



# Remuneration report 2020

GN Store Nord A/S

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## Remuneration report 2020

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## GN Store Nord A/S Remuneration Report

This Remuneration Report has been prepared in accordance with section 139 (b) of the Danish Companies Act and section 4.2.3 of the Recommendations on Corporate Governance, published by the Danish Committee on Corporate Governance.

# Key developments in 2020

The pandemic affected GN's two business divisions very differently: GN Audio experienced strong demand as enterprises invested in employees working from home, and GN Hearing experienced sharply declining revenue due to restrictions and lockdowns. Considering the potential severity of COVID-19 for the company, the Board and Executive Management volunteered a temporary 10% reduction in salary

## Financial summary 2020

In 2020, GN was affected in three ways by COVID-19: (i) Various impact on production capacity and supply of components from subcontractors in H1 2020, (ii) GN Audio experienced strong demand as enterprises invested in employees working from home, and (iii) GN Hearing was impacted by lockdowns and local restrictions impacting demand.

In 2020, GN increased revenue by 7% to DKK 13,449 million compared to DKK 12,574 million in 2019. EBITA decreased by 20% to DKK 1,866 million. GN Hearing delivered -24% organic revenue growth as a result of the severe impact from COVID-19. GN Audio delivered 42% organic revenue growth in 2020, driven by strong demand for enterprise products accelerated by COVID-19.

To limit the negative financial impact on the company, extensive and proactive actions were taken to reduce the company cost base. From May 2020, this included a temporary 10% reduction in remuneration for the Board and Executive Management. The Group's two Global Management Teams and employees in GN Hearing and GN Store Nord across the world also accepted reductions in salary or pension contribution, in furloughs or other cost reducing measures dependent on local business requirements.

## Developments in Board remuneration in 2020

At the Annual General Meeting on March 11, 2020, Bill Hoover stepped down from the Board after 13 years of service, and Jukka Pekka Pertola, Montserrat Maresch Pascual and Anette Weber were elected as new members of the Board.

The Board elected Jukka Pekka Pertola as new Deputy Chairman. Per Wold-Olsen (Chairman), Wolfgang Reim, Hélène Barnekow and Ronica Wang were re-elected to the Board of Directors. In September 2019, Gitte Pugholm Aabo stepped down from the Board of Directors as a consequence of her appointment as CEO of GN Hearing. Consequently, the Board from January 1 to March 11, 2020, consisted of eight members, and from March 11, 2020, onwards consisted of 10 members, including the three employee elected members.

The Annual General Meeting on March 11, 2020, approved a proposed increase of the base fee for the Board of Directors by around 5%. In light of the negative financial impact on the company of the COVID-19 pandemic, the Board in April decided to temporarily reduce their fee by 10% from May onwards (reinstated in October 2020).

## Developments in Executive remuneration in 2020

Throughout 2020, the Executive Management consisted of three members, René Svendsen-Tune, Gitte Pugholm Aabo, and Marcus Desimoni. On September 30, 2020, GN announced that CFO of GN Store Nord, Marcus Desimoni, would step down as of December 31, 2020. Peter la Cour Gormsen, CFO of GN Audio, was appointed new CFO of GN Store Nord, effective January 1, 2021.

In light of the negative financial impact on the company of the COVID-19 pandemic, Executive Management took a voluntary and temporary 10% pay reduction on their base salary from May onwards (reinstated in October 2020).

## Company performance key figures (GN Store Nord)

	2020	2019	2018	2017	2016
Revenue (DKK million)	13,449	12,574	10,607	9,585	8,651
Organic revenue growth	9%	15%	13%	8%	6%
EBITDA (DKK million)	2,284	2,701	2,148	1,925	1,760
EBITA (DKK million)	1,866	2,321	1,956	1,744	1,583
Average base salary per FTE, (DKK) - GN Store Nord A/S	738,486	728,335	702,775	685,603	713,876
Average total remuneration per FTE, (DKK) - GN Store Nord A/S	861,081	909,226	876,870	911,786	957,864

In accordance with the requirements in the Danish Company Act, company performance key figures for GN Store Nord A/S are: Revenue DKK 456 million (2019: DKK 358 million), Profit (loss) for the year DKK 1,252 million (2019: DKK 1,454 million)

# Remuneration principles and framework

## Purpose of remuneration

GN's Remuneration Policy and structure is aligned with the company's strategy of being an innovation-driven, high-growth company with attractive earnings margins.

The various components of the remuneration offered at GN are set to balance the sustainable management of GN's strategy and long-term ambitions with the achievement of short-term results and the practice and benchmarks in the markets in which we operate and from where we recruit.

The remuneration structure ensures that the company's Executive Management is rewarded according to market practice and appropriately - when the company generates value for its shareholders.

## Remuneration Policy

GN's Remuneration Policy and structure ensures:

1. that GN is able to attract, motivate and retain qualified members to GN's Board of Directors and Executive Management that possess the right competencies, qualifications, and mindset to drive GN's innovation and growth agenda
2. that the interests of the Board of Directors and the Executive Management are aligned with the interests of the shareholders

GN's full Remuneration Policy is available on [gn.com](http://gn.com) ([www.gn.com/RemunerationPolicy](http://www.gn.com/RemunerationPolicy)).

