



Remuneration Policy, including general guidelines for incentive pay

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 the general guidelines for payment of 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 Recommendations on Corporate Governance and Section 139 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 driving growth and innovation through "One GN" and providing 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 both 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.

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 innovation-driven global comparable companies.

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 up to three times and two times, respectively, of the fixed annual base fee, in line with 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 additional remuneration, and the chairman of each of the four committees receives an annual supplement for his/her extended tasks. Furthermore, 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 board meeting and per 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' position with GN.

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 providing intelligent audio solutions with attractive earning 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 etc., and (v), in extraordinary cases, the Board of Directors can decide to also include an extraordinary one-off bonus. The Executive Management is not covered by a 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 level compensation 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 no remuneration for executive management positions or directorships held in GN's subsidiaries or associated companies.

4. Short-term cash-based incentive plan

The purpose of the short-term cash-based incentive plan (STI) is to provide the Executive Management with an annual variable remuneration dependent on performance against specific short-term objectives for 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 Audio and Hearing, respectively, as well as individually defined measurable annual targets. Targets are normally determined in connection with the preparation of Audio's and Hearing's budget for the coming year.

The cash bonus for each member of the Executive Management will normally be targeted at 50% but can vary between 25 to 75% of the fixed annual base salary. 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 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, 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 potentially adjust the final bonus pay-out.

The cash bonus pay-out can never exceed a maximum of 100% of the annual base salary for the position in question.

5. Long-term share-based incentive plan

- 5.1. The purpose of the long-term share-based incentive plan 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 believes 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 long-term share-based incentive plan (LTI) supports the alignment with shareholder interests by linking directly to the performance of GN's share price as it consists of a share options program. 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) 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.

- 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.

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 1.00 in GN at the exercise price.

- 5.2.3. Exercise price

The exercise price of the share options comprised by the annual grants will be determined as the simple average of the closing price of the GN share on Nasdaq Copenhagen for a period of five trading days following the publication of the annual report of GN for the preceding financial year.

- 5.2.4. Vesting conditions and exercise windows

The share options 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 fulfilment of the vesting conditions.

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, which consists of med-tech and high-tech companies which have been selected as they:

- are competing through innovation,
- operate in the same or similar industries to GN.
- have a similar size to GN measured through their revenue, EBITDA, market capitalization and number of employees.
- 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 should leave the peer group due to e.g. de-listing, merger, acquisition or similar; or due to 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 plan (in exceptional circumstances, the company 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.

The Board of Directors is responsible for analyzing 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 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 termination date.

Share options, which have vested, may be exercised at the exercise price (see Section 5.2.2), during exercise windows opening each quarter during the fourth, fifth and sixth year after the allocation. The quarterly exercise window will open following the publication of GN's annual or quarterly reports.

If the vested share options are not exercised before the expiry of the last exercise window in the sixth year after the allocation year, the unexercised portion of such share options will lapse without compensation.

In order to avoid excessive payouts 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

- 6.1. 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. 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 should not exceed the annual base salary for the relevant position at the time of award.

7. Malus and clawback

Malus and clawback provisions apply to both the cash bonus and the long-term share based incentive plan 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 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 from the company 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.

9. Existing incentive plans

This Remuneration Policy, including the general guidelines for incentive pay, apply to all agreements on incentive pay entered into with members of the Executive Management following its 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 is replaced by the long-term share-based incentive plan described in Section 5 above as of March 2019 and, consequently, no warrants will be allocated in 2019 and onwards under the old program. Warrants which have been allocated to the members of the Executive Management prior to the replacement of the warrant program may 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 in exceptional circumstances and based on objective and verifiable criteria decide to deviate from this Remuneration Policy, where a deviation will benefit the long-term interests of GN, its shareholders or the sustainability of GN.

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 interests 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.

11. Determination, review and implementation

The Board of Directors is 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. The Remuneration Committee meets as often as business requires but at least 6 times per year.

The Remuneration Committee considers the Remuneration Policy annually to ensure it remains aligned with GN's strategic objectives, investor expectations and the sustainability of GN. In its review, the Remuneration Committee considers market practice, with the ambition to live up to investor expectations, which have been identified by reviewing top investors' and proxy voters' voting policies. Further, the Remuneration Committee assists with identifying 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 market 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 Committee in its assignments.

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.

12. Publication and entry into force

This Remuneration Policy has been approved by the Board of Directors on 26 February 2019 and shall in addition be approved at the annual general meeting of GN on 21 March 2019. If approved at GN's annual general meeting, the policy will be published on GN's website – www.gn.com – immediately after the annual general meeting.