

BUSINESS ETHICS POLICY
in the
WILLIAM DEMANT HOLDING
GROUP

11 March 2010

The Executive Board of the William Demant Holding Group (WDH) believes that in a competitive market, the Group's businesses can only flourish if based on sound business ethics, and the Group adheres to the United Nations Convention Against Corruption. Most of the Group's activities can be characterised as "relationship business", which frequently involves close interaction with clients, including consulting, training and entertaining hearing healthcare specialists, for instance audiologists, hearing care professionals, ear-nose-and-throat specialists and clinic owners.

We are committed to abiding by the laws and regulations of the countries in which we operate. In the absence of adequate laws and regulations, we refer to recognised international standards and industry norms.

We work against bribery and other forms of corruption, both directly and indirectly through our business partners, and we strive to avoid facilitation payments.

To benefit the users of our products is our primary goal. We therefore avoid actions that may influence business decisions to the disadvantage of the end-users.

Legal compliance

All WDH employees comply with the laws and regulations of the country in which they operate.

This Business Ethics Policy does not supersede formal legal rules except where our policy is stricter. Where this policy is less strict than local rules and regulations, local laws shall always apply.

Where the enforcement of local rules and regulations is deficient, we aim to balance the interests of the people affected by our decisions by working to the extent possible through industry organisations to ensure that business terms are based on competitive market dynamics and high ethics.

In some countries, employees may be confronted with dilemmas while striving to balance ethical business conduct with local culture and customs. In such cases, it may be conducive to consult international conventions and guidelines to find a solution that is in line with our commitment to high ethical standards. This also implies that local customs, which have served as a guideline in the past, may be considered inadequate and/or inappropriate.

Corruption and bribery

Corruption is the misuse of entrusted power for private gain. Bribery is the offering, giving or accepting of any undue pecuniary or other advantage to or by:

- a public official at local, national or international level,
- a political party, party official or candidate, or
- a director, officer, employee or agent of a private enterprise

With a view to obtaining or retaining a business or other improper advantage, e.g. in connection with regulatory permits, taxation, customs, judicial and legislative proceedings.

Bribery must never be offered, given, accepted or received, directly or indirectly, in any form. We strive to avoid that business partners acting on our behalf use bribery as a means to support our business.

Facilitation payments

Facilitation payments are defined as small payments made to low-level officials to obtain routine levels of service, which the company is legally entitled to, and not to obtain or retain business or any other improper advantage.

Such payments are almost always illegal under local law, but in many instances considered common practice. There are no reliable criteria to establish when a payment is "small", and there is a grey area between facilitation payment and full-fledged bribery. Additionally, facilitation payments are almost always an indication of more serious and widespread corrupt practices.

Due to their close relation with bribery, facilitation payments are discouraged, and we strive to avoid them.

Conflicts of interest

In business, conflicts of interest typically occur when the personal activities of employees, members of their families or friends clash with the interests of the company and thus impair the employee's ability to make unbiased, arms-length decisions on behalf of the company. Business decisions that include relatives, outside employment or activities, investments and private arrangements with suppliers or customers may be sources of conflicts of interest. Potential conflicts of interest must be avoided to the extent possible and always disclosed to and discussed with a superior manager.

Hospitality, entertainment and gifts

The exchange of business gifts, meals and entertainment is considered common practice and is meant to build understanding and trust in business relationships, but it can also constitute a conflict of interest between personal interests and professional duty.

We act in consistency with local legal requirements, business customs and practices of countries where hospitality, entertainment or gifts are offered or received.

Interaction with hearing healthcare specialists

Our business entails a special relationship with hearing healthcare specialists who act on their own behalf but to some extent are also seen as our representatives vis-à-vis the users of our products. Such relationships are primarily managed locally in consideration of different customer types and business models in the individual markets. As a general guideline, the WDH Group has established a number of principles to guide our behaviour in these special relationships:

- It is appropriate to pay reasonable travel costs of attendees at professional events provided that such payment does not violate any local legal limitations.
- Training or educational programmes are conducted in a clinical, educational, conference or other setting, including hotel or other commercially available meeting facilities conducive to the effective exchange of knowledge.
- It is appropriate to discuss product features and sales terms and to conduct contract negotiations in meetings with hearing healthcare specialists.
- Hearing healthcare specialists may be offered a fee for consultancy services. The fee must be directly linked to and proportional with the services rendered and consistent with the customary rates for such services.

Furthermore, according to our Proper Dispensing Policy, which covers Oticon as well as Bernafon, our hearing instruments will only be sold to hearing care professionals that fit and sell our products to end-users exclusively through face-to-face, in-person consultations. Our hearing instruments are specifically designed and engineered to deliver a premium level of benefit to the end user. We believe that people with hearing loss deserve to make the best choices possible for themselves and that this is best accomplished through a personal relationship with a dispensing professional in a face-to-face setting. Without this critical interaction, the patient is likely to receive an inadequate fit and a marginal experience with our products. Oticon and Bernafon will, without assuming any liability, terminate relationships with hearing care professionals that fail to meet these requirements.

Donations

Community support and donations are acceptable in the form of knowledge, services or direct financial contributions. However, managers and employees must be careful to ensure that charitable contributions and sponsorships are not perceived or used as a cover for bribery.

All donations must be carefully managed and recorded. The recorded entry must state the nature and purpose of the donation, and records must be preserved. The person responsible for the donation must strive to ensure that the donation is used for the intended purpose only.

The mandate of the majority owner of WDH, the Oticon Foundation, is to support the needs of hearing-impaired individuals as well as organisations associated with the area of hearing. Additionally, the Oticon Foundation sponsors social and educational programmes, publications, conferences, cultural activities and campaigns for researchers, hearing care professionals and the general public. The Foundation's income derives mainly from its ownership of the majority of shares in WDH, and donations specifically from WDH companies are therefore limited.

Business partners acting on behalf of WDH

A special challenge exists where WDH uses cooperation partners to act on behalf of the company, such as agents and distributors.

We distribute this policy to relevant business partners, who are obliged to conduct their business in respect of the principles herein and to incorporate such principles into contracts with third parties where relevant.

WDH strives to avoid corrupt practices among business partners through the following means:

- Commissions paid to business partners are appropriate and justifiable remuneration for legitimate services rendered, but must not exceed 30% of the total transaction value.
- Payments to third parties are only made to company accounts in recognised international banking centres.
- All financial transactions shall be kept in appropriate books of account.
- We act with care before selecting business partners, especially in regions known for high risk of illegitimate and corrupt business practices.

If a business partner is found to be in violation of the principles in this policy, WDH will seek to promote responsible business practice through cooperation and dialogue. If a business partner continues to show lack of commitment to rectify misconduct, we may choose to terminate any contract existing between such partner and WDH.

Scope

This Business Ethics Policy shall apply to all WDH employees as well as to anyone acting on our behalf.

An employee who raises an issue in respect of this policy shall not be subject to any adverse impact on his or her employment as a result thereof. On the other hand, continued failure by an employee to work in accordance with this policy may result in disciplinary action.