## Remuneration Committee

The Remuneration Policy is governed by the Board of Directors' Remuneration Committee and is approved by the Board of Directors and at the Annual General Meeting.

GN's Remuneration Committee supports the Board of Directors in matters and decisions concerning remuneration of Executive Management and senior employees to ensure that the remuneration is in line with market practice.

The charter of the Committee can be reviewed on [gn.com](http://gn.com) ([www.gn.com/CommitteeCharter](http://www.gn.com/CommitteeCharter)). In 2020, the Remuneration Committee held seven meetings.

## Remuneration for the Board of Directors

Members of the Board of Directors receive a fixed remuneration as approved by the shareholders at the Annual General Meeting.

According to GN's Remuneration Policy, the annual fee for Board members shall be at the level of remuneration paid in other comparable, innovative, and high-growth companies with a global focus, including foreign based competitors.

In accordance with the recommendations by the Danish Committee on Corporate Governance, the members of the Board of Directors do not receive any incentive pay. Employee-elected members of the Board of Directors may in their capacity as employees be covered by general incentive schemes applicable to employees in GN.

## Remuneration for Executive Management

GN uses the Mercer IPE methodology to establish the correct market benchmarks. This applies to Executive Management and salaried employees alike, and remuneration is normally placed within the range of 80 - 120% of the market median which is also the case for members of Executive Management.

The remuneration of the members of the Executive Management consists of:

- a fixed annual base salary
- a short-term cash-based incentive program
- a long-term share option-based incentive program linked to performance relative to a peer group and to the GN share price development
- other benefits such as company car, insurances and in certain circumstances housing and other customary benefits for foreigners relocating to Denmark
- Cap for termination and severance payments

GN does not provide any pension benefits to the Executive Management.

The remuneration principles for the Executive Management are summarized in the table on page 6 and the actual remuneration of the members of the Executive Management is shown on pages 11-13 and described in more detail in the following paragraphs.

### Fixed annual base salary

The fixed annual salary level for Executive Management is based on market level compensation for comparable positions in comparable companies and is reviewed annually by the Board of Directors. The members of the Executive Management receive remuneration in GN Store Nord, GN Hearing and GN Audio, respectively, and receive no other remuneration for positions or directorships held in GN's other



subsidiaries or associated companies. All Executive Management remuneration is disclosed in this report.

#### **Short-term cash-based incentive program**

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

70% of Executive Management's bonus is related to financial targets, half of which is tied to revenue targets and the other half to EBITA targets. The Executive Management member who is CEO of GN Hearing has targets related to GN Hearing. The Executive Management member who is CEO of GN Audio has targets related to GN Audio. The Executive Management member who is CFO has targets related to GN Store Nord.

The remaining 30% of Executive Management's bonus targets are related to clearly defined and measurable goals closely linked to the implementation of the company's strategy. In 2020, the target bonus for Executive Management was set at 50% of the fixed base salary with a cap at 100% of the annual base salary for the position in question.

#### **Long-term share option-based incentive program**

In 2019, a long-term share option-based incentive program was established by the Board of Directors. It is a share option program which is in place for the members of the Executive Management and other employees in key positions (replacing a previous warrant-based program).

The purpose of the long-term incentive program is to drive growth, innovation, and performance relative to peers, leading to sustainable long-term value creation. Thus, the program aligns the interests of the Executive Management and other employees in key positions with the interests of the shareholders.

The value of the long-term incentive program is directly linked to two elements: (i) GN's revenue and EBITDA performance relative to a broad peer group of comparable companies within the med-tech and high-tech industries, and (ii) the performance of GN's share price.

The peer group has been formed based on a recommendation from GN's independent remuneration advisor. The companies in the peer group were 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 by 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

#### **Grant of share options**

Ordinary grants of share options are typically made each year after the release of GN's Annual Report.

#### **Vesting and exercise of share options**

The program is based on cliff vesting with a three-year vesting period. If a grant does not meet the vesting criteria at the end of the vesting period, it cannot vest at a later point in time. The exercise price of the share options 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 release of the annual report (ordinary grants).

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 is capped at 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.

#### **Malus and claw back**

Malus and claw back provisions apply to both the cash bonus and the long-term share-based incentive program if, in the opinion of the Board of Directors, a malus or claw back 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. There has been no reason to apply the malus and claw back provisions in 2020.

#### **Termination, severance, and retention arrangements**

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.

The long-term incentive program is in part in place to drive performance and ensure retention of Executive Management. Apart from this, there are no other retention arrangements (e.g. retention bonuses) in place.

#### **Deviation from the Remuneration Policy**

In 2020, there have been no deviations from the Remuneration Policy.

