

Communication on Progress 2011



GN Store Nord A/S



WE SUPPORT

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About GN Store Nord

GN Store Nord has been helping people connect since 1869. Initially as a telegraph company and now as a global market leader in personal communications providing increased mobility and quality of life for its users.

Through its two subsidiaries GN Netcom and GN ReSound, GN develops and manufactures headsets and speakerphones for hands-free communication, hearing aids and audiological, otoneurologic and vestibular instrumentation. The products are marketed globally.

As of December 31, 2011 GN had around 4,700 employees worldwide.

GN is listed on NASDAQ OMX Copenhagen. For more information, visit www.gn.com

The picture on the front page shows an audiologist from Auburn University testing a Guatemalan child, during the partnership project between the Municipality of Guatemala City and Auburn University where GN ReSound donated hearing aids.

Membership of UN Global Compact

Member since: January 14, 2010

Number of employees: 4,700

Sector: Health Care Equipment and Electronics

Reporting date and period

February 23, 2012

The report covers the period January 1, 2011 – December 31, 2011.

GN Store Nord's Communication On Progress (COP) is also available on www.gn.com/csr and is accounted for in the CSR section of the GN Store Nord Annual Report 2011.

Statement of support from the Executive Management

GN Store Nord has now been a signatory to the United Nations' CSR initiative 'Global Compact' for two years. Our entry into this global and widely recognized CSR initiative has supported the GN Store Nord Group in the work with our internal CSR processes and has also been an important factor in our communications with external stakeholders.

During the year, we experienced growing interest in CSR from a number of important stakeholders such as customers, employees, investors and the media. We see this interest as a very positive sign and encourage our stakeholders to continue their focus on CSR. We continue to believe that companies acting in a responsible manner are better positioned to attract new employees, increase employee satisfaction and attract new customers and investors. This creates value not only for the specific company but also for the society in which the company operates.

In February 2011, we published the GN Store Nord Group's CSR policy. In connection with the introduction of the CSR policy a number of meetings were held internally in the GN Store Nord Group to introduce key people in the organization to our CSR policy. We will continue to communicate internally about CSR and invite all employees to join us in a dialog about GN's future CSR activities.

Our CSR policy has also played an important role externally as a concrete example to our customers, investors and other external stakeholders of GN's strong dedication to CSR.

GN's CSR steering group has decided that the annual Communication on Progress (COP) report to the United Nations' will encompass three recurrent reporting areas where on a quantitative and qualitative basis we will communicate on development and issues of the year. The reporting areas are: interaction with suppliers, environmental footprint of GN's products and social activities. Additionally, we will continue to highlight other important CSR-related milestones in our annual COP report.

Yours faithfully,



Mogens Elsberg
CEO GN Netcom



Lars Viksmoen
CEO GN ReSound



Anders Boyer
CFO GN Store Nord

GN Store Nord Corporate Social Responsibility (CSR) Policy

This CSR policy applies to all GN businesses and includes members of the Board of Directors, officers and employees of the GN Group and its subsidiaries. The policy was updated in February 2012.

GN conducts business in a profitable and sustainable manner and offers products that improve people's mobility and quality of life. We believe that a structured and practical approach to CSR is value creating both for GN and for GN's key stakeholders such as customers, investors, suppliers and employees. We use a simple and practical approach in our work with CSR.

Our policy is to be in compliance with or exceed applicable statutes and regulations of the countries and local communities in which GN operates. This is reflected in GN's CSR vision:

GN and its subsidiaries want to be recognized by
their stakeholders as a reliable and responsible company
with high ethical standards.

GN bases its CSR efforts on a number of internationally recognized principles relating to human rights, employee rights, the environment and anti-corruption as formulated in the UN Global Compact. Based on its business activities, GN has defined five areas considered to be GN's key focus areas with regards to CSR.

GN's CSR Focus Areas

- GN recognizes all human beings as free and equal in dignity and rights in the work place and will not accept discrimination or harassment.
- GN supports the abolition of child labor and actively works to abolish child labor or use of forced labor in any of its or its business partners' operations.
- GN is committed to integrating consideration for its surroundings and environment in its planning and performance of activities.
- GN works actively to support employees in complying with all internal procedures, applicable laws and regulations when conducting business on behalf of GN.
- GN is engaged in social activities supporting and helping underprivileged people in their everyday life e.g. by donation of hearing aids.

CSR in Practice

GN's CSR policy is put into practice through several policies and activities, e.g. its Code of Conduct, Ethics Guide, social activities and various HR policies.

GN's CSR Organization

A steering committee made up of GN's Executive Management team is generally responsible for GN's CSR efforts. The committee determines the scope and strategic direction of GN's work with CSR.

