



# Statutory Corporate Governance Report 2021

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## GN's statutory annual report on corporate governance for the financial year 2021, cf. section 107b of the Danish Financial Statements Act

### About the report

This Corporate Governance Report is part of the management commentary of the 2021 Annual Report for GN Store Nord A/S covering the period January 1 – December 31, 2021.

The Committee on Corporate Governance's website (<https://corporategovernance.dk/english>) lists the Committee's recommended best practices. As a company listed on Nasdaq Copenhagen, GN is required to report on its compliance with these recommendations according to the "comply or explain" principle. GN's compliance with the individual recommendations is set out on the following pages and is reviewed once a year by the Board.

The report includes:

- a description of the company's management structure
- a description of the main elements of GN's internal control and risk management systems relating to financial reporting
- a review of the company's approach to the applicable "Recommendations for corporate governance from the Committee on Corporate Governance in Denmark" the ("Recommendations")

### Management structure and governing bodies

The GN Group (GN) is governed by a two-tier management structure. The Board of Directors is responsible for the overall governance of the company, and the Executive Management handles the daily management of the company's affairs under the guidelines and supervision of the Board. The ultimate authority rests with the shareholders at the General Meeting.

GN's Board currently comprises ten members, of which seven members have been elected by the shareholders at the Annual General Meeting, and three members which have been elected by the employees in accordance with the Danish Companies Act.



The composition of the Board of Directors and the competencies of the Board members is further described in the 2021 Annual Report and on the company's website: [www.gn.com/about/management](http://www.gn.com/about/management)

The Executive Management currently consists of three individuals:

- René Svendsen-Tune, CEO for GN Store Nord and GN Audio
- Gitte Pugholm Aabo, CEO for GN Hearing
- Peter la Cour Gormsen, CFO for GN Store Nord and for GN Audio

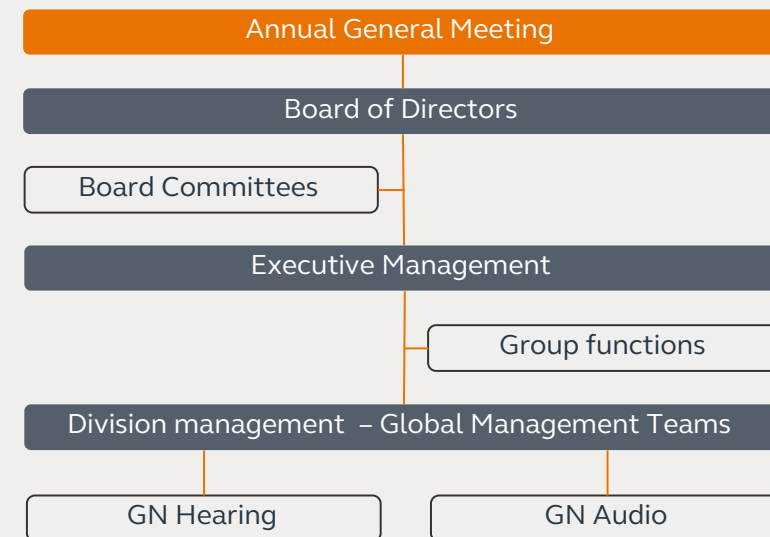
The General Meeting is held each year in March. GN supports active ownership and provides a high level of information to, and dialogue with, its shareholders before, during and after the General Meeting which is also webcasted in English and Danish.

Shareholders who are unable to attend the meeting in person or are represented by proxy at the General Meeting, have access to vote on each individual item on the agenda and raise questions to the management prior to or at the General Meeting.

## GN's framework for corporate governance



- GN's management structure is built to support its two main business divisions, GN Audio and GN Hearing
- The Board members of GN Store Nord are elected at GN's Annual General Meeting
- GN's Executive Management comprises the CEO of the parent company, GN Store Nord, who is also CEO of GN Audio, the CEO of GN Hearing, and the CFO of GN Store Nord and GN Audio





### The duties and responsibilities of the Board of Directors

#### Overall tasks and responsibilities

It is the overall responsibility of the Board of Directors to define the company's strategy and to review, discuss and evaluate the company's performance, including in light of the company's vision and purpose, and to ensure and promote a good culture and sound values in GN. More information is available in the management's commentary in the 2021 Annual Report.

