



# Hear More, Do More, Be More

## Annual General Meeting of GN Store Nord A/S

Thursday, March 21, 2019 at 10:00 a.m. (CET)

Co.reg. no. 24257843

## TO THE SHAREHOLDERS OF GN STORE NORD A/S

The annual general meeting will be held on Thursday, March 21, 2019, at 10:00 a.m. (CET) at GN Store Nord A/S, Lautrupbjerg 7, DK-2750 Ballerup, Denmark.

### **Request for admission card(s) and voting paper**

Shareholders must register for GN Store Nord A/S' annual general meeting by requesting an admission card. The admission card(s) can be obtained at the company's website at [www.gn.com/agm](http://www.gn.com/agm) or from Computershare A/S at [www.computershare.dk](http://www.computershare.dk) or by phone +45 45 46 09 97. Shareholders are allowed to bring one accompanying person (advisor or guest) to the general meeting. Shareholders wishing to bring an accompanying person have to request an extra admission card.

The deadline for ordering admission card(s) is Friday, March 15, 2019, at 11:59 p.m. (CET).

Admission cards are issued electronically. The electronic admission card(s) will be sent to the email address provided by the shareholder on the Shareholder Portal hosted by Computershare A/S at [www.computershare.dk](http://www.computershare.dk). Participants must bring the admission card(s) to the annual general meeting, either electronically on a smartphone/tablet or in print. Admission card(s) may also be collected at the registration counter at the entrance to the annual general meeting upon presentation of proof of identification. A printed voting paper will be provided at the registration counter.

Shareholders who do not expect to attend the annual general meeting may vote by postal vote or by proxy given to the chairman of the Board of Directors or to a person appointed by the shareholder and participating at the annual general meeting. Submission of proxy or postal vote may take place at [www.gn.com/agm](http://www.gn.com/agm) or with Computershare A/S at [www.computershare.dk](http://www.computershare.dk).

A proxy must be received by Computershare A/S no later than Friday, March 15, 2019, at 11:59 p.m. (CET).

A postal vote must be received by Computershare A/S no later than Wednesday, March 20, 2019, at 3:00 p.m. (CET). Please note that once received by Computershare A/S, the postal vote cannot be revoked or replaced by a new postal vote.

Shareholders also have the option of requesting admission card(s) or submitting proxy/postal votes by ordinary mail, e-mail or fax. The registration/proxy/postal vote form can be downloaded from [www.gn.com/agm](http://www.gn.com/agm). The form must be signed and returned to Computershare A/S.

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### **Agenda**

**a) Report by the Board of Directors on the activities of the company during the past year.**

The Board of Directors proposes that the report be noted.

**b) Submission of the audited annual report for approval.**

The Board of Directors proposes that the audited Annual Report 2018 is approved.

**c) Resolution of discharge to the Board of Directors and the Executive Management.**

The Board of Directors proposes that the Board of Directors and the Executive Management are granted discharge.

**d) Decision on application of profits in accordance with the approved annual report.**

The Board of Directors refers to page 46 of the Annual Report 2018 containing the proposal on distribution of the annual profit, according to which dividends of DKK 1.35 per share of a nominal value of DKK 4 will be paid out in respect of the fiscal year 2018.

**e) Approval of remuneration to the Board of Directors for the current financial year.**

The remuneration is allocated as follows:

The base fee for serving on the Board of Directors of GN Store Nord A/S remains at DKK 275,000 with 2 times the base fee to the deputy chairman and 3 times the base fee to the chairman.

The base fee for serving on the Board of Directors of GN Audio A/S and GN Hearing A/S, respectively, remains at DKK 110,000 with 1.75 times the base fee to the deputy chairman and 2.5 times the base fee to the chairman.

The base fee for serving on the Audit Committee, the Remuneration Committee and the Strategy Committee, respectively, remains at DKK 165,000 with 2 times the base fee to the chairman.

The base fee for serving on the Nomination Committee remains at DKK 82,500 with 2 times the base fee to the chairman.

