

# Corporate Governance 2022/23



Reg. number: 41257911

# Governance bodies

Bang & Olufsen has a two-tiered management structure, where, as per current practice in Denmark, responsibility is divided between the non-executive Board of Directors and the Executive Management Board, which are independent of each other. The Board of Directors determines the overall strategy and supervises Bang & Olufsen's activities, management, and organisation, while the Executive Management Board handles the day-to-day management and operation of the company. None of the members of the Executive Management Board are members of the Board of Directors.

## Board of Directors

The Board of Directors is currently comprised of ten members, six of whom are elected by the shareholders at the annual general meeting and four of whom are elected by the employees. All of the shareholder-elected board members, including the chair, are elected for terms of one year and currently all shareholderelected board members

are independent. Employee representatives are elected for terms of four years in accordance with current legislation.

The Board of Directors has adopted a set of rules of procedure which describes the work and duties of the Board of Directors. The Board of Directors believes that members should be chosen for their overall competencies, while also recognising the benefits of board diversity in respect of experience, cultural background, age and gender. Each year, the Board of Directors considers the skills and competences that should be represented on the Board of Directors on the basis of a recommendation from the Nomination Committee.

When considering qualifications, experience and competencies of candidates for Board membership (including re-election), the Board of Directors and the Nomination Committee considers the following factors, in addition to such other factors that the Board of Directors may deem relevant:

1. Experience and competencies in:  
Commercial areas:
  - Sales, marketing and omni channel retailing of branded consumer- and luxury lifestyle products incl. e-commerce retailing
  - Brand management, including licensing
  - Consumer electronics concepts and customer experience
  - Key market knowledge and experience
  - Partnership relationship management

This annual corporate governance report for Bang & Olufsen a/s forms part of the Management Review set out in the annual report for 2022/23 and covers the financial period 1 June 2022 to 31 May 2023. The report covers:

- a description of the company's management structure;
- a description of the main elements of the Bang & Olufsen Group's internal control and risk management systems relating to financial reporting; and
- a review of the company's approach to the 'Recommendations for corporate governance from the Committee on Corporate Governance in Denmark' from December 2020, implemented by NASDAQ Copenhagen A/S in its 'Nordic Main Market Rule Book for Issuers of Shares' (the "Recommendations").

- External stakeholder relations, including ESG, social media and brand communities
- Innovation processes, digitalisation including technology architecture, platforms and software development
- Supply chain, (out) sourcing and manufacturing within consumer products
- New product introduction

## Leadership and corporate governance areas:

- Management and strategic development of international businesses within branded consumer products
- Strategy development and value creation processes
- Leadership and HR development

- Risk Management and internal controls
- Financial, accounting, IT and financing matters
- Corporate governance of listed companies

2. Diversity of perspectives brought to the Board of Directors by the individual members.
3. Personal characteristics matching Bang & Olufsen's values and leadership principles.

#### **Employee elected board members**

Under the Danish Companies Act (Selskabsloven), employees of the Bang & Olufsen Group's Danish companies have the right to elect a number of members and alternates to the Board of Directors equivalent to half the number of board members elected by the shareholders, but not less than two members.

The employees have chosen to elect board members at Bang & Olufsen Group level, meaning that they only elect representatives to serve on the Board of Directors of the parent company, Bang & Olufsen a/s.

The most recent election of employees to the Board of Directors took place in May 2023 by written, secret, direct ballot. At this election three employees were elected to join the Board of Directors immediately after the Annual General Meeting in August 2023. Employee representatives are elected for terms of four years. The next election of employees to join the Board of Directors after the Annual General Meeting to be held in 2027 will take place in early 2027. Employee representatives have the same rights, obligations and responsibilities as other board members.

As of 31 May 2023, the Board of Directors consisted of the following members:

In order to align the interest of the Board members with the shareholders, Bang & Olufsen's board members, with the exception of the employee representatives, are, within 12 months of being elected to the Board, under an obligation to buy shares in the company for an amount equivalent to at least one year's base fee and to keep these shares for the duration of their board membership.

Information about the members of the Board of Directors, their other supervisory and executive positions, independence and individual competences can be found on pages 43-45 of the 2022/23 annual report.

