

GN Store Nord A/S

Communication on Progress 2013

INNOVATORS IN SOUND



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



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MEMBERSHIP OF UN GLOBAL COMPACT

Member since: January 14, 2010

Number of employees: 5,000

Sector: Health care equipment and electronics

Reporting date: February 14, 2014

The report covers the period: January 1, 2013, to December 31, 2013

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 the two businesses GN ReSound and GN Netcom

GN is headquartered in Denmark and employs around 5,000 people in 34 countries. GN is listed on NASDAQ OMX Copenhagen and is part of the OMXC20 Cap 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 as well as audio 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

GN Store Nord considers acting in a responsible manner to be an imperative for managing a successful global business

As a global company we have an impact on communities around the world, and GN takes this responsibility very seriously. GN's new strategy for 2014 - 2016 is set to create sustainable and profitable growth. However, GN will not succeed with this goal unless it continues to proactively address and care for the ethical, social and environmental aspects and challenges facing the company when operating its business.

As a developer and manufacturer of hearing aids and audio solutions, GN's business is all about sound. Sound empowers people to communicate with each other and live fulfilling lives. Thus GN's products play a very important role to many people's quality of life. Further, it is important to GN that its customers can trust that the company's products are produced in a safe and environmentally satisfactory way. Accordingly, GN continues to put significant effort into emphasizing its code of conduct to suppliers and performs audits on a regular basis at manufacturing sites to mitigate risks in GN's supply chain. Every day GN strives to be the best possible partner to every stakeholder – our customers, our suppliers and our employees.

We are pleased to reaffirm our support of the Ten Principles of the United Nations Global Compact in the areas of human rights, labor, environment and anti-corruption.

EXECUTIVE MANAGEMENT

Lars Viksmoen – 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

GN Store Nord needs leaders in all of its businesses 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 its business, and it greatly acknowledges the importance of diversity in gender, age, nationality and competencies in management and on boards. In GN's 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 has been elected for the board at the annual general meeting in 2013.

Moreover, the company follows an action plan to increase the number of women in senior management positions. However, the percentage of women in senior management was essentially unchanged in 2013 ending at 17% compared to 18% in 2012. The company aims at increasing the number to 25% in 2017.

During 2013, a number of activities within recruitment practices and talent management have taken place. They are expected to have an effect on the share of females at senior management level within the next three years.

GN recruits talents at all levels, and when using search firms GN requires that female candidates are among the identified candidates. In 2013, GN's talent review and successor planning process had a specific focus on identifying talents who could potentially take on upper level leadership positions in the future. GN monitors the gender distribution of the identified talents in order to ensure a diversified talent pipeline.

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 not 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 suppliers to comply with its 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 continually assesses its suppliers and monitors their compliance through supplier self-assessments, performance monitoring, audits and site visits. The best results are created through clear expectations and cooperation, which require that GN is in constant dialog with its suppliers.

If GN experiences any issues or breaches in relation to its code of conduct for suppliers it raises non-conformity, and suppliers will be asked to provide an action plan to amend findings within agreed time.

GN ReSound CSR audits

In 2013, GN ReSound also introduced a dedicated CSR-audit procedure with third party suppliers. Moreover, all suppliers have to sign an Annual Statement of Intent related to CSR confirming their acknowledgement and compliance with GN ReSound's CSR standards as outlined in the responsible sourcing booklet and in the code of conduct. Also, all suppliers have to complete a CSR self-assessment form as mentioned, including areas such as health and safety, working hours, environment etc. Candidates for the CSR audit are selected among key- and high risk suppliers. During 2013, 19 CSR-audits have been completed at the suppliers' factories – most of them at Asian suppliers and with encouraging results.

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

An engaged workforce is key to achieving 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. The response rate of 91% in 2013 (85% in 2012) for the group shows 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 work place.

TALENT AND LEADERSHIP DEVELOPMENT

GN has a key priority of developing talents and growing a pipeline of future leaders. GN'S talent management activities include:

- Performance management. All employees conduct a performance review and a development planning dialogue with their immediate manager
- A talent review process. All managers assess their talents as part of GN's talent review process. This provides input for GN's successor planning and individual development plans
- Leadership development programs. GN offers leadership development programs on four levels. The programs are designed to meet the development needs of managers with different leadership experience and complexity in their leadership role

Environment

GN Store Nord is committed to minimize its environmental and climate impact through planning and performance of activities. Also, 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. In this partnership, DONG Energy and GN collaborate to improve the CO₂-emission at the GN headquarters in Ballerup. Through this partnership, GN will contribute to improving the climate in Denmark by investing in energy from the Anholt Offshore Wind Farm, which is DONG Energy's latest CO₂-free wind farm, and Denmark's largest of its kind. The partnership will help the effectiveness of the wind farm, support further development of sustainable energy on the Danish market and significantly contribute towards achieving the target set by the Danish government of more than 30% renewable energy usage by 2020.

