

# CORPORATE GOVERNANCE

1 JUNE 2018 - 31 MAY 2019



Statutory report on corporate governance, see section 107b of the Danish Financial Statements Act (*Årsregnskabsloven*)

BANG & OLUFSEN

This annual corporate governance report for Bang & Olufsen a/s forms part of the Management Review set out in the Annual Report for 2018/19 and covers the financial period 1 June 2018 to 31 May 2019.

- 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', implemented by NASDAQ Copenhagen A/S in its 'Rules for issuers of shares' (the "Recommendations")

## 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 eleven members, eight of whom are elected by the shareholders at the annual general meeting and three of whom are elected by the employees. All of the shareholder-elected board members, including the chairman, are

elected for terms of one year and currently all shareholder-elected board members are independent. Employee representatives are elected for terms of four years in accordance with current legislation. In 2018, Anders Colding Friis joined the Board of Directors as a new member elected by the general meeting.

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, and also recognises the benefits of board diversity in respect of experience, cultural background 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
- Asian, EMEA and US market knowledge and experience
- Partnership relationship management

- External stakeholder relations, including corporate social responsibility, 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.

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 board remuneration 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 [xx-xx] of the 2018/19 annual report.

### Employee elected board members

Under the Danish Companies Act (Sel-skabsloven), 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 2019 by written, secret, direct ballot. The employee-elected members will join the Board of Directors immediately after the Annual General Meeting in August 2019. Employee representatives are

elected for terms of four years. The election of employees to join the Board of Directors after the Annual General Meeting to be held in 2023 will take place in early 2023. Employee representatives have the same rights, obligations and responsibilities as other board members.

As of 31 May 2019, the Board of Directors consisted of the following members:

## MANAGEMENT STRUCTURE

### BOARD OF DIRECTORS

#### SHAREHOLDER-ELECTED MEMBERS

Ole Andersen (Chairman)  
Juha Christensen (Vice Chairman)

Mads Nipper  
Albert Bensoussan  
Ivan Tong Kai Lap

Jesper Jarlbæk  
Majken Schultz  
Anders Colding Friis

#### EMPLOYEE-ELECTED MEMBERS

Søren Balling

Geoff Martin

Brian Bjørn Hansen

### Board activities in the financial year 2018/19

Between eight and ten board meetings are held a year, with ad hoc meetings being held if required. In 2018/19, the Board of Directors held thirteen meetings.

The focus area of the Board in 2018/19 has been the following:

- Appointment of two new members of the Executive Management Board members
- Supporting the Executive Management Board with the transformation of the retail network including transforming the company's distribution to a more retail driven model with focus on an omnichannel luxury lifestyle execution
- Strengthening the company's digital presence and competences
- Strengthening the future product portfolio through the development of a new cross-product technology platform

- Executing on the one brand transformation
- Assessing the financial performance of the company

### Board Committees

The Board of Directors has established four committees to support the Board of Director's in its decision making: a Remuneration Committee, a Nomination Committee, an Audit Committee and a Technology 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.

### Audit Committee

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

The members of the Audit Committee are:

- Jesper Jarlbæk (Chairman)
- Albert Bensoussan
- Ivan Tong
- Anders Colding Friis

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 2018/19, 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 2018/19 were:

- Review of the audited annual report and monitoring the financial reporting process
- Review of the quarterly financial statements
- Supervising the process for implementation of IFRS 16
- Monitoring the adequacy and effectiveness of the company's internal controls and risk management systems

- Review of ongoing material legal cases and the company's whistle-blower scheme
- Monitoring internal control processes in specific fast-growing areas of the business
- Monitoring processes to handle implications of potential trade embargoes and Brexit
- Recommendations for appointment of the independent auditors, including evaluation of independence, performance, competencies and fees

### Remuneration Committee

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

The members of the Remuneration Committee are:

- Ole Andersen (Chairman)
- Juha Christensen
- Majken Schultz

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 three meetings in 2018/19.

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 2018/19 were:

- Annual review of the company's remuneration policy
- Approval of incentive payments to the Executive Management Board for the financial year 2017/18 and setting new targets for the financial year 2018/19
- Approval of long-term incentive program for the three financial year's commencing in 2018/19
- Review of Director+ compensation levels

- Approving compensation packages for two new Executive Management Board members

### Nomination Committee

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

The members of the Nomination Committee are:

- Ole Andersen (Chairman)
- Jesper Jarlbæk
- Mads Nipper

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 three meetings in 2018/19.