#### **Management structure**

<b>Board of directors</b>			
<b>SHAREHOLDER-ELECTED MEMBERS</b>			
Juha Christensen (Chair)	Albert Bensoussan (Vice chair) Anders Colding Friis M. Claire Chung	Jesper Jarlbæk	Tuula Rytälä
Søren Balling	Dorte Vegeberg	Brian Bjørn Hansen	Britt Lorentzen Jepsen
<b>EMPLOYEE-ELECTED MEMBERS</b>			

## Board activities in the financial year 2022/23

Between eight and ten board meetings are held a year, with ad hoc meetings being held if required. In 2022/23, the Board of Directors held twelve meetings.

The focus area of the Board in 2022/23 has been the following:

- Supporting the Executive Management Board with the execution of the company's strategy
- Extensive exploration into future technologies and trends in the industry
- Reviewing the capabilities in the Company's factories and the new Atelier set-up to cater for bespoke solutions
- Further strengthening retail execution and Win City plan
- Reviewing potential de-risking of the Company's supply chain
- Strengthening the company's software and technology related competences
- Reviewing the Company's brand protection strategy and implementation thereof
- Together with the China advisory board, navigating the current uncertain environment in China
- Reviewing a twelve months increase of revolving credit facility from DKK 150m to DKK 200m.
- Assessing the financial performance of the company

## Board Committees

The Board of Directors has established five committees to support the Board of Director's in its decision making: a Remuneration Committee, a Nomination Committee, an Audit Committee, a Technology Committee and a Strategy Committee. The committees are tasked with preparing decisions and recommendations for assessment and approval by the Board of Directors.

The committees report to the Board of Directors and each committee has detailed committee charters which sets out the most important tasks and responsibilities of the respective committee. The committee charters can be found on the company's website here <https://investor.bang-olufsen.com/policies-and-charters>.

## Audit Committee

The Audit Committee currently consists of two members of the Board of Directors.

The members of the Audit Committee are:

- Jesper Jarlbæk (Chair)
- Albert Bensoussan

The Audit Committee is charged with assisting the Board of Directors in performing its duties in terms of financial reporting, internal control systems, the audit process and monitoring by the company of compliance with statutes, rules and code of conduct, including assessment of quarterly reports and the independence of the

independent auditors. The Audit Committee meets at least four times a year.

The Audit Committee held six meetings in 2022/23, all attended by the independent auditors. The meetings were held on the basis of an agreed annual cycle, which is in accordance with the Recommendations and ensures adequate monitoring. It follows key events in the reporting cycle of the financial year and covers the areas of responsibility described above.

The main activities of the Audit Committee in 2022/23 were:

- Review of the audited annual report and monitoring the financial reporting process
- Review of the quarterly financial statements
- Monitoring the adequacy and effectiveness of the company's internal controls and risk management systems with special focus on fast-growing areas of the business
- Review of ongoing material legal cases and the company's whistle-blower scheme referred to as Beoshare
- Monitoring internal control processes in specific fast-growing areas of the business
- Monitoring of the company's enterprise risk management process and ongoing monitoring of the key risks of the business
- Ongoing monitoring of the company's liquidity situation

- Reviewing the Company's IT strategy and ongoing IT security assessment and improvements
- Make recommendations for appointment of the independent auditor, including evaluation of independence, performance, competencies and fees of current auditors

## Remuneration Committee

The Remuneration Committee currently consists of three members of the Board of Directors.

The members of the Remuneration Committee are:

- Juha Christensen (Chair)
- M. Claire Chung
- Anders Colding Friis

The committee is charged with assisting the Board of Directors in establishing, implementing and carrying out its Remuneration Policy for members of the Board of Directors and the Executive Management Board (the company's governing bodies). The Remuneration Committee meets at least twice a year and held two meetings in 2022/23.

The meetings were held on the basis of an annual cycle which is in accordance with the Recommendations and ensures an adequate overview of the business.

The main activities of the Remuneration Committee in 2022/23 were:

- Annual review of the company's Remuneration Policy and remuneration report
- Approval of incentive payments to the Executive Management Board for the financial year 2022/23 and setting new targets and individual KPI's for the financial year 2023/24
- Approval of a new long-term incentive program for the three financial years commencing in 2023/24
- Review of Director+ compensation levels including considerations around diversity trends in remuneration
- Review of benchmark from relevant peer groups to ensure a solid basis for recruitment and retention

### Nomination Committee

The Nomination Committee currently consists of three members of the Board of Directors.

