



Responsibility report

The GN Group's Communication on Progress 2017

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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.

COMMUNICATION ON PROGRESS

Membership of UN Global Compact

Member since: January 14, 2010
Number of employees: 5,575
Sector: Health care equipment and electronics
Reporting date: February 7, 2018
The report covers the period: January 1, 2017 to December 31, 2017

This report forms part of the management’s report in the Annual Report 2017 for GN Store Nord A/S, and constitutes GN’s corporate responsibility report according to Section 99a in the Danish Financial Statements Act.

The report is not covered by the audit.

Visit www.gn.com/About/Corporate-responsibility to read our responsibility guidelines and policies.

Company profile

The GN 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 markets across the world and employs 5,575 people at its own locations in around 50 countries.

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. Our 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.

Our hearing aids are sold in 100 countries across the world. GN Hearing has its own organizations in 50 countries and operates via partners and distributors in another 50 countries.

GN Hearing has its central manufacturing facilities in China, Malaysia and Denmark. Regional manufacturing centers are located in the United States, Great Britain and Malaysia.

GN Audio

GN'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.

Our headsets are sold via distributors and retailers in some 70 countries around the world. Three regional warehouses in the United States, the Netherlands and Hong Kong optimize lead-time. The global distribution of products is handled by one partner responsible for the entire process - from leaving the factory via a warehouse to the final customer delivery.

Our headsets are produced by carefully selected manufacturers in China, and most components are sourced from suppliers in Asia. GN Audio works with a small number of tier-one manufacturers supported by more than 100 sub-suppliers.

GN's shared purpose, vision and proposition

Purpose

Making 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 for more information.

Statement of support from the Executive Management

GN's purpose is Making 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 enable 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 unimpededly as possible, and on assisting professionals and consumers with state-of-the-art headset and communications solutions.

GN's legacy of producing world-first sound solutions and pioneering advancements in hearing technology include: 5th generation 2.4 GHz technology in hearing aids for direct connectivity; 3rd generation Binaural Directionality for leading natural sound; the world's first Made for iPhone hearing aid with direct stereo sound streaming; the world's first cloud-based remote fine-tuning solution; award-winning apps providing optimal user experience and satisfaction.

GN's professional headsets and speakerphone solutions are engineered to help businesses be even more productive by enabling users to better concentrate, communicate and collaborate, and to make conversation easier.

We do this by helping users block out noise and by delivering crystal-clear sound. GN's consumer headsets and earbuds are engineered to deliver supreme sound and great battery life to users for whom calls, music and media consumption are important in their daily lives.

As a company, we are committed to acting 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.

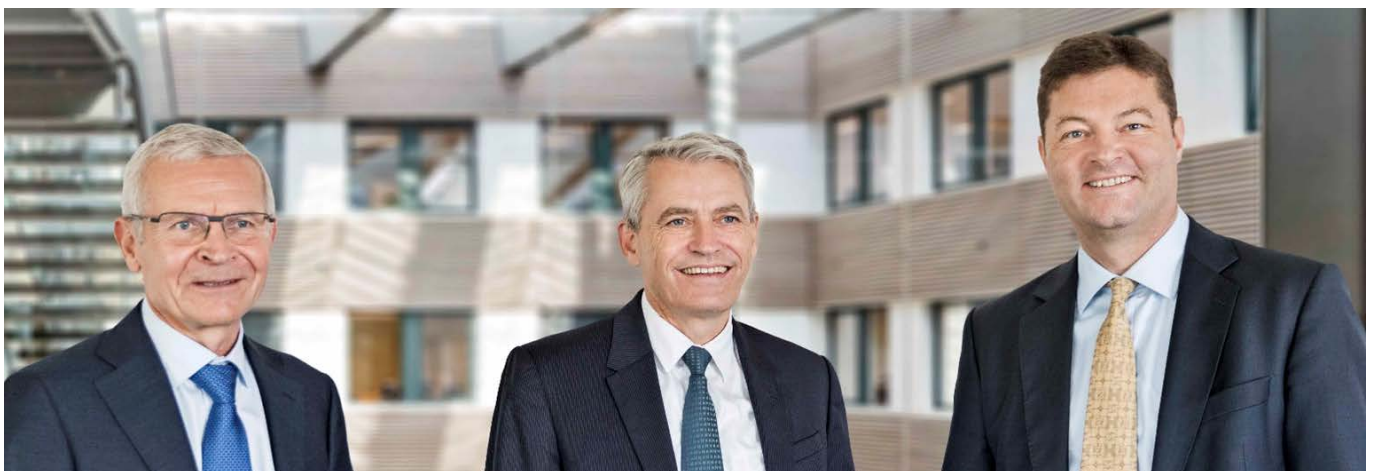
All GN's stakeholders should always be able to trust that our products are produced in a safe manner and that we conduct our business based on high ethical standards. This is at the top of our agenda at all times.

