



# Hear More, Do More, Be More

## Communication on Progress 2016

Corporate 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: Around 5,400

Sector: Health care equipment and electronics

Reporting date: February 9, 2016

The report covers the period: January 1, 2016, to December 31, 2016

This report forms part of the management's report in the Annual Report 2016 for GN Store Nord A/S. The report is not covered by the audit.

# Company profile

The GN Group is in the business of helping people. The Group's declared purpose is Making Life Sound Better with a vision to become the leader in intelligent audio solutions that transform people's lives through the power of sound. Building on the Group's highly specialized sound processing know-how, GN offers an exceptional portfolio of medical, professional and consumer audio solutions

## Our business

The GN Group operates in 100 countries across the world and has more than 5,000 employees.

The company was founded in 1869 and is listed on Nasdaq Copenhagen.

### GN Hearing

People with hearing loss are at the heart of everything we do. GN Hearing's hearing aids help people feel more involved, connected and in control. In an ever-smarter world, we think big and challenge the norm so that we can transform lives through the power of sound. Available exclusively through audiologists and hearing care professionals.

### GN Audio

GN Audio's integrated headset and communications solutions assist professionals in all types of businesses in being more productive. Our wireless headsets and earbuds are designed to fit any lifestyle - from sports enthusiasts to commuters and office workers.

## The GN Group has a shared purpose, vision and proposition

### Purpose

To Make Life Sound Better

### Vision

The leader in intelligent audio solutions transforming lives through the power of sound

### Brand proposition

Intelligent audio solutions that let you Hear More, Do More and Be More than you ever thought possible

Please visit [www.gn.com](http://www.gn.com) for more information.

# Statement of support from the Executive Management

GN's purpose is to Make Life Sound Better. We believe in the power of sound to transform people's lives and through our intelligent audio solutions we enable people to Hear More, Do More and Be More than they ever thought possible. Our products improve people's mobility and quality of life – and enables them to control their own soundscape in an increasingly busy and noisy world.

Since 1869, GN has utilized technological innovation to facilitate and enhance communication between people. Today, our focus is on helping people with hearing loss live life as unimpeded as possible with our innovative hearing aids; to assist professionals in all types of businesses concentrate and be more productive with headset and communications solutions; and to provide wireless speech and music headsets and earbuds designed to support any lifestyle – from sports enthusiasts to commuters and office workers.

As a company, we are committed to act in a responsible manner throughout our entire value chain and in all business matters. We consider this essential for reaching our long-term strategic goals.

We recognize that our manufacturing, logistics and products do not only affect the users of our products, but also our employees, our suppliers and partners, and the communities in which we operate. All GN's stakeholders should always be able to trust that our products are produced in a safe manner and that we conduct our business based on high ethical standards. This is on top of our agenda at all times.

With this report, we reconfirm our commitment to the ten principles of the United Nations Global Compact.

## Executive Management

Anders Hedegaard, CEO, GN Store Nord & GN Hearing  
René Svendsen-Tune, CEO, GN Store Nord & GN Audio  
Marcus Desimoni, CFO, GN Store Nord & GN Hearing

# Human & labor rights

The GN Group 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 suffer physically or mentally from their work in any way

## Compliance

### Business ethics

GN's commitment to business ethics and compliance with international regulation and internal policies is anchored in our ethics guide, our code of conduct and other internal 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.

To ensure and document employees' familiarity with the code of ethics and key policies at all times, relevant employees electronically sign off on their compliance within specific areas and take GN's e-learning courses within anti-corruption and competition compliance on a regular basis. This is supplemented with face-to-face compliance training for selected groups of employees.

### Whistleblower system

GN's whistleblower hotline, Alertline, is available in 26 countries and 19 languages and is independently managed by a third party. The hotline can be used by employees as well as external parties to report a concern or perceived misconduct via the internet (at [www.gnstorenord.alertline.eu](http://www.gnstorenord.alertline.eu)) 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 immediately addressed. 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.

In 2016, GN received six reports within the scope of issues which may be reported through the hotline. The allegations were primarily leak of confidential information, conflict of interest and corrupt practices. All relevant cases have been investigated, and appropriate remediating as well as disciplinary actions were taken where relevant.

In 2016, we have conducted a compliance risk assessment in order to better understand our corruption risk exposures, which helps us define and prioritize the relevant controls and activities required to prevent bribery and corruption.

### Data privacy

The GN Group pursues online activities targeted at users and through these activities collect personal data. The GN Group treats this information with absolute respect and confidentiality.

Many countries already have legislation in place requiring companies to handle private data securely. However, in May 2018, new EU regulations on data privacy regulation becomes effective. The GN Group has started preparing for these new regulations and is undertaking efforts to ensure we comply with all aspects of these regulations. These efforts, among others, include a general data protection regulation compliance review.