The members of the Nomination Committee are:

- Juha Christensen (Chair)
- Jesper Jarlbæk
- Anders Colding Friis

The committee is charged with assisting the Board of Directors in performing its duties in terms of i) nominating and appointing members of the Board of Directors and the Executive Management Board, ii) ensuring that the Board of Directors and the Executive Management Board always have an appropriate number of members and are made up of persons with the necessary professional qualifications and experience, and iii) carrying out regular evaluations of the results achieved by the Board

of Directors and the Executive Management Board. The Nomination Committee meets at least once a year and held two meetings in 2022/23.

The meetings were held on the basis of an annual cycle which is in accordance with the Recommendations and ensures an adequate overview of the business.

The main activities of the Nomination Committee in 2022/23 were:

- Review of People and Diversity Policy and new target setting measures for DE&I
- Review of data on diversity in senior positions
- Review of implementation of new value and culture work
- Review of successionplanning processes
- Review of talent development programs
- Evaluating the structure, size and competencies of the Board of Directors and the Executive Management Board
- Review of performance of the Executive Management Board

### Technology Committee

The Technology Committee currently consists of two members of the Board of Directors.

The members of the Technology Committee are:

- Tuula Ryttilä (Chair)
- Juha Christensen

The committee is charged with (i) updating the Board on technology trends that could significantly affect the company, (ii) assisting the Board in its oversight of the company's material investments in technology and software, reviewing the company's technology and investment strategy. The Technology Committee meets at least twice a year and held four meetings in 2022/23.

The meetings were held on the basis of an annual cycle which ensures an adequate overview of the business.

The main activities of the Technology Committee in 2022/23 were:

- Reviewing the Company's portfolio approach
- Reviewing the Company's IP strategy and implementation hereof
- Reviewing product roadmaps and product specific technology
- Reviewing the Company's App strategy
- Reviewing industry trends and future differentiation strategies
- Reviewing technology platforms for future products

### Strategy Committee

The Strategy Committee currently consists of four members of the Board of Directors.

The members of the Strategy Committee are:

- Juha Christensen

- Albert Bensoussan
- Jesper Jarlbæk
- Anders Colding Friis

The committee is charged with (i) serving as sounding board and reviewing implementation with respect to the Company's long term strategy, (ii) assess external development and factors which can influence the company's strategy such as changes in economy, competition, and technology, (iii) review and evaluate potential modifications to the company's long-term strategic direction to reflect changes in market or business conditions and (iv) review and assess potential candidates for corporate development and growth initiatives, including but not limited to acquisitions, joint ventures, and strategic alliances. The Strategy Committee meets at least twice a year but only held one meeting, in 2022/23.

The meeting was held on the basis of an annual cycle which ensures an adequate overview of the business.

The main activities of the Strategy Committee in 2022/23 were:

- Exploration into future technologies and trends in the industry including deep-dive into the new areas such as the metaverse and AI
- Reviewing implementation of the company's Win City strategy

### **Board evaluation process**

The Chair of the Board of Directors conducts an annual self-assessment and review of the Board's performance, addressing the effectiveness of the Board, the processes supporting its work, individual board members' contributions, the Chair's performance and the cooperation with the Executive Management Board.

Each year the individual members of the Board of Directors and Executive Management Board performs a self-evaluation. This year the self-evaluation was performed with the assistance of an external consultant. The consultant conducted a 1:1 interview with all members of the Board and the Executive Management Board and a self-assessment questionnaire was filled in by each member. The process resulted in a detailed report which was presented and discussed with the Board and the Executive Management Board at a Board meeting in May 2023.

. According to the conclusion of the evaluation and discussions, the Board of Directors is generally well organized, well-functioning and the work in the Board is characterized by an open and trusted relationship and cooperation both between the members of the Board and the Executive Management Board. The assessment also concludes that the Board of Directors continues to demonstrate industry knowledge and experience which is well suited to support Bang & Olufsen's business and strategic direction reflected in the company's strategy.

The evaluation also identified certain minor areas for improvement within the following areas:

- Increase focus on structured succession planning. This has also been an observation in previous years. However, as the organisation has been significantly changed and many managers in leadership positions have been replaced during the past years, the succession planning process has not been materially improved yet.

More frequent interaction between Board meetings between the Board and the Executive Management Board to ensure that the Board's competencies are

- used effectively on an ongoing basis.
- More detailed follow up on strategy execution and impact at Board meetings.

Steps are being taken to achieve improvements within these areas. [The Chair has held individual meetings with each of the other members of the Board of Directors to review their performance.]

