

Annual Report 2022/23

# Wonderful Sound for All





Unlocking  
human potential  
by making  
wonderful  
sound part of  
everyone's life.



# Table of contents

4

## Overview

- 5 At a glance
- 6 Chair / CEO letter
- 9 Innovation highlights and brands
- 12 Performance highlights
- 13 5-year key figures and financial ratios

14

## Strategy and sustainability

- 15 Market overview
- 18 Strategic ambition and goals
- 21 Business model
- 22 Innovation
- 25 Building a wonderful place to work
- 28 Protecting the planet

35

## Performance

- 36 Sales performance
- 37 Financial review

39

## Governance

- 40 Corporate governance
- 42 Risk management
- 47 Board of directors and executive management
- 51 Investor information

52

## Statements

- 53 Management report
- 54 Independent auditor's report
- 56 Independent auditor's assurance report

58

## Financial statements and other statements

- 59 Consolidated financial statements
- 124 Parent financial statements
- 131 Consolidated ESG statements
- 165 GRI index



Coverpage image:  
*Signia. Be Brilliant.*

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Our Management Commentary covers pages 5-51, including information in notes 10.1, 11.6, 11.7, 12.6, 13.4, 13.5, 13.6, 13.7 and GRI index tables presented on pages 136-172 in sections Consolidated ESG statements and GRI Index.





# Overview

5	At a glance
6	Chair / CEO letter
9	Innovation highlights and brands
12	Performance highlights
13	5-year key figures and financial ratios

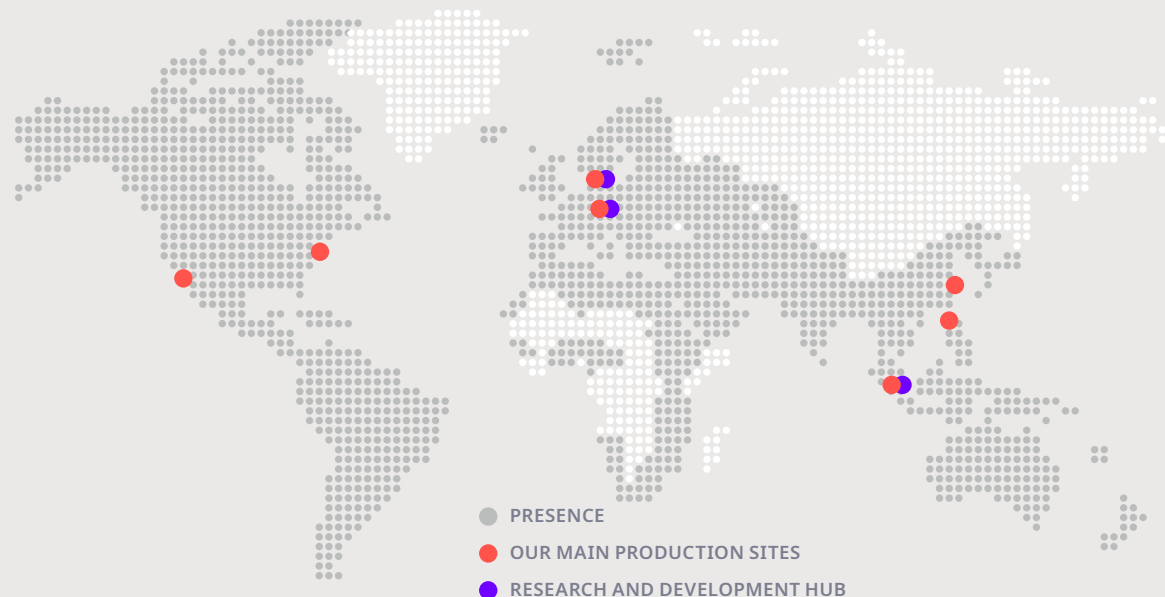




# At a glance

WS Audiology is a global leader in the hearing aid industry. **We help millions of people** regain and enjoy the miracle of hearing by designing and manufacturing innovative hearing devices and solutions. We improve people's health, well-being and quality of life by striving to unlock human potential by making wonderful sound part of everyone's life.

Through our global customer network of thousands of hearing care professionals and our consumer-facing businesses, we help raise awareness of hearing loss and facilitate access to professional care.



## 12,500+

employees working in more than 45 offices.

## 7

main production sites in Denmark, Singapore, China, Mexico, Poland, USA and the Philippines.

## 3.8

million people equipped with WSA hearing devices during 2022/23.

## 3

R&D hubs in Denmark, Germany and Singapore, supported by a global R&D organization, form our innovation powerhouse, enabling WSA to consistently deliver world firsts.



LETTER FROM OUR CHAIR AND CEO

# Engagement, innovation, sustainability

We made great progress in executing our strategy during the year. While delivering a strong financial performance, we expanded access to hearing aids for more people, strengthened our sustainability performance, improved governance, delivered an exciting new product platform and made important progress in building a company that people want to work for.

**ERIC BERNARD**  
President and CEO

**MARCO GADOLA**  
Chair of the Board of Directors





## Strategic progress

The need for hearing aids is greater than ever, and most people with hearing loss do not receive the hearing care they need.

Through our Wonderful Sound for All purpose, we continue to raise awareness, expand access and address affordability, while facilitating the complex consumer journey and fighting the stigma of hearing loss.

With our multi-brand, multi-channel play we are ideally positioned to meet the diverse needs of our professional customers as well as those of potential and existing hearing aid wearers.

Our efforts to build a great workplace with a diverse, inclusive, and supportive culture continue to pay off. We strengthened our leadership foundation through a carefully designed development program. More than 600 leaders worldwide actively participated and successfully completed the program. It was rewarding to see that the global employee engagement survey in September 2023 showed another significant jump, this time from 7.6 to 7.9.

Another pillar of our strategy is our program to minimize our environmental impact. This covers not only the way we work, the energy we consume and the footprint of our activities, but also how we help our customers minimize their impact by offering rechargeable solutions and optimizing for more resilient supply chains with increasingly ambitious recycling levels.

## Market conditions

Global market growth rebounded in the last three quarters of the year, demonstrating once again that we operate in a resilient market with a strong underlying demand for innovative hearing care solutions. We were able to raise our guidance after the

“ In the fiscal year of 2022/23 we expanded access to hearing aids for many more people, strengthened our sustainability performance, delivered fantastic innovation, and achieved significantly higher employee engagement scores. I want to thank everyone at WSA for their dedication and teamwork. It makes me proud and grateful to experience what we are able to achieve together.”

**ERIC BERNARD**  
President and CEO



second quarter to reflect the positive momentum that continued through the end of the fourth quarter.

We experienced market growth in all regions during the year. In EMEA, we saw strong growth in the UK, the Benelux, the Nordics, and Europe's emerging markets. Germany was weaker and the French market normalized, following the 2021 health-care reform. In the Americas, U.S. Managed Care continued its impressive growth trajectory. APAC was the region with the highest growth rates, and we again gained market share supported by a strong post-Covid recovery in China and due to strong growth in Japan, India, and Southeast Asia.

## Key events

In October, sales of Sony-branded OTC hearing aids manufactured by WSA, started in the U.S. through major retailers and sony.com. In this new market with new channels and new consumers, we are well positioned. The Sony OTC products have received excellent reviews from technology and audiology influencers. We have not seen, nor do we expect, any cannibalization of traditional hearing aid sales through OTC products.

In January, the Science Based Targets initiative approved WS Audiology's carbon reduction targets. We aim to reduce Scope 1 and 2 greenhouse gas emissions by 50% latest in 2030 and



achieve 100% renewable electricity by 2025 - in line with the Paris Agreement's goal of keeping global temperature rise below 1.5°C. As part of our commitment to a circular economy, we joined the Ellen MacArthur Foundation's Network and entered a partnership with the Singapore University of Technology and Design.

During the year, we implemented a new governance structure with fewer layers and faster decision-making. We linked our Executive Committee to a group of senior executives called the Strategic Forum. This has helped us shorten the lines to those responsible for executing the strategy and foster communication at all levels of the organization.

Our Signia team in China took the initiative to improve access to hearing health by going beyond traditional hearing care channels. Designed to serve regions in China where healthcare infrastructure can be a challenge, Signia introduced mobile fitting vans that have embarked on roadshows and end-user events, creating opportunities for local distributors and laying the groundwork for a comprehensive hearing care network in even the remotest corners.

Cybersecurity is a top priority for WSA. In July, we completed the ISO/IEC 27001:2013 audit and were recommended for certification. ISO 27001 is a global gold standard for managing information security in organizations.

With the start-up phase and some significant initial problems behind us, our newly established Americas Manufacturing & Distribution Center (AMDC) in Mexico is now operating as intended. Using the latest technologies and processes to deliver superior quality and service, our teams are supporting the long-term business needs of our customers, partners and their patients in the U.S., Canada and Latin America. With the AMDC fully operational, WSA has created a truly robust manufacturing footprint consisting of 7 manufacturing and distribution sites worldwide.

The creation of this modern, interoperable manufacturing footprint is part of a larger, enterprise-wide program called End-to-End Excellence (EEE). This very important transformation program puts the customer even more at the center of everything we do, enabling us to consistently deliver world-class product quality and customer service.

In September, we launched Signia Integrated Xperience, a new platform under the Signia brand. It addresses the biggest unmet need for people with hearing loss: feeling at ease in group conversations with corresponding noise. Traditional hearing aids focus first on reducing noise and then on preserving speech, but they don't fully take into account the natural interactions of a conversation, the effects of head movements and people joining and leaving the conversation. With its dual processors, Signia Integrated Xperience is able to identify and lock on to the different speakers in a group and follow them even as they move or turn their heads. This technological breakthrough has been very well received by audiology reviewers, our customers and hearing aid wearers.

## Outlook

For the fiscal year 2023/24, WSA expects 6-10% organic revenue growth driven by core markets (US, France and Germany) supported by the launch of Signia IX and continued growth in fast growing markets, US Managed Care and Online.

The reported EBITDA margin is expected to increase by 1-2%-pts versus FY 2022/23, supported by revenue growth and cost improvement initiatives.

**MARCO GADOLA**  
Chair of the Board of Directors

**ERIC BERNARD**  
President and CEO





# Innovation highlights

Throughout the year 2022/23, we continued to work tirelessly to redefine the boundaries of hearing technology. Through ground-breaking research and development, we kept shaping the future with passion and precision.

We are proud to say that our experience has made us particularly strong in rechargeability, the most natural sound, speech enhancement in noisy group conversations, and innovative design.

[EXPLORE OUR BRANDS](#)

SIGNIA – BE BRILLIANT

## Pure Charge&Go IX and T IX

Built on the new, revolutionary Integrated Xperience platform, Signia Pure Charge&Go IX and Signia Pure Charge&Go T IX are small, discreet, and rechargeable receiver-in-canal (RIC) devices for all-day listening, available with Bluetooth connectivity to smartphones. Pure Charge&Go T IX offers t-coil and extended battery life.

These devices take a whole new approach to keeping up with the conversation. They are the world's first hearing aids with a multi-stream architecture capable of accurately pinpointing multiple moving speakers in real time – fluidly adapting to enhance their speech and reduce background noise, even as they move, or the wearer turns their head.



signia

SIGNIA – BE BRILLIANT

## Silk Charge&Go IX

Based on the Integrated Xperience platform Signia Silk offers high quality audiology, wearing comfort and an unparalleled discreet design. This hearing aid features a convenient rechargeable battery delivering uninterrupted daily hearing. Even its case charges wirelessly, adding an extra layer of convenience. As Signia Silk Charge&Go IX comes with a user-friendly app, wearers can easily fine-tune their hearing aids according to their hearing needs.

In this way Signia Silk Charge&Go seamlessly combines worldclass hearing assistance with novel design to make sure wearers are enabled and empowered to live their lives as they want – irrespectively of their hearing limitations.



signia

#### WIDEX – SOUND LIKE NO OTHER

### Moment Sheer™ sRIC R D

The Widex Moment Sheer sRIC is the smallest and most elegant receiver-in-canal (RIC) hearing aid from the Widex brand. Widex PureSound™ processes sound 8-20 times faster than other digital hearing aids, shattering industry standards and overcoming the common challenges of poor sound in open and vented fittings.

The hearing aid is based on Widex's unique technology, which according to independent audiologists has the lowest rejection rate among first-time users.



**WIDEX**

#### WIDEX – SOUND LIKE NO OTHER

### Sound Assist™

Widex Sound Assist is a multi-functional accessory designed to improve communication in a variety of situations, offering remote control, hands-free calling, Bluetooth streaming and microphone mode.

Whether it's a one-on-one conversation, a lively dinner party or an important meeting, Sound Assist helps wearers feel more connected to the sounds that matter most.



**WIDEX**

#### REXTON – STUFF HAPPENS RUGGED CAN HANDLE IT

### Rugged

Rugged is Rexton's toughest hearing aid and can handle all the knocks and spills that can occur in everyday life. It's rechargeable for convenience and super compact for a discreet fit behind the ear.

Water resistant, soapy water resistant, ATEX certified, IP68 rated, UV resistant, scratch and drop-proof, Rexton hearing aids are built to be Lifeproof and our robust components are tested extensively to ensure they can withstand whatever life throws at them.



**REXTON**



VIBE – NEVER MISS THE PUNCHLINE AGAIN

## WeChat Mini Program

WeChat is a Chinese instant messaging, social media, and mobile payment app sometimes described as China's 'app for everything'.

With the introduction of the Vibe WeChat mini program, a first in WS Audiology, Chinese consumers can take a hearing test or use Vibe's Audiogram. This way the Chinese consumers can do the fitting themselves without any help from customer service. Users can also adjust the volume, equalizer, and other settings.



vibe

HEAR.COM – HEARING AIDS WILL CHANGE YOUR LIFE

## HORIZON AX

The strength of Horizon AX comes to the fore in complex hearing situations with several sound sources and speakers. Using two separate processors, this state-of-the-art technology significantly increases the contrast between speech and background noise. With Horizon AX, hearing aids have never sounded so natural, detailed and clear. Horizon AX hearing aids are rechargeable and come in a sleek, and nearly invisible design that addresses the unique needs of younger, more active people with hearing loss.



hear.com

SONY – HEAR WHAT MATTERS MOST

## CRE-E10

The Sony CRE-E10 over the counter (OTC), self fitting hearing aids, offer an easy-to-use solution with daily comfort and prescription-grade sound quality in a familiar earbud design. With a rechargeable battery for all-day use and customizable features that adapt to your environment, the CRE-E10 provides everyday hearing that's intuitive to you.

We aim to connect those with perceived mild to moderate hearing loss to prescription grade sound quality that enriches their lives and encourages confident hearing for every single moment.

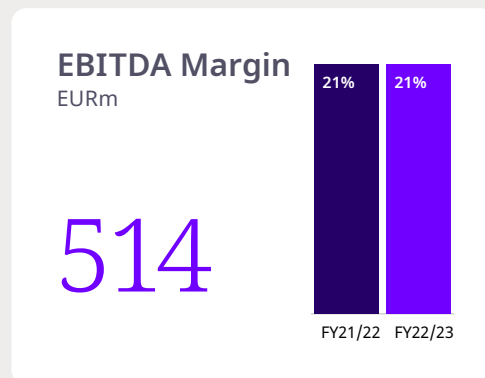
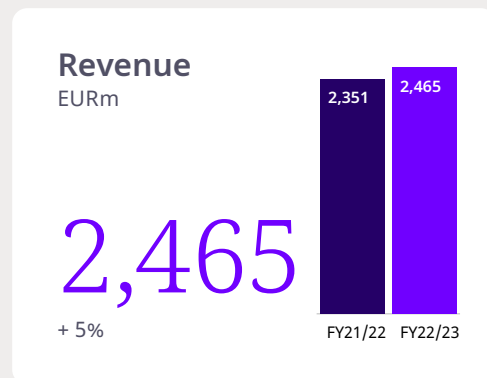


SONY

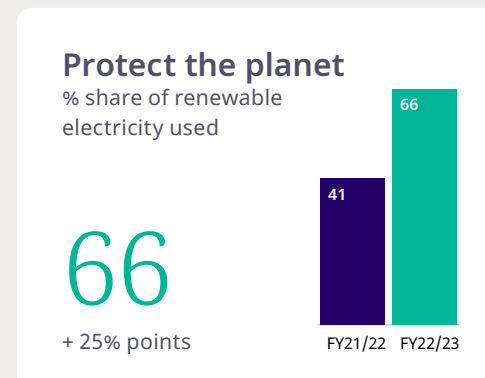
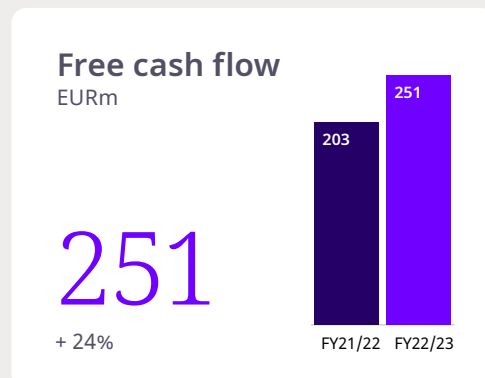
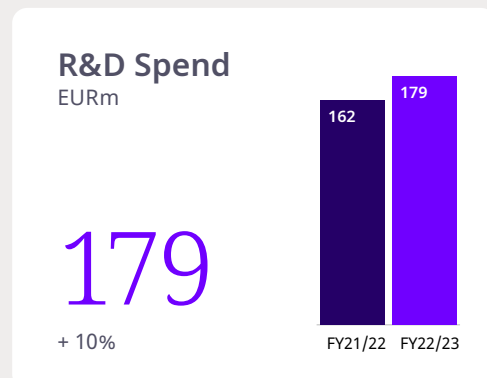
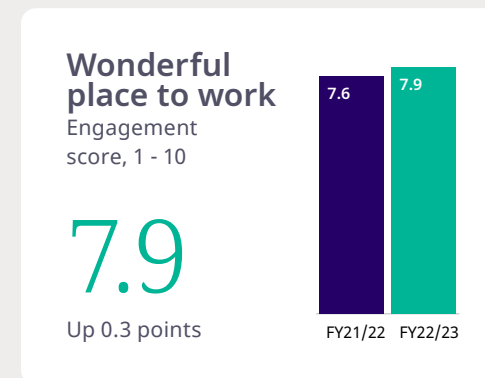
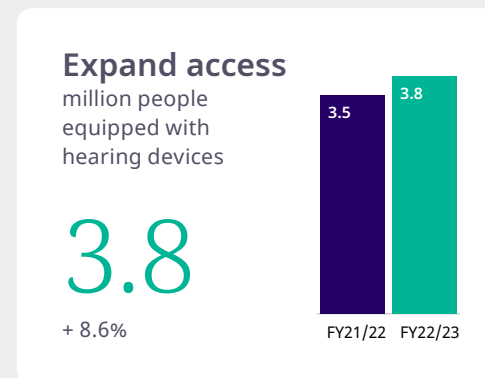


# Performance highlights

## Financial



## Non-financial



[FINANCIAL REVIEW AND OUTLOOK FY23](#) →

[FINANCIAL STATEMENT SECTION](#) →

[ESG STATEMENT SECTION](#) →

Read more about our sustainability performance in the ESG Statements. This integrated report represents our statutory statement on social responsibility, underrepresented gender and diversity and data ethics in accordance with sections 99a, b and d of the Danish Financial Statements Act. See our statutory reporting on 99a on pages 21-19 (business model) and pages 131-173; 99b on pages 49 and 140-142; 99d on page 163.





# 5-year key figures and financial ratios

EURm	2022/23 12 months IFRS	2021/22 12 months IFRS	2020/21 12 months IFRS	2019/20 12 months IFRS	2018/19 17 months IFRS
<b>Income statement</b>					
Revenue	2,465	2,351	2,053	1,738	1,670
Gross profit	1,440	1,376	1,202	973	998
R&D costs*	114	120	102	84	84
EBITDA, Normalized	514	502	464	331	316
EBITDA	480	422	413	201	104
Depreciation and amortization **	300	323	305	317	183
EBIT	180	99	108	(116)	(79)
Net financial items	(156)	(372)	(190)	(183)	(220)
Profit/(Loss) before tax	24	(273)	(81)	(299)	(299)
Loss for the year	(5)	(270)	(82)	(243)	(285)
<b>Balance sheet</b>					
Assets	6,661	6,779	6,668	6,811	6,691
Net Interest Bearing Debt	3,610	3,746	3,504	3,452	-
Net Working Capital	258	284	225	241	-
Equity	1,594	1,593	1,701	1,770	1,982

\* Total R&D spend amounted to EUR 179 million in 2022/23 (2021/22: EUR 162 million) and includes expensed cost of EUR 114 million (2021/22: EUR 120 million) and capitalized costs of EUR 112 million (2021/22: EUR 100 million) offset by amortizations for the year, refer to page 37 for breakdown.

\*\* Includes amortization of identifiable assets from Purchase Price Allocations of EUR 144 million (2021/22: EUR 159 million) from business combinations.

EURm	2022/23 12 months IFRS	2021/22 12 months IFRS	2020/21 12 months IFRS	2019/20 12 months IFRS	2018/19 17 months IFRS
<b>Other key figures</b>					
Investment in property, plant and equipment	75	60	43	35	39
Cash flow from operating activities	459	368	397	240	168
Free cash flow	251	203	262	116	-
Average number of full-time employees	12,528	11,980	11,441	10,791	10,899
<b>Financial ratios, %</b>					
Organic growth	7	7	22	(11)	4
Gross profit margin	58	59	59	56	60
EBITDA margin, Normalized	21	21	23	19	19
EBITDA margin	19	18	20	12	6
EBIT margin	7	4	5	(7)	(5)
Return on equity	-	(16)	(5)	(13)	(25)
Equity ratio	24	23	26	26	30
<b>ESG</b>					
People equipped with hearing aids (million)	3.8	3.5	3.1	2.2	-
Underrepresented gender in managerial roles (% of women)	37%	39%	37%	38%	-
Share of renewable electricity (%)	66%	41%	23%	16%	-

## Key figures/ financial ratios definitions

EBITDA = Earnings before interest, tax, depreciation, amortization  
 EBIT = Earnings before interest and tax  
 Net financial items = Interest income, interest expenses and other financials net  
 Gross profit margin = Gross profit/(loss) x 100/revenue  
 EBITDA margin = EBITDA x 100/revenue  
 EBITDA margin, normalized = EBITDA, normalized x 100/revenue  
 EBIT margin = EBIT x 100/Revenue

Return on equity = Profit/(loss) for the year x 100/average equity  
 Equity ratio = Total equity/total assets x 100  
 Net Working Capital = Trade receivable + Inventories - Trade payables  
 Free cash flow = Operating cash flow - net capex  
 Net interest-bearing debt = total interest-bearing debt - cash and cash equivalents



# Strategy and sustainability

15	Market overview
18	Strategic ambition and goals
21	Business model
22	Innovation
25	Building a wonderful place to work
28	Protecting the planet





# Market overview

## An underpenetrated market

Today, more than 1.6 billion\* people suffer from hearing loss. Of these, 430 million have a disabling hearing loss requiring treatment. By 2050, WHO predicts that 2.5 billion people will suffer from hearing loss, out of which at least 700 million will have a disabling hearing loss.

However, less than 20% of those in need of treatment\* are fitted with hearing aids, despite the negative impact of hearing loss on individuals and society in general:

- Social isolation and loneliness
- Increased risk of developing dementia
- Higher risk of unemployment

\* Source: WHO, Hopkins Medicine

In economic terms, untreated hearing loss costs society more than \$980 billion annually\* in healthcare, education and lost productivity.

The main barriers that prevent people from using hearing aids are:

1. Awareness of the problem and the benefits
2. Access to care
3. Affordable solutions
4. Perception of stigma/association with aging and lower intelligence
5. User experience (complex user journey)

The prevalence of each barrier varies greatly from country to country. At WSA, our mission is to break down each barrier by growing a sustainable business to deliver Wonderful Sound for All.







## A resilient industry

Approximately 12 million people worldwide are fitted with new hearing aids each year, representing approximately 21 million hearing aids. This number is growing at 5-6% annually, driven by a number of key factors, including:

1. Increase in the number of people with disabling hearing loss
  - a. Growing population
  - b. Aging population
  - c. Noise exposure (concerts, audio behavior, occupation, etc.)
2. Increase in the number of hearing aid replacement cycles due to longer life expectancy

Historically, little progress has been made in overcoming the barriers which are preventing people with a hearing loss to seek the help they need and as a consequence the hearing aid industry has not grown to its full potential.

The industry is characterized by resilience to general economic turbulence due to factors such as:

- a. Growth decoupled from macro effects (population growth, demographic shifts)
- b. Public reimbursement support in many markets
- c. User group primarily with fixed income, higher net worth and less exposure to unemployment risk

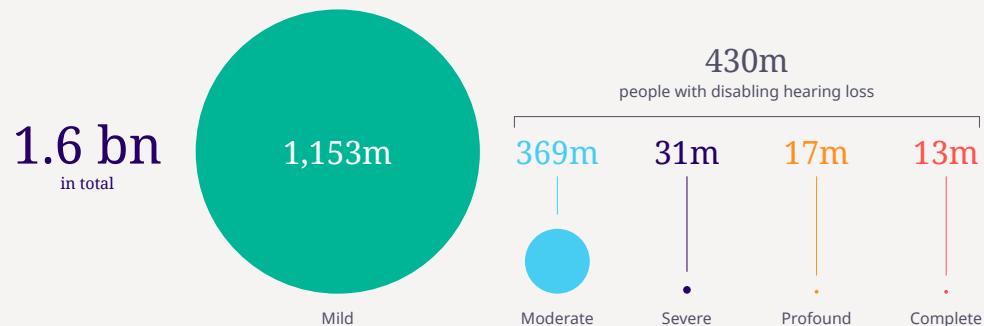
For example, during the COVID-19 pandemic, the market contracted by -15-20% in volume in 2020 as hearing care professionals were forced to close their centers. However, the market bounced back in 2021 with growth of +30-35% as pent-up demand was released. In addition, during the 2008 financial crisis, the market declined by only 1% in volume terms.

### 4 types of hearing solutions

#### Hearing loss

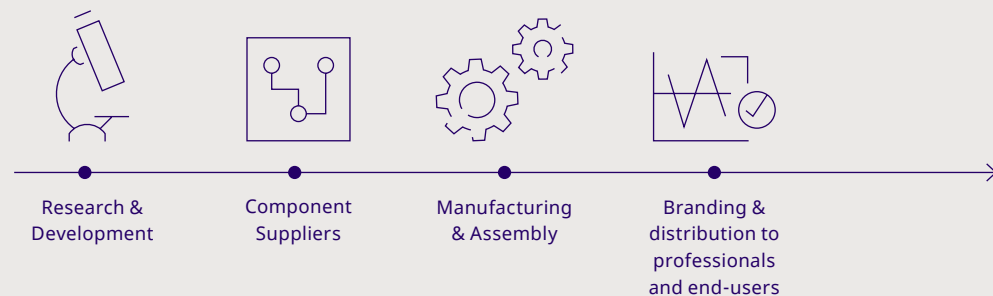
		Over-the-counter (OTC) hearing aids sold directly to consumers without prescription	Hearing aids fitted by hearing care professionals and dispensed by licensed audiologists	Bone-anchored hearing aids (BAHA) covering surgical titanium implants	Electronic cochlear implants surgically inserted
Mild	20 to < 34 dB				
Moderate	35 to < 64 dB				
Severe	65 to < 79 dB				
Profound	80 to < 94 dB				
Complete	95 dB or greater				

### People with varying degrees of hearing loss

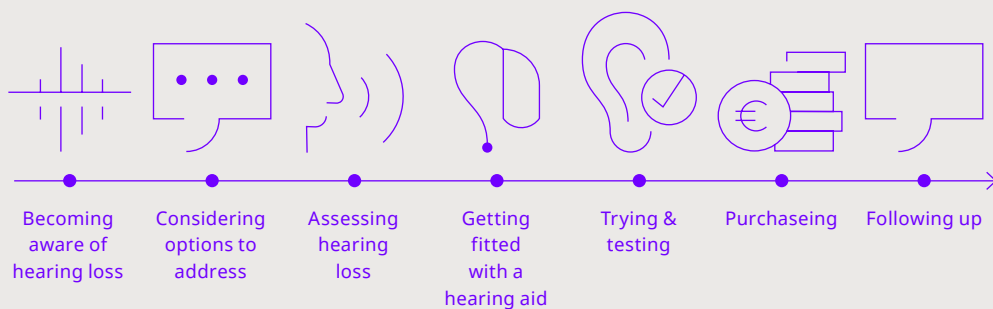




## Industry Value Chain



## User Journey



## Distribution channels

The way in which people obtain hearing aids varies greatly from country to country and depends heavily on local reimbursement and support. Most people typically first consult their general practitioner and/or ENT (ear, nose and throat) specialist, who act as intermediary, before going to a professional hearing care center. Professional channels include

- a. Independent hearing centers (including ENT)
- b. Government (public centers, hospitals)
- c. Specialized hearing chains
- d. Big box chains
- e. Optical chains

In addition, some people prefer online-to-off-line models, where they consult online before being fitted in a hearing center. Others have insurance benefits and use managed care providers to help them navigate the process (managed care only exists in the US).

Online direct-to-consumer models now account for about 1% of the traditional hearing aid market. This is driven by strict regulations in most Western countries, where hearing aids can only be purchased after being prescribed and tested by a hearing healthcare professional. In addition, user preference for face-to-face counseling and the complexity of the fitting process, especially for more severe hearing losses, contribute to the low penetration of online direct-to-consumer models today. However, this channel is expected to grow rapidly as countries begin to relax regulations, self-fitting technologies and tele-audiology improve, and more tech-savvy end users enter the category. China is an example of a country with limited regulation, and as a result, significant volume is sold online through Tmall and other e-commerce platforms. However, the majority of this volume consists of Personal Sound Amplification Products (PSAPs) and not true hearing aids.

In the US, the Over-the-Counter Hearing Aid Act is now in effect. The law allows certain types of hearing aids to be made available over the counter (OTC) to Americans with mild to moderate hearing loss.



## Purpose

# Wonderful Sound for All

## How we achieve the purpose

1

Increase awareness

2

Expand access

3

Tackle affordability

4

Profitable growth

5

Wonderful place to work

6

Protect the planet

## Values

Going beyond  
together

Pioneering for  
better solutions

Passion  
for impact

# Purpose and strategic ambition

Our purpose is to deliver Wonderful Sound for All. It is integrated with our strategic ambition to become a true leader by transforming lives across all markets, channels and price points.

**We have identified six priorities to achieve our purpose and strategic ambition while breaking down the barriers that prevent people from adopting hearing aids in the long term:**

**1. Increase awareness** – We make people aware of hearing health and hearing solutions that meet their personal needs.

Millions of people living with hearing loss are unaware of hearing health and hearing solutions that meet their personal needs. In addition, there is a stigma associated with wearing hearing aids. To increase awareness, we believe the industry has a responsibility to address stigma through open conversations about hearing health. We also believe we can address stigma through innovative design and iconic form factors that make hearing aids even more discreet and cool. We believe we can make a meaningful difference by creating strong, recognizable and relatable consumer-facing brands.

**2. Expand access** – We make it easy to get hearing solutions wherever people are.

Hearing healthcare infrastructure varies widely from country to country. In some countries, traveling to see a hearing care professional or to pick up a prescribed solution can mean a long journey and sometimes even a loss of income. Or it may even be impossible. The harsh reality is that globally only about 20 percent of people with hearing loss receive any kind of hearing treatment today. We want to close this gap. We want to make it easy for people to get hearing solutions wherever they are.

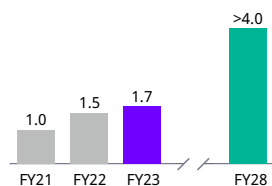


## How we achieve our purpose and strategic ambition

We have set a clear goal for each priority:

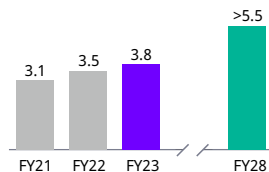
### 1 Increase awareness

Million people hearing tested



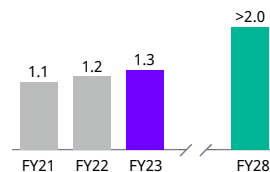
### 2 Expand access

People equipped with hearing devices



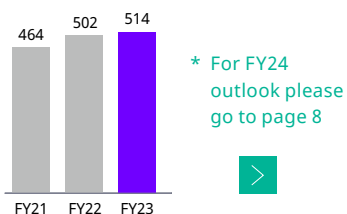
### 3 Tackle affordability

Million people equipped with hearing aids with lower private-pay <sup>(1)</sup>



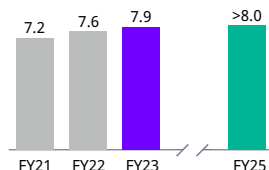
### 4 Profitable growth

Normalized EBITDA, EURm



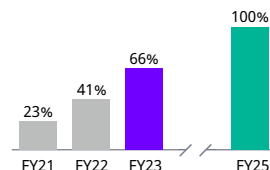
### 5 Wonderful place to work

Engagement score, 1 - 10



### 6 Protect the planet

% of renewable energy used



(1) Including public sales, managed care, OTC and price points below pp50.

**3. Tackle affordability** – We make relevant hearing solutions available to all people through technology and commercial innovation.

In most countries, the penetration of hearing health services is very low. A major driver is the affordability of hearing health solutions. Public reimbursement schemes and insurance play an important role in increasing affordability. Fortunately, things are moving in the right direction. More and more people around the world are becoming insured or eligible for reimbursement. However, as a leader in the industry, we need to drive change. Through technology and commercial innovation, we are making relevant hearing solutions available to more people every year.

**4. Deliver profitable growth** – We create a healthy business so we can continue to invest in R&D and customer care to strengthen our solution offering for all.

Achieving profitable growth and maintaining a healthy business is critical in the highly competitive hearing aid industry. To remain successful, all players invest significant percentages of sales in new product development. In addition, the industry is consolidating, and players are investing more in distribution. To remain competitive, WSA continues to deliver profitable growth to drive innovation and secure long-term access to consumers by investing in distribution.

### 5. Build a wonderful place to work

We encourage the inclusion of people with diverse views, opinions and backgrounds so we can attract the strongest talent.

Building a Wonderful Place to Work serves as a foundational element for WSA and our purpose of delivering Wonderful Sound for All. We believe that leveraging diverse perspectives within a culture of openness and support not only drives performance, but also sparks impactful innovation that ultimately benefits our customers and consumers. An inclusive culture remains a top priority for us.

**6. Protect the planet** – We care about the planet and are moving toward circular business models.

Our purpose is to meet the growing need for hearing care worldwide, recognizing that protecting the planet is inextricably linked to what we do. We focus on reducing the environmental impact throughout our entire valuechain. We have set ambitious targets to help limit global temperature rise to 1.5°C and reduce biodiversity loss. We are taking important steps toward a circular business model, where we keep materials in use as long as possible, reduce the extraction of natural resources, and reduce the amount of waste generated.



## Spotlight Story

# Providing Access to Better Hearing Health – New Mobile Fitting Van Hits the Road in China

At WSA, we are committed to making hearing aids more accessible to everyone, regardless of location or socioeconomic background. Through the Mobile Fitting Van initiative, we aim to simplify the process of hearing testing and raise awareness about hearing protection.



This year, our Signia brand took important steps to improve access to hearing health and went beyond the well-known hearing care channels. Designed with the intention of serving regions in China where healthcare infrastructure can be a challenge, the van has embarked on roadshows and end-user events, creating opportunities for local distributors and laying the groundwork for a comprehensive hearing care network in even the remotest corners.

The Mobile Fitting Van is fully equipped to perform comprehensive hearing tests, fittings and adjustments, with a dedicated consultation area and test room. It doesn't just bridge

gaps in access, it creates new avenues for engagement.

"For many years, the hearing industry has struggled to reach those who need hearing aids. Addressing accessibility, mobility and the shortage of qualified hearing healthcare professionals has been an ongoing challenge, leaving many people without the life-changing benefits of hearing aids. Our Mobile Fitting Van is a tangible response to this challenge and aims to extend our commitment to communities that have historically been underserved by hearing care." Bernd Wagner, CEO of WSA China.



# Our Business model



Wonderful Sound for All

## Market type

Private health system

Public health system

## Payment type

Private Pay

Insurance/Managed Care (US)

Reimbursement (can be partial)

## Consultation

Personal consultation

Personal consultation via TruHearing (US)

Online hear.com and Longkang

Personal consultation

## Hearing aid fittings

1 Self fitting  
2 Remote fitting  
3 In-person fitting

Stay online<sup>2</sup>: e-Commerce

Independents<sup>3</sup>

Manufacturer Owned Retailer<sup>3</sup>  
Hear USA and Hear Canada

OTC (US)<sup>1</sup>

Public hospitals and clinics

Optical shops<sup>3</sup>

Big Box and Large Chains<sup>3</sup>

## Product brands

SIGNIA

WIDEX

REXTON

AUDIO SERVICE

VIBE

COSELGI





# Innovative solutions that deliver wonderful sound for all

Too many people are living with untreated hearing loss. Our purpose of bringing wonderful sound to all sets very high standards for our R&D teams as we strive to constantly pioneer innovation.

At WSA, our approach to innovation is driven by what wearers and hearing healthcare professionals tell us are the most important challenges facing people with hearing loss. When a person decides to get a hearing aid, the main reason is obviously a strong desire to improve their hearing, based on advice from the hearing care professional and very often from family and friends. The decision on which specific brand and solution to pursue is based on a number of different factors, such as the reliability of the product, the ability to personalize the solution to the person's specific needs, connectivity to other devices such as the mobile phone and television, and last but not least, the look and feel of the product - is the design innovative and does it remove the stigma?

In addition, hearing care professionals choose to work with the hearing aid manufacturers that provide them with the best portfolio and enable them to run their businesses efficiently. In short, hearing care professionals value user satisfaction,

product innovation, ease of use and product reliability, as well as a fitting process, that is as simple as possible.

## **Our innovation priorities**

At WSA, we have translated these consumer and customer centric value drivers into a set of innovation priorities that determine our main areas of innovation:

- Improved speech for conversation in noisy situations
- Innovative designs to address stigma and drive early adoption
- Easy to use rechargeable solutions
- Natural sound perception and high-quality audio
- Improved connected experiences
- Easy to use applications and AI powered personalization solutions



### Innovation powerhouse

Supported by a global R&D organization with a global footprint, we are leveraging knowhow and design capabilities, supported by an international collaboration network with renowned research institutes.

Our alliances with research institutes and industry pioneers help us to stay ahead of the curve and extend the reach of our creations. Our focus is holistic, encompassing physiological, neural, and behavioral research.

WSA consistently delivers world firsts and is the number one patent applicant for conventional assistive hearing technology, according to the World Intellectual Property Organization (WIPO).

### Unleashing the power of conversation

With our two technologically differentiated platforms and our multi-brand, multi-channel strategy, WSA is uniquely positioned to deliver industry first innovations for different market segments.

In the fiscal year 2022/23 we created, the most natural sound through low delay or ultra-fast processing. We enhanced hearing performance with our latest Integrated Xperience (IX) technology, a multi-stream architecture that accurately locates multiple moving speakers in real-time conversations.

### Looking ahead

With a clear innovation strategy, WSA is strongly positioned to stay at the forefront of future innovation in hearing aids and to bring pioneering solutions efficiently and continuously to the market and deliver wonderful sound for all.

Based on these priorities, we work in a three-phase development process. An innovation funnel, a development pipeline and a launch and post-launch phase. In the first phase, our innovation funnel outlines an efficient process for managing large volumes of innovations from inception to integration, and we also assess the technical feasibility. In this phase, we are exploratory and entrepreneurial, identifying customer value and potential risks early in the process. Many innovations are transferred to the development pipeline which describes a highly governed and structured process. Finally, products are fine-tuned, validated and verified before reaching the market. We conduct extensive post-launch follow-up.

### Key facts about WSA Innovation

3

R&D hubs in  
Lynge (Denmark),  
Erlangen (Germany)  
and Singapore

1.150

people working  
in R&D globally

~50

research partners  
globally

100+

solutions brought to  
the market every year

>170

EURm annual  
spend in R&D



## Spotlight Story

# Strengthening OTC Hearing Care: A Year of Progress and Partnership

In the dynamic landscape of hearing care, WSA embarked on a significant journey by entering the over-the-counter (OTC) hearing aid category in the US.



The decision to enter this arena was driven by a deep commitment to address three key strategic priorities: hearing aid awareness, accessibility and affordability. The introduction of the OTC hearing aid category has garnered significant media attention while helping to shine a spotlight on the critical issue of hearing healthcare. The inherent accessibility of OTC hearing aids alleviates the need for some consumers to travel long distances to reach hearing healthcare professionals. Affordability, a key factor in widening access, has been a cornerstone of our approach as OTC hearing aids can be offered at a more accessible price point.

The strategic partnership with Sony Corporation has played a pivotal role in shaping our journey over the past year. This collaboration has synergized WSA's technological capabilities with Sony's extensive brand reach and expertise in consumer

retail channels. Through this union, we have embarked on a shared mission to revolutionize the OTC hearing aid market in the United States. Our partnership leverages Sony's unparalleled audio and miniaturization technologies, coupled with WSA's century-long legacy of hearing aid innovation and distribution power in the professional channel.

As we reflect a year after our entrance into OTC in the US, we are pleased that our efforts have clearly brought Wonderful Sound to many Americans who might not otherwise have sought hearing solutions. Most encouraging is the demographic shift in our customer base, with the average age of buyers significantly lower than the industry norm. This success is a testament to our commitment to breaking down barriers and making exceptional hearing experiences available to a wider audience.





# Building a wonderful place to work

Building a Wonderful Place to Work serves as a foundational element for WSA and our purpose of delivering Wonderful Sound for All. We believe that leveraging diverse perspectives within a culture of openness and support not only drives performance, but also sparks impactful innovation that ultimately benefits our customers and consumers.

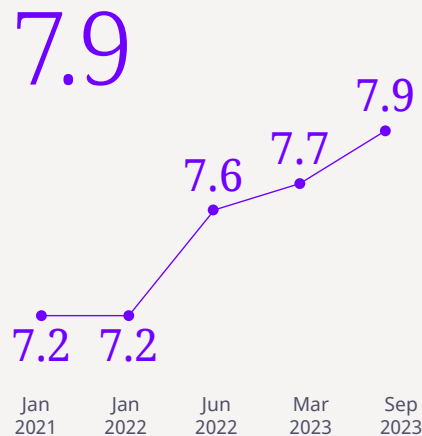
## Employee Engagement

Engaged people are inextricably linked to our values of Pioneering for Better Solutions, Passion for Impact and Going Beyond Together, and they are the driving force that takes WSA to greater achievements. To track the progress of our employee engagement, we rely on the WSA Heartbeat Survey -a semi-annual pulse of the workplace. The results are indicative of our progress, with an improved overall engagement score to 7.9 – an increase of 0.3 compared to June 2022. Our employee net promoter score (ENPS) improved from 2022 in March 2023 to 28 in September 2023.

