014, 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. In 2017, we had full focus on implementing historic management changes in the Group. The former CEO of William Demant Niels Jacobsen was appointed vice chairman of the Board, which is the reason for not reaching the target in 2017.

For our joint venture Sennheiser Communications, there is no female board member currently, but a target has been set to have one female board member by 2020. Since the target was set in 2016, and a candidate with the right qualifications hasn't been found yet, the target has not been reached yet.

Relevant approaches have been 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.

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 73/27 in 2017. In middle and first-line management, the ratio has increased from 84/16 in 2009 to 71/29 in 2017. From a global perspective, our companies in Australia, Switzerland,

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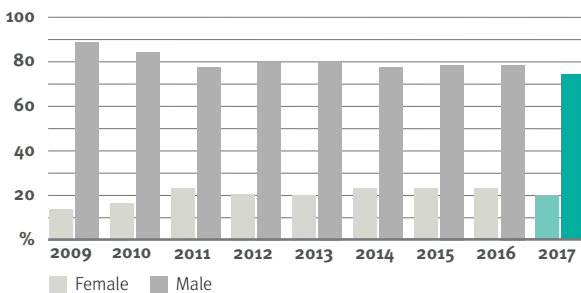
Poland and South Africa have a relatively high female manager ratio compared to the other countries in 2017 (see below for detailed numbers).

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. Moreover, we are planning a workshop in 2018 to dedicate focus and effort in defining and expanding our view on diversity and how to be even more inclusive in the recruitment process as part of the global HR strategy.

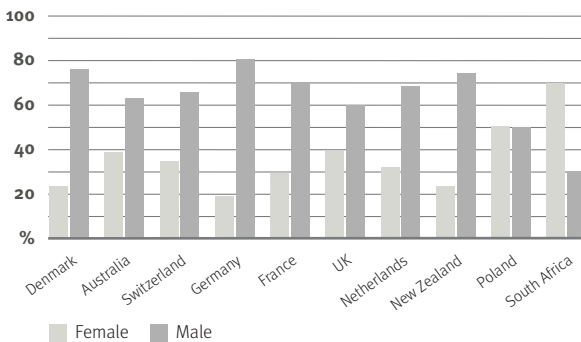
Regarding our joint venture Sennheiser Communications, in 2017, the ratio of male and female managers in top management is 2/0, which remained unchanged from last year; and the ratio of male and female managers until 2nd management level is 28/5, which was increased from 28/1 in 2016.

Please note that organisational levels in Denmark were re-defined in 2016 and actual numbers may not be directly comparable with previous years.

Development in male-female leadership 2009-2016



Development in male-female leadership 2009-2016



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 William 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 aids 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 Product safety and restricted list

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 law 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 William 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 al

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.

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. For a couple of years we have reported to the Carbon Dioxide Project, but in 2017, we made the decision not to continue the CDP reporting. Instead, we will expand the reporting of our energy consumption performance with a more comprehensive scope in this report, the UNGC progress report (see p. 19). 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. Major risks, which cannot be adequately minimised, are identified by the Company's Management who will ensure that appropriate insurance measures are implemented on a continuous basis. The Group's global insurance programme makes sure that measures are taken out with high credit ratings companies and recognised credit-rated insurance brokers. The Directors review the Company's insurance policies once a year, including coverage of identified risks. 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 that we do not consider it relevant to set up specific reduction targets. The most significant emissions come from the electricity 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 increasing growth rates throughout the William 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.

ENVIRONMENTAL PROTECTION

Due to the fact that the Group's scope 1 (direct Greenhouse Gas) and scope 2 (indirect Greenhouse Gas) 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 emissions to significantly impact our operations. Among the general regulatory risks, which are not only applicable to William 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.

We believe that customers, investors and potential employees prefer to work with companies like William 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 practice ensures 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 mission statement, 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.

3.2.2 CO₂ emissions

In 2017, our Group's CO₂ emissions reached 14,266 tonnes, representing 1.92 CO₂ tonnes per employee (including Sennheiser Communications). This is a decreasing trend compared to 2016, when emissions reached a total of 14,973 tonnes representing an amount of 2.32 CO₂ tonnes per employee. As a company in growth, we are satisfied with our ability to decrease our footprint by 5% in total and by 17% per employee compared to 2016, which is a result of locations merging of several offices, higher utilization of green power like LED lighting and change of energy suppliers. While hiring more talents into the company, we also pay attention to our contribution to protect the environment. For Sennheiser Communications the emission has increased from 0.95 CO₂ tonnes per employee to 1.15 CO₂ tonnes per employee. The total CO₂ emission for Sennheiser Communications reached 232 tonnes compared to 165 tonnes in 2016. The increase of energy consumption is due to a car energy switch from diesel to gasoline.

In 2017, William Demant Group CO₂ emissions are split among electricity accounting for 67%, heating of buildings for 10%, and cars for 23%.

For the first time, we have included the energy consumption results from our retail entities in France, the USA, Canada, Poland and Australia. The selected retail entities' CO₂ emissions reached 23,406 tonnes, representing 7,01 CO₂ tonnes per employee. While a sampling methodology was adopted, the selected retail entities represent over 60% of our shops. After benchmarking with other companies in the industry, the energy consumption of our retail entities is aligned with the common expectation within the industries.

In 2017, including retail entities, the total CO₂ emissions of the Group is 37,671 tonnes, and the CO₂ emissions per employee is 3,50 tonnes.

