

Remuneration Policy

GN Store Nord A/S (CVR-no. 24 25 78 43)

1. Introduction

GN Store Nord A/S' ("GN") remuneration policy (the "Remuneration Policy") includes general guidelines for remuneration, including incentive pay, to members of GN's registered management ("Executive Management") and such members' remuneration in GN's wholly-owned subsidiaries, GN Audio A/S ("Audio") and GN Hearing A/S ("Hearing"), as well as remuneration to GN's board of directors ("Board of Directors"). This Remuneration Policy is made in accordance with Section 4 of the Danish Recommendations on Corporate Governance and Sections 139 – 139a of the Danish Companies Act (in Danish: "*selskabsloven*").

The overall objective of this Remuneration Policy is to:

- Support GN's long-term business strategy of being an innovation-driven, high-growth company that provides intelligent audio solutions with attractive earnings margins.
- Deliver results according to annual plans.
- Incentivise the delivery of longer-term business plans and of sustainable long-term returns for GN and its shareholders.
- Ensure that GN is able to attract, motivate, and retain highly qualified members to GN's Executive Management and Board of Directors.
- Align the interests and the level of remuneration of the Executive Management and of the Board of Directors with the interests of the shareholders and market practice.
- Provide a transparent framework through which shareholders can assess the basis on which the Executive Management and of the Board of Directors of GN are paid.

In drawing up this Remuneration Policy, GN has taken into account the pay and employment conditions for the employees within the wider GN group. GN aims to have a consistent approach to pay across the GN group in line with market practice and remuneration is reviewed annually with the intention that all employees are paid appropriately, taking into account their individual skills, experience and perfor-

mance. Pay across the GN group is further compared with pay in relevant companies similar to GN to ensure fair pay for each job. It is GN's assessment that the remuneration to the Board of Directors and Executive Management is aligned with the responsibility which the duties of the Board of Directors and Executive Management entail compared to market practice. It is further GN's assessment that the structure and level of the remuneration and the employment conditions of the Executive Management are appropriate compared to the remuneration and employment conditions of the other employees within the wider GN group.

The remuneration components for senior leaders and management across the GN group is widely consistent with that for the Executive Management with differences in award opportunities and performance targets. GN strives to ensure that employees below senior management receive a remuneration package that is reflective of their role and responsibilities relative to market practice.

2. Remuneration for the Board of Directors

Members of the Board of Directors shall receive a fixed annual fee.

The annual fee for members of the Board of Directors shall be at the level of remuneration paid in other comparable innovation and high growth companies with a global focus, including foreign based competitors.

The members of the Board of Directors do not receive any incentive pay, however, employee-elected members of the Board of Directors may in their capacity as employees be covered by general incentive plans applicable to employees in GN.

Remuneration for the Board of Directors for each financial year is to be approved at the annual general meeting under a separate item on the agenda. The proposal for remuneration of the Board of Directors for the relevant financial year shall be included in the notice convening the annual general meeting.

All members of the Board of Directors receive the same fixed annual base fee except for the chairman and the deputy chairman who receive three times and two times, respectively, the fixed annual base fee, in line with Danish market practice.

Services provided under the auspices of the Board of Directors' Audit Committee, Remuneration Committee, Strategy Committee, and Nomination Committee entitle the members to an additional fixed fee, with two times the committee base fee to the chairman of each of the four committees for his/her extended tasks.

In exceptional circumstances, an individual member of the Board of Directors may receive additional pay/compensation on market terms for extraordinary ad hoc work going beyond the normal scope of the Board of Director's responsibility areas.

In addition to reimbursement of travel expenses, a member of the Board of Directors is entitled to receive a fixed allowance per journey to a board and/or committee related meeting, if such meeting takes place outside the member's country of residence.

In addition to the above-mentioned fees, GN pays statutory contributions to social security and similar taxes and charges within the EU / EEA that GN is obligated to pay according to applicable law in relation to a member of the Board of Directors' directorship with GN.

The members of the Board of Directors elected by the general meeting are elected for a term until GN's next annual general meeting. Re-election may take place. Apart from the members of the Board of Directors elected by the general meeting, the employees are entitled to elect a number of representatives to the Board of Directors in accordance with the statutory legislation in force at any time.

3. Remuneration of the Executive Management

The Board of Directors has adopted a remuneration strategy for the Executive Management aligned with the group's strategy of being an innovation-driven, high-growth company that provides intelligent audio solutions with attractive earnings margins.

The remuneration of the members of the Executive Management consists of (i) a fixed annual base salary, (ii) a short-term cash-based incentive plan, (iii) a long-term share-based incentive plan, (iv) other customary staff benefits/personal benefits such as company car, insurances, etc. and in certain circumstances housing and other customary benefits for foreigners relocating to Denmark, and (v) in extraordinary cases, the Board of Directors can decide to also include an extraordinary one-off bonus/LTI grant. The Executive Management is not covered by any pension scheme.