We are on track to achieve an engagement score in the top 25 percentile of our industry sector (Healthcare - Healthcare Equipment & Services sector) by fiscal year 2028.

While these results provide a snapshot of our organizational well-being, real change is driven by the daily interactions and dialogues between leaders, employees and teams, where ideas and feedback are shared. Our goal is to enable all employees

WSA Employee Engagement 2023



to be their best and to reach their full potential. To achieve this, we have continuously improved our people processes. In fiscal year 2022, we updated our performance process to align with our values by introducing HOW and WHAT objectives and assessments. This aligns all employees with the same goal and way of working. In fiscal year 2023, we launched our global WSA Onboarding program, which aims to integrate all new employees into our WSA culture from the moment they join us.

## Talent Development

At the heart of our purpose is the belief that every employee has unique talents. We empower our people to pursue development opportunities through our internal and external programs. To demonstrate this commitment, we've significantly increased our investment in employee development, offering more opportunities across our regions. Our collaboration with LinkedIn Learning further enriches the range of development opportunities available to our team members. We've also strengthened our leadership foundation through a carefully designed leadership program. Worldwide, more than 600 leaders have actively participated in and successfully completed these programs, demonstrating our commitment to developing effective leaders.

A key focus for fiscal year 2023 has been our Employer Value Proposition (EVP). We have among other things expanded the WSA Global Graduate Program. This comprehensive initiative provides rising young professionals with diverse experiences across our global organization to develop them into future leaders. The graduates embark on a transformative journey, gaining insight into various areas of WSA's business and equipping them for influential roles. As of fiscal year 2023, nine graduates from different backgrounds, hereof seven different nationalities, are actively participating in this two-year program.

On top of this, two have graduated and seamlessly transitioned into full-time roles within WSA.

Our achievements are a testament to the dedication and skill of our employees and our people practices. The Singapore and German sites went through the rigorous certification process with the TOP Employers Institute and we successfully achieved the title of Top Employer in both countries. We will continue to strive for excellence in our people practices and create a Wonderful Place to Work for everyone at WSA.

#### Everyone's voice matters

Since the launch of a comprehensive Diversity, Equity and Inclusion (DEI) strategy in 2021, we have made good progress in our strategic approach to DEI.

This fiscal year, our commitment to advancing gender balance in leadership has resulted in significant changes as we broadened the definition of gender in our Key Performance Indicators (KPIs) to include all identities. We also included a global gender target in our Short-Term Incentive Plan (STI), signaling our strong focus on driving tangible change. Despite our efforts, we have not yet achieved the desired progress on our gender targets. We understand that this process will require time, and although we haven't seen immediate results from our actions yet, we remain steadfast to keep changing the status quo.

An inclusive culture remains a top priority for us. We engaged colleagues in various DEI trainings and events under the theme "Going Beyond Together," underscoring our commitment to valuing diverse perspectives. Our DEI networks have played a key role in organizing these initiatives, and this year they reached a significant milestone by organizing Pride parades



In 2023 nine people joined the WSA Graduate Programme

in Denmark and the US, reinforcing our support for LGBTQ+ communities.

Recognizing the critical role of leadership, we launched the Embracing Inclusive Leadership Program for 200 of our most senior leaders. This initiative complements our localized DEI campaigns, where we launched two interactive DEI surveys in key locations (Germany, Singapore and Denmark). These surveys have provided valuable insights into where we should

focus our local DEI strategies. The results have also helped us develop core DEI questions for our annual global Employee Engagement survey, allowing us to effectively track our progress.

Our DEI journey is continuous, recognizing the evolving needs of our business, employees, customers and society. As we move forward, we remain committed to evolving our DEI initiatives to ensure that WSA is a truly Wonderful Place to Work for all.



## Spotlight Story

# Sounds Wonderful

Attracting and retaining great talent requires strategic and authentic communication about our workplace culture, and what it's like to work at WSA.

“ Our employer brand promise is **Sounds Wonderful**, and it ties into our company purpose and the three reasons why people join and grow with us: Bring Back Hearing, Amplify Your Life, and Unlock the Potential.”

Our goal is to position WS Audiology as the employer of choice in the hearing healthcare industry. Over the past few years, we have focused on creating a clear employer brand promise and strategy to achieve this goal.

We have asked our colleagues across countries, brands, and job functions to share why they have joined us and what motivates them the most in their day-to-day work. The three main reasons that stand out are the opportunity to:

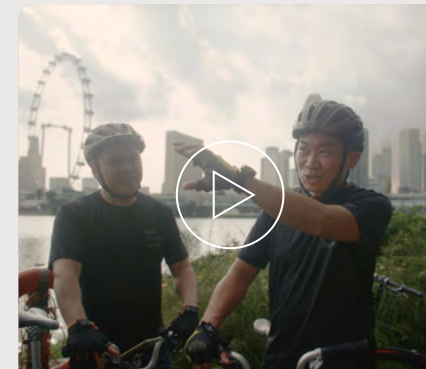
- Bring back hearing
- Amplify your life
- Unlock the potential

Our employer brand promise is Sounds Wonderful, which ties into our company purpose and the three motivational

reasons above. It promises wonderful opportunities and invites current and potential employees to engage with us.

To unfold and portray these themes, we have developed cohesive branding visuals, videos, and materials for recruitment and engagement purposes. Our first employer branding video was launched in April 2023, in which our people share their passion for WSA, and shorter versions were created to increase our digital footprint and pride.

Activating the WSA employer brand is the best way for prospective and current employees to understand our workplace culture, and experience the opportunities offered by a company small enough for people to make a difference, yet big enough to shape an industry.



### Watch the WSA employer branding video:

What if you could bring the miracle of hearing to more people?







# Protecting the Planet

Our purpose to help millions of people improve their health, well-being and quality of life by bringing wonderful sound to all while protecting the planet is mirrored in our strategy. We are moving forward with clear commitments to address climate change and transition to a circular business model, limiting our damage to the planet and ensuring we manage our business without compromising the needs of future generations.

Our greenhouse gas (GHG) emissions reduction targets are in line with the Paris Agreement and approved by the Science Based Targets initiative. These targets allow us to clearly define a path to a lower-carbon future and future-proof our business growth.

We continue to focus on implementing more circular economy initiatives and principles across our business, from design and ideation to end-of-life. This year, WSA joined the Ellen MacArthur Foundation's network to support the transition to a low-carbon and circular business model.

## Circular business model at WSA



# 69%

of non-hazardous wastes from main production sites are sent for recycling





### Designed for circularity

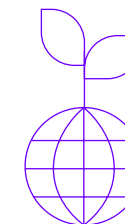
Through product and process innovation, we strive to design our hearing aids to be durable and repairable.

We train our R&D teams to increase their knowledge of circularity and its application to innovation projects. We encourage this with the understanding that circular thinking should permeate all phases of product and process innovation.

One of the solutions we introduced through our Audio Service products was the easy-to-handle recycled paper packaging. As a private label partner, Audio Service enables its customers to be more sustainable in their product offerings through a paper-based, fully recyclable and plastic-free packaging solution.

### Clean production

In 2023, our plastic department in Lynge pioneered a pilot project to recycle polypropylene waste from wax guard production, reducing the need to purchase new virgin plastic. To do this, the project introduced electric grinders instead of hydraulic machines to recycle plastic, allowing us to turn waste into resources on site with significantly less energy consumption. The pilot project proved that we can produce wax guards using 100% recycled plastic from our own production and it is ready to be implemented in production.



# 100%

In 2023, our plastic department in Lynge pioneered a pilot project to recycle polypropylene waste from wax guard production, reducing the need to purchase new virgin plastic. The project proved that we can produce wax guards using 100% recycled plastic from our own production.



As part of the ongoing SMART LEAN manufacturing program at our Singapore site, we have identified opportunities to reduce our environmental impact. For example, we are reusing shipping packaging and component packaging from our suppliers and internal shipping packaging between our sites. Other improvements include reducing plastic on packaging by replacing shrink wrap with security seal stickers for some of our brands. Separately, we recover precious metals from e-waste and process the residue to make cement.

## Sustainable materials

60%

of all product packaging was sourced from FSC-certified sources.

### Sustainable materials

Replacing virgin and non-renewable materials with sustainable materials is another important way we are reducing our environmental impact.

We are committed to sourcing 100% FSC-certified paper for our product packaging by 2025. This year, 60% of all product packaging was sourced from FSC-certified sources. We are well on our way to achieving our goal.

After a year of development between our R&D and marketing teams and our supplier, we took another step forward with the introduction of the premium modular jewel case made from recycled plastic for our Signia brand models. We faced initial challenges in balancing the desired cosmetic look and feel with the sustainable solutions available to us. It took several iterations to find the right blend compatibility for the desired performance. Ultimately, we were able to incorporate recycled plastic into the overall plastic composition of the jewelry case parts. Post-consumer resin (PCR) made from recycled plastic makes up 50% of the jewelry case lid and bottom shell. 28% of the jewelry case's overall material composition is made from non-virgin material.

### Low impact usage

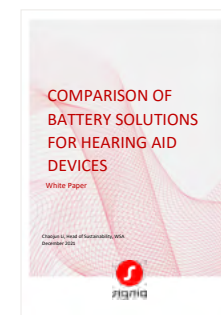
At WSA, we focus on the entire value chain when it comes to reducing environmental impact. As such, we are committed to helping our users reduce their environmental impact when using our hearing aids.

During the usage phase of hearing aids, a user of non-rechargeable hearing aids typically uses 670 zinc-air batteries. A user of rechargeable hearing aids, on the other hand, constantly recharges the lithium-ion batteries. This is the main reason why, according to our Life Cycle Assessment, rechargeable hearing aids have 57% less CO<sub>2</sub> emissions than non-rechargeable ones. To further reduce the impact of charging devices, Signia introduced the Multi-Charger, a versatile charger that is not only smaller in size, but also compatible with more than six different Signia models. As the industry's first "one for most" charging solution, it provides flexibility, reduces complexity for users, and eliminates the need to manufacture a range of chargers customized for each model. This is just one of many examples of how we keep material usage low and reduce the environmental impact of our products.

### End of current life

We receive our hearing aids back from consumers after the trial period or when the hearing aids need to be repaired. We reuse parts and components from the returned hearing aids whenever possible. All reused parts are thoroughly tested in accordance with applicable standards and permissible regulatory requirements. As lithium-ion recycling technology has advanced, battery recovery rates have improved dramatically. We recognize the opportunity to responsibly recycle our lithium-ion batteries. End-of-life lithium-ion batteries are sent to Asia's first battery recycling facility in Singapore for responsible recycling and recovery.

## Signia life cycle assessment White Paper



[READ MORE](#)



## Spotlight Story

# Accelerating the Transition to a Circular Economy

WSA joined the Ellen MacArthur Foundation's network and partnered with the Singapore University of Technology and Design to accelerate our transition to a circular business model.

Joining the Ellen MacArthur Foundation's network is an important step in accelerating our circularity efforts. While the principles of circularity are simple, the implementation is complicated. WSA joins the network alongside many of the world's leading companies, emerging innovators, and governments to share knowledge and engage in open discussions about how to build and advance the circular economy. The network gives us access to research, expertise and methodologies across industries to better address the challenges of climate change, biodiversity loss, waste and pollution.

In collaboration with the Singapore University of Technology and Design (SUTD), we

welcomed a circular economy specialist to pursue an industry PhD focused on bridging the work WSA has done to date with best practices in the world of circular economy in the hearing aid industry. Leveraging SUTD's expertise in eco-design and sustainable logistics, the research will focus on two challenges: How to enable circularity through product design and through the reuse of products and accessories that are returned after their trial period.

At WSA, we are building on the foundation of our existing circular practices and leveraging the knowledge and experience of both academia and industry to accelerate the transition to a circular economy through collaboration.

### Facts about Ellen MacArthur Foundation

Launched in 2010, the Ellen MacArthur Foundation is the world's leading circular economy network, dedicated to creating a circular economy that addresses global challenges, such as climate change, biodiversity loss, waste, and pollution.





## Climate action

Our decarbonization targets were approved by the Science Based Targets initiative on 28th of November 2022. We are committed to achieving 100% renewable electricity by 2025, reducing absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2020 base year, and reducing absolute scope 3 GHG emissions 30% by 2030 from a 2021 base year. Along with the targets, we set also clear path forward to achieve them.

This year, 66% of the electricity we use at all our sites (manufacturing, offices and retail stores) comes from renewable sources. We are moving full speed ahead to reach our goal of 100% renewable electricity consumption by 2025. The distribution of renewable electricity sources is 15% from on-site renewables, 80% from Energy Attribute Certificates (EACs), and 5% purchased directly from utility companies.

We opened a new solar park at our headquarter in Lynge, Denmark, where more than 5,300 solar cells are expected to provide 2.1 million kWh per year. Together with the wind turbine outside our Lynge headquarter and the solar panels installed at our sites in China and the US, the total renewable electricity produced at our sites accounts for 10% of total consumption.

Energy saving was a focus area for all of our main manufacturing sites. As our business



grows and production volumes increase, we know that power consumption will increase if we do not take active measures. This year, we successfully implemented energy conservation measures at our manufacturing sites in Singapore, Denmark, Poland and China. We were able to reduce total energy consumption at these sites despite increased production volumes.

2023 also marks the year we improved the environmental impact of our retail stores as part of the rebranding of retail in North America to HearUSA and HearCanada. Stores are now equipped with LED lighting and

“ Our purpose is to deliver Wonderful Sound for All while growing a sustainable business. Climate change is one of the greatest challenges of our time. With the approval of our reduction targets and the path to achieving them, we are taking an important step in our sustainability agenda. We hope to inspire all our business partners to do more with us.”

**ERIC BERNARD**  
President and CEO

controls that automatically turn off lights to reduce energy consumption.

By powering our business with renewable electricity and improving energy efficiency, we have already reduced absolute Scope 1 and 2 GHG emissions by 61% from a 2020 base year.

These changes are only possible because our colleagues are in the driver's seat. To further raise awareness among our colleagues, we organized climate change workshops during our annual Global Sustainability Week celebration. The workshops provided engaging discussions on climate issues with colleagues

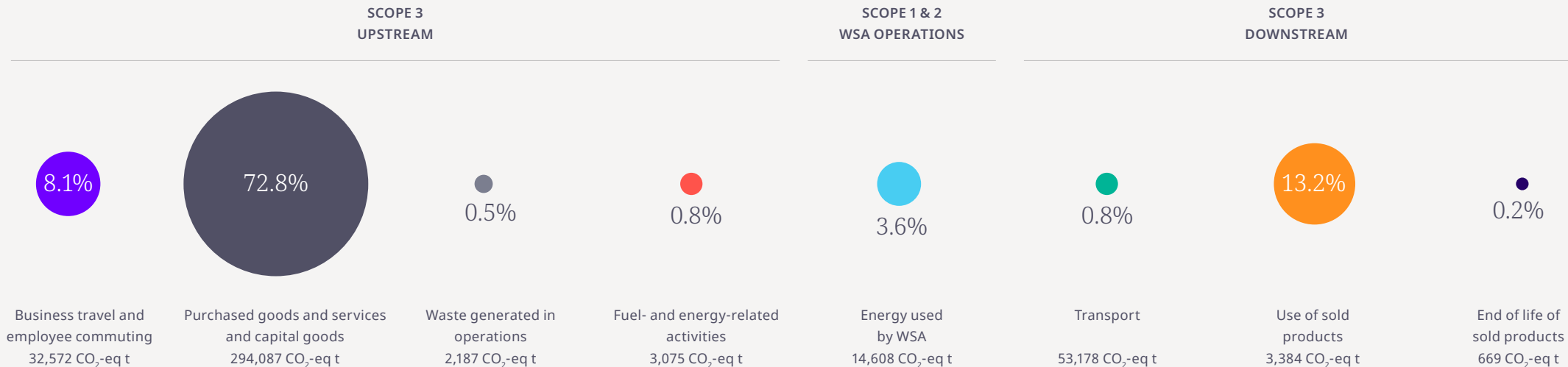
reflecting on their actions and what further changes they can make in both their work and personal lives to become better stewards of the environment.

The majority of our total emissions come from the goods and services we purchase. Therefore, engaging our suppliers on their emissions remains a priority in our decarbonization journey. This year, we asked our top suppliers to provide transparency on their emissions across all three scopes, with the goal of guiding them to set their own decarbonization targets.





## Greenhouse gas emissions



## We commit to...

100%

renewable electricity **in 2025**

-50%

scope 1&2 emission reduction **by 2030**

-30%

scope 3 emission reduction **by 2030**



## Spotlight Story

# A Resilient Manufacturing Footprint Designed to Optimize Quality and Service

In November 2022, WSA opened a state-of-the-art, 95,000 square-foot Americas Manufacturing and Distribution Centre (AMDC) in Tijuana, Mexico, that sets new operational standards for the hearing aid industry.

With the start-up phase and some initial problems behind us, our new facility completes WSA's resilient manufacturing footprint comprising of 7 manufacturing and distribution sites globally.

With proximity to the US market we have centralized all production and distribution across the United States, Canada, and Latin America in this facility.

By using the latest technologies and strong processes to provide elevated quality and

service, we are supporting the long-term business needs of our customers, partners, and their patients.

The AMDC enables us to stay ahead of supply chain challenges and enhance the delivery of products for our customers and partners throughout the Americas region and it is now operating as planned, achieving high levels of customer satisfaction with a strong Net Promoter Score.



**Watch the video:**  
Inside WSA's Americas Manufacturing & Distribution Center





# Performance

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36 Sales performance

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37 Financial review

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# Sales performance



EUR

1,243 m

+7% reported growth

## Americas

Our teams in US, Canada and Latin America delivered an organic growth of 6% driven by Managed Care in the US, a key account in the US, fast-growing markets in LATAM wholesale and retail as well as Canada retail. Growth was held back by the expected soft private pay market in US retail and the Americas Manufacturing and Distribution centre (AMDC) start-up challenges affecting US and Canada wholesale. The AMDC performance is back on track from the second half of the year, with operational KPIs exceeding those of the previous setup and focus is on rebuilding trust with customers. Our online business returned to solid growth and we continue to leverage on our unique ecosystem by optimizing lead generation for our retail business.



EUR

811 m

+1% reported growth

## EMEA

Our business in EMEA delivered 4% organic growth driven by UK and several smaller markets such as Nordics, Benelux and Türkiye offset by moderate growth in Germany due to the macroeconomic and geopolitical uncertainty and a more protracted market contraction in France following the market normalization after the healthcare reform (RAC0). The region grew strongly in the second half with Germany experiencing positive consumer sentiment and the launch of Signia IX positively impacting market share in France and Germany.



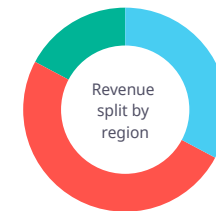
EUR

411 m

+6% reported growth

## APAC

The APAC team delivered a strong 12% organic growth driven by above market growth in China following the change of COVID policy and market share gains, strong growth in Japan with release of pent-up demand and market share gains, and strong growth from fast-growing markets in Southeast Asia and India. Growth was held back by Australia with a challenged market in both wholesale and retail.



■ EMEA	33%
■ Americas	50%
■ APAC	17%





# Financial review

## Profit and loss

### Revenue

Revenue amounted to EUR 2,465 million (2021/22: EUR 2,351 million) corresponding to organic growth of 7% in line with the upward revised guidance of 5-8% given in connection with the publication of the Q2 results and above the original expectations for the year. The reported growth of 5% was impacted by a negative exchange rate effect of 2%-pts offset by a minor impact from M&A.

The revenue growth was broad-based and the wholesale growth was driven by fast-growing markets in APAC, smaller markets in EMEA and a key account in the US offset by soft key markets Germany and France and the initial start-up challenges in AMDC. In the consumer-facing business, we continued to see strong growth in Managed Care in the US and solid growth from EMEA retail. US retail started the year slow due to the macroeconomic situation impacting private pay but picked up in the last part of the year. A similar trend was seen in APAC retail.

### Gross profit and margin

Reported gross profit amounted to EUR 1,440 million (2021/22: EUR 1,376 million) driven by the increased revenue as the reported gross margin remained flat at 58.4% (2021/22: 58.5%).

The reported gross margin was positively impacted by scale effects and cost savings from transformation projects but challenged by higher freight cost and business mix.

### Research and development expenses

Total R&D costs amounted to EUR 179 million (2021/22: EUR 162 million) of which EUR 112 million (2021/22: EUR 100 million) was capitalized. The R&D spend was kept stable as a percentage of revenue 7.3% (2021/22: 6.9%) and the spend was focused on pursuing development projects and strengthening the future product portfolio based on our multi-brand strategy.

EURm	2022/23	2021/22
<b>R&amp;D expenses (P&amp;L)</b>	<b>114</b>	<b>120</b>
Depreciation & Amortization	(47)	(58)
Capitalization	112	100
<b>R&amp;D spend</b>	<b>179</b>	<b>162</b>

### Selling and general administrative expenses

Total reported selling and general administrative increased to EUR 1,150 million (2021/22: EUR 1,128 million) and the percentage of revenue decreased to 46.7% (2021/22: 48.0%) driven by strong cost focus and the impact from scale. The increased spend is mainly driven by investments in fast-growing markets to capture growth.

### Effects of normalization

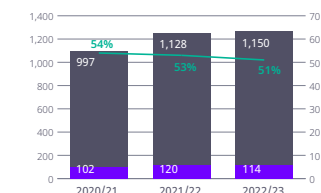
Post-merger, certain one-time costs and income incurred are normalized if they are unusual or non-recurring by nature. Total normalizations decreased to EUR 34 million (2021/22: EUR 80 million) and were in line with expectations. The reduction is driven by lower cost related to post-merger activities and 2022/23 will be the last year where we have normalizations related to post-merger activities. Going forward, we will only use special

## Revenue EUR

# 2,465m

+5% Reported growth  
+7% Organic growth

## Opex in percent of revenue



— Opex in percent of revenue

■ Sales and general administrative expenses

■ R&D expensed



EURm	2022/23	2021/22
<b>Reported EBITDA</b>	<b>480</b>	<b>422</b>
ERP IT transformation	7	10
Transformation projects	19	25
Merger and integration costs	8	6
Acquisition related costs	-	2
Others	-	13
<b>Normalizations (excluding hear.com adjustments)</b>	<b>34</b>	<b>56</b>
Hear.com adjustments	-	24
Normalizations (including hear.com adjustments)	34	80
<b>Normalized EBITDA</b>	<b>514</b>	<b>502</b>

items for non-recurring costs and income of a certain magnitude.

#### Reported EBITDA

Reported EBITDA increased to EUR 480 million (2021/22: EUR 422 million) and the reported EBITDA margin increased to 19.5% (2021/22: 17.9%) in line with the guidance of an increase of 1-2%-pts. The improved reported EBITDA margin was driven by improved revenue, efficiency measures and lower normalizations as guided at the beginning of the year.

#### Net financials

Net financial expenses amounted to EUR 156 million (2021/22: EUR 372 million). The reduction in financial expenses is mainly due to a

positive currency revaluation of the USD term loan from a weaker USD as compared to prior year. The net impact from exchange rate adjustments was EUR 79 million (2021/22: EUR -186 million).

The net interest expenses amounted to EUR 234 million (2021/22: EUR 226 million) due to the higher interest environment, partially offset by interest rate swaps.

#### Net result

Net income amounted to EUR -5 million (2021/22: EUR -270 million) due to foreign exchange gains on the USD term loan and improved reported EBITDA driven by the expected improvements in revenue, efficiency measures and lower normalizations.

#### Cash flow

##### Operating activities

Cash flow from operating activities amounted to EUR 459 million (2021/22: EUR 368 million) from a stronger EBITDA, lower tax payments and decrease in net working capital items mainly driven by phasing in receivables and payables offset by higher inventories related to the higher sales.

##### Investing activities

Cash flow used in investing activities amounted to EUR 218 million (2021/22: EUR 200 million) mainly driven by higher capitalized R&D expenditure to support the innovation pipeline. Bolt-on retail acquisitions were made in France, US, Canada and Japan.

##### Financing activities

Cash flow used in financing activities amounted to EUR 239 million (2021/22: EUR 198 million). The increase is mainly due to the higher interest rate environment and a lower comparison base in prior year due to a one-time adjustment in interest rate period of the USD term loan which resulted in lower interest payment in 2021/22.

##### Change in liquidity

Total liquidity (cash and available credit facilities) as of 30 September 2023 amounted to EUR 280 million (2021/22: EUR 230 million). The

increase in liquidity was attributable to the equity injection of EUR 100 million offset by higher interest payments and capitalized R&D expenditure.

#### Balance sheet

##### Total assets

Current assets increased to EUR 799 million mainly due to higher accrued interest income and fair value on derivatives, which are maturing in the next twelve months. Non-current assets decreased by EUR 151 million to EUR 5,862 million largely due to the amortization of intangible assets from acquisitions, and reclassification of fair value changes in interest rate derivatives to current assets due to their maturity in the next twelve months.

##### Net working capital

Net working capital amounted to EUR 258 million (2021/22: EUR 284 million). Net working capital as a percentage of sales decreased from 12.1% to 10.5%.

##### Net interest-bearing debt

Interest-bearing net debt decreased from EUR 3,746 million to EUR 3,610 million mainly from the repayment of the revolving credit facility and translation effect of the USD term loan.





# Governance

40	Corporate governance
42	Risk management
47	Board of directors and executive management
51	Investor information



# Corporate governance

## Management Structure

WS Audiology has a two-tier management structure, with the overall vision, strategy and objectives set by the Board of Directors, which is appointed by the company's shareholders.

The Board of Directors appoints and oversees the Executive Board, which consists of the Group President and CEO and the Group CFO, who are responsible for the day-to-day management of WSA and its strategic direction. None of the executive officers are members of the Board of Directors.

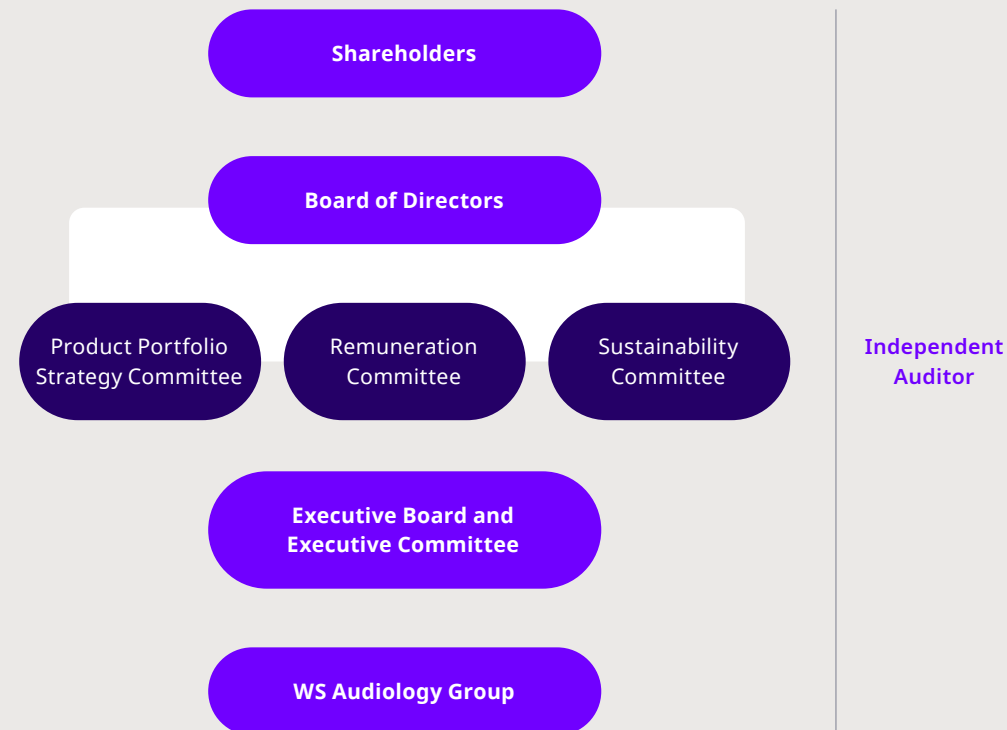
WS Audiology has implemented a new leadership structure. Group Management has been turned into an Executive Committee, to enable faster decision making on day-to-day business priorities, consisting of the Executive Board and 7 Senior Vice Presidents. The Executive Committee is responsible for driving strategic development and cultural alignment across the company.

Our Product Portfolio Strategy, Compensation and Sustainability Committees were established by and report to the Board.

## Board of Directors

The Board of Directors consists of ten members, all of whom are elected by the shareholders in accordance with the Articles of Association. Directors are elected on the basis of an overall assessment of their individual professional experience and competencies, as well as their contribution to ensuring an appropriate and diverse composition of the combined competencies of the Board.

The Board is responsible for the ultimate and strategic direction of the Company. The Board sets the strategic direction of the Company and makes decisions on major investments and divestments, the capital base, key policies, control and audit matters, risk management and significant operational issues. The ten members of the Board represent five nationalities. Our current target to increase the number of women on the Board to two were reached in 2022. The competencies and diversity of the board is evaluated yearly, and new targets are set based on the assessment.







The competencies required of the Board currently include knowledge of the global hearing healthcare sector and technological innovation, international business and management experience, as well as strategy, M&A, risk management, IT, human resources, finance and accounting.

A description of each director, including their other executive positions, independence and how they contribute to the required competencies, is provided on the following pages. Their meeting attendance in 2023 is included in the overview.

#### Key Board Activities in FY22/23

The Board of Directors attended five ordinary Board meetings and one special update. Key activities included:

1. Approved the budget for the next fiscal year
2. Approved key M&A activities
3. Discussed and approved R&D and IT roadmaps
4. Discussed and approved future business plans by key topic
5. Advised on cybersecurity approach
6. Advised on sustainability approach
7. Advised on ongoing transformation programs
8. Visited US offices



# Risk management

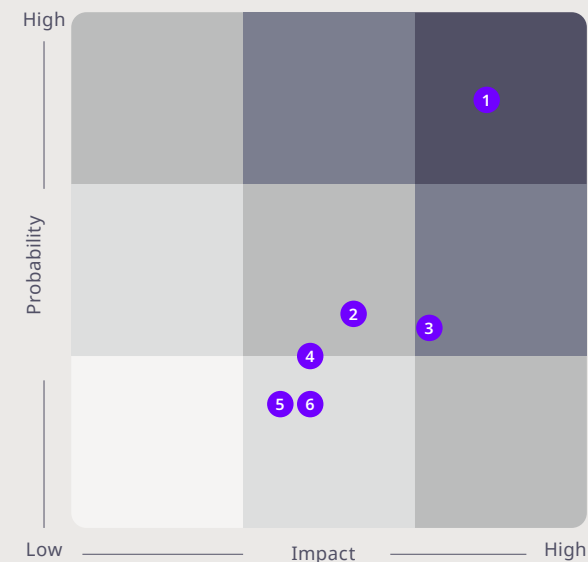
Risks are a natural and integral part of our business activities, and the risk profile constantly changes. At WSA, we monitor the risk landscape and aim to take proactive measures to mitigate our risks and reduce them to acceptable levels.

The purpose of our risk management is to optimize business performance while balancing risk and return. The WSA Group is exposed to a variety of business and regulatory risks. We evaluate the extent to which individual risks are acceptable or how best to manage or mitigate these risks.

The Executive Committee is responsible for the ongoing identification and management of risks, as well as the review and design of processes and activities. The oversight responsibility for risk management rests with the Board of Directors and is considered as part of the Group's strategic, budgetary and annual planning.

Daily risk management in local markets is the responsibility of the regional and local management teams through their day-to-day responsibility for the businesses they manage and is reported through a bottom-up process for identified local risks to the Executive Committee as part of the performance updates.

In general, the hearing healthcare industry is a very resilient and competitive market with a small number of players. The market has been characterized by high growth rates, driven by demographic changes and awareness of hearing healthcare. During the year, we have experienced macroeconomic headwinds



- 1 Financial market risk
- 2 Cybersecurity
- 3 Supply chain bottlenecks and Inflation
- 4 Product development
- 5 Quality and Regulatory
- 6 Sustainability



including impact from the war in Ukraine but still the industry has had strong growth. As we navigate current market conditions, we are monitoring potential changes in the competitive landscape to ensure that we respond quickly and effectively to any changes in the marketplace.

### Internal control and reporting

To ensure the continued high quality and compliance of the Group's financial reporting systems, the Board of Directors and the Executive Committee have adopted financial reporting and internal control policies, procedures and guidelines to be followed by the Group's subsidiaries and reporting units.

The internal controls are developed using best practices based on COSO and other relevant standards and are tailored to the specific business needs of the Group. Policies and procedures are reviewed and updated on a regular basis to optimize the Group's control environment.

While the Group tracks several risks related to its financial reporting, the key risks, together with the Group's approach to mitigating them, are recorded in separate tools and registers.

**WS Audiology's key risks and relevant mitigating efforts are described in more detail below.**







Risk	Description	Potential impact	Mitigation
<b>Financial market risk (renamed from last year Interest and currencies)</b>	<p>We are exposed to various financial market risks in the volatile macroeconomic environment we operate in. WS Audiology's exposure to interest rate fluctuations as a result of our floating rate loans as well as impact from high inflation and fluctuations in foreign currencies due to our international operations all have an impact on our daily operations.</p> <p>Our funding structure as set up at the time of the merger, is exposed to volatile financial markets. Our long-term facilities are nominated in USD and EUR. Refer to notes 3.5, 3.8, 4.1 and 4.2 in the Financial Statements.</p> <p>Approximately 2/3 of our sales is nominated in other currencies than our reporting currency. Our main currencies exposures are USD, SGD and JPY. We are primarily exposed to increasing supply chain cost / manufacturing cost nominated in USD and SGD as well as local sales exposure where cost and income are nominated in local currencies.</p>	<p>Fluctuations in exchange rates and interest rates may adversely impact our earnings, thereby affecting the value of our assets.</p> <p>Please refer to notes 3.5, 3.8, 4.1 and 4.2 in the Financial Statements for detailed information.</p>	<p>We have implemented efficient treasury policies for assessing groups interest rate and currencies risks. A significant portion of our interest rate risk is hedged through the use of interest rate swaps to convert floating interest rate to fixed interest rate (90% until Q1 FY2023/24 and 50% until Q1 FY2024/25). The risk is constantly monitored to alleviate the impact of rising interest rates.</p> <p>Moreover, we hedged 40-90% of rolling 12 months net currency exposure through 3-12 months' foreign exchange forward contracts managed by the Group treasury function to alleviate the impact of adverse currency effects on earnings.</p>
<b>Cybersecurity</b>	<p>Our global operations and services are dependent on multiple IT systems, services, and underlying infrastructure.</p> <p>This carries a risk of system errors, data breaches, unauthorized access to data and systems, denial of services attacks, ransomware attacks, and other disruptions of IT services impacting Group operations.</p>	<p>Minor cybersecurity events, such as viruses, phishing, and break-in attempts do not have any substantial material impact on our business.</p> <p>Major cyberattacks, however, such as ransomware or data breaches might have a substantial negative financial impact on WS Audiology due to reputation loss, regulatory fines as well and disruption of internal operations and services provided to our customers.</p>	<p>We regularly review our cybersecurity posture and track the progress of its maturity. Our strategy includes prevention, mitigation, and response to cybersecurity events.</p> <p>WSA's Information Security Management System is ISO27001 certified as of 2023.</p> <p>We recurrently upgrade defence, response, and disaster recovery processes and tools to minimize the potential impact of cybersecurity events.</p> <p>We carry out ongoing, global security communication and training on secure behaviour in the workplace.</p>



Risk	Description	Potential impact	Mitigation
<b>Supply chain bottleneck and Inflation</b>	<p>WSA's global manufacturing sites are located in Singapore and Denmark with significant regional operational hubs in Philippines, China, Poland and Mexico.</p> <p>Stable performance in deliveries and quality of our manufacturing and suppliers is key to ensuring strong business development.</p>	<p>Any supply chain disruption may lead to shortages affecting on-time customer deliveries, impacting business objectives and may entail quality issues, limited production output and delayed deliveries or unsatisfactory service to customers.</p> <p>Moreover, supply disruption and cost increases may have an impact on the company's earnings.</p>	<p>We engage closely with critical suppliers, conduct audits and identify alternative sourcing options to reduce the risk of material shortages and ensure a satisfactory quality and service level.</p> <p>WS Audiology's stock levels are designed based on supplier and component assessments to ensure continuous supply, and we are working with multiple freight forwarders to ensure available capacity and on-time deliveries.</p>
<b>Product development</b>	<p>As a leading player in the hearing aid markets investment in product development and R&amp;D initiatives plays a vital role in our strategy (ref page 22) and is essential as product differentiator and supportive to our market position.</p> <p>In a technology and product-driven market our knowledge and trade secrets are key to maintain the cutting edge and to compete effectively with other companies in the market.</p>	<p>There is a risk that our intellectual property and property development is unsuccessful in patenting with adverse impact on earnings.</p>	<p>We obtain patent protection in key jurisdictions for patentable subject matter in the proprietary devices.</p> <p>We furthermore review third party patents and patent applications to develop an effective patent strategy, avoid infringement of third-party patents, identify licensing opportunities, and monitor patent claims of others.</p>



Risk	Description	Potential impact	Mitigation
Quality & Regulatory	<p>We are a medical device company that cares deeply about the quality and safety of our hearing aids and other devices. We know that our products can make a positive difference in the lives of our customers, so we always strive to avoid any errors that could harm them. We operate in a dynamic and regulated market, where we comply with all the relevant medical product regulations that apply to our products and services. We follow the best practices in the development, testing, manufacturing, labelling, premarket clearance, approval, marketing, export and import of our products. We are pro-actively managing latest regulatory changes, such as adoptions of Medical Device Regulations (MDR) in Europe, OTC rules by the USA FDA or revisions of other relevant regulations in markets where we are active or plan to become active. With our advanced vigilance system and teams, we are ready to adapt to these changes and continue to provide high-quality products to our customers.</p>	<p>At WSA we embrace regulatory changes and adapt to them quickly. We are confident that we can meet the requirements for coverage and access to national health insurances providing their patients highest quality and service. We were prepared to obtain FDA premarket approvals (510k) for our products and will continue to do so, as we always follow the highest standards of quality and safety.</p>	<p>We manage our WSA multi-site Quality Management System (QMS) certified under ISO 13485 following the European Medical Device Regulation (MDR EU 2017/745) and the US FDA Quality System Regulation (QSR). This allows us to achieve global excellence and local relevance in quality management across WS Audiology. We keep our multi-site QMS up to date with the latest business and regulatory demands, such as expanding to our sites in Mexico. Moreover, our manufacturing and development sites in China, Denmark, Germany, the US, and Singapore have all aced the US Food and Drug Administration (FDA) audit inspections since 2018. We always stay on top of regulatory changes and continue to work close with regulators and Notified Bodies and adapt our management systems, quality organization and manufacturing setup accordingly.</p>
Sustainability	<p>WSA is committed to sustainability.</p> <p>In our own operations and upstream and downstream value chain, through our products and services, as well as through our business relationships, lies the risks of negative impacts on people or the environment.</p> <p>On the other hand, certain sustainability matters could trigger material financial effects on WSA, which is also considered as sustainability risk.</p>	<p>Through materiality assessment, we have identified the 14 material topics that have potential impacts.</p> <p>Read more on ESG Statement on page 131.</p>	<p>To mitigate the impact and risks, and capture opportunities that are entailed in the 14 material topics, WSA drives sustainability programs, with KPIs and targets tied to our management team, managers and eventually cascaded to all employees' performance objectives.</p> <p>We closely monitor the progress of each program and keep the dialogue with the relevant stakeholders.</p> <p>Read more on ESG Statement on page 131.</p>





# Board of Directors



Chair  
**Marco Gadola**  
Swiss  
Independent

Marco Gadola is a consultant, professional board member, and senior advisor to EQT.

He served as CEO of the Straumann Group, the world-leading brand for confidence in esthetic dentistry, from 2013-2019 after working as CFO and regional CEO of APAC for Panalpina from 2008-2012.

Marco Gadola is currently Chair of DKSH Holding and Medartis as well as Vice-Chair of MCH Group. He is a board member of Straumann, and AVAG Anlage und Verwaltungs AG and joined the board of Bühler Group in Feb 2023.



Vice-Chair  
**Jan Tøpholm**  
Danish  
Not independent

Jan Tøpholm is a professional board member and Chair of T&W Medical, which is the main investment vehicle of the Tøpholm and Westermann families and the majority shareholder in WS Audiology.

He is a co-owner of WS Audiology and currently active on the boards of several companies controlled by the families and served as Chair of Widex from 2013-2021 and CEO of the company from 1985-2013.

Jan Tøpholm was also a board member of A.P. Møller - Maersk from 2001-2014.



**Malou Aamund**  
Danish  
Independent

Malou Aamund served as Managing Director of Google Denmark from 2016-2022. Prior to that, she worked in several leading positions in Microsoft from 2011 - 2016 including as COO and CMO of the Danish company and Business Group Leader of Microsoft Western Europe.

From 2007-2011, she was a Member of Parliament in Denmark, and prior to that she held management positions in IBM.

Malou Aamund is Chair of Thinkproject and she is a board member of KIRKBI A/S, the LEGO Foundation, DSV and Matas.



**Egbert van Acht**  
Dutch  
Independent

Egbert van Acht is an independent board member, advisor, and investor in a range of Consumer Health and Digital Health companies in Europe, Asia, and the US. Focus on scale-up activities and driving accelerated, profitable growth. He served as marketing director at Procter & Gamble and in a range of leadership positions at the Philips Group between 2002 and 2018, most recently as CEO of the Personal Health Business and as member of the Group Executive Committee. Egbert van Acht is a member of the Advisory Council of LatentView, a global digital analytics consulting and solutions firm.



## Board of Directors (continued)



### Jes Munk Hansen

Danish  
Independent

Jes Munk Hansen serves as CEO & President of TERMA Group, which provides mission-critical solutions for the defense and aerospace industry, since 2019 after holding executive positions at OSRAM from 2013-2019, most recently as CEO of OSRAM USA and Head of OSRAM Global Sales Function.

Prior to that, he served as CEO & President of Grundfos North American activities, among others. Jes Munk Hansen is vice chairman of the Confederation of Danish Industry.



### Kristiaan Nieuwenburg

Dutch  
Not independent

Kristiaan Nieuwenburg is Partner and Head of Performance for Private Capital at EQT. He has been with the company since 2013, where he is a member of the Equity Partners Investment and Portfolio Committees. He is also Chairman of the EQT Foundation's Investment Committee. Previously, Kristiaan started EQT's Private Equity investment activities in the Western European region and served as Chairman of EQT's US operations.

Prior to joining EQT, Kristiaan worked at IK Investment Partners.



### Karen Prange

American  
Independent

Karen Prange is a professional board member and senior advisor to EQT. She served as CEO of Global Animal Health, Medical and Dental Surgical Group at Henry Schein and a member of the Executive Committee from 2016-2018 after working as Senior Vice President of Boston Scientific and President of the company's Urology & Women's Health division from 2012-2016.

