

CORPORATE GOVERNANCE
in the
WILLIAM DEMANT HOLDING
GROUP

11 March 2010

William Demant Holding's Management (Board of Directors and Executive Board) considers corporate governance an ongoing process and regularly assesses whether amendments to the Company's Articles of Association or managerial processes are required. Once every year, William Demant Holding's Management will review the principles for corporate governance.

Corporate Governance Recommendations 2005

Corporate Governance Recommendations 2005 are prepared by the Committee on Corporate Governance under NASDAQ OMX Copenhagen. The recommendations, which are part of the disclosure requirements laid down by NASDAQ OMX Copenhagen, were updated on 6 February and 10 December 2008 and include a number of recommendations within the following areas:

- I The role of the shareholders and their interaction with the management of the company
 - II The role of the stakeholders and their importance to the company
 - III Openness and transparency
 - IV The tasks and responsibilities of the supervisory board
 - V The composition of the supervisory board
 - VI Remuneration of the members of the supervisory board and the executive board
 - VII Risk management
 - VIII Audit
- Enclosures relating to supervisory board committees

The Board of Directors of William Demant Holding currently considers these recommendations and determines in each instance whether or not the Company should implement such recommendations. According to the recommendations, it is acceptable for a company to pursue a different approach to corporate governance from that recommended by the guidelines, provided the company publicly explains (e.g. in the annual report) its decision not to comply with such guidelines, also known as the "comply-or-explain principle".

The Company's Management follows the development in this area fairly closely and is aware that the recommendations are currently undergoing a major revision. It is expected that the Committee's work to that effect will be completed in spring 2010 after which a revised set of recommendations will be published.

The Board of Directors has discussed and reviewed a number of deviations from the recommendations in force, see below.

The Company's annual report will include a chapter summarising the main contents of this paper, including the areas that may not be in keeping with the recommendations.

William Demant Holding A/S

William Demant Holding is a Danish public limited company listed on NASDAQ OMX Copenhagen. The Company is managed by a Board of Directors and an Executive Board according to the Danish Companies Act.

Board of Directors

The Company is managed by a Board of Directors consisting of four to six members elected by the general meeting and members elected by the Group's employees. The Board of Directors consists of:

Elected for a one-year period by the general meeting on 26 March 2009:

- Lars Nørby Johansen, Chairman

- Peter Foss, Deputy Chairman
- Niels B. Christiansen
- Thomas Hofman-Bang

Elected for a four-year period by the Group's Danish employees on 29 March 2007:

- Ivan Jørgensen, employed by the subsidiary Oticon A/S
- Susanne Fredsø, employed by the subsidiary Oticon A/S
- Ole Lundsgaard, employed by the subsidiary Interacoustics A/S

Peter Foss also serves as Deputy Chairman on the Board of Directors for the Company's principal shareholder, William Demants og Hustru Ida Emilies Fond (the Oticon Foundation).

None of the above-mentioned Directors is a member of both the Board of Directors and the Executive Board of William Demant Holding, and none of the Directors elected by the general meeting is or has previously been employed by the Group.

Executive Board

Mr Niels Jacobsen constitutes the Company's Executive Board.

Corporate governance in the William Demant Holding Group

Below are described the Company's views on the main areas which are mentioned on page 2 under Corporate Governance Recommendations 2005.

I. The role of the shareholders and their interaction with the Management of the Company

1. Exercise of ownership and communication

William Demant Holding communicates currently with its shareholders through the annual general meeting, shareholder meetings, investor presentations, e-mail, telephone, website, webcasts, capital market days, the annual report and company announcements etc. Wherever possible, such communication takes place in both Danish and English.

For environmental and resource purposes, it has been decided – as of publication of the Annual Report 2009 – that in future the Company's annual report will only be published in an electronic version, which can be downloaded from the Company's website just after its publication. All registered shareholders are offered the possibility to receive an e-mail upon the Company's publication of the annual report, interim report and other company announcements. Shareholders who do not have access to the Internet are, however, offered a printed summary of the annual report.