GN's Rules of Procedure require that the Board at least once a year considers the following matters:

- The company's short-term and long-term strategy
- Corporate governance in the light of recent developments in Denmark and globally
- Compliance with legislation and regulations in Denmark and other countries in which GN operates
- The company's organization, risk management system, accounting function, IT organization, budgeting process, financial reporting, internal controls, currency hedging, capital resources, insurances and hedging of other assets
- Human resources, including employee and organizational development, working environment, diversity etc.

Moreover, the Board oversees compliance with the company's Sustainability/ESG policy.

The Board is committed to creating both short- and long-term value in the company, and continuously assesses the overall strategic direction of the company. Twice a year, the Board holds a two-day strategy

meeting to discuss and follow-up on GN's strategy targets in order to ensure value creation. Furthermore, the Board has established a dedicated Strategy Committee consisting of four Board members. (For further information on the Strategy Committee, please see below.)

The Board annually reviews its guidelines for the division of duties between the Board and the Executive Management, including business procedures and instructions to the Executive Management, as well as guidelines for the division of duties among the members of the Executive Management and reporting from the Executive Management to the Board.

### The composition, organization and evaluation of the Board of Directors

GN is a global company and to successfully develop and maintain this position in the marketplace, GN is dependent upon global expertise and experience at the Board level. GN, therefore, strives to recruit Board members with a diversified range of mutually complementary competencies.

The current Board is a diverse group in terms of global experience, functional competencies, and industry background which ensures that it can fulfil its obligations. The composition is a mix of members with executive positions and professional board members, providing a good balance between knowledge, competencies, experience, and availability for a substantial workload. The Board members possess expertise within med-tech, innovation, product development, digitalization, online marketing, commercialization, financial and human resources.

The Board evaluates on an annual basis the composition, diversity and competencies of the Board as a whole - as well as each individual Board member's special competencies - to ensure the most optimal performance of the Board. As part of such evaluation, the Chairman of the Board cooperates with each individual member to ensure that the members update and supplement their knowledge of relevant matters

with a view to ensure that the members' special knowledge and qualifications are applied in the best possible manner.

The Board believes that diversity strengthens any governing body and at all management levels. The Board acknowledges the importance of diversity in general, including diversity of gender, nationality and educational/professional competencies, and the Board continuously discusses and reviews GN's diversity at management levels.

GN has adopted a diversity policy which focuses on shorter-term high-impact initiatives as well as initiatives with long-term effect.



GN's diversity policy is available on GN's website: [www.gn.com/diversitypolicy](http://www.gn.com/diversitypolicy)

The selection and nomination of candidates for the Board is described in GN's Rules of Procedure. It requires that the Board, on an annual basis, discusses and defines the competencies that should generally be represented on the Board.

The Board compares the competency and qualifications requirements and decides whether any Board members should be replaced, or whether the Board should be supplemented by new members, while also taking into account the need for continuity. In evaluating existing members and potential candidates, the Board takes into account whether, considering their principal occupation and other directorships, such members and candidates have the time required to adequately serve as member of GN's Board of Directors.

### The Board of Directors' Independence

Currently, five out of seven Board members elected at the Annual General Meeting are considered independent which is also stated for each of these five independent members on GN's webpage and in the Annual Report.



Since June 2020, two board members, Per Wold-Olsen (Chairman) and Wolfgang Reim, have been considered dependent as they have each been a member of the Board for more than 12 years. Per Wold-Olsen and Wolfgang Reim are considered very valuable contributors to the Board's work, each bringing a unique set of capabilities and values to the Board within e.g. marketing, product development, commercialization of innovation, innovation management, business process reengineering, global sourcing, and supply chain management, and in-depth knowledge of the U.S. market and emerging markets as well as extensive M&A understanding. Therefore, at the Annual General Meeting in 2021, the Board decided to request their reelection as members of the Board for another period.

None of the Board members are members of GN's executive management.

