GN Store Nord A/S

Communication on Progress **2014**

INNOVATORS IN SOUND

Corporate social responsibility report according to section 99a in the Danish Financial Statements Act

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MEMBERSHIP OF UN GLOBAL COMPACT
Member since: January 14, 2010
Number of employees: 5,075
Sector: Health care equipment and electronics
Reporting date: February 14, 2015
The report covers the period: January 1, 2014, to December 31, 2014

This report forms part of the management's report in the annual report 2014 for GN Store Nord A/S. The report is not covered by the audit.



Company profile

GN Store Nord has been helping people communicate since 1869. Initially as a telegraph company and today as a global innovation leader within hearing aids, wireless communication and audio solutions through its two businesses GN ReSound and GN Netcom

GN is headquartered in Denmark and employs around 5,075 people in 34 countries. GN is included in the OMXC20 Cap and Large Cap indexes on NASDAQ OMX Copenhagen as well as the Stoxx Europe 600 index and the Stoxx European Sustainability index.

GN RESOUND

The GN ReSound Group is a leading international developer and manufacturer of advanced hearing aids and ear-related diagnostic equipment. The company offers a full range of hearing aids and accessories under the ReSound, Beltone and Interton brand names. Through GN Otometrics, the group also creates innovative solutions for all types of ear-related diagnostics and is the largest global supplier of computerized audiology and hearing-instrument fitting equipment.

GN NETCOM

Through its Jabra brand, GN Netcom is a world leader in the development, manufacturing and marketing of headsets and speakerphones. With a reputation for innovation, reliability, and ease of use that goes back more than two decades, GN Netcom's consumer and business divisions produce corded and wireless communication solutions that empower individuals and businesses through increased freedom of movement, comfort and functionality.

Visit www.gn.com for more information.

Statement of support from the executive management

Sound is at the core of what we do and where we can make a real difference to people. Every day we work hard to improve the way our customers hear and interact with the sounds of the world through our hearing aids, headsets and speakerphones so they can live fulfilling and satisfactory lives

In 2014, GN ReSound launched the world's first Made for iPhone hearing aid and broadened the technology into a new smart hearing aid portfolio that connects the hearing impaired to what he or she loves directly from an iPhone, iPad or iPod touch. This has positively changed the perception of hearing aids and turned them into cool technology. GN Netcom launched a new business headset to reduce noise for people working in open office environments as well Sports Audio earbuds featuring an in-ear heart rate monitor to improve performance and motivation.

Our products do not only influence our users but also those employees, suppliers and communities who contribute to the products in the making. GN's customers should trust that the products are produced in a safe and environmentally satisfactory way. As a company, we are committed to acting in a responsible manner to all our stakeholders and we consider this an imperative for managing a successful business and reaching our strategic goals.

With this report, we reconfirm our commitment to the ten principles of the United Nations Global Compact and we are happy to welcome you as a reader.

EXECUTIVE MANAGEMENT

Anders Hedegaard – President & CEO, GN ReSound
Niels Svenningsen – President & CEO, GN Netcom
Anders Boyer – CFO, GN Store Nord

Visit www.gn.com/csr to read the full CSR-policy.

Diversity and talent management

GN Store Nord requires leaders who can manage teams and functions in a business environment that is becoming increasingly global and complex. Having leaders at all levels with a shared leadership approach to create focus, engagement, cooperation and drive performance is essential for developing GN's businesses and achieving its goals. This is irrespective of gender, age and nationality

DIVERSITY IN MANAGEMENT AND THE BOARD OF DIRECTORS

GN believes that diversity strengthens any governing body, and it acknowledges the importance of diversity in general, including diversity of gender, nationality and competencies. In the GN Store Nord Annual Report 2012, the board of directors declared a goal to see one to two women elected for the board by the end of 2017. Since then, Hélène Barnekow was elected for the board at the annual general meeting in 2013. The board of directors have subsequently established a new goal of having elected two female board members by the end of 2017.

Moreover, the company follows an action plan to increase the number of women in senior management positions. Currently, women fill 14% of the company's senior management positions, and GN aims at increasing the number to 25% in 2017. GN recognizes that the current percentage of females in senior management positions may be too low to secure optimal organizational performance and has consequently adopted a gender diversity policy. The initiatives in the policy support efforts to build a pipeline of future female candidates for senior management positions, and special attention to this area is given in GN's yearly talent review and successor planning process. GN plans to strengthen these efforts in 2015 and will for example offer selected female leadership talents mentoring by senior managers. GN will continue to monitor the gender distribution of the identified talents in order to ensure a diversified talent pipeline.