2. Capital and share structure

At regular intervals, the Board of Directors evaluates whether the Company's capital and share structure is in the best interest of the shareholders and the Company. The Company has one share class quoted on the NASDAQ OMX Copenhagen.

It has been the opinion of the Board of Directors for a number of years that – if deemed sensible and not restraining on the Company's long-term development or credit rating – the Company's excess cash flow is to

be used to buy back Company shares with a view to writing down the share capital. Due to the global financial crisis that developed in autumn 2008, it was however decided to temporarily suspend the Company's buyback of shares after which consolidated cash flows have largely been used to settle debt on a continuous basis. We expect to continue to settle debt in 2010, however depending on current consolidated cash flows and acquisitions, if any. In spring/summer 2010, we will review the Group's capital structure and in doing so, also decide whether or not to resume the share buyback programme. The result of such considerations will be announced on the presentation of our Interim Report 2010.

3. Preparation of general meeting, including convening notice and voting by proxy

The general meeting is the highest authority in all Company matters within the limits laid down by law and the Articles of Association. After the coming into force of the new Danish Companies Act at the beginning of 2010, the Company has changed its practice and procedures with respect to conducting general meetings so that they now comply with the new set of rules.

The ordinary general meeting takes place in Region Hovedstaden (the Capital Region of Denmark) and is convened as soon as possible after publication of the annual report. The general meeting is convened by the Board of Directors at a minimum of three and a maximum of five weeks' notice. The convening notice is sent to NASDAQ OMX Copenhagen, is published on the Company's website, is published in the computerised information system of the Danish Commerce and Companies Agency and is sent to all shareholders registered in the Company's register of shareholders who have requested notification.

The convening notice includes the agenda and a description of the proposals to be reviewed by the general meeting.

The general meeting is held before the end of April.

Anyone who has been registered as shareholder in the Company's register of shareholders no later than one week prior to the general meeting or has at this time applied to the Company with a view to being registered, however provided that such application has been received by the Company, is entitled to attend and vote at the general meeting. Attending the general meeting is also conditional upon the shareholder having obtained an admission card no later than three days prior to the general meeting. A shareholder is entitled to attend the general meeting by proxy or accompanied by an adviser. The right to vote can be exercised by a proxy presenting a written and dated power of attorney. A power of attorney to the Board of Directors shall only apply for a specific general meeting whose agenda is known beforehand and cannot be given for more than one year. The Company shall place a written or electronic power of attorney form at the disposal of the shareholders. Power of attorney can either be given to the Board of Directors or to a proxy.

Any shareholder is entitled to have a specific topic reviewed at the ordinary general meeting, if within six weeks prior to the general meeting, the shareholder makes a request to that effect to the Board of Directors. If such request is made less than six weeks prior to the general meeting, the Board of Directors shall decide whether or not to include the topic in the agenda.

4. The duties of the Board of Directors and the shareholders' rights in case of a takeover bid

The Company's principal shareholder, the Oticon Foundation, currently holds 55-60% of the share capital and votes. The Oticon Foundation has a statute according to which the Foundation should always – directly or indirectly – seek to hold the majority of shares in the Company in order to limit any attempts at takeover.

II. The role of the stakeholders and their importance to the Company

1. Company policy in relation to stakeholders

On the Company's website, stakeholders can find the Company's mission statement describing its visions, strategies and goals. Furthermore, the Company's managerial policy builds on high standards of business conduct, including honesty, quality and fairness in the management of the Company as well as environmental and social responsibilities.

The Company's major business activities also build on independent mission statements, based partly on the specific business activity, partly on the mission statement of the William Demant Holding Group. For instance, the vision of the Group's biggest business activity, Oticon Hearing Aids, builds on the philosophy of the Company's founder: "To help people live the life they want, with the hearing they have."