In effect, the partnership will ensure that GN decreases its electricity spending while investing in sustainable initiatives. The initiative is part of GN's focus on effective operations and business sustainability.

PRODUCT ENVIRONMENT

Through product development GN strives to find unique ways to improve quality of life with superior technology. GN is constantly observing the way it creates products to make the most of the raw materials and to design more sustainable products.

GN ReSound

GN ReSound's products are developed under a highly regulated quality system complying to ISO 13485 and FDA 21CFR 820 CGMP standards, which GN ReSound uses to control a number of product standards, including environmental aspects.

Product data management

In 2013, GN ReSound ran 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 towards authorities and customers. With the BOMcheck database suppliers will only need to report their components once, and when manufacturers make a request suppliers can pull out the data needed per product through one system.

The outcome has turned out very positive. 70% of the suppliers agreed to move data into the BOMcheck system, and 50% of the suppliers moved full material declarations into the system.

The result of this work is that all 300 components part of the pilot project are compliant with restrictions set for hazardous substances by the RoHS 2 (Restriction of Hazardous Substances) directive. By the end of 2013, it was developed into a large scale project. This included GN ReSound's 200 main suppliers to gather all required substance data in the BOMcheck system and feed it into GN ReSound's own product data management system. This enables GN ReSound to efficiently manage the short - and long-term composition and amount of chemical substances that are included in any product that is brought to market. It makes it possible for GN ReSound to state the total composition of a final product based on solid component data in order to issue RoHS 2 and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) certificates by mid-2014. 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.

GN Netcom

Besides complying with requirements within chemical and hazardous substances, such as the RoHS directive and the REACH regulation, GN Netcom has also created its own list of 'Restricted and Banned Substances'. Today, more than 30 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.

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 that 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

GN Netcom initiated a pilot project in early 2012 selling Jabra BT2045 headsets for mobile phones without a wall charger included in the package. The initiative has been well received, and consumers have been open to the idea that they can help the environment by avoiding the needless production of wall chargers and instead use a micro USB-cable to charge their headset. During 2013, more Mobile products without wall chargers have been introduced to the market with great success. In 2014, this project will be taken a step further and wall chargers will be removed from more and more Mobile product packages during the year.

Shipping

During 2013, GN Netcom transferred from air freight to ocean freight for some products. Today, around 50% of the CC&O (contact centers & offices) portfolio sold in North America and EMEA is shipped by sea instead of by air. This has reduced CO₂ emissions from transportation of CC&O products by around 25%.

GN Netcom has also started to send Mobile products by ship, which will lead to CO₂-savings although not to the extent seen in CC&O. This part of the business is more volatile, and GN Netcom experiences a high level of forecast fluctuation.

Anti-corruption

GN Store Nord operates a global business, and thereby, does business in parts of the world where corrupt practices still 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 report any irregularities observed anonymously. In most of 2013, GN worked together with local attorneys to properly register GN's global whistleblower system with the local data protection authorities before re-launching it to all GN employees and external stakeholders. The new whistleblower system, which broadly will be referred to as GN's Alertline, will enable all employees and external stakeholders to confidentially report illegal or unethical misconduct via the internet or via one of the local Alertline phone numbers. The registration process with the local data protection authorities was completed for most countries by the end of 2013. With the new and improved Alertline, GN emphasizes its non-tolerance of unethical behavior and its focus on corporate governance.

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

BUSINESS ETHICS AND COMPLIANCE

GN recognizes that its employees play an important role in representing the organization. In May 2010, GN adopted an ethics guide strictly outlining the responsibilities and guidelines that describe the ethical standards expected of all employees. GN continuously reviews the ethics guide to ensure that it reflects current legislation and corporate best practices. In 2013, the ethics guide was updated to reflect the latest initiatives taken by GN, including GN's implementation of a new whistleblower reporting system, and to emphasize GN's prohibition against discrimination and harassment due to handicap.

In 2013, GN also strengthened the risk management and business ethics compliance functions in order to be at the forefront of incidents, developments and regulations and to ensure that GN's implementation of the strategy for 2014 - 2016 is conducted without compromising the commitment to the highest level of ethics and integrity. GN has purchased a new cloud-based compliance system to support and optimize the ongoing efforts to identify, assess and minimize risks related to business ethics and compliance. The system also helps GN ensuring and documenting employees' familiarity with the code of ethics as relevant employees electronically sign off their compliance within specific areas.

Visit www.gn.com/csr to read the ethics guide.

Citizenship

For GN Store Nord, being a global citizen is essential for how it does business. GN believes that the long-term success of the company is dependent on the affluence and prosperity of the communities in which GN does business. GN strongly believes that it can contribute to creating better lives and is aiming to use its influence to create value for both the society and for GN

GN HEARING AID PROJECT IN SOUTH AFRICA

In 2011, GN committed to a partnership with the public sector in South Africa to secure hearing aids free of charge to impoverished people suffering from hearing impairment and to educate South African audiologists.