## Supply chain

### Responsible sourcing

GN requires all its suppliers to comply with GN's code of conduct, which also emphasizes human and labor rights. It is essential for GN to ensure that no violations of such rights occur. However, GN acknowledges that in a long term commercial relationship there is a risk that the supplier may shift its focus from human and labor rights as well as safety issues towards cost optimization. In order to mitigate this risk GN is in close dialog with its suppliers as the best results are created through clear expectation setting and cooperation. In addition, GN continually assesses its suppliers and monitors their compliance through supplier self-assessments, performance monitoring, audits and site visits.

Regular meetings are set up with all key suppliers to ensure follow-up on standards, procedures, quality etc.

If GN experiences any issues or breaches in relation to its code of conduct from suppliers, it raises a non-conformity case, 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 Hearing and GN Audio have responsibility related requirements included in their supplier audits. Audit topics among other things include issues on child labor, working hours and health and safety. In 2016, GN Hearing and GN

Audio performed 50 audits at suppliers. Most audit findings were related to working hours as well as health and safety issues in the production. GN Hearing and GN Audio are in positive dialog with suppliers where a non-conformity case has been raised to implement required actions.

#### **Qualification of new suppliers**

When we engage with a new supplier we follow a strict qualification process to ensure that the new supplier can live up to our standards and requirements.

1. Initial screening: When introducing a new supplier our procurement team visits the supplier to understand the business with which we consider engaging
2. Technical screening: We send a team with technical, material and quality knowledge to evaluate and audit the potential partners capabilities and processes
3. Evaluation: The conclusion from above parameters gets documented and a decision is made in alignment with our sourcing strategy
4. Qualification: The qualification is finalized when the procurement team signs a supply agreement that regulates the future cooperation
5. Performance monitoring: Performance of all suppliers are monitored and audits are conducted frequently to ensure a consistent high performance.

#### **Repetitive work**

GN Hearing has its own manufacturing facilities. The main hearing aid manufacturing and distribution sites are located in China, Malaysia and USA and key components are manufactured in Denmark. All jobs in these facilities are reviewed and rated for potential health and safety (HSE)

related concerns. Repetitive work is being mitigated through task rotation to vary positions as well as pro-longed break times for particularly exposed employees.

All sites have managers with direct HSE responsibility to ensure operator safety.

### **Occupational health & safety**

Providing a safe and secure working environment is important to GN, and GN's operations are relatively low-risk compared to other industries in general. We acknowledge that suppliers may implement occupational health and safety standards in a less stringent manner than at GN's own sites. Therefore we have a high focus on ensuring compliance with our occupational health and safety requirements, both when onboarding new suppliers and partners as well as through regular supplier audits.

#### **Workplace injuries**

The HSE and HR teams track all workplace injuries. Most work related injuries in our manufacturing facilities are occasional cuts and muscle strains. There has been no increase in work related injuries in 2016. GN has never experienced a fatal workplace injury.

Visit [www.gn.com/About/Corporate-responsibility](http://www.gn.com/About/Corporate-responsibility) to read our responsibility guidelines and policies.



# People excellence

The GN Group's employees are essential in building a winning team. Offering all employees irrespective of gender, age and nationality the same opportunities for development and an engaging working environment is our responsibility

## Leading talent

### Leadership principles

The GN Group's goal is to build the best team and create the best working environment to support its purpose of Making Life Sound Better. The GN Group has developed a set of principles upon which GN's leaders must lead: ENGAGE people, ACCELERATE performance, INSPIRE innovation.

These principles have been introduced to guide people managers across GN in how to lead in accordance with GN's values and strategic direction. This will help managers shape and build strong diverse teams and drive a shared culture of customer and user centricity as well as high performance.

### Leadership development programs

The GN Group offers leadership development programs on different levels to support leaders and specialists with the right tools to lead in congruity with GN's leadership principles, values and strategic direction. The programs are designed to meet the development needs of managers across businesses with different leadership experience and complexity in their leadership role.

### Performance based career development

Performance is the driver for qualifying for senior positions in the GN Group. The GN Group wants career development to be connected to performance irrespective of gender, age and nationality as we firmly believe that diverse teams and leadership teams have a substantial positive impact on business results and organizational performance.

To ensure performance-based career development all white-collar employees conduct a performance review and a development planning dialog with their manager annually which is followed up upon in regular one-to-one meetings. This gives the manager and the employee an opportunity to reflect on past and future performance and development.

The individual performance review and development planning dialog is supplemented by a talent review and succession planning process where all managers assess their employees performance potential. These assessments are further reviewed in the individual management teams to align evaluations. This provides input for GN's succession planning

for key positions and individual development plans. During the year HR, individual business units and senior management conduct quarterly follow-up meetings to ensure progress on actions.