2. The role and interests of the stakeholders

The Company is more than 100 years old and has a solid foundation for its activities and for interacting with its stakeholders. Since its foundation, the Company has dedicated its resources to disseminating knowledge and enhancing the use of mainly hearing aids and assistive listening devices.

It is Group policy to sell the Company's products in the most professional manner, as a result of which we have invested heavily in the distribution of Group products. Products are becoming better and better, but also more and more complex to use for the Company's customers, as a result of which training and education play an increasingly important role. Therefore, we arrange targeted training and educational sessions when new products are introduced to enable the Company's customers to provide end-users with the best advice and service.

Through relevant industry and user organisations, William Demant Holding also contributes funds, resources and know-how to disseminate knowledge of hearing impairments and of their remedial treatment.

III. Openness and transparency

1. Information and publication of information

Through its Internal rules to ensure the observance of duties of disclosure and through a continuous close dialogue on specific communication issues, the Board of Directors has defined its policy with respect to information on and disclosure of information to stakeholders.

The primary form of communication are company announcements to NASDAQ OMX Copenhagen A/S, including annual reports and interim reports. In some instances, a business unit may send out a press release. In that case, the procedure and contents of such press release must also be co-ordinated based on corporate communication policy.

Any information essential to shareholders and financial markets for their assessment of the Company and its activities is published as promptly as possible in compliance with the rules of the Danish Financial Supervisory Authority and NASDAQ OMX Copenhagen and is at the same time published on the Company's website.

Company announcements are published in both Danish and English.

We have chosen to present our website in English only as we believe that stakeholders seeking information from our website are familiar with this language. However, all documents that can be downloaded from the website are available in both Danish and English.

2. Investor Relations

William Demant Holding wishes to increase the level of information to all current and potential shareholders. The Company communicates through investor presentations, one-on-one meetings, webcasts, capital market days and similar events to enhance the level of information.

The Company has an IR function proper and Management frequently participates in IR-related arrangements. By way of example, Management holds more than 200 one-on-one meetings a year where current and potential shareholders are given the opportunity to put questions to the Company's representatives. Such meetings often take place in a Group company to give the stakeholders further insight into the operating principles of the Company.

IR work is carried out in an open dialogue, and any stakeholder can put questions to Management and Management can answer such questions, provided the answers do not damage the Company or violate legal provisions, including the rules and regulations applying to NASDAQ OMX Copenhagen A/S.

It is possible to contact the Company's Management through the Company website.

An investor presentation is made available on the Company's website at the same time as the presentation is given or immediately after the presentation.

Webcast presentations are recorded and can be viewed on the Company's website. An interactive version of the Company's annual report has been prepared to make it easier to browse and find relevant information.

3. The annual report and supplementary information

The consolidated financial statements are presented in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements for the Parent are presented in accordance with the provisions of the Danish Financial Statements Act for class D entities. Also, the annual report is prepared in accordance with further Danish disclosure requirements for annual reports published by listed companies as formulated by NASDAQ OMX Copenhagen and the IFRS order issued in compliance with the Danish Financial Statements Act.

The Parent's accounting policies on recognition and measurement are generally consistent with the Group's accounting policies. The instances in which the Parent's accounting policies deviate from those of the Group are described in the annual report under Accounting policies.

Annual reporting figures are stated in Danish kroner supplemented by an overview of key figures and financial ratios in euro. The annual report is prepared in Danish and English.

Management evaluates on a continuous basis whether or not any new or changed standards and interpretations of the financial accounting should be incorporated into the annual report earlier than at the time of their entry into effect.

Apart from the requirements of the IFRS and other Danish accounting legislation, the Company finds that the publication of a substantial amount of non-financial particulars in the annual report is not expedient. How-

ever, the annual report proper includes the mandatory review of matters pertaining to social responsibility and management. The Company's website offers a more in-depth review of these topics.