Prior to that, Karen Prange held management positions at Johnson & Johnson and Cordis. She is currently a board member of ViewRay, AtriCure, Nevro and Embecta.



### Anthony Santospirito

Australian  
Not independent

Anthony Santospirito joined EQT Group in 2022 and is a partner in the Private Equity business line.

Prior to joining EQT, Anthony worked at Cinven in London. Prior to Cinven, Anthony worked at Morgan Stanley in the Investment Banking Division, also based in London.

Anthony holds a BA in mathematics from Oxford University.



# Board of Directors (continued)



## Julian Tøpholm

Danish  
Not independent

Julian Tøpholm is a senior advisor at T&W Medical and a co-owner of WS Audiology. He has previously held senior positions at Widex A/S.

He is a board member of T&W Medical, which is the main investment vehicle of the Tøpholm and Westermann and the majority shareholder in WS Audiology.



## Adam Westermann

Danish  
Not independent

Adam Westermann is Vice President Global Innovation in R&D at WS Audiology. He is also co-owner of WS Audiology.

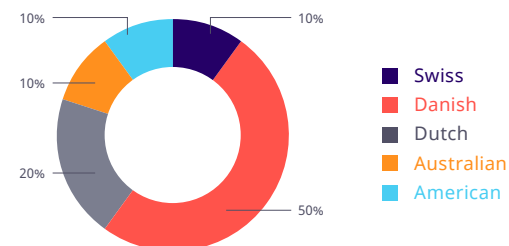
He has held various positions in R&D at Widex and WS Audiology since 2015 after working at the National Acoustics Laboratories in Australia as a PhD candidate and postdoctoral researcher from 2011-2015.

Adam Westermann is a board member of T&W Medical, which is the main investment vehicle of the Tøpholm and Westermann families and the majority shareholder in WS Audiology.

## Diversity

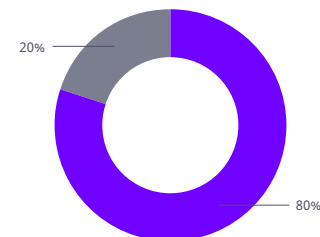
### Nationality

Board members elected by shareholders

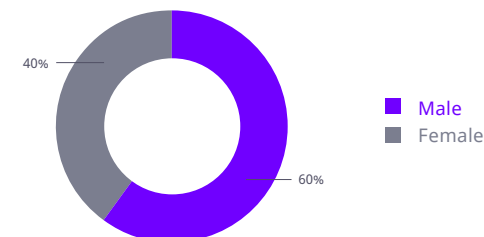


### Gender

Board members elected by shareholders



Diversity among independent







# Executive Board



Group CEO

**Eric Bernard**

French

Eric Bernard started his career at the LVMH Group. He joined Essilor International in 1994 where he spent 25 years in country, regional, and global leadership roles and was a member of its executive committee for nine years until joining WSA in June 2019. He has lived in Japan, Singapore, the US, Australia, and China and currently resides in Denmark.



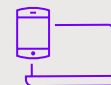
Group CFO

**Marianne Wiinholt**

Norwegian

Marianne Wiinholt joined WS Audiology in April 2022 from Ørsted, the global leader in off-shore wind, where she was the CFO since 2013. Prior to Ørsted she worked in senior roles at Borealis and Arthur Andersen. She is currently a board member and head of the Audit Committees of both Coloplast and Norsk Hydro.

## Executive Committee



[Read CVs at WSA.com](#)

**Eric Bernard**

Group CEO (French)

**Marianne Wiinholt**

Group CFO (Norwegian)

**Maarten Barmentlo**

Chief Marketing Officer (Dutch)

**Carsten Buhl**

President Region Americas (Danish)

**Olivier Chupin**

President Region APAC (French)

**Roberto Di Fiore**

Chief Operations Officer (Italian)

[Karl Braitberg joined WSA 15 November 2023 as Chief Operating Officer (American)]

**Nicolai Jensen**

Chief HR Officer (Danish)

**Stefan Menzl**

Chief R&D Officer (Swiss)

[Joerg Brandscheid joined WSA 1 November 2023 as Chief Technology Officer (German)]

**Annemarie van Neck**

President Region EMEA (Dutch)



# Investor information

## Ownership structure

WS Audiology is privately owned by T&W Medical A/S - the investment vehicle jointly owned by the Tøpholm and Westermann families - and funds managed by EQT.

The owners have extensive knowledge of the healthcare industry and technology, as well as experience in building global market leaders with significant value creation opportunities.

In the fiscal year 2022/23, WS Audiology's share capital was increased by EUR 100 for 100 ordinary shares at a nominal value of EUR 1,000,000 per share. After the capital increase, WS Audiology's share capital is divided into 100,000,200 shares with equal voting and dividend rights. The ownership distribution remains the same after the share capital increase.

## Debt and ratings

WS Audiology Group has issued senior secured and second lien loans in its holding company Auris Luxembourg III S.A. The Group conducts lender reporting and calls on a quarterly basis. The holding company Auris Luxembourg II is rated by Fitch, S&P and Moody's.

## Annual General Meeting and dividends

The Board of Directors will not propose the payment of dividends at the Annual General Meeting.

## Investor Relations

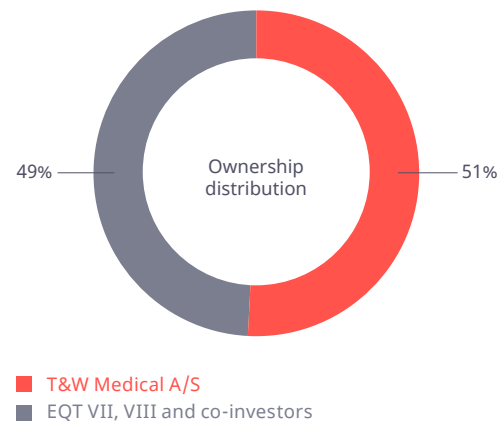
WS Audiology is committed to ensuring a high level of transparency and stability in our financial communications on matters deemed relevant to enable debt investors and rating agencies to assess the business and financial performance and risks.

Our management and our investor relations function maintain a regular dialogue with debt investors and rating agencies. This dialogue takes the form of quarterly conference calls.

## Current ratings (as of Nov 2023)

### Issuers

Auris Luxembourg II SA  
(Corporate Family/Issuer)



■ T&W Medical A/S  
■ EQT VII, VIII and co-investors

### Fitch

B -Stable  
Outlook

### S&P

B -Stable  
Outlook

### Moody's

B3 -Stable  
Outlook

## Financial calendar

- 6 February 2024** Q1 interim results presentation 2023/24
- 16 May 2024** Q2 interim results presentation 2023/24
- 28 August 2024** Q3 interim results presentation 2023/24
- 27 November 2024** Annual results presentation 2023/24

## Investor Relations contact

Henning Klemmensen  
Head of Group Treasury, Insurance  
& Investor Relations

Tel. +45 44 35 56 00  
[investor.relations@wsa.com](mailto:investor.relations@wsa.com)



# Statements

53	Management report
54	Independent auditor's report
56	Independent auditor's assurance report



# Statement by Management on the Annual Report

The Board of Directors and the Executive Management have today considered and approved the Annual Report of WS Audiology A/S for the financial year ended 30 September 2023.

The Annual Report is presented in accordance with the International Financial Reporting Standards, which have been adopted by the EU and disclosure requirements of the Danish Financial Statements Act Large C.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's assets, liabilities and financial position at September 30, 2023 and of their financial performance and cash flows for the financial year October 1, 2022 to September 30, 2023.

We also find that the Management Commentary (pages 5-51 and information in selected notes presented on pages 136-172) provides a fair statement of developments in the activities and financial situation of the Group and

the Parent, financial results for the period, the general financial position of the Group and the Parent, and a description of conditions referred to therein.

Further, the Consolidated ESG statements for October 1, 2022 to September 30, 2023 has been prepared in accordance with the Danish Financial Statements Act, GRI standards, principles of United Nations Global Compact (UNGC) and Task Force on Climate Related Financial Disclosures (TCFD). In our opinion, the Consolidated ESG statements gives a true and fair presentation of WS Audiology A/S' sustainability activities and result of the Group's sustainability efforts in the reporting period in accordance with the framework mentioned and the stated accounting policies as well as a balanced presentation of WS Audiology A/S' environmental, social and governance performance.

We recommend that the Annual Report be approved at the Annual General Meeting.

Lynge, December 5 2023

## Executive Management:

**Eric Alain Bernard**  
Chief Executive Officer

**Marianne Wiinholt**  
Chief Financial Officer

## Board of Directors:

**Marco Gadola**  
Chairman

**Jan Tøpholm**  
Vice-Chairman

**Egbertus Adrianus Johannes van Echt**

**Karen Naomi Prange**

**Jes Carøe Munk Hansen**

**Julian Tøpholm**

**Adam Westermann**

**Malou Aamund**

**Kristiaan Nieuwenburg**

**Anthony Santospirito**



# Independent auditor's report

## To the shareholders of WS Audiology A/S

### Opinion

We have audited the consolidated financial statements and the parent financial statements of WS Audiology A/S for the financial year 1 October 2022 to 30 September 2023, page 58 - 130, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act Large C.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30 September 2023 and of the results of their operations and cash flows for the financial year 1 October 2022 to 30 September 2023 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act Large C.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities*

*for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act Large C, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either

intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and



obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the

parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act Large C.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act Large C. We did not identify any material misstatement of the management commentary.

Copenhagen, December 5 2023

#### Deloitte

Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56

**Nikolaj Thomsen**  
State-Authorised Public  
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# Independent Auditor's Assurance Report on Consolidated ESG Statements

## To the shareholders of WS Audiology A/S

WS Audiology A/S engaged us to provide limited assurance on the consolidated ESG statements for the financial year 1 October 2022 to 30 September 2023 as presented on pages 133-135 and the associated notes referred to in column "Note" on pages 133-135 in the Annual Report 2022/23 of WS Audiology A/S (collectively "consolidated ESG statements").

Notes 10.1, 11.6, 11.7, 12.6, 13.4, 13.5, 13.6, 13.7 and GRI index tables on pages 136-172 are not covered by our conclusion.

## Management's responsibility

Management of WS Audiology A/S is responsible for designing, implementing, and maintaining internal controls over information relevant to the preparation of the ESG data and information in the consolidated ESG statements, ensuring it is free from material misstatement, whether due to fraud or error. Furthermore, Management is responsible for establishing objective accounting principles for the preparation of the consolidated ESG statements, for the overall content of the consolidated ESG statements, and for measuring and reporting the ESG data in the consolidated ESG statements in accordance with the accounting principles and Greenhouse Gas Protocol included on pages 139-164 in the Annual Report.

## Auditor's responsibility

Our responsibility is to express a limited assurance conclusion based on our engagement with Management and in accordance with the agreed scope of work. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and, in respect of the greenhouse gas emissions, in accordance with ISAE 3410 Assurance Engagements on Greenhouse Gas Statements and additional requirements under Danish audit regulation, to obtain limited assurance about our conclusion. Greenhouse Gas emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gasses.

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the consolidated ESG statements are free from material misstatement, whether due to fraud or error, and prepared, in all material respects, in accordance with the accounting principles;
- forming an independent conclusion, based on the procedures we performed and the evidence we obtained; and

- reporting our conclusion to the stakeholders of WS Audiology A/S.

Deloitte Statsautoriseret Revisionspartnerselskab applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the requirements for independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and ethical requirements applicable in Denmark.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.



### Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement in the consolidated ESG statements. To do so, we have:

- conducted interviews with data owners and internal stakeholders to understand the key processes and control activities for measuring, recording and reporting the ESG data;
- performed limited substantive testing on a selective basis to check that data has been appropriately measured, recorded, collated and reported;
- performed analysis of data, selected based on risk and materiality;
- made inquiries regarding significant developments in the reported data;
- considered the presentation and disclosure of the consolidated ESG statements;
- assessed that the process for reporting greenhouse gas emissions data follows the principles of relevance, completeness, consistency, transparency and accuracy outlined in The Greenhouse Gas Protocol Corporate Standard Revised edition (2015) and The Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011); and
- evaluated the evidence obtained.

### Our conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us not to believe that the consolidated ESG statements as presented on pages 133-135 and the associated notes referred to in column "Note" on pages 133-135 in the Annual Report of WS Audiology A/S for the financial year 1 October 2022 to 30 September 2023, have been prepared, in all material respects, in accordance with the accounting principles on pages 139-163.

Copenhagen, December 5 2023

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Business Registration No. 33 96 35 56

Nikolaj Thomsen  
State Authorised Public Accountant  
MNE no 33276

Aida Sasivarevic  
State Authorised Public Accountant  
MNE no 47817



# Financial statements

59	Consolidated financial statements
124	Parent financial statements
131	Consolidated ESG statements
165	GRI index





# Consolidated financial statements



## Consolidated Financial Statements

# Contents

### Consolidated Financial Statements

Income Statement	61
Statement of Comprehensive Income	61
Balance Sheet	62
Statement of Cash Flows	63
Statement of Changes in Equity	64

### Notes to the Consolidated Financial Statements

<b>1 Basis of preparation</b>	<b>66</b>	<b>4 Capital structure and financing items</b>	<b>94</b>
1.1 General accounting policies	66	4.1 Outstanding shares	94
1.2 Significant accounting estimates and judgments	68	4.2 Financial risks and financial instruments	95
1.3 Adoption of new and amended IFRS	68	4.3 Liabilities from financing activities	105
<b>2 Results of the year</b>	<b>69</b>	4.4 Financial income and expenses	106
2.1 Revenue	69	4.5 Government grants	106
2.2 Staff costs	71	<b>5 Other disclosures</b>	<b>107</b>
2.3 Income taxes	71	5.1 Business combinations	107
<b>3 Operating assets and liabilities</b>	<b>77</b>	5.2 Remuneration of Key Management Personnel	110
3.1 Intangible assets	77	5.3 Management Participation Program liability	110
3.2 Property, plant and equipment	81	5.4 Pension obligations	111
3.3 Depreciation, amortization, and impairment	82	5.5 Contingent assets and liabilities	116
3.4 Right-of-use assets/Lease liabilities	84	5.6 Associates	116
3.5 Customer loans	86	5.7 Non-cash adjustments	117
3.6 Other assets	88	5.8 Fees to auditors appointed at the annual general meeting	117
3.7 Inventories	88	5.9 Related parties	118
3.8 Trade receivables	89	5.10 Companies in the WS Audiology A/S Group	118
3.9 Other liabilities	91	5.11 Significant events after the balance sheet date	123
3.10 Provisions	92	5.12 Approval of the consolidated financial statements	123



## Consolidated Financial Statements

# Income Statement

For the financial year ended 30 September 2023

EURm	Note	30 Sept. 2023	30 Sept. 2022
Revenue	2.1	2,465	2,351
Cost of goods sold		(1,025)	(975)
<b>Gross profit</b>		<b>1,440</b>	<b>1,376</b>
Research and development costs	3.1	(114)	(120)
Selling and general administration expenses		(1,150)	(1,128)
Other operating income/(costs), net		4	(29)
Share of profit/(loss) in associates, net of tax	5.6	*	*
<b>Operating profit</b>		<b>180</b>	<b>99</b>
Interest income	4.4	99	8
Interest expenses	4.4	(333)	(234)
Other financial income/(expenses), net	4.4	78	(146)
<b>Profit/(Loss) before tax</b>		<b>24</b>	<b>(273)</b>
Income taxes	2.3	(29)	3
<b>Loss for the year</b>		<b>(5)</b>	<b>(270)</b>
<b>Attributable to:</b>			
Non-controlling interests		6	(5)
Shareholders of WS Audiology A/S		(11)	(265)

# Statement of Comprehensive Income

For the financial year ended 30 September 2023

EURm	Note	30 Sept. 2023	30 Sept. 2022
<b>Loss for the year</b>		<b>(5)</b>	<b>(270)</b>
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gains	5.4	2	10
Tax on items that will not subsequently be reclassified to the income statement	2.3	(1)	(3)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Recycled to financial income		(88)	*
Change in fair value of cash flow hedge		36	96
Tax on items that have been or may subsequently be reclassified to the income statement	2.3	15	(26)
Foreign currency translation differences		(56)	102
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(92)</b>	<b>179</b>
<b>Total comprehensive loss for the year</b>		<b>(97)</b>	<b>(91)</b>
<b>Attributable to:</b>			
Non-controlling interests		3	4
Shareholders of WS Audiology A/S		(100)	(95)

\* Amount less than EUR 1 mil



## Consolidated Financial Statements

# Balance Sheet

As at 30 September 2023

EURm	Note	30 Sept. 2023	30 Sept. 2022
<b>Assets</b>			
Goodwill	3.1	3,607	3,623
Other intangible assets	3.1	1,722	1,802
Property, plant and equipment	3.2	182	166
Right-of-use assets	3.4	196	198
Investments in associates	5.6	5	4
Deferred tax assets	2.3	42	48
Trade receivables	3.8	3	–
Customer loans	3.5	57	50
Other assets	3.6	48	122
<b>Total non-current assets</b>		<b>5,862</b>	<b>6,013</b>
Inventories	3.7	206	198
Trade receivables	3.8	301	305
Current income tax receivables		15	41
Customer loans	3.5	16	20
Other assets	3.6	147	78
Cash and cash equivalents		114	124
<b>Total current assets</b>		<b>799</b>	<b>766</b>
<b>Total assets</b>		<b>6,661</b>	<b>6,779</b>

EURm	Note	30 Sept. 2023	30 Sept. 2022
<b>Equity and Liabilities</b>			
Share capital	4.1	100	100
Other reserves		2,206	2,182
Accumulated losses		(754)	(744)
<b>Total equity attributable to the shareholders of WS Audiology A/S</b>		<b>1,552</b>	<b>1,538</b>
Non-controlling interests		42	55
<b>Total equity</b>		<b>1,594</b>	<b>1,593</b>
Long-term debts	4.3	3,668	3,824
Lease liabilities	4.3	173	174
Pension obligations	5.4	15	16
Provisions	3.10	36	28
Deferred tax liabilities	2.3	312	340
Other liabilities	3.9	85	94
<b>Total non-current liabilities</b>		<b>4,289</b>	<b>4,476</b>
Short-term debts	4.3	56	46
Lease liabilities	4.3	43	44
Trade payables		252	219
Current income tax liabilities		25	33
Provisions	3.10	78	78
Other liabilities	3.9	324	290
<b>Total current liabilities</b>		<b>778</b>	<b>710</b>
<b>Total equity and liabilities</b>		<b>6,661</b>	<b>6,779</b>





## Consolidated Financial Statements

# Statement of Cash Flows

For the financial year ended 30 September 2023

EURm	Note	30 Sept. 2023	30 Sept. 2022
<i>Operating activities</i>			
<b>Loss for the year</b>		<b>(5)</b>	<b>(270)</b>
Depreciation, amortization and impairment	3.3	300	323
Loss on lease remeasurement		1	–
Income tax expense, net	2.3	29	(3)
Interest expense, net		234	226
Loss on sales and disposals of intangibles, property, plant and equipment and right-of-use assets		1	1
Reversal of impairment loss on right-of-use assets	3.4	–	(1)
Share of profit/(loss) in associates	5.6	*	*
Other non-cash adjustments	5.7	(88)	234
<b>Cash flow from operating activities before changes in working capital</b>		<b>472</b>	<b>510</b>
Change in inventories		(5)	(5)
Change in trade and other receivables		4	(7)
Change in trade payables		34	(42)
Change in customer loans		(4)	6
Change in other assets and other liabilities		(37)	(81)
Change in provisions		2	10
<b>Cash flow from operating activities before financial items and tax</b>		<b>466</b>	<b>391</b>
Financial income received		11	7
Income taxes paid, net		(18)	(30)
<b>Cash flow from operating activities</b>		<b>459</b>	<b>368</b>

EURm	Note	30 Sept. 2023	30 Sept. 2022
<i>Investing activities</i>			
Acquisition of companies/operations, net of cash acquired	5.1	(9)	(35)
Investments in intangible assets and property, plant and equipment		(216)	(178)
Investments in other assets		(1)	*
Proceeds from disposal of intangible assets and property, plant and equipment		8	13
<b>Cash flow used in investing activities</b>		<b>(218)</b>	<b>(200)</b>
<b>Cash flow from operating and investing activities</b>		<b>241</b>	<b>168</b>
<i>Financing activities</i>			
Proceeds from issuance of shares	4.1	100	–
Transaction costs paid for issuance of long-term debt	4.3	–	(1)
Proceeds from long-term and short-term debt	4.3	70	199
Repayment of long-term and short-term debt	4.3	(142)	(162)
Other transactions with non-controlling interests		(4)	(7)
Financial expenses paid	4.3	(200)	(172)
Cash flows relating to lease liabilities	4.3	(60)	(56)
Change in other short-term debt and other financing activities		(3)	1
<b>Cash flow used in financing activities</b>		<b>(239)</b>	<b>(198)</b>
<b>Net cash flow</b>		<b>2</b>	<b>(30)</b>
Cash and cash equivalents, beginning of year		124	145
Adjustment foreign currency, cash and cash equivalents		(12)	9
<b>Cash and cash equivalents, end of year</b>		<b>114</b>	<b>124</b>

\* Amount less than EUR 1 mil



## Consolidated Financial Statements

# Statement of Changes in Equity

For the financial year ended 30 September 2023

EURm	Share capital	Other reserves	Foreign exchange adjustments	Hedging reserve	Accumulated losses	Equity of shareholders in WS Audiology A/S	Non-controlling interests	Total equity
<b>Equity at 30 September 2022</b>	<b>100</b>	<b>2,032</b>	<b>77</b>	<b>73</b>	<b>(744)</b>	<b>1,538</b>	<b>55</b>	<b>1,593</b>
Loss for the year	–	–	–	–	(11)	(11)	6	(5)
Actuarial gains	–	–	–	–	2	2	–	2
Adjustment of cash flow hedges	–	–	–	(52)	–	(52)	–	(52)
Foreign exchange adjustment, etc.	–	–	(53)	–	–	(53)	(3)	(56)
Tax relating to other comprehensive income	–	–	2	13	(1)	14	–	14
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b>–</b>	<b>(51)</b>	<b>(39)</b>	<b>(10)</b>	<b>(100)</b>	<b>3</b>	<b>(97)</b>
Issuance of shares	*	100	–	–	–	100	–	100
Changes in other reserves	–	14	–	–	–	14	(12)	2
Dividends	–	–	–	–	–	–	(1)	(1)
Other transactions with non-controlling interests	–	–	–	–	–	–	(3)	(3)
<b>Equity at 30 September 2023</b>	<b>100</b>	<b>2,146</b>	<b>26</b>	<b>34</b>	<b>(754)</b>	<b>1,552</b>	<b>42</b>	<b>1,594</b>

\* Amount less than EUR 1 mil



## Consolidated Financial Statements

# Statement of Changes in Equity (cont'd)

For the financial year ended 30 September 2023

EURm	Share capital	Other reserves	Foreign exchange adjustments	Hedging reserve	Accumulated losses	Equity of shareholders in WS Audiology A/S	Non-controlling interests	Total equity
<b>Equity at 30 September 2021</b>	<b>100</b>	<b>2,042</b>	<b>(13)</b>	<b>-</b>	<b>(485)</b>	<b>1,644</b>	<b>57</b>	<b>1,701</b>
Loss for the year	-	-	-	-	(265)	(265)	(5)	(270)
Actuarial gains	-	-	-	-	10	10	-	10
Adjustment of cash flow hedges	-	-	-	96	-	96	-	96
Foreign exchange adjustment, etc.	-	-	93	-	-	93	9	102
Tax relating to other comprehensive income	-	-	(3)	(23)	(3)	(29)	-	(29)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>90</b>	<b>73</b>	<b>(258)</b>	<b>(95)</b>	<b>4</b>	<b>(91)</b>
Changes in other reserves	-	(10)	-	-	(1)	(11)	1	(10)
Dividends	-	-	-	-	-	-	(6)	(6)
Other transactions with non-controlling interests	-	-	-	-	-	-	(1)	(1)
<b>Equity at 30 September 2022</b>	<b>100</b>	<b>2,032</b>	<b>77</b>	<b>73</b>	<b>(744)</b>	<b>1,538</b>	<b>55</b>	<b>1,593</b>

### Description of Other reserves:

- Capital reserve relates to deemed contribution by the shareholders in relation to the reverse acquisition in 2018/19.
- The difference between the consideration paid, in the form of acquiring the shares of the Sivantos Group and the net equity of the subsidiaries acquired in 2018/19.
- The elimination of the investment in the Widex Group in 2018/19.
- The reserve under the scope of IFRS 2 (Note 5.3).



## Consolidated Financial Statements

# Notes

### 1 Basis of preparation

The consolidated financial statements for the Group and separate parent financial statements for WS Audiology A/S have been prepared in accordance with IFRS as adopted by the European Union (EU) and additional requirements of the Danish Financial Statements Act Large C.

The consolidated financial statements and separate parent financial statements are presented in Euros (EUR) which is the functional currency of WS Audiology A/S. All values are rounded to the nearest million (EUR), except where indicated otherwise.

The Group's general accounting policies are described in Note 1.1 General accounting policies below. In addition to this, specific accounting policies are described in each of the individual notes to the consolidated financial statements. The accounting policies set out below and, in each note, have been used consistently in respect of the financial year and the comparative figures.

#### 1.1 General accounting policies

##### Basis of consolidation

The consolidated financial statements comprise the financial statements of WS Audiology A/S (the parent company) and subsidiaries, which are entities controlled by WS Audiology A/S, prepared in accordance with Group policies. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those

returns through its power over the entity. Subsidiaries are listed in Note 5.10.

The consolidated financial statements are prepared by combining items of a uniform nature and subsequently eliminating intercompany transactions, internal shareholdings and balances and unrealized intercompany gains or losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences and until the date on which control ceases.

The accounting items of subsidiaries are recognized 100% in the consolidated financial statements. Non-controlling interest's share of subsidiaries' profit or loss for the year and of equity are included in the Group's profit or loss and equity, but are disclosed separately.

Acquisitions or disposals on non-controlling interests in subsidiaries, which does not result in obtaining or losing control of such subsidiaries, are treated as an equity transaction in the consolidated financial statements, and any difference between the consideration and the carrying amount of the non-controlling interest is allocated to the Parent's share of the equity.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, as well as any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost. Any

resulting gain or loss is recognized in profit or loss.

##### Translation of foreign currency

A functional currency is determined for each of the reporting entities in the Group. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in other than the functional currency are translated into the functional currency at the exchange rates at the transaction date. Foreign exchange differences between the exchange rate at the transaction date and at the date of payment are recognized in other financial income/expenses, net.

The WS Audiology Group has significant activities in EUR and has raised significant debt in EUR. Therefore, the functional currency of WS Audiology A/S and the presentation currency of the WS Audiology Group is determined to be EUR.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the transaction date.

Foreign exchange differences are generally recognized in other financial income/expenses, net in the income statement. However, the following foreign exchange differences are recognized in other comprehensive income ("OCI"):

- Qualifying cash flow hedges to the extent that the hedges are effective
- Foreign exchange adjustment of balances with foreign entities that are considered part of the net investment in the entity

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into EUR at the exchange rates at the reporting date. The income statements and statement of cash flows of foreign operations are translated into EUR at average exchange rates for the period, unless such average exchange rates are unrepresentative of the exchange rates prevailing at the transaction dates, in which case the transaction date exchange rates are applied.

Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rate at the reporting date and on translation of the income statement from the average exchange rate to the exchange rate at the reporting date are recognized on other comprehensive income and attributed to a separate translation reserve in equity, except to the extent that the translation difference is allocated to non-controlling interests.





## Consolidated Financial Statements

# Notes

### 1.1 General accounting policies (cont'd)

On complete or partial disposal of a foreign entity such that control, significant influence or joint control is lost, or on repayment of balances that constitute part of the net investment in the foreign entity, the share of the cumulative amount of the exchange differences recognized in other comprehensive income relating to that foreign entity is recognized in the income statement as part of the gain or loss on disposal. When the Group disposes part of its interest in a subsidiary but retains control, the relevant portion of the cumulative amount is reattributed to non-controlling interest. On partial disposal of an associate or joint venture while retaining significant influence or joint control, the relevant portion of the cumulative amount is reclassified to the income statement.

#### Statement of cash flows

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the profit or loss for the period adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment. Cash flows from acquired enterprises are recognized in the cash flow statement from the acquisition date. Cash flows from disposed enterprises are recognized up until the disposal date.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, repayment of interest-bearing debt (principal and interest), lease liabilities, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.

Cash flows cannot be derived directly from the statement of financial position and income statement.

### Applying materiality

The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. The transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is not applicable or considered immaterial to the economic decision-making of the users of these financial statements.



## Consolidated Financial Statements

# Notes

### 1.2 Significant accounting estimates and judgments

In preparation of the consolidated financial statements, Management makes various accounting estimates and judgments that form the basis of presentation, recognition and measurement of the Group's assets, liabilities, income and expenses. The key accounting estimates identified are those that have a significant risk of resulting in a material adjustment to the carrying amounts of assets or liabilities within the next financial year.

The application of the Group's accounting policies may require Management to make judgments that can have a significant effect on the amounts recognized in the consolidated financial statements. Management judgment is required in particular when assessing the substance of transactions that have a complicated structure or legal form.

The accounting estimates and judgments made are based on historical experience and other factors that Management assesses to be reliable, but that, by nature, are associated with uncertainty and unpredictability and may therefore prove incomplete or incorrect.

Specific accounting estimates and judgments are described in each of the following individual notes to the consolidated financial statements:

Principal accounting policies	Key accounting estimates and judgments	Nature of impact	Note	Estimation risk
Depreciation, amortization and impairment	Estimate of recoverable amount of goodwill	Estimate	3.3	High
Income tax and deferred income taxes	Estimate of value of deferred tax assets Determination of possible outcomes of uncertain tax position	Estimate Judgment	2.3	Medium
Provisions	Estimate of warranty provisions Estimate of right of return provisions	Estimate Estimate	3.10	Medium
Business combinations	Estimate of contingent considerations	Estimate	5.1	Medium

### Impairment of goodwill

The recoverable amount of goodwill is estimated using the fair value approach, which is dependent on market performance of comparable peer group. The estimation of recoverable amount involves judgment on relevant peer group and is subject to uncertainties in macroeconomic developments which can affect market performance.

### Deferred tax assets and uncertain tax positions

The recoverability of deferred tax assets is dependent on the availability of future taxable profits. Estimate of future taxable profits is made based on annual budgets and business plans which is subject to uncertainty arising from economic and market developments.

The final tax outcome of uncertain tax positions is subject to different interpretation of local tax law by the relevant tax authority. Judgment is applied to assess the probable outcome of uncertain tax treatment.

### Climate related risks in the financial statements

Management has considered the impact of climate related risks in the preparation of the consolidated financial statements. The Group's sustainability goals were considered in the Group's financial forecast. These considerations did not have a material impact on the accounting estimates and judgments.

For further description of judgments and estimates, please refer to the individual notes.

### 1.3 Adoption of new and amended IFRS

In the current year, the Group has applied the amendments to IFRS standards and Interpretations issued by the IASB and IFRSs endorsed by the European Union effective for annual periods beginning on or after 1 October 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. Furthermore, Management does not anticipate any significant impact on future periods from the adoption of these amendments.

Management has assessed the impact of new or amended accounting standards and interpretations (IFRSs) issued by the IASB that has not yet become effective. Management does not anticipate any significant impact on future periods from the adoption of these amendments.



## Consolidated Financial Statements

# Notes

## 2 Results of the year

### 2.1 Revenue

EURm	30 Sept. 2023	30 Sept. 2022
<i>Revenue by geographic region:</i>		
EMEA	811	802
Americas	1,243	1,162
APAC	411	387
<b>Total</b>	<b>2,465</b>	<b>2,351</b>

Revenue is predominantly recognized at a point in time, and revenue recognized over time is not significant. Revenues are attributed to countries on the basis of the customer's location. The Region "EMEA" consists of Europe, the Middle East and Africa. The Region "Americas" is the United States, Canada and Latin-America. The Region "APAC" consists of Asia, Australia and the Pacific region.

Consolidated revenue mainly derives from sale of goods and is broken down by the selling entity. No individual customer accounts for 10% or more of the total revenue. The Group considers its operations to constitute a single operating segment.

### Contract liabilities

The Group has recognized the following liabilities related to contracts with customers:

EURm	30 Sept. 2023	30 Sept. 2022
Customer prepayments	14	14
Deferred revenue	32	37
Volume discounts	47	43
Right of return	28	31
<b>Total</b>	<b>121</b>	<b>125</b>

Significant changes in the contract liabilities balances during the year are as follows:

EURm	30 Sept. 2023	30 Sept. 2022
<b>Contract liabilities</b>		
Opening balance at 1 October	125	110
Foreign currency translation adjustments	(6)	11
Revenue recognized that was included in the contract liability from prior year and current year balance	(43)	(53)
Advances received during the year	54	56
Others	(9)	1
<b>Total</b>	<b>121</b>	<b>125</b>

## Consolidated Financial Statements

# Notes

### 2.1 Revenue (cont'd)

#### § Accounting policies

Revenue from sale of products is recognized when the Group has transferred control of products sold to the buyer and it is probable that the Group will collect the consideration to which it is entitled for transferring the products. Control of the products is transferred at a point in time, typically on delivery.

Revenue is measured at the fair value of the consideration received or receivable net of discounts, VAT and other duties.

Contracts with customers sometimes include multiple promises that constitute separate performance obligations, and to which a portion of the transaction price needs to be allocated. The total transaction price in the contract is allocated to separate performance obligation based on the relative stand-alone selling prices of each such performance obligation. Each separate performance obligation is recognized when control is transferred to the customer.

When products are sold with a right of return, a refund liability and a corresponding adjustment to revenue is recognized for those products expected to be returned. In such cases, the

expected returns are estimated based on an analysis of historical experience adjusted for any known factors impacting expectations for future return rates. To the extent that the Group will be able to recover the cost of returned products, when the customers exercise their right to return, a separate right to returned products asset and a reduction in cost of sales is recognized.

#### Discounts, rebates, and sales incentives to customers

The Group pays various discounts, rebates and sales incentives to customers including trade discounts and volume rebates. Furthermore, customer discounts include the difference between the present value and the nominal amount of loans to customers at below market interest rates, cf. Note 3.5 Customer loans.

Discounts, rebates, and sales incentives to customers are deducted from revenue and are measured using either the expected value method or the most likely amount method depending on which method better predicts the amount of consideration to which the Group will be entitled net of discounts, rebates and sales incentives.

Estimates of the number of returns of products under customers right of return are based on the right of return policies and practices, accumulated historical experience, sales trends and the tim-

ing of returns from the original transaction date when applicable. Where new products are sold or products are sold to new markets, for which sufficient historical experience does not exist, refund liability and revenue to be recognized are based on estimated demand and acceptance rate for well-established products with similar market characteristics. If such similar product or market characteristics do not exist, recognition of revenue is postponed until there is evidence of consumption of the products by the customer, or when the right of return has expired.

Discounts, rebates and sales incentives are estimated and accrued when the related revenue is recognized. To make such estimates require use of judgment, as all conditions are not known at the time of the sale, e.g. the number of units sold to a given customer or the expected utilization of loyalty programmes. Liabilities in respect of sales discounts, rebates and loyalty programmes are adjusted, as the Group gain better information on the likelihood that they will be realized and the value at which they are expected to be realized.

The accrual against revenue of discounts from issue of customer loans at off-market terms (cf. Note 3.5 Customer loans) is based on the customers total committed purchases of products throughout the term of the customer loan, and is recognized as a discount for each product sold.

#### Extended warranties

The Group offers customers the option to separately purchase extended warranties for inventories sold. The extended warranty is a distinct service to the customer. Under IFRS 15, the Group accounts for a service-type warranty as a separate performance obligation to which the Group allocates a portion of the transaction price when the warranty is bundled together with the sale of inventories. The portion of the transaction price allocated to the service-type warranty is initially recorded as a contract liability and recognized as revenue on a straight-line basis over the period the warranty services are provided. Revenue is recognized when the customer receives the warranty coverage for loss and damage as part of the purchase of the hearing aid.

The standard warranty period for hearing aids varies across territories, typically between 12 and 36 months. The extended warranty covers periods beyond the standard warranty period or standard warranty terms. Payment terms vary significantly across territories.





## Consolidated Financial Statements

# Notes

### 2.2 Staff costs

EURm	30 Sept. 2023	30 Sept. 2022
Wages, salaries and remuneration	752	710
Statutory social welfare contributions	79	76
Expenses relating to pension plans and long-term employee benefits	23	20
<b>Total</b>	<b>854</b>	<b>806</b>
<b>Included in:</b>		
Cost of goods sold	132	132
Research and development costs	111	101
Selling and general administration expenses	611	573
<b>Total</b>	<b>854</b>	<b>806</b>
Average number of full-time employees	12,528	11,980

For information regarding remuneration of the Board of Directors, Executive Management and other Key Management Personnel, please refer to Note 5.2 Remuneration of Key Management Personnel.

### § Accounting policies

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognized in the year in which the associated services are rendered by employees of the Group. Where the Group provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

### 2.3 Income taxes

Income taxes consist of the following:

EURm	30 Sept. 2023	30 Sept. 2022
Current tax for the year	(40)	(33)
Change in deferred tax for the year	30	1
Change in deferred tax as a result of changed income tax rates	(1)	1
Prior-year adjustments, current tax	4	6
Prior-year adjustments, deferred tax	(8)	(1)
<b>Total</b>	<b>(15)</b>	<b>(26)</b>

Tax for the year is composed of:

EURm	30 Sept. 2023	30 Sept. 2022
Tax on profit for the year	(29)	3
Tax on other comprehensive income	14	(29)
<b>Total</b>	<b>(15)</b>	<b>(26)</b>



## Consolidated Financial Statements

# Notes

### 2.3 Income taxes (cont'd)

Income tax (expense)/benefit differs from the amounts computed by applying the statutory Denmark income tax rate of 22% (2022: 22%) as follows:

EURm	30 Sept. 2023	30 Sept. 2022
<b>Reconciliation of effective tax rate</b>		
Expected income tax (expense)/benefit	(5)	60
Non-deductible expenses/ non-taxable income	(7)	(11)
Non-deductible expenses/ non-taxable income on special items including interest limitation	(40)	(58)
Adjustment of tax with respect to prior years	(4)	5
Change in valuation of net tax assets	(9)	(18)
Change in deferred tax as a result of changed income tax rates	(1)	1
Differences in the income tax rates of foreign subsidiaries from the Danish corporate income tax rate	7	(5)
Tax incentives	28	26
Research and development incentives	4	7
Others, net	(2)	(4)
<b>Total</b>	<b>(29)</b>	<b>3</b>

### Deferred Tax

EURm	30 Sept. 2023	30 Sept. 2022
<b>Opening deferred tax, net</b>	<b>(292)</b>	<b>(289)</b>
Foreign currency translation adjustments	1	(1)
Changes in deferred tax assets	16	30
Additions relating to acquisitions and disposal	-	(3)
Adjustment of deferred tax, prior years	(8)	(1)
Impact of changes in corporate tax rates	(1)	1
Deferred tax relating to changes in equity, net	14	(29)
<b>Closing deferred tax, net</b>	<b>(270)</b>	<b>(292)</b>
<b>Deferred tax recognized in the balance sheet</b>		
Deferred tax assets	42	48
Deferred tax liabilities	(312)	(340)
<b>Deferred tax, net</b>	<b>(270)</b>	<b>(292)</b>



## Consolidated Financial Statements

# Notes

### 2.3 Income taxes (cont'd)

Breakdown of the Group's temporary differences and changes

EURm	Tax effect of temporary differences at 1 Oct. 2022	Foreign currency translation adjustments	Recognized in loss for the year	Recognized in other comprehensive income	Tax effect of temporary differences at 30 Sept. 2023
Other assets	16	*	2	–	18
Intangible assets	(377)	4	23	–	(350)
Property, plant and equipment	(12)	1	(4)	–	(15)
Right-of-use assets	(39)	1	1	–	(37)
Inventories	30	*	(6)	–	24
Receivables	(71)	(1)	27	13	(32)
Pension plans and similar commitments	(4)	*	(1)	–	(5)
Provisions	9	(1)	2	–	10
Other liabilities	4	(1)	(6)	–	(3)
Lease liabilities	43	(1)	(1)	–	41
Tax loss and credit carry-forward	116	(2)	(32)	–	82
Others	(7)	1	2	1	(3)
<b>Total</b>	<b>(292)</b>	<b>1</b>	<b>7</b>	<b>14</b>	<b>(270)</b>

\* Amount less than EUR 1 mil



## Consolidated Financial Statements

# Notes

### 2.3 Income taxes (cont'd)

Breakdown of the Group's temporary differences and changes

EURm	Tax effect of temporary differences at 1 Oct. 2021	Foreign currency translation adjustments	Acquisitions and Disposals	Recognized in loss for the year	Recognized in other comprehensive income	Tax effect of temporary differences at 30 Sept. 2022
Other assets	18	*	–	(2)	–	16
Intangible assets	(388)	(8)	(3)	22	–	(377)
Property, plant and equipment	(10)	(1)	–	(1)	–	(12)
Right-of-use assets	(41)	(2)	–	4	–	(39)
Inventories	27	*	–	3	–	30
Receivables	–	*	–	(48)	(23)	(71)
Pension plans and similar commitments	(4)	1	–	2	(3)	(4)
Provisions	11	1	–	(3)	–	9
Other liabilities	9	3	–	(8)	–	4
Lease liabilities	46	2	–	(5)	–	43
Tax loss and credit carry-forward	35	1	–	80	–	116
Others	8	2	–	(14)	(3)	(7)
<b>Total</b>	<b>(289)</b>	<b>(1)</b>	<b>(3)</b>	<b>30</b>	<b>(29)</b>	<b>(292)</b>

\* Amount less than EUR 1 mil





Consolidated Financial Statements

Notes

2.3 Income taxes (cont'd)

The recognized tax loss carry-forward (gross amount) of EUR 129 million (2022: EUR 263 million) includes tax losses of EUR 2 million (2022: EUR 2 million) that can be carried forward for 1 to 30 years. The remaining tax loss have no expiry date.

The recognized interest carry-forward (gross-amount) of EUR 205 million (2022: EUR 195 million) can be carried forward indefinitely.

Unrecognized deferred tax assets

Unrecognized deferred tax assets are based on Management’s expectation about future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, it is probable the Group will realize the benefits of these deductible differences.

Deferred tax assets (tax value) have not been recognized with respect to the following items:

EURm	30 Sept. 2023	30 Sept. 2022
Receivables, provisions, liabilities, etc.	2	4
Tax loss carry forwards	112	124
Interest carry forwards	3	–
Total unrecognized tax assets	117	128

Unrecognized deferred tax liabilities

The Group has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of EUR 9 million (2022: EUR 19 million) because the earnings are intended to be permanently reinvested in the subsidiaries.