### Board committees

As part of the overall governance of the company, the Board has established Audit, Nomination, Remuneration, and Strategy committees to assist with monitoring and preparatory work relating to key areas of the Board's responsibilities. The committees' main duties in general are described in the graphic to the right and the specific tasks performed in 2021 are summarized below:

#### Audit Committee

In 2021, the Audit Committee continued to provide oversight of the financial reporting process, the audit process, GN's system of internal controls and compliance with laws and regulations. The committee reviewed the whistleblower reporting system, main accounting principles, tax strategy and compliance and risk management processes covering key risks. Further, the committee considered the need for an internal audit function which was not deemed necessary at this time.

#### Remuneration Committee

In 2021, the Remuneration Committee supervised and reviewed the remuneration policy, salary, bonus, long-term incentive process and results, and assisted with the preparation of the Remuneration Report. The Remuneration Committee also considered grants under GN's long term incentive program, talent development and succession planning process and results. Finally, the Remuneration Committee reviewed and approved the Management Incentive Plan for SteelSeries to be used after closing.

#### Nomination Committee

In 2021, the Nomination Committee's work focused on the evaluation of the current and future Board competencies to ensure that the Board's composition will continue to cover and support GN's businesses sufficiently. The Committee has concluded that the Board currently possesses the necessary competencies and the Committee has been monitoring both Board performance and competencies on an ongoing basis. The Nomination Committee also has a structure in place for potential adjustments, as this may be needed in the future. The current structure, size and diversity of the Board has been reviewed and found to meet all governance requirements. Finally, performance and succession planning for the Executive Management positions have also been a focus area and are fulfilling governance requirements and a successor pipeline has been groomed.

#### Strategy Committee

In 2020, the Strategy Committee oversaw a series of existing projects and acquisitions as well as new projects to explore technological innovations within the broader technology space.

## Board Committees

As part of the overall governance of the company, the Board has formed four committees to assist with monitoring and preparatory work.



See charters and composition of the four committees: [www.gn.com/boardcommittees](http://www.gn.com/boardcommittees). Review committee members' special competencies and level of independency: [www.gn.com/about/management](http://www.gn.com/about/management).





### Remuneration of the Board of Directors and the Executive Management

Please refer to GN's 2021 Remuneration Report and Remuneration Policy for a description of the underlying principles and remuneration of GN's Board of Directors and Executive Management.



Review GN's Remuneration Report ([www.gn.com/remuneration2021](http://www.gn.com/remuneration2021)) and Remuneration Policy ([www.gn.com/remunerationpolicy](http://www.gn.com/remunerationpolicy))

### The Board of Directors' annual self-evaluation

Led by the Chairman, the Board conducts an annual self-evaluation of its work through which the Board tracks its work, efficiency, composition, and organization together with its strengths and development areas. This is further described in the management commentary of the 2021 Annual Report. In addition, the Chairman will account for the process and the general conclusions in his statement at the Annual General Meeting.



Reference is made to the description of the Board's annual self-evaluation procedure and the general conclusions in the management commentary of the 2021 Annual Report and on the company's website: [www.gn.com/boardevaluation](http://www.gn.com/boardevaluation)

### The Board's evaluation of Executive Management

The Board of Directors assesses the work and results of the Executive Management on an ongoing basis as an integrated and natural part of their regular meetings.

In the beginning of each year, the Board establishes performance plans with specific KPIs for each member of the Executive Management, and the Board assesses the performance of the Executive Management and its execution of the agreed KPIs on an ongoing basis during the year.

The Board also evaluates on an ongoing basis the structure and composition of the Executive Management, including in respect to diversity, succession planning, and risks, in light of the company's strategy.

The performance plans for the Executive Management for each calendar year are concluded by year-end. Also, once a year, the Chairman and Deputy Chairman of the Board, together with all members of the Executive Management, define the content and format of the monthly reporting which must be submitted to the Board.

The Board's cooperation with the Executive Management and the Executive Management's work and performance is also a recurring topic in the Board's formal annual evaluation procedure.

### Interaction with the company's shareholders, investors and other stakeholders

It is GN's investor relations and communication policy to have an open and active dialogue with the company's stakeholders, including its shareholders and other investors. GN strives to provide all stakeholders with timely and relevant information to ensure they have a fair impression of GN's business.

As part of GN's investor relations activities, an active dialogue is pursued with existing and potential shareholders as well as with financial analysts and other investors and stakeholders.