In addition to reimbursement of travel expenses, members of the Board of Directors are entitled to receive a fixed allowance in the following amounts in connection with participation in Board meetings held outside the Board members' country of residence:

- EUR 3,000 per meeting held on the same continent as the Board member resides, and
- EUR 6,000 per meeting held on a continent other than the continent on which the Board member resides.

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

**f) Election of members to the Board of Directors.**

Pursuant to Article 15.1 of the Articles of Association, all members of the Board of Directors elected by the general meeting are up for election every year. Accordingly, Per Wold-Olsen, William E. Hoover, Jr., Gitte Pugholm Aabo, Wolfgang Reim, Hélène Barnekow and Ronica Wang are up for election.

The Board of Directors proposes that Per Wold-Olsen, William E. Hoover, Jr., Gitte Pugholm Aabo, Wolfgang Reim, Hélène Barnekow and Ronica Wang are re-elected.

Per Wold-Olsen, Gitte Pugholm Aabo, Wolfgang Reim, Hélène Barnekow and Ronica Wang are considered independent as defined by the Committee on Corporate Governance Recommendations.

William E. Hoover, Jr. was elected to the Board of Directors in 2007. As a consequence of his tenure on the Board of Directors, he is not considered independent under the Danish Corporate Governance Recommendations as of the financial year 2019.

Information on directorships and management positions of each candidate proposed for re-election to the Board of Directors is attached hereto as appendix 1. The information may also be found on [www.gn.com/agm](http://www.gn.com/agm) and in the Annual Report 2018.

**g) Election of a state-authorized public accountant to serve until the company's next annual general meeting.**

Pursuant to Article 19.2 of the Articles of Association, a state-authorized public accountant must be elected for the term until the next annual general meeting.

During the fall of 2018, the company completed a tender process headed by the Audit Committee regarding audit services in accordance with applicable law. Based on a thorough evaluation of proposals received during the tender process as well as meetings with the participating audit firms, two candidates were selected and the Audit Committee decided to recommend that PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab ("PwC") be elected as new auditor. The Audit Committee found that PwC best addresses and fulfills the selection criteria defined for the tender process and further possess the qualifications and competencies required to fulfill the role as the company's auditor.

In accordance with the recommendation from the Audit Committee, the Board of Directors proposes election of PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, CVR no.: 33771231, as new auditor of the company.

The Audit Committee has not been influenced by third parties nor has it been subject to any contractual obligations restricting the annual general meeting's choice of certain auditors or audit firms.

**h) Proposals from the Board of Directors and shareholders.**

**h.1 Proposals from the Board of Directors.**

**h.1.1 Proposal from the Board of Directors to authorize the Board of Directors to acquire treasury shares.**

On May 23, 2017, the company issued convertible bonds consisting of bonds with warrant units, allowing holders to convert such warrants into shares. As stated in company announcement no. 25 of 23 May 2017, the company hedged this obligation and is continuously hedging its obligations under its long-term incentive programs with a holding of around 10.7 million treasury shares, corresponding to approximately 7.4% of the share capital.

In order to allow the company to continuously buy back shares, the Board of Directors proposes that, until the next annual general meeting, the Board of Directors is authorized to allow the company and its subsidiaries to acquire additional shares in the company up to a total nominal value equivalent to 10% of the company's share capital. The shares are to be acquired at the market price applicable at the time of purchase subject to a deviation of up to 10%. The company's holding of treasury shares, including previously acquired shares, may at no time exceed 15% of the company's share capital.

**h.1.2 Proposal from the Board of Directors to reduce the share capital through the cancellation of treasury shares.**

As part of the company's share buyback program – see announcement no. 15 of 2 May 2018 – the Board of Directors proposes to reduce the share capital by nominally DKK 13,664,456 through cancellation of 3,416,114 treasury shares of DKK 4 each, corresponding to 2.3% of the total share capital. Upon completion of the capital reduction, the company's share capital will be DKK 569,072,400.