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 2018/19 were:

- Review of HR and diversity policy
- Review of data on diversity in senior positions
- Review of employee engagement survey and actions deriving therefrom
- Review of succession planning processes
- Employment of two new members of the Executive Management Board
- 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:

- Juha Christensen (Chairman)
- Jesper Jarlbæk

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, (iii) reviewing the company's technology and investment strategy. The Technology Committee meets at least twice a year and held two meetings in 2018/19.

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 2018/19 were:

- Reviewing ongoing strategic digital projects
- Reviewing product roadmaps and product specific technology
- Reviewing technology platforms for future products
- Reviewing IT infrastructure and security updates

### Board evaluation process

The Chairman 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 Chairman'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 by anonymously completing a comprehensive online questionnaire, which is then summarised by an external consultant. Ratings and comments are consolidated and shared with the Board of Directors followed by a Board

discussion where improvements are discussed.

The Chairman presented the results of the evaluation to the Board of Directors in August 2018. According to the conclusion of the evaluation, 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 self-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.

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

- Increased focus on structured succession planning and talent development,
- ensuring that relevant inspiration and data is sought outside the Company

in specific areas where experience or insight is limited, and

- ensuring that a strong connection and cooperation is built between the Board of Directors and the new members of the Executive Management Board.

Steps have been taken to achieve improvements within all of these areas. The Chairman 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 four members and is headed by the CEO.

In July 2018 Stefan Persson, stepped down from his position as Executive Vice President, Home. In November 2018 Anders Aakær Jensen stepped down from his position as Executive Vice President, Finance and Legal. In March 2019, Snorre Kjesbu joined the Executive Management Board as Executive Vice President for Product Creation and Fulfillment and in May 2019, Nikolaj Wendelboe joined the Executive Management Board as Executive Vice President, Finance and Legal.

As of 31 May 2019, the Executive Management Board consisted of the following members:

EXECUTIVE MANAGEMENT BOARD			
CEO	CFO	EVP, BRAND AND MARKETS	EVP, PRODUCT CREATION AND FULFILLMENT
Henrik Clausen	Nikolaj Wendelboe	John Mollanger	Snorre Kjesbu

# FINANCIAL REPORTING PROCESS AND INTERNAL CONTROL

The Board of Directors and the Executive Management Board assume the primary responsibility for Bang & Olufsen's risk management and internal control systems, including compliance with current legislation and other 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 control at Bang & Olufsen is 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 control is 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 other financial reporting requirements and to check financial reporting by subsidiaries and associated companies. In 2011, Bang & Olufsen set up a separate audit committee consisting of two board members. The Audit Committee currently has four members and is charged with the task of 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 managing and reducing risk in these processes.

## CONTROL ACTIVITIES

The control framework consists first and foremost of an organisation with clearly defined roles that support the efficient and, in terms of internal control, relevant allocation of responsibilities, backed by specific control activities aimed at

identifying and preventing financial reporting errors. 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 manual and physical checks, general IT checks and automatic application checks in IT systems, for example.

Management has established procedures for consolidated financial reporting that encompass budget reporting and monthly 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 information.

The Audit Committee has assessed the need for internal auditing and has decided that this is not required due to the



size and complexity of the company in combination with the fact that existing internal control and risk management systems and processes are considered satisfactory.