### **Executive Management Board**

The Board of Directors appoints an Executive Management Board with responsibility for the day-to-day management of the company in accordance with the guidelines and recommendations set out by the Board of Directors. The Executive Management Board's responsibilities also include submitting proposals and recommendations to the Board of Directors regarding Bang & Olufsen's overall strategy and objectives. The Executive Management Board currently has three members and is headed by the CEO.

As of 31 May 2023, the Executive Management Board consisted of the following members:

#### **EXECUTIVE MANAGEMENT BOARD**

CEO	EVP & Chief Financial Officer	EVP & Chief Legal Officer
Kristian Teär	Nikolaj Wendelboe	Line Køhler Ljungdahl

# Financial reporting process and internal control

The Board of Directors and the Executive Management Board are responsible for Bang & Olufsen's risk management and internal control systems, including compliance with current legislation and financial reporting standards. Bang & Olufsen's risk management and internal control systems in respect of financial reporting, including IT and tax, have been designed with a view to limiting the risk of errors and omissions in financial reporting.

## Control environment

Internal controls at Bang & Olufsen are based on the company's organisation, decision-making processes, powers and responsibilities, which are set out in and communicated via its corporate documentation, e.g., internal guidelines, code of conduct, etc. Internal controls are also carried out on the basis of procedures described in manuals and memoranda. The Executive Management Board has set up central functions with responsibility for compliance and control with a view to ensure compliance with relevant legislation and financial reporting requirements and to check financial reporting by subsidiaries and associated companies. Bang & Olufsen has set up a separate Audit Committee consisting of two board members. The Audit Committee is charged with the task of monitoring, evaluating and discussing important accounting and financial reporting issues.

## Risk assessment

The Executive Management Board and the Audit Committee perform an assessment of the risks relating to financial reporting for the entire Bang & Olufsen group at least once a year, including:

- material accounting estimates
- material changes in accounting policies
- an assessment of fraud risks

The purpose of this risk assessment is to identify the financial reporting processes that are most likely to contain material misstatements. Based on such risk assessment, Bang & Olufsen's focus is to implement measures with a view to manage and reduce risk in these processes.

## Control activities

The control framework first and foremost consists of an organisation with clearly defined roles that support the efficient and, in terms of internal control, relevant allocation of responsibilities, supported by specific control activities aimed at identifying and preventing material errors and omissions in the financial reporting. These control activities are based on an evaluation of materiality and risk. The purpose of the control activities is to ensure that objectives, policies, manuals, procedures etc. communicated by management are complied with and possible errors, discrepancies and omissions are prevented, discovered and corrected in time. Control activities include for example manual and physical checks and reconciliations, general IT checks and automatic application checks in IT systems.

Management has established procedures for consolidated financial reporting that encompass monthly reporting and budget reporting, including budget discrepancy reporting with ongoing adjustment of estimates for the year. In addition to the income

statement, balance sheet and cash flow statement, ongoing reporting also includes notes and other disclosures.

The Audit Committee has assessed the need for an internal audit function and has decided that this is not required due to the size and level of complexity of the company in combination with the fact that existing internal control and risk management systems and processes are considered appropriate.

Information and communication integrated management systems, financial reporting manuals and other reporting instructions are regularly updated. Changes in policies and accounting procedures are disclosed and explained to the parties involved on an ongoing basis.

Financial reporting is done in a single shared reporting system, which assures the parent company full transparency in relation to the individual reporting units. Financial reporting is backed up by monthly reporting from the individual units.

## Monitoring

The risk assessment process and control activities are monitored on a timely basis. Monitoring consists of both formal and informal procedures, which are used by the management and the people who own the processes, risks and control procedures. Performance is monitored

closely and compared with budgets and plans, analytical procedures and important key figures and financial ratios. The management continually monitors compliance with relevant legislation and financial reporting requirements and reports its findings to the Board of Directors and the Audit Committee.

The Board of Directors considers at least once a year whether the internal control systems are adequate. The internal control systems are discussed with the independent auditors at the board meeting at which the annual report is considered. Based on what the auditors state in the long-form audit report, the Board of Directors and independent auditors discuss the outcome of the audit, material accounting policies used, material accounting estimates and the appropriateness of the accounting policies used.

The Board of Directors and the Audit Committee monitor management's response to any control weaknesses and/or lack of controls and ensure that the measures agreed to improve risk management and internal controls in respect of financial reporting are implemented according to plan. The management is responsible for following up on weaknesses in internal control identified in subsidiaries.