OECD Pillar Two model rules

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was substantially enacted in Denmark and will come into effect from 1 January 2024. Under the legislation, the Group is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. All entities within the group are expected to have an effective tax rate that exceeds 15%, except for one subsidiary that operates in Singapore. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect.

## Consolidated Financial Statements

# Notes

### 2.3 Income taxes (cont'd)

#### § Accounting policies

Income tax comprises current tax and changes in deferred tax for the year, including changes as a result of changes in tax rates. The tax expense for the year is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity.

WS Audiology A/S is jointly taxed with all Danish subsidiaries, Danish parent entities exercising control over WS Audiology A/S (T&W Medical A/S) and any Danish subsidiaries of such parent entities. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

Current tax liabilities or assets are measured using the tax rates and tax laws that have been enacted or substantively enacted in each jurisdiction by the end of the reporting period.

Deferred tax is measured using the balance sheet liability method and comprises all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax is not recognized for taxable or deductible temporary differences:

- arising from the initial recognition of goodwill
- on the initial recognition of assets and liabilities in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit
- associated with investments in subsidiaries, branches, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

If amortization of goodwill is deductible for tax purposes, a deferred tax liability is recognized on temporary differences arising after initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and tax liabilities are offset if the entity has a legally enforceable right to offset current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets or to realise the assets and settle the liabilities simultaneously.



#### Significant judgments and accounting estimates

The Group operates in a large number of tax jurisdictions where tax legislation can be highly complex and subject to interpretation. Significant judgment and estimates are required in determining the worldwide accrual for income taxes, deferred tax assets and liabilities and uncertain tax positions.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. This judgment is made annually and based on budgets and business plans, including planned commercial initiatives, for the coming five years unless a longer period in certain situations (e.g. for start-up businesses) is warranted. Currently, a longer period than five years has not been applied in any of the jurisdictions in which the Group operates.

In the course of conducting business globally, tax and transfer pricing disputes with tax authorities may occur. Management judgment is applied to assess the possible outcome of such disputes. The “most probable outcome” method is used when determining whether to recognize any amounts related to such uncertain tax position. If it is probable that a tax adjustment will be required, the amount of such adjustment is measured at the most likely amount or the expected value, whichever method better predict the resolution of the uncertain tax position.



## Consolidated Financial Statements

# Notes

## 3 Operating assets and liabilities

### 3.1 Intangible assets

EURm	Goodwill	Development projects	Customer relationships	Trademarks, patents, and similar rights	Core patented technology and intellectual property	Software	Total
<b>Cost at 1 October 2022</b>	<b>3,624</b>	<b>409</b>	<b>1,434</b>	<b>196</b>	<b>844</b>	<b>145</b>	<b>6,652</b>
Foreign exchange adjustments	(27)	(6)	(19)	(3)	–	(5)	(60)
Additions from business combinations	11	–	1	–	–	–	12
Additions	–	112	–	1	–	29	142
Disposals	–	–	–	(1)	–	(1)	(2)
Transfers	–	–	–	–	(1)	1	–
<b>Cost at 30 September 2023</b>	<b>3,608</b>	<b>515</b>	<b>1,416</b>	<b>193</b>	<b>843</b>	<b>169</b>	<b>6,744</b>
<b>Accumulated amortization and impairment at 1 October 2022</b>	<b>(1)</b>	<b>(166)</b>	<b>(434)</b>	<b>(105)</b>	<b>(419)</b>	<b>(102)</b>	<b>(1,227)</b>
Foreign exchange adjustments	–	4	8	2	–	4	18
Amortization	–	(45)	(75)	(8)	(58)	(21)	(207)
Disposals	–	–	–	–	–	1	1
Transfers	–	–	–	–	1	(1)	–
<b>Accumulated amortization and impairment at 30 September 2023</b>	<b>(1)</b>	<b>(207)</b>	<b>(501)</b>	<b>(111)</b>	<b>(476)</b>	<b>(119)</b>	<b>(1,415)</b>
<b>Carrying amount at 30 September 2023</b>	<b>3,607</b>	<b>308</b>	<b>915</b>	<b>82</b>	<b>367</b>	<b>50</b>	<b>5,329</b>



## Consolidated Financial Statements

# Notes

### 3.1 Intangible assets (cont'd)

EURm	Goodwill	Development projects	Customer relationships	Trademarks, patents, and similar rights	Core patented technology and intellectual property	Software	Total
<b>Cost at 1 October 2021</b>	<b>3,560</b>	<b>290</b>	<b>1,400</b>	<b>184</b>	<b>843</b>	<b>118</b>	<b>6,395</b>
Foreign exchange adjustments	46	20	39	5	1	11	122
Additions from business combinations	18	–	5	7	–	–	30
Additions	–	100	–	–	–	18	118
Disposals	–	(1)	(10)	–	–	(2)	(13)
<b>Cost at 30 September 2022</b>	<b>3,624</b>	<b>409</b>	<b>1,434</b>	<b>196</b>	<b>844</b>	<b>145</b>	<b>6,652</b>
<b>Accumulated amortization and impairment at 1 October 2021</b>	<b>–</b>	<b>(99)</b>	<b>(345)</b>	<b>(94)</b>	<b>(360)</b>	<b>(70)</b>	<b>(968)</b>
Foreign exchange adjustments	–	(13)	(15)	(2)	–	(8)	(38)
Amortization	–	(54)	(84)	(9)	(59)	(25)	(231)
Impairment	(1)	–	–	–	–	–	(1)
Disposals	–	–	10	–	–	1	11
<b>Accumulated amortization and impairment at 30 September 2022</b>	<b>(1)</b>	<b>(166)</b>	<b>(434)</b>	<b>(105)</b>	<b>(419)</b>	<b>(102)</b>	<b>(1,227)</b>
<b>Carrying amount at 30 September 2022</b>	<b>3,623</b>	<b>243</b>	<b>1,000</b>	<b>91</b>	<b>425</b>	<b>43</b>	<b>5,425</b>





## Consolidated Financial Statements

# Notes

### 3.1 Intangible assets (cont'd)

#### Development costs

EURm	30 Sept. 2023	30 Sept. 2022
Research and development cost incurred	179	162
Development costs capitalized as development projects	(112)	(100)
Depreciation of operating assets etc., used for development purposes	2	3
Amortization of capitalized development projects	45	55
<b>Total expensed development costs</b>	<b>114</b>	<b>120</b>

Please refer to Note 5.1 for further information about increases in goodwill related to the business combinations.

#### Impairment losses recognized

There are no impairment losses recognized during the current financial year. In the previous financial year, an impairment loss of EUR 1 million was recognized on goodwill due to sale of assets in the Group's retail outlet in the United Kingdom.

### § Accounting policies

#### Goodwill

On initial recognition, goodwill is recognized and measured at cost. Subsequently goodwill is measured at cost less accumulated impairment losses.

Goodwill is not amortized but is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) expected to benefit from synergies of the business combination, and that represent the lowest level at which the goodwill is monitored for internal management purposes. The lowest level at which the goodwill is tested for impairment is at the level of operating segments before aggregation according to IFRS 8 *Operating Segments*.

CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period.

#### Identification of cash generating units

Management has determined that WS Audiology only has one operating segment in accordance with IFRS 8, which is related to developing, producing and selling of hearing aids, and the entire value chain from development to sale of hearing aids to end customer is integrated and interrelated. Management has assessed that the goodwill acquired relates to the entire combined value chain and monitors goodwill at group level.

#### Other intangible assets

Other intangible assets include development projects, acquired intellectual property, trademarks, patents and licenses, acquired customer contracts and relationships, and software.

Development projects that are clearly defined and identifiable, where the technical feasibility of completion, availability of adequate resources to complete, existence of potential future market can be demonstrated, and where Management has the intent to manufacture, market or apply the product or process in question are recognized as intangible assets. Other development costs are recognized as costs in the income statement as incurred. The costs of development projects comprise all directly attributable costs including wages, salaries, costs to external consultants, rent, materials and services and other costs.



## Consolidated Financial Statements

# Notes

### 3.1 Intangible assets (cont'd)

#### § Accounting policies (cont'd)

Intangibles assets other than goodwill are measured at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over the expected useful lives of the assets to their estimate residual value if any.

Internal development expenditure is capitalized only if it meets the recognition criteria of IAS 38 Intangible Assets. Where regulatory and other uncertainties are such that the criteria are not met, the expenditure is charged to profit and loss.

Where, however, recognition criteria are met, intangible assets are capitalized and amortized on a straight-line basis over their useful economic lives from product launch, of which judgment is required.

Costs incurred on development projects are recognized as an intangible asset when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use it;

- The product can be used;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete development and use the product are available;
- The expenditure attributable to the product during its development can be reliably measured.

The Group has defined milestones for various phases of the development of new products, from the commencement of the project to successful realization and subsequently product launch. The criteria as required by IAS 38 for the recognition of development costs, have been adapted within the work processes as criteria for the first milestone, to ensure that all criteria have been met for development cost prior to capitalization.



## Consolidated Financial Statements

# Notes

### 3.2 Property, plant and equipment

EURm	Land and buildings and leasehold improvements	Plant and machinery	Other plant, fixtures and operating equipment	Assets under construction	Total
<b>Cost at 1 October 2022</b>	<b>148</b>	<b>128</b>	<b>163</b>	<b>10</b>	<b>449</b>
Foreign exchange adjustments	(10)	(3)	(9)	–	(22)
Additions from business combinations	1	–	–	–	1
Additions	29	9	29	8	75
Disposals	(38)	(7)	(32)	(2)	(79)
Transfers	–	–	2	(2)	–
<b>Cost at 30 September 2023</b>	<b>130</b>	<b>127</b>	<b>153</b>	<b>14</b>	<b>424</b>
<b>Accumulated depreciation at 1 October 2022</b>	<b>(83)</b>	<b>(87)</b>	<b>(113)</b>	<b>–</b>	<b>(283)</b>
Foreign exchange adjustments	7	4	5	–	16
Depreciation	(12)	(10)	(22)	–	(44)
Disposals	32	6	31	–	69
<b>Accumulated depreciation at 30 September 2023</b>	<b>(56)</b>	<b>(87)</b>	<b>(99)</b>	<b>–</b>	<b>(242)</b>
<b>Carrying amount at 30 September 2023</b>	<b>74</b>	<b>40</b>	<b>54</b>	<b>14</b>	<b>182</b>

EURm	Land and buildings and leasehold improvements	Plant and machinery	Other plant, fixtures and operating equipment	Assets under construction	Total
<b>Cost at 1 October 2021</b>	<b>128</b>	<b>127</b>	<b>128</b>	<b>11</b>	<b>394</b>
Foreign exchange adjustments	15	6	19	1	41
Additions from business combinations	*	*	1	–	1
Additions	14	10	25	11	60
Disposals	(10)	(19)	(13)	(5)	(47)
Transfers	1	4	3	(8)	–
<b>Cost at 30 September 2022</b>	<b>148</b>	<b>128</b>	<b>163</b>	<b>10</b>	<b>449</b>
<b>Accumulated depreciation at 1 October 2021</b>	<b>(66)</b>	<b>(93)</b>	<b>(90)</b>	<b>–</b>	<b>(249)</b>
Foreign exchange adjustments	(9)	(4)	(15)	–	(28)
Depreciation	(13)	(9)	(20)	–	(42)
Disposals	5	19	12	–	36
Transfers	*	*	*	–	–
<b>Accumulated depreciation at 30 September 2022</b>	<b>(83)</b>	<b>(87)</b>	<b>(113)</b>	<b>–</b>	<b>(283)</b>
<b>Carrying amount at 30 September 2022</b>	<b>65</b>	<b>41</b>	<b>50</b>	<b>10</b>	<b>166</b>

\* Amount less than EUR 1 mil

The Group has contractual commitments for purchases of property, plant and equipment amounting to EUR 14 million (2022: EUR 12 million) as of 30 September 2023.



## Consolidated Financial Statements

## Notes

## 3.2 Property, plant and equipment (cont'd)

## § Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and costs directly attributable to bringing the asset to its location and condition necessary for its intended use. In addition, the initial estimate of the costs related to dismantling and removing the asset and restoring the site on which the asset is located are added to the cost, if relevant. Where individual components of an item of property, plant and equipment, that is material, have different useful lives, they are accounted for as separate items, and depreciated separately.

## 3.3 Depreciation, amortization, and impairment

EURm	30 Sept. 2023	30 Sept. 2022
<i>Depreciation and impairment of property, plant, equipment, right-of-use assets recognized in the income statement as follows:</i>		
Cost of goods sold	21	23
Research and development costs	2	3
Selling, general and administrative expenses	70	65
<b>Total</b>	<b>93</b>	<b>91</b>
<i>Amortization and impairment of intangible assets recognized in the income statement as follows:</i>		
Cost of goods sold	37	46
Research and development costs	45	55
Selling, general and administrative expenses	125	131
<b>Total</b>	<b>207</b>	<b>232</b>

## § Accounting policies

## Depreciation

Depreciation is recognized on a straight-line basis over the expected useful lives of property, plant and equipment, taking into account the expected residual value after the end of the useful life.

The estimated useful lives are as follows:

Factory and office buildings	20 - 50 years
Technical machinery & equipment	4 - 10 years
Other fixtures and fittings, tools and equipment, furniture etc	3 - 5 years

Land is not depreciated.

Estimated useful lives and residual values are reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. When changing the expected useful lives or the expected residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates.

Depreciation is recognized in the income statement as production costs, development costs, distribution costs, and administrative expenses.

## Amortization

Amortization is recognized on a straight-line basis over the expected useful lives of other intangible assets.

For patents, licenses, acquired intellectual property and other intangible assets arising from contractual or other legal rights, the useful life is the shorter of the period of the contractual or legal rights and the economic useful life.

For acquired customer relationships, the useful life is based on normal attrition/churn rates within the hearing aid business in the market in question, with a maximum of 10 years, except in exceptional situations, where a longer useful life can be justified. The useful life for customer contracts is based on the contractual term including expected extensions of the term.

The estimated useful lives are as follows:

Completed development projects	3 years
Patents and rights	3 - 10 years
Customer relationships acquired	2 - 10 years
Customer contracts	15 - 20 years
Trademarks	20 years
Acquired intellectual property	8 - 12 years
Software	3 - 10 years

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

## Consolidated Financial Statements

# Notes

### 3.3 Depreciation, amortization, and impairment (cont'd)

#### § Accounting policies (cont'd)

##### Amortization (cont'd)

Amortization is recognized in the income statement as production costs, development costs, distribution costs, and administrative expenses.

##### Impairment

Goodwill and intangible assets not yet available for use, e.g. development projects in progress, are not subject to amortization, but are tested for impairment at least annually, irrespective of whether there is any indication that they may be impaired.

Other intangible assets, which are subject to amortization, and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If assets do not generate cash flows that are largely independent of those from other assets or groups of assets, the impairment test is performed at the level of the CGU to which the asset belong.

Recoverability of assets is measured by comparing the carrying amount of the asset or CGU with the recoverable amount, which is the higher of the asset's or CGU's value in use and its fair value less costs to sell.

If the carrying amount of an asset, or of the CGU to which the asset belong, is higher than its recoverable

amount, the carrying amount is reduced to the recoverable amount, and an impairment loss is recognized in the income statement.

Impairment of intangible assets, other than goodwill, and impairment of property, plant and equipment is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortization had the asset not been impaired.



#### Significant judgments and accounting estimates

##### Impairment test – Goodwill

The recoverable amount of the CGU was tested on the basis of fair value less costs to sell. The fair value less cost to sell was determined mainly by computing the Enterprise Value ("EV").

The EV was estimated as of 30 September 2023 by taking the market capitalization of a comparable peer group, adjusted for the most updated balance sheet numbers of interest-bearing debt and other liabilities with the carrying amounts. The estimated EV was then compared with the respective consensus EBITDA to derive multiple, taking into account an illiquidity discount and control premium.

The Group applied the EV/EBITDA multiple to the adjusted consensus EBITDA of WS Audiology; the carrying amount of the CGU was determined to be lower than its recoverable amount and the Group has therefore no impairment loss to be recognized.

Key assumptions used in the determination of the fair value less costs to sell are consensus EBITDA for the comparable companies as well as for WS Audiology, where adjustments for one-time cost as described in the management commentary were factored in. Furthermore, in using the market-based EV/EBITDA multiple models, the Group has applied relevant illiquidity discounts and control premiums to reflect the ownership structure of WS Audiology. The adjusted consensus EBITDA is based on Management's best estimates and most recent financial budgets for the coming year as approved by the Board of Directors. All the above inputs are level 3 input factors according to the fair value hierarchy.

As of 30 September 2023, the market EV/EBITDA multiple applied is 17.9 (2022: 11.1). Management has not identified any reasonably possible changes in the above key assumptions that could cause the carrying amount to exceed the recoverable amount.





## Consolidated Financial Statements

# Notes

### 3.4 Right-of-use assets/Lease liabilities

#### Right-of-use assets:

EURm	Buildings and retail shops	Vehicle fleet	Other plant, fixtures and operating equipment	Total
<b>Cost at 1 October 2022</b>	<b>307</b>	<b>10</b>	<b>2</b>	<b>319</b>
Foreign currency translation adjustments	(12)	–	–	(12)
Additions	60	3	–	63
Disposals	(25)	(2)	–	(27)
Remeasurement	16	–	–	16
<b>Cost at 30 September 2023</b>	<b>346</b>	<b>11</b>	<b>2</b>	<b>359</b>
<b>Accumulated depreciation and impairment at 1 October 2022</b>	<b>(115)</b>	<b>(5)</b>	<b>(1)</b>	<b>(121)</b>
Foreign currency translation adjustments	4	–	–	4
Depreciation	(45)	(4)	–	(49)
Disposals	15	2	–	17
Remeasurement	(14)	–	–	(14)
<b>Accumulated depreciation and impairment at 30 September 2023</b>	<b>(155)</b>	<b>(7)</b>	<b>(1)</b>	<b>(163)</b>
<b>Carrying amount at 30 September 2023</b>	<b>191</b>	<b>4</b>	<b>1</b>	<b>196</b>

EURm	Buildings and retail shops	Vehicle fleet	Other plant, fixtures and operating equipment	Total
<b>Cost at 1 October 2021</b>	<b>275</b>	<b>9</b>	<b>1</b>	<b>285</b>
Foreign currency translation adjustments	18	–	–	18
Additions	29	3	1	33
Disposals	(15)	(2)	*	(17)
<b>Cost at 30 September 2022</b>	<b>307</b>	<b>10</b>	<b>2</b>	<b>319</b>
<b>Accumulated depreciation and impairment at 1 October 2021</b>	<b>(75)</b>	<b>(4)</b>	<b>(1)</b>	<b>(80)</b>
Foreign currency translation adjustments	(7)	–	–	(7)
Depreciation	(46)	(3)	*	(49)
Disposals	12	2	*	14
Impairment	*	–	–	*
Reversal of impairment	1	–	–	1
<b>Accumulated depreciation and impairment at 30 September 2022</b>	<b>(115)</b>	<b>(5)</b>	<b>(1)</b>	<b>(121)</b>
<b>Carrying amount at 30 September 2022</b>	<b>192</b>	<b>5</b>	<b>1</b>	<b>198</b>

\* Amount less than EUR 1 mil

## Consolidated Financial Statements

# Notes

### 3.4 Right-of-use assets/Lease liabilities (cont'd)

Other disclosures relating to right-of-use assets/lease liabilities are as follows:

EURm	30 Sept. 2023	30 Sept. 2022
Interest expense on lease liabilities	(11)	(10)
<i>Lease expense not capitalized in lease liabilities:</i>		
Lease expense – short-term leases and low value assets	(6)	(6)
Variables lease payment which do not depend on an index or rate	*	*
Total cash outflow for all leases	(60)	(56)

\* Amount less than EUR 1 mil

The incremental borrowing rates of the Group's lease liabilities range from 3% to 15% (2022: 2% to 20%) per annum as at 30 September 2023. The maturity analysis of the lease liabilities is included in Note 4.2 Financial risks and financial instruments/ liquidity risk.

### § Accounting policies

#### When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Re-assessment is only required when the terms and conditions of the contract are changed.

#### Right-of-use assets

The Group recognized a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any

lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

#### Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease if the rate can be readily determined. If that rate

cannot be readily determined, the incremental borrowing rate is used.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account for these as one single lease component.

Lease liability is measured at amortized cost using the effective interest method. Lease liability is remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### Short term and low value leases

The Group has elected to not recognize right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and low value leases, except for leased asset subject to sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.



#### Significant judgments and accounting estimates

The lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. That is, the rate specific to:

- The lessee – i.e. it is a company specific rate that reflects the credit worthiness of the company
- The term of the arrangement
- The amount of the funds “borrowed”
- The “security”- i.e. the nature and quality of the underlying asset; and
- The economic environment, encompassing the jurisdiction, the currency and the date at which the lease entered into.



## Consolidated Financial Statements

# Notes

### 3.5 Customer loans

Customer loans are as follows:

EURm	30 Sept. 2023	30 Sept. 2022
Non-current	57	50
Current	16	20
<b>Total</b>	<b>73</b>	<b>70</b>

The below table shows the carrying amount of customer loans by categories representing Management's credit risk assessment (credit risk rating grades) and gross carrying amounts.

Group internal credit rating	Expected credit loss (ECL) rate	Basis for recognition of expected credit loss	Gross carrying amount (EURm)
<b>30 September 2023:</b>			
Performing	1%	12-month expected credit loss (Low risk)	49
Performing	5%	12-month expected credit loss (Medium risk)	19
Underperforming	38%	Lifetime expected credit losses (High risk)	8
Credit impaired	93%	Assets derecognized through the income statement (In default)	15
<b>Total customer loans at 30 September 2023</b>			<b>91</b>
<b>30 September 2022:</b>			
Performing	1%	12-month expected credit loss (Low risk)	52
Performing	6%	12-month expected credit loss (Medium risk)	10
Underperforming	47%	Lifetime expected credit losses (High risk)	11
Credit impaired	86%	Assets derecognized through the income statement (In default)	19
<b>Total customer loans at 30 September 2022</b>			<b>92</b>

The 12-month and lifetime expected credit losses (ECL) have developed as follows:

EURm	Performing (12-month ECL- Low risk)	Performing (12-month ECL – Medium risk)	Under-performing (Lifetime ECL)	Credit impaired (Lifetime ECL)	Total
<b>Opening loss allowance at 1 October 2022</b>	*	1	5	16	22
Foreign currency translation differences	–	–	–	(1)	(1)
Net remeasurement of loss allowance	*	*	(2)	(1)	(3)
<b>Closing loss allowance at 30 September 2023 (calculated under IFRS 9)</b>	<b>*</b>	<b>1</b>	<b>3</b>	<b>14</b>	<b>18</b>
<b>Opening loss allowance at 1 October 2021</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>15</b>	<b>24</b>
Foreign currency translation differences	(2)	–	1	4	3
Net remeasurement of loss allowance	*	*	(2)	(3)	(5)
<b>Closing loss allowance at 30 September 2022 (calculated under IFRS 9)</b>	<b>*</b>	<b>1</b>	<b>5</b>	<b>16</b>	<b>22</b>

\* Amount less than EUR 1 mil



## Consolidated Financial Statements

# Notes

### 3.5 Customer loans (cont'd)

The following significant changes in gross carrying amount of customer loans contributed to changes in the loss allowance:

- New customer loans of EUR 22 million (2022: EUR 14 million) were issued in the year ended 30 September 2023;
- Customer loans with a gross carrying amount of EUR 1 million (2022: EUR 1 million) went from performing to underperforming during the year ended 30 September 2023;
- Customer loans with a gross carrying amount of EUR 17 million (2022: EUR 24 million) were repaid in the year ended 30 September 2023.

### § Accounting policies

Customer loans are initially recognized at fair value less transaction costs and subsequently measured at amortized cost less loss allowance or impairment losses. Any difference between the nominal value and the fair value of the loans at initial recognition is treated as a prepaid discount on future sales to the customer, and is recognized in the income statement as a reduction of revenue as and when the customer purchases goods from the Group.

The fair value of customer loans at initial recognition is measured at the present value of future repayments of the loan discounted at a market interest rate corresponding to the money market rate based on the expected maturity of the loan with the addition of a risk premium. The effective interest on customer loans is recognized as interest income in the income statement over the term of the loans.

A loss allowance is recognized at initial recognition and subsequently based on 12-months expected credit losses, unless a significant increase has arisen since the initial recognition of the loan, in which case the loss allowance is based on lifetime expected credit losses.

Customer loans are written off when all possible options have been exhausted and there is no reasonable expectation of recovery.



## Consolidated Financial Statements

# Notes

### 3.6 Other assets

Other non-current assets are as follows:

EURm	30 Sept. 2023	30 Sept. 2022
Prepaid assets	3	1
Asset for deferred compensation plan	11	10
Derivative financial instruments	17	93
Deposits	7	8
Deferred service cost	1	–
Others	9	10
<b>Total</b>	<b>48</b>	<b>122</b>

Other current assets are as follows:

EURm	30 Sept. 2023	30 Sept. 2022
Prepaid assets	31	22
Derivative financial instruments	61	7
Miscellaneous tax receivables	39	28
Deposits	2	12
Others	14	9
<b>Total</b>	<b>147</b>	<b>78</b>

### § Accounting policies

Other non-derivative financial assets are recognized initially at fair value less directly attributable transactions costs. Subsequently, they are measured at amortized cost using the effective interest method less impairment. A loss allowance is recognized at initial recognition and subsequently based on 12-months expected credit losses, unless a significant increase has arisen since the initial recognition of the loans and receivables, in which case the loss allowance is based on lifetime expected credit losses.

For accounting policies on derivative financial instruments, please refer to Note 4.2.

### 3.7 Inventories

EURm	30 Sept. 2023	30 Sept. 2022
Raw materials and purchased components	95	92
Work in progress	21	20
Right of return	13	14
Finished goods and goods for resale	77	72
<b>Total</b>	<b>206</b>	<b>198</b>
Write-downs, provisions for obsolescence etc. included in the above	(38)	(43)

Included in the income statement under production costs:

EURm	30 Sept. 2023	30 Sept. 2022
Write-downs of inventories for the year	–	(6)
Reversal of write-downs of inventories for the year	3	–
Cost of goods sold during the year	(697)	(767)
<b>Total</b>	<b>(694)</b>	<b>(773)</b>

### § Accounting policies

Inventories are measured at the lower of cost and net realisable value, cost being generally determined on the basis of a weighted average method. Cost comprises raw materials, consumables, direct labour and indirect production overheads. Indirect production overheads comprise indirect supplies, wages, and salaries, amortization of brands and software, as well as maintenance and depreciation of machinery, plant and equipment used for production.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.





## Consolidated Financial Statements

# Notes

### 3.8 Trade receivables

EURm	Current not due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	More than 181 days past due	Total
<b>30 September 2023</b>							
Gross carrying amount – Trade receivables	269	31	14	8	14	29	365
Sales rebates	(31)	–	–	–	–	–	(31)
Specific loss allowance at 30 September 2023 (expected credit loss model)	(2)	(1)	(1)	(1)	(2)	(21)	(28)
General loss allowance at 30 September 2023 (expected credit loss model)	(1)	*	*	*	(1)	*	(2)
<b>Trade receivables at 30 September 2023</b>	<b>235</b>	<b>30</b>	<b>13</b>	<b>7</b>	<b>11</b>	<b>8</b>	<b>304</b>
<b>Expected loss rate</b>	<b>-0.3%</b>	<b>-1.2%</b>	<b>-1.5%</b>	<b>-1.9%</b>	<b>-3.9%</b>	<b>-0.9%</b>	<b>-0.6%</b>
<b>30 September 2022</b>							
Gross carrying amount – Trade receivables	270	27	12	11	17	30	367
Sales rebates	(33)	–	–	–	–	–	(33)
Specific loss allowance at 30 September 2022 (expected credit loss model)	(5)	*	(1)	*	(2)	(19)	(27)
General loss allowance at 30 September 2022 (expected credit loss model)	(1)	*	*	*	(1)	*	(2)
<b>Trade receivables at 30 September 2022</b>	<b>231</b>	<b>27</b>	<b>11</b>	<b>11</b>	<b>14</b>	<b>11</b>	<b>305</b>
<b>Expected loss rate</b>	<b>-0.4%</b>	<b>-0.7%</b>	<b>-0.8%</b>	<b>-0.9%</b>	<b>-3.0%</b>	<b>-1.0%</b>	<b>-0.7%</b>

\* Amount less than EUR 1 mil



## Consolidated Financial Statements

# Notes

### 3.8 Trade receivables (cont'd)

The below table shows the movement in lifetime expected credit losses that has been recognized for trade receivables and contract assets in accordance with the simplified approach set out in IFRS 9.

EURm	Collectively assessed	Individually assessed (credit impaired)	Total
Opening loss allowance at 1 October 2022	(2)	(27)	(29)
Net remeasurement of loss allowance	–	(1)	(1)
Amounts written off	*	–	*
Closing loss allowance at 30 September 2023	(2)	(28)	(30)
Opening loss allowance at 1 October 2021	(2)	(25)	(27)
Net remeasurement of loss allowance	(1)	(1)	(2)
Amounts written off	1	*	1
Other changes	*	(1)	(1)
Closing loss allowance at 30 September 2022	(2)	(27)	(29)

\* Amount less than EUR 1 mil

Receivables acquired in business combinations are recognized in the consolidated financial statements at fair value at the date of acquisition, which in most cases equals the carrying amounts net of loss allowance. Expected credit losses related to receivables acquired in business combinations are therefore only included in the above to the extent that the loss allowance for the receivables has increased compared to the acquisition date.

### § Accounting policies

Trade receivables and contract assets are measured at amortized cost less allowance for lifetime expected credit losses.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. For trade receivables and contract assets that are considered credit impaired, the expected credit loss is determined individually.

Loss allowance is calculated using a provision matrix that incorporates an ageing factor, geographical risk and specific customer knowledge. The provision matrix is based on historical credit losses incurred within relevant time bands of days past due adjusted for a forward-looking element.

Trade receivables and contract assets are written off when all possible options have been exhausted and there is no reasonable expectation of recovery.



## Consolidated Financial Statements

# Notes

### 3.9 Other liabilities

Other non-current liabilities are as follows:

EURm	30 Sept. 2023	30 Sept. 2022
Derivative financial instruments	2	7
Deferred revenue	23	27
Employee related liabilities	3	4
Liability under MPP scheme	53	50
Others	4	6
<b>Total</b>	<b>85</b>	<b>94</b>

Other current liabilities are as follows:

EURm	30 Sept. 2023	30 Sept. 2022
Accrued interest	102	60
Bonuses and discounts to customers	19	12
Customers with net credit balances	9	11
Customer prepayment	12	14
Deferred revenue	14	14
Derivative financial instruments	2	3
Earnout provision*	–	7
Employee related liabilities	82	76
Payroll and social security taxes	45	49
Sales tax and other tax liabilities	18	17
Others	21	27
<b>Total</b>	<b>324</b>	<b>290</b>

\* Earnout provision is presented in “Provisions” in the current year.

### § Accounting policies

Financial liabilities are measured initially at fair value less transaction costs and subsequently at amortized cost using the effective interest rate method.

The Group bifurcates embedded derivatives at initial recognition when they are not closely related to the respective host contract. Bifurcated derivatives are measured at fair value through profit or loss.

Liability under MPP scheme is measured at fair value, with reference to Note 5.3.

Other liabilities are measured at amortized cost.



## Consolidated Financial Statements

# Notes

### 3.10 Provisions

EURm	Warran- ties	Right of return	Asset Retire- ment Obliga- tion	Earnout provision	Others	Total
<b>Provisions at 1 October 2022</b>	<b>53</b>	<b>31</b>	<b>6</b>	<b>-</b>	<b>16</b>	<b>106</b>
Foreign exchange adjustments	(3)	(2)	-	-	-	(5)
Additions	46	5	2	-	1	54
Additions through business combinations	-	-	-	7	-	7
Usages	(40)	(3)	-	-	(7)	(50)
Reversals	(3)	(3)	-	-	-	(6)
Reclassifications	-	-	-	7	-	7
Accretion and effect of changes in discount rates	1	-	-	-	-	1
<b>Provisions at 30 September 2023</b>	<b>54</b>	<b>28</b>	<b>8</b>	<b>14</b>	<b>10</b>	<b>114</b>
<i>Which is presented in the consolidated balance sheet as</i>						
Non-current liabilities	21	-	8	7	-	36
Current liabilities	33	28	-	7	10	78
<b>Provisions at 30 September 2023</b>	<b>54</b>	<b>28</b>	<b>8</b>	<b>14</b>	<b>10</b>	<b>114</b>

EURm	Warran- ties	Right of return	Asset Retire- ment Obliga- tion	Others	Total
<b>Provisions at 1 October 2021</b>	<b>50</b>	<b>24</b>	<b>5</b>	<b>11</b>	<b>90</b>
Foreign exchange adjustments	6	3	*	*	9
Additions	24	4	1	8	37
Usages	(23)	*	-	(3)	(26)
Reversals	(3)	*	*	*	(3)
Accretion and effect of changes in discount rates	(1)	-	*	-	(1)
<b>Provisions at 30 September 2022</b>	<b>53</b>	<b>31</b>	<b>6</b>	<b>16</b>	<b>106</b>
<i>Which is presented in the consolidated balance sheet as</i>					
Non-current liabilities	22	*	6	*	28
Current liabilities	31	31	-	16	78
<b>Provisions at 30 September 2022</b>	<b>53</b>	<b>31</b>	<b>6</b>	<b>16</b>	<b>106</b>

\* Amount less than EUR 1 mil



## Consolidated Financial Statements

# Notes

### 3.10 Provisions (cont'd)

The Group's provisions are generally expected to result in cash outflow during the next one to ten years.

Warranties represents Management's best estimate of the Group's liability under assurance type warranties granted on hearing aids sold. The warranty period of regular assurance type warranties differ depending on jurisdiction and range between 1 and 3 years.

Right of return relates to products sold for which customers have the right to return the products at their own discretion within a specified period. Based on historical data, return rates are calculated and provisions are recorded to cover the expected cost.

Asset retirement obligation relates to the Group's obligations to restore rented premises to the certain standards upon the expiry of the lease contracts including removal of leasehold improvements and other assets from the premises.

Earnout provision from business combinations relates to components of the purchase price for which the payments depend on the achievement of defined performance measures. For additional information related to business combinations in the period, refer to Note 5.1.

### § Accounting policies

A provision is recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are measured at present value by discounting the expected future cash flows expected to settle the liability at a pre-tax rate that reflects current market assessment of the time value of money.



### Significant judgments and accounting estimates

Significant estimates are involved in the determination of provisions related to warranty costs, right of return, legal proceedings. Due to the technological features of the Group's products, the Group incurs a substantial amount of warranty costs and the determination of future warranty costs related to products sold is based on historic results as well as estimated product defects.

In some jurisdictions, the Group sells extended warranties to customers and/or provide other service-type warranties in addition to regular (assurance-type) warranties. Such warranties are treated as separate performance obligations in the contracts with the customers and are recognized as contract liabilities and not provisions. In determining whether a warranty is an assurance type warranty or a service type warranty, Management considers factors such as whether the warranty is required by law, the length of the warranty coverage period and the nature of the tasks that the entity promises to perform in case of product defects. Generally, warranties covering periods after 3 years from the sale of the hearing aid are considered to be service-type warranties and treated as separate performance obligations.

The Group is from time to time subject to legal disputes and regulatory proceedings in several jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties, damage claims and other claims against the Group. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, Management exercises considerable judgment in determining whether there is a present obligation as a result of a past event, whether it is more likely than not that an outflow of economic resources will be required and the estimated amount of such outflow. Management considers the input of external counsels on each case, as well as known outcomes in case law. Although, Management believes that the total provisions for legal proceedings are adequate based on currently available information, there can be no assurance that there will not be any changes in facts or circumstances, or that any future lawsuits, claims, proceedings or investigations will not be material.





## Consolidated Financial Statements

# Notes

## 4 Capital structure and financing items

### 4.1 Outstanding shares

	Outstanding shares (mil)	Total number of shares (mil)	Nominal value of outstanding shares EURm
Number/value of shares at 30 September 2022	100	100	100
Issuance of shares	*	*	*
Number/value of shares at 30 September 2023	100	100	100

\* Amount less than EUR 1 mil

All shares are fully issued and paid up. In the fiscal year 2022/23, the share capital was increased by EUR 100 for 100 ordinary shares at a nominal value of EUR 1,000,000 per share. After the capital increase, the Group's share capital of EUR 100,000,200 is divided into a corresponding number of 100,000,200 shares with equal voting and dividend rights (2022: EUR 100,000,100 divided into a corresponding number of 100,000,100). There are no restrictions on the negotiability or voting rights of the shares.

#### Capital structure

The Group's ambition is to maintain access to a strong capital base and with a high degree of investor, creditor and market confidence to support the strategic development of the Group. To support this ambition, the Group has obtained a credit rating from the three rating agencies Moody's, Standard & Poor and Fitch Ratings.

The capital structure of the Group consists of net debt (short-term and long-term borrowings disclosed in Note 4.2 after deducting cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group raised debt in 2019 to finance the establishment of the Group through the merger of Sivantos and Widex. In June 2020, the Group raised an additional Sidecar loan of EUR 100 million with a backup guarantee from the Danish Export Credit Foundation (EKF) as contingency working capital in the face of COVID-19. This sidecar loan was repaid in December 2021 with an add on of EUR 100 million to Facility B1.

The Group's debt is shown in table below:

Debt	Maturity	Hedge interest	Interest rate
<b>30 September 2023</b>			
Facility B1 EUR 2,063 million	February 2026	Partly till FY 2024	Euribor + 4.0%
Facility B2 USD 1,180 million	February 2026	Partly till FY 2024	Libor + 3.75%
2nd Lien Loan EUR 525 million	February 2027	Partly till FY 2024	Euribor + 6.75%
Revolving Facility EUR 85 million	August 2025	No	Euribor + 2.75%
<b>30 September 2022</b>			
Facility B1 EUR 2,063 million	February 2026	Partly till FY 2024	Euribor + 4.0%
Facility B2 USD 1,192 million	February 2026	Partly till FY 2024	Libor + 3.75%
2nd Lien Loan EUR 525 million	February 2027	Partly till FY 2024	Euribor + 6.75%
Revolving Facility EUR 145 million	August 2025	No	Euribor + 2.75%

If Euribor or Libor is less than zero, the rate shall be deemed as zero.

The Senior Secured Term Loans are secured by a pledge of the shares of major subsidiaries as well as pledge of assets of major subsidiaries and are subject to a loan covenant. The Group has complied with the loan covenants of the Senior Facilities Agreement.

#### Interest rate benchmark transition for non-derivative financial instruments

The Group has repriced its loans from LIBOR equivalent rates to Term SOFR. Due to the bi-annual interest setting, the first interest period priced on Term SOFR takes effect from 31 October 2023. The Group does not foresee any material changes from the change in interest rate benchmark.



## Consolidated Financial Statements

# Notes

### 4.1 Outstanding shares (cont'd)

#### § Accounting policies

Proposed dividend is recognized as a liability at the date when it is adopted at the Annual General Meeting (declaration date). The dividend recommended by the Board of Directors, and therefore expected to be paid for the year, is disclosed in the notes.

### 4.2 Financial risks and financial instruments

#### Financial risk management

The Group is exposed to financial risks arising from its operating, investing and financial activities, including foreign exchange risk, interest rate risk, liquidity risk and credit risk.

Liquidity risk, foreign exchange risk and interest rate risk are managed by Group Treasury while customer credit risk is managed by the individual business units and affiliates. The Group uses financial instruments only to mitigate interest rate risk and foreign exchange risk. The objective, policies and processes for managing the risk exposure to these items are further explained in the following sections.

#### Credit risk

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time. The Group may incur losses if the credit quality of its customers deteriorates or if they default on their payment obligations to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables including loans to customers.

The Group has exposure to customer credit risk and the credit risk is monitored on an ongoing basis. This includes the review of individual receivables and of individual customer creditworthiness on a case-by-case basis as the analysis of individual customer payment performance and historical bad debts and the consideration of country credit ratings. Credit evaluations are

performed on all customers annually and on an ongoing basis. The Group does not require collateral in respect of financial assets. However, the Group has credit enhancements such as personal guarantees and share pledges related to customer loan. Assessment of the credit risk related to customers is further described in Note 3.5 Customer loans and Note 3.8 Trade receivables.

There were no significant concentrations of credit risk at 30 September 2023 and 30 September 2022.

The maximum exposure to credit risk of financial assets is represented by their carrying amount. Concerning trade receivables and other receivables, as well as loans or receivables included in line item 'Other financial assets' that are neither impaired nor past due, there were no indications as of 30 September 2023 (2022: Nil), that defaults in payment obligations will occur.

#### Liquidity risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities.

The Group finances itself from its operating cash flow and through access to EUR 260 million of committed Revolving Credit provided by a group of banks of which EUR 94 million has been carved out as ancillary facilities.

The Group had cash and cash equivalents of EUR 114 million as of 30 September 2023 (2022: EUR 124 million). In addition, the Group has access to EUR 166 million (2022: EUR 106 million) available

Revolving Credit Facility as of 30 September 2023. With its strong operating cash flow, the Group expects to be able to meet all of its present and future obligations arising from operational cash needs.

In addition to having implemented effective working capital and cash management, the Group has implemented short-term and medium term-liquidity forecasts. Group Treasury monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

The Group maintains an in-house banking and cash pool setup. A significant part of cash balances from affiliates is pooled centrally with Group Treasury to secure an effective liquidity management and use of funds within the Group.

The following table reflects all contractually fixed payoffs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected net cash outflows from derivative financial liabilities that were in place at 30 September 2023 and 30 September 2022. Such expected net cash outflows are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which the Group could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at 30 September 2023 and 30 September 2022.



## Consolidated Financial Statements

# Notes

### 4.2 Financial risks and financial instruments (cont'd)

EURm	Less than 1 year	Between 1-5 years	More than 5 years	Total
<b>30 September 2023</b>				
Interest-bearing debt	337	4,331	–	4,668
Lease liabilities	51	132	92	275
Trade payables	252	–	–	252
Other financial liabilities	273	56	–	329
<b>Total non-derivative financial liabilities</b>	<b>913</b>	<b>4,519</b>	<b>92</b>	<b>5,524</b>
<b>Derivative financial liabilities</b>	<b>2</b>	<b>2</b>	<b>–</b>	<b>4</b>
<b>30 September 2022</b>				
Interest-bearing debt	248	4,686	–	4,934
Lease liabilities	55	117	88	260
Trade payables	219	–	–	219
Other financial liabilities	232	56	–	288
<b>Total non-derivative financial liabilities</b>	<b>754</b>	<b>4,859</b>	<b>88</b>	<b>5,701</b>
<b>Derivative financial liabilities</b>	<b>3</b>	<b>7</b>	<b>–</b>	<b>10</b>

The risk implied from the values in the table above reflects the one-sided scenario of cash outflows only. Obligations under trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant and equipment, and investments in working capital such as inventories and trade receivables. These assets are considered in the Group's overall liquidity risk management.