## Remuneration principles

Pay element	Purpose	Award level	Performance criteria	Performance period
<i>Fixed annual base salary</i>	Ensure the ability to attract, motivate and retain high-performing executives.	The fixed annual base salary is normally set in the range between 80% and 120% of the market median based on the level for comparable positions in comparable companies using the Mercer IPE methodology.	No performance criteria are defined; however, the annual review and potential adjustment of the executives' base salaries take the individual's performance and market practice into consideration.	Reviewed once a year
<i>Short-term cash-based incentive program</i>	Drive and reward specific short-term objectives for GN Store Nord, GN Audio and GN Hearing, respectively.	The target payout for executives equals 50% of the executives' base salary whereas the maximum payout cannot exceed 100% of the executives' annual base salary.	Revenue growth, EBITA and specific individual business objectives	GN's financial year
<i>Long-term share-based incentive program</i>	Reward executives for achieving and supporting the company's long-term objectives, focusing on long-term shareholder value.	The value of the annual individual grant is set by the Board and is between 50 and 100% of the executives' annual base salary at the time of grant (calculated by using the Black-Scholes method).	Revenue growth, EBITDA improvement relative to a broad peer group of comparable companies, and GN's share price.	6-year program with a vesting period of three years (ordinary grants). The 2020 grant can be exercised in 2023 six working days after the release of GN's 2022 Annual Report.
<i>Benefits</i>	Support the attraction, motivation, and retention of executives, through offering of benefits that are aligned with market practice.	Benefits are offered according to market practice. Pension contribution is not part of Executive Management's remuneration.	n/a	n/a

## Long-term share-based incentives – Performance criteria for the 2020 plan

### Measurement

Revenue growth and EBITDA improvement relative to a broad peer group of comparable companies.

GN's performance on the financial metrics is measured against the latest available audited results for the companies in the peer group after the three-year vesting period for the ordinary grants.

GN's relative performance against the peer group results in a multiplier of the allocated share options.

### Performance criteria for the 2020 plan

The long-term incentive program includes a performance multiplier. This means that after the three-year vesting period, the initial share option grant can either increase, decrease or stay the same, depending on GN's performance relative to the peer group.

GN's Board of Directors sets the performance targets relative to the selected peer group. The targets consist of a minimum, an on target and a maximum level of relative performance, which can be achieved over the three-year vesting period and is the average of GN's relative performance against the peer group results in both of the financial metrics used in the long-term incentive program.

GN has to perform on par with the 25th percentile of the peer group on both revenue growth and EBITDA improvement in order for the share options to vest.

- The minimum performance level is set at 25th percentile of peer group = x0
- The target performance level is set at 10% above average of peer group = x1
- The maximum performance level is set at 75th percentile of peer group = x2

### GN's share price development

The exercise price for the ordinary yearly grant is set at the simple average of the closing price of the GN share on Nasdaq Copenhagen for a period of (i) the five trading days following the publication of the Annual report of GN. For extraordinary grants the exercise price is the simple average of the five trading days prior to the date of the extraordinary grant.

## Conditions and terms for exercising share options from current and warrants from previous programs

	GN Store Nord A/S		GN Hearing A/S			GN Audio A/S		
	2020	2019	2018	2017	2016	2018	2017	2016
Exercise price at ordinary grant date	381	313	31,792	30,451	26,936	33,913	28,794	22,495
Vesting period (February)*****	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Life of option / warrant	6 years	6 years	6 years	6 years	6 years	6 years	6 years	6 years
Volatility*	29%	27%	19%	20%	22%	23%	30%	27%
Expected dividend**	0.4%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate***	0.00%	0.00%	0.30%	-0.10%	0.00%	0.30%	-0.10%	0.00%
Fair Value per option / warrant at ordinary grant (DKK)	83	61	5,000	3,986	3,760	5,743	5,131	3,540
Total market value at grant (DKK million)****	13	15	5	4	5	4	3	4
Amortization period of the program	2020 - 2023	2019 - 2022	2018 - 2021	2017 - 2020	2016 - 2019	2018 - 2021	2017 - 2020	2016 - 2019

From 2019 the grants are based on options. Up until 2018, the grants are based on warrants. The fair value includes any market vesting conditions.

\* Volatility is estimated by external experts, and is calculated based on data from a historical period matching the expected time to expiry of the warrants and options

\*\* No dividends is paid out through GN Hearing A/S or GN Audio A/S during the life of the warrants. All dividends are paid out through GN Store Nord A/S

\*\*\* Risk-free interest rate is estimated by external experts and based on the zero yield curve derived from Danish government bonds with maturity equal to the expiry of the warrants and options

\*\*\*\* For 2019, the total market value for executive management have been impacted by grants to both Jakob Gudbrand and Gitte Pugholm Aabo, of which 77,200 options have been forfeited. Executive management have been granted a number of options with a value equal to the same percentage of their base salary as was granted in the previous program.

\*\*\*\*\* Exercise windows open on the 6th trading day following announcement of the financial report and is open for five (5) calendar days

# Remuneration of the Board of Directors

The 2020 base fee for serving on the Board of Directors of GN was DKK 290,000, with two times the base fee to the Deputy Chairman and three times the base fee to the Chairman. The base fee for serving on the Audit Committee, the Remuneration Committee, and the Strategy Committee, respectively, is DKK 175,000, with two times the base fee to the Chairman. The base fee for serving on the Nomination Committee amounts to DKK 85,000, with two times the base fee to the Chairman.