GN ensures that relevant information is provided to the financial community in a timely manner to ensure that the GN share is fairly priced. This is done in the form of company announcements, press releases, investor meetings, conferences and presentations of the company's interim and annual financial results.

Following the release of interim and annual financial results, GN hosts roadshows where the Executive Management and the investor

relations team inform investors and financial analysts about the recent developments in the company.

Moreover, when relevant, GN maintains a good dialogue with proxy advisors and other external advisors ahead of the Annual General Meeting.

The Board of Directors is updated on an ongoing basis regarding the dialogue with GN's stakeholders in order to allow the Board to take any feedback into account in its work.



Please refer to [www.gn.com/aboutIR](http://www.gn.com/aboutIR) for further information.

### Internal control and financial reporting

The primary responsibility for GN's risk management and internal control systems, including compliance with applicable legislation and other financial reporting regulations, rests with the Board and the Executive Management. GN's risk management and internal control systems related to financial reporting, including IT and tax, are designed to ensure that both the internal and the external financial reporting provide a true and fair view of the Group's financial position and results.

#### Control environment

Internal controls in GN consist of multiple gatekeepers, including organizational structure, decision-making procedures, operational procedures and segregation of powers and responsibilities, which are documented and communicated in governing documents such as internal policies, codes of conduct, manuals, etc. The Executive Management has established central compliance and control functions to monitor compliance with relevant legislation and other financial reporting requirements as well as supervising and verifying financial reporting from subsidiaries and associated companies.



GN has also issued ethical guidelines which applies to all its employees and established a whistleblower hotline. Further information is given in the management's commentary in the 2021 Annual Report.



Further details about GN's whistleblower hotline are provided in the 2021 Annual Report and at [www.gn.com/alertline](http://www.gn.com/alertline)

#### *Risk assessment*

At least once a year, the Audit Committee and the Executive Management make a group-wide assessment of risks related to the financial reporting process. The purpose of this risk assessment is to identify areas related to the financial reporting process with the greatest risk of a material misstatement.

The risk assessment is carried out as a top-down analysis, identifying material and high-risk areas from a Group perspective. Based on the result of the risk assessment, GN implements measures to manage and reduce risk in the relevant areas. The most significant risks related to the financial reporting are described in the 2021 Annual Report (in the management commentary under Risk management and in section 1 in the financial statements).

#### *Control activities*

Firstly, the control structures rely on an organization with clearly defined roles that support the segregation of responsibility that is deemed effective and appropriate from an internal control perspective.

Secondly, specific control activities are performed to identify and/or prevent the risk of errors in the financial reporting. The purpose of GN's control activities is to ensure compliance with the objectives, policies, manuals, procedures and other guidelines communicated by the Board and the Executive Management and the timely prevention, detection and correction of any errors, discrepancies or omissions.

Control activities comprise manual and physical controls, general IT controls and automatic application controls in GN's IT systems. The Executive Management has established a formal Group reporting process which comprises monthly reporting on key figures, including reporting on budget variances and ongoing adjustment of full-year estimates. In addition to income statement, balance sheet and cash flow statement, the reporting comprises notes and other disclosures. Quarterly reviews are performed to identify the potential need for impairment of goodwill, development projects and deferred tax assets. The results of the reviews are reported to and discussed with the Audit Committee.

Controller visits are conducted on a regular basis, among other, to evaluate the internal control systems of GN's subsidiaries and to ensure that the subsidiaries comply with approved guidelines, principles and policies. The planned frequency of controller visits is presented to and approved by the Audit Committee, and the Audit Committee has approved the scope and reporting model for controller visits. In addition, thematic risk-based reviews are performed of various areas such as financial support arrangements, R&D, etc. The results of the controller visits are reported to the Executive Management, the independent auditors and the local management.

GN's risk management department discusses and evaluates current risks, identifies new risks and determines whether any actions should be taken to reduce the most material risks or potentially turn these into opportunities.

Once a year the risks assessed to be the most material, including the most significant strategic, business, accounting and liquidity risks, are reviewed and discussed in the Audit Committee and the Board. The management's report in the Annual Report includes a section on information about risk management.

#### Access to further relevant documents

The Board of Directors and the Executive Management continuously strive to maintain a good corporate governance level in GN.