# Recommendations for corporate governance in Denmark

Bang & Olufsen is subject to the Recommendations for Corporate Governance as updated in December 2020 (the "Recommendations"), prepared by the Danish Committee on Corporate Governance.

The Board of Directors regularly reviews Bang & Olufsen's corporate governance framework and policies in relation to the Recommendations as well as any relevant statutory requirements and continuously assesses the need for adjustments. As of 31 May 2023, Bang & Olufsen complies with all of the Recommendations.

Recommendation	The company complies	The company explains
	How	

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

### 1.1. Dialogue between company, shareholders and other stakeholders

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.

X

Bang & Olufsen aims to provide information to and opportunities for dialogue with its stakeholders through regular publication of news, interim reports, annual reports and general meetings.

Bang & Olufsen participates regularly in, and facilitates, events with investors, potential investors, equity analysts and stockbrokers, including, for example, conference calls and capital markets days.

Furthermore, Bang & Olufsen's Investor Relations (IR) department assists the Executive Management Board when holding regular meetings and conference calls with investors. The IR department is



Recommendation	The company complies	The company explains
	How	
1.1.2. <b>The Committee recommends</b> 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.	X	available to answer questions from analysts and shareholders and actively participates in investor relations associations, e.g. DIRF (the Danish Investor Relations Association).  All company announcements, as well as press releases, are prepared in Danish and English. The Board of Directors receives regular updates on input received from the company's stakeholders.
1.1.3. <b>The Committee recommends</b> that the company publishes quarterly reports.	X	Bang & Olufsen has adopted a Stakeholder and Sustainability Policy, in which the company's key stakeholders (customers, employees and representatives, business partners, retail partners, investors and analysts, general public, media, key opinion leaders, experts and interest organizations, regulators and authorities) are identified, and where the company's ambitions and approach towards these key stakeholders and investor relations are outlined. The Stakeholder and Sustainability Policy can be found on Bang & Olufsen's website <a href="https://investor.bang-olufsen.com/policies-and-charters">https://investor.bang-olufsen.com/policies-and-charters</a> .  Bang & Olufsen publishes quarterly reports.



Recommendation	The company complies	The company explains
		How
<b>1.2. The general meeting</b>		
<p>1.2.1. <b>The Committee recommends</b> that the board of directors organises 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.</p>	<input checked="" type="checkbox"/>	<p>The Board of Directors promotes active ownership including shareholder attendance at general meetings by announcing well in advance the date of a general meeting on its website, and otherwise organise the general meeting in a way that gives as many shareholders as possible the opportunity to attend.</p> <p>All shareholders registered by name receives the notice convening the general meetings electronically if they have requested it and if their email address has been provided to Bang &amp; Olufsen.</p> <p>A proxy/vote form for voting in advance of the annual general meeting is available on Bang &amp; Olufsen's website and at the InvestorPortal. In the notice convening the general meeting shareholders are informed of the possibility for raising questions before the general meeting.</p> <p>Bang &amp; Olufsen's general meetings are webcasted and can be seen either live or as a recording afterwards.</p>
1.2.2. <b>The Committee recommends</b> that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	<input checked="" type="checkbox"/>	<p>On the proxies and postal votes used by Bang &amp; Olufsen for the general meeting, it is possible to consider each item on the agenda separately.</p>



Recommendation	The company complies	The company explains
		How
<b>1.3. Takeover bids</b>		
1.3.1. <b>The Committee recommends</b> 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.	X	Bang & Olufsen has a written guideline in place which cover the areas set out in the recommendation. The document is a non-public document which is reviewed annually by the Board of Directors.
<b>1.4. Corporate Social Responsibility</b>		
1.4.1. <b>The Committee recommends</b> 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.	X	The Board of Directors has adopted a Stakeholder and Sustainability Policy and Bang & Olufsen publishes an Annual Report which includes the Company's ESG and Sustainability report each year outlining the company's strategy, initiatives and results achieved in the preceding year and the expectations for the coming year. The Board of Directors regularly monitors progress under and compliance with the policy.
		The Stakeholder and Sustainability Policy and Annual Report including the ESG and sustainability report can be found on Bang & Olufsen's website <a href="https://investor.bang-olufsen.com/financial-reports">https://investor.bang-olufsen.com/financial-reports</a> .
1.4.2. <b>The Committee recommends</b> that the board of directors adopts a tax policy to be made available on the company's website.	X	The Board of Directors has adopted a Tax policy which is available on Bang & Olufsen's website <a href="https://investor.bang-olufsen.com/policies-and-charters">https://investor.bang-olufsen.com/policies-and-charters</a> .