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

Executive Management

From left:

René Svendsen-Tune, CEO, GN Store Nord & GN Audio
Anders Hedegaard, CEO, GN Store Nord & GN Hearing
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 manufacturing and support of its products and services worldwide, as well as for our impact on the surrounding world

Supply chain



Responsible sourcing

GN requires all its suppliers to comply with GN's Code of Conduct, which covers bribery, human and labor rights (child labor, wages, working hours) and safety. 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 such 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 correct findings within an agreed time frame. 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 include issues such as child labor, working hours and health & safety.

In 2017, GN Hearing and GN Audio performed 70 audits at suppliers. Most audit findings were related to CSR and Quality, including working hours, health & safety issues in production and manufacturing process control. GN Hearing and GN Audio are in constructive dialog with suppliers where a non-conformity case has been raised, in order to ensure implementation of required remedial 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:** Before engaging with a new supplier, our procurement team visits the supplier to understand their business
2. **Capability screening:** We have a team with technical, material and quality knowledge, which evaluates and audits the potential partner's capabilities and processes
3. **Evaluation:** We document our conclusion of these screenings, 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 is 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 the United States. In addition, certain key components are manufactured at GN's site in Denmark.

All jobs in these facilities are reviewed and rated for potential health & safety related concerns. Repetitive work is being mitigated through task rotation to vary work positions as well as prolonged break times for particularly exposed employees.

All sites have managers with direct health & safety 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 & safety standards in a less stringent manner than at GN’s own sites. Therefore, we have a strong focus on ensuring compliance with our occupational health & safety requirements, both when onboarding new suppliers and partners as well as through regular supplier audits.

Compliance



Business ethics

GN’s commitment to business ethics and compliance with international regulations and internal policies is anchored in our Ethics Guide, anti-corruption policies, our Codes 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 our Ethics Guide and other 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.

In 2017, GN took steps to enhance the process for assessing and managing corruption risk associated with third-party business partners. This work will continue in 2018. We also conducted two thorough anti-corruption compliance reviews of selected GN business units, in order to identify risk areas and ensure compliance with applicable legislation and GN policies.



Whistleblower system

GN’s whistleblower hotline, Alertline, is available in 27 countries and 21 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. Reporting can take place via the internet (www.gnstorenord.alertline.eu) or via one of the local Alertline phone numbers.

The system is an important tool for ensuring that alleged illegal or unethical conduct is 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 taken by the employee with respect to good faith reporting of complaints or participation in a related investigation. This is emphasized in the GN non-retaliation policy.

In 2017, GN received eight reports within the scope of issues which can be reported through the hotline. The allegations were primarily fraud against GN, conflict of interest/corrupt practices and lack of business integrity. All relevant cases have been investigated, and appropriate remedying as well as disciplinary actions were taken where relevant.



People excellence

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

To further promote this effort, it was decided in 2017 to strengthen the HR function in GN by investing in the first GN Global Human Capital Management System (HCMS) to be fully implemented during 2018.

This system will facilitate the work on several aspects of people excellence in GN and function as GN's employee master data system.

Leading talent



Leadership principles and development

GN'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 shared leadership principles to be applied by all GN's leaders.

These principles have been introduced to guide people managers across GN in how to lead in accordance with GN's values and strategic direction. The principles have been integrated into GN's talent management program.

A leadership development program aimed specifically at senior leaders was launched in 2017, and the leadership principles have been included as part of performance appraisals for senior managers as well. A total of six programs have been conducted throughout GN in 2017, including workshops and training sessions.



Performance-based career development

High performance is the driver for qualifying for senior positions in GN. We want career development to be connected to performance, irrespective of gender, age and nationality, as we firmly believe that diverse teams and leadership 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 at least twice 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 and graduate programs

Developing talent of today into tomorrow's leaders is important to continue the GN Group's sustainable growth. Our mentoring programs are strategic development activities, which aim at developing high performers and growing a leadership pipeline. The mentoring programs include mentees from all regions of the company.

Three candidates completed the GN Group Global Graduate program in 2017. Currently 13 graduates are enrolled in the programs. Four of these are women, supporting our goal to increase the number of women in management, as outlined below. New graduate programs are planned for 2018 in Global Finance and Global Marketing.