4. Interim reports and interim information

William Demant Holding publishes interim reports in accordance with the provisions on recognition and measurement of the International Financial Reporting Standards as adopted by the EU and in accordance with further Danish disclosure requirements for interim reports published by listed companies as formulated by NASDAQ OMX Copenhagen.

For the period between publication of the annual report and publication of the interim report, William Demant Holding has chosen also to publish interim information on the development of the Company and the relevant markets, cf. the rules laid down by NASDAQ OMX Copenhagen. This information contains no financial information, as in Management's opinion actual quarterly reports, apart from the interim report, will not promote a better understanding of the Company's activities. The interim information also contains a general description of the Group and its financial position and results.

IV. The tasks and responsibilities of the Board of Directors

1. Overall tasks and responsibilities of the Board of Directors

The Board of Directors is responsible for the overall strategic management as well as the financial and managerial supervision of the Company and it regularly evaluates the work of the Executive Board as expressed in, for instance, the Annual Plan and Budget prepared for the Board of Directors. Its tasks and responsibilities are determined in the rules of procedure for the Board of Directors and in the instructions to the Executive Board. Moreover, the rules of procedure for the Board of Directors include assignment briefs for the Chairman and the Deputy Chairman.

The Board of Directors supervises and evaluates on a continuous basis whether the Company is properly organised and is managed in a satisfactory manner in compliance with the Danish Companies Act, the Company's Articles of Association, the rules of NASDAQ OMX Copenhagen and other relevant legislation.

The Board of Directors' supervisory control with the Executive Board is primarily exercised through the reports received from the Executive Board, including financial data, through entries into the audit protocols and through discussions with the Executive Board at the Board meetings.

The Board of Directors ensures that accounting procedures and asset management are monitored in a satisfactory manner in respect of the Company's circumstances.

The Board of Directors decides whether the Company's available cash resources are at any time sufficient in respect of the operation of the Company.

On the recommendation of the Executive Board, the Board of Directors determines the Company's overall goals, strategies, action plans and investment policy, including their financial scope.

The Board of Directors determines the Executive Board's conditions of employment and ensures that remuneration to the Executive Board reflects the results obtained in the Company. The remuneration is evaluated once every year.

The Board of Directors ensures that relations with the Company's stakeholders are good and constructive.

2. Tasks of the Chairman of the Board of Directors

The Chairman of the Board of Directors ensures that the Board's competencies are utilised in the best way and that meetings are scheduled at such intervals that the Board of Directors is an active sparring partner for the Executive Board and the Company's Management.

In co-operation with the Company's Executive Board, the Chairman convenes Board meetings and preferably schedules meetings that can be attended by all Directors and the Executive Board.

The Board of Directors has elected a Deputy Chairman to head Board meetings, should the Chairman be prevented from participating.

Apart from the provisions laid down in the rules of procedure for the Board of Directors and in the Company's Articles of Association, no special job and task descriptions have been prepared for the Chairman and the Deputy Chairman.

3. Rules of procedure

William Demant Holding's Board of Directors has agreed upon rules of procedure, specifying the tasks and supervisory control to be carried out and exercised, respectively, by the Board of Directors.

Once every year, the Board of Directors reviews and, if necessary, changes the rules of procedure.

4. Information given by the Executive Board to the Board of Directors

Before the 20th of each month, the Executive Board forwards an annotated overview of Group sales and cash flow in the previous month to the Board of Directors.

Furthermore, the Board of Directors receives annotated, internal interim accounts broken down by specific measurement points. An income statement, a balance sheet and overviews of the cash flow and the key figures and financial ratios, corresponding to the layout of the annual report, are prepared as well.

At all ordinary Board meetings, the Company's Executive Board and Management report on the activities of the Company. Such reporting is made partly in writing prior to the Board meeting, partly orally at the actual Board meeting.