During 2014, a number of activities within recruitment practices took place, which are expected to have an effect on the share of females at the senior management level within the next three years. Moreover, GN recruits talents at all levels, and to ensure a diverse group of candidates to select from in the recruitment processes, GN seeks to have at least one female among the interviewed candidates.

Women in senior management positions

	2012	2013	2014	**Target**
Percentage of women in senior management positions	18%	17%	14%	**25% by the end of 2017**

TALENT AND LEADERSHIP DEVELOPMENT

To fulfill GN's ambitions for its leaders and organization, the development of talents and pipeline of future leaders is a key priority. GN's talent management activities include:

- Performance management. Employees conduct a performance review and a development planning dialog with their immediate manager

- A talent review process. All managers assess their talents as part of this process. This provides input for GN's successor planning and individual development plans

- Leadership development programs. GN offers leadership development programs on three levels. The programs are designed to meet the development needs of managers with different leadership experience and complexity in their leadership role. In 2014, GN launched a new development program for employees working in key roles driving cross-functional projects, processes or change initiatives

Human & labor rights

GN Store Nord sets the bar high when it comes to its business standards and interaction with employees and suppliers. GN is responsible for the people who take part in the production and support of its products and services worldwide. GN believes that these people should neither be deprived of their basic human rights nor be forced to suffer physically or mentally from their work in any way

RESPONSIBLE SOURCING

GN requires all its suppliers to comply with GN's code of conduct and its responsible sourcing booklet, which also emphasizes human rights. It is essential for GN to ensure that no violations of such rights occur. Therefore, GN is in close dialog with its suppliers as the best results are created through clear expectations and cooperation. In addition, GN continually assesses its suppliers and monitors their compliance through supplier self-assessments, performance monitoring, audits and site visits.

If GN experiences any issues or breaches in relation to its code of conduct for suppliers, it raises a non-conformity, and suppliers will be required to provide an action plan to amend findings within agreed time. However, if GN discovers critical issues at its suppliers it will not hesitate to take more severe actions.

Both GN ReSound and GN Netcom have CSR related issues included in their audits. Audit topics among other things include issues on child labor, working hours and health and safety. In 2014, most findings were related to working hours as well as health and safety issues in the production. GN ReSound and GN Netcom are in positive dialog with suppliers where a non-conformity has been raised to implement required actions.

Visit www.gn.com/csr to read the code of conducts for GN ReSound and for GN Netcom and the responsible sourcing booklets.

AN ENGAGED WORKFORCE

GN's employees are the most valuable assets to the company, and an engaged workforce is key to achieve GN's ambitions as a company. To measure the engagement, GN regularly conducts a global Engagement Survey for the group – the next survey will be conducted in 2015. Results from the last survey for the group showed that employees are highly motivated and committed. In GN, strong emphasis is put on following up on the survey results, and managers and teams on all levels work to identify action plans to make GN an even better place to work.

OCCUPATIONAL HEALTH AND SAFETY

A healthy and safe working environment is important to GN, and GN's operations are relatively low-risk compared to other industries in general. GN has never experienced a fatal workplace injury.

In 2014, GN's occupational health and safety organizations (OHS) covering GN Store Nord, GN ReSound and GN Netcom merged into one organization covering all facilities at the joint headquarters in Denmark. The new OHS organization has the responsibility for dealing with all health and safety issues arising at headquarters, including the handling of regular workplace assessments and securing a safe work environment.

Environment

GN Store Nord is committed to minimize its environmental and climate impact through planning and execution of activities. In addition, GN actively encourages its suppliers to consider the environment

CLIMATE PARTNERSHIP TO REDUCE CARBON FOOTPRINT

In 2013, GN announced a three year climate partnership with DONG Energy to reduce its carbon footprint and to invest in a sustainable eco-friendly energy source from the Anholt Offshore Wind Farm in Denmark. The partnership will ensure that GN decreases its electricity spending while investing in sustainable initiatives. Various improvement initiatives have been identified at GN's headquarters as part of this collaboration. In 2014, the building's cooling equipment was replaced with a new more energy efficient system that will reduce energy consumption with up to 70,000 kW annually. More energy saving initiatives are scheduled for 2015, including initiatives on lighting, insulation and control of ventilation.