A member of the Board of Directors may in exceptional circumstances 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 meeting and/or per committee related meeting, if such meeting takes place outside the member's country of residence: EUR 3,000 (DKK 22,500) per journey to meetings held on the same continent as the

Board member resides, and EUR 6,000 (DKK 45,000) per journey to meetings held on a continent other than the continent on which the Board member resides.

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 Board members of GN elected at the General Meeting also serve on the Boards of GN Hearing and GN Audio. The base fee for serving on the Board of Directors of GN Audio and GN Hearing, respectively, is DKK 115,000, with 1.75 times the base fee to the Deputy Chairman and 2.5 times the base fee to the Chairman.

In light of the negative financial impact on the company of the COVID-19 pandemic, the Board in April 2020, decided to reduce their fee by 10% for a period of six months.

## Total remuneration of the Board of Directors

<b>GN Store Nord A/S</b>	<b>DKK thousand</b>	<b>GN Hearing A/S</b>	
Chairman	870	Chairman	288
Deputy Chairman	580	Deputy Chairman	201
Other Board members	290	Other Board members	115
Remuneration Committee, Chairman	350		
Remuneration Committee, other members	175		
Audit Committee, Chairman	350		
Audit Committee, other members	175		
Strategy Committee, Chairman	350		
Strategy Committee, other members	175		
Nomination Committee, Chairman	170		
Nomination Committee, other members	85		
		<b>GN Audio A/S</b>	
		Chairman	288
		Deputy Chairman	201
		Other Board members	115



## Remuneration of Board of Directors split by Board and Committee memberships

The remuneration to the Board of Directors comprises all remuneration received by the Board of Directors, i.e. from GN Store Nord as well as GN Audio and GN Hearing, including travel allowances and social security and similar taxes and charges.

DKK thousand	2020	2019	2018	2017
<b>Board of Directors</b>				
Per Wold-Olsen (Chairman)	1,373	1,375	1,375	1,250
Jukka Pertola (Deputy chairman from Q2 2020)	688	-	-	-
William E. Hoover, Jr. (Deputy chairman until Q1 2020)	246	935	935	850
Helene Barnekow	494	495	495	450
Montserrat Pascual (from Q2 2020)	364	-	-	-
Wolfgang Reim	494	495	495	450
Ronica Wang	494	495	495	450
Anette Weber (from Q2 2020)	364	-	-	-
Gitte Pugholm Aabo, (from Q2 2018 until Q3 2019)	-	371	371	-
Carsten Krogsgaard Thomsen (until Q1 2018)	-	-	124	450
Leo Larsen*	276	275	275	250
Morten Andersen*	276	275	275	250
Marcus Stuhr Perathoner (from Q2 2018)*	276	275	206	-
Nikolai Bisgaard, (Until March 2018)*	-	-	69	250
<b>Audit committee</b>				
Anette Weber, Chairman (from Q2 2020)	245	-	-	-
Wolfgang Reim, Chairman (from Q4 2019 until Q1 2020)	88	82	165	150
Wolfgang Reim	122	124	-	-
Ronica Wang	166	165	165	150
Hélène Barnekow (from Q4 2019 until Q1 2020)	44	41	-	-
Gitte Pugholm Aabo, Chairman (from Q2 2018 until Q3 2019)	-	248	248	-
Carsten Krogsgaard Thomsen, Chairman (until Q1 2018)	-	-	82	300
<b>Strategy committee</b>				
Wolfgang Reim, Chairman	333	330	330	300
Per Wold-Olsen	166	165	165	150
Jukka Pertola (from Q2 2020)	122	-	-	-
Montserrat Pascual (from Q2 2020)	122	-	-	-
William E. Hoover, Jr. (until Q1 2020)	44	165	165	150
<b>Remuneration committee</b>				
Per Wold-Olsen, Chairman	333	330	330	300
Jukka Pertola (from Q2 2020)	122	-	-	-
Montserrat Pascual (from Q2 2020)	122	-	-	-
William E. Hoover, Jr. (until Q1 2020)	44	165	165	150
Helene Barnekow (until Q1 2020)	44	165	165	150
<b>Nomination committee</b>				
Per Wold-Olsen, Chairman	162	165	165	150
Jukka Pertola (from Q2 2020)	59	-	-	-
Hélène Barnekow (from Q2 2020)	59	-	-	-
Wolfgang Reim (from Q4 2019 until Q1 2020)	21	21	-	-
William E. Hoover, Jr. (until Q1 2019)	-	21	83	75
Gitte Pugholm Aabo (from Q2 2019 until Q3 2019)	-	41	-	-
<b>Total Board of Directors remuneration</b>	<b>7,763</b>	<b>7,219</b>	<b>7,343</b>	<b>6,675</b>