Recommendation	The company complies	The company explains
		How
<b>2 . The duties and responsibilities of the board of directors</b>		
<b>2 . 1 . Overall tasks and responsibilities</b>		
<p>2 . 1 . 1 . <b>The Committee recommends</b> 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 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 .</p>	X	<p>The Board of Directors encourages and reviews cultural transformation goals and initiatives for creating a healthy and contemporary work environment in the company .</p> <p>The Board of Directors monitors employee motivation on a continuous basis and evaluate progress on strategic workplace transformational initiatives .</p> <p>Annually, the Board of Directors revisits and discusses company purpose to secure long term viability and relevancy for the company .</p>
<p>2 . 1 . 2 . <b>The Committee recommends</b> 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 .</p>	X	<p>To secure short- and long-term value creation of the company, the Board of Directors engages in strategic discussions throughout the fiscal year .</p> <p>The company's strategic direction and key strategic priorities are reviewed and discussed on an ongoing basis, and the Board of Directors conducts quarterly monitoring and reviewing of progress on strategic goals and projects in execution .</p>



Recommendation	The company complies	The company explains How
2.1.3. <b>The Committee recommends</b> 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.	X	The Board of Directors continuously examines whether the share and capital structure supports the strategy and long-term value creation in the interest of the company and the shareholders. Please refer to page 51 in the Company's annual report.
2.1.4. <b>The Committee recommends</b> 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.	X	<p>The Board of Directors continually supervises the work of the Executive Management Board and evaluates at least once a year the rules of procedure for the Executive Management Board.</p> <p>The rules of procedure contain, among other things, requirements for management reporting and for communications between the Board of Directors and the Executive Management Board.</p>
<b>2.2. Members of the board of directors</b>		
2.2.1. <b>The Committee recommends</b> 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.	X	The Board of Directors has elected a chair and a vice chair to act in the chair's absence. The chair and the vice chair meet regularly to discuss the progress of the business and matters related to the Board.
2.2.2. <b>The Committee recommends</b> 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.	X	The chair conducts 1:1 meetings on an ongoing basis with all Board members to discuss and ensure that their knowledge and qualifications are taken into account when considering composition of the Board committee's etc.



Recommendation	The company complies	The company explains
<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>	X	<p>The members of the Board of Directors do not participate in the day-to-day management of the company and does not carry out other tasks for the company than handling the task as Board members.</p> <p>If, in an exceptional case, the Board of Directors were to request a member to perform special tasks for the company, the Board will take steps to comply with this recommendation. The procedure for such approval is described in the rules of procedure for the Board of Directors.</p>

### 3. The composition, organisation and evaluation of the board of directors

#### 3.1. Composition

<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</p> <ul style="list-style-type: none"> <li>• which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and</li> <li>• the composition of and diversity on the board of directors.</li> </ul>	X	<p>The Board of Directors, with input from the Nomination Committee, is responsible for annually determining the appropriate qualifications, experience and competencies required of Board candidates in order for the Board of Directors to best perform its tasks, taking into account Bang &amp; Olufsen's needs. The overview of the required competencies can be found on Bang &amp; Olufsen's website <a href="https://investor.bang-olufsen.com/corporate-governance">https://investor.bang-olufsen.com/corporate-governance</a>.</p>
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Recommendation	The company complies	The company explains
How		
3.1.2. <b>The Committee recommends</b> 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.	X	<p>The specific competencies of each member of the Board of Directors can be found in the company's annual report on pages 43-45.</p> <p>The composition and diversity of the Board is described in detail in the ESG and Sustainability section of the annual report on page 59. These areas are discussed in the Board on an annual basis.</p>
3.1.3. <b>The committee recommends</b> 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.	X	<p>The Board of Directors has adopted a People and Diversity Policy which is available on Bang &amp; Olufsen's website <a href="https://investor.bang-olufsen.com/policies-and-charters">https://investor.bang-olufsen.com/policies-and-charters</a>.</p> <p>The Board annually reviews and discusses the activities of the company to ensure relevant diversity at different management levels. At Bang &amp; Olufsen diversity is considered on multiple levels including gender, age composition, cultural background, and multifunctional competencies.</p> <p>More information about the company's activities within this area can be found in the company's ESG and Sustainability section of the annual report on page 59.</p>
		<p>In connection with the election of new Board members, the Board of Directors considers the qualifications of new candidates, taking into consideration their qualifications and whether they match Bang &amp; Olufsen's needs and competency requirements. The qualifications and diversity of the remaining Board members are also taken into account in this process.</p>