Further to this report, other relevant documents for understanding GN's corporate governance is compiled in a document download center on the company's website, which can be accessed via the below web address:



[www.gn.com/documents](http://www.gn.com/documents)

Among the documents you can review here are:

- Anti-corruption policy
- Articles of association
- Board evaluation
- Diversity policy
- Ethics guide
- Gifts, travel and entertainment policy
- Internal privacy policy
- Modern slavery and supply chain disclosure
- Non-retaliation policy
- Remuneration policy
- Remuneration report
- Responsibility policies
- Statutory corporate governance reports
- Sustainability/ESG report
- Committee charters



### Information and communication

GN has established a procedure to ensure a uniform and structured approach to internal control in the Group's subsidiaries to ensure that internal policies, codes of conducts and the like, which forms the foundation for the internal control environment in GN, always are available on the Group's intranet.

The procedure ensures an ongoing dialogue with the subsidiaries regarding the requirements to and prioritization of internal controls. The principles for the company's presentation of its financial statements are described in a financial reporting manual that applies to all subsidiaries. The manual is available on the intranet. Financial reporting is done in a corporate reporting system that provides transparency for the parent company into each subsidiary. The financial reporting is supported by monthly management reporting from each subsidiary.

### Monitoring

The processes for assessing risks and the execution of control activities are monitored on an ongoing basis. Monitoring involves both formal and informal procedures applied by management and process owners, review of results compared with budgets and plans, and key performance indicators.

The Executive Management monitors compliance with relevant legislation and other financial reporting requirements on an ongoing basis and reports to the Board and the Audit Committee. Further, the Executive Management has established procedures to ensure that the organization is informed in due time about new or amended accounting regulation relevant for GN.

At least once a year, the Board reviews the adequacy of the internal control systems. At the Board meeting where the Annual Report is reviewed, the Board discusses the internal control systems with the auditors elected by the shareholders at the Annual General Meeting. Based on the auditors' reporting in the long-form audit report, the Board and the auditors discuss the audit results, the material accounting policies applied, critical accounting estimates and the appropriateness of the accounting policies applied.



Recommendation	GN complies	GN explains why	GN explains how
<b>1. Interaction with GN's shareholders, investors and other stakeholders</b>			
<i>1.1. Communication with GN's shareholders, investors and other stakeholders</i>			
1.1.1. The Committee recommends that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the Board of Directors obtains the possibility of hearing and including their views in its work.	<b>YES</b>		
1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website.	<b>YES</b>		
1.1.3. The Committee recommends that the company publishes quarterly reports.	<b>YES</b>		
<i>1.2. The General Meeting</i>			
1.2.1. The Committee recommends that the Board of Directors organizes the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the Board of Directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.	<b>YES</b>		





Recommendation	GN complies	GN explains why	GN explains how
1.2.2. The Committee recommends that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	<b>YES</b>		
<i>1.3. Takeover bids</i>			
1.3.1. The Committee recommends that the company has a procedure in place in the event of takeover bids, containing a “road map” covering matters for the Board of Directors to consider in the event of a takeover bid, or if the Board of Directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the Board of Directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.	<b>YES</b>		
<i>1.4. Corporate Social Responsibility (Sustainability/ESG)</i>			
1.4.1. The Committee recommends that the Board of Directors adopts a policy for the company’s corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company’s website. The Committee recommends that the Board of Directors ensures compliance with the policy.	<b>YES</b>		
1.4.2. The Committee recommends that the Board of Directors adopts a tax policy to be made available on the company’s website.	<b>YES</b>		
<b>2. The duties and responsibilities of the Board of Directors</b>			
<i>2.1. Overall tasks and responsibilities</i>			
2.1.1. The Committee recommends that the Board of Directors in support of the company’s statutory objects according to its articles of association and the long-term value creation considers the company’s purpose and	<b>YES</b>		



Recommendation	GN complies	GN explains why	GN explains how
ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.			
2.1.2. The Committee recommends that the Board of Directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.	<b>YES</b>		
2.1.3. The Committee recommends that the Board of Directors on a continuously basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.	<b>YES</b>		
2.1.4. The Committee recommends that the Board of Directors prepares and on an annual basis reviews guidelines for the Executive Management, including requirements in respect of the reporting to the Board of Directors.	<b>YES</b>		
<i>2.2. Members of the Board of Directors</i>			
2.2.1. The Committee recommends that the Board of Directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.	<b>YES</b>		
2.2.2. The Committee recommends that the chairperson in cooperation with the individual members of the Board of Directors ensures that the members up-date and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.	<b>YES</b>		