As a consequence of the capital reduction, it is proposed to amend the company's Articles of Association with the effect that Article 3.1 will read as follows:

*“The company’s share capital amounts to DKK 569,072,400 divided into shares in denominations of DKK 1 or multiples thereof.”*

Pursuant to section 188(1) of the Danish Companies Act, it is noted that the purpose of the capital reduction is to cancel the treasury shares referred to above, which, according to the practice of the Danish Business Authority, is considered comparable with a capital reduction for distribution to the shareholders. The shares were bought by the company for a total amount of DKK 948,342,978 implying that DKK 934,678,522 has been distributed to the shareholders in addition to the nominal reduction amount. The average purchase price has thus been DKK 278 per share (rounded).

Prior to completion of the capital reduction a four-week notice will be issued to creditors of the company in accordance with section 192(1) of the Danish Companies Act.

**h.1.3 Proposal from the Board of Directors to approve a new remuneration policy, including general guidelines for incentive pay.**

The Board of Directors proposes that the general meeting approves the company’s new remuneration policy, including general guidelines for incentive pay, for the Board of Directors and Executive Management as adopted by the Board of Directors.

The new remuneration policy includes general guidelines for incentive pay which ensures the required flexibility to introduce a new long-term incentive plan for the company’s Executive Management following the annual general meeting. The remuneration policy, including general guidelines for incentive pay, includes the possibility, subject to certain limitations and restrictions and at the Board of Directors’ discretion, to grant the Executive Management share options. To incentivize the Executive Management, vesting of such share options will be subject to certain vesting criteria and a vesting period of three years as further described in the new remuneration policy.

The remuneration policy, including general guidelines for incentive pay, also includes a description of the determination, review and implementation process for the policy as well as updates thereof to ensure that the Board of Directors has the necessary flexibility to deviate from the policy in exceptional circumstances.

The proposed new remuneration policy, including general guidelines for incentive pay, is available at the company’s website at [www.gn.com/agm](http://www.gn.com/agm) and attached as appendix 2.

**h.2 Proposals from shareholders.**

There are no proposals from shareholders.

**i) Any other business.**

No decisions nor proposals can be adopted under this item i).

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**Rules on adoption**

Adoption of the proposal under item h.1.2 which involves an amendment of the company’s Articles of Association, requires a majority of at least 2/3 of the votes cast as well as of the share capital represented at the annual general meeting. All other proposals may be passed by a simple majority of votes.

### **The size of the share capital and the shareholders' voting rights**

The company's share capital of nominally DKK 582,736,856 is divided into shares of DKK 1 or multiples hereof. Each share of DKK 1 carries one vote.

Shareholders are entitled to attend the annual general meeting and vote on shares held at the record date, Thursday, March 14, 2019. The shares held by each shareholder are based on information in the company's register of shareholders as well as notifications about ownership received by the company prior to or at the record date for entry into the register of shareholders, but which have not yet been recorded.

### **Further information on the annual general meeting**

Further information about the annual general meeting is available at the company's website, [www.gn.com](http://www.gn.com), including the total number of shares and voting rights as of the date of the notice to convene the annual general meeting, the notice to convene the annual general meeting with the agenda and complete proposals, information on the candidates for election to the Board of Directors, the new remuneration policy, as well as the registration, proxy and postal vote forms to be used in connection with the annual general meeting. The full Annual Report for 2018 is available at [www.gn.com/annualreport2018](http://www.gn.com/annualreport2018) and a Danish summary thereof is available at [www.gn.com/resumeaarsrapport2018](http://www.gn.com/resumeaarsrapport2018)

The annual general meeting is transmitted live in Danish and English via webcast on the company's website, [www.gn.com/agm](http://www.gn.com/agm). The transmission will cover the stage and the rostrum only. With regard to collection and processing of personal data, reference is made to the company's information sheet on data protection in connection with the annual general meeting, which is available on the company's website, [www.gn.com/agm](http://www.gn.com/agm)

The company offers simultaneous interpretation from Danish into English at the annual general meeting.

Access to the annual general meeting at GN Store Nord A/S will open at 9:00 a.m. (CET). Tea and coffee is served until 10:00 a.m. (CET). A light meal will be served after the annual general meeting.

### **Driving instructions**

The annual general meeting will be held at GN Store Nord A/S, Lautrupbjerg 7, DK-2750 Ballerup, Denmark.

If you are arriving by car from Ringvej b4/O4, turn onto Klausdalsbrovej. Turn right onto Lautrupparken and turn right at the first cross street onto Lautrupbjerg. The destination will be on your left-hand side.