### Foreign currency risk

#### *Translation risk and effects of foreign currency translation*

Most of the Group's entities are located outside the Eurozone. Since the Group's reporting currency is EUR, the financial statements of foreign operations are translated into EUR for the preparation of the consolidated financial statements. To consider the effects of foreign currency translation in the risk management, the general assumption is that investments in foreign operations are permanent and that reinvestment is continuous. Effects from foreign currency exchange rate fluctuations on the translation of net assets amounts into EUR are reflected in the Group's consolidated statement of changes in equity. The Group does not hedge net investments in foreign operations.

#### *Sensitivity analysis for foreign currency risk*

The following table demonstrates the approximate effect from the Group's cash, trade receivables, trade payables and loans on the Group's income statement (financial items) in response to fluctuation of the currencies other than the Group's reporting currency EUR. This analysis assumes that all other variables, in particular interest rates, remain constant.

EURm	Profit/(Loss)
<b>30 September 2023</b>	
USD +5%	(60)
SGD +5%	(5)
BRL +5%	2
<b>30 September 2022</b>	
USD +5%	(58)
CAD +5%	3
BRL +5%	2



## Consolidated Financial Statements

# Notes

### 4.2 Financial risks and financial instruments (cont'd)

#### Interest rate risk

At 30 September 2023, the Group's long-term debt consists of secured term loans of EUR 2,063 million (2022: EUR 2,063 million) and USD 1,180 million (2022: USD 1,192 million) as well as 2nd lien term loan of EUR 525 million (2022: EUR 525 million) with a floating interest rate of which 90% (2022: 90%) have been swapped into fixed interest rate. The Group have applied hedge accounting in relation to these interest rate swaps effective October 2022.

#### Specification of net interest-bearing debt

EURm	30 Sept. 2023	30 Sept. 2022
Cash and cash equivalents	114	124
Bank loans, non-current liabilities	(3,668)	(3,824)
Bank loans, current liabilities	(56)	(46)
<b>Total net interest-bearing debt</b>	<b>(3,610)</b>	<b>(3,746)</b>

#### Interest rate sensitivity analysis

The Group is exposed to change in the following interest rates: EURIBOR and LIBOR or Term SOFR. The sensitivity analysis has been determined based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding (after hedging) at the reporting date was outstanding for the whole year. A 1 percentage point increase or decrease is used when reporting interest rate risk and represents management's assessment of the reasonably possible change in interest rates.

At 30 September 2023, if interest rates had been 1 percentage point higher and all other variables were held constant, the Group's financial results for the year ended 30 September 2023 would reduce by EUR 4 million (2022: EUR 4 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

#### Hedging of future cash flows

##### Foreign currency risk hedging

The Group has cash flow in foreign currencies due to its international operations and USD denominated debt which exposes the Group to fluctuations in exchange rates vs reporting currency EUR. Foreign currency exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Group manufactures and distributes most of its products at its headquarters in Singapore and Denmark. The products are sold to its regional affiliates and as a general principle invoiced in the currency of the buying entities.

The majority of the Group's sales and costs are in USD, EUR, JPY, GBP, DKK and SGD. The largest foreign exchange risk for the Group are SGD, JPY and GBP. The cash flow exposure in USD is reduced by costs and interest expenses in USD closely matching the revenue. The exchange rate risk in DKK is regarded as low because of DKK's fixed exchange rate against EUR. The Group's hedging policy is to reduce the Group currency exposure mainly through employment of foreign exchange forward contracts to mitigate the Group's major risks from adverse foreign exchange movements impact on net cashflow for 3 - 12 months rolling forward.

The foreign currency risk is centrally managed by Group Treasury. The policy for the Group is to maintain an adequate hedging level of between 40% and 90% for currencies of net exposure above a threshold of EUR 15 million with exception given to currencies with high cost of hedging and low cashflow predictability. Group Treasury is not allowed to undertake any financial transactions in foreign currencies of a speculative nature. The Group mainly uses foreign currency forward contracts to hedge its foreign currency risk on its revenue and cost of goods to mitigate negative impacts of adverse development from foreign exchange risk on the operating result of the Group.



## Consolidated Financial Statements

# Notes

### 4.2 Financial risks and financial instruments (cont'd)

#### Cash flow hedges of foreign currency risk

Hedging instruments:

30 Sept. 2023	Average exchange rate	Notional value: Foreign currency	Notional value: Functional currency (EUR)	Carrying amount of hedging instruments - Assets	Carrying amount of hedging instruments - Liabilities
	Rate	mil	EURm	EURm	EURm
<b>Sell AUD</b>					
< 3 months	1.59	(12.7)	8.0	0.2	-
3-12 months	1.62	(27.5)	17.0	0.2	-
<b>Sell CAD</b>					
< 3 months	1.47	(10.3)	7.0	-	(0.2)
3-12 months	1.47	(27.9)	19.0	-	(0.5)
<b>Sell GBP</b>					
< 3 months	0.88	(4.4)	5.0	-	(0.1)
3-12 months	0.88	(27.9)	31.0	-	(0.2)
<b>Sell JPY</b>					
< 3 months	139.38	(2,090.6)	15.0	1.6	-
3-12 months	145.29	(7,990.9)	55.0	2.9	-
<b>Sell NOK</b>					
3-12 months	11.35	136.2	12.0	-	*
<b>Buy SGD</b>					
< 3 months	1.45	29.0	(20.0)	0.1	-
3-12 months	1.45	91.4	(63.0)	0.4	-
				<b>5.4</b>	<b>(1.0)</b>

\* Amount less than EUR 0.1 mil

30 Sept. 2022	Average exchange rate	Notional value: Foreign currency	Notional value: Functional currency (EUR)	Carrying amount of hedging instruments - Assets	Carrying amount of hedging instruments - Liabilities
	Rate	mil	EURm	EURm	EURm
<b>Sell AUD</b>					
< 3 months	1.60	(11.2)	7.0	-	(0.4)
3-12 months	1.52	(41.0)	27.0	0.1	-
<b>Sell CAD</b>					
< 3 months	1.38	(6.9)	5.0	-	(0.1)
3-12 months	1.36	(19.0)	14.0	-	(0.1)
<b>Sell GBP</b>					
< 3 months	0.86	(6.0)	7.0	0.2	-
3-12 months	0.89	(24.4)	27.5	0.3	-
<b>Sell JPY</b>					
< 3 months	130.69	(1,960.3)	15.0	1.1	-
3-12 months	137.62	(6,193.1)	27.5	0.4	-
<b>Sell USD</b>					
< 3 months	1.14	(2.3)	2.0	-	(0.3)
<b>Buy SGD</b>					
< 3 months	1.51	22.6	(15.0)	1.1	-
3-12 months	1.48	73.8	(50.0)	2.2	-
				<b>5.4</b>	<b>(0.9)</b>





## Consolidated Financial Statements

# Notes

### 4.2 Financial risks and financial instruments (cont'd)

#### Hedged Items - Foreign currency hedge

The hedged items are forecasted transactions denominated in foreign currencies. The ineffective portions of these hedges are insignificant.

#### Interest rate risk hedging

The Group has long-term loans on floating interest rate which expose the Group to interest rate fluctuations. Interest rate swaps are used to hedge interest rate risks arising from the floating rate loans. The strategy for the Group is to maintain an adequate hedging ratio of between 35% to 90% of its interest rate exposure for rolling 24 months. The Board of Directors has the mandate to approve an exception to the strategy. The Group applied hedge accounting in relation to these interest rate swaps effective from 1 October 2021.

#### Cash flow hedges of interest rate risk

Hedging instruments:

30 Sept. 2023	Weighted average rate	Notional value: Foreign currency	Notional value: Functional currency (EUR)	Carrying amount of hedging instruments - Assets	Carrying amount of hedging instruments - Liabilities
	Rate	mil	EURm	EURm	EURm
<b>EUR – 6m Euribor</b>					
<6 months	0.68	1,865.0	1,865.0	29.0	–
6-15 months	2.80	1,300.0	1,300.0	15.0	–
<b>EUR – 3m Euribor</b>					
<6 months	1.04	475.0	475.0	3.0	–
<b>USD</b>					
<6 months	1.32	1,080.0	1,019.0	15.0	–
6-15 months	3.70	600.0	566.0	9.0	–
				<b>71.0</b>	<b>–</b>

30 Sept. 2022	Weighted average rate	Notional value: Foreign currency	Notional value: Functional currency (EUR)	Carrying amount of hedging instruments - Assets	Carrying amount of hedging instruments - Liabilities
	Rate	mil	EURm	EURm	EURm
<b>EUR – 6m Euribor</b>					
<12 months	0.68	1,865.0	1,865.0	36.0	–
12-24 months	1.47	1,300.0	1,300.0	6.0	–
<b>EUR – 3m Euribor</b>					
<12 months	1.04	475.0	475.0	7.0	–
<b>USD</b>					
<12 months	0.89	1,080.0	1,108.0	31.0	–
12-24 months	2.86	600.0	615.0	13.0	–
				<b>93.0</b>	<b>–</b>

#### Hedged Items – Interest rate hedge

The hedged items are future interest payments under floating interest rates. Details of the hedged items are disclosed in Note 4.1.



## Consolidated Financial Statements

# Notes

### 4.2 Financial risks and financial instruments (cont'd)

#### Cash Flow Hedge Reserve

The risk categories recognized in the cash flow hedge reserve is reconciled in the table below with items impacting the comprehensive income for the period.

EURm	30 Sept. 2023	30 Sept. 2022
Carrying amount at 1 October	73	*
Changes in fair value:		
Foreign currency risk – cash flow hedge	*	8
Interest rate risk – cash flow hedge	(52)	93
Amounts reclassified to profit or loss:		
Foreign currency risk – cash flow hedge	–	(5)
Tax effect	13	(23)
<b>Carrying amount at 30 September</b>	<b>34</b>	<b>73</b>

\* Amount less than EUR 1 mil

### § Accounting policies

#### Derivative financial instruments, including hedge accounting

The Group uses various financial instruments to reduce the impact of foreign exchange and interest rates on financial results. The derivative financial instruments are used to manage the exposure to market risk. Treasury enters into derivative contracts in accordance with Group policies. Financial instruments used include e.g. foreign currency exchange contracts, interest rate swaps, interest rate floors and redemption options (the latter two being bifurcated embedded derivatives).

All derivative financial instruments are recognized initially and subsequently at fair value. Any attributable transaction costs are recognized in the income statement in other financial income, net as incurred.

On initial recognition, Management determines if the derivative financial instrument qualifies for hedge accounting and if so, designates the instrument as a hedging instrument in a fair value hedge, cash flow hedge or hedge of net investment respectively.

#### Cash flow hedges

For cash flow hedges, the portion of the fair value adjustments on the hedging instrument that is an effective hedge is recognized in other comprehensive income and accumulated in a separate reserve in equity. The cumulative fair value adjustments of these contracts are transferred from the reserve in equity and recycled to the income statement through other comprehensive income when the hedged transaction is recognized in the income statement. However, when the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the transfer from the reserve in equity is recognized directly in the initial cost or other carrying amount of the asset or liability without recycling through other comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the reserve within equity at that time remains in the reserve and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in the reserve is immediately transferred to the income statement as a recycling through other comprehensive income and recognized in other financial income, net.



## Consolidated Financial Statements

# Notes

### 4.2 Financial risks and financial instruments (cont'd)

#### Categories of financial assets and financial liabilities and Fair value hierarchy

The below table shows the categories of financial assets and financial liabilities, their carrying amounts and their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

EURm		Carrying Amount						Fair Value			
	Notes	Financial assets measured at fair value through profit and loss	Financial assets used as hedging instruments	Financial assets measured at amortized cost	Financial liabilities at amortized costs	Financial liabilities measured at fair value through profit and loss	Total	Level 1	Level 2	Level 3	Total
<b>30 September 2023</b>											
<b>Financial assets measured at fair value through P&amp;L</b>											
Forward Exchange Contracts (designated as hedging instruments)	3.6	-	6	-	-	-	6	-	6	-	6
Interest rate risk – cash flow hedge	3.6	-	72	-	-	-	72	-	72	-	72
		-	78	-	-	-	78				
<b>Financial assets measured at amortized cost</b>											
Trade receivables**	3.8	-	-	304	-	-	304	-	-	-	-
Customer loans**	3.5	-	-	73	-	-	73	-	-	-	-
Other financial assets**		-	-	32	-	-	32	-	-	-	-
Cash and cash equivalents**		-	-	114	-	-	114	-	-	-	-
		-	-	523	-	-	523				
<b>Financial liabilities measured at fair value through P&amp;L</b>											
Forward Exchange Contracts (designated as hedging instruments)	3.9	-	-	-	-	1	1	-	1	-	1
Forward Exchange Contracts (not designated as hedging instruments)	3.9	-	-	-	-	1	1	-	1	-	1
Redemption call option and interest rate floors	3.9	-	-	-	-	2	2	-	-	2	2
		-	-	-	-	4	4				
<b>Financial liabilities measured at amortized cost</b>											
Trade payables**		-	-	-	252	-	252	-	-	-	-
Other financial liabilities**		-	-	-	338	-	338	-	-	-	-
Loans under Senior Facilities Agreement and other short-term debt		-	-	-	3,724	-	3,724	54	3,670	-	3,724
		-	-	-	4,314	-	4,314				

\*\* The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.



## Consolidated Financial Statements

# Notes

### 4.2 Financial risks and financial instruments (cont'd)

EURm		Carrying Amount						Fair Value			
	Notes	Financial assets measured at fair value through profit and loss	Financial assets used as hedging instruments	Financial assets measured at amortized cost	Financial liabilities at amortized costs	Financial liabilities measured at fair value through profit and loss	Total	Level 1	Level 2	Level 3	Total
<b>30 September 2022</b>											
<b>Financial assets measured at fair value through P&amp;L</b>											
Forward Exchange Contracts (designated as hedging instruments)	3.6	–	7	–	–	–	7	–	7	–	7
Interest rate risk – cash flow hedge	3.6	–	93	–	–	–	93	–	93	–	93
Interest rate swaps	3.6	*	–	–	–	–	*	–	*	–	*
Fair value of call option	5.1	2	–	–	–	–	2	–	–	2	2
		2	100	–	–	–	102				
<b>Financial assets measured at amortized cost</b>											
Trade receivables**	3.8	–	–	305	–	–	305	–	–	–	–
Customer loans**	3.5	–	–	70	–	–	70	–	–	–	–
Other financial assets**		–	–	37	–	–	37	–	–	–	–
Cash and cash equivalents**		–	–	124	–	–	124	–	–	–	–
		–	–	536	–	–	536				
<b>Financial liabilities measured at fair value through P&amp;L</b>											
Forward Exchange Contracts (designated as hedging instruments)	3.9	–	–	–	–	2	2	–	2	–	2
Forward Exchange Contracts (not designated as hedging instruments)	3.9	–	–	–	–	1	1	–	1	–	1
Redemption call option and interest rate floors	3.9	–	–	–	–	7	7	–	–	7	7
		–	–	–	–	10	10				
<b>Financial liabilities measured at amortized cost</b>											
Trade payables**		–	–	–	219	–	219	–	–	–	–
Other financial liabilities**		–	–	–	301	–	301	–	–	–	–
Loans under Senior Facilities Agreement and other short-term debt		–	–	–	3,870	–	3,870	45	3,825	–	3,870
		–	–	–	4,390	–	4,390				

\* Amount less than EUR 1 mil

\*\* The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.



## Consolidated Financial Statements

# Notes

### 4.2 Financial risks and financial instruments (cont'd)

The fair values of cash and cash equivalents, trade and other receivables and trade payables with a remaining term of up to twelve months, other current financial liabilities and borrowings under revolving credit facilities are approximately equal to their carrying amount, mainly due to the short-term maturities of these instruments.

Treasury enters into derivative contracts in accordance with Group policies. The exact calculation of fair values of derivative financial instruments depends on the specific type of instrument.

- Forward currency contracts – the fair value of foreign currency exchange contracts is based on forward exchange rates.
- Interest rate swap contracts – the fair value is based on discounted cash flows of fixed leg and floating legs.
- Interest rate floors – the fair value is based on discounted cash flows of floorlets.
- Loan Repayment call option – the fair value is based on backward induction method calculated from valuation model.

The Group selects valuation methods based on market's best practice. Market data required in the valuation model is extracted from third party financial data provider Bloomberg.

The levels of the fair value hierarchy and its application to financial assets and financial liabilities are described below:

- Level 1:** Quoted prices in active markets for identical assets or liabilities;
- Level 2:** Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3:** Valuations methods, with significant inputs not being based on observable market data.

Type	Valuation Technique	Significant unobservable inputs	Sensitivity of fair value to significant unobservable inputs
FX contracts	The fair value of the exchange rate contracts is based on forward exchange rates (level 2)	Not applicable	Not applicable
Interest rate swaps	The fair value of Interest Rate Swaps are determined using discounted cash flows of fixed leg and net present value of floating leg based on forward rate curve, and can be categorized as level 2 (observable inputs) in the fair value hierarchy	Not applicable	Not applicable
Interest rate floors	The fair value of interest rate floors is based on discounted cash flows or floorlets for intrinsic and option pricing models with implied volatility for time value component (level 3 unobservable inputs)	Implied volatility	Higher implied volatility will lead to higher fair value and vice versa. Change in implied volatility will not result in significant financial impact
Loan Repayment call option	Backward induction method where total remaining cash flows are calculated at each prepayment date. The prepayment gain is then calculated based on the probability of a credit rating improved at future repayment date (level 3 unobservable data)	1-year migration matrix	The higher the probability of an increase in credit quality, the higher the value of prepayment option





## Consolidated Financial Statements

# Notes

### 4.2 Financial risks and financial instruments (cont'd)

The following table shows the reconciliation of Level 3 fair value measurements of the loan repayment call option and interest rate floors:

EURm	30 Sept. 2023	30 Sept. 2022
Carrying amount 1 October	(7)	(46)
Total gains or losses:		
- Recognized in profit or loss	5	39
<b>Carrying amount 30 September</b>	<b>(2)</b>	<b>(7)</b>

#### Offsetting, Master netting agreements and similar arrangements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements/FX Payment Netting Agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

EURm	30 Sept. 2023	30 Sept. 2022
<b>Counterparty A: Goldman Sachs</b>		
Derivative assets	5.9	14.4
Derivative liabilities	(0.6)	(0.5)
<b>Net amount</b>	<b>5.3</b>	<b>13.9</b>
<b>Counterparty B: Standard Chartered Bank</b>		
Derivative assets	0.1	0.5
Derivative liabilities	(0.7)	(1.2)
<b>Net amount</b>	<b>(0.6)</b>	<b>(0.7)</b>
<b>Counterparty C: Jyske Bank</b>		
Derivative assets	3.7	1.0
Derivative liabilities	(0.3)	(0.3)
<b>Net amount</b>	<b>3.4</b>	<b>0.7</b>
<b>Counterparty D: Nordea</b>		
Derivative assets	*	0.4
Derivative liabilities	–	*
<b>Net amount</b>	<b>*</b>	<b>0.4</b>
<b>Counterparty E: Danske Bank</b>		
Derivative assets	68.3	84.5
Derivative liabilities	–	*
<b>Net amount</b>	<b>68.3</b>	<b>84.5</b>

\* Amount less than EUR 0.1 mil



## Consolidated Financial Statements

# Notes

### 4.3 Liabilities from financing activities

EURm	Loans and borrowings	Other short-term debt	Derivatives relating to financing agreements	Interest rate swap	Lease liabilities	Others	Total
<b>Liabilities at 1 October 2022</b>	<b>3,885</b>	<b>45</b>	<b>7</b>	<b>(94)</b>	<b>218</b>	<b>-</b>	<b>4,061</b>
Proceeds from loans and borrowings	60	10	-	-	-	-	70
Interest received/(paid)	(243)	(1)	-	59	-	(15)	(200)
Repayment of borrowings	(142)	-	-	-	-	-	(142)
Payment of lease liabilities	-	-	-	-	(60)	-	(60)
Others	-	-	-	-	-	(1)	(1)
<b>Total changes from financing cash flows</b>	<b>(325)</b>	<b>9</b>	<b>-</b>	<b>59</b>	<b>(60)</b>	<b>(16)</b>	<b>(333)</b>
Accrued loan interest payable/(receivable)	286	-	-	(90)	-	15	211
Amortization of transaction costs	21	-	-	-	-	-	21
Effective changes in hedge accounting	-	-	-	52	-	-	52
Foreign exchange adjustments	(96)	-	-	-	(7)	-	(103)
Lease remeasurement	-	-	-	-	1	-	1
Other changes	-	1	(5)	-	64	1	61
<b>Liabilities at 30 September 2023</b>	<b>3,771</b>	<b>55</b>	<b>2</b>	<b>(73)</b>	<b>216</b>	<b>-</b>	<b>3,971</b>
<b>Liabilities at 1 October 2021</b>	<b>3,645</b>	<b>4</b>	<b>46</b>	<b>7</b>	<b>223</b>	<b>-</b>	<b>3,925</b>
Proceeds from loans and borrowings	160	39	-	-	-	-	199
Transaction costs related to loans and borrowings	(1)	-	-	-	-	-	(1)
Interest paid	(147)	*	-	(14)	-	(11)	(172)
Repayment of borrowings	(162)	-	-	-	-	-	(162)
Payment of lease liabilities	-	-	-	-	(56)	-	(56)
Others	-	-	-	-	-	*	*
<b>Total changes from financing cash flows</b>	<b>(150)</b>	<b>39</b>	<b>-</b>	<b>(14)</b>	<b>(56)</b>	<b>(11)</b>	<b>(192)</b>
Accrued loan interest	175	-	-	-	-	-	175
Amortization of transaction costs	23	-	-	-	-	-	23
Effective changes in hedge accounting	-	-	-	(93)	-	-	(93)
Foreign exchange adjustments	192	2	-	-	12	-	206
Other changes	*	-	(39)	6	39	11	17
<b>Liabilities at 30 September 2022</b>	<b>3,885</b>	<b>45</b>	<b>7</b>	<b>(94)</b>	<b>218</b>	<b>-</b>	<b>4,061</b>

\* Amount less than EUR 1 mil

### § Accounting policies

Financial liabilities, other than derivatives, are initially recognized at fair value less transaction costs, and subsequently measured at amortized cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the liability.



## Consolidated Financial Statements

# Notes

### 4.4 Financial income and expenses

EURm	30 Sept. 2023	30 Sept. 2022
Interest income from customer loans	1	2
Other interest income	98	6
<b>Total interest income</b>	<b>99</b>	<b>8</b>
Interest expenses	(333)	(234)
Interest expense from pension plans	–	*
<b>Total interest expenses</b>	<b>(333)</b>	<b>(234)</b>
<b>Other financial income/(expenses), net</b>		
Foreign exchange differences	79	(186)
Change in fair value of derivatives relating to financing arrangements	5	39
Change in fair value of derivative financial instruments, not designated hedging instruments	4	2
Others	(10)	(1)
<b>Total other financial income/(expenses), net</b>	<b>78</b>	<b>(146)</b>

\* Amount less than EUR 1 mil

Interest income and interest expense includes those generated from financial assets/(financial liabilities) not measured at fair value through profit or loss. Other interest income includes EUR 88 million related to recycled amount from hedge accounting.

### § Accounting policies

Financial income and expenses comprise interest income and expenses, gains and losses on securities, exchange rate adjustments on receivables, payables and transactions denominated in foreign currencies, credit card fees, amortization and impairment of financial assets other than trade receivables and contract assets and liabilities, gains and losses on derivative financial instruments not designated as hedging instruments etc. Financial income includes recycled amount from hedge accounting.

Interest income and expenses on financial assets and liabilities measured at amortized cost is recognized using the effective interest method. Other financial income and expenses are recognized on an accrual basis in the period to which they relate.

### 4.5 Government grants

For the financial year ended 30 September 2023, the total grant amount received by the Group recorded within other income in profit or loss is EUR 1 million (2022: EUR 3 million), mainly for a training grant received from the Economic Development Board in Singapore.

### § Accounting policies

Grants from the government are recognized as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.



## Consolidated Financial Statements

# Notes

## 5 Other disclosures

### 5.1 Business combinations

The Group had completed various acquisitions during the year. The acquisitions are meant to increase the Group's footprint in various regions and expand its technological capabilities.

The amounts recognized in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

EURm	30 Sept. 2023	30 Sept. 2022
<i>Assets acquired:</i>		
Other intangible assets	1	12
Property, plant and equipment	1	1
Inventories	2	4
Trade and other receivables	2	2
Other current assets	–	1
Cash and cash equivalents	*	1
<b>Total assets acquired at the date of acquisition</b>	<b>6</b>	<b>21</b>
<i>Liabilities assumed at the date of acquisition:</i>		
Trade payables	(2)	(3)
Other current liabilities	(2)	(1)
Deferred tax liabilities	–	*
Current income tax payable	–	*
Provisions	(4)	–
<b>Total liabilities assumed at the date of acquisition</b>	<b>(8)</b>	<b>(4)</b>
<b>Net assets acquired</b>	<b>(2)</b>	<b>17</b>
Goodwill	11	18
Fair value of call option	–	2
Non-controlling interest	–	(1)
<b>Total consideration</b>	<b>9</b>	<b>36</b>
Cash and cash equivalents acquired	*	(1)
<b>Total cash consideration paid</b>	<b>9</b>	<b>35</b>

\* Amount less than EUR 1 mil



## Consolidated Financial Statements

# Notes

### 5.1 Business combinations (cont'd)

During the year, the Group acquired various retail chains which are not individually material.

The Group incurred acquisition-related cost of EUR 0.3 million (2022: EUR 0.2 million) for audit, legal and due diligence services. These costs have been included as part of profit or loss when incurred.

Share of revenue and profit from the acquisitions:

EURm	30 Sept. 2023
<i>The share of revenue and profit for the year from the acquisition date:</i>	
Revenue	7
EBIT	1
Profit for the year	1
<i>The share of revenue and profit if acquisitions had taken place at 1 October 2022 :</i>	
Revenue	10
EBIT	1
Profit for the year	1

### § Accounting policies

Newly acquired or newly established enterprises are recognized in the consolidated financial statements from the time of acquisition or formation. The time of acquisition is the date when control of the enterprise is transferred to the Group. On acquiring new enterprises of which the Group obtains control, the purchase method is applied according to which their identified assets, liabilities and contingent liabilities are measured at their fair values on the acquisition date. Any non-current assets acquired for the purpose of resale are, however, measured at their fair values less expected costs to sell. Restructuring costs are solely recognized in the pre-acquisition balance sheet if they are a liability for the acquired enterprise. Any tax effect of revaluations will be taken into account.

Goodwill is measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interests in the acquiree (if any) over the net of acquisition date fair values of the identifiable assets and liabilities and contingent liabilities. Goodwill is not amortized but tested at least annually for impairment. The first impairment test is performed within the end of the acquisition year.

The consideration transferred consists of the fair value of the consideration paid for the enterprise.

If the final consideration is conditional upon one or more future events, the consideration will be recognized at the fair value on acquisition. Any subsequent adjustment of contingent consideration is recognized directly in the income statement, unless the adjustment is the result of new information about conditions prevailing on the acquisition date, and this information becomes available up to 12 months after the acquisition date. Transaction costs are recognized directly in the income statement when incurred.

If, on the acquisition date, there are any uncertainties with respect to identifying or measuring acquired assets, liabilities or contingent liabilities or uncertainty with respect to determining their cost, initial recognition will be made on the basis of provisionally calculated values. Such provisionally calculated values may be adjusted, or additional assets or liabilities may be recognized up to 12 months after the acquisition date, if new information becomes available about conditions prevailing on the acquisition date, which would have affected the calculation of values on that day, had such information been known.

Non-controlling interests are measured at the transaction date at either fair value or at its proportionate share of the fair value of identified net assets, determined on a transaction-by-transaction basis.



## Consolidated Financial Statements

# Notes

### 5.1 Business combinations (cont'd)

#### § Accounting policies (cont'd)

When a business combination is achieved in stages, the Group's previously held interests in the acquired business are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in Other comprehensive income are reclassified to the income statement, where such treatment would be appropriate if that interest were disposed of.

Goodwill and fair value adjustments in connection with the acquisition of a foreign operation with a functional currency other than the Group's presentation currency (EUR) are treated as assets and liabilities belonging to the foreign entity and translated into the foreign operations functional currency at the exchange rate at the transaction date.

Acquisition or sale of equity interests without gaining or losing control of an entity is accounted for as equity transactions.



#### Significant judgments and accounting estimates

##### Brands and trademarks

The value of brands and trademarks acquired and their useful lives are based on the brands' and trademarks' market position, expected long-term developments in the relevant markets and profitability. Management determines the useful life for each brand and trademark based on its relative local, regional and global market strength, market share, and the current and planned marketing efforts that are helping to maintain and increase the value of the brand or trademark.

When the value of a well-established brand or trademark is expected to be maintained for an indefinite period in the relevant markets, and these markets are expected to be profitable for a long period, the useful life of the brand or trademark is determined to be indefinite.

The fair value of brands and trademarks is based on the relief from royalty method, under which the value is calculated from expected future cash flows for the brands and trademarks. Cash flows are based on key assumptions about expected useful life, royalty rate, growth rate and tax effects. A post-tax discount rate that reflects the risk-free interest rate with the addition of a risk premium associated with the particular brand is used to discount the expected future cash flows.

##### Customer relationships

Customer relationships are valued based on the multi-period excess earnings method. Cash flows related to the customer relationships are based on the forecasted revenues from existing customers, reduced by the expected future churn. Profits generated from those revenues are typically adjusted for saved selling costs, given that in most cases part of the selling costs relates solely to acquiring new customers. Profits are then netted of taxes and reduced by charges on contributory asset, which are required to generate those profits. Cash flows calculated in this way are discounted and adjusted for tax amortization benefit.

##### Contingent consideration

Business combinations may include contingent considerations, e.g. when the Group acquires audiology chains or shops. Such contingent considerations are usually additional payments to the previous owners, when certain events occur or certain financial results are achieved. The measurement of contingent consideration at fair value at the transaction date inherently involve significant estimates. In making these estimates, Management considers sales run rates of the acquired business.



## Consolidated Financial Statements

# Notes

### 5.2 Remuneration of Key Management Personnel

EURm	Short-term benefits	Termination benefits	Total
<b>1 October 2022 – 30 September 2023</b>			
Executive Management	3	–	3
Board of Directors	1	–	1
<b>Total</b>	<b>4</b>	<b>–</b>	<b>4</b>
<b>1 October 2021 – 30 September 2022</b>			
Executive Management	4	*	4
Board of Directors	1	–	1
<b>Total</b>	<b>5</b>	<b>*</b>	<b>5</b>

\* Amount less than EUR 1 mil

The Executive Management and Board of Directors hold ordinary and preference shares in NH Lux ManCo SCSp. Please refer to Note 5.3 for details of this program. The shares held by the Executive Management and the Board of Directors are insignificant.

### 5.3 Management Participation Program liability

The Group has in place a Management Participation Program (“MPP”) - Certain members of management (the “MPP Participants”) may acquire a minority partnership interest in NH Lux ManCo SCSp (“NHSCSp”), which is controlled by North Harbour Lux TopCo S.a.r.l. (“TopCo”), a holding entity that is fully consolidated within WS Audiology, therefore indirectly having an ownership interest in the intermediate Group.

The fair value of the equity instruments on acquisition date is equivalent to the cost. The redemption price is based on the leaver status at the time of redemption.

The MPP participants acquired ordinary shares, which rank pari passu in all respects, as well as preference shares. The reacquisition of the ownership interests by TopCo is triggered upon the termination of employment of MPP Participants; a liability in this regard is included in Other non-current liabilities, with reference to Note 3.9.

MPP Liability	Number of shares (mil)
<b>Outstanding at 1 October 2022</b>	<b>35</b>
Additions	*
Disposals	(4)
<b>Outstanding at 30 September 2023</b>	<b>31</b>
<b>Outstanding at 1 October 2021</b>	<b>37</b>
Additions	1
Disposals	(3)
<b>Outstanding at 30 September 2022</b>	<b>35</b>

The fair value changes from the MPP recognized in the statement of profit and loss was EUR 7 million (2022: EUR 8 million).

### § Accounting policies

The accounting for the shares purchased by management (at fair value, represented by ‘interests’ in NHSCSp) as part of the North Harbour MPP scheme falls within the scope of IFRS 2 as a cash-based arrangement. A liability is recognized reflecting the fair value of the Group’s intention to acquire the ‘interests’.

## Consolidated Financial Statements

# Notes

### 5.4 Pension obligations

Post-employment benefits provided by the Group are organized primarily through defined contribution plans as well as defined benefit plans which cover almost all of the Group's domestic employees and many of the Group's foreign employees. Post-employment defined benefit plans include to the major extent pension benefits.

#### Defined benefit plans

General principles are determined in a corporate pension policy. That means inter alia that the Group regularly reviews the design of its post-employment defined benefit plans. In order to reduce Group's exposure to certain risks associated with defined benefit plans, such as longevity, inflation, effects of compensation increase, the Group regularly review and continuously improves the design of its post-employment defined benefit plans. The benefits of the defined benefit plan open to new entrants are based predominantly on contributions made by the Group and are still affected by longevity, inflation adjustments and compensation increases, but only to a lesser extent. The major pension plans are funded with assets in segregated pension entities.

The existing defined benefit plans cover approximately as of 30 September 2023 – 3,795 participants, including 2,652 active employees, 707 former employees with vested rights and 436

retirees and surviving dependents (2022: 3,570 participants, including 2,457 active employees, 706 former employees with vested rights and 407 retirees and surviving dependents). Individual benefits are generally based on eligible compensation levels and/or ranking within the Group's hierarchy and years of service. The characteristics of the defined benefit plans and the risks associated with them vary depending on legal, fiscal and economic requirements in each country. For the major defined benefit plans of the Group the characteristics and risks are as follows:

#### Germany:

In Germany, the Group provides pension benefits through the cash-balance plan BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans. Active employees in Germany participate in the BSAV introduced in fiscal 2004. A legacy pension plan (Altzusage) has been transformed into BSAV.

These benefits are predominantly based on contributions made by the Group and returns earned on such contributions, subject to a minimum return guaranteed. In general, the BSAV is fully funded from the Group's perspective. Sivantos GmbH has set up a CTA (Contractual Trust Arrangement) in order to take precautions of financing all of its BSAV pension obligations, including the Group. Individual benefits under the frozen legacy plans are based on eligible compensation levels or ranking within the Group's hier-

archy and years of service. In connection with the implementation of the BSAV, benefits provided under the frozen legacy plans were modified to substantially eliminate the effects of compensation increases by freezing the accretion of benefits under the majority of these plans. However, these frozen plans still expose the Group to actuarial risks such as investment risk, interest rate risk and longevity risk. Furthermore, deferred compensation plans are offered which are funded via a CTA. In Germany no legal or regulatory minimum funding requirements apply. The Trust which is legally separate manages its plan assets as trustee in accordance with the respective trust agreements.

#### U.S.:

The assets under these pension plans are administered by the Group and are, therefore, the sole responsibility of the Group. The assets are not separately identifiable; instead the companies had a common right to the trusts' assets. One major defined benefit plan, the Sivantos Pension Plan, is frozen to new entrants and accretion of new benefits. Employees hired prior to April 1, 2006 participate in the Sivantos Pension Plan. Most of the defined benefit plan participants' benefits are calculated using a cash balance formula; although a small group of participants are eligible for a benefit based on a final average pay formula. This frozen defined benefit plan exposes the Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

The defined benefit plan assets are held in a Master Trust. The Group, as the sponsoring employer, has delegated investment oversight of the plans' assets to the Investment Committee. The Investment Committee members have a fiduciary duty to act solely in the best interests of the beneficiaries according to the trust agreement and U.S. law. The Committee has established an Investment Policy Statement which articulates the goals and objectives of the plans' investment management, including diversifying the assets of the Master Trust with the intention of appropriately addressing concentration risks. The trustee of the Master Trust acts only by direction of the Investment Committee. It is responsible for the safekeeping of the trust, but generally has no decision-making authority over the plan assets. The legal and regulatory framework for the plans is based on the applicable U.S. legislation Employee Retirement Income Security Act (ERISA). Based on this legislation a funding valuation is prepared annually. There is a regulatory requirement to maintain a minimum funding level of 80% in the defined benefit plans in order to avoid benefit restrictions.



## Consolidated Financial Statements

# Notes

### 5.4 Pension obligations (cont'd)

The amounts included in the Group's Consolidated Statements of Financial Position arising from its pension obligations at 30 September are as follows:

EURm	Defined benefit obligation	Fair value of plan assets	Total
<b>30 September 2023</b>			
Germany	(48)	53	5
U.S.	(31)	27	(4)
Others	(8)	3	(5)
<b>Total</b>	<b>(87)</b>	<b>83</b>	<b>(4)</b>
<b>30 September 2022</b>			
Germany	(47)	51	4
U.S.	(37)	31	(6)
Others	(7)	3	(4)
<b>Total</b>	<b>(91)</b>	<b>85</b>	<b>(6)</b>

The following table show the total defined benefit cost that was recognized in profit or loss account and other comprehensive income at the end of the reporting period.

EURm	30 Sept. 2023	30 Sept. 2022
Current service cost	3	3
Net interest expenses	*	*
<b>Defined benefit costs recognized in the income statement</b>	<b>3</b>	<b>3</b>
Return on plan assets (excluding amounts included in net interest expense and net interest income)	(1)	18
Remeasurement losses on defined benefit obligations	(1)	(28)
Foreign currency translation differences	*	–
<b>Remeasurements of defined benefit plans recognized in the Statement of Comprehensive Income</b>	<b>(2)</b>	<b>(10)</b>
<b>Change in defined benefit obligations:</b>		
Defined benefit obligation at beginning of year	91	111
Current service cost	2	3
Interest expense	3	2
Contributions paid	–	*
Net accumulated actuarial gains	(1)	(28)
Benefits paid	(5)	(5)
Foreign currency effects	(3)	8
<b>Defined benefit obligation at 30 September</b>	<b>87</b>	<b>91</b>

\* Amount less than EUR 1 mil



## Consolidated Financial Statements

# Notes

### 5.4 Pension obligations (cont'd)

EURm	30 Sept. 2023	30 Sept. 2022
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	85	97
Interest income	3	2
Remeasurement losses/(gains) (Return on plan assets excluding amounts included in net interest income and expense)	1	(18)
Contributions paid	*	*
Benefits paid	(4)	(3)
Employer contributions	1	1
Foreign currency effects	(3)	6
<b>Fair value of plan assets at 30 September</b>	<b>83</b>	<b>85</b>
Investment funds	83	84
Cash and cash equivalents	*	1
<b>Total</b>	<b>83</b>	<b>85</b>
Quoted	83	84
Unquoted	*	1
<b>Total</b>	<b>83</b>	<b>85</b>

\* Amount less than EUR 1 mil

The Group has reported EUR 11 million (2022: EUR 10 million) of asset for deferred compensation plan under Note 3.6, which is used to fund the pension obligations.

### Actuarial assumptions

Assumed discount rates, compensation increase rates, pension progression rates and mortality rates used in calculating the DBO vary according to the economic and other conditions of the country in which the retirement plans are situated.

The mortality tables used for the actuarial valuation of the DBO were as follows (most significant countries):

**Germany** Heubeck Richttafeln 2005G (modified)

**U.S.** RP-2014 Employee and Healthy Annuitant Tables projected with Scale MP-2015 for all years

The DBO was only significantly affected by other financial assumptions in Germany and U.S. For Germany, the long-term rate of compensation increase and the pension increase rate were constant on average in fiscal year 2023 and 2022. For U.S., the DBO was mainly affected by the discount rate as the plan is frozen to new entrants and accretion of new benefits.

The DBO is also affected by assumed future inflation rates. The effect of inflation is recognized within the assumptions above where applicable.





## Consolidated Financial Statements

# Notes

### 5.4 Pension obligations (cont'd)

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

EURm	30 Sept. 2023	30 Sept. 2022
<b>Germany</b>		
Discount rate	4.08%	3.66%
Future salary growth	2.25%	2.25%
Expected return on assets	2.25%	2.25%
Expected pension progression	2.25%	2.25%
<b>U.S.</b>		
Discount rate	5.56%	5.08%
Future salary growth	N/A	N/A
Expected return on assets	5.56%	5.08%
Expected pension progression	3.00%	3.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevity underlying the values of the defined benefit obligation at the reporting date were as follows:

EURm	30 Sept. 2023	30 Sept. 2022
<b>Germany</b>		
Longevity at age 55 for current pensioners		
Males	20	20
Females	24	24
Longevity at age 55 for current pensioners with 10% reduction in mortality rates		
Males	21	21
Females	25	25
<b>U.S.</b>		
Longevity at age 55 for current pensioners		
Males	29	29
Females	31	31
Longevity at age 55 for current pensioners with 10% reduction in mortality rates		
Males	30	30
Females	32	32

The weighted-average duration of the defined benefit obligation was 9.4 years at 30 September 2023 (2022: 9.7 years).

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.



## Consolidated Financial Statements

## Notes

## 5.4 Pension obligations (cont'd)

## Sensitivity analysis

As the significant part of the DBO results from the German and U.S. entities, the sensitivity analysis were as follows:

**30 September 2023  
EURm**

	0.5% increase	0.5% decrease
Germany		
Discount rate	(2)	2
Rate of pension progression	1	(1)
	-1 year	+1 year
Life expectancy	(1)	1
U.S.	0.5% increase	0.5% decrease
Discount rate	(1)	1

**30 September 2022  
EURm**

	0.5% increase	0.5% decrease
Germany		
Discount rate	(2)	2
Rate of pension progression	1	1
	-1 year	+1 year
Life expectancy	(1)	1
U.S.	0.5% increase	0.5% decrease
Discount rate	(1)	1

The Company expects to pay EUR 7 million (2022: EUR 8 million) in contributions to its defined benefit plans in the upcoming financial year.

**Defined contribution plan**

The amount recognized as an expense for defined contribution plans at 30 September 2023 was EUR 14 million (2022: EUR 12 million).

**§ Accounting policies****Defined contribution plans**

The Group operates a number of defined contribution plans around the world. These plans are externally funded in entities, e.g. insurance entities, that are legally separate from the Group. Contributions to defined contribution plans are recognized in the income statement in the year to which they relate.

**Defined benefit plans**

The Group also operates defined benefit plans in a few jurisdictions, primarily in Germany and the USA.

The liability and costs for the year for defined benefit plans are determined using the projected unit credit method. This reflects services rendered by employees to the valuation dates and is based on actuarial assumptions regarding future compensation and benefit increases, mortality, expected return on plan assets and discount rates. Discount rates are based on average

market yields of high-quality corporate bonds in the country and/or currency in which the pension liabilities are expected to be settled.

Current service cost, past service cost and settlements for post-employment benefits as well as other administration costs which are unrelated to the management of plan assets are recognized in the income statement and allocated among functional costs, following the functional area of the corresponding profit and cost centre. Administration costs which are related to the management of plan assets and taxes directly linked to the return on plan assets and payable by the plan itself are included in the return on plan assets and are recognized in other comprehensive income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in Other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement.