Onboarding



Highly committed and motivated employees

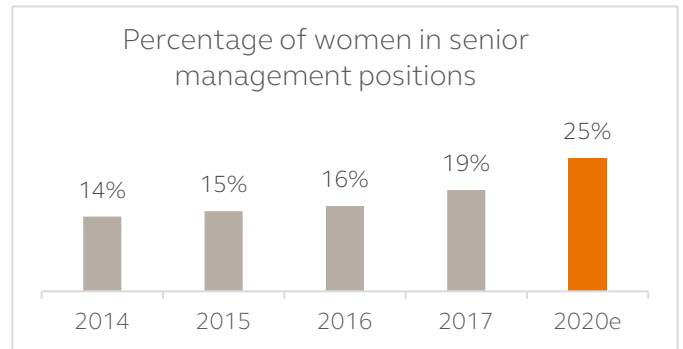
An engaged workforce is key to achieving GN's ambitions as a company. To measure the engagement, we conduct a group-wide global Engagement Survey. The next survey will be conducted in the first half of 2018.

Results from the most recent survey – carried out in 2015 – showed that employees were highly motivated and committed. We achieved a response rate of 95%. Strong emphasis is placed 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

By the end of 2017, women filled 19% of the company's senior management positions. GN aims for 25% during the implementation of the 2017 - 2019 strategy and will continue to strengthen efforts to build a pipeline of future female candidates for senior positions.



Board of Directors

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

The GN Board of Directors had two female members by the end of 2017 and 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 to continuously increasing customer satisfaction with the user experience in focus. Utilizing GN's core technologies and sound expertise, the Group will consistently deliver new and improved offerings with strong user benefits and features



Product development

GN possesses a unique combination of competencies across our business areas – in relation to technology, engineering and commercial execution.

GN is the only company with intelligent audio expertise across the medtech, the enterprise and the consumer space. GN's technology is founded in world-leading expertise in the human ear, sound, wireless technology and miniaturization, linking deep insight and knowledge from the hearing aid and the headset industries – all under the same roof.

Our research and development spans a wide range of disciplines, including acoustics, signal processing, neuroscience, human-computer interaction, artificial intelligence, audiology and engineering.

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 of Making Life Sound Better for our users.

We continually refine 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 undergo thorough testing during the development phase.

GN complies with the ROHS 2 directive as well as other local and international legislation. In addition, both GN Hearing and GN Audio have implemented the REACH regulation. Changes to standards and legislation are monitored closely.

Due to the different nature of the two group companies, different quality controls and procedures apply. Regulations for GN Hearing are, by nature, more comprehensive 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 national standards, which are used by GN Hearing to control a number of product standards and processes.



Animal testing

Hearing aids are classified as medical devices and must comply with European and US regulations as well as other regulatory standards applicable in 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 must fulfil all relevant biocompatibility requirements. The evaluation of biocompatibility includes testing of the relevant material/components for cytotoxicity, skin sensitization and irritation, and includes animal testing to some extent.

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 adjacent countries have 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 use any conflict minerals. We have, therefore, implemented a group-wide policy to avoid conflict minerals from these mines in GN products. Under this policy, GN is taking the following actions:

1. GN requires its suppliers to exclude conflict minerals from GN products
2. GN requires suppliers to comply with our Code of Conduct
3. GN has put an audit program in place where proof of compliance will be required from suppliers 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 Conflict-Free Sourcing Initiative (CFSI)

By the end of 2017, GN Hearing and GN Audio have achieved 100% data coverage on validating the smelters identified and used in our supply chain as conflict-free.

Please visit www.gn.com to read the full policies.



Environment and climate

The GN Group is committed to minimizing its impact on the environment and climate through responsible planning and execution of activities throughout the supply chain



Product development

The GN Group strives to find unique ways to improve quality of life with superior technology. GN continually evaluates the way it creates products to make the most of raw materials and to design more sustainable products with the highest possible quality.

GN's products are by nature small. A typical hearing aid weighs between 2 and 6 grams, while headsets, including base station and power supplies, weigh between 10 and 550 grams. Due to the nature and character of our business, our environmental and climate impact is assessed to be low.

The main risks of causing negative environmental and climate impacts arises at the manufacturing facilities and in the supply chain, stemming from the use of energy and water, generation of waste and waste management. Consequently, optimal use of resources at the manufacturing facilities and responsible supply chain management are focal areas for GN's activities relating to climate and environment.

Supply chain and production



Energy and water consumption

In 2017, several initiatives were taken by our manufacturing facilities to minimize energy consumption,

including installation of electrical lighting sensors, conversion of lamps to LED and upgrading of high power equipment, such as exhaust systems and pumps. These initiatives led to a reduction in energy use at GN's manufacturing facility in Denmark of 10 %, 6 % at facilities in Spain and the UK, and 3% at the Xiamen facility in China.