Recommendation	GN complies	GN explains why	GN explains how
<p>2.2.3. The Committee recommends that if the Board of Directors, in exceptional cases, requests a member of the Board of Directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the Board of Directors should approve this in order to ensure that the Board of Directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the Board of Directors to take part in the daily management, including the expected duration thereof.</p>	<b>YES</b>		
<p><b>3. The composition, organization and evaluation of the Board of Directors</b></p>			
<p><b>3.1. Composition</b></p>			
<p>3.1.1. The Committee recommends that the Board of Directors on an annual basis reviews and in the management commentary and/or on the company's website states which qualifications the Board of Directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and the composition of and diversity on the Board of Directors.</p>	<b>YES</b>		
<p>3.1.2. The Committee recommends that the Board of Directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.</p>	<b>YES</b>		
<p>3.1.3. The committee recommends that candidates for the Board of Directors are recruited based on a thorough process approved by the Board of Directors. The Committee recommends that in assessing candidates for the Board of Directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.</p>	<b>YES</b>		



Recommendation	GN complies	GN explains why	GN explains how
<p>3.1.4. The Committee recommends that the notice convening general meetings, where election of members to the Board of Directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates' qualifications, other managerial duties in commercial undertakings, including board committees, demanding organizational assignments and independence.</p>	<b>YES</b>		
<p>3.1.5. The Committee recommends that members to the Board of Directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.</p>	<b>YES</b>		
<p><b>3.2. The Board of Directors' independence</b></p>			
<p>3.2.1. The Committee recommends that at least half of the members of the Board of Directors elected in general meeting are independent in order for the Board of Directors to be able to act independently avoiding conflicts of interests.</p> <p>In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> <li>• be or within the past five years have been a member of the Executive Management or an executive employee in the company, a subsidiary or a group company,</li> <li>• within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the Board of Directors,</li> <li>• represent or be associated with a controlling shareholder,</li> <li>• within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar</li> </ul>	<b>YES</b>		



Recommendation	GN complies	GN explains why	GN explains how
<p>relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship,</p> <ul style="list-style-type: none"> <li>• be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting,</li> <li>• be a CEO in a company with cross-memberships in the company's management,</li> <li>• have been a member of the Board of Directors for more than twelve years, or</li> <li>• be closely related to persons, who are not independent, cf. the above-stated criteria.</li> </ul> <p>Even if a member of the Board of Directors does not fall within the above-stated criteria, the Board of Directors may for other reasons decide that the member in question is not independent.</p>			
<p>3.2.2. The Committee recommends that members of the Executive Management are not members of the Board of Directors and that members retiring from the Executive Management does not join the Board of Directors immediately thereafter.</p>	<b>YES</b>		
<p><i>3.3. Members of the Board of Directors and the number of other managerial duties</i></p>			
<p>3.3.1. The Committee recommends that the Board of Directors and each of the members on the Board of Directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the Board of Directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.</p>	<b>YES</b>		



Recommendation	GN complies	GN explains why	GN explains how
<p>3.3.2. The Committee recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the Board of Directors:</p> <ul style="list-style-type: none"> <li>• position, age and gender,</li> <li>• competencies and qualifications relevant to the company,</li> <li>• independence,</li> <li>• year of joining the Board of Directors,</li> <li>• year of expiry of the current election period,</li> <li>• participation in meetings of the Board of Directors and committee meetings,</li> <li>• managerial duties in other commercial undertakings, including board committees, and demanding organizational assignments, and</li> <li>• the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year.</li> </ul>	<b>YES</b>		
<b>3.4. Board committees</b>			
<p>3.4.1. The Committee recommends that the management describes in the management commentary:</p> <ul style="list-style-type: none"> <li>• the board committees' most significant activities and number of meetings in the past year, and</li> <li>• the members on the individual board committees, including the chairperson and the independence of the members of the committee in question.</li> </ul>	<b>YES</b>		