### Mentoring programs

Developing talent of today into tomorrow's leaders is important to continue the GN Group's growth. Our mentoring programs are strategic development activities, which aim at developing high performers and grow a leadership pipeline.

The GN Group has initiated two global mentorship programs in 2016. One program focuses on our young talents who are part of our graduate program and another on growing mid-level managers into more senior management positions. In addition, two focused mentorship programs within Global Marketing (GN Audio) and Global Operations (GN Hearing) has been introduced.

The mentoring programs represent mentees from all regions of the company. 45% of mentees are women supporting our aim to increase the number of women in management.

### On-boarding

On-boarding of new employees is crucial to infuse the right company culture based on the GN Group's common values, as well as the right business and customer understanding. This is why a new, structured global on-boarding program is in the pipeline.

## Highly committed and motivated employees

An engaged workforce is key to achieve the GN Group's ambitions as a company. To measure the engagement, GN conducts a bi-annual global Engagement Survey for the group – the next survey will be conducted in 2017. Results from the most recent survey for the group – carried out in 2015 – showed that employees are highly motivated and committed. We achieved a response rate of 95%. Strong emphasis is put on following up on the survey results, and managers and teams at all levels work to identify and execute on action plans to constantly improve GN as a workplace.

## Gender diversity in senior management and the Board of Directors

### Senior management

Currently, women fill over 16% of the company's senior management positions. GN had aimed for 25% in 2017. It is still the management's firm goal to reach this target during the implementation of the 2017 - 2019 strategy, and GN will continue to strengthen efforts to build a pipeline of future female candidates.

To achieve this goal we ensure that diversity is an integral part of GN's yearly talent review and succession planning process, of talent development practices, of recruitment procedures, of leadership development programs, and of mentor programs. Also, recently the wording and visual identity in recruitment activities on social media and other channels has been changed to better attract female candidates.

### *Women in senior management positions*

	2014	2015	2016	Target
Percentage of women in senior management positions	14%	15%	16%	25% by the end of 2017

### Board of Directors

The Board of Directors believes that diversity strengthens any governing body and acknowledges the importance of diversity in general, including diversity of gender, nationality and competencies.

In 2016, the Board of Directors reached its goal to see two women elected for the board by the end of 2017. As communicated in last year's Annual Report, the Board of Directors aims to have three female board members by the end of 2020.



# Product safety and development

The GN Group is committed to delivering superior quality and the best value to customers through its unique combination of consumers, professional and medical competencies across our business areas

## Product development

The GN Group possesses a unique combination of competencies across our business areas. GN is the only company with intelligent audio expertise across consumer, professional and medical solutions gathered under one roof.

- We have the consumer and professional focused competencies and understanding in our headset business
- And we have the deep medical and audiological knowledge in our hearing aid business

We use these unique in-house competencies to develop intelligent audio solutions that let our users Hear More, Do More and Be More than they ever thought possible and to fulfil our purpose to Make Life Sound Better for our users.

The GN Group continually refines the way our products are produced to make the most of the raw materials and to design more sustainable products with the highest possible safety.

## Product safety

### Materials and substances

The GN Group is conscious about materials and substances in its products. To avoid harmful materials and substances in products, materials and components are selected during the development phase and accompanied by thorough testing. GN complies with the ROHS 2 directive as well as other local and international legislation. In addition, GN Audio has implemented REACH regulation and GN Hearing is in the process of implementing this. Changes to standards and legislation are monitored closely.

Due to the diversified nature of the companies, different quality controls and procedures apply. Regulations for GN Hearing are, by nature, greater as the products are classified as medical devices. GN Hearing's products are developed under a highly regulated quality system complying with ISO 13485 and FDA 21CFR 820 CGMP as well as other country standards, which GN Hearing uses to control a number of product standards and processes.

### Animal testing

Hearing aids are classified as medical devices. Medical devices have to comply with European and US regulations as well as other regulatory standards related to the country in which

the devices are sold. This implies that all materials and components of hearing aids that are in contact with human skin are obligated to fulfil the biocompatibility requirements. The evaluation includes testing for Cytotoxicity, skin sensitization and irritation of the relevant material/components and does to some extent include animal testing.

GN Hearing's policy is to always try to minimize the amount of testing required by setting up tests and test schemes in the most efficient way. All animal tests used by GN Hearing are performed by contract laboratories.

## Policies

### Quality policies

The GN Group is committed to delivering superior quality and the best value to our customers and has made its quality policies available online.

