



BANG & OLUFSEN A/S REMUNERATION POLICY

(Adopted as of 21.08.2019 by the Annual General Meeting)

1. Preamble

- 1.1. The following Remuneration Policy of Bang & Olufsen a/s, CVR no. 41257911, ("B&O" or the "Company") has been prepared in accordance with sections 139 and 139a of the Danish Companies Act and the recommendations published by the Committee on Corporate Governance and implemented by Nasdaq Copenhagen A/S.
- 1.2. The Remuneration Policy provides a framework for remuneration to the members of the Board of Directors ("Board") and the Executive Management Board ("EMB") of B&O.

2. Scope of Policy

- 2.1. This policy applies to remuneration received by the members of the Board and the EMB for work performed for Bang & Olufsen.

3. Definitions

Bang & Olufsen	Includes all corporate entities under Bang & Olufsen a/s
EMD / Executive Management Board	Refers to the executive officers of the management board of Bang & Olufsen, registered as such, with the Danish Business Authority

Policy

4. Objective

- 4.1. The overall objective of the Remuneration Policy of Bang & Olufsen is to attract, motivate and retain qualified members of the Board and the EMB as well as to align the interests of the Board and the EMB with the interests of the Company's shareholders and other stakeholders.
- 4.2. The remuneration of the Board and the EMB shall be designed to support the strategic goals of Bang & Olufsen and to promote value creation for the benefit of the shareholders of Bang & Olufsen.
- 4.3. The specific remuneration packages and incentive programs covering the members of the EMB shall comply with the following principles:
 - (a) limits shall apply on the variable components' part of the total remuneration package,
 - (b) a reasonable balance shall be ensured between the remuneration and incentive pay offered, the expected risks and the value creation for shareholders in the short and long term,
 - (c) there shall be clarity about performance criteria and measurability for award of variable components, and
 - (d) the variable remuneration shall comprise of both short-term and long-term components

- 4.4. With a view to achieve the overall objective of this remuneration policy, the Board may in extraordinary circumstances and based on the recommendation of the Remuneration Committee decide to temporarily deviate from the thresholds set out in sections 6.3.3.1, 6.3.3.3, and 6.3.4.5 of the overall remuneration policy on an individual basis. In such case the Board is obliged to explain the reason for the deviation at the following annual general meeting and include a description thereof in the remuneration report presented at that general meeting.

5. **Remuneration of the Board**

- 5.1. The members of the Board shall be remunerated with fixed annual fees approved by the general meeting and shall not be covered by incentive programs or be entitled to variable remuneration.
- 5.2. All members of the Board whether elected by the general meeting or the employees of Bang & Olufsen or the Bang & Olufsen Group receive an annual base fee which shall be in line with market practice of comparable listed companies taking into account the required competencies, effort and scope of work of the members of the Board.
- 5.3. The Chairman of the Board shall receive 3 times the annual base fee and the Deputy Chairman shall receive 1.5 times the annual base fee for their extended duties.
- 5.4. All members of the Board who are also members of the committees established by the Board shall receive an additional fixed fee as remuneration for their committee work. The Chairman of the Audit Committee shall receive 2 times the annual fixed fee for the committee. The size of the fixed committee fee depends on the competencies, effort and scope of work required by the members of each committee.
- 5.5. Members of the Board may be entitled to reasonable travel allowance and participation in relevant training, provided the related costs shall not in aggregate exceed 20% of the annual fixed fee.
- 5.6. In the event a member of the Board takes on specific ad hoc tasks outside the scope of ordinary tasks of the Board in accordance with the Rules of Procedure of the Board, the member may be offered a fixed fee for the work carried out related to such tasks.
- 5.7. With the purpose of aligning the interests of the Company's shareholders and the members of the Board in regard to the development of the share price, each member of the Board elected by the general meeting is obliged to invest in shares issued by the Company not later than 12 months after the date of the member's election to the Board for an amount at least corresponding to the annual base fee paid to an ordinary member of the Board according to the most recent annual report and to keep such shareholding for as long as the individual is member of the Board.
- 5.8. The Board's remuneration for the next financial year shall be approved by the general meeting of the Company.

6. **Remuneration of the EMB**

6.1. **The total remuneration**

- 6.1.1. It is the view of the Board that a combination of fixed and performance-based remuneration for the EMB contributes to the Company's ability to attract and retain competent key employees while, at the same time, the EMB has an incentive to create added value for the benefit of the Company's shareholders and stakeholders through variable remuneration.
- 6.1.2. The EMB's terms of employment and remuneration are agreed between the individual executive and the Board.
- 6.1.3. The total remuneration of the EMB may consist of the following fixed and variable remuneration components:
- (a) a fixed base salary including pension contributions ("annual base salary"),
 - (b) variable remuneration consisting of (i) non-share based cash bonus, and/or (ii) share-based remuneration,
 - (c) termination and severance payment, and
 - (d) customary non-monetary employment benefits.