For unfunded plans, the Group recognizes a post-employment liability as non-current liability. For funded plans, the Group offsets the fair value of plan assets with the benefit obligations, and recognizes the net amount, after adjustments for effects related to any asset ceiling, as a non-current liability or other current assets.

## Consolidated Financial Statements

# Notes

### 5.5 Contingent assets and liabilities

#### Guarantees

The Group has issued Corporate Guarantees, mainly to the business partners, outstanding for an amount of EUR 82 million (2022: EUR 109 million) at 30 September 2023.

In addition, the Group has a contingent obligation to indemnify the issuing Banks for Bankers Guarantees for an amount of up to EUR 15 million (2022: EUR 10 million) at 30 September 2023. None of the outstanding guarantees are likely to be drawn, hence no provisions have been made.

#### Outstanding Lawsuits and disputes

The Group is, from time to time, subject to legal disputes in connection with its business activities. In the light of the number of legal disputes and proceedings in which the Group is involved, it cannot be ruled out that some of these proceedings could result in rulings against the Group. Although the Group maintains liability insurance in its non-amounts the Group considers consistent with industry practice, it may not be fully insured against all potential damages that may arise out of any claims to which the Group may be party in the ordinary course of the Group's business. At this time, however the Group does not expect any significant negative effects on the Group's financial position or finance and earnings situation resulting from legal disputes.

The Group seeks to make adequate provisions for any legal disputes and proceedings, and assesses the likely outcome in which the Group is involved.

### 5.6 Associates

EURm	Investments in associates	Receivables from associates
<b>Balance at 30 September 2022</b>	<b>4</b>	<b>3</b>
Additions	1	–
Share of post-acquisition retained earnings and translation differences	*	–
<b>Carrying amount at 30 September 2023</b>	<b>5</b>	<b>3</b>
<b>Balance at 30 September 2021</b>	<b>4</b>	<b>3</b>
Share of post-acquisition retained earnings and translation differences	*	–
<b>Carrying amount at 30 September 2022</b>	<b>4</b>	<b>3</b>

\* Amount less than EUR 1 mil

Included in the investments in associates is a customer loan to an associate, Hear-Mart Holdings LLC, of EUR 2 million. The investment was fully impaired in 2019/20 as Management has assessed that there are difficulties in recovering the loan.

The Group's investments in associates are not individually material.

Please refer to Note 5.10 for a list of associates.

### § Accounting policies

Associates are those entities in which the Group has significant influence but not control or joint control over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control over the financial and operating policies, and where the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. This entails that the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture calculated in accordance with the Group's accounting policies. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in such associate or joint venture, the Group discontinues recognizing its share of future losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.



## Consolidated Financial Statements

# Notes

### 5.7 Non-cash adjustments

EURm	30 Sept. 2023	30 Sept. 2022
Unrealized (gain)/loss on foreign currency translation	(94)	227
Others	6	7
<b>Total</b>	<b>(88)</b>	<b>234</b>

#### Significant non-cash transaction – for the period 1 October 2022 – 30 September 2023

For the financial year ended 30 September 2023, there were no significant non-cash transaction.

### 5.8 Fees to auditors appointed at the annual general meeting

EURm	Deloitte	Others
<b>1 October 2022 - 30 September 2023</b>		
Audit fees	2	1
Other assurance related services	*	*
Tax services	1	1
Other services	1	–
<b>Total</b>	<b>4</b>	<b>2</b>
<b>1 October 2021 - 30 September 2022</b>		
Audit fees	2	2
Other assurance related services	*	–
Tax services	–	2
Other services	–	*
<b>Total</b>	<b>2</b>	<b>4</b>

\* Amount less than EUR 1 mil



## Consolidated Financial Statements

# Notes

### 5.9 Related parties

Related parties include North Harbour VIII S.à.r.l., North Harbour VII S.à.r.l., Auris Luxembourg I S.A., T&W Medical A/S, as well as transactions with associates.

Other related parties in the summary below include those entities controlled by T&W Medical A/S.

#### Transactions with related parties

In addition to the related party disclosure that is disclosed elsewhere in the financial statements, the following significant transactions between the Group and its related parties took place at terms agreed during the fiscal year:

EURm	30 Sept. 2023	30 Sept. 2022
<b>Transactions with associates</b>		
- Sales of goods and services	1	1
<b>Other related parties</b>		
- Purchase of goods and services	(8)	(8)
<b>Total transactions with related parties</b>	<b>(7)</b>	<b>(7)</b>

At 30 September 2023, the outstanding balances with the associates are EUR 3 million (2022: EUR 6 million).

#### Transactions with related individuals

The Group's Executive management is defined as those persons, who are responsible for the Group's worldwide operating business, based on their function within the Group or the interests of WS Audiology A/S and registered directors in the parent company. In financial years 2022/23 and 2021/22, there were no significant, material or major transactions between the Group and members of the Executive Management and Board of Directors, other than their remuneration and transactions towards the participation program. For information about remuneration to Executive management and Board of Directors refer to Note 5.2.

### 5.10 Companies in the WS Audiology A/S Group

List of the Group's companies included in the Consolidated Financial Statements:

Company	Country	30 Sept. 2023 Equity Interest %	30 Sept. 2022 Equity Interest %
<b>WS Audiology A/S</b>	Denmark	100	100
North Harbour Topco S.à.r.l.	Luxembourg	100	100
North Harbour Midco S.à.r.l.	Luxembourg	99	99
Auris Luxembourg II S.A.	Luxembourg	100	100
Auris Luxembourg III S.à.r.l.	Luxembourg	100	100
Widex A/S	Denmark	100	100
Sivantos Holding Singapore Pte. Ltd. <sup>1</sup>	Singapore	-	100
Hear.com N.V.	Netherlands	100	100
<b>Subsidiaries of Widex A/S</b>			
<b>EMEA</b>			
Bloomhearing ApS <sup>2</sup>	Denmark	-	100
WSAUD A/S	Denmark	100	100
WS Audiology Benelux BV	Netherlands	100	100
Widex UK Ltd.	UK	100	100
Widex DK A/S	Denmark	100	100
SAS Clermont Distribution	France	100	100
Balet Dominique Laboratoire de Correction Auditive SARL	France	100	-
Audition Balet Libourne SARL	France	100	-
SAS Clarte Audition <sup>3</sup>	France	-	100
Widex S.A.S	France	100	100
Bloom Hearing Specialists Ltd.	UK	100	100
Bonavox Limited	Ireland	100	100
WS Audiology Chile SpA	Chile	100	100



## Consolidated Financial Statements

# Notes

### 5.10 Companies in the WS Audiology A/S Group (cont'd)

Company	Country	30 Sept. 2023 Equity Interest %	30 Sept. 2022 Equity Interest %
<b>Subsidiaries of Widex A/S (cont'd)</b>			
<b>EMEA (cont'd)</b>			
Widex Uruguay	Uruguay	51	51
COW-Audición en Alta Definición S.A. de C.V	Mexico	100	100
Widex Argentina S.A	Argentina	51	51
Centro Auditivo Widex Brasitom Ltda	Brazil	100	100
Communicare Aparelhos Auditivos Ltda	Brazil	100	100
WS Audiology Solucuoos Auditiva Ltd.	Brazil	100	100
Centro Auditivo Audibel Importacao E Exportacao Ltda <sup>4</sup>	Brazil	–	100
Qualiaudio Comercio e Distribuicao Ltda	Brazil	100	–
Bloom Hörakustik AG ( <i>dormant</i> )	Switzerland	100	100
WS Audiology Switzerland AG	Switzerland	100	100
Widex Hörgeräte GmbH	Germany	100	100
Widex AB	Sweden	100	100
Widex OOO LLC ( <i>dormant</i> )	Russia	100	100
Widex Norge AS	Norway	100	100
Widex-Reabilitação Auditiva Lda.	Portugal	100	100
WSA Portugal S.A.	Portugal	100	100
WSA Rus LLC	Russia	100	100
Widex Akustik OY	Finland	100	100
Widex Line s.r.o	Czech Republic	100	100
Widex Poland Sp. Z.o.o	Poland	60	60
Widex Tibbi ve Teknik Chihazlar San.ve Tic. AŞ	Turkey	100	100
Widex Trading d.o.o Ljubljana	Slovenia	60	60
Slušni Aparati d.o.o. Widex Ljubljana	Slovenia	84	84

Company	Country	30 Sept. 2023 Equity Interest %	30 Sept. 2022 Equity Interest %
<b>Subsidiaries of Widex A/S (cont'd)</b>			
<b>EMEA (cont'd)</b>			
WS Audiology-H Kft	Hungary	100	100
Audiofon Kft	Hungary	100	100
Widex Italia s.r.l.	Italy	100	100
WS Audiology Slovakia s.r.o	Slovakia	100	100
Widex Slušni Aparati d.o.o.	Bosnia	60	60
ReOton Ltd	Ukraine	100	100
Koalys Technologies Ltd	Israel	100	100
Shoebox France SARL	France	100	100
Koalys Poland Sp z.oo	Poland	100	100
Widex Regional Operation Center EMEA ( <i>under liquidation</i> )	Poland	100	100
WS Audiology Austria GmbH	Austria	100	–
<b>APAC</b>			
Sivantos Holding Singapore Pte. Ltd. <sup>1</sup>	Singapore	100	–
Sivantos Pte. Ltd. <sup>1</sup>	Singapore	100	–
Widex Hearing Aid Sdn Bhd	Malaysia	100	100
Widex Singapore Pte Ltd	Singapore	100	100
Bloom Hearing Co. Ltd.	Japan	100	100
Widex Co. Ltd.	Japan	100	100
Widex Hearing Aid (Shanghai) Co. Ltd.	China	100	100
Zhejiang Longkang Medical Equipment Co. Ltd.	China	51	51
Hangzhou Miaoyin Medical Equipment Co. Ltd	China	51	51





## Consolidated Financial Statements

# Notes

### 5.10 Companies in the WS Audiology A/S Group (cont'd)

Company	Country	30 Sept. 2023 Equity Interest %	30 Sept. 2022 Equity Interest %
<b>Subsidiaries of Widex A/S (cont'd)</b>			
<b>APAC (cont'd)</b>			
Hangzhou V Hearing Medical Equipment Co. Ltd.	China	51	51
Hong Kong V Hearing Trading Co. Ltd <sup>5</sup>	Hong Kong	–	51
Suzhou FenBei Medical Equipment Co. Ltd.	China	51	51
Widex India Private Ltd.	India	100	100
Widex Australia Pty. Ltd.	Australia	100	100
Active Hearing Pty. Ltd.	Australia	100	100
Hearclear Audiology Pty. Ltd.	Australia	100	100
Hutchinson Audiology Clinics Pty Ltd	Australia	100	100
Bloom Hearing Ltd.	New Zealand	100	100
Widex Hong Kong Hearing & Speech Centre Ltd.	Hong Kong	100	100
Starry Hearing & Speech Centre Ltd.	Hong Kong	65	65
<b>Americas</b>			
TW Group Canada Ltd.	Canada	100	100
Lifestyle Hearing Corporation Inc.	Canada	100	100
Lifestyle Hearing Corporation USA Inc.	USA	100	100
Widex USA Inc.	USA	100	100
<b>Subsidiaries of Lifestyle Hearing Corporation Inc.</b>			
<b>Americas</b>			
Lifestyle Hearing Network Inc. <sup>9</sup>	Canada	–	100
Helix Hearing Inc. <sup>9</sup>	Canada	100	100
Helix Service Corporation Inc. <sup>9</sup>	Canada	–	100
Manji Nicholaou Audiology Inc. <sup>9</sup>	Canada	–	100

Company	Country	30 Sept. 2023 Equity Interest %	30 Sept. 2022 Equity Interest %
<b>Subsidiaries of Lifestyle Hearing Corporation USA Inc.</b>			
<b>Americas</b>			
Audiology Management Group Inc. <sup>6</sup>	USA	–	100
Helix Hearing Care (California) Inc.	USA	100	100
My Hearing Centers LLC	USA	100	100
Hear Again Hearing Aids LLC.	USA	100	60
Helix Hearing Care Naples LLC	USA	60	60
The Hearing Center of ENTA LLC	USA	60	60
Medical Hearing Systems LLC	USA	70	70
Widex Government Services LLC	USA	100	–
<b>Other equity investments</b>			
Hearing Instrument Manufacturers Software Association A/S	Denmark	25	25
HIMSA II a/s	Denmark	20	20
HIMSA II K/S	Denmark	17	17
HIMPP A/S	Denmark	13	13
K/S HIMPP	Denmark	9	9
Sound Advice Hearing Ltd.	UK	49	49
D Med Hearing Company	Thailand	38	38
Widex Columbia SAS	Columbia	30	30
Hear-Mart Holdings LLC.	USA	49	49
Audiology Associates of Westchester LLC	USA	49	49
Smartcare LLC	USA	10	10
Widex Servicios Technico S.A.	Spain	30	30
Widex Audifonos S.A.	Spain	30	30
Instituto Auditivo Widex C.A.	Venezuela	30	30



## Consolidated Financial Statements

# Notes

### 5.10 Companies in the WS Audiology A/S Group (cont'd)

Company	Country	30 Sept. 2023 Equity Interest %	30 Sept. 2022 Equity Interest %
<b>Other equity investments (cont'd)</b>			
Widex Macau Hearing & Speech Centre Ltd.	Macau	49	49
Odio Tech Pty Ltd	Australia	22	–
<b>Subsidiary of Sivantos Holding Singapore Pte. Ltd.</b>			
Sivantos Pte. Ltd. <sup>1</sup>	Singapore	–	100
<b>Subsidiaries of Sivantos Pte. Ltd.</b>			
<b>EMEA</b>			
Sivantos Holding Germany GmbH	Germany	100	100
Sivantos A/S	Denmark	100	100
Oorwerk B.V.	Netherlands	100	100
Oorwerk den Haag B.V.	Netherlands	100	100
Hoortecnisch Centrum Schagen B.V. ( <i>dormant</i> )	Netherlands	100	100
Sivantos Isitme Cihazlari Sanayi Ve Ticaret A.S.	Turkey	100	100
Sivantos Europe GmbH ( <i>under liquidation</i> )	Germany	100	100
Bloom Hörakustik GmbH	Austria	100	100
WS Audiology Spain S.A.	Spain	100	100
Sivantos (RUS) LLC ( <i>dormant</i> )	Russia	100	100
Biotone Technologie SAS	France	100	100
WS Audiology South Africa Pty Ltd	South Africa	100	100
<b>Americas</b>			
WS Audiology Mexico S.A. de C.V.	Mexico	100	100
Shoebox, Inc.	Canada	100	100

Company	Country	30 Sept. 2023 Equity Interest %	30 Sept. 2022 Equity Interest %
<b>Subsidiaries of Sivantos Pte. Ltd. (cont'd)</b>			
<b>APAC</b>			
Sivantos K.K.	Japan	100	100
Hearing Express K.K.	Japan	100	100
WS Audiology Korea Limited	Korea	100	100
WS Audiology Philippines Corp.	Philippines	100	100
WS Audiology SEA Pte. Ltd.	Singapore	100	–
<b>Subsidiaries of Sivantos Holding Germany GmbH</b>			
Sivantos GmbH	Germany	100	100
<b>Subsidiaries of Sivantos GmbH</b>			
<b>EMEA</b>			
AS-AUDIO SERVICE GmbH	Germany	100	100
Signia GmbH	Germany	100	100
Sivantos Kft. ( <i>under liquidation</i> )	Hungary	100	100
Sivantos AS	Norway	100	100
Sivantos s.r.o	Czech Republic	100	100
Sivantos Sp. z o.o.	Poland	100	100
Sivantos S.r.l	Italy	100	100
Signia S.A.S.	France	100	100
WS Audiology Limited	UK	100	100
<b>Americas</b>			
WS Audiology USA, Inc. ( <i>formerly Sivantos, Inc.</i> )	USA	100	100
Audiology Distribution, LLC	USA	100	100
HearX West, LLC	USA	50	50



## Consolidated Financial Statements

# Notes

### 5.10 Companies in the WS Audiology A/S Group (cont'd)

Company	Country	30 Sept. 2023 Equity Interest %	30 Sept. 2022 Equity Interest %
<b>Subsidiaries of Sivantos GmbH (cont'd)</b>			
<b>Americas (cont'd)</b>			
HearX West, Inc.	USA	50	50
HearUSA IPA, Inc.	USA	100	100
WS Audiology Canada Inc	Canada	100	100
TruHearing, Inc.	USA	100	100
TruHearing IPA LLC	USA	100	100
Hearing Care Solutions, Inc	USA	100	100
Hear in America LLC	USA	100	100
MEDPlus Health Solutions LLC <sup>7</sup>	USA	–	100
<b>APAC</b>			
Sivantos (Suzhou) Co. Ltd.	China	100	100
Sivantos India Pvt. Ltd	India	100	100
WS Audiology ANZ Pty Ltd	Australia	100	100
<b>Other equity investments</b>			
Koden Co., Ltd. <sup>8</sup>	Japan	–	43
Kikoen Soudanshitsu Co., Ltd.	Japan	50	50
Kanto Hochouki Co., Ltd.	Japan	25	25
<b>Subsidiaries of Hear.com N.V.</b>			
Hear.com Korea Limited	Korea	100	100
Soundrise Hearing Solutions Private Limited	India	100	100
hear.com USA Parent LLC	USA	100	100
hear.com, LLC	USA	100	100

Company	Country	30 Sept. 2023 Equity Interest %	30 Sept. 2022 Equity Interest %
<b>Subsidiaries of Hear.com N.V. (cont'd)</b>			
audibene GmbH	Germany	100	100
audibene GmbH	Switzerland	100	100
audibene B.V.	Netherlands	100	100
Audiocare Hearing Experts Malaysia Sdn. Bhd.	Malaysia	100	100
Ihre Hörgeräte Beratung GmbH	Germany	100	100
Hear.com - Simply Good Hearing Inc	Canada	100	100
hear.com (Pty) Ltd.	South Africa	100	100
Hearing Experts (Thailand) Co. Ltd. (under liquidation)	Thailand	100	100

<sup>1</sup> Sivantos Holding Singapore Pte. Ltd. and Sivantos Pte. Ltd. were transferred to Widex A/S as part of WS Audiology Group internal reorganization during 2022/23.

<sup>2</sup> Bloomhearing ApS was dissolved during 2022/23.

<sup>3</sup> SAS Clarte Audition was merged into SAS Clermont Distribution during 2022/23.

<sup>4</sup> Centro Auditivo Audibel Importacao E Exportacao Ltda was merged into WS Audiology Solucoes Auditiva Ltd during 2022/23.

<sup>5</sup> Hong Kong V Hearing Trading Co. Ltd was deregistered during 2022/23.

<sup>6</sup> Audiology Management Group Inc. was merged into Lifestyle Hearing Corporation USA, Inc. during 2022/23.

<sup>7</sup> MEDPlus Health Solutions LLC. was merged into Audiology Distribution, LLC during 2022/23.

<sup>8</sup> Koden Co., Ltd. was disposed during 2022/23.

<sup>9</sup> Lifestyle Hearing Network Inc., Helix Service Corporation Inc. and Manji Nicholaou Audiology Inc. were merged into Helix Hearing Inc. during 2022/23.



## Consolidated Financial Statements

# Notes

### 5.11 Significant events after the balance sheet date

There have been no adjusting or non-adjusting events after the balance sheet date that would be expected to influence the economic decisions that users make on the basis of these financial statements.

### 5.12 Approval of the consolidated financial statements

The annual report of WS Audiology A/S were approved by the Board of Directors and authorised for issue on 5 December 2023.



# Parent financial statements



## Parent Financial Statements

# Contents

### Parent Financial Statements

Income Statement	126
Balance Sheet	126
Statement of Cash Flows	127
Statement of Changes in Equity	127

### Notes to the Parent Financial Statements

<b>6</b>	<b>Basis of preparation</b>	<b>128</b>
<b>7</b>	<b>Results of the year</b>	<b>128</b>
7.1	Income taxes	128
<b>8</b>	<b>Operating assets and liabilities</b>	<b>128</b>
8.1	Investment in subsidiaries	128
<b>9</b>	<b>Other disclosures</b>	<b>129</b>
9.1	Outstanding shares	129
9.2	Related parties	129
9.3	Fees paid to the auditor appointed at the annual general meeting	129
9.4	Fees paid to the Board of Directors	129
9.5	Significant events after the balance sheet date	129
9.6	Approval of the consolidated financial statements	129
	<b>Entity information</b>	<b>130</b>





## Parent Financial Statements

## Income Statement

For the financial year ended 30 September 2023

EURm	Note	30 Sept. 2023	30 Sept. 2022
General and administration expenses		(1.0)	(0.9)
<b>Operating loss before tax</b>		<b>(1.0)</b>	<b>(0.9)</b>
Income taxes	7.1	0.2	0.2
<b>Loss for the year</b>		<b>(0.8)</b>	<b>(0.7)</b>

## Balance Sheet

As at 30 September 2023

EURm	Note	30 Sept. 2023	30 Sept. 2022
<b>Assets</b>			
Investments in subsidiaries	8.1	4,085.5	3,985.5
<b>Total non-current assets</b>		<b>4,085.5</b>	<b>3,985.5</b>
Current income tax receivables		0.2	0.5
Cash		0.2	0.2
<b>Total current assets</b>		<b>0.4</b>	<b>0.7</b>
<b>Total assets</b>		<b>4,085.9</b>	<b>3,986.2</b>
<b>Equity and Liabilities</b>			
Share capital	9.1	100.0	100.0
Other reserves		3,985.5	3,885.5
Accumulated losses		(3.6)	(2.8)
<b>Total equity attributable to the shareholders of WS Audiology A/S</b>		<b>4,081.9</b>	<b>3,982.7</b>
Deferred tax liabilities		(0.3)	0.1
<b>Total non-current liabilities</b>		<b>(0.3)</b>	<b>0.1</b>
Other current financial liabilities		0.5	0.3
Amounts due to related parties		3.8	3.1
<b>Total current liabilities</b>		<b>4.3</b>	<b>3.4</b>
<b>Total equity and liabilities</b>		<b>4,085.9</b>	<b>3,986.2</b>



## Parent Financial Statements

### Statement of Cash Flows

For the financial year ended 30 September 2023

EURm	Note	30 Sept. 2023	30 Sept. 2022
<i>Operating activities</i>			
Loss for the year		(0.8)	(0.7)
Income tax expense, net		(0.2)	(0.2)
<b>Cash flow from operating activities before changes in working capital</b>		<b>(1.0)</b>	<b>(0.9)</b>
Changes in other liabilities		0.2	(0.1)
Change in amounts due to related parties		0.6	0.8
<b>Cash flow from operating activities before financial items and tax</b>		<b>(0.2)</b>	<b>(0.2)</b>
Income taxes received, net		0.2	0.2
<b>Cash flow from operating activities</b>		<b>-</b>	<b>-</b>
<i>Investing activities</i>			
Acquisition of a subsidiary, net of cash acquired		(100)	-
<b>Cash flow used in investing activities</b>		<b>(100)</b>	<b>-</b>
<i>Financing activities</i>			
Proceeds from issuance of shares		100	-
<b>Cash flow from financing activities</b>		<b>100</b>	<b>-</b>
<b>Net cash flow</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents, beginning of year		0.2	0.2
<b>Cash and cash equivalents, end of year</b>		<b>0.2</b>	<b>0.2</b>

### Statement of Changes in Equity

For the financial year ended 30 September 2023

EURm	Share capital	Other reserve	Accumulated losses	Total equity
Equity at 30 September 2021	100.0	3,885.5	(2.1)	3,983.4
Loss for the year	-	-	(0.7)	(0.7)
Equity at 30 September 2022	100.0	3,885.5	(2.8)	3,982.7
Issuance of shares	*	100.0	-	100.0
Loss for the year	-	-	(0.8)	(0.8)
<b>Equity at 30 September 2023</b>	<b>100.0</b>	<b>3,985.5</b>	<b>(3.6)</b>	<b>4,081.9</b>

\* Amount less than EUR 0.1 mil



## Parent Financial Statements

# Notes

## 6 Basis of preparation

The parent financial statements for WS Audiology A/S have been prepared in accordance with IFRS as adopted by the European Union (EU) and further requirements in the Danish Financial Statements Act Large C.

The parent financial statements are presented in Euros (EUR) which is the functional currency of WS Audiology A/S. All values are rounded to the nearest million (EUR) with one decimal, except where indicated otherwise.

The terminology used in the consolidated financial statements has been applied in the parent's financial statements to ensure a uniform presentation. The parent's accounting policies on recognition and measurement are generally consistent with those of the Group with reference to Note 1.1 in the consolidated financial statements.

## 7 Results of the year

### 7.1 Income taxes

EURm	30 Sept. 2023	30 Sept. 2022
<b>Income taxes</b>		
Current tax for the year	0.2	0.2
<b>Total</b>	<b>0.2</b>	<b>0.2</b>
<b>Reconciliation of effective tax rate</b>		
Danish tax rate	22%	22%
Expected income tax benefit	0.2	0.2
<b>Total</b>	<b>0.2</b>	<b>0.2</b>

## 8 Operating assets and liabilities

### 8.1 Investment in subsidiaries

EURm	30 Sept. 2023	30 Sept. 2022
Capital contributions to subsidiaries	4,085.5	3,985.5

Group companies are listed on Note 5.10 of the Group financial statements.

Investments in subsidiaries are carried at cost less accumulated impairment losses in the parent's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognized in the income statement.



## Parent Financial Statements

# Notes

## 9 Other disclosures

### 9.1 Outstanding shares

For more information regarding outstanding shares, please refer to Note 4.1 in the consolidated financial statements.

### 9.2 Related parties

T&W Medical A/S is the parent entity and ultimate parent controlling WS Audiology A/S. There have been no transactions with subsidiaries or other related parties during the year besides related party balances at market rates.

### 9.3 Fees paid to the auditor appointed at the annual general meeting

Fees paid to Deloitte for assurance related services for the year ended 30 September 2023 was EUR 0.2 million (2022: EUR 0.2 million).

### 9.4 Fees paid to the Board of Directors

Please refer to Note 5.2 in the Consolidated Financial Statements for fees paid to the Board of Directors of WS Audiology A/S.

### 9.5 Significant events after the balance sheet date

There have been no non-adjusting events after the balance sheet date that would be expected to influence the economic decisions that users make on the basis of these financial statements.

### 9.6 Approval of the consolidated financial statements

The financial statements of WS Audiology A/S were approved by the Board of Directors and authorised for issue on 5 December 2023.



## Parent Financial Statements

# Entity information

### Entity

WS Audiology A/S  
Nymøllevej 6  
3540 Lyngø

Business Registration No (CVR): 40296638  
Founded: 28.02.2019  
Registered in: Allerød  
Financial year: 01.10.2022 – 30.09.2023

### Board of Directors

Marco Gadola, Chairman  
Jan Tøpholm, Vice-Chairman  
Adam Westermann  
Anthony Santospirito  
Egbertus Adrianus Johannes van Acht  
Jes Carøe Munk Hansen  
Julian Tøpholm  
Karen Naomi Prange  
Kristiaan Nieuwenburg  
Malou Aamund

### Executive Management

Eric Alain Bernard, Chief Executive Officer  
Marianne Wiinholt, Chief Financial Officer

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
2300 København S



# Consolidated ESG statements





## Consolidated ESG Statements

# Contents

### Consolidated ESG Statements

Social Performance	133
Environmental Performance	134
Governance	135

### Notes to the Consolidated ESG Statements

<b>10. Basis of Preparation</b>	<b>136</b>
10.1 Materiality	136
<b>11 Social Performance</b>	<b>139</b>
11.1 Awareness, Accessibility and Affordability	139
11.2 Diversity and inclusion	140
11.3 Employee engagement	143
11.4 Talent attraction, development and retention	143
11.5 Health and safety	144
11.6 Human Rights	146
11.7 Community engagement	149
<b>12 Environmental Performance</b>	<b>150</b>
12.1 Waste from manufacturing sites	150
12.2 Water consumption	151
12.3 Sustainable materials	151
12.4 Energy consumption	152
12.5 Climate change	154
12.6 TCFD	157
<b>13 Governance</b>	<b>159</b>
13.1 Supplier due diligence	159
13.2 Business ethics	160
13.3 Product safety	162
13.4 Ethical marketing	163
13.5 Data privacy	163
13.6 Data ethics	163
13.7 Cybersecurity	164



## Consolidated ESG Statements

# Social Performance

	Note	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
<b>Awareness</b>							
Additional people that became aware of hearing loss through WSA online and offline screening platforms	11.1	Number	>4 million (2028)	1.7 million	1.5 million	1.0 million	0.5 million
<b>Accessibility</b>							
People equipped with hearing devices	11.1	Number	>5.5 million (2028)	3.8 million	3.5 million	3.1 million	2.2 million
<b>Affordability</b>							
People equipped with affordable hearing devices	11.1	Number	>2 million (2028)	1.3 million	1.2 million	1.1 million	0.8 million
<b>Diversity and inclusion</b>							
Board of Directors identifying as women	11.2	% of women	30% (2028)	20%	20%	20%	10%
Underrepresented gender in Executive Committee*	11.2	% of women	30% (2028)	22%	N/A	N/A	N/A
		% unknown gender		0%	N/A	N/A	N/A
Underrepresented gender in Strategic Forum*	11.2	% of women	35-40% (2028)	23%	N/A	N/A	N/A
		% unknown gender		0%	N/A	N/A	N/A
Underrepresented gender in managerial roles	11.2	% of women	45-50% (2028)	37%	39%	37%	38%
		% unknown gender		1%	N/A	N/A	N/A
Unique nationality in Executive Committee	11.2	Number		6	N/A	N/A	N/A
Number of substantiated harassment and discrimination cases	11.2	Number		2	N/A	N/A	N/A
<b>Employee engagement</b>							
Employee engagement	11.3	Number	8 (2025)	7.9	7.6	7.2	65%
<b>Talent attraction, development and retention</b>							
Total employee turnover	11.4	%	12% (2025)	25%	23%	22%	18%
Total voluntary employee turnover	11.4	%	6% (2025)	12%	13%	14%	9%
<b>Health and safety</b>							
Recordable work-related injuries	11.5	Number	0 (target for every year)	4	11	11	10
Rate of recordable work-related injuries	11.5	Number	0 (target for every year)	0.53	1.85	1.96	N/A
Fatalities	11.5	Number	0 (target for every year)	0	0	0	0

\* The calculation of our previous years' group composition - Group Management Team and Global Leadership Team - has been updated to reflect our current Executive Committee and Strategic Forum structure. Refer to WSA Annual Report FY21-22 for our previous years' gender diversity targets and performance.



Consolidated ESG Statements

# Environmental Performance

	Note	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
<b>Clean production</b>							
Hazardous waste	12.1	Kg		97,657	53,268	42,987	33,894
Hazardous waste sent for incineration (mass burn)	12.1	%		21%	40%	45%	34%
Hazardous waste sent for other disposal method incl. recycling	12.1	%		79%	60%	55%	66%
Non-hazardous waste	12.1	Kg		1,071,317	807,416	676,305	549,208
Non-hazardous waste sent for recycling	12.1	%	70% (2023)	69%	70%	60%	N/A
Water consumption	12.2	Ton		53,780	35,464	32,362	24,947
<b>Sustainable materials</b>							
Share of product packaging in FSC Paper	12.3	%	100% (2025)	60%	47%	N/A	N/A
<b>Energy consumption</b>							
Total energy consumption	12.4	MWh		50,411	58,103	50,411	61,051
Fuel consumption	12.4	MWh		13,327	19,799	16,415	23,434
Electricity, heating and cooling consumption	12.4	MWh		37,084	38,304	33,996	37,617
Share of renewable electricity	12.4	%	100% (2025)	66%	41%	23%	16%
<b>Climate change</b>							
Scope 1 GHG emissions	12.5	CO <sub>2</sub> -eq t	Reduce 50% by 2030 from a 2020 base year (SBTi)	3,066	4,402	3,764	6,940
Scope 2 GHG emissions (location-based)	12.5	CO <sub>2</sub> -eq t		11,541	12,357	12,066	13,335
Scope 2 GHG emissions (market-based)	12.5	CO <sub>2</sub> -eq t		4,927	7,703	11,094	13,372
Scope 3 GHG emissions	12.5	CO <sub>2</sub> -eq t	Reduce 30% by 2030 from a 2021 base year (SBTi)	389,152	363,723	383,900	463,400



Consolidated ESG Statements

Governance

	Note	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
<b>Supplier due diligence</b>							
Share of high-risk suppliers audited for their social, environmental and ethical management systems and performance	13.1	%	100% (2023)	100%	100%	20%	8%
Suppliers audited for their social, environmental and ethical management systems and performance	13.1	Number	5 (2023)	5	15	5	3
Suppliers with social, environmental or ethical non-compliance	13.1	Number		5	15	4	0
Suppliers established improvement plans to rectify non-compliance	13.1	Number		5	15	4	0
<b>Business ethics and anti-corruption</b>							
Substantiated breaches involving corruption or bribery incidents	13.2	Number		4	0	0	0
Ethics and anti-corruption training	13.2	%	98% (2023)	100%	N/A	N/A	N/A
<b>Product safety</b>							
Class I recalls	13.3	Number	0	0	0	0	0
Class II recalls	13.3	Number	0	0	0	0	0



## Consolidated ESG Statements

# Notes

### 10. Basis of Preparation

The WSA consolidated ESG Statements has been prepared in accordance with Danish Financial Statements Act, GRI standards, principles of United Nations Global Compact (UNGC) and Task Force on Climate Related Financial Disclosures (TCFD).

The disclosure of waste and water consumption covers our main manufacturing sites in Denmark, Singapore, China, Poland, Mexico and the Philippines. We consider main manufacturing sites for the purposes of the ESG Statements as being ISO 45001-certified. Other sites are considered to not have significant impact due to waste and water consumption.

The disclosure of the energy consumption, greenhouse gas emissions, social and governance topics covers 100% of the WSA Group, including manufacturing sites, distribution centers, offices, and retail stores.

#### 10.1 Materiality

WSA recognizes the importance of identifying our impacts, risks and opportunities through a double materiality assessment. This is so that we know which sustainability topics have the greatest potential to influence our business success and which topics WSA have significant impact on.

The concept of double materiality calls for a comprehensive approach to materiality analysis. It goes beyond the traditional focus of each sustainability topics' financial impact on the company but also considers the company's and value chain's impact on society and the environment. It is against this backdrop that WSA performed our second double materiality assessment, 2 years from the last exercise.

Our process included extensive desk research and interviews with 38 internal and external stakeholders. The desk research identified 26 short and long-term material topics which were explored during the stakeholder interviews. The stakeholders' tasks were to classify WSA impact on each topic and each

topic's impact on WSA. The process was overseen by the Sustainability Committee and the outcomes were reviewed and approved by the Board of Directors. Our process is further detailed in the following pages.

#### 1. Identification and consolidation

In this step, we drew on a number of sources to compile an extensive list of ESG topics encompassing environmental, social and governance dimensions, as well as financial considerations. They include:

- Global frameworks and standards
- ESG ratings and assessments
- Existing and upcoming international, governmental and industry regulations, standards and agreements
- Peer reports and benchmarks
- Investor, analyst, and proxy advisor reports and feedback
- Media reports
- Employee and customer feedback
- Ongoing due diligence of our risks

We reviewed the results and consolidated the broad topics into a list of 26. We did this by identifying sub-topics that could be grouped together to avoid duplication and to streamline our analysis. This step ensured the materiality exercise remains focused on the most pertinent topics.

#### 2. Prioritization from Inside-out and Outside-in perspectives

In the next step, we defined each of the 26 topic and used that as a basis in our interviews with both internal and external stakeholders. We conducted online and in-person interviews with employees, customers, suppliers, owner and investors and the management team, through which we mapped the list in 2 dimensions - the Inside-out and Outside-in perspectives.

Inside-out (Impact Materiality): Selected stakeholders were presented with the 26 topics and asked to rank them according to their perception of how important the topics are from a low, medium and high continuum, and based on whether WSA's successful or unsuccessful management of a topic would have low, moderate or significant positive/negative impact. The stakeholders were selected taking into account a balanced representation across the groups:

- Employee diversity (blue and white collared workers, new joiners, different geographical regions)
- Supplier selected from different categories and different maturity in their ESG performance



Consolidated ESG Statements

Notes

10.1 Materiality (cont'd)

- Customer
- Owner and investor

Outside-in (Financial Materiality): Next, we sought the opinion of various internal stakeholders, including executive members and functional heads - CEO, CFO, Chief Human Resources Officer, Chief Operations Officer, Chief Quality and Regulatory Officer, Head of Corporate Communications, Chief Retail Officer and Head of Sustainability – on each topic’s impact on WSA. This step was conducted in a workshop format, with members split into focus groups and then regrouping to agree and align on the financial significance (low, medium, high) of each topic based on the outcomes of the separate group discussions.

The materiality exercise highlighted key areas of concern for our stakeholders. We continue to monitor topics that are not defined as material but might become more important moving forward.

Groups	Topics of concern
Employee	<ul style="list-style-type: none"><li>• Employee well-being</li><li>• Employee development</li><li>• Customer satisfaction</li><li>• Product safety</li></ul>
Investor	<ul style="list-style-type: none"><li>• Sustainability and corporate governance</li><li>• Diversity and equality</li><li>• Climate action</li></ul>
Owner	<ul style="list-style-type: none"><li>• Employee engagement</li><li>• Awareness, Affordability and Accessibility</li></ul>
Customer	<ul style="list-style-type: none"><li>• Innovation, product design and research</li><li>• Climate action</li><li>• Circular economy and clean production</li><li>• Human rights &amp; labor rights</li><li>• Product safety</li><li>• Supplier chain and due diligence</li></ul>
Supplier	<ul style="list-style-type: none"><li>• Product safety</li><li>• Supply chain and due diligence</li></ul>

Board of Directors and Executive Committee (ExCo)	Views are aligned with our customers, employees and suppliers
---	---

3. Concluding and finalizing the materiality topics

Based on the results of the prioritization process, top materiality topics of medium to high importance from both Impact and Financial materiality perspectives were identified and mapped on the materiality matrix. The materiality matrix visualizes 14 critical topics that WSA has the greatest impact on and where the topics have the greatest potential to influence our business success. These 14 topics are a result of further streamlining where relevant sub-topics are grouped together.

Topic	Diversity, Equality, Inclusion and Culture	Employee Experience	Business Ethics and Governance	Supplier Due Diligence
Sub-topics	<ul style="list-style-type: none"><li>• Diversity &amp; inclusion</li><li>• Pay equality</li><li>• Employee well-being</li></ul>	<ul style="list-style-type: none"><li>• Employee engagement</li><li>• Talent attraction and development &amp; retention</li></ul>	<ul style="list-style-type: none"><li>• Anti-corruption</li><li>• Ethical marketing and sales practices</li><li>• Sustainability governance</li><li>• Human rights &amp; labor rights</li></ul>	<ul style="list-style-type: none"><li>• Human rights and labor rights</li><li>• Environmental, health and safety compliance</li></ul>

To ensure the credibility and legitimacy of the materiality analysis, the identified material topics are presented to the ExCo and Board of Directors for validation and approval. The Board's input is valuable in refining and finalizing the materiality assessment, ensuring alignment with the company's strategic goals and objectives.

We used insights from the materiality assessment to prompt further discussions with key internal and external stakeholders around risks and opportunities and to refresh our ESG goals and targets where needed. The updated goals and targets as well as our performance will be reflected in our FY23-24 Annual Report.





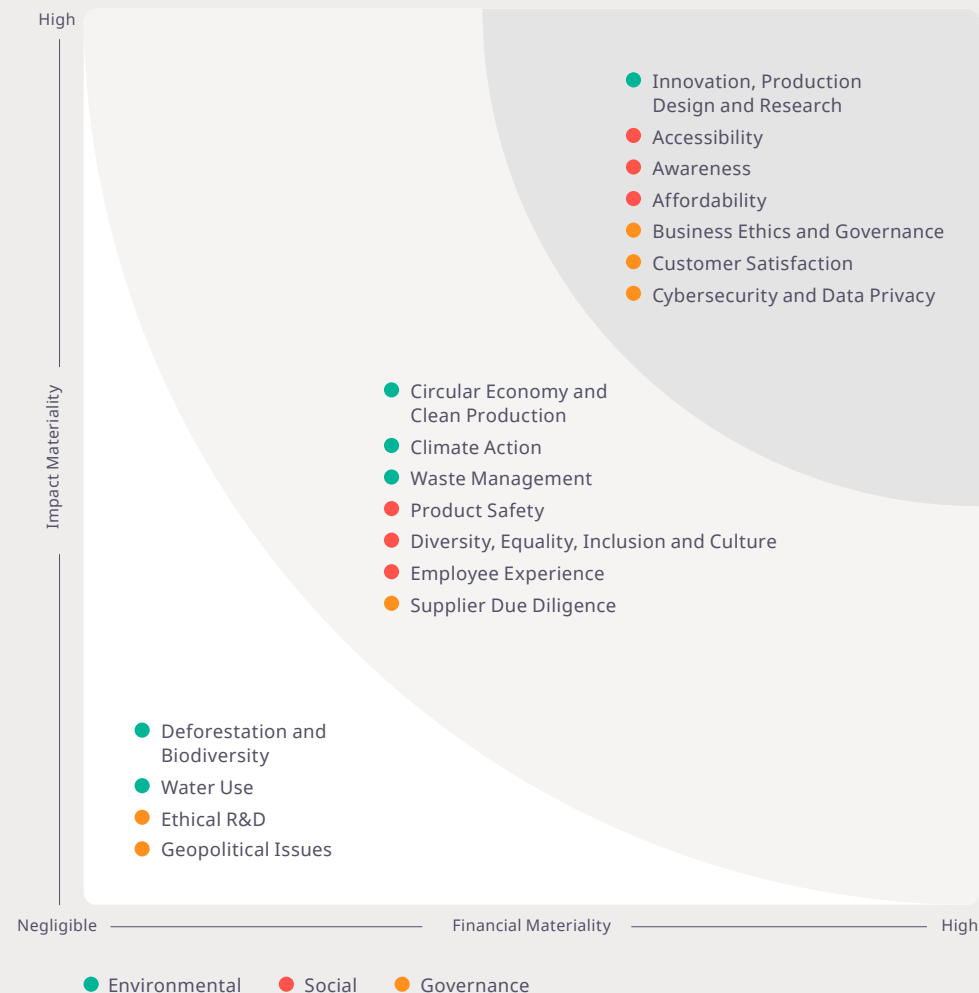
## Consolidated ESG Statements

### Notes

#### 10.1 Materiality (cont'd)

We measure a range of financial, non-financial and operational Key Performance Indicators (KPIs). These have a significant impact on the resilience and sustained performance of our Group's businesses globally, whether in the short, medium or long term. Our KPI areas cover topics identified through our FY21-22 materiality assessment and will be reviewed to cover expanded topics identified in the latest FY22-23 materiality assessment.

