

# **Annex 1**

## **Remuneration Policy of Bang & Olufsen a/s**

### **1. Preamble**

- 1.1. The following remuneration policy of Bang & Olufsen a/s, CVR no. 41257911, (“B&O” or the “Company”) is based on the recommendations published by the Committee on Corporate Governance and implemented by NASDAQ OMX Copenhagen A/S.
- 1.2. The remuneration policy provides a framework for remuneration paid to the members of the Board of Directors (“Board”) and the Executive Group Management (“EGM”) of B&O. The EGM means the executive officers of the management board of B&O, registered as such, with the Danish Commerce and Companies Agency. The guidelines apply to remuneration received by the members of the Board and the EGM for work performed for B&O including all companies in the B&O Group.
- 1.3. With respect to incentive pay reference is made to the general guidelines of B&O in relation to incentive-based remuneration of the EGM (the “Incentive Guidelines”) approved at the Company’s general meeting. The Incentive Guidelines form an integral part of the remuneration policy of B&O.

### **2. General principles**

- 2.1. The overall objective of the Remuneration Policy of B&O is to attract, motivate and retain qualified members of the Board and the EGM as well as to align the interests of the Board and the EGM with the interests of the Company’s shareholders.
- 2.2. The remuneration of the Board and the EGM shall be designed to support the strategic goals of B&O and to promote value creation for the benefit of the shareholders of B&O.
- 2.3. The specific remuneration packages and incentive programs covering the members of the EGM shall comply with the following principles:
  - (a) limits shall apply on the variable components’ part of the total remuneration package,
  - (b) a reasonable balance shall be ensured between the remuneration and incentive pay offered, the expected risks and the value creation for shareholders in the short and long term,
  - (c) there shall be clarity about performance criteria and measurability for award of variable components, and
  - (d) there shall be criteria ensuring that the vesting periods for incentive pay that includes share based instruments are longer than one calendar year.
- 2.4. The Board may in extraordinary circumstances decide to deviate from the overall remuneration policy, hereunder the Incentive Guidelines, on an individual basis. In such case the Board is obliged to explain the reason for the deviation at the following annual general meeting.

### **3. Remuneration of the Board**

- 3.1. The members of the Board shall be remunerated with fixed annual fees approved by the general meeting and shall not be covered by incentive programs or be entitled to variable remuneration.
- 3.2. All members of the Board whether elected by the general meeting or the employees of B&O or the B&O Group receive an annual base fee which shall be in line with market practice of comparable listed companies taking into account the required competencies, effort and scope of work of the members of the Board.
- 3.3. The Chairman of the Board shall receive 3 times the annual base fee and the Deputy Chairman shall receive 2 times the annual base fee for their extended duties.
- 3.4. Except for the Chairman and the Deputy Chairman all other members of the Board who are also members of the committees established by the Board shall receive an additional fixed fee as remuneration for their committee work. The size of the fixed committee fee depends on the competencies, effort and scope of work required by the members of each committee.
- 3.5. In the event a member of the Board takes on specific ad hoc tasks outside the scope of ordinary tasks of the Board in accordance with the Rules of Procedure of the Board, the member may be offered a fixed fee for the work carried out related to such tasks.
- 3.6. With the purpose of aligning the interests of the Company's shareholders and the members of the Board in regard to the development of the share price, each member of the Board elected by the general meeting is obliged to invest in shares issued by the Company not later than 12 months after the date of the member's election to the Board for an amount at least corresponding to the annual base fee paid to an ordinary member of the Board according to the most recent annual report and to keep such shareholding for as long as the individual is member of the Board.
- 3.7. The Board's remuneration for the current financial year shall be approved by the general meeting of the Company.

#### **4. Remuneration of the EGM**

- 4.1. The total remuneration
  - 4.1.1. The total remuneration of the EGM may consist of the following fixed and variable remuneration components:
    - (a) a fixed base salary ("annual base salary")
    - (b) variable remuneration consisting of (i) non-share based cash bonus, and/or (ii) share-based remuneration, and
    - (c) termination and severance payment.

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

- 4.2. Annual base salary
  - 4.2.1. The annual base salary for the members of the EGM shall be in line with market practice and based on the individual member's responsibilities and performance.

- 4.2.2. The members of the EGM shall be entitled to customary non-monetary benefits such as company car, insurance, newspaper, telephony and internet access etc. as approved by the Board
- 4.2.3. The members of the EGM shall arrange for their own pension planning and shall not be covered by a pension plan of the Company.
- 4.3. Variable remuneration
- 4.3.1. In addition to the annual base salary, the members of the EGM may, in accordance with the Incentive Guidelines receive variable remuneration, which shall be based on the individual performance and responsibility of the members of the EGM in relation to established goals and targets, both in the short and the longer term, as well as the Company's overall performance.

## **5. Remuneration Committee**

- 5.1. The Board has established a remuneration committee (the "Remuneration Committee") to ensure that the Company maintains a remuneration policy for the members of the Board and the EGM as well as overall guidelines for incentive-based remuneration to the Management Board. The remuneration policy, the overall guidelines for incentive-based remuneration to the Management Board and any changes thereto shall be approved by the Board of Directors as well as the general meeting.
- 5.2. The Remuneration Committee shall evaluate and make recommendations for the remuneration of the members of the Board and the EGM.
- 5.3. The Remuneration Committee shall retain its own advisers separate from the external advisers engaged by the Company and/or the EGM.

## **6. Approval and publication of the remuneration policy**

- 6.1. This remuneration policy has been reviewed and approved by the Board and this remuneration policy shall be posted on the Company's website ([www.bang-olufsen.com](http://www.bang-olufsen.com)) specifying the date of adoption by the general meeting of the Company.
- 6.2. The remuneration policy shall be described in the Company's annual report and the Chairman shall in connection with the report from the Board at the annual general meeting comment on the principles of the remuneration policy and compliance hereof.
- 6.3. Information on the total remuneration, in the aggregate for each of the management boards and on an individual basis, is disclosed in the Company's annual report for the relevant financial year including a statement on compliance with the remuneration policy.
- 6.4. The remuneration policy shall be reviewed at least on an annual basis.