Development of GN's future CSR initiatives is handled by the steering committee, GN's Corporate Communications & CSR department and key GN employees. This development is driven by internal initiatives, input from external stakeholders, legal requirements, and initiatives from the UN Global Compact.

Communication of GN's CSR activities

In connection with the publication of its annual report and annual Communication on Progress (COP) document submitted to the UN Global Compact, GN publishes information on its CSR activities for the year and goals for the following year.

GN's Corporate Communications & CSR department is responsible for all CSR reporting and information, hereunder also all CSR-related inquiries. All relevant information about GN's CSR activities, policies and COP reports can be found at gn.com/csr.

GN's CSR policy is endorsed by GN's Board of Directors and Executive Management.



Networking cooperation between audiologists in the educational sector and at GN ReSound led to a project that would change the lives of Guatemalan underprivileged children with hearing difficulties.

Reporting areas 2011

GN has identified three areas which we consider especially important for GN and our CSR efforts. We have therefore decided to report specifically on the development within the following areas: Interaction with suppliers, environmental footprint of GN's products and social activities. GN will in addition to these reporting areas, on an ad hoc basis report on other relevant CSR related activities implemented during the year.

Interaction with suppliers

Both GN ReSound and GN Netcom are working closely with sub suppliers in the production of the two businesses products and components. GN ReSound's hearing instruments are manufactured at the company's own factory in China, however GN ReSound also works with a number of sub suppliers sourcing components for the production of the hearing instruments. All products in GN Netcom's product portfolio are manufactured by manufacturing partners and sub suppliers.

Common for both GN ReSound and GN Netcom is a strong focus on corporate responsibility, which also reflects in the expectations and demands to the two businesses sub suppliers. All sub suppliers are requested to follow a code of conduct outlining GN ReSound's and GN Netcom's requirements and standards. The valid code of conduct for GN ReSound and GN Netcom can be found on www.gn.com/csr.

In order to ensure a high level of cooperation and communication between the GN group's businesses and the sub suppliers GN employees are in very frequent contact with its sub suppliers. In that connection proximity to the sub suppliers is key, hence GN ReSound and GN Netcom have local offices close to all the main sub suppliers. This ensures frequent meetings and contact between GN and the sub suppliers.

In 2011 GN ReSound performed 30 audits with suppliers. In 2011 GN Netcom performed 28 audits with suppliers.

If safety issues were observed these was handled as major non-conformity and the supplier was asked to improve within a short timeframe, where after a follow up audit was conducted for verifying the implemented improvements. Qualifying audits, surveillance audits and audits related to problems experienced were conducted. All audits involve a specific focus on CSR related areas taking basis in the UN Global Compact.

Environmental footprint of GN's products

The total amount of materials used for production of the GN group's products is limited as both hearing instruments and headsets are light and contains a limited number of materials. A typical hearing instrument weighs between 2-6 grams while GN Netcom's headsets inclusive of base station and power supplies weigh between 10 and 550 gram. The GN Group's main environmental foot prints are identified to come from energy consumption for production, facilities, and distribution, use of chemical substances, handling of electronic waste and packaging.

GN Netcom

GN Netcom's products are designed for low energy consumption and are produced under the certified ISO 14001 system. The products meet the REACH regulation (Registration, Evaluation, Authorization and Restriction of Chemicals), RoHS (Restriction of Hazardous Substances Directive), and EU packaging directives, and other similar United States regulatory environmental requirements that reduce or eliminate harmful materials and substances such as lead, mercury, and cadmium.

GN Netcom has developed standard components and platform designs on which new product developments are based. With GN Netcom's platform design principles, a large number of parts can be reused for production and new product designs. The products are designed for high recovery and recycle rates to reduce harm to the environment.

In 2011 GN Netcom manufactured a total of around 9 million headsets

GN ReSound

The total number of hearing instruments produced in 2011 was around 1.7 million. GN ReSound's hearing instruments are mainly produced at GN ReSound's own production facility in Xiamen, China.

In accordance with the new RoHS 2 (Restriction of Hazardous Substances Directive) Directive starting to be applicable for the Medical Device industry in 2014 as well as with the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Directive, which will come into force in 2018 for the Medical Device Industry, GN ReSound has done a comprehensive pre study in 2011 to prepare and implement a major project that will start in 2012 upgrading components and products accordingly so they will comply with the new directives for the Medical Device industry the coming years.

A very limited number of certain hearing aid components contain polyvinylchloride (PVC). In 2011 GN ReSound initiated a project to phase out all components containing PVC and the goal is to eliminate all components containing PVC. This project continues in 2012.

