

GN Store Nord A/S

Communication on Progress 2015

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: 5,500

Sector: Health care equipment and electronics

Reporting date: February 12, 2016

The report covers the period: January 1, 2015,
to December 31, 2015

This report forms part of the management's
report in the annual report 2015 for GN Store
Nord A/S. The report is not covered by the audit.



Company profile

GN Store Nord is a global leader in intelligent audio solutions that let you hear more, do more and be more than you ever thought possible.

Our smart solutions and exceptional sound quality address hearing aid users' true needs. Our 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.

Our purpose is to make life sound better. With world leading expertise in the human ear, sound, wireless technology and miniaturization, GN's innovative and intelligent audio solutions are marketed under the Jabra, ReSound, Beltone, Interton and Otometrics brands in more than 90 countries across the world.

Founded in 1869, the GN group today has more than 5,500 employees and is listed on NASDAQ OMX Copenhagen.

HEARING HEALTHCARE

Through its hearing aid brands - ReSound, Beltone and Interton - GN is a leading international developer and manufacturer of advanced and innovative hearing healthcare solutions. It advances the wireless revolution with its unique 2.4 GHz and Bluetooth® Smart solutions. GN has reinvented the hearing system with its revolutionary ReSound LiNX² hearing aids, and is driving and defining the future of hearing care. Through its Otometrics brand, GN is a leading international manufacturer of hearing and balance instrumentation and software. GN demonstrates its commitment to making life sound better through its research, insights and expertise in sound.

HEADSET AND COMMUNICATIONS SOLUTIONS

Through its Jabra brand GN makes life sound better by developing intelligent audio solutions that transform lives through the power of sound, enabling you to hear more, do more & be more than you ever thought possible.

Our 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.

Visit www.gn.com for more information.

Statement of support from the executive management

In GN, we wish to make life sound better. We transform lives through the power of sound, and with our intelligent audio solutions we let our users hear more, do more and be more than they ever thought possible.

In 2015, GN ReSound launched the follow-up to the world's first Made for iPhone hearing aid and made the ReSound Smart app available for Apple Watch - taking connectivity to the next level and bringing the most forward-looking solution to the users. GN Netcom extended its Sports Audio portfolio to offer the world's most complete range of wireless sports earbuds. Also, GN Netcom launched a new and larger conference speakerphone to meet the demands of today's office workers and to remove barriers to productivity and poor technology adoption for the future of meeting collaboration.

As a company, we are committed to acting in a responsible manner in all of our business, and we consider this essential for reaching our strategic goals. Our products do not only affect our users but also the employees, suppliers and communities who help develop these intelligent audio solutions. GN's customers should trust that the products they use are produced in a safe and environmentally acceptable way. Thus, this is on top of our agenda throughout the year.

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

EXECUTIVE MANAGEMENT

Anders Hedegaard - President & CEO, GN ReSound
René Svendsen-Tune - 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 develop 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 business and achieving its goals. This is irrespective of gender, age and nationality

DIVERSITY IN MANAGEMENT AND THE BOARD OF DIRECTORS

The board of directors fundamentally believes that diversity strengthens any governing body and 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, and Ronica Wang was elected in 2015. Now, the board of directors aims to have three female board members by the end of 2020.

Moreover, the company follows an action plan to increase the number of women in senior management positions. Currently, women fill 14.5% of the company's senior management positions, and GN aims at increasing the number to 25% in 2017. Special attention to this area is given in GN's yearly talent review and successor planning process, in talent development practices, recruitment procedures and leadership development. GN recognizes that the current progress in increasing the number of women in senior management positions will make it challenging to reach 25% in 2017. Thus, GN continues to strengthen its efforts to build a pipeline of future female candidates. Further initiatives are currently being identified and will be implemented in 2016 to secure stronger progress.