Water consumption at GN's manufacturing facilities is very limited and is primarily used for sanitation purposes. Initiatives to reduce water consumption include employee awareness training, water consumption control and installation of water-reducing toilets. In 2017, these initiatives have led to a reduction in water use of 43% at the facility in Denmark, and a 20% reduction at the facility in Xiamen.



Waste in production

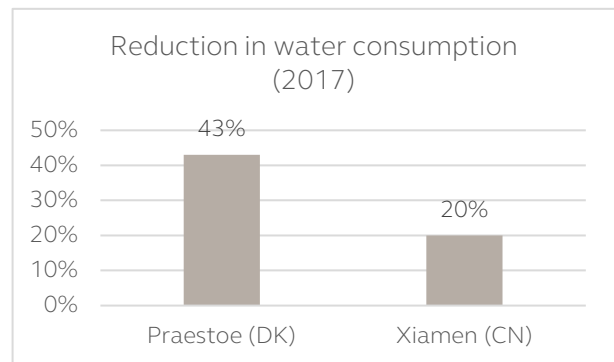
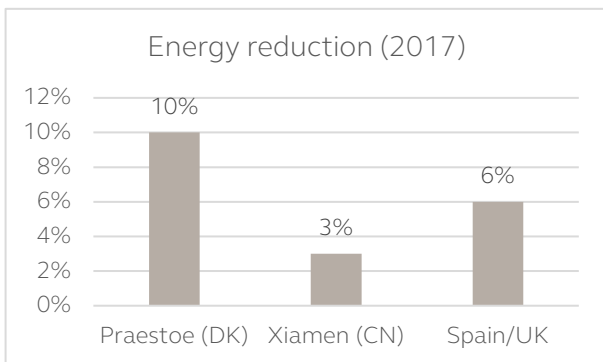
For all our production lines, we have set a threshold for acceptable waste levels. If waste exceeds this threshold, it will trigger a production stop. Corrective and preventive actions will then be implemented to decrease waste before production is restarted.



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

Energy and water consumption



dispose of it. Waste may include plastic, chemicals, paint, scrap parts etc.

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

Policies



GN's approach to the climate and the environment is founded in the Group's CSR policy, where GN affirms its commitment to reduce negative environmental and climate impact throughout the supply chain. Furthermore, GN expects its suppliers to adhere to relevant environmental legislation as stated in GN's Supplier Code of Conduct.

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 also. In addition, preliminary work was commenced in 2017 to have GN manufacturing facilities certified under ISO 14001.

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. 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. We believe 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 society.

Social projects



Access to healthcare: Hearing aid project in South Africa

GN's hearing aid project in South Africa continued to contribute to the overall hearing health in 2017. In this program, South Africans with limited financial resources and difficult living conditions are eligible to receive free hearing aids donated by GN.

In 2017, a total of 469 completely new hearing aids were provided to and fitted on eligible patients identified by GN's local partner in the project. All recipients have their new hearing aids professionally fitted by an audiologist educated by GN's partner 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 been extended to cover all nine provinces.

Helping 90,000 people with the basics

In 2017, GN Audio entered into a partnership with HAMAP, a non-governmental organization that works to improve the life and health of some of the world's most vulnerable people.

With this partnership, GN Audio has made a contribution in helping close to 90,000 people gain access to clean drinking water, basic sanitation and education, emphasizing GNs commitment to improving living conditions globally.

Supporting research

Sponsoring research at the Technical University of Denmark

GN Hearing co-sponsors the research activity of the Centre for Acoustic-Mechanical Micro Systems (CAMM) 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 CAMM to provide a solid platform for potential product development that will benefit the hearing impaired through findings and the professional knowledge of the center's future candidates. 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, and the sponsorship is an ongoing commitment by GN. The purpose of the center is to promote research and education within the field of acoustic communication with focus on the origin, nature and consequences of hearing impairment. 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 PhD students.



Supporting clinical research

GN Hearing co-sponsors a research project on Better hEARing Rehabilitation (BEAR), which was established in 2016. This five-year project 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 aim is to improve the education of fitters of hearing aids to the benefit of patients. So far, approximately 2,000 patients have been enrolled in the project. The BEAR project will employ 11 PhD students and five postdocs.



As part of a global roll-out in 2017, GN's values were discussed – and celebrated – by GN employees across the world. In Denmark, all employees gathered for the GN Values Games at a sports stadium – and for a photo of a gigantic human GN logo, signifying the crucial importance of people for GN's continued sustainable growth.

GN

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