We design the remuneration of our senior management executives to motivate them to strive for sustained growth and adopt strategies aligned to the long-term performance of the group. The remuneration package comprises components linked to the achievement of annual performance targets, including material risks and sustainability performance.





## Consolidated ESG Statements

# Notes

## 11 Social performance

### 11.1 Awareness, Accessibility and Affordability

At WSA, our foremost objective is to raise awareness and eliminate the stigma surrounding hearing health. We strive to provide personalized hearing aids that meet individual needs, extending our reach through technological innovation to offer accessible hearing solutions even in remote areas.

#### Performance FY22-23

	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
Additional people that became aware of hearing loss through WSA online and offline screening platforms	Number	>4 million (2028)	1.7 million	1.5 million	1.0 million	0.5 million
People equipped with hearing devices	Number	>5.5 million (2028)	3.8 million	3.5 million	3.1 million	2.2 million
People equipped with affordable hearing devices	Number	>2 million (2028)	1.3 million	1.2 million	1.1 million	0.8 million

Almost 1.7 million additional people became aware of their hearing capability through WSA online and offline platforms, which contributes to an increase to a 13% compared to the previous year's performance.

3.8 million people served with our brands' hearing aids represents a 8.5% increase compared to the previous year's data. This metric reflects the positive impact of the continuous effort to make hearing aids more accessible to more and more people.

There is an 8.3% increase in the number of people equipped with affordable hearing aids compared to the previous year. Our affordable hearing aids are offered through our low-cost channels (public, managed care and OTC) and basic segment products.

### § Accounting principles

**Additional people that became aware of hearing loss through WSA online and offline screening platforms** – WSA online and offline screening tools capture the number of screening tests completed. Each test is counted for one person. Number of tests also includes hearing appointments performed by WSA own retail and a proxy for Managed Care, based on people served with hearing devices, assuming a fall-out rate of 30%. Fallout rate is based on input from retail where we consider conversions of hearing aids tests booked (not online) to actual sales.

**People equipped with hearing devices** – Number of people equipped is calculated based on hearing devices sales volume and binaural rate (74%). The binaural rate is an assumption based on both our own data from fitting software, industry surveys, own retail and feedback from customers and if customer buys one or two hearing aids.

**People equipped with affordable hearing devices** – Number of people equipped in low-cost channels (public, managed care, OTC) and with hearing devices offered in the Basic price segments across all channels. Basic segment is the entry-level segment in the global WS Audiology product portfolio. The number is calculated based on hearing devices sales volume in the channels, price segments mentioned above and binaural rate.



## Consolidated ESG Statements

# Notes

### 11.2 Diversity and inclusion

In our ESG efforts, we emphasize the significance of Diversity, Equity and Inclusion (DEI). We firmly believe in creating an inclusive environment that upholds the rights and dignity of every individual. By actively combating stigma, we strive to empower and uplift marginalized groups, fostering a work environment where everyone can thrive and be heard.

To assess the impact of our initiatives and track progress, we have developed a global DEI Dashboard. This tool provides us with monthly reports on gender KPIs and gathers feedback through a bi-annual Pulse Survey. These measures allow us to measure the effectiveness of our actions and ensure that our workforce remains diverse, equitable, and inclusive.

We kept a strong momentum this year on our gender diversity targets and performance. We adjusted our KPIs to reflect our new leadership structure – now named the Executive Committee (ExCo) and Strategic Forum, and continued to track the gender diversity of our leadership teams. We also set a more ambitious target of 30% women by 2028 for Board of Directors given that we have achieved the previous target last year. During the year, 2 new directors were introduced to the Board of Directors, with the total number of directors remaining the same at 10. Given that both new directors are men, the gender composition of the Board of Directors remained the same compared to FY21-22.

The overall employee composition in FY22-23 was 58% women, 41% men, and remaining 1% employees who did not declare their gender. As of 30 September 2023, our ExCo had 9 members representing 6 nationalities and 22% of the ExCo is comprised of women. Our target is to reach 30% of underrepresented genders in the ExCo by 2028, 35-40% underrepresented genders in the Strategic Forum, and 45-50% underrepresented genders in other managerial roles. The last target has been included in the STI (short-term incentive) program with the aim of increasing the number of underrepresented genders with one or more direct reports.

We identified non-discrimination and equal opportunities as a salient issue as outlined in our Human Rights policy. Our commitment to advancing gender balance and increasing the share of underrepresented gender in other management levels is mirrored in the activities carried out this year:

- Broadened the definition of gender in our Key Performance Indicators (KPIs) to include all identities
- Included a global gender target in our Short-Term Incentive Plan (STI), signaling our strong focus on driving tangible change

- Launched two interactive DEI surveys in our key locations in Germany, Singapore and Denmark. These surveys have provided valuable insights into where we should focus our local DEI strategies, and what biases may prevent us from achieving our targets. The results have also helped us develop core DEI questions for our annual global Employee Engagement survey, allowing us to effectively track our progress going forward.

- Launched the Embracing Inclusive Leadership Program for 200 of our most senior leaders to foster inclusive leadership practices to recognize the critical role of leadership

#### Respect at Work

WSA ensures a safe work environment where all colleagues are treated fairly and respectfully and has a zero-tolerance policy for any form of harassment.

In 2021, we introduced the WSA Compliance Portal, accessible to employees across regions. This platform facilitates the reporting of unethical conduct, including incidents of harassment and bullying.

In 2023, we launched the Respect at Work campaign as a testament to our ongoing dedication to harassment-free work environment. This campaign includes a mandatory global e-learning module, a dedicated intranet page disseminating comprehensive information, visually impactful posters for heightened visibility, and a revised Group Harassment-free policy that provides nuanced insights into the various displays of workplace harassment.

Since launching the Respect at Work campaign, we've noticed more colleagues reporting cases of harassment and bullying. This is a positive trend that our colleagues are aware of how to recognize and report such incidents.

In FY22-23, we received 45 cases of harassment and bullying reported through global channels (compliance portal, direct manager or HR). Out of these, 43 cases were not substantiated. The remaining 2 cases led to legal actions, including termination.



## Consolidated ESG Statements

# Notes

### 11.2 Diversity and inclusion (cont'd)

#### Performance FY22-23

	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
Board of Directors identifying as Women	% of women	30% (2028)	20%	20%	20%	10%
Underrepresented gender in Executive Committee*	% of women	30% (2028)	22%	N/A	N/A	N/A
	% unknown gender		0%	N/A	N/A	N/A
Underrepresented gender in Strategic Forum*	% of women	35-40% (2028)	23%	N/A	N/A	N/A
	% unknown gender		0%	N/A	N/A	N/A
Underrepresented gender in managerial roles	% of women	45-50% (2028)	37%	39%	37%	38%
	% unknown gender		1%	N/A	N/A	N/A
Unique nationality in Executive Committee	Number		6	N/A	N/A	N/A
Number of substantiated harassment and discrimination cases	Number		2	N/A	N/A	N/A
Number of total harassment and discrimination cases	Number		45	N/A	N/A	N/A

\* The calculation of our previous years' group composition - Group Management Team and Global Leadership Team - has been updated to reflect our current Executive Committee and Strategic Forum structure. Refer to WSA Annual Report FY21-22 for our previous years' gender diversity targets and performance.

### § Accounting principles

**Board of Directors identifying as Women** – The Board of Directors is the highest governance body of WS Audiology. The count is based on the list of board of directors' members of WSA as of last day of financial year which in current definition is 30 September 2023. This calculation includes the percentage of women divided by the total number of members in the board of directors. At WSA we do not have any employee-elected board members which is why the calculation for this target is based on the 10 board members selected by shareholders.

**Underrepresented gender in Executive Committee** – Consists of the formal ExCo members as of last day of financial year which in current definition is 30 September 2023 of the calendar year. This calculation includes the percentage of women and the percentage of people who did not declare their gender in ExCo. The count is based on the list of ExCo featured on page 50. The data is captured in SuccessFactors system at the end of financial year.

**Underrepresented gender in Strategic Forum** – Consists of the Strategic Forum members as of last day of financial year which in current definition is 30 September 2023. The forum is made up of the direct reports of the Group CEO, the regional presidents, country leaders generating over \$100 million in revenue, and senior leaders representing critical functions within Operations, Procurement, R&D, Marketing, HR, IT, Legal, Quality and Finance. The data is captured in SuccessFactors system at the end of financial year.

The data of employees with direct reports are recorded in HR database – SuccessFactors. The data is captured at the end of financial year. The percentage of women in Strategic Forum is defined by the number of women in the strategic forum divided by the number of employees in Strategic Forum.

The percentage of people who did not declare their gender in the strategic forum is defined by the number of people who did not declare their gender divided by the total number of employees in the strategic forum.

The total number of employees in Strategic Forum is equal to the total number of men, women and employees who did not declare their gender within the Strategic Forum.



## Consolidated ESG Statements

# Notes

### 11.2 Diversity and inclusion (cont'd)

**Underrepresented gender in managerial roles** – Consists of all managers with direct reports. Total percentage of women and people who did not declare their gender among all managers with direct reports. The data of employees with direct reports are recorded in HR database – SuccessFactors. The data is captured at the end of financial year. The percentage of women in managerial roles is defined by the number of women with one or more direct reports divided by the total number of people in managerial positions\*.

The percentage of people identifying differently from man or woman in managerial roles is defined as the number of people who did not declare their gender with one or more direct reports divided by total number of people in managerial positions\*.

The percentage of underrepresented gender in managerial roles is defined as the percentage of women in managerial roles and the percentage of people who did not declare their gender in in managerial roles.

**All employees** – Consists of all employees, including operators, retail employees and white-collar staff as of last day of financial year which in current definition is 30 September 2023. Only employees with a permanent working contract are included.

**Unique nationality in Executive Committee** – The number of unique nationalities among ExCo members of ExCo members. The data on nationality is captured on SuccessFactors which is WSA's Global Human Resources Information System (HRIS) as of last day of financial year which in current definition is 30 September 2023.

**Number of total harassment and discrimination cases**–Total number of harassment and discrimination cases reported through official channels – BKMS portal, Tell-us mail inbox, reports submitted to managers and reports submitted to HR or Legal teams. The BKMS system allows for employees to select a category that is most applicable - corruption & bribery/breach of competition law, money laundering / embezzlement, Fraud or breach of trust, books and records violations/ insider trading, violation of data privacy or data security provisions, discrimination harassment/bullying, and other violations. This allows us to correctly track and classify incidences.

Our Group Harassment-free policy is available on our internal employee portal and in our website.

**Number of substantiated harassment and discrimination cases**–Substantiated number of harassment and discrimination cases reported through official channels – BKMS portal, Tell-us mail inbox, reports submitted to managers and reports submitted to HR or Legal teams. The BKMS system allows for employees to select a category that is most applicable - corruption & bribery/breach of competition law, money laundering /embezzlement, Fraud or breach of trust, books and records violations/ insider trading, violation of data privacy or data security provisions, discrimination harassment/bullying, and other violations. This allows us to correctly track and classify incidences. A case is substantiated if there is sufficient evidence to start and conclude an investigation and the outcome supports the claim. Discrimination/harassment /bullying is defined by discrimination or degradation of groups or individual because of gender, religion, ethics etc., unsolicited or unwanted verbal or physical approach by colleagues' supervisors, managers clients, as well as chicanery, cruelty, injuries, or the like with the intent to expel an employee out of the company. Our Group Harassment-free policy and local translations can be located on <http://www.wsa.com/about/governance> and local translations are available on our internal employee portal.

\* Total number of people in managerial positions is defined by the total number of people manager of all genders (man + woman + employees identified as unknown gender).



Consolidated ESG Statements

Notes

11.3 Employee engagement

The heartbeat of WSA is workplace satisfaction, as encapsulated by one of our strategic goals: "Wonderful Place to Work." We are committed to cultivating a workplace that fosters satisfaction, where employees feel passionate and motivated and genuinely care about the company's success.

Performance FY22-23

	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
Employee engagement	Number	8 (2025)	7.9	7.6	7.2	65%

The overall engagement score as of FY22-23 was 7.9; an improvement of 4% compared to FY21-22, the third year of running this program. Significant efforts were implemented across the organization both at a global and country level in strengthening the WSA culture and to create a great place to work. Over FY22-23, we strengthened our people processes on a structural level, ensuring our values and behaviors were connected to everything we do starting with our performance and development processes. We initiated a wide spectrum of employee activities such as the 'Going Beyond' event among our retail employees and 'Pioneering Week' across our key sites in Lynge, Erlangen and Singapore.

Refer to page 25 in the 'Building a wonderful place to work' section for more information on our employee engagement initiatives.

§ Accounting principles

**Employee engagement** – Employee engagement score is a computed score based on the key drivers of engagement defined by the selected engagement platform. Starting from FY20-21, the employee engagement survey was facilitated by Peakon and based on their methodology. The scoring scale is 0-10. The engagement score is derived based on the average score of the main engagement question – “How likely is it that you would recommend WS Audiology as a place to work?” to 100% of the employees.

11.4 Talent attraction, development and retention

We monitor employee turnover on several levels (total, involuntary and voluntary) as part of our key business metrics. We aim to create a strong workplace culture where employees find joy in work and grow their careers. To ensure employee turnover is at a healthy level, we create a workplace that is stable and forward looking.

Performance FY22-23

	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
Total employee turnover	%	12% (2025)	25%	23%	22%	18%
Total voluntary employee turnover	%	6% (2025)	12%	13%	14%	9%

The total employee turnover for FY22-23 was at 25%, compared to 23% in FY21-22. The total voluntary employee turnover was 12% this year, down 1% compared to FY21-22. The increase in total turnover was attributed to pockets of structural changes that took place in parts of the organization. We monitor voluntary attrition within the organization on a regular basis and across various segments of the business – region, site, functional and employee groups. This analysis allowed us to identify specific 'at-risk' segments and deep dive where needed for actions to be taken. We also took reference from the external market benchmarks at country level to provide another perspective. Exit interviews were conducted with employees to further understand the rationale for leaving and identify measures to be put in place.

§ Accounting principles

**Total employee turnover** – Total number of permanent employees who leave WS Audiology within a 12-month period divided by total number of permanent employees for the current month. Permanent Employees are defined as the regular employees who have working contracts by the last day of the financial year which is 30 September of the year.

**Total voluntary employee turnover** – Total number of permanent employees who leave WS Audiology within a 12-month period voluntarily divided by total number of permanent employees for the current month. Voluntary leavers are defined as employees who resign from WS Audiology by the last day of the financial year which is 30 September of the year.





## Consolidated ESG Statements

# Notes

### 11.5 Health and safety

WS Audiology is committed to providing safe and healthy working conditions for our employees, contractors, and visitors and systematically eliminating hazards and reducing risks. We believe that all injuries, occupational illnesses, and accidents do not just happen; they are caused and are preventable.

#### Performance FY22-23

	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
Recordable work-related injuries	Number	0 (target for every year)	4	11	11	10
Rate of recordable work-related injuries	Number	0 (target for every year)	0.53	1.85	1.96	N/A
Fatalities	Number	0 (target for every year)	0	0	0	0

Rate of recordable work-related injuries decreased by 71% compared to last year. This financial year, the number of work-related injuries dropped from 11 to 4. This is attributed to our behavioral-based awareness training launched in 2023.

The safety of our employees will always be our top priority and every recordable work-related injury that occurred was reported to our Environmental Health & Safety (EH&S) team. The EH&S team thoroughly investigated each case, generated “lessons learned” reports, took corrective and preventive actions, including changes to systems and procedures where applicable.

Even though our working environment is generally safe, certain incidents unfortunately occur. The accidents occurred this financial year are summarized below:

In November 2022, one of our employees from Poland suffered an arm injury while relocating an empty pallet. The root cause analysis identified that the employee was unaware of the weight of the pallet and used an improper lifting technique. As a result, this accident was shared with relevant employees, emphasizing the correct lifting and carrying techniques.

In November 2022, one of our employees from Poland was injured on the right hand while using an electrical grinder when working in our facility in Tijuana. During investigation, it was found that the grinder used was defective and that its speed control was not working properly. As a corrective action, all similar equipment were reviewed and a maintenance plan for the tools was established.

In December 2022, one of our sales representative from Poland, working from home, slipped on the icy sidewalk and fell on his back, injuring his neck. The root cause analysis identified that the sidewalk was covered by thin black ice and the employee did not pay attention to the weather and road conditions. Even though the accident did not occur on WSA premises, the employee’s nature of work, being a Sales Representative, warrants an analysis and recommendations to be attentive to his environment and take appropriate measures, such as using sand or salt.

In March 2023, an employee from Poland cut the left thumb while using a scalpel. The investigation revealed that the employee was not careful while using the scalpel and an unfortunate move was the attributing factor of the injury. As a result, the employees were reminded of the hazards of using sharp objects.

The EH&S Team will continue to highlight the importance of accident prevention through the establishment and continuous review of hazard assessments and controls, workplace inspections and preventive maintenance programs as well as employee training in the next year.

We continue to maintain ISO 45001-certified health and safety management systems in our main manufacturing sites in Singapore, China and Poland. This year, Denmark was added to our list of sites with an ISO 45001 certification.

Site	FY22-23	FY21-22	FY20-21	FY19-20
China	ISO 45001	ISO 45001	ISO 45001	OHSAS 18001
Singapore	ISO 45001	ISO 45001	Not certified	OHSAS 18001
Poland	ISO 45001	ISO 45001	Not certified	OHSAS 18001
Denmark	ISO 45001	Not certified	Not certified	Not certified
Mexico	Not certified	N/A	N/A	N/A



## Consolidated ESG Statements

# Notes

### 11.5 Health and safety (cont'd)

#### § Accounting principles

**Recordable work-related injuries** – Data is consolidated from manufacturing sites in Denmark, Singapore, Mexico, China and Poland. The manufacturing site in the Philippines is not owned by WSA. The manufacturing activities are subcontracted to IMI and as such WSA has no direct employees. All incidents at the Philippines site are reported and handled according to IMI own processes and local legal requirements. In 2023, WS Audiology adopted the OSHA 1904.5 standard for the determination of work-relatedness accidents. The injury cases are reported to EH&S officers verbally or via email.

**Rate of recordable work-related injuries** – Data is consolidated from manufacturing sites in Denmark, Singapore, Mexico, China and Poland. The manufacturing site in Philippines is not owned by WSA. The manufacturing activities are subcontracted to IMI and as such WSA has no direct employees. All incidents at the Philippines site are reported and handled according to IMI own processes and local legal requirements. Rate of recordable work-related injuries equals number of recordable work-related injuries divided by number of hours worked. The number of hours worked is recorded in HR's IT system. The rate of recordable work-related injuries is calculated based on number of recordable work-related injuries multiplied by 1,000,000 and divided by the number of hours worked.

**Fatalities** – Number of victims of fatal accidents at work. Data is consolidated from the entire company. In case of a fatality, the local EH&S Officer will inform the Global EH&S Officer of the circumstances surrounding the incident. Top Management will be informed and a crisis management team will be established to handle the incident. The EH&S officers or OH&S specialist will coordinate the investigation and together with the crisis management team will identify corrective and preventive actions. Each case will be reported and records will be kept as per legal requirements. Lessons learned will be shared with relevant stakeholders and other affiliates.



## Consolidated ESG Statements

# Notes

### 11.6 Human Rights

Being a company committed to helping people regain hearing and improving their quality of life, acting responsibly is an essential part of our business culture. Consequently, we do everything in our power to fight human rights abuses, including modern slavery and human trafficking.

#### 1. Modern slavery

Our global manufacturing sites are in China, Denmark, Mexico, the Philippines, Poland and Singapore.

The risk of modern slavery in our operations is low due to the type of talents we bring into the company. Our thorough hiring procedures ensure no forms of forced or compulsory labor take place at our sites across all our sites.

Our suppliers are located in Europe, North America and Asia, and our due diligence program is designed to manage the risk of modern slavery in certain Asian regions where its risks are relatively higher.

#### 2. Governance

Human rights considerations are embedded into decision-making across our company and into our policy and governance framework. The Board of Directors is regularly informed on sustainability aspects of the business, including human rights, environmental and supply chain related risks, strategies and actions for addressing them at least twice a year. The Board of Directors delegates the responsibility of overseeing the management of risks related to environmental and corporate social responsibility practices, including those associated with our operations and supply chain to the Sustainability Committee. More specifically, the Sustainability Committee has oversight of all WSA's sustainability related programs. The Head of Sustainability leads and drives all sustainability related programs.

The Sustainability team has dedicated roles that works across the company to conduct human rights, environmental and supplier due diligence in our own operations and in our value chain and embed these considerations into everyday business activities.

#### 3. Policy

WS Audiology is committed to addressing human rights risks, including human trafficking and modern slavery by operating responsibly, safely, and with integrity. Our efforts are anchored in our policies, where we communicate our values and set our expectations for ourselves, our suppliers and partners. We

regularly review our policies to identify areas for improvement, a process which enables us to continually benchmark against evolving international human rights standards.

Our approach is guided by international protocols and procedures including the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labor Organization Core Conventions. The Ten Principles of the United Nations Global Compact on human rights, labor, environment and anti-corruption form the basis of all our actions.

The WSA Code of Conduct and its associated policies, procedures, training and communication outline our expectations of all employees. The Code of Conduct, available in 15 languages demonstrates our commitment to complying with applicable laws, rules and regulations.

Our Human Rights policy, launched in FY22-23 demonstrates our commitment to respecting fundamental human rights and the dignity of people connected to our business around the world.

#### 4. Supplier due diligence

We updated and strengthened our Supplier Code of Conduct with the Responsible Standards for Suppliers (RSS) in FY22-23, in recognition of higher standards expected of us from our customers as well as to align with current best practice and standards. The RSS outlines our commitment to delivering high standards in both social and environmental matters, in our own operations as well as in relation to our suppliers and beyond. It defines WSA's requirements on our suppliers, concerning their compliance with applicable laws and responsibilities to respecting labor and human rights. Suppliers are required to sign the RSS as a prerequisite to starting a business relationship with WSA.

Our supplier due diligence program evaluates the qualifications and reputation of third parties, so that we work with those whose standards are compatible with our own. We identify suppliers who run a higher risk of having human rights, environmental and health and ethics issues in their operations and also their supply chains. In doing so, we cover our indirect suppliers in the due diligence process. Part of that process also includes having a dedicated team who collects conflict mineral reports from suppliers whose supply chain are prone to human rights abuses. We are conscious about materials and substances in our products and therefore commit to source materials responsibly including from conflict-free mines through our suppliers. We refuse to work with third parties that do not share our commitment to responsible sourcing.



Consolidated ESG Statements

Notes

11.6 Human Rights (cont'd)

The supplier due diligence program is a multi-step process conducted annually and is aimed at managing our supply chain risks. We first identify high risk suppliers based on country, category, spend and business relations. High risk suppliers identified are included in the year’s audit plan where they will be audited against the whole scope of the WSA Supplier Code of Conduct (and the RSS from FY23-24) and include management system review, management interview, and workers interview. The audits are conducted by certified third-party auditors. The audit addresses the different facets of possible human rights abuses, including but not limited to topics such as modern slavery, human trafficking, forced labor and labor rights violations. It also addresses environmental, health and safety topics such as waste management and safe workplace. All non-compliances identified are monitored via a corrective action plan with appropriate timelines drawn up to ensure any violations are addressed within said time. Remedial actions and timelines are developed by suppliers and agreed upon by WSA, and closely followed-up by the appointed auditing firm. The Sustainability Committee is informed of the results of audit before the end of the FY.

Our procurement department and sustainability department co-owns the RSS and supplier due diligence program.

Further information including our supplier due diligence KPIs are detailed in note 13.1.

5. Risk assessment and management

We assess the nature and extent of exposure to human rights risks in our business and supply chain and take a long-term and collaborative approach to mitigating the risks and tackling the root causes.

The salient human rights issues in our own operation and supply chain are identified based on a human rights assessment conducted by external human rights experts. It covers the full scope of WSA’s global operations and value chain, from supply chain to sales, marketing, and distribution. The assessment is based on internal and external stakeholder interviews and documentation review.

The human rights assessment also defines each of the salient human rights issue and what that means to WSA. They are documented within the Human Rights Assessment report.

The respective issue owners continue to assess, monitor, and mitigate the risks associated with salient human rights issues in our own operation. We include vulnerable groups, such as pregnant women and colleagues with a disability in the risk assessment, where applicable.

Overview of salient human rights issues, scope, and issue owners:

Salient human rights issues	Own operation	Supply chain
Occupational Health, Safety and Security	X	X
Violence and Harassment	X	X
Non-Discrimination and Equal Opportunity	X	X
Freedom of Association and Collective Bargaining	X	X
Forced Labor	X	X
Working Conditions: Working Hours, Wages & Benefits	X	X
Young Workers and Child Labor	X	X
Grievance Mechanisms and Access to Remedy	X	X
Access to Healthcare and Right to Science	X	
Responsible Marketing and Sales	X	
Product Quality and Safety	X	
Sourcing from Conflict-Affected and High-Risk Areas		X

The salient human rights issues in our own operation are owned by relevant departments, such as EH&S, HR, Legal, Marketing, and Quality. The supply chain human rights issues are jointly owned by Procurement, Sustainability and Legal.

We are subject to regular social compliance audits from our customers.

We also assess our own human rights risks through regular internal audits. These audits are carried out by the Global EH&S Officer on our sites and covers both social and EH&S areas.

Health and safety incidents are directly reported to EH&S officers. All cases this year have been investigated and resolved, with preventive actions taken to mitigate risks. See note 11.5 for an example of mitigation actions of a health and safety incident.



## Consolidated ESG Statements

# Notes

### 11.6 Human Rights (cont'd)

Part of our M&A process includes a human rights due diligence questionnaire. This constitutes our comprehensive risk assessment of potential acquisitions.

As reflected in our Code of Conduct, we recognize a range of operational and reputational risks in our supply chain, and we refrain from working with third parties that do not share our commitment to integrity. We conduct due diligence procedures to evaluate the qualifications and reputation of suppliers and avoid working with suppliers whose standards are incompatible with our Code.

Based on business risks, as well as country, product and service category, we identified and audited 5 high risk suppliers in FY22-23. The audit results showed that some suppliers have non-compliances related to working hours and safety management. We did not identify any non-compliances related to modern slavery. We follow up closely with all suppliers to rectify their non-compliances based on agreed timelines.

We continue to evaluate the risk of new suppliers and include them into our audit plan where they are deemed high-risk.

As outlined in the WSA Code of Conduct, we are committed to foster an environment where our employees can ask questions and raise issues and concerns about business ethics without fear of retaliation. Employees can raise issues and concerns to their managers, Local Compliance Advisor, Regional Compliance Officer and Human Resources department. Employees and third parties can raise issues and concerns anonymously to [tell-us@wsa.com](mailto:tell-us@wsa.com) and/or through the WSA Compliance Portal.

The WSA Compliance Portal is available in 15 languages. Reports in the WSA Compliance Portal are made through an externally hosted internet portal by an independent third party service provider. We follow up on reported violations with internal compliance investigations when justified by supporting evidence.

### 6. Mitigation and remediation

As part of our preventive measures, we continue to increase the awareness of modern slavery and human trafficking among our employees. The WSA Code of Conduct is provided to all new employees as part of their onboarding material. The RSS is developed in collaboration between the sustainability and procurement teams and communicated to the respective team members accordingly.

Our EH&S officers from key geographies including Europe and Asia were trained on human rights due diligence to support and enhance our internal audits on human rights topics across our operations. Beginning in 2024, human rights training program will be rolled out covering HR and local management teams across our high-risk sites.

Over the course of the year, we engaged our suppliers on a range of topics. We invited key suppliers to participate in our materiality assessment exercise and provided training on decarbonization. These were steps we took to include our suppliers in our sustainability story and support them on their ESG journeys.

We ensure compliance with national labor legislation, having open and honest relationships with employees, and respecting their right to be informed, heard, and to voice their concerns in an open and transparent manner.

The WSA Compliance Portal is a channel for all internal and external stakeholders to raise their concerns of human rights violations anonymously. Read more about the WSA Compliance Portal in note 13.2 Business ethics. Substantiated human rights related concerns are raised to HR via the WSA Compliance Portal. Both substantiated cases on harassment and bullying raised this year have been investigated and resolved. See note 11.2 for more details.

**WSA's policies, practices, and procedures to assess and address the risk of modern slavery apply to our operations and supply chains worldwide. This statement under note 11.6 Human Rights has been prepared in compliance with the requirements of the United Kingdom Modern Slavery Act and the German "Act on Corporate Due Diligence to Prevent Human Rights Violations in Supply Chains" (Lieferkettensorgfaltspflichtengesetz). It describes the actions taken by WSA during the period from October 1, 2022 to September 30, 2023.**



## Consolidated ESG Statements

# Notes

### 11.7 Community engagement

As a responsible corporate citizen, we recognize our duty to the communities we operate and serve in. Our ongoing efforts are fueled by the collective passion of our workforce. The highlights of our community efforts in FY22-23 includes:

#### Australia and New Zealand take-back program

Last year, we initiated a pilot project in our Bloom Hearing Australia retail shops to take back used hearing aids from consumers. The purpose is to give our customers a chance to pay it forward by donating their old device and give these hearing aids a second life if possible. This year, we rolled out the initiative to New Zealand and were able to collect and donate 89% of the hearing aids collected to charities such as Recycled Sound (not-for-profit community service project established to recycle hearing aids) and Hearing Matters Australia (in NSW that donates to underprivileged).

#### Turkey earthquake

In February 2023, Turkey was hit by devastating earthquakes. More than 50,000 people lost their lives, and more than 107,000 were injured in an area that covers 16% of the country. To help the victims, WSA Turkey, in cooperation with the Provincial Health Directorate, donated two container offices to the affected regions to meet the needs of our customers. The containers served as a valuable resource, allowing them to continue their operations without interruption. WSA Turkey also donated 1,000 hearing aids to the Hatay Provincial Health Office for earthquake survivors who have hearing loss.

#### Fisher House Foundation

Signia matched EUR 23,000 in donations to benefit the Fisher House Foundation to help constructing homes near military and Veterans Affairs medical facilities.

#### Danish National Fundraising

With a firm belief in Going Beyond Together, WSA supported the Danish National Fundraising and 12 internationally recognized aid organizations to bring help and hope to the many people in despair in the world's current most critical hotspots. WSA contributed EUR 13,500 to the fundraising with the theme 'War in Ukraine, drought in the Horn of Africa, climate crisis, food crisis and corona pandemic, ensuring children in 15 neediest countries get food and access to clean drinking water, receive education, medical care and psychological assistance and protection.

#### Rotterdam Marathon

WSA participated in the Rotterdam Marathon with colleagues from the WSA Benelux raising over EUR 20,000 for the Dutch Cancer Foundation in the fight against cancer.





Consolidated ESG Statements

Notes

12 Environmental performance

Our commitment towards being good stewards of the environment is reflected in our Environmental, Health and Safety policy. We outline the focus we place on excellence in environmental protection, management as well as in product life cycle. WS Audiology has not recorded any non-compliance with regulations in the environmental area in FY22-23.

12.1 Waste from manufacturing sites

Clean production has become one of WSA's focal areas as we transition from a linear to a circular business model. By using our resources efficiently and reducing waste in our manufacturing, we have made recycling one of our primary goals.

Performance FY22-23

Clean production	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
Hazardous waste	Kg		97,657	53,268	42,987	33,894
Hazardous waste sent for incineration (mass burn)	%		21%	40%	45%	34%
Hazardous waste sent for other disposal method incl. recycling	%		79%	60%	55%	66%
Non-hazardous waste	Kg		1,071,317	807,416	676,305	549,208
Non-hazardous waste sent for recycling	%	70% (2023)	69%	70%	60%	N/A

In FY22-23, the amount of hazardous waste increased by 80% and non-hazardous wastes increased by mainly driven by 33%, mainly driven by the increased reporting scope of Mexico. Excluding Mexico, we achieved a 2% reduction in non-hazardous waste, driven by clean production initiatives; hazardous waste was increased by 9%, driven by business growth.

The share of non-hazardous waste sent for recycling globally remains stable at 69%. The average non-hazardous wastes recycling rate in sites China, Denmark, the Philippines, Poland and Singapore reached 82% this year, improved by 12 percentage points from last year.

In our Mexico site, we were challenged to source a suitable waste recycling vendor when the site was initially established. We focused efforts to boost recycling rates while eliminating the volume of waste sent to landfills. We were able to continuously increase the percentage of waste being recycled by introducing a new waste management vendor and implementing new procedures.

We continue to maintain ISO 14001-certified environmental management systems at our main manufacturing sites in Singapore, China, Poland, and the Philippines. In FY22-23, our headquarters in Lyngø successfully completed the ISO 14001 third-party certification.

Site	FY22-23	FY21-22	FY20-21	FY19-20
China	ISO 14001	ISO 14001	ISO 14001	ISO 14001
Singapore	ISO 14001	ISO 14001	Not certified	ISO 14001
Poland	ISO 14001	ISO 14001	Not certified	ISO 14001
Denmark	ISO 14001	Not certified	Not certified	Not certified
The Philippines	ISO 14001	ISO 14001	ISO 14001	ISO 14001
Mexico	Not certified	N/A	N/A	N/A

§ Accounting principles

Overall – Mexico is included in the reporting scope since FY22-23

**Hazardous waste** – Hazardous waste includes both solid and liquid hazardous waste generated in our main manufacturing sites: China, Denmark, the Philippines, Poland and Singapore. Hazardous waste is classified based on the biological, chemical and physical properties of the waste. Information is found on the Safety Data Sheets (SDS) and on local environmental legislations. The quantity of the hazardous waste is based on the forwarding notes from the authorized vendor.

**Hazardous waste sent for incineration (mass burn)** – Waste incinerated or used as fuels. This includes solid hazardous waste (e.g., electronic/electrical parts containing hazardous substances).



Consolidated ESG Statements

Notes

12.1 Waste from manufacturing sites (cont'd)

**Hazardous waste sent for other disposal method incl. recycling** – Neutralization processes (disassembly, composting, distillation and transformation) according to local regulations.

**Non-hazardous waste** – Includes defective hearing aids, paper packaging, waste from production activities at main manufacturing sites, office waste and pallets. Depending on the type of non-hazardous waste in question, the quantity is based on the forwarding notes to the authorized vendor or weight records kept by WSA. Total weight of certain types of non-hazardous waste in China, Singapore, Poland and Mexico are estimated based on samples. The quantity of the non-hazardous waste from the site in China has been included since FY20-21. Office waste from China and Singapore is not included.

**Non-hazardous waste sent for recycling** – The amount of non-hazardous waste generated in our main manufacturing sites in Denmark, Poland, Singapore, China, Mexico, and Philippines that is sent for recycling.

12.2 Water consumption

The production of hearing aids is not a water intensive operation. Our water consumption is driven mainly by office activities and we monitor water consumption at our main manufacturing sites to ensure that any malfunction (e.g. leakage) is detected early.

Performance FY22-23

	Unit	FY22-23	FY21-22	FY20-21	FY19-20
Water consumption	Ton	53,780	35,464	32,362	24,947

This year's water consumption has increased by 52%. This is attributed to two main factors- the inclusion of Mexico's water consumption data and increased employees working in the offices. These factors have led to a significant rise compared to last year.

§ Accounting principles

**Water consumption** – Overall usage based on water billing information or own meters at our main manufacturing sites in China, Denmark, the Philippines, Poland and Singapore.

12.3 Sustainable materials

We place emphasis on using sustainable materials to produce our hearing aids and in our packaging. We have an internal policy to work toward phasing out virgin plastics, introduce Forest Stewardship Council (FSC)-certified paper into product packaging and optimize shipping packaging to reduce waste.

Performance FY22-23

	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
Share of product packaging in FSC paper	%	100% (2025)	60%	47%	N/A	N/A

We support sustainable forest management by switching to FSC paper in our packaging. All new products developed since March 2022 are packed in FSC paper. We were able to increase our share of FSC certified paper packaging material sourced by 13%.

§ Accounting principles

**Share of product packaging in FSC paper** – Total number of packaging includes user guide, manual, leaflet, carton box and packaging box. Each piece is counted as one packaging item. The share is calculated based on number of packaging in FSC paper divided by total number of packaging.



Consolidated ESG Statements

Notes

12.4 Energy consumption

Energy consumption at WSA is driven mainly by electricity consumption, heating and cooling in manufacturing sites, offices, and retail stores. In addition, we also consume fossil fuels for company cars used for sales trips.

Increasing energy efficiency and switching to renewable electricity are the key drivers for us to achieve our science-based ambitious decarbonization targets (see notes 12.5).

Performance FY22-23

Energy consumption	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
Total energy consumption	MWh		50,411	58,103	50,411	61,051
Fuel consumption	MWh		13,327	19,799	16,415	23,434
Electricity, heating and cooling consumption	MWh		37,084	38,304	33,996	37,617
Share of renewable electricity	%	100% (2025)	66%	41%	23%	16%

In FY22-23, total energy consumption decreased by 13%, in part due to a decrease in fuel consumption by company cars and buildings, and a decrease in electricity, heating, and cooling consumption. The decrease in fuel consumption by company cars and buildings was primarily driven by reduced consumption in multiple sites and more accurate natural gas consumption extrapolation. The decrease in electricity, heating, and cooling was in part driven by energy efficiency initiatives as part of the SMART LEAN Program.

WSA is committed to reducing energy consumption through optimization, innovation, and assets upgrade. Energy efficiency initiatives have been implemented in our manufacturing sites, resulting in a decrease in electricity consumption despite the overall growth in production volume. A dedicated team “Environment Pillar” within the Smart Lean Program is tasked to ensure the implementation is handled in a strategic and streamlined manner. Several projects have started this year which led to a 6% reduction in electricity consumption in WSA’s Singapore site. All our main manufacturing sites have also reduced their electricity consumption, with our Lynge site reducing by 7%, Suzhou site reducing by 3%, and our Poland

sites reducing by 13%. Some key projects undertaken in our Suzhou site include optimizing the air-conditioning system and effective communications on light usage after office hours. An example of an initiative implemented in our Lynge site is the reduction of the kitchen’s ventilation system’s operating hours to minimize energy consumption. Other energy-efficient projects are still in progress and regular energy audits and assessments to continue identifying areas for improvement will be driven by the Environment Pillar. Other energy-efficient projects are still in progress and regular energy audits and assessments to continue identifying areas for improvement will be driven by the Environment Pillar in the next year.

We continue to seek opportunities to install renewable energy onsite. We installed an on-site solar park at our global headquarters in Lynge in the third quarter of this calendar year. This solar park is equipped with over 5,300 solar cells, projected to yield an annual output of 2.1 million kWh. When combined with the energy generated by our wind turbine located at our manufacturing site in Lynge, we achieved a total of 2,270 MWh of renewable energy produced for FY22-23. Our solar panels in China have produced 228 MWh as of September 30th. Solar panels in our TruHearing site in USA produced 1,038 MWh. These onsite renewable energy assets power our production during the week. Over the weekend, additional renewable electricity is sent to the grid to support the local community. Where onsite renewable energy is not feasible, such as in our manufacturing site in Singapore and many small offices and retail stores, we purchase energy attribute certificates (EACs).

Our manufacturing sites in China, Denmark, the Philippines, Poland and Singapore and our R&D center in Germany are powered by 100% renewable electricity. This is achieved through onsite renewable energy and EACs. Since January 2023, our manufacturing site in Mexico has also been powered 100% by renewable energy through EACs, making all our main manufacturing sites 100% renewable. Additionally, as part of our goal to source 100% renewable electricity by 2025, we have expanded the coverage of renewable electricity to selected sites in Brazil, USA, Canada, and the United Kingdom since January 2023 through EACs. Due to the limited quantity of EACs available in Singapore, we purchased certificates from Vietnam to balance our consumption in Singapore.

This year, WSA’s share of renewable electricity increased by 25 percentage points, reaching 66%, up from 41% in FY21-22. The distribution of the source of renewable electricity is 15% from onsite renewable energy, 80% from EACs and 5% sourced directly from utility companies.



## Consolidated ESG Statements

# Notes

### 12.4 Energy Consumption (cont'd)

#### § Accounting principles

**Total energy consumption** – Total energy consumption includes fuel, electricity, district heating and cooling consumed on sites, and vehicles that WSA has operational control over.

This year, we collected primary data for emissions from 63% of our non-retail sites (64 out of 101) and 6% of our retail sites (62 out of 1052). Emissions from 37% of the non-retail sites and 94% of the retail sites were calculated based on primary data from other sites.

**Estimation methods** – Where only partial energy consumption data is provided for a given reporting year due to difficulties with data collection, or data is not provided monthly by an external party, an estimation technique is applied. These estimations stated below are the responsibility of each site manager.

For data provided monthly that does not cover the 1st day of the month to the last day of the month, the data shall be counted in the month of the ending date of the vendor report/invoice.

For data frequency that is not predictable and lower than once every month, the data should be divided by a smaller unit (e.g., daily consumption) and multiplied to complete a monthly consumption.

For data that is provided bimonthly, quarterly, tertiarly, or annually, the total consumption must be equally divided between the number of months covered by the invoicing period.

If the last month's data for the period of interest are not received by data collection deadline, the data of the last month(s) shall be estimated based on latest available month. The difference between the estimation and actual data (provided by an external party) shall be compensated for in the first month of the next reporting period.

For sites with consumption data that is not specific to the site of interest but to the entire leased facility, an estimated consumption can be provided by multiplying the electricity purchases for the entire facility by the percentage of the floor area that the site occupies.

**Data authentication for electricity consumption** – Data authenticity proofs are required from site managers. For instance, monthly consumption invoices in the form of original PDF documents, scans, or high-quality photos.

**Fuel consumption** – This includes fuel consumption in onsite stationary combustion (e.g., heating boilers), and in process (e.g., back-up electricity generators), and company-owned or leased vehicles for business trips. The company fleet is comprised of vehicles owned or controlled by WSA that are used for transportation and business trips. The leased cars that are paid for by WSA but used by employees for commuting are not in scope. Only primary data was used to calculate fuel consumption. Activity data is documented through monthly fuel consumption invoices in the form of original PDF documents, scans, high-quality photo, or direct odometer readings with photo evidence or data from leasing supplier.

**Electricity, heating and cooling consumption** – This includes the purchase of electric power, district heating, and cooling. Heating and cooling are typically purchased through a direct line connection with a generating facility. Activity data can be documented through consumption invoices, or if heating is purchased directly through fuels such as natural gas, it should be reported in Scope 1.

**Share of renewable electricity** – This is calculated as renewable electricity consumption divided by total electricity consumption. Renewable electricity can be acquired via differentiated electricity products from the utility or electricity supplier, by contracting directly with a renewable energy generator, by purchasing unbundled renewable energy certificates (EACs), or by producing on-site. Checks are made to ensure that the authenticity proofs cover the required calendar year period.



## Consolidated ESG Statements

# Notes

### 12.5 Climate change

#### 1. Greenhouse gas emissions

WSA is committed to reducing our own greenhouse gas emissions, working closely with key suppliers to reduce their emissions, and improving the circularity of our products.