#### **Information and communication**

The principles for use of the group's accounting systems are described in the accounting and system manuals used by all group companies. The manuals are available on the intranet. Financial reporting is done in a single shared reporting system, which assures the parent company of 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 continuing basis. Monitoring consists of both formal and informal procedures, which are used by the management and the people who own processes, risks and control procedures, including checks on results, which are compared with budgets and plans, analytical procedures and important key figures and financial ratios. The management continually monitors for compliance with relevant legislation and other 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 November 2017 (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 2019, Bang & Olufsen complies with all of the Recommendations.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
<b>1. THE COMPANY’S COMMUNICATION AND INTERACTION WITH ITS INVESTORS AND OTHER STAKEHOLDERS</b>				
<b>1.1. Dialogue between the company, its shareholders and other stakeholders</b>				
1.1.1. The Committee <b>recommends</b> that the board of directors ensure ongoing dialogue between the company and its shareholders, so that the shareholders gain relevant insight into the company and in order for the board of directors to be aware of the shareholders’ views, interests and opinions in relation to the company.	X			
1.1.2. The Committee <b>recommends</b> that the board of directors adopt policies on the company’s relationship with its stakeholders, including shareholders, and that the board of directors ensure that the interests of the stakeholders are respected in accordance with company policies.	X			
1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports	X			
<b>1.2. General meeting</b>				
1.2.1. The Committee <b>recommends</b> that in organising the company’s general meeting, the board of directors plans the meeting to support active ownership.	X			
1.2.2. The Committee <b>recommends</b> that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
<b>1.3. Takeover bids</b>				
1.3.1. The Committee <b>recommends</b> that the company set up contingency procedures in the event of takeover bids, from the time that the board of directors has reason to believe that a takeover bid will be made. The contingency procedures should establish that the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which, in reality, prevent the shareholders from deciding on the takeover bid themselves.	X			
<b>2. TASKS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS</b>				
<b>2.1. Overall tasks and responsibilities</b>				
2.1.1. The Committee <b>recommends</b> that at least once annually the board of directors consider the matters that should be included in the board's performance of its work.	X			
2.1.2. The Committee <b>recommends</b> that at least once annually the board of directors consider the overall strategy of the company with a view to ensuring value creation in the company.	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
2.1.3. The Committee <b>recommends</b> that the board of directors ensure that the company has a capital and share structure which supports that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors explain this in the management commentary and/or on the company's website.	X			
2.1.4. The Committee <b>recommends</b> that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.	X			
2.1.5. The Committee <b>recommends</b> that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.	X			
<b>2.2. Corporate social responsibility</b>				
2.2.1. The Committee <b>recommends</b> that the board of directors adopt policies on corporate social responsibility.	X			
<b>2.3. Chairman and vice-chairman of the board of directors</b>				
2.3.1. The Committee <b>recommends</b> appointing a vice chairman of the board of directors, who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
<p>2.3.2. The Committee <b>recommends</b> that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function. Resolutions on the chairman's or other board members' participation in day-to-day management and the expected duration hereof should be publicly announced.</p>	X			
3. COMPOSITION AND ORGANISATION OF THE BOARD OF DIRECTORS				
<b>3.1. Composition</b>				
<p>3.1.1. The Committee <b>recommends</b> that the board of directors annually evaluate and in the management commentary account for</p> <ul style="list-style-type: none"> <li>• the competencies that it must have to best perform its tasks,</li> <li>• the composition of the board of directors, and</li> <li>• the special competencies of each member.</li> </ul>	X			
<p>3.1.2. The Committee <b>recommends</b> that the board of directors annually discuss the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website.</p>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
<p>3.1.3. The Committee <b>recommends</b> that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should, in addition to the need for competencies and qualifications, take into consideration the need for integration of new talent and diversity.</p>	X			
<p>3.1.4. The Committee <b>recommends</b> that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> <li>• other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and</li> <li>• demanding organisational tasks.</li> </ul> <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p>	X			
<p>3.1.5. The Committee <b>recommends</b> that members of the company's executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.</p>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
3.1.6. The Committee <b>recommends</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.	X			
3.1.6. The Committee <b>recommends</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.	X			
<b>3.2. Independence of the board of directors</b>				
<p>3.2.1. The Committee <b>recommends</b> that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> <li>• be or within the past five years have been a member of the executive board, or senior staff member in the company, a subsidiary or an associated company,</li> <li>• within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different 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 significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company.</li> </ul>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<ul style="list-style-type: none"> <li>• be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting,</li> <li>• be part of the executive management in a company with cross-management representation in the company,</li> <li>• have been a member of the board of directors for more than 12 years, or</li> <li>• be a close relative with persons who are not considered independent.</li> </ul> <p>Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more members cannot be regarded as independent.</p>	X			
<b>3.3. Members of the board of directors and the number of other management functions</b>				
<p>3.3.1. The Committee <b>recommends</b> that each member of the board of directors assess the expected time commitment for each function so that the member does not take on more functions than he/she can complete at a satisfactory level for the company.</p>	X			



Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
<p>3.3.2. The Committee <b>recommends</b> that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> <li>• the position of the relevant person,</li> <li>• the age and gender of the person in question,</li> <li>• the person's competencies and qualifications that are relevant to the company</li> <li>• whether the member is considered independent,</li> <li>• the member's date of appointment to the board of directors,</li> <li>• expiry of the current election term,</li> <li>• the member's participation in the meetings on the board of directors and committee meetings,</li> <li>• other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks, and</li> <li>• the number of shares, options, warrants and similar owned by the member in the company and other group companies, as well as changes to the member's portfolio of the mentioned securities which have occurred during the financial year.</li> </ul>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
3.3.3. The Committee <b>recommends</b> that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.	X			
<b>3.4. Board committees</b>				
3.4.1. The Committee <b>recommends</b> that the company publish the following on the company's website: <ul style="list-style-type: none"> <li>• the terms of reference of the board committees,</li> <li>• the most important activities of the committees during the year and the number of meetings held by each committee, and</li> <li>• the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies.</li> </ul>	X			
3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.	X			
3.4.3. The Committee <b>recommends</b> that the members of the board of directors set up among its members an audit committee and that a chairman is appointed who is not the chairman of the board of directors.	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
<p>3.4.4. The Committee <b>recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the board of directors about:</p> <ul style="list-style-type: none"> <li>• significant accounting policies,</li> <li>• significant accounting estimates,</li> <li>• related party transactions, and</li> <li>• uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>	X			
<p>3.4.5. The Committee <b>recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>• annually assesses the need for an internal audit function and, in such a case, presents mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function,</li> <li>• ensure that if an internal audit has been established, a description of its functions and approved by the board of directors,</li> <li>• ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and</li> <li>• monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
<p>3.4.6. The Committee <b>recommends</b> that the board of directors establish a nomination committee, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies,</li> <li>• annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors,</li> <li>• annually assessing the competencies, knowledge, experience and succession of the individual members of management and report to the board of directors in this respect,</li> <li>• recommending candidates for the board of directors and the executive board, and</li> <li>• proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
<p>3.4.7. The Committee <b>recommends</b> that the board of directors establish a remuneration committee, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• recommending the remuneration policy (including the “General Guidelines for incentive-based Remuneration”) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting,</li> <li>• making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring that the remuneration is in compliance with the company’s remuneration policy and the assessment of the performance of the persons concerned. The committee should have information on the total remuneration that members of the board of directors and the executive board receive from other companies in the group,</li> <li>• recommending a remuneration policy applicable for the company in general and</li> <li>• assisting with the preparation of the annual remuneration report.</li> </ul>	X			
<p>3.4.8. The Committee <b>recommends</b> that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
<p><b>3.5. Evaluation of the performance of the board of directors and the executive board</b></p> <p>3.5.1. The Committee <b>recommends</b> that the board of directors establish an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:</p> <ul style="list-style-type: none"> <li>• contribution and results,</li> <li>• cooperation with the executive board,</li> <li>• the chairman's leadership of the board of directors,</li> <li>• the composition of the board of directors (including competencies, diversity and the number of members),</li> <li>• the work in the committees and the committee structure, and</li> <li>• the organisation and quality of the material that is submitted to the board of directors.</li> </ul> <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the company's website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions on the general meeting prior to the election of the board of directors.</p>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
3.5.2. The Committee <b>recommends</b> that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's strategy.	X			
3.5.3. The Committee <b>recommends</b> that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer, and that the outcome of the evaluation be presented to the board of directors.	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
<b>4. REMUNERATION OF MANAGEMENT</b>				
<b>4.1. Form and content of the remuneration policy</b>				
<p>4.1.1. The Committee <b>recommends</b> that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes</p> <ul style="list-style-type: none"> <li>• a detailed description of the components of the remuneration for members of the board of directors and the executive board,</li> <li>• the reasons for choosing the individual components of the remuneration,</li> <li>• a description of the criteria that form the basis for the balance between the individual components of the remuneration, and</li> <li>• an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals.</li> </ul> <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and it should be published on the company's website.</p>	X			



Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
<p>4.1.2. The Committee <b>recommends</b> that if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>• limits be set on the variable components of the total remuneration package,</li> <li>• a reasonable and balanced composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term,</li> <li>• clarity be established about performance criteria and measurability for the award of variable components,</li> <li>• it is ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and</li> <li>• it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently are found to be incorrect.</li> </ul>	X			
<p>4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include share options or warrants.</p>	X			
<p>4.1.4. The Committee <b>recommends</b> that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.</p>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
4.1.5. The Committee <b>recommends</b> that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.	X			
<b>4.2. Disclosure of remuneration</b>				
4.2.1. The Committee <b>recommends</b> that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	X			
4.2.2. The Committee <b>recommends</b> that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.	X			
4.2.3. The Committee <b>recommends</b> that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained.	X			
The remuneration report should be published on the company's website.				

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/ not complying with the recommendation
<b>5. FINANCIAL REPORTING, RISK MANAGEMENT AND AUDITS</b>				
<b>5.1. Identification of risks and transparency about other relevant information</b>				
5.1.1. The Committee <b>recommends</b> that the board of directors consider and in the management commentary account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.	X			
<b>5.2. Whistleblower scheme</b>				
5.2.1. The Committee <b>recommends</b> that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.	X			
<b>5.3. Contact to auditor</b>				
5.3.1. The Committee <b>recommends</b> that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present. This also applies to the internal auditor, if any.	X			
5.3.2. The Committee <b>recommends</b> that the audit agreement and auditor's fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.	X			

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