V. The composition of the Board of Directors

1. Recruitment and election of Directors

Directors elected by the general meeting:

The Board of Directors endeavours to ensure that the Directors possess relevant and necessary knowledge and professional experience in respect of the Company's needs.

The curriculum vitae of a new Director, whose election is proposed by the Board of Directors, is presented to the general meeting together with the recommendation. All and any information on the professional qualifications of such Director, which is deemed material in respect of the Company, including his or her international experience, must be included in such presentation. Information on any relevant managerial offices held by the potential Director in foreign companies and information on his or her demanding organisational tasks, if any, must also be given.

As far as any proposal for the re-election of a Director to the Board is concerned, reference is made to the Director's personal data appearing from the Company's annual report and website.

The Company has chosen not to publish a complete overview of the individual Directors' special competencies, which might be relevant to their duties as Directors, as we are of the opinion that such an overview would not adequately reflect their expertise.

Directors elected by the employees:

The Group's Danish employees elect representatives from among their number. Such election takes place in accordance with the provisions of the Danish Companies Act, which do not stipulate any competence requirements other than the requirement that prior to election the representative must have been employed with the Company for 12 consecutive months.

2. Introduction and training of new Directors

When joining the Board of Directors, a Director is offered the opportunity to make himself acquainted with all important reports, budgets, strategy plans etc. that apply to and are used by the Company.

The new Director is offered the opportunity to make himself acquainted with the daily operation of the Company through, for instance, visits to the Group's most important facilities.

Directors are currently offered training in Board tasks and duties. Staff-elected Directors have all participated in supplementary training sessions targeted specifically toward such directors.

The Chairman of the Board evaluates on a continuous basis the need, if any, to bring a Director up-to-date in respect of specific spheres of competence.

3. Number of Directors

Under the Company's Articles of Association, the Board of Directors shall consist of four to six Directors elected by the general meeting. Add to these the staff-elected Directors.

4. Independence of the Board of Directors

None of the Directors elected by the general meeting has been employed with the Company or has (had) any attachment to or interest in the Company apart from the duty as Director and shareholder.

The Oticon Foundation – the Company's principal shareholder – has a statute according to which the Foundation's Board is obliged to ensure that at least one Director with a commercial background is elected to the Board of Directors of the Company.

The Oticon Foundation has decided that presently one Director must be a Director in the Company as well, for which reason the majority of the Directors elected by the general meeting are thought to be independent of the Company.

The annual report includes an overview of each Director's position and managerial offices in Danish limited companies. Any relevant managerial offices in foreign companies as well as any demanding organisational tasks must also be divulged.

All Directors are shareholders in the Company as at 31 March 2010. The Board of Directors has chosen not to specify the holding of shares held by the individual Director, as it finds such information to be useless to the general public. Any changes in Directors' shareholdings are published in each case in compliance with applicable rules and are at the same time reported to the Danish Financial Supervisory Authority and to NASDAQ OMX Copenhagen. The changes are also published on the Company's website.

5. Directors elected by the employees

Under Danish law, the Board of Directors must consist of a number of Directors elected by the employees, and this number must at least correspond to half the number of Directors elected by the general meeting.

The Directors elected by the employees are all elected by the Group's Danish employees through indirect election according to which two electors from each Danish Group subsidiary and from the Parent cast a number of votes determined by the number of employees in the company in question.

A list of candidates is prepared, which is based on employees who have been employed with the Group for at least 12 months prior to the election.

Furthermore, a list of alternates is prepared. Alternates are elected in the same manner as Directors.

Directors elected by the employees are elected for a four-year term, effective from the general meeting in the election year in question (next election will take place in March 2011).

If, during his or her four-year term, a Director elected by the employees resigns, the person concerned must at the same time resign from the Board of Directors. In such cases, the alternate elected for the Director in question takes his or her place on the Board of Directors. If the Director in question does not have an alternate, a by-election will be held during the election term according to the same rules as the rules applying to the ordinary election.