\* Employee elected members

## Remuneration of Board of Directors split by Board and Committee memberships (continued)

DKK thousand	2020	2019	2018	2017
Fixed travel allowance & social security				
Per Wold-Olsen	112	203	203	203
Helene Barnekow	175	298	331	363
Montserrat Pascual (from Q2 2020)	152	-	-	-
Wolfgang Reim	89	203	203	180
Ronica Wang	45	405	405	315
<b>Total Board of Directors travel allowance and social security</b>	<b>573</b>	<b>1,109</b>	<b>1,142</b>	<b>1,061</b>

## Total Remuneration to the Board of Directors

DKK thousand	2020	2019	2018	2017
Board of Directors				
Per Wold-Olsen (Chairman)	2,145	2,238	2,238	2,053
Jukka Pertola (Deputy chairman from April 2020))	992	-	-	-
William E. Hoover, Jr. (Deputy chairman until March 2020)	333	1,286	1,348	1,225
Helene Barnekow	816	999	991	963
Montserrat Pascual	761	-	-	-
Wolfgang Reim	1,147	1,255	1,193	1,080
Ronica Wang	705	1,065	1,065	915
Anette Weber	609	-	-	-
Leo Larsen*	276	275	275	250
Morten Andersen*	276	275	275	250
Marcus Stühr Perathoner (from April 2018)*	276	275	206	-
Gitte Pugholm Aabo (from April 2018 until September 2019)	-	660	619	-
Carsten Krogsgaard Thomsen (until March 2018)	-	-	206	750
Nikolai Bisgaard (Until March 2018)*	-	-	69	250
<b>Total Board of Directors remuneration</b>	<b>8,336</b>	<b>8,328</b>	<b>8,485</b>	<b>7,736</b>

\* Employee elected members

## Shares held by members of the Board of Directors

Members of GN's Board of Directors are encouraged to hold shares in GN. According to GN's internal rules, persons recorded in the permanent section of GN's Insider List, which includes the Board of Directors, may (subject to applicable rules and regulations in relation to trading in financial instruments) purchase and sell company shares at any time except during the black-out period commencing three trading days prior to the end of a quarter and ending on the day of the release of the financial report.

	2020	2019	2018	2017	2016
Per Wold-Olsen (Chairman)	224,884	224,884	224,884	224,884	224,884
Jukka Pertola (Deputy chairman from Q2 2020)	2,000	-	-	-	-
William E. Hoover, Jr. (Deputy chairman until Q1 2020)	-	156,500	156,500	156,500	156,500
Hélène Barnekow	10,000	10,000	8,900	8,900	8,900
Montserrat Pascual (from Q2 2020)	700	-	-	-	-
Wolfgang Reim	51,000	51,000	51,000	51,000	51,000
Ronica Wang	9,050	4,850	4,850	4,850	4,850
Anette Weber (from Q2 2020)	600	-	-	-	-
Gitte Pugholm Aabo (from Q2 2018 until Q3 2019)	-	-	-	-	-
Carsten Krogsgaard Thomsen (until Q1 2018)	-	-	-	18,387	31,964
Leo Larsen*	1,137	1,137	1,137	1,137	1,137
Morten Andersen*	854	454	1,230	1,230	1,230
Marcus Stühr Perathoner (from Q2 2018)*	-	-	-	-	-
Nikolai Bisgaard (Until Q1 2018)*	-	-	-	570	2,431
<b>Total, Board of Directors</b>	<b>300,225</b>	<b>448,825</b>	<b>448,501</b>	<b>467,458</b>	<b>482,896</b>

\* Employee elected members

# Remuneration of Executive Management

Remuneration of members of Executive Management for 2020 totals DKK 47.8 million (2019: 37.5 million)

DKK million	2020				Total
	Fixed salary	Other benefits*	Bonus	Share-based incentives**	
Executive Management:					
René Svendsen-Tune, CEO of GN Store Nord & GN Audio	7.0	0.2	7.3	4.9	19.4
Gitte Pugholm Aabo, CEO of GN Hearing	6.9	0.2	4.1	5.0	16.2
Marcus Desimoni, CFO of GN Store Nord	4.4	0.8	3.8	3.2	12.2
<b>Total</b>	<b>18.3</b>	<b>1.2</b>	<b>15.2</b>	<b>13.1</b>	<b>47.8</b>
<b>Expensed in annual report 2020***</b>	<b>18.3</b>	<b>1.2</b>	<b>15.2</b>	<b>20.6</b>	<b>55.3</b>

\* Other benefits include car allowances, company paid telephone & internet and housing cost

\*\* The value of share options, which is calculated at the grant date using the Black-Scholes Formula, comprises the value of share options awarded in the current financial year.

\*\*\* Remuneration of members of Executive Management included in the total staff cost in the Annual Report (see note 5.2). The value of share options, which is calculated as the fair value of share options at the grant date using the Black-Scholes Formula in line with IFRS 2, comprises the annual expense of share options awarded in the current and in prior years in accordance with the accounting policies applied. Consequently, it does not represent the fair value of share options awarded or exercised in the current financial year. On September 30, 2020, GN announced that CFO of GN Store Nord, Marcus Desimoni, would step down as of December 31, 2020. As a good leaver of the company Marcus Desimoni remains entitled to his non-vested share-based incentives on the same terms, and these have been recognized as fully expensed in 2020.