We committed to the Science Based Targets initiative (SBTi) in June 2021 and submitted the company's targets in July 2022 following a thorough process of mapping out how to reduce emissions.

The following targets were approved and published by SBTi in January 2023

- Reduce absolute **scope 1 and 2 GHG emissions 50% by 2030** from a 2020 base year
- Increase annual sourcing of **renewable electricity from 16% in 2020 to 100% by 2025** and continue sourcing 100% renewable electricity through 2030, and
- Reduce absolute **scope 3 GHG emissions 30% by 2030** from a 2021 base year

#### Performance FY22-23

	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
Scope 1 GHG emissions	CO <sub>2</sub> -eq t	Reduce 50% by 2030 from a 2020 base year (SBTi)	3,066	4,402	3,764	6,940
Scope 2 GHG emissions (location-based)	CO <sub>2</sub> -eq t		11,541	12,357	12,066	13,335
Scope 2 GHG emissions (market-based)	CO <sub>2</sub> -eq t		4,927	7,703	11,094	13,372
Total Scope 3 GHG emissions	CO <sub>2</sub> -eq t	Reduce 30% by 2030 from a 2021 base year (SBTi)	389,152	363,723	383,900	463,400
Total Emissions (location-based)	CO <sub>2</sub> -eq t		403,759	380,482	399,730	483,675
Total Emissions (market-based)	CO <sub>2</sub> -eq t		397,145	375,828	398,758	483,712

GHG scope 1 emissions decreased by 30% due to the reduced consumption and more accurate extrapolation for stationary combustion. Location-based scope 2 emissions decreased by 7%, driven mainly by our energy efficiency initiatives. Market-based scope 2 emissions decreased by 36% due to an increased share of renewable energy, specifically, an increase in on-site renewable energy and renewable energy certificates by 3% and 64%, respectively.

Scope 3 emissions increased by 7%, primarily driven by higher spending on goods and purchases due to the business's organic growth, which results in higher emissions based on our hybrid accounting approach of using spend data and third-party certified life cycle assessment (LCA) data to measure our emissions.

#### 2. Scope 3 emissions

Scope 3 categories	Unit	FY22-23	FY21-22
Purchased goods and services	CO <sub>2</sub> -eq t	291,145	265,960
Capital goods	CO <sub>2</sub> -eq t	2,942	3,499
Fuel- and energy-related activities, not included in scope 1 or scope 2	CO <sub>2</sub> -eq t	3,075	3,568
Upstream transportation and distribution	CO <sub>2</sub> -eq t	52,361	57,319
Waste generated in operations	CO <sub>2</sub> -eq t	2,187	3,496
Business travel	CO <sub>2</sub> -eq t	12,172	6,889
Employee commuting	CO <sub>2</sub> -eq t	20,400	20,400
Downstream transportation and distribution	CO <sub>2</sub> -eq t	817	0
Use of sold products	CO <sub>2</sub> -eq t	3,384	1,971
End-of-life treatment of sold products	CO <sub>2</sub> -eq t	669	621



## Consolidated ESG Statements

# Notes

### 12.5 Climate change (cont'd)

WSA works with numerous suppliers to manufacture and deliver hearing aids to our customers. Suppliers of parts and components contribute to most of our scope 3 emissions, as seen from Category 1 – Purchased Goods and Services. We have started engaging with suppliers with a high amount expenditure that translates to a significant percentage of our scope 3 emissions to explore ways they can track and reduce their own carbon footprints. Our primary goal is to shift away from the spend-based method by obtaining supplier specific data, and to work closely with these suppliers towards emissions disclosure and reduction.

Based on the initial engagement done with the selected suppliers, we are cognizant that the maturity of our suppliers varies. Some suppliers are aware of the existence of science-based targets. These suppliers already have plans to improve the sustainability of their operations, and some are even considering making their own commitment to science-based targets. Some suppliers needed more assistance and guidance on how to improve the sustainability aspect of their operations and goods sold to WSA. Based on the insights and feedback collected from the engagement process, WSA will select feasible opportunities to further explore the possibilities of reducing our scope 3 emissions.

### § Accounting principles

**Greenhouse gas emissions** – This GHG inventory was compiled in accordance with the WRI/WBCSD Greenhouse Gas (GHG) Protocol. The organizational boundary applied to consolidate WS Audiology's emissions was the operational control approach. No sites have been excluded from the inventory boundary over the reporting period FY22-23. All 1,153 WSA sites are in scope, i.e., 101 non-retail sites and 1,052 retail shops.

**Scope 1 GHG emissions** – Activity data and emissions include onsite stationary combustion of fossil-fuel burning equipment (e.g., heating boilers) or process-based emissions (e.g., back-up electricity generators), company-owned or leased vehicles for business trips. Fugitive emissions associated with the use of HVAC equipment are included here.

The activity data is multiplied by the corresponding emission factor through the CEMAsys platform. Fuel-specific emission factors for CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O are used for all sites worldwide using Department for Environment, Food & Rural Affairs (DEFRA) CO<sub>2</sub> Emissions from Fuel Combustion and Refrigerants dataset. An exception is done for emissions from mobile combustion in Australia for diesel consumption, where the emission factor from the Australian Government Department of Industry, Science, Energy and Resources was used.

**Scope 2 GHG emissions (location-based)** – Following the Scope 2 Guidance from the GHG Protocol, WSA uses the national or regional emissions factors for indirect (scope 2) emissions defined by the following methods in each relative geography where WSA operates:

- Department for Environment, Food & Rural Affairs (DEFRA) CO<sub>2</sub>
- Emissions from Fuel Combustion and Refrigerants
- For US sites: US EPA Emissions & Generation Resource Integrated Database (eGRID)
- For UK sites: Department for Environment, Food & Rural Affairs (DEFRA) conversion factors
- For remaining countries: International Energy Agency (IEA) Emissions Factors database

The activity data is multiplied by the corresponding emission factors through the CEMAsys platform.

**Scope 2 GHG emissions (market-based)** – Based on the latest available emissions factors, published by the electricity supplier(s), and relating specifically to the carbon intensity of the electricity procured.

Supplier-specific emissions factors for the reporting year 2022-23 were collected, along with supporting evidence (such as Energy Attribute Certificates, supplier invoices, etc.) and checked against quality criteria as described in the GHG Protocol Standard requirements for Scope 2 reporting. Supplier-specific emissions factors were collected from sites in Canada, Finland, Germany, Italy, Japan, the Netherlands, Singapore, Slovenia, South Korea, and Switzerland. For the remaining sites, following GHG protocol hierarchy, residual mix or location-based emissions factors were used according to availability.

The activity data is multiplied by the corresponding supplier-specific emission factors through the CEMAsys platform.





## Consolidated ESG Statements

# Notes

### 12.5 Climate change (cont'd)

**Scope 3 GHG emissions** – Scope 3 emissions are estimated for screening purposes using the calculation methods derived from WRI's Scope 3 Evaluator tool, Quantis. Quantis, which was accessible online at <https://ghgprotocol.org/scope-3-evaluator>, links input data on WSA activities and expenditures to a combination of economic input-output and process life cycle inventory data. However, Quantis was discontinued on 30th August 2023. Hence, the calculation methods and emission factors used to derive the emissions for each activity within each category is manually consolidated in an excel spreadsheet to ensure a consistent approach towards accounting for FY22-23. The calculation methods are referenced from the WRI Scope 3 Evaluator tool's (Quantis). Quantis follows the GHG Protocol guidelines for screening Scope 3 emissions and identifying significant Scope 3 categories.

We adopt a hybrid approach in our scope accounting by adding emissions information in kgCO<sub>2</sub>-eq or tCO<sub>2</sub>-eq to the calculations made from Quantis (documented in an excel sheet). The emissions information is withdrawn from carbon emission reports from logistics providers, carbon travel reports and data from third-party certified life cycle assessments.

Due to the nature of WSA's operation, only three greenhouse gases are considered to be released in significant quantities for tracking: CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O. Global warming potentials (GWPs) are taken from the Intergovernmental Panel on Climate Change (IPCC) IPCC Fifth Assessment Report (AR5) using 100-year values. For the current inventory the following values are used: CO<sub>2</sub> GWP = 1, CH<sub>4</sub> GWP = 28, N<sub>2</sub>O GWP = 265.

**Category 1: Purchased Goods & Services** – refers to all upstream (cradle-to-gate) emissions of purchased goods and services. A hybrid approach of spend-based approach and the use of a third-party certified life cycle assessment (LCA) data is adopted in this category. Spend data is received from the procurement department and is cleaned to remove any data that is to be reported in other categories to prevent double counting. The spent amount is then multiplied by the corresponding emission factors from the World Input-Output (WIOD) emission database. LCA data is used only for commodities that: 1) are exclusively for hearing aid production, 2) are exclusively attributed to known LCA process. Emissions from these commodities are calculated by multiplying sold units numbers by the LCA process emissions.

**Category 2: Capital Goods** – refers to all upstream (cradle-to-gate) emissions of capital goods. A spend-based approach, as stated in the Purchased Goods & Services category, is adopted in this category,

**Category 3: Fuel & Energy-Related Activities** – refers to all upstream (cradle-to-gate) emissions of purchased fuels and energy (from raw material extraction up to the point of, but excluding, combustion, including T&D losses). An average-data approach is adopted as per the Quantis Documentation Report. Scope 1 and 2 (location-based) emissions data are used to account for this category by multiplying it to an emission factor referenced from the Quantis Documentation Report.

**Category 4: Upstream transportation and distribution** – refers to the scope 1 & 2 emissions of transportation and distribution providers that occur during use of vehicles and facilities (e.g., from energy use). A distance-based approach is adopted by the transportation and distribution providers to account for the emissions related to our operations. The emissions data are received as carbon footprint reports from the transportation and distribution providers. The spend-based approach is also adopted in this category to account for emissions from transportation and distribution service providers that do not provide emissions data.

**Category 5: Waste generated in operations** – refers to the scope 1 & 2 emissions of waste management suppliers that occur during disposal or treatment. A spend-based approach is adopted in this category whereby the spend data related to waste management is removed and the summation of the data is multiplied by an emissions factor referenced from the Open IO Database (2011) by The Sustainability Consortium.

**Category 6: Business travel** – refers to the scope 1 & 2 emissions of transportation carriers that occur during use of vehicles (e.g., from energy use) for transportation of employees for business purposes. A distance-based and fuel-based approach is adopted in the carbon footprint report provided by WSA travel agency. The emission factors are referenced from the CO<sub>2</sub> Emissions from Fuel Combustion and Refrigerants dataset from the Department for Environment, Food & Rural Affairs (DEFRA).

**Category 7: Employee commuting** – refers to the scope 1 & 2 emissions of transportation of employees between their homes and their worksites. An average-data approach is adopted in this category. The emissions are estimated from the total number of employees in WSA multiplied by the average emissions from commuting by an employee. The average emission of an employee is estimated at 1,700kgCO<sub>2</sub>-eq/year, as referenced from the ecoinvent database (SCLCI 2010).



## Consolidated ESG Statements

# Notes

### 12.5 Climate change (cont'd)

**Category 9: Downstream transportation and distribution** – refers to the emissions from transportation and distribution of sold products in vehicles and facilities not owned or controlled by WSA. An average-data approach is adopted in this category to account for the emissions associated with warehousing operations, as stated in the carbon footprint reports provided by the transportation and distribution providers. The spend-based approach is also adopted in this category to account for emissions from warehousing service providers that do not provide emissions data.

**Category 11: Use of sold products** – refers to the direct use-phase emissions of sold products over their expected lifetime (i.e., the scope 1 and scope 2 emissions of end users that occur from the use of products that directly consume energy (fuels or electricity) during use. A direct use phase emissions methodology is adopted for this category. Sales data from our main brands is gathered internally to calculate the amount of sold products and the amount of sold chargers by country. We assumed an average lifetime of 66 months, which accounts for 5.5 years, the average lifetime of our products. And an average monthly consumption of 0.039 kWh, assuming the devices are charged once every day.

**Category 12: End-of-life treatment of sold products** – refers to the scope 1 & 2 emissions of waste management companies that occur during disposal or treatment of sold products. The packaging weight and composition information is used to calculate for the total weight of our sold products. The emission factors are referenced from US EPA's landfilling emissions factor dataset.

The following scope 3 categories were excluded as they were assessed to be not part of the operational boundaries:

- Upstream leased assets
- Processing of sold products
- Downstream leased assets
- Franchises
- Investments

### 12.6 TCFD

We continued to draw learnings from the initial assessment we performed in 2022 to align on the Task-force on Climate-related Disclosures (TCFD), where we looked at risks and opportunities posed by climate change and the transition to a low-carbon economy.

#### 1. Governance

The Board of Directors has the ultimate responsibility of outlining the overall vision, strategy, and objectives of the company.

The Sustainability Committee reports to the Board of Directors in sustainability matters including climate-related risks and opportunities. The committee meets on a monthly basis and is comprised of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operations Officer (COO), Chief Quality & Regulatory Officer (CQRO), Chief Retail Officer (CRO), and Chief Human Resources Officer (CHRO).

The Global Head of Sustainability, supported by other members from the sustainability team, reports to the Sustainability Committee and is responsible for the execution of the climate strategy and climate-related issues. In addition, the Operation-Sustainability Steering Committee reviews and guides climate topics that are related to the manufacturing, procurement, and supply chain in more details. The Operation-Sustainability Steering Committee includes the COO and CQRO.

The sustainability team is responsible of developing and overseeing WSA's sustainability strategy and involving the required internal and external stakeholders to assess climate-related risks and opportunities.

#### 2. Risk Management

We have acknowledged the climate-related risks and opportunities that are relevant for our organization and performed an initial evaluation of transition and physical risks in the short (5-10 years), mid (10-20 years), and long (>20 years) term across our geographical locations.

To increase the degree of robustness of our climate-related risk management strategy, transition impacts were evaluated following two scenarios from the International Energy Agency (IEA), representing a 1.5-2°C and a business-as-usual pathway. Specifically, the Sustainable Development Scenario (SDS) with a Net Zero Emissions by 2050 (NZE) supplement and the Stated Policies Scenario (STEPS). Physical impacts were assessed based on two Shared Socioeconomic Pathway (SSP) scenarios by the Intergovernmental



## Consolidated ESG Statements

# Notes

### 12.6 TCFD (cont'd)

Panel on Climate Change (IPCC). SSP1-2.6 for a 1.5-2°C trajectory in line with our Science-Based Target ambition, and SSP5-8.5 where an increase of 4°C in global temperatures is expected by 2100.

All climate-related transition and physical risks were identified through a qualitative assessment involving internal subject-matter experts and considering potential implications in finance, business interruption, mitigation time, supply chain impact, and likelihood for our company. Each potential risk/opportunity was evaluated considering WSA's level of preparedness for potential mitigation/implementation. Possible responses on the short, medium, and long term were identified for each to set a strategy moving forward.

The main identified climate-related key risks are related to WSA's supply chain disruptions, which are addressed in the company's overall risk management strategy. Any possible risks are managed following a process of identification, assessment, recording, mitigation and monitoring.

### 3. Strategy

The resiliency of our climate strategy, including GHG emissions reduction and energy-related goals, reduces our risks related to fluctuations in carbon and energy markets. Our product portfolio management, sector, and business model mitigate risks of transition to lower-carbon technology and reputation-related risks such as sector stigmatization.

Physical and transition risks with potential implication in our supply chain in the mid- to long-term related to raw materials shortages (battery minerals) and extreme weather events are tackled by our circularity strategy, and diversification of manufacturing locations and suppliers.

Currently, any transitional, acute, or chronic disruption is addressed by our Business Continuity Plan, and any damages to company property are mitigated through our insurance system, for which exposure to climate-related events was modeled through location-specific data.

WSA's main opportunities are related to energy and resource efficiency, including energy efficiency in operations and manufacturing, renewable energy sources, and decentralization of energy generation. These opportunities are all addressed by our overall sustainability strategy and climate goals, which are focused on renewable energy transition and energy efficiency.

### 4. Metrics and Targets

Energy and carbon-related risks are addressed by our renewable energy and GHG emissions reduction targets in all scopes.



Consolidated ESG Statements

Notes

13 Governance

13.1 Supplier due diligence

A resilient and sustainable supply chain is critical for the success of WSA. To show our commitment in making our supply chain more sustainable, we have submitted our proposal to Science-Based Target (refer to notes 12.5). We work with our suppliers to promote and ensure fair labor standards, explore ways to reduce their environmental impact, and maintain ethical business practices.

Our supply chain consists mainly of direct material suppliers and indirect suppliers. Direct material suppliers provide us with electronic components, electronic manufacturing services, packaging, resins, and accessories. Indirect suppliers include utilities, professional consulting services, real estate owners, and other service providers. Our main suppliers are based in and operate from Europe, Americas, and Asia & Others. From a spend perspective, approximately 52% are in Asia & Others, 35% are in Europe and 13% are in Americas.

To further improve the sustainability of our supply chain, we have also initiated discussions with our suppliers to identify ways to systematically reduce their greenhouse gas emissions. We have identified key suppliers for commodities, such as electronic manufacturing services, plastics & rubbers, and zinc air batteries. By engaging our suppliers and onboarding them with us on this meaningful journey, we increase our prospects of incorporating sustainability factors into our supply chain and the hearing aids that our customers use.

Through the Supplier Due Diligence Program, we conduct due diligence of our suppliers with the aim of ensuring their compliance to the WSA Responsible Supplier Standards, replacing the WSA Supplier Code of Conduct.

The due diligence process starts with risk assessment. We identify suppliers at high risk of non-compliance with our Code of Conduct based on the country, category, spend, and business relations on annual basis. High-risk suppliers are audited by third-party auditors every two years. All the salient human rights issues are covered in both the risk assessment and audit.

Cobalt is used in lithium-ion batteries that form an integral part of electrical equipment. Demand for cobalt is therefore expected to increase significantly over the coming years. Cobalt is extracted in mechanized and artisanal mining operations. Multiple reports have highlighted concerns over social and environmental impacts of cobalt extraction, including child labor and unsafe working conditions in artisanal cobalt mining. Per OECD due diligence guidelines, we conduct surveys where required to understand whether any illegal cobalt smelters have been reported within our supply chain.

Our supplier due diligence program is further detailed in Note 11.6.

Performance FY22-23

	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
Share of high-risk suppliers audited for their social, environmental and ethical management systems and performance	%	100% (2023)	100%	100%	20%	8%
Suppliers audited for their social, environmental and ethical management systems and performance	Number	5 (2023)	5	15	5	3
Suppliers with social, environmental or ethical non-compliance	Number		5	15	4	0
Suppliers establishing improvement plans to rectify non-compliance	Number		5	15	4	0

The audit results in FY22-23 show that some suppliers have non-compliances related to working hours and health and safety. The suppliers have established relevant improvement action plans to rectify non-compliances. We are committed to working closely with the suppliers to drive improvements.



Consolidated ESG Statements

Notes

13.1 Supplier due diligence (cont'd)

§ Accounting principles

**Share of high-risk suppliers audited for their social, environmental and ethical management systems and performance** – Number of high-risk suppliers audited divided by number of high-risk suppliers identified. The scope of audit includes human rights, labor rights, environment, and anti-corruption. The audits are conducted by certified third-party auditors. High risk suppliers are identified based on the country, category, spend and business relations on annual basis.

**Suppliers audited for their social, environmental and ethical management systems and performance** – Number of suppliers that are audited against WSA 's Code of Conduct. The scope of this audit includes human rights, labor rights, environment, and anti-corruption. The audits are conducted by certified third-party auditors.

**Suppliers with social, environmental, or ethical non-compliance** – The suppliers with non-compliances based on the Code of Conduct audits. Non-compliances are defined as insufficiencies or negligence of policies and/or procedures for ensuring compliance to WSA Supplier Code of Conduct.

**Suppliers establishing improvement plans to rectify non-compliance** – Suppliers identified in FY22-23 through the Supplier Code of Conduct audit program with non-compliances are either terminated or put on improvement plans to rectify the non-compliances.

13.2 Business ethics

1. Anti-corruption

We are committed to working against corruption in all its forms by always acting professionally, fairly, and with integrity. We take a zero-tolerance approach to bribery corruption, and fraud. This is entrenched in our Code of Conduct, which guides the organization and employees in conducting their day-to-day business. We have also taken into consideration bribery, corruption and fraud in defining our approach to onboarding processes for our business partners.

The main risks related to our activities include employees' and business partners' violation of our anti-corruption commitment and the resulting potential legal and financial consequences. We have established multiple measures, such as vetting of relevant suppliers and ad hoc evaluations, to ensure zero tolerance of any corrupt behavior in our business.

Performance FY22-23

	Unit	FY22-23	FY21-22	FY20-21	FY19-20
Substantiated breaches involving corruption or bribery incidents	Number	4	0	0	0
Total breaches involving corruption or bribery incidents	Number	15	N/A	N/A	N/A

A total of 4 closed cases were substantiated. These substantiated cases were followed up with remedial actions and/or disciplinary measures, including termination of employment and warnings, where appropriate. Central to our anti-bribery and corruption governance process are detailed policies and training for relevant employees, as well as a publicly accessible whistle-blowing channel.

The Gifts, Entertainment, Donations & Speakers ("GEDS") policy sets out clear guidelines on the provision and receipt of gifts and hospitality. This includes charitable donations and sponsorships, which will go through a review process in accordance with the policy. In FY23-24, the GEDS policy and process will be reviewed to ensure closer alignment with industry standards. The Conflict of Interest policy provides binding principles to be complied with. Declarations to these policies apply to relevant employees and managers.



Consolidated ESG Statements

Notes

13.2 Business ethics (cont'd)

2. Anti-competitive behavior

We adhere to antitrust laws and ensure fair competition, achieving our market position through the outstanding quality of our products as well as our performance. We do not discuss any antitrust-related information with competitors, suppliers, or customers. Further, we do not participate in any discussions or enter into agreements with competitors that could result in a restriction of competition or use our position in the market to discriminate against others through unfair business practices. In addition, our ethical guidelines in competitive intelligence govern us when collecting information about competitors in an ethical manner. Our approach is aligned with the Strategic Consortium of Intelligence Professionals (SCIP).

As we expand our global footprint, we continuously assess our market position across the markets in which we operate. We also continue to develop our employees through training to ensure that they are familiar with the relevant laws and regulations and commit to conducting business fairly and in line with our Code of Conduct.

3. Training

We design our compliance training with the objective of ensuring learning is achieved, incorporating role-based topics and scenarios. The training covers the core aspects of our business ethics, including charitable donations and sponsorships, and antitrust. The training is intended to reinforce the employees' knowledge in these areas and equip them with the tools to handle or escalate issues. Relevant employees in key identified countries are identified based on function and materiality and enrolled on an annual basis to complete the training. We continue to make efforts to strengthen these processes in line with applicable laws.

Performance FY22-23

	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
Ethics and anti-corruption training	%	98 (2023)	100%	N/A	N/A	N/A

4. Whistleblower mechanism

We foster an environment where our employees can ask questions and raise issues or concerns about business ethics and other topics without fear of retaliation. Employees can raise concerns to their managers, Local Compliance Advisor, Regional Compliance Officer, and Human Resources department.

We worked with an independent third-party service provider of a whistleblower software to operate a whistleblowing system, the WSA Compliance Portal. The portal allows whistleblowers (including both internal and external stakeholders) to report anonymously 24-7, provides translations in 15 languages, and is externally hosted in a secured environment by the independent third-party service provider. Issues that can be raised via the portal include topics in WSA Code of Conduct, such as corruption, harassment, discrimination, human rights, environment, etc.

In addition to the new WSA Compliance Portal, employees can also raise concerns to their managers, Human Resources department, Local Compliance Advisor, Regional Compliance Officer, or through the compliance mailbox at tell-us@wsa.com.

We follow up on every reported violation with internal compliance investigations when justified by supporting evidence. Upon completion of an investigation, we propose solutions for any identified issue and ensure that appropriate actions are carried out. We also respond to incidents of employee misconduct with appropriate disciplinary action.

All emails and reporting are always kept confidential to the extent permitted by law and will only be shared on a need-to-know basis with the required person(s) investigating and/or deciding on the reported potential violation.

We continuously strive to improve our whistleblower mechanism by reviewing its effectiveness while aligning with best practices in the countries where we operate.





Consolidated ESG Statements

Notes

13.2 Business ethics (cont'd)

§ Accounting principles

**Substantiated breaches involving corruption or bribery incidents** – Number of corruption or bribery incidents that are established to be true and valid following investigation by the WSA Legal and Compliance function. This is aligned with GRI definition of confirmed incident of corruption. The Group Legal and Compliance department is responsible for keeping records of such substantiated incidents in relation to corruption or bribery incidents.

**Ethics and anti-corruption training**– Percentage of ethics and anti-corruption training completed for the Relevant Employees in Identified Countries.

**Identified countries** – English speaking countries in which we have a fully-owned or majority-owned permanent entity in the countries.

**Relevant employee** – Any employee in the wholesale business in the following categories: Local country sales employees, local country HR Head, local country Finance Head and key procurement personnel in the Denmark and Singapore Headquarter entities.

Any employee who has not completed the training for the financial year due to any of the reasons below will not be considered as a relevant employee:

- (a) an employee who is away on extended leave and has not returned by the end of the financial year, for example maternity leave, hospitalization leave etc.; or
- (b) an employee whose employment relationship with WSA is being terminated or has terminated.

13.3 Product safety

As a medical device company, we understand that product safety and information must never be compromised, as quality issues and unsafe use of our hearing aids or other devices could lead to consumer injury.

Our Quality policy outlines our commitment to high-quality and safe hearing solutions

Performance FY22-23						
	Unit	Target	FY22-23	FY21-22	FY20-21	FY19-20
Class I recalls	Number	0	0	0	0	0
Class II recalls	Number	0	0	0	0	0

Number of class I and class II recalls remains zero.WS Audiology’s product risk management procedure is ISO 14971-certified. We are committed to minimizing residual risks as far as reasonably possible to avoid serious injuries.

Our ISO 13485-certified multi-site Quality Management System (QMS) allows global governance and local adaptations to ensure efficient quality management throughout the WS Audiology Group.

Our products are registered according to local regulations. We continuously survey requirements and take them into consideration when we develop new products.

- Our manufacturing sites in China, Denmark, Germany and Singapore have all successfully passed US Food and Drug Administration (FDA) audit inspections since 2018. Our new manufacture site in Mexico is yet to be audited.
- WS Audiology was the first hearing aid manufacturing company that was successfully audited under the EU’s new Medical Device Regulation (MDR) and received the new certificates in Q1/2020

Our post-market surveillance system enables us to follow and manage complaints. In the event of safety issues, we have a procedure to report to authorities, and if necessary, recall products.

Health and safety impacts are assessed for improvement for all our product categories.



## Consolidated ESG Statements

# Notes

### 13.3 Product safety (cont'd)

In addition to implementing the Product Related Environmental Protection (PREP) procedure to comply with RoHS and REACH regulations, we have also extended our focus to comply with UK REACH, UAE RoHS, and few other regional environmental regulations. In coming years, we will keep focusing on strategic and systematic approach to comply with all current and upcoming regulations with efficient data.

Our quality management systems in our manufacturing sites in China, Denmark, Mexico, Poland, Singapore and the USA are ISO 13485-certified.

### § Accounting principles

**Class I recalls** - A situation in which there is a reasonable probability that the use of- or exposure to a volatile product will cause serious adverse health consequences. Class I are closely monitored, managed, and recorded by the Quality department of WSA.

**Class II recalls** - A situation in which use of- or exposure to a volatile product may cause temporary or medically reversible adverse health consequences or where the probability of serious adverse health consequences is remote. Class II recalls are closely monitored, managed, and recorded by the Quality department of WSA.

### 13.4 Ethical marketing

To ensure the veracity of marketing claims, we maintain a claim management practice that establishes the claim type and required data substantiation. Each claim and supporting substantiation is listed in an Approved Claims List. Furthermore, each product launch is documented with a clinical evaluation.

We ensure that the product safety manual for each product is included in the package to every consumer who purchases our hearing devices.

We have zero incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling.

### 13.5 Data privacy

We strive to promote a corporate culture of responsibility, respect, and trust for personal data and the privacy rights of individuals by complying with all applicable laws wherever we do business. Through routinely reviewed processes and policies, WS Audiology ensures that personal data is collected, stored, processed, disclosed, protected, secured, and destroyed properly and in accordance with good data privacy practices. Individuals exercising their rights to rectify, change, or be informed about what personal data WS Audiology processes from and about them can exercise those rights in compliance with relevant legal requirements.

As data privacy regulations continue to evolve, we closely monitor these developments to quickly adapt and apply changes to our existing processes as needed. We also subject our new and existing processes to regular reviews in order to ensure that they are relevant and have the appropriate measures for data privacy.

### 13.6 Data Ethics

WSA has in 2022 adopted a policy on Data Ethics that serves as a framework for the ethical management of data within the WSA group. WSA hereby supplements its general commitment to integrity and compliance - not only in relation to personal data but in relation to any kind of data processed by WSA. The Data Ethics policy applies globally, and it is mandatory for management and employees in the WSA group to comply with the policy.



## Consolidated ESG Statements

# Notes

### 13.7 Cybersecurity

Secure, reliable, and precise handling of information is essential to the success of our business. For this we maintain an Information Security Management System (ISMS) in accordance with ISO 27001:2013, which has been successfully certified this year. Risk management and IT security are therefore an integral part of WSA Strategy and are subject to an oversight by the Group Management Audit Committee and Board of Directors Cybersecurity Committee. As member of the WSA Board of Directors, Jes Munk Hansen chairs the cyber security committee. Jes Munk Hansen receives ongoing briefings from relevant cyber and security organizations about the current threat landscape and intelligence and comes with extensive experience, including the application of the US Department of Defense, Cybersecurity Maturity Model Certification (CMMC).

- We ensure the security of corporate information and critical application and infrastructure through a risk-based approach and in close collaboration with our business partners
- We maintain high level of cybersecurity aware among our employee via recurrent trainings, awareness campaigns and drills
- We work with our cybersecurity partners to ensure our detection and response capabilities are up to date to face evolving cybersecurity threats



# GRI index



## GRI index

# GRI index

Disclosure Number	Aspect	Page or comments
<b>GRI 2: General Disclosures 2021</b>		
2-1	Organizational details	p5 ,17, 21, 130
2-2	Entities included in the organization's sustainability reporting	Unless otherwise stated (refer to p136), the ESG statements encompasses WS Audiology A/S (the parent company) and subsidiaries, which are entities controlled by WS Audiology A/S.
2-3	Reporting period, frequency and contact point	Reporting period: 10/1/2022-09/30/2023 Reporting cycle: annual Contact point: +45 44 35 56 00 (to be directed to the Sustainability Team)
2-4	Restatements of information	None
2-5	External assurance	Deloitte is appointed to conduct the third-party assurance for this report. Deloitte is also the assurance provider for WSA's financial report. Refer to pages 53 – 57 for the external assurance report.
2-6	Activities, value chain and other business relationships	p5 ,17, 19, 21

Disclosure Number	Aspect	Page or comments
2-7	Employees	<p>WS Audiology Group has a workforce of 12,996 employees across all entities and countries. This number includes operators, retail employees and white-collar staff as of 30 September 2023. The following breakdown data includes On-line, Managed Care and Diagnostics. The 3 main regions we operate in includes APAC, Americas and EMEA. We employed 4,043 employees in APAC, 4,545 employees in Americas and 4,408 employees in EMEA.</p> <p>The 3 main groups of employees includes White Collars (63%), Manufacturing Operators (14%) and Retail Employees (23%). Among the 12,996 employees count, 12,633 (97.2%) are full-time employees and 363 (2.8%) are part-time employees. Full-time employees and part-time employees are measured using a metric called Full Time Equivalent (FTE) which is an employee's scheduled hours divided by the employer's hours for a full-time workweek. The sum of FTE at WS Audiology Group is 12,457.6 (featured on p5). Additionally, 56.9% are male, 42.0% are female and 1.1% did not declare their gender. The number of temporary employees stands at 1,205.</p>
2-8	Workers who are not employees	GRI 2-7
2-9	Governance structure and composition	<p>Governance (p39-51)</p> <p>As of 09/30/2023, average tenure in the Board of Directors was 3 years. 9 members were of the age group of 30-60, one member is of the age group above 60. No directors represent other under-represented social groups. One member of Board of Directors closely guides WS Audiology on sustainability.</p>



## GRI index

## GRI index (cont'd)

Disclosure Number	Aspect	Page or comments
2-10	Nomination and selection of the highest governance body	p40-41 The members of the Board of Directors are chosen based on their experience and qualifications as well as to achieve diversity in regard to nationality and gender mix
2-11	Chair of the highest governance body	Governance, Entity Information
2-12	Role of the highest governance body in overseeing the management of impacts	Governance, GRI 2-9
2-13	Delegation of responsibility for managing impacts	Governance, Note 10.1
2-14	Role of the highest governance body in sustainability reporting	p40-41, GRI 2-9 Chief Quality and Regulatory Affairs Officer is responsible for Sustainability (incl. economic, environmental, and social topics). This role reports directly to the CEO
2-15	Conflicts of interest	Note 13.2 A process has been established to ensure that conflicts of interest are avoided. Each WSA employee has a duty to make business decisions in the interest of WS Audiology and not be influenced by their own personal interests. Conflicts of interest for senior employees are disclosed to Executive Committee and/or the Board of Directors.
2-16	Communication of critical concerns	Corporate governance, GRI 2-14

Disclosure Number	Aspect	Page or comments
2-17	Collective knowledge of the highest governance body	Corporate governance, GRI 2-14
2-18	Evaluation of the performance of the highest governance body	Corporate governance, Note 10.1
2-19	Remuneration policies	We reward our employees in accordance with market benchmarks, seniority levels, and roles. Employees' remuneration packages are made up of different components including fixed salary, allowances, commissions, short term incentives (based on individual and company performance), and longterm incentives. WS Audiology adheres to the local statutory contribution for each employee.  We follow a strict remuneration process where 2-level approvals are required for salary changes (known as the four eyes principle). For senior executives, salary is approved via the remuneration committee, which is comprised of select board members. For the Global Leadership Team, salary changes are approved by the Chief HR Officer and the President and CEO. WS Audiology makes use of salary grading/evolution to ensure that we are on par with market conditions to attract the best talents in our competitive environment. The grading/evaluation exercises are supported and based on Mercer Salary Grading framework. In addition to compensation, our employees also enjoy a wide variety of benefits including medical, hospitalization, screenings, as well as subsidies, such as hearing aids for themselves and their immediate family members.
2-20	Process to determine remuneration	Corporate governance, Note 10.1



## GRI index

GRI **index** (cont'd)

Disclosure Number	Aspect	Page or comments
2-21	Annual total compensation ratio	Information unavailable due to limited availability of consolidated data
2-22	Statement on sustainable development strategy	Letter from our Chair and CEO
2-23	Policy commitments	Note 13.2
2-24	Embedding policy commitments	Note 13.2
2-25	Processes to remediate negative impacts	Note 11.5, 11.6, 13.1, 13.2
2-26	Mechanisms for seeking advice and raising concerns	Note 13.2
2-27	Compliance with laws and regulations	Note 13.2, 13.2, 13.3, 13.4, 13.5, 13.6
2-28	Membership associations	Annual Report 2020/21, p131 United Nations Global Compact Ellen MacArthur Foundation Network
2-29	Approach to stakeholder engagement	Annual Report 2020/21, p39-40  Stakeholders are selected based on the stakeholders' interests in WSA and stakeholders' influence on WSA. Stakeholder identification and prioritization is an integrated part of our materiality assessment.
2-30	Collective bargaining agreements	22% of all employees are covered by collective bargaining agreements

Disclosure Number	Aspect	Page or comments
<b>GRI 3: Material Topics 2021</b>		
3-1	Process to determine material topics	Note 10.1 Annual Report 2021/22, p137 Annual Report 2020/21, p39-40  This report is based on the materiality topics listed in Annual Report 2021/22, p137
3-2	List of material topics	Note 10.1 Annual Report 2021/22, p137 Annual Report 2020/21, p39-40
<b>GRI 205: Anti-corruption 2016</b>		
3-3	Management of material topics	Note 13.2
205-2	Communication and training about anti-corruption policies and procedures	Note 13.2
205-3	Confirmed incidents of corruption and actions taken	Note 13.2





## GRI index

GRI **index** (cont'd)

Disclosure Number	Aspect	Page or comments
<b>GRI 206: Anti-competitive Behavior 2016</b>		
3-3	Management of material topics	Note 13.2
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Note 13.2
<b>GRI 302: Energy 2016</b>		
3-3	Management of material topics	Note 12.4
302-1	Energy consumption within the organization	Note 12.4
<b>GRI 305: Emissions 2016</b>		
3-3	Management of material topics	Note 12.5
305-1	Direct (Scope 1) GHG emissions	Note 12.5
305-2	Energy indirect (Scope 2) GHG emissions	Note 12.5
305-3	Other indirect (Scope 3) GHG emissions	Note 12.5

Disclosure Number	Aspect	Page or comments
<b>GRI 306: Waste 2020</b>		
3-3	Management of material topics	Note 12.1 , 12.3
306-1	Waste generation and significant waste-related impacts	The waste from our own operation includes waste from production, packaging waste from goods received, and office waste. Downstream packaging waste is also a material topic for us.
306-2	Management of significant waste-related impacts	WS Audiology gradually implements the concept of lean production in the production process to control waste volumes. We monitor waste production every month, identify abnormal data in time, and take control measures. Qualified waste disposal suppliers handle our waste legally.
<b>GRI 308: Supplier environmental assessment 2016</b>		
3-3	Management of material topics	Note 13.1
307-1	Negative environmental impacts in the supply chain and actions taken	Note 13.1
<b>GRI 401: Employment 2016</b>		
3-3	Management of material topics	p25-27, Note 11.2, 11.3, 11.4



## GRI index

# GRI index (cont'd)

Disclosure Number	Aspect	Page or comments
401-1	New employee hires and employee turnover	<p>WS Audiology hired a total of 3,794 employees in the reporting period of which 61 % are female, 37 % are male and 2% are undeclared. The regional breakdown and age group breakdown of the new hires are similar to the Group distribution. WS Audiology has a total annualized attrition rate of 25% of which voluntary attrition rate stands at 12% over a 12-month period.</p> <p>Of all new hires, 47% are under 25 years old, 30% are between 30 - 39 years old, 14% are between 40 - 49 years old, 7% are between 50 - 59 years old and 2% are above 60 years old. In terms of grade distribution, 1% are director or above, 5% are at managerial level and 94% are below managerial level. A total of 2,755 employees had left WS Audiology over the 12 months period.</p>

### GRI 403: Occupational health and safety 2018

3-3	Management of material topics	Note 11.5
403-1	Occupational health and safety management system	Note 11.5
403-2	Hazard identification, risk assessment, and incident investigation	WS Audiology established the Standard Operating Procedure (SOP) "EH&S Aspects Impacts and Hazards Risks Assessment" to systematically identify and assess risks in the workplace. The SOP is reviewed at least once a year, and relevant training is carried out to ensure that the evaluators have the relevant competence. In addition, employees are encouraged to report near miss incidents at work to identify risks in a wider scope. Our SOP follows ISO 14001 and OHSAS 18001.

Disclosure Number	Aspect	Page or comments
403-3	Occupational health services	WS Audiology has established a risk identification and evaluation system to determine the major risks and control measures
403-4	Worker participation, consultation, and communication on occupational health and safety	WS Audiology has implemented the EHS management system by establishing an EHS committee, electing/appointing employee representatives, holding regular EHS committee meetings, communicating EHS related information, and ensuring consultation and participation of workers
403-5	Worker training on occupational health and safety	WS Audiology organizes a variety of training programs to ensure that employees are aware of the risks and necessary precautions associated with their jobs, as well as emergency response actions
403-6	Promotion of worker health	In addition to the basic and mandatory medical insurance, WS Audiology also purchases additional commercial insurance for its employees to provide additional protection for their physical and mental health
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Potential fire hazards can cause significant negative occupational health and safety impacts. WS Audiology protects employees against these risks by setting up fire alarm systems and organizing relevant training and drills.
403-9	Work-related injuries	Note 11.5

### GRI 405: Diversity and equal opportunity 2016

3-3	Management of material topics	Note 11.2
405-1	Diversity of governance bodies and employees	Note 11.2



## GRI index

# GRI index (cont'd)

Disclosure Number	Aspect	Page or comments
<b>GRI 406: Non-discrimination 2016</b>		
3-3	Management of material topics	Note 11.2, Note 11.6, Note 13.1  We evaluate the management of the discrimination topic through employee engagement surveys. Supplier compliance is evaluated through the Supplier due diligence program and its associated audits. We evaluate the management of the discrimination topic through employee engagement surveys. Supplier compliance is evaluated through the Supplier due diligence program and its associated audits.
406-1	Incidents of discrimination and corrective actions taken	Note 11.2
<b>GRI 407: Freedom of association and collective bargaining 2016</b>		
3-3	Management of material topics	Note 11.6
406-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Note 11.6

Disclosure Number	Aspect	Page or comments
<b>GRI 408: Child labor 2016</b>		
3-3	Management of material topics	Note 11.6, Note 13.1
408-1	Operations and suppliers at significant risk for incidents of child labor	Note 11.6, Note 13.1
<b>GRI 409: Forced or compulsory labor 2016</b>		
3-3	Management of material topics	Note 11.6, Note 13.1
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Note 11.6, Note 13.1
<b>GRI 413: Local communities 2016</b>		
3-3	Management of material topics	Note 11.7
413-2	Operations with significant actual and potential negative impacts on local communities	Our operations are in commercial buildings with very limited negative impact on local communities, i.e., no human rights (incl. land rights) violations. Water is sourced from the municipal water system; waste is handled by qualified vendors. Read more about GHG emissions in Note 12.



## GRI index

# GRI index (cont'd)

Disclosure Number	Aspect	Page or comments
<b>GRI 414: Supplier social assessment 2016</b>		
3-3	Management of material topics	Note 13.1
414-2	Negative social impacts in the supply chain and actions taken	Note 13.1
<b>GRI 415: Public policy</b>		
415-1	Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary	Contributions - EUR 0
<b>GRI 416: Customer health and safety 2016</b>		
3-3	Management of material topics	Note 13.3
416-1	Assessment of the health and safety impacts of product and service categories	100% product and service categories for which health and safety impacts are assessed for improvement

Disclosure Number	Aspect	Page or comments
<b>GRI 417: Marketing and labeling 2016</b>		
3-3	Management of material topics	Note 13.4
417-2	Incidents of non-compliance concerning product and service information and labeling	Note 13.4
<b>GRI 418: Customer privacy 2016</b>		
3-3	Management of material topics	Note 13.5, Note 13.6, Note 13.7
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	There were no substantiated complaints recorded concerning breaches of customer privacy and losses of customer data
<b>GRI 3: Material Topics 2021 - Material topics without GRI topic standard Awareness, Accessibility and Affordability</b>		
3-3	Management of material topics	Note 11.1

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