6.1.4. These remuneration components shall create a well-balanced remuneration package reflecting (i) individual performance and responsibility of the members of the EMB in relation to established financial and non-financial targets, both in the short and the longer term, and (ii) the Company's overall performance.

6.2. **Annual base salary**

6.2.1. The annual base salary is determined with a view to provide a competitive remuneration to attract and retain members of the EMB with the required professional and personal competences. The annual base salary for the members of the EMB shall be in line with market practice and based on the individual member's responsibilities and performance.

6.2.2. The members of the EMB shall be entitled to customary non-monetary benefits such as company car, insurance, newspaper, telephony and internet access etc. as approved by the Board

6.2.3. If a member of the EMB need to relocate to another country in order to take up the position in the EMB, such EMB member may, at the Board's discretion, be entitled to certain other non-monetary benefits such as housing allowance and school tuition fee allowance.

6.2.4. The members of the EMB can also participate in the pension scheme of the Company.

6.3. **Variable remuneration**

6.3.1. In addition to the annual base salary, the members of the EMB may receive variable remuneration which shall be based on the individual performance and responsibility of the members of the EMB in relation to established financial and non-financial targets, both in the short and the longer term, as well as the Company's overall performance.

6.3.2. The EMB may, at the discretion of the Board, be entitled to participate in the following incentive schemes:

(a) Cash bonus

(b) Matching Shares Programs

The design and implementation of the two incentive schemes aim to ensure that the interests of the EMB and shareholders are aligned and that the EMB in the exercise of their duties support the short and long term interest of the Company's shareholders and other stakeholders and contribute to the achievement of the Company's strategy, sustainability and long-term value creation.

6.3.3. Cash bonus

6.3.3.1. Individual members of the EMB may receive an annual bonus which cannot exceed 38.5% of that member's gross salary for the relevant year. However, the CEO may receive an annual bonus which cannot exceed 100% of the CEO's gross salary for the relevant year.

6.3.3.2. This cash bonus is intended to ensure achievement of the Company's short-term objectives. The payment of the bonus and the size thereof will therefore depend on the achievement of the objectives agreed from year to year. These objectives will primarily relate to the achievement of the Company's financial performance and individual performance criteria which reflect and support the Company's short term objectives.

6.3.3.3. The annual bonus which may be granted to the CEO must be divided so that 75% of the bonus may be paid if certain ordinary bonus objectives determined at the discretion of the Board in accordance with the criteria described above have been fulfilled, whereas the remaining 25% of the bonus may be paid if certain extraordinary bonus objectives determined at the discretion of the Board in accordance with the criteria described above have been fulfilled.

6.3.4. Matching Shares Programs

6.3.4.1. Members of the EMB may at the discretion of the Board be offered to participate in Matching Shares Programs.

6.3.4.2. Under the Company's Matching Shares Programs, the participating members are offered the opportunity to acquire shares in B&O at their own cost ("Investment Shares") which after three years will provide the participating members with the right to receive 1-5 shares ("Matching Shares") in the Company per Investment Share, subject to certain conditions having been fulfilled. The number of Matching Shares which the participating member will be entitled to receive (if any) is determined on the basis of the number of Investment Shares acquired, the performance of the Company and the participant's continued employment in the Company. The performance criteria will be determined by the Board and will primarily relate to the achievement of agreed targets with respect to the Company's financial and non-financial targets consistent with the Company's short- and long-term targets.

6.3.4.3. Participation in the Matching Shares Programs is regarded as variable salary and is offered to the members of the EMB as an element of remuneration and in order to ensure that the EMB stays focused on value creation and achievement of the Company's long-term objectives.

6.3.4.4. Participation in one or more Matching Shares Programs may be offered at the discretion of the Board.

6.3.4.5. For the EMB's participation in the Matching Shares Programs, the following guidelines apply:

(a) Participation in the Matching Shares Programs is subject to the individual EMB member acquiring Investment Shares in the Company at a value that as a minimum corresponds to a percentage of the relevant member's annual base salary determined by the Board ("Investment Requirement"). In order to observe the Investment Requirement, the member may either purchase shares at market price on Nasdaq Copenhagen A/S during an open trading window or transfer shares already owned by such member to the Matching Shares Program.

(b) The maximum number of Investment Shares which the participating members of the EMB may transfer to each Matching Shares Program will be determined at the discretion of the Board but may in no event exceed 30% of the CEO's and 25% of additional members' annual base salary.