Recommendation	The company complies	The company explains
	How	
<p>3.1.4. <b>The Committee recommends</b> 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'</p> <ul style="list-style-type: none"> <li>• qualifications,</li> <li>• other managerial duties in commercial undertakings, including board committees,</li> <li>• demanding organisational assignments and</li> <li>• independence.</li> </ul>	X	A description of the qualifications of the candidates for the Board of Directors is included in the notice convening the general meeting.
<p>3.1.5. <b>The Committee recommends</b> 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>	X	As per Bang & Olufsen's Articles of Association Board members elected at the general meeting shall retire at each annual general meeting but are eligible for re-election. Each board member can be voted for individually by the shareholders.
<p><b>3.2. The board of director's independence</b></p>		
<p>3.2.1. <b>The Committee recommends</b> 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 relations) with the company , a subsidiary or a group company , which is significant for the company and/or the business relationship ,</li> </ul>	X	All Board members elected at the general meeting are considered independent .



Recommendation	The company complies	The company explains
		How
<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> <li>• 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.</li> </ul>		
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.	X	None of the members of the Executive Management Board are members of the Board of Directors.
<b>3.3. Members of the board of directors and the number of other managerial duties</b>		
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.	X	<p>Each member of the Board of Directors is responsible for assessing the expected time commitment for the functions they perform to ensure that they each have the necessary time to carry out their tasks as board members of Bang &amp; Olufsen.</p> <p>The Nomination Committee annually evaluate and asses what is considered a reasonable level for the number of other directorships and executive functions for each member of the Board of Directors to ensure that each member of the Board can perform in a satisfactory manner.</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: <ul style="list-style-type: none"> <li>• Position, age and gender,</li> </ul>	X	<p>The information is listed in the management commentary in the annual report on pages 43-45 which can be found on Bang &amp; Olufsen's website <a href="https://investor.bang-olufsen.com/financial-reports">https://investor.bang-olufsen.com/financial-reports</a>.</p>



Recommendation	The company complies	The company explains
	How	
<ul style="list-style-type: none"> <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 organisational 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>		
<h4>3.4. Board committees</h4> <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>	X	<p>The information is listed in the management commentary in the Annual Report on pages 39 and in this report which can be found on Bang &amp; Olufsen's website <a href="https://investor.bang-olufsen.com/corporate-governance">https://investor.bang-olufsen.com/corporate-governance</a>.</p>
<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>	X	<p>The board committees of the company solely consist of members of the Board of Directors. The Board draws on experience and input from external advisors and consultants to ensure that latest trends and expertise are brought to the Board's attention. Bang &amp; Olufsen complies with this recommendation as all members of the board committees are independent.</p>



Recommendation	The company complies	The company explains
		How
<p>3.4.3. <b>The Committee recommends</b> 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> <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> <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>	<input checked="" type="checkbox"/>	<p>An Audit Committee has been established and the chair of the Audit Committee is not chair of the Board of Directors.</p> <p>The Board of Directors has approved a charter for the Audit Committee that comprises all of the recommended tasks. An annual wheel for the Audit Committee ensures that all tasks set out in the charter as well as other important tasks are covered in the meetings of the committee. The charter is available on Bang &amp; Olufsen's website <a href="https://investor.bang-olufsen.com/policies-and-charters">https://investor.bang-olufsen.com/policies-and-charters</a>,</p>
<p>3.4.4. <b>The Committee recommends</b> 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> </ul>	<input checked="" type="checkbox"/>	<p>A Nomination Committee has been established and the charter of the Nomination Committee and the annual wheel of the committee comprises all the recommended preparatory tasks. An annual wheel for the Nomination Committee ensures that all tasks set out in the charter as well as other important tasks are covered in the meetings</p>