PRODUCT DEVELOPMENT

Through product development GN strives to find unique ways to improve quality of life with superior technology. GN continually observes the way it creates its products to make the most of the raw materials and to design more sustainable products in the highest possible quality. Due to the diversified nature of the companies, different quality controls and procedures apply. Regulations for GN ReSound are by nature greater as the products are classified as medical devices.

GN ReSound

GN ReSound's products are developed under a highly regulated quality system complying with ISO 13485 and FDA 21CFR 820 CGMP standards, which GN ReSound uses to control a number of product standards, including environmental aspects. The majority of GN ReSound's hearing aids are manufactured at GN ReSound's facility in China. The amplifiers for the hearing aids are produced at GN ReSound's facility in Denmark.

Product data management

In 2013, GN ReSound conducted a pilot project to explore suppliers' interest in participating in the BOMcheck (Bill of Material) system, which is a shared global platform developed by the industry to make material declarations easier and to improve data quality for authorities and customers.

With the BOMcheck database suppliers only need to report the substance of their components once, and when manufacturers make a request they can pull out the supplier data needed per product directly from BOMcheck. Today, 93% of the 176 suppliers addressed by GN ReSound in this project have responded covering more than 1,400 product parts. On all

the products included in the project RoHS 2 (Restriction of Hazardous Substances) compliance certificates were successfully issued.

To effectively manage its status of ROHS 2 compliance GN ReSound also implemented a new module to its product data management system in 2014. The module also enables GN ReSound to calculate the composition and amount of chemical substances in the final products, which are brought to market. The documentation covers both old and new products ensuring that reliable material and substance data are always available to be presented to authorities and customers.

The project will continue during 2015 to further develop and adjust the systems.

GN Netcom

Besides complying with requirements within chemical and hazardous substances, such as the RoHS directive and the REACH regulation, GN Netcom has created its own list of 'Restricted and Banned Substances'. Today, around 60 chemical substances are restricted from the production and final products. Moreover, GN Netcom has invested in its own environmental testing facilities and now has a state-of-the-art test lab where the standards and regulation work in this area is monitored closely. Manufacturing of GN Netcom's products is carried out by a number of carefully selected original design manufacturers and manufacturing services companies based in China.

Sustainable IT-certification

In order to provide long-lasting and sustainable headsets to the market, the headsets need to be designed specifically to the user and the use case. GN Netcom ensures superior quality by producing its headsets under the certified ISO 14001 environmental management system. Furthermore, most of GN Netcom's headsets for professional work environments are TCO Certified. TCO certification is an international third party sustainability certification for IT products and it combines requirements for corporate social responsibility at the manufacturing facilities, user safety and ergonomic design as well as minimal environmental impact for both the product and its production during its entire life cycle.

Wall charger project

Since 2012, GN Netcom has been working to replace all wall chargers with USB cables for its consumer products. It started out as a pilot project testing customer preferences with selected products. The pilot project turned out very successful, and during 2014 wall chargers were replaced with USB cables for most of GN Netcom's consumer products. This has eliminated the needless manufacturing of wall chargers and resulted in many mobile products fitting into slimmer packaging. The slimmer packaging entails that one pallet can contain more products reducing the needed freight capacity by 14%. This initiative has also resulted in a

saving of 187 tons of plastics and metals equivalent to the weight of a Boeing 747 airplane in 2014.

The expectation for 2015 is to replace plastic form packaging inlays with more environmentally friendly materials.

Shipping

During 2013, GN Netcom commenced transferring the shipment of certain products from airfreight to ocean freight. The intention is to ship 50% of the sold units in the business product portfolio (CC&O) by sea every year. However, in 2014 GN Netcom experienced challenges in achieving this intention. Among others, North American ports were affected by strikes from May to August followed by port congestion. Therefore, it has been necessary to change a major share of the planned ocean volumes to airfreight to be able to deliver the products to the customers in a timely manner. GN Netcom will resume shipping its business product portfolio by sea to North America in the first quarter of 2015 and expects to achieve its aim of 50% ocean freight in this segment again in 2015. Due to the issues in 2014, only a small reduction in CO_2 emissions has been achieved.