Recommendation	GN complies	GN explains why	GN explains how
<p>In addition, it is recommended that the board committees' terms of reference are published on the company's website.</p>			
<p>3.4.2. The Committee recommends that board committees solely consist of members of the Board of Directors and that the majority of the members of the board committees are independent.</p>	<p><b>PARTIALLY</b></p>	<p>Each of the statutory committees, i.e., the Audit Committee, the Nomination Committee, and the Remuneration Committee, have a majority of members who are considered independent.</p> <p>In addition to the statutory committees, GN has established a Strategy Committee. Two of the four members of the Strategy Committee are considered independent. As per June 2020, the remaining two members, Per Wold-Olsen (the Chairman) and Wolfgang Reim, have been considered dependent as they have each been a member of the Board for more than 12 years. Per Wold-Olsen and Wolfgang Reim are considered very valuable contributors to the Board's work, each bringing a unique set of capabilities and values to the Board withing e.g., marketing, product development, commercialization of innovation, innovation management, business process reengineering, global sourcing, and supply chain management, and in-depth knowledge of the US market and emerging markets as well as extensive M&amp;A understanding. Therefore, at the Annual General Meeting in 2020, the board decided to request their members of the Board for another period.</p>	<p>Due to their long-term service on the GN Board of Directors and their in-depth knowledge of the GN business, the Board of Directors has found that keeping Per Wold-Olsen and Wolfgang Reim as members of the Strategy Committee adds valuable input to the work of the Strategy Committee.</p>
<p>3.4.3. The Committee recommends that the Board of Directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the Board of Directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the Board of Directors in:</p>	<p><b>YES</b></p>		



Recommendation	GN complies	GN explains why	GN explains how
<ul style="list-style-type: none"> <li>• supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions,</li> <li>• reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook,</li> <li>• assessing the need for internal audit,</li> <li>• performing the evaluation of the auditor elected by the general meeting,</li> <li>• reviewing the auditor fee for the auditor elected by the general meeting,</li> <li>• supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and</li> <li>• ensuring regular interaction between the auditor elected by the general meeting and the Board of Directors, for instance, that the Board of Directors and the audit committee at least once a year meet with the auditor without the Executive Management being present.</li> </ul> <p>If the Board of Directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:</p> <ul style="list-style-type: none"> <li>• prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department,</li> </ul>			





Recommendation	GN complies	GN explains why	GN explains how
<ul style="list-style-type: none"> <li>ensure that the internal audit function has sufficient resources and competencies to perform its role, and</li> <li>supervise the Executive Management's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>			
<p>3.4.4. The Committee recommends that the Board of Directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>describing the required qualifications for a given member of the Board of Directors and the Executive Management, the estimated time required for performing the duties of this member of the Board of Directors and the competencies, knowledge and experience that is or should be represented in the two management bodies,</li> <li>on an annual basis evaluating the Board of Directors and the Executive Management's structure, size, composition and results and preparing recommendations for the Board of Directors for any changes,</li> <li>in cooperation with the chairperson handling the annual evaluation of the Board of Directors and assessing the individual management members' competencies, knowledge, experience and succession as well as reporting on it to the Board of Directors,</li> <li>handling the recruitment of new members to the Board of Directors and the Executive Management and nominating candidates for the Board of Directors' approval,</li> <li>ensuring that a succession plan for the Executive Management is in place,</li> <li>supervising Executive Managements' policy for the engagement of executive employees, and</li> </ul>	<b>YES</b>		