Directors elected by the employees have the same rights, duties and responsibilities as Directors elected by the general meeting and receive the same remuneration as such Directors.

6. Meetings

The Board of Directors schedules its meetings well in advance of the holding of such meetings. In practice, the Board meetings of the coming calendar year including the work programme are scheduled during the first quarter of the year. The Board of Directors holds five ordinary meetings a year as well as any extraordinary meetings, should the Executive Board or the Board of Directors find it necessary.

The number of Board meetings held in the past accounting year appears from the Company's annual report.

7. Time for Board duties and number of directorships

Prior to the election of a new Director, the Board of Directors ensures that the Director has the time necessary to carry out the Board duties.

8. Age limit

From the Company's Articles of Association, it appears that on reaching the age of 70, a Director must resign from his Directorship at the next ordinary general meeting, at the latest. The age of the Directors appears from the annual report and the Company's website.

9. Election term

Under the Company's Articles of Association, Directors elected by the general meeting are elected for one year at a time.

After the general meeting, the Board of Directors constitutes itself for the next year with a Chairman and a Deputy Chairman.

10. Board committees

As of 2009, listed companies must set up an audit committee to monitor if their financial reporting, internal controls, risk management and statutory audit are appropriately planned and carried through. On this basis, the Directors of William Demant Holding have discussed the general framework relating to the role and function of the audit committee and decided to let the entire Board of Directors perform this task. In addition to the Company's business activities and the size of the Board, the Board of Directors has taken the limited scope of estimates and assessments in relation to the continued financial reporting into account.

Currently, there are no independent Board committees, as in the Board's opinion, the Company's business activities and the size of the Board of Directors do not necessitate the establishment of such committees.

11. Self-evaluation of the Board's work

The Board of Directors does not evaluate its own work. The Chairman evaluates the Board's work on a continuous basis and in the Board's opinion, the outcome of such evaluation is satisfactory.

12. Evaluation of the Executive Board's work

The Chairman of the Board of Directors evaluates the Executive Board's work once every year.

13. Evaluation of the co-operation between the Board of Directors and the Executive Board

The Chairman evaluates on a continuous basis the co-operation between the Board of Directors and the Executive Board.

VI. Remuneration of the Board of Directors and the Executive Board

1. Remuneration

The Board of Directors evaluates the remuneration of the Board of Directors and the Executive Board once every year. The evaluation takes its point of departure in a competitive and fair level in order to ensure that the best candidates be retained and recruited. If necessary, relevant statistics and references are obtained from executive search companies, among others.

The Directors' remuneration appears from the annual report, which is approved at the Company's ordinary general meeting.

In consultation with the other Directors, the Chairman of the Board regulates the remuneration of the Executive Board once every year.

2. Remuneration policy

Each Director receives a fixed basic remuneration. Presently, the Chairman receives three times the basic remuneration and the Deputy Chairman receives twice the basic remuneration.

The Board's remuneration is put forward to the general meeting together with the annual report.

The Executive Board receives a fixed remuneration.

Neither for the Executive Board nor for the Board of Directors, have incentive programmes under section 69b of the Danish Companies Act been established.

With two or three years' intervals, the Company has offered its employees (including the Executive Board) the opportunity to buy shares at a favourable price, depending on salary and seniority. The shares are subsequently held on trust for five years. The latest employee share ownership plan was executed in 2006. Since 2008, the Group has offered employees liable to pay tax in Denmark to participate in salary sacrifice arrangements. For 2010, we are planning to offer foreign employees, who cannot participate in such salary sacrifice arrangements, the opportunity to acquire shares under an employee share ownership plan.

3. Openness regarding remuneration

The remuneration received by each Director and the Executive Board in the accounting year in question appears from the Company's annual report.

4. Principles for the establishment of incentive programmes

Neither for the Board of Directors nor for the Executive Board, have share option schemes or similar schemes been established. However, it has been agreed that the present Executive Board will receive special severance payment, which will be increased by the number of years of employment after 2005.