Women in senior management positions

	2013	2014	2015	Target
Percentage of women in senior management positions	17%	14%	15%	25% by the end of 2017

TALENT AND LEADERSHIP DEVELOPMENT

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

- A talent review and succession planning process. All managers assess their employees. This provides input for GN's successor 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

- Performance management. Employees conduct a performance review and a development planning dialogue with their manager each year and follow-up in regular one-to-one meetings
- Leadership development programs. GN offers leadership development programs on different levels. The programs are designed to meet the development needs of managers across businesses with different leadership experience and complexity in their leadership role
- Mentoring program. GN invites a pool of talented employees to join a mentoring program. The mentoring program is a strategic development activity, which aims at developing high performers and grow leadership pipeline
- Graduate program. The program builds a strong pipeline of future leaders, specialists and project managers. In 2015, GN recruited highly skilled graduates within Finance. In 2016, the program will expand to include positions within Marketing

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 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 setting 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 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 ReSound and GN Netcom have CSR related issues included in their supplier audits. Audit topics among other things include issues on child labor, working hours and health and safety. In 2015, GN ReSound and GN Netcom performed 58 audits at suppliers. 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 case 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 2017. Results from the most recent survey for the group – carried out in 2015 – 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 at all levels work to identify and execute on action plans to constantly improve GN as a workplace.

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.

GN's occupational health and safety organization (OHS) covers all facilities at GN Store Nord's, GN ReSound's and GN Netcom's joint headquarters in Denmark. The OHS organization has the responsibility of 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 minimizing 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 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 climate partnership will ensure that GN continues to decrease its electricity spending while investing in sustainable initiatives. In 2015, various improvement initiatives were implemented at GN's headquarters, including a new and more energy efficient compressor and improved cooling equipment.

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 with 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 facilities in China and Malaysia. The hybrid microchips for the hearing aids are produced at GN ReSound's facility in Denmark.

Product data management

Since 2013, GN Resound has worked systematically to improve controls of products and components to make material declarations easier and to improve data quality for authorities and customers.

GN ReSound has further developed supplier controls, the BOM Check (Bill of Material) database is regularly used and declarations are collected from suppliers. If declarations are not received from suppliers, GN ReSound performs its own laboratory tests.

The Product Data Management system has been updated with a module to calculate compositions and declare compliance. Based on the system we can issue declarations towards environmental standards such as the RoHS 2 (Restriction of Hazardous Substances)

directive and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation. In addition, GN ReSound has established a strategic and operative cooperation with GN Netcom's environmental test laboratories in order to increase test capacity and ensure good controls of new components as well as final products.

GN Netcom

Besides complying with requirements within chemical and hazardous substances, such as the RoHS 2 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 are 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 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.

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 2015 GN Netcom experienced challenges in achieving this. Among other issues, North American ports were affected by strikes and port congestion in the first half of the year, limiting the ocean volumes to 24%. In the last six months of the year the ocean freight percentage increased to 49%, getting very close to the company's target.

Anti-corruption

GN Store Nord is a global company and inherently does business in parts of the world where corrupt practices exist. However, it is essential to GN to act in a responsible manner by advocating lawful practices and GN does not accept any illegal activity.

WHISTLEBLOWER REPORTING SYSTEM

GN has implemented the Alertline, a global whistleblower system, which can be accessed at gnstorenord.alertline.eu. 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 speedily reported and 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 2015, the Alertline was revitalized through a global internal information campaign.

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. 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 new 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.

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 2015.

Hearing aid project in South Africa

GN's hearing aid project in South Africa progressed positively during 2015. In this program South Africans with limited financial resources and difficult living conditions are eligible to receive hearing aids. In 2015, 925 completely new hearing aids were fitted. All recipients have their new hearing aids professionally fitted by an audiologist educated by GN's partner in South Africa at their local hospital, 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 ReSound's hearing aids.

Supporting research at Technical University of Denmark

GN ReSound and the GN Store Nord Foundation sponsor 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 2015, all the planned positions at the center were filled, two semester courses and a 3-week course were given and two Ph.D. projects were initiated. Two master students and a bachelor student at CAMM did their final thesis in cooperation with GN ReSound.

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 (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 41 academics, including 22 Ph.D. students.

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