DKK million	2019				Total
	Fixed salary	Other benefits*	Bonus	Share-based incentives**	
René Svendsen-Tune, CEO of GN Store Nord & GN Audio	6.7	0.2	6.5	4.9	18.3
Gitte Pugholm Aabo, CEO of GN Hearing (from September 20, 2019) <sup>1)</sup>	2.0	-	1.7	2.4	6.1
Marcus Desimoni, CFO of GN Store Nord	4.5	0.6	4.7	3.3	13.1
<b>Total</b>	<b>13.2</b>	<b>0.8</b>	<b>12.9</b>	<b>10.6</b>	<b>37.5</b>

1) 2019 include a sign-on grant to Gitte Pugholm Aabo, appointed CEO on September 20, 2020

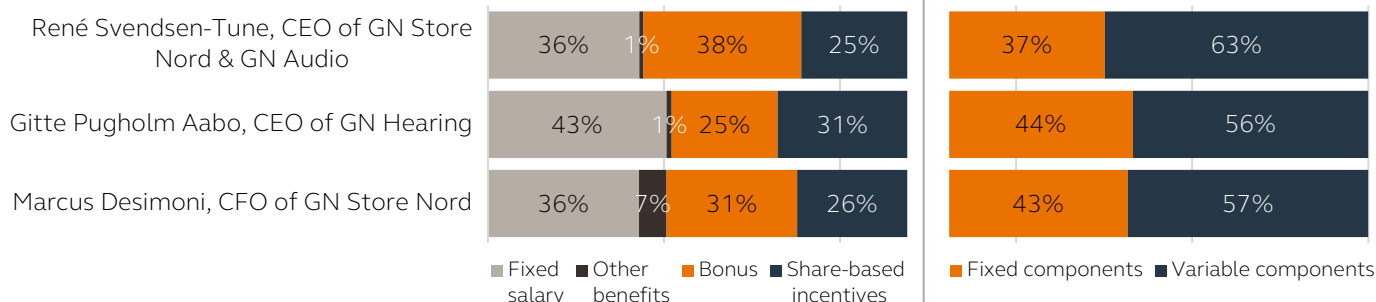
DKK million	2018				Total
	Fixed salary	Other benefits*	Bonus	Share-based incentives**	
René Svendsen-Tune, CEO of GN Store Nord & GN Audio	6.2	0.2	5.9	4.2	16.5
Marcus Desimoni, CFO of GN Store Nord	4.2	0.7	4.2	2.7	11.8

DKK million	2017				Total
	Fixed salary	Other benefits*	Bonus	Share-based incentives**	
René Svendsen-Tune, CEO of GN Store Nord & GN Audio	5.8	0.2	5.4	4.0	15.4
Marcus Desimoni, CFO of GN Store Nord	3.9	0.7	2.8	2.8	10.2

DKK million	2016				Total
	Fixed salary	Other benefits*	Bonus	Share-based incentives**	
René Svendsen-Tune, CEO of GN Store Nord & GN Audio	5.5	0.2	3.3	3.9	12.9
Marcus Desimoni, CFO of GN Store Nord (from February 15, 2016) <sup>2)</sup>	4.9	0.5	2.6	5.6	13.6

2) 2016 include a sign-on grant to Marcus Desimoni, appointed CFO on February 15, 2016

## Proportion of fixed and variable remuneration of Executive Management by category – 2020



## Short-term cash-based incentive program for 2020

As referenced on page 3 and further detailed in GN's Annual Report 2020, GN's financial performance in 2020 was significantly affected by COVID-19. The already high demand for GN Audio's products rose sharply as enterprises and organizations increased investments in collaboration tools allowing employees to work effectively from home. On top of this, GN Audio's highly scalable business platform helped the company take significant market share. For GN Hearing the pandemic resulted in declining revenue. As elderly, more vulnerable populations were advised to stay home and local restrictions shut down many hearing clinics, the sale of hearing aids dropped dramatically, especially in March through May.

The achievement on the financial elements of our annual bonus plan for GN Audio significantly exceeded our stretched targets. According to GN's policy for the annual bonus plan, all elements and the total bonus payout is capped at 200% of target bonus. The payout of 200% reflects the extraordinary strong performance, both in actual numbers and relative to competition. For GN Hearing the assumptions behind the financial targets for 2020 became void due to the pandemic's impact on revenue. Revised plans were put in place due to the extraordinary situation in 2020. In light of the organization's extraordinary ability to successfully manage the challenges incurred by COVID-19, the achievement on the financial element has for GN Hearing employees been set at 100% of target reflecting the performance of GN Hearing in the COVID-19 context. For the GN Store Nord employees the Board set the performance at 150% of target reflecting the combined performance of both GN Audio and GN Hearing.

