Double materiality assessment

Methodology

In 2023, we commenced our double materiality process, in accordance with the process set out in ESRS 1, which covers general requirements for reporting in accordance with CSRD. We mapped our value chain and identified the industries on which we depend across our value chain.

Next, we identified impacts, risks, and opportunities (IROs) across our full value chain for all ESG sub-topics and sub-sub-topics contained in Appendix A of ESRS 1. To assess the materiality of different IROs and topics, we developed a scoring key from 0-5 for both impact and risk materiality and set a materiality threshold at 2 or above for materiality and 3 or above for highly material topics, where 2 represented low scale, concentrated scope, remediable with some effort and a low likelihood, while a 3 represented medium across the same variables. Through this process we assessed 31% of topics to be highly material and 21% of topics to be material for our own operations, and 45% of topics to be highly material and 35% of topics to be materials for our value chain.

In 2024, we finalized our double materiality process through the following steps:

- We made updates to IROs and scoring based on further inputs from stakeholders and additional guidance from EFRAG

- We set the reporting threshold at 3 or higher to focus reporting on the most material topics

We then mapped disclosure requirements and data points against material IROs to determine the contents of this Sustainability Statement, taking into account the specificity of IROs where needed to scope out data points where the IROs are limited to for example specific parts of our value chain, employee groups, or geographies.

We applied three analytical approaches in our double materiality process:

- Desk research: we consulted 40 reports from NGOs, governments, and key suppliers

- Internal workshops: we held five internal workshops with 27 subject matter experts

- External stakeholder interviews: we interviewed eight external stakeholders, constituting both readers of the report and impacted stakeholders. We selected external stakeholders based on the areas where we lacked visibility through our existing stakeholder engagement mechanisms: pollution, resource outflows, and human rights impacts far down our supply chain

We assumed our impacts and risks to be similar to industry averages in cases where we lacked clear data or were unable to allocate impacts prevalent to GN in our value chain.

Our double materiality assessment was subject to ongoing review by senior management. It was formally approved by the Audit Committee in August 2024.

Identification and assessment of impacts

In scoring impacts, we gave equal weight to the three factors constituting severity combined (scale, scope, and irremediable character), and likelihood, prioritizing negative impacts based on their relative severity and likelihood.

Own operations and value chain

For impacts in our own operations, we assessed ESG impacts related to our assets, and core activities: hearing aid component assembly in Denmark, manufacturing of hearing aids in China and Malaysia, final assembly of hearing aids in regional operational centers, R&D and product testing, sales and external collaboration, and white-collar back-office functions for all GN divisions. We also considered secondary activities in support of these core activities.

For our value chain impacts, we prioritized assessing six value chain industries on which GN's business model depends which have heightened risk of adverse ESG impacts: mining, plastic and aluminum production, paper production, freight and business travel, electronics manufacturing, and e-waste treatment.

Environmental sub-topics

For pollution, biodiversity, and water-related sub-topics, we used geographical impact and industry reports in our assessment. This enabled us to understand the material impacts of our own sites, the location of our suppliers and sub-suppliers across our value chain on the surrounding ecosystem and communities, as well as the degree to which we depend on the local ecosystem for our business model. This process led to several sub-topics in the area of pollution to be considered material to GN from an impact perspective, whereas all sub-topics related to biodiversity and water were considered not material from an impact perspective.

We also used the above sources to assess the materiality of sub-topics related to resource use and circular economy, as impacts in this area are ultimately also linked to impacts on nature through pollution, water impacts, or biodiversity loss. In addition, for resource use and circular economy, we specifically scored the (potential) impacts of our business model in terms of the circularity and sustainability of resource