5. Information on the introduction of incentive schemes

Not applicable, cf. clause VI, sub-clause 4.

6. Severance agreements

No severance agreements pertaining to the Board of Directors have been concluded.

The Executive Board's contract includes a termination clause and a severance clause, both of which are in line with normal market terms.

VII. Risk management

1. Identification of risks

The Company operates in a stable market with a limited number of players. The risks to which the Company can be exposed are not likely to change significantly in the short term.

The Board of Directors is in an ongoing dialogue with the Company's Executive Board on the identification, description and handling of the business risks to which the Company can be exposed. All material risks are also described in the Annual Plan and Budget prepared for the Board of Directors.

2. Risk management plan

On preparation of the annual strategy plan and budget, the Board of Directors considers the risks identified by the Company. Also, the Board of Directors reviews the scope of such risks and estimates whether changed working procedures and action plans may eliminate or reduce some of the risks.

The reports made by the Executive Board at the ordinary Board meetings include continued evaluations of the risks that have changed compared with previous reports.

Once every year, the Board of Directors reviews the Company's insurance conditions, including the coverage, if any, of the identified risks.

3. Openness

In its annual report, the Company reports on the risk management activities.

VIII. Audit

1. The Board's recommendation for election of auditors

With a view to recommending auditors to the general meeting, once every year the Board of Directors makes a concrete and critical evaluation of the auditors' independence, competence etc. in consultation with the Executive Board.

2. Auditors' remuneration

The auditors' remuneration is agreed upon prior to the beginning of an accounting year and is approved by the audit committee.

3. Non-auditor services

The Company's auditors may be asked to perform non-auditor services. In each instance, such services are agreed with the Company's Executive Board. If the auditors' remuneration for such non-auditor services exceeds the ordinary auditors' remuneration, the matter is put to the Board of Directors for approval.

4. Internal control systems

The Company does not have an internal auditing function, but uses internal control systems, which are currently evaluated by the Board of Directors.

The Company's auditors also evaluate the internal control systems in their communication with the Board of Directors.

5. Accounting policies and forecasts

The Company is obliged to observe Danish accounting legislation. With due account being taken of applicable laws, the Board of Directors determines – upon the recommendation of the Executive Board and other senior staff – the accounting policies and forecasts that must apply to the presentation of the annual report and the statement of accounts.

On the basis of the chosen policies, the Company's auditors review and revise the annual report and the statement of accounts.

6. Outcome of the auditing

In connection with the Board's review of the draft annual report, the Company's auditors present their comments to the annual report at an ordinary Board meeting. Prior to this meeting, the auditors will have forwarded a draft audit protocol directly to the Directors to enable the Directors to discuss with the Company's auditors the course of the annual auditing and to enable the auditors to explain special problem areas.

Under Danish accounting legislation, the auditors endorse the annual report prior to approval of the report by the general meeting. Such endorsement (the auditors' report) includes the opinion expressed by the auditors on the audit conducted.

7. Audit committee

The Directors of William Demant Holding have discussed the general framework relating to the role and function of the audit committee and decided to let the entire Board of Directors perform this task. In addition to the Company's business activities and the size of the Board, the Board of Directors has taken the limited scope of estimates and assessments in relation to the continued financial reporting into account.

IX Amendments to Articles of Association

The adoption of a resolution to make amendments to articles other than those listed in section 107 of the Danish Companies Act shall require that at least 51% of the share capital is represented at the general meeting, and that the resolution is approved by at least a two-thirds majority of the votes cast and of the represented share capital which is entitled to vote. Where 51% of the share capital is not represented at the general meeting, but two thirds of the votes cast and of the represented share capital which is entitled to vote have approved the proposal, the Board shall call an extraordinary general meeting within 14 days, at which meeting the proposal may be adopted by a two-thirds majority of the votes cast, irrespective of the number of shares represented.