Each of the components above, together with the relative proportion of the individual components, is described in further detail below.

The combination of fixed and incentive based remuneration has been chosen to support the objectives of the Remuneration Policy, as outlined in section 1 above.

The fixed annual salary is based on market practice and is reviewed by the Board of Directors against comparable positions in relevant companies similar to GN.

The short-term cash-based incentive plan and the long-term share-based incentive plan are described in further details below in Sections 4 and 5 respectively.

The members of the Executive Management receive remuneration in GN, Hearing and Audio, respectively, and receive no other remuneration for positions or directorships held in GN's other subsidiaries or associated companies.

4. Short-term cash-based incentive plan

The purpose of the short-term cash-based incentive plan is to provide the Executive Management with an annual variable remuneration dependent on performance against specific short-term objectives for GN, Audio and Hearing, respectively, as defined by the Board of Directors.

Under the cash-based incentive plan, the members of the Executive Management are eligible to receive a cash bonus according to defined financial targets for GN, Audio and Hearing, respectively, as well as individually defined measurable annual targets. Targets are normally determined in connection with the preparation of the budget for the coming year.

The target cash bonus for each member of the Executive Management can vary between 25 and 75% of the fixed annual base salary but will normally be around 50%. The actual payment each year depends on the degree to which the specific and measurable targets have been met by the relevant company and by the individual member of the Executive Management. These targets will primarily be based on the performance on financial metrics relative to key top or bottom line metrics for GN, Audio and Hearing, respectively, (such as net revenue, EBITA, EBITDA, or similar), and also on other measurable personal objectives of a financial or non-financial nature (such as employee engagement, sustainability, organisation health, delivery of key strategic projects, and similar).

In case a member of the Executive Management achieves a performance significantly below or above the targets defined by the Board of Directors, the cash bonus for one year may decrease or increase relative to target bonus. It is the responsibility and discretion of the Board of Directors to assess and decide on a potential adjustment of the final bonus pay-out.

The cash bonus pay-out can never exceed a maximum of 100% of the annual base salary of the relevant member of the Executive Management.

5. Long-term share-based incentive plan

- 5.1. The long-term share-based incentive plan is a share option-based incentive plan (the "LTI"), and the purpose of the LTI is to reward the Executive Management for dedicated and focused results intended to achieve and support the group's long-term objective. The Board of Directors is of the view that driving growth, innovation and performance relative to peers will lead to sustainable value creation for the shareholders as well as aligning the interests between the Executive Management and the shareholders.

The LTI supports the alignment with shareholder interests by linking directly to the performance of GN's share price. The LTI plan further supports growth by (i) rewarding GN's performance against up to two key financial metrics (for example revenue

growth, EBITDA improvement, or similar financial measures) assessed to be suitable by the Board of Directors and (ii) measuring these metrics against a selected peer group of innovative companies similar to GN as further described below.

Further, to ensure that the Board of Directors has the appropriate flexibility to ensure that the application of the LTI is in the long-term interest of GN, its shareholders and of the sustainability of GN in cases of unforeseen circumstances, the Board of Directors has a contractual discretionary right under the terms of the LTI to amend its terms. This discretion includes, but is not limited to (i) the timing of the grants, (ii) the size of the grants subject to the overall limits in this Remuneration Policy, (iii) the determination of vesting conditions, including adjustment of performance metrics and peer group, (iv) adjustment of the exercise price and number of share options, (v) early vesting or exercise of share options and (vi) the treatment of the share options in the case of resignations, change of control, a merger, rights issue or other events.

5.2. Share option terms

5.2.1. Grant of share options

Subject to the Board of Directors' discretion, each member of the Executive Management may receive an allocation of conditional share options in GN at no charge. An allocation is typically made each year after the release of the annual report (ordinary grant).

Each allocation will be made within a range of 50% to 100% of the annual base salary calculated in accordance with the Black Scholes method at the time of grant.

Allocation of share options in one year shall not imply the same or any share option allocation in subsequent years.

5.2.2. Exercise rights

Each vested share option entitles the relevant member of Executive Management to acquire one share of nominally DKK 4.00 in GN at the exercise price.

5.2.3. Exercise price

The exercise price of the share options granted in connection with annual grants will be determined as the simple average of the closing price of the GN share on Nasdaq Copenhagen A/S for a period of five trading days following the publication of the annual report of GN for the preceding financial year. For extraordinary grants, the exercise price will be determined as the simple average of the closing price of the GN share on Nasdaq Copenhagen A/S for a period of five trading days prior to the extraordinary grant date.