Emissions breakdown by GHG energy scope (retail entities not included)

Scope	CO ₂ emissions (tonnes), 2017
Scope 1: direct Greenhouse Gas	3,298
Scope 2: indirect Greenhouse Gas	10,967

Emissions breakdown by country (retail entities not included)

Selected countries	CO ₂ emissions (kg), 2017
Poland	5,122,756
United States of America	4,426,744
Denmark	1,766,443
Germany	636,628
Australia	382,678
France	377,131
Italy	237,431
Canada	218,987
United Kingdom	208,015
China	173,269
Japan	159,262
Turkey	141,400
Brazil	134,744
Korea	128,156
Malaysia	82,054
Singapore	41,928
Switzerland	26,446
South Africa	1,468

ENVIRONMENTAL PROTECTION

3.3. Environmental initiatives

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

At William Demant, we aspire to act in a responsible way and arouse the awareness across the Group by developing innovative initiatives and optimizing our solutions to contribute to the environment. Besides paying attention to product safety matters and our energy consumption performance, we also stress the importance in environmental friendly initiatives in our daily workplace. We believe that seemingly trivial actions may result in a collectively huge 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. In our sound studios in Denmark, we have installed LED lights to reduce electricity consumption.

In order to achieve and maintain optimal waste management, William Demant has collaborated with WastePartner Management to establish an educational training programme called WasteAcademy. With a joint effort, our employees are offered continued training in correct waste management and gain an overview of our entire waste management system, containers, fractions, disposed amounts and the cost. In 2018, we will continuously work on innovative way to recycle waste with the purpose to achieve better environmental contribution and optimize cost saving. For instance, we are investigating the possibility to turn our coffee waste from the huge coffee consumption in the office into some energy resource which could in return support our energy consumption.

Regarding IT infrastructure, we aim to optimize business agility and deliver IT solutions with lower energy consumption. We regularly review the need to update IT equipment for our investments and solutions when setting the direction for the data centre infrastructure. With applying a variety of upgrade solutions, we usually adopt the more effective options which also play a positive role in our goal to save energy.

In the summer of 2017, we partnered up with the Danish Cyclists' Federation to organise a campaign called Bike to Work. The purpose is to encourage more employees to use their bikes for everyday transportation, which both improves health and reduces impact to the environment. One person can reduce CO₂ emissions by 450 kilos per year by biking six kilometres every day. At William Demant, the employees who biked have biked 1,709 days together adding up to a staggering 42,992 kilo-

metres, which is more than the distance around the earth and is also an outstanding outcome compared to other Danish teams participated.

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 Oticon Foundation via William Demant Invest (WDI), the majority owner of William Demant. Our majority stakeholder and WDI's interest in the windmills farm constitutes about 18.5%. The corresponding production of green power will be more than five times the total corporate consumption of electricity. In 2018, the revenue of the windmills farm is estimated to be DKK 250,000 with the production budgeted at 1,289GWh.

BUSINESS ETHICS

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.

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.

Furthermore, we make an effort to communicate our business ethics to all our companies, thus making ethics a natural part of all managers' meetings and internal training sessions.

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 2017. 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

By May 2018, a new EU regulation on data privacy will come into effect with increased requirements on how companies collect and handle personal data of customers, end-users, employees etc. Besides, there is increasing focus from US authorities on the US regulation on the handling of health information. Data privacy is among our top priorities regarding business ethics. 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. Our goal is to raise the awareness regarding data privacy throughout Group and to have a reasonable level of compliance to minimize risks while at the same time ensuring freedom to operate for the business.

A data privacy project has been set up since 2016 and we aspire to establish a Global Data Privacy Policy framework with guiding principles and good practices for working with personal data. Moreover, a Breach Policy will be in place on how to handle a data breach, for instance if devices with personal data are stolen, passwords are compromised etc.

In 2017, a project group and a steering committee were set up for the preparation and the launch of the data privacy project. After comprehensive researches on different levels and organisations of the Group globally, a network in every corner of the Group was built. In order to turn our data privacy policies into practice and raise the awareness globally, we will build a network of local Data Privacy Champions, who will be the local data privacy experts for a certain business area and/or region. New policies and framework for data privacy were developed and a toolbox of templates such as privacy notices and data processing agreements has been created. With the collaboration with the local data champions, the project group was able to assess the process and generate input on mitigating actions for business. In 2018 and going onwards, William Demant will run continuous assessments of new process and systems and set up training programs as part of on-boarding new data champions.

CONCLUDING REMARKS

Taking a look back at 2017 regarding initiatives, processes, assessment and enabling systems, we are proud to say that we are in full compliance with the market standard in a spectrum of comparable companies. We have defined the below initiatives that we will continue working on in 2018 and beyond:

- Update our supplier risk assessment system with the objective of getting more transparency on supplier compliance
- Update our Code of Conduct to lift content and processes to new level and include new standards, e.g. conflicting minerals
- Analyse our compliance with anti-bribery legislation and based on the conclusion of the analysis potentially roll-out an internal training system
- Based on the extended reporting in 2017, update policies and goals on diversity and female managers and launch new initiatives accordingly
- Extend the reporting of energy consumption and include more retail entities

In 2017, William Demant has achieved good results in becoming more sustainable and responsible. Not only have we continued many excellent and valuable projects into 2017, we have also developed new and better initiatives in and beyond the Group.

In the past year, we took a closer look in our CSR activities and structure under the guidance of the UN Global Compact and its SDGs, and we have better defined the areas that we will continue to put emphasis on. This report complements William Demant's Annual Report 2017 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.