If you are arriving by car from Route 16, take exit 4-Gladsaxe-Klausdalsbrovej. Turn west onto Klausdalsbrovej. Turn left onto Lautrupparken and turn right at the first cross street onto Lautrupbjerg. The destination will be on your left-hand side.

### **Questions from the shareholders**

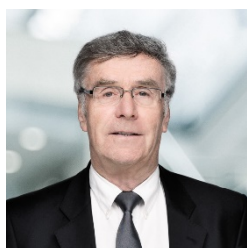
Questions regarding the agenda or the documents etc. issued in connection with the annual general meeting can be directed to GN Store Nord A/S by email to: [agm@gn.com](mailto:agm@gn.com)

If you have any other questions to the above, please contact GN Store Nord A/S at tel. +45 45 75 00 00.

Ballerup, February 27, 2019

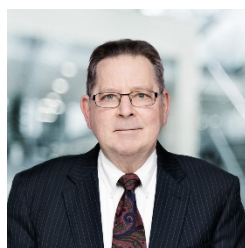
GN Store Nord A/S  
The Board of Directors

# Board of Directors



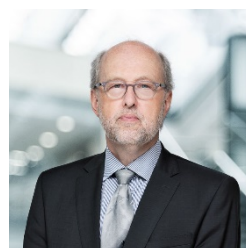
**Per Wold-Olsen**  
(Chairman)

MBA. Formerly president with Merck & Co., Inc., Intercontinental Division, USA. Chairman since 2008.



**William E. Hoover, Jr.**  
(Deputy Chairman)

MBA. Formerly with McKinsey & Company for 30 years. Deputy chairman since 2008.



































**Wolfgang Reim**

Ph.D. in physics. Professional board member and self-employed consultant within the medical industry.



**Gitte Pugholm Aabo**

MBA, HD graduate diploma in business administration, Bachelor of economy. CEO, LEO Pharma A/S

Board & Committee positions	Chairman of the Boards of GN Audio A/S and GN Hearing A/S. Chairman of the Boards of Medicines for Malaria Venture and Oncopeptides AB. Member of the Board of Gilead Sciences Inc.	Chairman of the Boards of ReD Associates and the GN Store Nord Foundation. Deputy chairman of the Boards of GN Audio A/S and GN Hearing A/S. Member of the Boards of Danfoss A/S, Lego Foundation and Neopost SA.	Chairman of the boards of D.O.R.C. B.V. and Ondal Medical Systems GmbH. Member of the boards of Elekta AB, GN Audio A/S, GN Hearing A/S and Dermalumics S.L.	Member of the Committee of Directors of Danmarks Nationalbank (the Danish National Bank), the American Skin Association Board, the American Skin Association Education Council, the European Federation of Pharmaceutical Industries and Associations.
Special competencies	Extensive global leadership expertise and knowledge of the healthcare industry. Brings a unique set of capabilities and values to the Board of GN Store Nord within marketing and product development as well as commercialization of innovation. Also possesses in-depth knowledge of the U.S. market as well as emerging markets.	In-depth knowledge from working with the largest industrial and high-tech companies in the Nordic region within strategy, organization and M&A. Experienced with supply chain/operations and has practical experience in helping Nordic multinationals rapidly scale up in emerging markets, especially in China and India.	Global leadership experience from the healthcare industry and special knowledge in the areas of business process reengineering, innovation management, global sourcing and supply chain management. Contributes to the Board with extensive M&A understanding.	Global leadership experience from the pharma industry and special knowledge within international management, finance – previously as CFO for LEO Pharma – IT, sales and marketing in the medical sector as well as deep insights into building digital communities.
Board member since	2008	2007	2008	2018
Term	2018/2019	2018/2019	2018/2019	2018/2019
Considered independent	Yes	No (per FY 2019)	Yes	Yes
Nationality	Norway	U.S.A.	Germany	Denmark
Year of birth	1947	1949	1956	1967
No. of GN shares	224,884 (unchanged)	156,500 (unchanged)	51,000 (unchanged)	0 (unchanged)
Total remuneration 2018 (DKK)	2,035,000	1,347,500	990,000	618,750
Chairmanship	 21/21	 21/21	 5/5	 5/5
Audit Committee	 5/5	 5/5	 5/5	 5/5
Nomination Committee	 5/5	 5/5	 8/9	 9/11
Remuneration Committee	 10/10	 10/10	 10/11	 5/6
Strategy Committee	 9/9	 9/9	 5/6	 5/6
GN Store Nord A/S Board	 11/11	 11/11	 5/6	 5/6
GN Hearing A/S Board	 6/6	 6/6	 5/6	 5/6
GN Audio A/S Board	 6/6	 6/6	 5/6	 5/6