(c) Three years after the participating member has been offered and accepted to participate in a Matching Shares Program and subject to fulfilment of the below conditions, including agreed performance targets, the Company will free of charge provide such members with Matching Shares in the Company. The number of Matching Shares granted to the participating members will depend on the number of Investment Shares acquired and the performance of the Company during the three-year vesting period. However, Matching Shares will only be granted to the participating member if the following conditions have been fulfilled:

(c.i.) The member has acquired a sufficient amount of Investment Shares to satisfy the Investment Requirement and has satisfied this requirement until the expiration of the vesting period.

(c.ii.) The member has not for any reason lost his/her right to participate in the program.

(c.iii.) The member is still employed with the Company or has left the Company as a good leaver (i.e. the member's employment has been terminated by the Company without such termination being due to the member's breach, due to the maximum retirement age or due to death, or the member's employment has been terminated by the member due to an applicable public or private pension scheme entering into force or due to the Company's material breach of the employment relationship). A participating member may at the discretion of the Board be deemed as a good leaver in other instances than set out above, provided that such participating member (i) has been instrumental in the value creation and achievement of the Company's long-term objectives and (ii) has been employed with the Company for the entire duration of the three financial years to which the respective Matching Shares Program relates. Further, if a member is employed with the Company at the expiry of a Matching Shares Program, but has been delayed in acquiring Investment Shares due to the member being in possession of inside information, such member shall maintain its right to receive Matching Shares, even if the member terminates his/her employment with the Company after expiry of the Matching Shares Program.

(c.iv.) The criteria for the grant as determined by the Board are fulfilled.

(c.v.) The Matching Shares Program has not been terminated.

(d) Matching Shares provided to a member of the EMB are not subject to any ownership requirements. In lieu of Matching Shares, the Company is entitled to compensate the member with a cash amount corresponding to the value of the Matching Shares.

6.3.4.6. At the discretion of the Board, the Company intends, to the extent possible and on an ongoing basis, to cover the Matching Shares that must be allocated to a member of the EMB through the acquisition of own shares. Consequently, it is expected that no capital increase is required in order to provide the shares to cover the Company's obligations under the Matching Shares Programs.

6.4. **Claw-back**

In the situation where bonus, Matching Shares (or rights to receive such shares) or other incentive remuneration have been provided to a member of the EMB on the basis of data or accounts which subsequently prove to have been misstated, the Company may reclaim the incentive remuneration in full or in part on the basis of such data.

6.5. **Termination and severance payment**

Employment agreements with members of the EMB may be ongoing (i.e. without a fixed terms) and shall be subject to a maximum notice of termination of 24 months.

7. Remuneration Committee

- 7.1. The Board has established a remuneration committee (the "Remuneration Committee") to ensure that the Company maintains and observes a remuneration policy for the members of the Board and the EMB. In preparing the remuneration policy and the individual remuneration agreements, the Remuneration Committee shall consider the remuneration and employment terms of the Company's other employees to ensure an appropriate alignment with due regard to market practice for comparable listed companies and overall responsibility and duties of the individual members of the Board and the EMB.
- 7.2. The Remuneration Policy and any changes thereto shall be approved by the Board as well as the general meeting.
- 7.3. The Remuneration Committee shall evaluate and make recommendations for the remuneration of the members of the Board and the EMB.
- 7.4. The Remuneration Committee shall retain its own advisers separate from the external advisers engaged by the Company and/or the EMB.
- 7.5. To avoid conflicts of interest, the remuneration policy and the remuneration of the Board will be approved by the general meeting, and the remuneration of the EMB will be approved by the Board.

8. Approval and Publication of the Remuneration Policy

- 8.1. This Remuneration Policy has been reviewed and approved by the Board and this Remuneration Policy shall be posted on the Company's website (www.bang-olufsen.com) specifying the date of adoption by the general meeting of the Company on 21 August 2019. This Remuneration Policy is applicable to remuneration programs with respect to the financial year 2019/2020 and subsequent financial years.
- 8.2. The Remuneration Policy shall be described in the Company's annual report and the Chairman shall in connection with the report from the Board at the annual general meeting comment on the principles of the remuneration policy and compliance hereof.
- 8.3. The Company will prepare a remuneration report in accordance with applicable law containing information on, inter alia total remuneration, for each of the management board members and on an individual basis, and on compliance with the remuneration policy.

9. Policy Review

- 9.1. The remuneration policy shall be reviewed by the Remuneration Committee at least on an annual basis.

10. Owner

- 10.1. Senior Vice President, Group Functions