5.2.4. Vesting conditions and exercise windows

The share options granted in connection with the annual grants have a vesting period of three years from the relevant allocation date after which time the share options vest following the publication of the annual report of GN for the relevant financial year, subject to satisfaction of the vesting conditions. For extraordinary grants, the vesting period is adjusted so that the vesting date is the same as that of the preceding annual grant.

The number of share options vesting is conditional on GN's performance against up to two metrics (such as revenue growth, EBITDA improvement or similar). The metrics are selected to incentivize the Executive Management to focus on growth relative to peers, which is an essential part of GN's long-term business strategy. The metrics are measured against a peer group of relevant U.S and European listed companies consisting of med-tech and high-tech companies which have been selected as they:

- are innovation driven and competing through innovation,
- operate in the same or similar industries/segments to GN,
- have a similar size to GN measured through their revenue, EBITDA, market capitalization and number of employees, and
- form a peer group where the overall average of the peer group represents a similar growth journey to GN, and with the intent for GN to be measured against relative performance to this peer group.

The peer group is determined by the Board of Directors and reviewed in advance of each new annual conditional allocation of share options to ensure that it provides the right competitive reference for GN. The peer group can be updated by the Board of Directors at its discretion in special cases, for example in the event that a company in the group ceases to exist due to e.g. de-listing, merger, acquisition or similar; or in case of results which are outliers and non-representative of the performance of the remaining companies in the peer group.

The Board of Directors of GN sets the performance targets relative to the selected peer group. The targets consist of a minimum, target and maximum level of relative performance, which can be achieved over the three-year vesting period for two financial metrics used in the LTI (in exceptional circumstances, the Board of Directors may decide to use one). The minimum, target and maximum are expressed relative to the peer group (for example 25th percentile, average, median, 75th percentile or similar).

After the three-year performance period, GN's performance on the financial metrics is measured against the same and latest available audited results for the companies in the peer group. GN's relative performance against the peer group results in a multiplier of the allocated share options which is zero for unacceptable performance,



one for target performance and which is capped at two for truly outstanding performance, measured against the peer group.

The multiplier is then applied to the number of allocated conditional share options and the resulting number of options vest (cliff vesting).

If GN's performance after the three-year performance period is below the minimum required level of performance, none of the granted options will vest. If GN's performance is at or above the maximum performance measured against the peer group, the conditional allocation of share options can be doubled.

Based on calculations provided by an independent auditor, the Board of Directors is responsible for analysing the performance which determines the final number of options that will vest.

The Board of Directors may, at its sole discretion but based on objective and verifiable criteria, change the performance metrics for each new grant of share options in the event that other financial metrics become more relevant to the long term strategy and sustainability of GN. Such amendments may take effect for future grants.

Vesting of the share options will further be conditional upon continued employment of the relevant member of the Executive Management at the time of vesting. If a member of the Executive Management leaves GN as a bad leaver before the time of exercise, such member will forfeit his/her right to all share options that have not vested, or which have vested but not been exercised at the point in time when notice is given.

Share options, which have vested, may be exercised at the exercise price (see Section 5.2.3), at any time except during the black-out periods ("BO Period") which start three trading days prior to the end of a quarter and ends on the day of publication of GN's annual report and quarterly reports (such day of publication to be included in the BO Period). The BO Period shall in any case be at least 30 days prior to the publication of the quarterly- and half-year report or announcement of annual results or annual report. The share options shall further be exercisable in accordance with and subject to applicable rules and regulations in relation to trading in financial instruments.

If the vested share options are not exercised before the third anniversary of the relevant vesting date, the unexercised portion of such share options will lapse automatically without compensation.

In order to avoid excessive pay-outs in case GN's share price increases dramatically, the gross return on the share options for each annual grant cannot exceed a value equal to four times the annual base salary of the relevant member of the Executive Management at the time of the grant.

GN reserves the right to settle the share options in cash.

6. Extraordinary incentive awards

In order to meet the overall objectives of the incentive remuneration, the Board of Directors may in special defined objective cases decide to award individual members of the Executive Management an additional one-off bonus or LTI grant. Such bonus may be awarded for attainment of certain extraordinary performance targets. The Board of Directors may also in special cases decide to award other extraordinary incentive remuneration to individual members of the Executive Management, e.g. retention bonus, sign-on bonus or other schemes in connection with appointment.

The extraordinary incentive awards may consist of cash and/or be share-based in which case it will be granted in accordance with the terms set out in Section 5.

The value of an extraordinary incentive award can never exceed a maximum of 100% of the annual base salary of the relevant member of the Executive Management at the time of award.

7. Malus and clawback

Malus and clawback provisions apply to both the cash bonus and the LTI if, in the opinion of the Board of Directors, a malus or clawback event has occurred. This would include, but is not limited to (i) a material misstatement in GN's financial statements or (ii) cases where the relevant member of the Executive Management, or a person in such member of the Executive Management's organization, is deemed to have caused a material loss to GN.