Anti-corruption

GN Store Nord operates a global business, and thereby does business in parts of the world where corrupt practices exist. However, GN does not accept any illegal activity, and it is crucial for GN's credibility that it acts in a responsible way by advocating lawful practices

WHISTLEBLOWER REPORTING SYSTEM

In 2010, as part of ensuring high business standards, GN established its first whistleblower system enabling internal and external stakeholders to anonymously report, any irregularities observed. In 2014, a new improved global whistleblower system - referred to as the Alertline - was implemented in GN. This system allows, in multiple languages, all employees and external stakeholders to confidentially report illegal or unethical conduct via the internet or via one of the local Alertline phone numbers. The system is an important tool to ensure that allegations of illegal or unethical conduct are reported and addressed fast. All complaints are treated with confidentiality, and GN will not discharge, demote, suspend, threaten, harass or in any other way discriminate against an employee due to any lawful action(s) taken by the employee with respect to good faith reporting of complaints or participation in a related investigation.

Visit www.gn.com/About-GN/Whistleblower for more information on GN's Alertline.

BUSINESS ETHICS AND COMPLIANCE

GN's commitment to business ethics and compliance with international regulation and internal policies is anchored in the corporate ethics guide, the code of conduct and other internal corporate guidelines. These outline the fundamental requirements for how GN operates and describe the responsibilities and ethical standards expected of all employees and relevant business partners.

In 2014, GN implemented a new compliance software system in order to support and optimize the ongoing proactive efforts to identify, assess and minimize risks related to business ethics and compliance. The system also helps GN to ensure and document employees' familiarity with the code of ethics at all times, as relevant employees electronically sign their compliance within specific areas.

Visit www.gn.com/csr to read more about the ethics guide and code of conduct.

Citizenship

Being a global citizen is essential for how GN Store Nord does business. GN believes that the long-term success of the company is dependent on the affluence of the communities in which GN operates. Through the GN Store Nord Foundation, GN aims at creating increased prosperity for society

THE GN STORE NORD FOUNDATION

The GN Store Nord Foundation provides grants for scientific, technical, national, non-profit and humane purposes in accordance with its mission and is very pleased to be able to support purposes deemed to be of social importance to the society. Below are examples of projects supported by the GN Store Nord Foundation in 2014.

Hearing aid project in South Africa

GN's hearing aid project in South Africa progressed positively during 2014. Approximately 100 impoverished South Africans suffering from hearing impairment were fitted each month with completely new hearing aids from GN ReSound. All recipients have their new hearing aids professionally fitted by an audiologist educated by GN at their local hospital securing a high level of user satisfaction.

In 2015, GN expects more than 1,000 South Africans to receive a completely new and professionally fitted hearing aid as part of the project.

The South African hearing aid project was initiated in 2011 when GN entered into collaboration with the public sector in South Africa. The program initially covered two provinces but has spread to cover all nine provinces today. Besides the donation of hearing aids, GN has committed to train public hospital audiologists in audiology and IT to make them able to perform professional fittings of GN ReSound's hearing aids.

Supporting research at Technical University of Denmark

GN ReSound and the GN Store Nord Foundation sponsors the new research center Centre for Acoustic-Mechanical Micro Systems (CAMM), which opened in January 2014 at the Technical University of Denmark. The focus of the research center is to study how sound and vibration interact in closely coupled acoustic-mechanic microsystems such as hearing aids. This is a new field of research, and GN expects CAMM to become a solid platform for potential product development through the research center's findings and its future candidates' professional knowledge. In 2014, the first faculty positions were filled, the first courses to students were held and more will take place in 2015.

GN ReSound and the GN Store Nord Foundation are also sponsoring The Centre for Applied Hearing Research (CAHR), which was established in 2003 at the Technical University of

Denmark to conduct fundamental and applied research with focus on human speech communication, auditory processing and perception, hearing impairment and hearing instruments. The purpose of the center is to promote research and education within the field of acoustic communication with emphasis on areas such as consequences of hearing impairment and speech perception.

Both research centers are co-sponsored with Oticon and Widex.

Sponsoring local innovation competition
In 2014, the GN Store Nord Foundation sponsored the local First Lego League competition in Ballerup, Denmark – the location of GN's headquarters – for the sixth year in a row.

Approximately 1,000 children in 109 teams participated in the local competition where one of GN's employees acted as part of the judging panel evaluating the great work of the teams. First Lego League is a global competition, and it teaches the participating children between 9 and 14 years valuable lessons on mathematics and IT through building and programming their own robots, which can solve a number of tasks.