The program was initiated in the first half of 2012 when collaboration with key personnel of the public health departments of Gauteng and KwaZulu-Natal provinces was established.

In 2012, two of GN ReSound's senior audiologists performed on-site training of 65 South African audiologists from 41 health facilities across Gauteng and KwaZulu-Natal provinces. This has made the South African audiologists able to professionally fit the donated hearing aids to the hearing impaired patients giving them full use of the devices. The aim of the training is also to build on the knowledge that the local audiologists already have - ensuring that the trained audiologists will be able to pass on their knowledge to other audiologists.

On January 15, 2013, the program was officially launched at the Chris Hani Baragwanath Hospital in the Soweto township of Johannesburg. An on-stage live demonstration of a hearing aid fitting was carried out to give an impression of the work that local audiologists will be performing when working with the donated hearing aids. Since then, approximately 200 donated hearing aids have been distributed to hearing impaired people, who have been on a waiting list for many years.

In September 2013, GN decided to upgrade the project by acquiring further local assistance to provide the absolute best service to the users receiving a GN device and the supporting hospitals. Consequently, GN teamed up with GN ReSound's South African distributor, Impact Hearing. Impact Hearing assists GN in managing the distribution and fittings of donated devices. Impact Hearing has good experience in similar projects, and the new cooperation involves several benefits. A considerable benefit is that GN will be able to reach users in all nine provinces in South Africa instead of only Gauteng and KwaZulu-Natal - thereby improving the lives of hundreds of people.

Impact Hearing will handle the daily contact with all government institutions across the nine provinces. They will provide continuous training and telephonic support where needed, ensure

personal delivery of large amounts of GN's donated devices and on-site training and fittings to users, which likely will improve stakeholder and user experience vastly. With this upgrade, GN foresees making a larger and faster impact in South Africa reaching more users, who cannot afford a hearing aid.

HEARING HEALTH

In 2013, GN ReSound and the GN Store Nord Foundation joined forces with the Danish Musicians' Union to put increased focus on musicians' hearing health through the 'Pas På Hørelsen' (take care of your hearing) campaign.

Musicians are highly exposed to hearing damage – ringing in the ears or hearing impairment. Hearing is the most important tool for musicians, but at the same time hearing impediments are the major work environment problem for musicians.

The campaign informs and educates musicians about hearing health and safety through musical events and the Danish Musicians' Union's magazine, blog and website where highly qualified experts answer questions from musicians related to hearing health.

In the autumn of 2013, three musical events took place at music venues in the three largest cities in Denmark to increase focus on prevention of hearing damage among musicians. At these events, the participants got new knowledge about their most important tool – their ears – and how to protect their hearing. Experts and musicians talked about hearing damage and tinnitus as well as sound solutions that can reduce sound impact from playing live music. The tour was promoted through GN ReSound's Facebook page as well as its magazine.

Also, the campaign visited three Danish music academies in early 2014 to encourage musicians in their early career to take better care of their hearing.

FAIR GAMES AT THE DEAFLYMPICS

GN ReSound's subsidiary – GN Otometrics that creates innovative solutions for all types of ear-related diagnostics – partnered with the Deaflympics to ensure fair and optimal assessment of top athletes' hearing loss at the Deaflympics. Deaflympics is the main sporting competition of deaf sports and is held every fourth year. Sound is normally an important part of competing in sports. However, unlike athletes in other sports events Deaflympians cannot be guided by sounds. GN Otometrics provided best in class testing equipment to assess the level of hearing loss among the competing international athletes across 16 different sports.

Hearing tests were conducted for athletes representing countries with limited resources and without the opportunity to be tested prior to the event. A large number of random tests among all athletes were also conducted to ensure fair games. In total, approximately 300

athletes were tested at the event. Being able to test highly accurately and efficiently is crucial in providing fair games for all athletes and officials.

SUPPORTING RESEARCH AT TECHNICAL UNIVERSITY OF DENMARK

From January 2014, GN ReSound and the GN Store Nord Foundation are sponsoring the research center "Centre for Acoustic-Mechanical Micro Systems" (CAMM) at DTU. An acoustic-mechanical micro system is a small component that generates an acoustic signal – such as a hearing aid – and one of CAMM's key focus areas is to study how the acoustic signal influences a mechanical construction and vice versa. This can lead to designing smaller hearing aids with an improved sound experience for hearing aid users.

GN expects CAMM to become a solid platform for potential product development through the research center's findings and its future candidates' professional knowledge. It is expected that CAMM will consist of a group of 10-15 scientists, among these postdocs and PhD students. CAMM will also offer a number of courses at bachelor, master and PhD level.

GN ReSound and the GN Store Nord Foundation are also sponsoring The Centre for Applied Hearing Research (CAHR) at DTU that was established in 2003 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.