Social activities and charity

Clinton Global Initiative

In 2011 GN joined the Clinton Global Initiative. The mission of the Clinton Global Initiative (CGI) is to inspire, connect, and empower a community of global leaders to forge solutions to the world's most pressing challenges. By fostering partnerships, providing strategic advice, and driving resources toward effective ideas, CGI helps its members – organizations from the private sector, public sector, and civil society – maximize their efforts to alleviate poverty, create a cleaner environment, and increase access to health care and education.

Via the CGI GN and BroadReach Healthcare, a global healthcare solutions company, have committed to create a partnership with the public sector in South Africa to secure hearing aids free of charge to impoverished people with hearing impairment who cannot afford these devices through any other means. The initiative will also encompass donation of batteries for the hearing instrument. The program will be rolled out in the first two regions, Gauteng and KwaZulu Natal, during the first part of 2012 after which an evaluation will take place before the project will be rolled out to other of the nine regions in South Africa.

Caring for the Deaf - the GN ReSound Hearing Care Project

GN ReSound and the Tianjin Disabled People's federation, China, signed a 5-year co-donation agreement in 2011. "Caring for the Deaf - the GN ReSound Hearing Care Project" will be running over 5 years with a total of 25,000 hearing aids delivered to hearing impaired. The project agreement also includes plans to establish a service facility in Tianjin as well as carrying out communication and awareness activities along with promoting the project.

GN works with the Disabled People's Federation in 15 provinces and municipalities as well as at a national level and has been co-operating with the Tianjin Disabled People's Federation since 2006.

Deaf employees at the Xiamen, China factory

GN ReSound employs a number of deaf employees at GN ReSound's factory in Xiamen. These employees provide the company with close ties to both the local deaf community and to local agencies that support individuals with hearing impairment.

Other charity activities in 2011

A number of charity donations were made by the GN Group during 2012:

- Donation of food for the homeless in Copenhagen in September 2011
- Donation of hearing aids for Guatemalan children

GN Store Nord Foundation

Through the GN Store Nord Foundation GN continue to support purposes of importance in accordance with its mission. The Board of Directors fundamentally believes that GN as a company proactively must support CSR activities and has consequently decided to donate DKK 25 million to the GN Store Nord Foundation. In 2011 the following projects was supported financially:

- Danish Deaf sport Association
- The Danish Association of the DeafBlind
- The Danish Association of the Hard of Hearing
- Red Cross – collection for Japan

Other relevant CSR related activities in 2011

Upgraded whistleblower system

GN launched a whistleblower system back in December 20, 2010. In 2011 GN have taken steps to further improve this procedure and have initiated cooperation with Global Compliance, who is the leading organization in compliance solutions.

Global Compliance will according to the agreement be managing GN Group's Whistleblower Hotline. The new cooperation will ensure that all employees and suppliers in the future will be able to anonymously report through a web and telephone based hotline, 24 hours a day all year around.

To ensure that language barriers do not prevent GN from receiving reporting on irregularities it is now possible to file a complaint in 29 languages. This will contribute to continuously high standards and best practices within the Group. The Whistleblower Hotline will be launched during the first six months of 2012.

The new Whistleblower Hotline is a clear signal that GN takes their business and stakeholder responsibilities extremely serious and that we welcome information about any irregularity that might be observed.

CSR activities for 2012

In 2012, GN will continue to communicate our CSR aspirations to employees and external stakeholders.

In the spring of 2012 GN will introduce the brochures "Working with Jabra* on Corporate Social Responsibility" and "Working with GN ReSound on Corporate Social Responsibility" for all main GN Netcom and GN ReSound suppliers. The brochure will inform about GN's CSR aspirations and expectations and support the GN Group's suppliers in understanding and complying with GN's and the Global Compact standards for CSR.

Both GN ReSound and GN Netcom will work to reduce the environmental footprint from the development, manufacturing and distribution of its products.

GN's global Human Resource department will in 2012 launch a new global employee satisfaction survey. The purpose of the new survey is to give all employees in the GN Group worldwide a possibility to respond on a number of questions taking base in the specific employees' own work situation.

GN will continue its focus on charity and will via the Clinton Global Initiative and "Caring for the Deaf - the GN ReSound Hearing Care Project" donate hearing aids to people in need. Additionally GN will also on an ad hoc basis participate in other social activities.

Communication with stakeholders

An important part of our CSR effort is to engage in a dialogue with our stakeholders as we believe dialogue is an important tool to help us achieve our vision.

You are welcome to contact GN Store Nord with CSR-related questions or comments on info@gn.com.



*Jabra is GN Netcom's product brand