### Conflict minerals policy

Conflict minerals (gold, tantalum, tungsten and tin) originating from mines controlled by military groups in the Democratic Republic of Congo and nine adjoining countries, has been widely reported to be the major driver of violence in Central Africa. The GN Group is concerned for the well-being of people and communities and consequently does not want to take part in this conflict. We have implemented a group wide policy to avoid conflict minerals from these mines in GN products. According to its policy, the GN Group is taking the following actions:

1. GN requires its suppliers to exclude conflict minerals from GN products
2. GN requires suppliers to read and comply with our code of conduct
3. GN has put an audit program in place where proof of compliance will be required, that conflict minerals are procured only from smelters and refiners that have been found to be compliant with the Conflict-Free Smelter (CFS) Program of the CFSI

By the end of 2016, GN Hearing has achieved 80% data coverage and GN Audio has achieved 85% data coverage on validating the smelters identified and used in our supply chain as conflict-free. The work will continue in 2017.

Please visit [www.gn.com](http://www.gn.com) to read the full policies.

# Environmental impact

The GN Group is committed to minimizing its impact through planning and execution of activities

## Product development

GN's products are by nature small. A typical hearing aid weighs between 2 - 6 grams while headsets including base station and power supplies weigh between 10 and 550 grams.

The GN Group 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 with the highest possible quality.

Due to the nature and character of our business we do not assess to have any noteworthy climate risks.

## Supply chain

### Optimizing returns and service flow

In 2016, GN Hearing has optimized its returns and service flow to service consumers better and utilize returned goods more responsibly.

This effort has resulted in better reuse of returned products. Today, 80% of returned products are reused directly and we continue to work to increase this percentage.

The results have been achieved by centralizing our returns and service flow.

### Packaging

During 2016, GN Hearing's subsidiary in Spain has been running a pilot project to investigate how returned packaging can be reused in our value chain. Results have been encouraging. In 2017, we will investigate opportunities to make this a global practice.

## Waste in production

For all our production lines we have set a threshold for waste accepted. If waste exceeds this threshold it will trigger a production stop. Corrective and preventive actions will then be implemented to decrease waste before production is restarted.

## Waste management

Most of our waste is very small in quantity, but all our manufacturing facilities use licensed disposal contractors that remove any waste and properly dispose of any such material. Waste may include plastic, expired chemicals, paint, scrap parts etc.

Some waste is re-used (e.g. boxes and plastic) via a re-cycling operations managed by external companies. Other waste such as electronics is processed to allow other companies to reclaim and re-use materials.

## Certifications

### ISO 14001

GN Audio's repair center in China is certified under the ISO 14001 environmental management system and its suppliers are requested to be certified under this standard as well.

### Sustainable IT-certification

A number of GN Audio'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 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.

# Citizenship

Being a global citizen is essential for how the GN Group does business. GN believes that the long-term success of the company is dependent on the affluence of the communities in which GN operates

## 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.

### **Access to healthcare: Hearing aid project in South Africa**

GN's hearing aid project in South Africa progressed positively during 2016. In this program South Africans with limited financial resources and difficult living conditions are eligible to receive hearing aids. In 2016, approximately 1,000 completely new hearing aids were fitted on eligible patients. All recipients have their new hearing aids professionally fitted by an audiologist educated by GN's partner in South Africa at their local hospital or at a local charity organization, securing a high level of user satisfaction.

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 Hearing's hearing aids.

## Supporting research

### **Supporting research at the Technical University of Denmark**

GN Hearing co-sponsors the research activity Centre for Acoustic-Mechanical Micro Systems (CMM) at the Technical University of Denmark (DTU). 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 Hearing expects CMM to provide a solid platform for potential product development that will benefit the hearing impaired through findings and the professional knowledge of its future candidates.

In 2016, four semester courses and a 3-week course were given. Three Ph.D. projects and a postdoc project were ongoing, two of which GN Hearing supported through reference groups.

GN Hearing is also co-sponsoring The Centre for Applied Hearing Research (CAHR), which was established in 2003 at the Technical University of Denmark (DTU) to conduct fundamental and applied research with focus on human speech communication, auditory processing and perception, hearing impairment and hearing instruments.

CAHR is part of DTU Hearing systems. 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. The center has developed to become one of the world's leading research institutes within their field with a total staff of 45 academics, including 22 Ph.D. students.

### **Supporting clinical research in Denmark**

GN Hearing co-sponsors a new research activity on Better hEaring Rehabilitation (BEAR). This 5 year research program is carried out by a consortium of hospital clinics, universities and hearing aid manufacturers. This large scale effort will document the effect of the current clinical practices, develop new diagnostic methods for creating more customized solutions for the patients and establish new guidelines for improved clinical practices benefitting consumers. The BEAR project will employ 11 Ph.D. students and 5 postdoc's.



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