As all elements of the bonus plan is capped at 200%, René Svendsen-Tune will earn 200% of the target bonus on the financial elements which are linked to revenue and EBITA targets for GN Audio, rewarding him for the extraordinary financial outcomes achieved by GN Audio. The financial elements constitute 70% of the bonus plan. On the personal objectives which constitute the remaining 30% of his bonus potential, René Svendsen-Tune is measured on objectives related to Strategy Execution, Commercial Priorities and Leadership<sup>1</sup>. On these objectives René Svendsen-Tune has scored above target. The bonus payout for 2020, which is the combination of the performance on the financial and the personal objectives, then comes to 193% of target, leading to a bonus amount equivalent to 96% of the base salary (target bonus for Executive Management is 50% of the fixed base salary).

Gitte Aabo will earn the target bonus on the financial elements which are linked to revenue and EBITA for GN Hearing. The financial elements constitute 70% of the bonus plan. On the personal objectives which constitutes the remaining 30% of her bonus potential, Gitte Aabo is measured on objectives related to Strategy Execution, Commercial Priorities and Leadership<sup>1</sup>. On these objectives Gitte Aabo has scored above target. The bonus payout for 2020, which is the combination of the performance on the financial and the personal objectives, then comes to 113% of target, leading to a bonus amount equivalent to 56% of the base salary (target bonus for Executive Management is 50% of the fixed base salary).

Marcus Desimoni will earn 150% of the target bonus on the financial elements which are linked to revenue and EBITA for GN Store Nord. The financial elements constitute 70% of the bonus plan. On the personal objectives which constitute the remaining 30% of his bonus potential, Marcus Desimoni is measured on objectives related to Strategy Execution, Commercial Priorities and Leadership<sup>1</sup>. On these objectives Marcus Desimoni has scored above target. The bonus payout for 2020, which is the combination of the performance on the financial and the personal objectives, then comes to 148% of target, leading to a bonus amount equivalent to 74% of the base salary (target bonus for Executive Management is 50% of the fixed base salary). In addition, Marcus Desimoni was given an extraordinary bonus of DKK 300.000 for successfully leading GN Hearing's APAC region during a leadership transition period in addition to his role as Group CFO. This amounts to 6,3% of Marcus Desimoni's base salary.

1): The Remuneration Committee has assessed that disclosing the exact details of the bonus linked to Strategy Execution, Strategic Priorities and Leadership could potentially harm the competitive position of the GN Group.

## Share options and warrants held by members of the Executive Management

Each grant under GN's current long-term share option-based incentive program 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.

In 2020 René Svendsen-Tune, Gitte Pugholm Aabo and Marcus Desimoni were awarded a grant of 75% of their annual base salary at the time of grant.

	2020	2019	2018	2017	2016
<b>René Svendsen-Tune, CEO of GN Store Nord &amp; GN Audio</b>					
<b>Outstanding warrants at January 1</b>	2,286	2,286	1,728	1,234	538
Warrants granted during the year	-	-	558	494	696
Warrants exercised during the year	-888	-	-	-	-
<b>Outstanding warrants at December 31</b>	1,398	2,286	2,286	1,728	1,234
<b>Outstanding options at January 1</b>	75,528	-	-	-	-
Options granted during the year	58,936	75,528	-	-	-
Options exercised during the year	-	-	-	-	-
<b>Outstanding options at December 31</b>	134,464	75,528	-	-	-
<b>Gitte Pugholm Aabo, CEO of GN Hearing</b>					
<b>Outstanding options at January 1</b>	44,393	-	-	-	-
Options granted during the year	60,241	44,393	-	-	-
Options exercised during the year	-	-	-	-	-
<b>Outstanding options at December 31</b>	104,634	44,393	-	-	-
<b>Marcus Desimoni, CFO of GN Store Nord</b>					
<b>Outstanding warrants at January 1</b>	825	1,834	1,421	1,009	-
Warrants granted during the year	-	-	413	412	1,009
Warrants exercised during the year	-412	-1,009	-	-	-
<b>Outstanding warrants at December 31</b>	413	825	1,834	1,421	1,009
<b>Outstanding options at January 1</b>	50,367	-	-	-	-
Options granted during the year	39,303	50,367	-	-	-
Options exercised during the year	-	-	-	-	-
<b>Outstanding options at December 31</b>	89,670	50,367	-	-	-

## Shares held by members of the Executive Management

Members of the Executive Management are expected to hold shares in GN. According to GN's internal rules, persons recorded in the permanent section of GN's Insider List, which includes the Executive Management, may (subject to applicable rules and regulations in relation to trading in financial instruments) purchase and sell company shares at any time except during the black-out period commencing three trading days prior to the end of a quarter and ending on the day of the release of the financial report.