Recommendation	The company complies	The company explains How
<ul style="list-style-type: none"> <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> <li>• supervising the preparation of a diversity policy for the board of directors' approval .</li> </ul>		<p>of the committee. The charter is available on Bang &amp; Olufsen's website <a href="https://investor.bang-olufsen.com/policies-and-charters">https://investor.bang-olufsen.com/policies-and-charters</a>.</p>
<p><b>3.4.5. The Committee recommends</b> 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>	X	<p>A Remuneration Committee has been established and the charter of the Remuneration Committee and the annual wheel of the committee comprises all the recommended preparatory tasks. An annual wheel for the Remuneration Committee ensures that all tasks set out in the charter as well as other important tasks are covered in the meetings of the committee. The charter is available on Bang &amp; Olufsen's website <a href="https://investor.bang-olufsen.com/policies-and-charters">https://investor.bang-olufsen.com/policies-and-charters</a>.</p>
<p><b>3.5. Evaluation of the board of directors and the executive management</b></p>		
<p><b>3.5.1. The Committee recommends</b> 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 organisation , cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:</p> <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> </ul>	X	<p>The Board of Directors evaluates the Board of Directors once a year and this year the evaluation of the Board of Directors was carried out with external assistance. The evaluation includes the recommended topics.</p>



Recommendation	The company complies	The company explains
How		
<ul style="list-style-type: none"> <li>• the committee structure and the work in the committees,</li> <li>• the organisation 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>		The chair also conducts 1:1 meetings on an ongoing basis with all Board members to ensure that the Board of Directors operate in the most optimal way possible
<p>3.5.2. <b>The Committee recommends</b> 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>	X	The result of the evaluation of the Board of Directors and the conclusions of the evaluation are described in the Corporate Governance section of the annual report and in this report. The conclusions are also shared with the shareholders at the annual general meeting.
<p>3.5.3. <b>The Committee recommends</b> 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>	X	The Nomination Committee annually evaluates the composition, knowledge, experience, performance and results of the Executive Management Board and make recommendations to the Board of Directors regarding any changes. The evaluation is discussed annually at a Board meeting. The Board annually reviews succession planning for the group leadership team and certain key roles of the company.
4. Remuneration of management		
4.1. Remuneration of the board of directors and the executive management		
<p>4.1.1. <b>The Committee recommends</b> 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 .</p>	X	The remuneration for the Board of Directors and the Executive management Board is described in detail in the company's

**Recommendation****The company complies****The company explains****How**

**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.

X

remuneration report which can be found on Bang & Olufsen's website <https://investor.bang-olufsen.com/remuneration>.

The remuneration for the Board of Directors and the Executive Management Board is designed to support strategic goals of the company and to promote value creation for the benefit of the shareholders of the company.

**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.

X

As described in the company's Remuneration Policy, the company has a long-term combined performance and restricted share plan which is revolving and in which the shares granted has a three-year maturity period.

**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.

X

The variable remuneration is capped at grant. In accordance with the company's Remuneration Policy, the maximum short-term incentive is capped at a percentage of each member of the Executive Management Board's base salary while the long-term incentive is capped at a number of shares equal to a percentage of each member of Executive Management Board's base salary at the time of grant.

The overall value of the remuneration for the notice period, including severance payment, in connection with a member of the Executive Management Board's departure, can not exceed two years' remuneration including all remuneration elements.



Recommendation	The company complies	The company explains How
4.1.5. <b>The Committee recommends</b> that members of the board of directors are not remunerated with share options and warrants.	X	As described in the company's Remuneration Policy the remuneration of the Board of Directors does not consist of share option schemes or other incentive schemes.
4.1.6. <b>The Committee recommends</b> 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.	X	Bang & Olufsen has the right to reclaim in full or in part variable components of remuneration that were paid on the basis of data or accounts which subsequently prove to have been misstated.
<b>5 . Risk management</b>		
5.1. <b>Identification of risks and openness in respect of additional information</b>		
5.1.1. <b>The Committee recommends</b> 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	X	Bang & Olufsen's annual report contains a list of key risks identified. Bang & Olufsen accounts for these key risks including mitigating actions identified to address these risks in the annual report. The annual report can be found on Bang & Olufsen's website <a href="https://investor.bang-olufsen.com/financial-reports">https://investor.bang-olufsen.com/financial-reports</a> .
5.1.2. <b>The Committee recommends</b> 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.	X	Bang & Olufsen has established an external whistleblower scheme and works actively with promoting and supporting a culture of business ethics and integrity. The company refers to this culture as "BEOshare". Furthermore, the Board of Directors has adopted a Business Conduct and Ethics Policy which contains a guide to employees on how to respond if they suspect any wrongdoings. The Business Conduct and Ethics Policy can be found on Bang &



**Recommendation**

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**How**

Olufsen's website <https://investor.bang-olufsen.com/policies-and-charters>.



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