8. Termination and severance payment for the Executive Management

GN may terminate members of the Executive Management by giving 12 months' notice. Members of the Executive Management may resign by giving six months' notice. The total remuneration for the notice period, including any severance pay, may not exceed two years' total remuneration, unless special circumstances warrant otherwise.

The Executive Management has change-of-control agreements in line with Danish market practice.

In the event of death of a member of the Executive Management, GN will effect exercise of vested share options as soon as reasonably possible subject to applicable rules and regulations in relation to trading in financial instruments.

9. Existing incentive plans

This Remuneration Policy applies to all agreements on incentive pay entered into with members of the Executive Management following its approval and publication.

The Remuneration Policy will also apply to all subsequent amendments to existing agreements on incentive pay with the members of the Executive Management.

In the period from 2010 to the end of 2018, GN's long-term share-based incentive plan consisted of a warrant program which also covered the members of the Executive Management. The warrant program was replaced by the LTI described in Section 5 above as of March 2019 and, consequently, no warrants have been allocated in 2019 or will be allocated onwards based on the former program. Warrants which have been allocated to the members of the Executive Management prior to the replacement of the warrant program will vest according to the terms and conditions of the warrant program and may in such case be exercised within a three-year period following vesting. Accordingly, warrants allocated in 2018 will lapse in 2024 if not exercised.

10. Deviation of the Remuneration Policy

The Board of Directors may, following consultation with the Remuneration Committee, in exceptional circumstances and based on objective and verifiable criteria decide to temporarily deviate from this Remuneration Policy, where a deviation will benefit the long-term interests of GN, its shareholders or the sustainability of GN. Such deviation may be regarding the thresholds set-out in clauses 4-6 and 8 of this Remuneration Policy.

Any such temporary deviation, and reason for such deviation, shall be explained in the subsequent Remuneration Report.

11. Determination, review and implementation

The Board of Directors is, together with its independent remuneration advisor, responsible for the establishment and annual review of the Remuneration Policy. The Board of Directors shall be supported in this task by the Remuneration Committee, which assists the Board of Directors in matters and decisions concerning remuneration of the Executive Management and senior employees and in ensuring that the general remuneration policies, including this Remuneration Policy, reflect an appropriate balance between the relevant objective criteria.

The Remuneration Committee considers the Remuneration Policy annually to ensure it remains aligned with GN's strategic objectives, shareholder expectations and the sustainability of GN. In its review, the Remuneration Committee considers market practice. Further, the Remuneration Committee identifies relevant peers to GN, competing through growth and innovation in GN's two largest markets, the U.S and Europe, and with understanding the current remuneration practice for this reference group of peer companies.

To ensure its independence and professionalism, the Remuneration Committee engages and works with an independent advisor to assist the Remuneration Commit-

tee in its assignments. The Remuneration Committee uses its own independent remuneration advisors which are different from the external advisers to the Executive Management.

In order to avoid conflict of interests, a member of the Board of Directors or Executive Management may not participate in the decision making process concerning an agreement between on the one side GN or a company within the GN group and on the other side the member in question. Given the members of the Board of Directors receive a fixed annual fee only and given the fixed annual fee for the Board of Directors is approved at GN's annual general meeting, GN does not see any risk of conflicts of interest in connection with the Board of Directors' work with the Remuneration Policy. In addition, since it is solely the Board of Directors who make recommendations on the remuneration policy to the shareholders at the annual general meeting there is no conflict of interest related to the Executive Management.

The Remuneration Policy must be approved by the general meeting whenever material changes are made and at least every four years.

12. Key changes to Remuneration Policy

The main changes from the Remuneration Policy approved at GN's annual general meeting on 21 March 2019 may be summarised as follows:

Amendments included to comply with the new rules in the Danish Companies Act, implemented as a consequence of the Shareholders' Right Directive:

- An explanation on how the pay and employment conditions of employees in the GN group have been taken into account when establishing the Remuneration Policy.
- The duration of the term of the members of the Board of Directors.
- Clarification of the Board of Directors' access to deviate from the Remuneration Policy.
- Additional information on the avoidance of conflict of interest in relation to the preparation of the Remuneration Policy.

Further amendments/updates:

- The members of the Executive Management may exercise share options, which have vested, at any time except during BO Periods (previously subject to specific trading windows).



- Clarification of exercise price for extraordinary grants.
- Information on exercise of share options in the event of death of a member of the Executive Management

In addition, other minor changes and clarifications have been made to the Remuneration Policy in order to aid the administration and clarity of its operation.

13. Publication and entry into force

This Remuneration Policy has been approved by the Board of Directors on 4 February 2020, [and by GN's shareholders at the annual general meeting of GN on 11 March 2020, and has been published on GN's website, www.gn.com, shortly after the annual general meeting.]