	2020	2019	2018	2017	2016
René Svendsen-Tune, CEO of GN Store Nord & GN Audio	90,670	73,000	73,000	73,000	73,000
Gitte Pugholm Aabo, CEO of GN Hearing (from September 20, 2019)	6,823	1,940	-	-	-
Marcus Desimoni, CFO of GN Store Nord (from February 15, 2016)	10,500	8,000	5,000	5,000	5,000
<b>Total, Executive Management</b>	<b>107,993</b>	<b>82,940</b>	<b>78,000</b>	<b>78,000</b>	<b>78,000</b>



# Changes in remuneration

The tables below shows changes in company performance and received remuneration. The percentage-wise development is based solely on published financial information available in the above tables and, for this reason, they are not adjusted for promotions, changes in responsibilities, etc.

## Changes in company performance key figures (GN Store Nord)

(% change from previous year)

	2020	2019	2018	2017	2016
Revenue	7%	19%	11%	11%	12%
Organic revenue growth	-6%p	+2%p	+5%p	+2%p	0%p
EBITDA	-15%	26%	12%	9%	14%
EBITA	-20%	19%	12%	10%	14%
Average base salary per FTE - GN Store Nord A/S	1%	4%	3%	-4%	-4%
Average total remuneration per FTE - GN Store Nord A/S	-5%	4%	-4%	-5%	-6%

Development for GN Store Nord A/S: Revenue 2020 27% (2019: 37%), Profit (loss) for the year 2020 -14% (2019: 17%)

## Changes in Executive Management remuneration

(% change from previous year)

DKK million	2020	2019	2018	2017	2016
René Svendsen-Tune, CEO of GN Store Nord & GN Audio (from April 1, 2015)	6%	11%	7%	19%	NA
Gitte Pugholm Aabo, CEO of GN Hearing (from September 20, 2019)*	1%	NA	NA	NA	NA
Marcus Desimoni, CFO of GN Store Nord (from February 15, 2016)	-7%	11%	16%	NA	NA

\* In accordance with regulations, the 2019 remuneration for Gitte Pugholm Aabo has been annualized based on the 2019 base salary, a 50% target bonus and a 75% share-based incentive grant

## Changes in remuneration for the Board of Directors

(% change from previous year)

DKK million	2020	2019	2018	2017	2016
Per Wold-Olsen (Chairman)	-0%	0%	10%	0%	0%
Jukka Pertola (Deputy chairman from April 2020)	NA	NA	NA	NA	NA
William E. Hoover, Jr. (Deputy chairman until March 2020)	-2%	-5%	10%	0%	0%
Helene Barnekow	-9%	6%	10%	0%	0%
Montserrat Pascual	NA	NA	NA	NA	NA
Wolfgang Reim	1%	6%	10%	0%	0%
Ronica Wang	0%	0%	10%	0%	0%
Anette Weber	NA	NA	NA	NA	NA
Gitte Pugholm Aabo (from April 2018 until September 2019)	NA	7%	NA	NA	NA
Carsten Krogsgaard Thomsen (until March 2018)	NA	NA	10%	0%	0%
Leo Larsen*	0%	0%	10%	0%	0%
Morten Andersen*	0%	0%	10%	0%	0%
Marcus Stühr Perathoner (from April 2018)*	0%	0%	NA	NA	NA
Nikolai Bisgaard (Until March 2018)*	NA	NA	10%	0%	0%

\* Employee elected members

NOTE: development on Board fee, excluding non fixed remuneration as travel allowance and social securities. Changes in remuneration are based on annualized numbers where applicable.

# Statement by the Executive Management and the Board of Directors

The Board of Directors has today considered and adopted the Remuneration Report of GN Store Nord A/S for financial year 2020.

The Remuneration Report is prepared in accordance with section 139 b of the Danish Companies Act.

The Remuneration Report will be presented to the Annual General Meeting for an advisory vote.

Ballerup, February 11, 2021

## Executive Management

René Svendsen-Tune

CEO, GN Store Nord  
& GN Audio

Gitte Pugholm Aabo

CEO, GN Hearing

Peter la Cour Gormsen

CFO, GN Store Nord  
& GN Audio

## Board of Directors

Per Wold-Olsen

Chairman

Jukka Pekka Pertola

Deputy chairman

Hélène Barnekow

Montserrat Maresch  
Pascual

Wolfgang Reim

Ronica Wang

Anette Weber

Morten Andersen

Leo Larsen

Marcus Stühr Perathoner

# Independent Auditor's Statement on the Remuneration report

To the shareholders of GN Store Nord A/S

According to section 139 b of the Danish Companies Act, Management is responsible for preparing a remuneration report in accordance with the remuneration policy adopted at the General Meeting.

Our opinion on the audit of the Consolidated Financial Statements and the Parent Company Financial Statements does not include the remuneration report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Parent Company Financial Statements

for 2020, it is, however, our responsibility pursuant to section 147 of the Danish Companies Act to verify that all disclosures required under section 139 b(3) of the Danish Companies Act are included in the Company's remuneration report for 2020.

We found no reason to point out any omissions with respect to the disclosures included in the remuneration report for 2020.

Hellerup, 11 February 2021  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR No 3377 1231

**Mogens Nørgaard Mogensen**  
State Authorised Public Accountant  
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**Mads Melgaard**  
State Authorised Public Accountant  
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