## Employee elected members



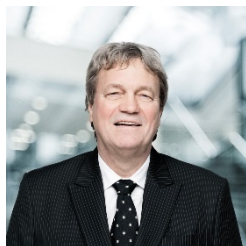
**Hélène Barnekow**

M.Sc. (International Business). CEO, Microsoft Sweden.



**Ronica Wang**

MBA, B.A.Sc. (Engineering). Co-founder & Global Managing Director, The InnoGrowth Group Ltd. Former leadership position with J&J, Avon, Hutchison-Priceline, P&G



**Leo Larsen**

M.Sc. (Electrical Engineering) and a diploma in business administration and international trade. Senior Director, Audio Research, GN Audio.



**Morten Andersen**

B.Sc. (Mechanical Engineering). VP, Component Manufacturing in Operations, GN Hearing.



**Marcus Stuhr Perathoner**

Customer Centricity Manager, GN Audio.

Member of the Boards of GN Audio A/S and GN Hearing A/S.

Member of the Boards of GN Audio A/S and GN Hearing A/S. Member of the Boards of Pandora A/S and Hotelbeds Group.

Unique capabilities within general commercial management and marketing, including go-to-market, branding, communications, product management and channel management from the mobile communications and IT sector.

In-depth experience in global brand marketing, digital strategy/ ecommerce/omni-channel, business transformation, and sales/ channel management across consumer health, healthcare, technology, FMCG, affordable luxury, travel industries. Extensive knowledge of Asia/China/Japan.

2013

2015

2018/2019

2018/2019

Yes

Yes

Sweden

Hong Kong

1964

1962

8,900 (unchanged)

4,850 (unchanged)

660,000

660,000

2007

2011

2018

2018/2022

2018/2022

2018/2022

Denmark

Denmark

Denmark

1959

1963

1977

1,137 (unchanged)

1,230 (unchanged)

0 (unchanged)

275,000

275,000

206,250

5/5

8/10

10/11

10/11

6/6

6/6

6/6

6/6

Please visit [www.gn.com](http://www.gn.com) for more elaborate descriptions of the board members' competencies and management duties.

\*) #/# signifies the number of Board and Committee meetings in which each member has participated followed by the total number of Board and Committee meetings.

c

Chairman

dc

Deputy chairman

●

Board member



# Executive Management



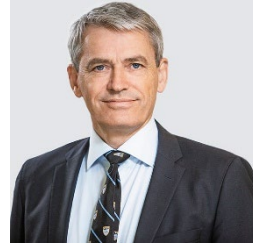
**Marcus Desimoni**

CFO, GN Store Nord & GN Hearing (*Interim CEO GN Hearing October 31, 2018 – February 17, 2019*)



**René Svendsen-Tune**

President & CEO, GN Store Nord & GN Audio



**Anders Hedegaard**

Ex-President & CEO, GN Store Nord & GN Hearing (*stepped down as of October 31, 2018*)



**Jakob Gudbrand**

Incoming President & CEO, GN Store Nord & GN Hearing (*joined as of February 18, 2019*)

Member of the Executive Management since	2016	2015	2014-2018	2019
Year of birth	1968	1955	1960	1971
No. of GN shares	5,000	73,000	12,190	0
Board positions		Deputy Chairman of the Board of NKT A/S. Member of the Boards of Nilfisk Holding A/S and Stokke AS.	Member of the Board of Orphazyme A/S.	



## 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](http://www.gn.com) – immediately after the annual general meeting.