Recommendation	GN complies	GN explains why	GN explains how
<ul style="list-style-type: none"> <li>supervising the preparation of a diversity policy for the Board of Directors' approval.</li> </ul>			
<p>3.4.5. The Committee recommends that the Board of Directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>preparing a draft remuneration policy for the Board of Directors' approval prior to the presentation at the general meeting,</li> <li>providing a proposal to the Board of Directors on the remuneration of the members of the Executive Management,</li> <li>providing a proposal to the Board of Directors on the remuneration of the Board of Directors prior to the presentation at the general meeting,</li> <li>ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and</li> <li>assisting in the preparation of the annual remuneration report for the Board of Directors' approval prior to the presentation for the general meeting's advisory vote.</li> </ul>	<b>YES</b>		
<p>3.5. <i>Evaluation of the Board of Directors and the Executive Management</i></p>			
<p>3.5.1. The Committee recommends that the Board of Directors once a year evaluates the Board of Directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the Board of Directors' work, efficiency, composition and organization, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:</p>	<b>PARTIALLY</b>	<p>Led by the Chairman, the Board conducts an annual self-evaluation of its work through which the Board tracks its work, efficiency, composition, and organization together with its strengths and development areas.</p> <p>The self-evaluation, among other, covers the evaluation criteria set out in the Danish Recommendations on Corporate Governance.</p>	<p>The Board conducted its annual self-evaluation in October 2021 as it has also done in previous years. The Board had intended to obtain external assistance to the Board evaluation in 2020/21. However, due to the continued extraordinary working conditions for the Board with mostly virtual meetings during the ongoing COVID-19 pandemic (in 2021 only one meeting was held physically before the annual self-evaluation took place), the Board did not find that it was the right time to bring in an external consultant in 2021. Therefore, and since the</p>



Recommendation	GN complies	GN explains why	GN explains how
<ul style="list-style-type: none"> <li>• the composition of the Board of Directors with focus on competencies and diversity</li> <li>• the Board of Directors and the individual member's contribution and results,</li> <li>• the cooperation on the Board of Directors and between the Board of Directors and the Executive Management,</li> <li>• the chairperson's leadership of the Board of Directors,</li> <li>• the committee structure and the work in the committees,</li> <li>• the organization of the work of the Board of Directors and the quality of the material provided to the Board of Directors, and</li> <li>• the board members' preparation for and active participation in the meetings of the Board of Directors.</li> </ul>		<p>The self-evaluation process ensures a structured and systematic approach and covers the contributions of each individual Board member, the full Board, and the committees. A comprehensive self-evaluation questionnaire is anonymously answered by each member of the Board and the Executive Management. The questionnaire also provides options for additional commentary input. The Chairman has individual meetings with each member of the Board and the Executive Management to follow up on the results of the survey. The results are presented in a Board meeting by the Chairman combined with a Board discussion of the results.</p>	<p>Board is comfortable using the same framework and process for its annual self-evaluation as has been used in previous years, the Board decided to postpone the involvement of external assistance until a later point in time.</p> <p>The Chariman will account for the process and the general conclusions of the 2021 Board evaluation in his statement at the Annual General Meeting. Additional information on the evaluation process and the general conclusions of the 2021 evaluation may be found on the company's website: <a href="http://www.gn.com/boardevaluation">www.gn.com/boardevaluation</a></p>
<p>3.5.2. The Committee recommends that the entire Board of Directors discusses the result of the evaluation of the Board of Directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company's website and at the company's general meeting.</p>	<b>YES</b>		
<p>3.5.3. The Committee recommends that the Board of Directors at least once a year evaluates the work and results of the Executive Management according to pre-established criteria, and that the chairperson reviews the evaluation together with the Executive Management. In addition, the Board of Directors should on a continuous basis assess the need for changes in the structure and composition of the Executive Management, including in respect of diversity, succession planning and risks, in light of the company's strategy.</p>	<b>YES</b>		



Recommendation	GN complies	GN explains why	GN explains how
<b>4. Remuneration of management</b>			
<i>4.1. Remuneration of the Board of Directors and Executive Management</i>			
4.1.1. The Committee recommends that the remuneration for the Board of Directors and the Executive Management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.	<b>YES</b>		
4.1.2. The Committee recommends that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.	<b>YES</b>		
4.1.3. The Committee recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.	<b>YES</b>		
4.1.4. The Committee recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the Executive Management's departure, does not exceed two years' remuneration including all remuneration elements.	<b>YES</b>		
4.1.5. The Committee recommends that members of the Board of Directors are not remunerated with share options and warrants.	<b>YES</b>		
4.1.6. The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the Board of Directors and the Executive Management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.	<b>YES</b>		



Recommendation	GN complies	GN explains why	GN explains how
<b>5. Risk management</b>			
<i>5.1. Identification of risks and openness in respect of additional information</i>			
5.1.1. The Committee recommends that the Board of Directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management.	<b>YES</b>		
5.1.2. The Committee recommends that the Board of Directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.	<b>YES</b>		



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