

**Annual General Meeting in Bang & Olufsen a/s**

**Bang & Olufsen a/s' Annual General Meeting will be held on Thursday 20 August 2020 at 16:00 CEST at Bang & Olufsen a/s, Bang og Olufsen Allé 1, DK-7600 Struer, Denmark.**

**Agenda**

- 1. The Board of Directors' report on the company's activities in the past year.**
- 2. Presentation and adoption of the company's audited annual report for the financial year 2019/20, including resolution concerning discharge to the Executive Management Board and the Board of Directors.**
- 3. Resolution as to the distribution of profit or the covering of loss in accordance with the approved annual report.**
  - 3.1 The Board of Directors proposes that no dividend be paid.**
- 4. Proposals from the Board of Directors.**

**The Board of Directors proposes the following:**

- 4.1 That the remuneration level for the Board of Directors is not revised compared to the financial year 2019/20, whereby the following remuneration level for the financial year 2020/21 is approved by the General Meeting:**
  - a) The annual base remuneration paid to the members of the Board of Directors is DKK 300,000 for each member with respect to board members elected by the General Meeting or the employees, respectively, with 3 times the base remuneration and 1.5 times the base remuneration paid to the Chairman and Deputy Chairman, respectively.**
  - b) The remuneration paid to the members of the Board of Directors serving on the company's Audit Committee is DKK 75,000 for each member, with 2 times the remuneration paid to the Chairman of the Audit Committee.**

- c) **The remuneration paid to the members of the Board of Directors serving on the company's Remuneration Committee, Nomination Committee or Technology Committee is DKK 75,000 for each member.**

**Due to extraordinary circumstances, the Board of Directors has accepted a temporary remuneration reduction of up to 20% during Q1 of the financial year 2020/21.**

- 4.2 That the Annual General Meeting approves a revised Remuneration Policy adopted by the Board of Directors. The revised Remuneration Policy includes inter alia the following material changes compared to the existing policy:**

- a) **Short-term incentive program – amended thresholds:**  
A threshold is introduced for performance in accordance with targets (35% of base salary for members of the Executive Management Board and 75% for the CEO). The maximum for above-target performance is set to 45% for members of the Executive Management Board and 100% for the CEO. Previously only a maximum threshold (38.5% and 100%, respectively) applied.
- b) **Long-term incentive program – new structure:**  
Matching share program to be replaced by combined performance and restricted share program. The program will retain a reference period of three financial years and will be subject to a combination of performance targets, continuous service and/or satisfactory people review ratings. The performance share element shall comprise at least 2/3 of the value of the annual grants under the scheme. For the FY2020/21 program, the applicable targets applicable for performance shares will be based on EBIT, revenue and retention.
- c) **Long-term incentive program – amended thresholds:**  
A threshold is introduced for on-target performance (62.5% of base salary for members of the Executive Management Board and 75% for the CEO). The maximum for above-target performance is set to 125% for members of the Executive Management Board and 150% for the CEO, in each case measured at the time of grant.

d) Extraordinary bonus – introduction of cap:

Any extraordinary bonus (e.g. in the form of a one-off bonus, retention bonus, severance payment or a sign-on bonus in connection with recruitment) is now subject to a cap of 100% of base salary (additional 50% increase if the award relates to recruitment). Previously no cap applied.

e) Claw-back and adjustments:

Incentive remuneration will be subject to mandatory claw-back provisions applicable in the event of errors in the accounting figures or other basis for the remuneration. Incentive programs may further be subject to adjustments in case of material events, business combinations etc. and/or changes in capital structure.

The full wording of the revised Remuneration Policy for Bang & Olufsen a/s is attached as Appendix 1 to this notice convening the Annual General Meeting.

The new Remuneration Policy will be applicable for remuneration and incentive pay relating to the financial year 2020/21.

4.3 That the provision set out in article 4, section 3, of the Articles of Association is adjusted as follows:

"The nominal value of each share is DKK 5 or multiples thereof.",

and that the provision set out in article 7, section 2, of the Articles of Association is adjusted as follows:

"At general meetings, each share amount of DKK 5 shall carry one vote".

4.4 That the provision in article 5, section 5, of the Articles of Association is adjusted as follows:

"The company's register of shareholders will be kept and maintained by Computershare A/S, CVR no. 27 08 88 99."

- 4.5** That the standard agenda for the company's annual general meetings as set out in article 6, section 4, of the Articles of Association is updated to include presentation of the company's remuneration report for advisory vote in order to meet the requirement under section 139 b of the Danish Companies Act.

Consequently, it is proposed that article 6, section 4, of the Articles of Association is adjusted as follows:

"The agenda of the annual general meeting shall comprise the following items:

- 1. Report by the Board of Directors.**
- 2. Presentation and adoption of the audited annual report, including discharge of the Executive Management Board and the Board of Directors.**
- 3. Resolution as to the distribution of profit or the covering of loss, as the case may be, in accordance with the approved annual report.**
- 4. Presentation of the company's remuneration report for an advisory vote.**
- 5. Proposals, if any, from the Board of Directors or shareholders.**
- 6. Election of members to the Board of Directors.**
- 7. Appointment of auditors.**
- 8. Any other business."**

- 4.6** That the provision set out in article 7, section 9, of the Articles of Association is adjusted as follows:

"The general meeting has adopted a remuneration policy that provides a framework for remuneration to the members of the Board of Directors and the Executive Management Board of the company. The remuneration policy is available on the company's website."

- 4.7** That, pursuant to section 198 of the Danish Companies Act, the Board of Directors is authorised to allow the company to acquire treasury shares in the period until 19 August 2021 up to an aggregate of 10% of the company's share capital at the time of the authorisation, provided that the company's total holding of treasury shares does not at any time exceed 10% of the company's share cap-

ital. The purchase price paid in connection with acquisition of treasury shares must not deviate by more than 10 % from the price quoted on Nasdaq Copenhagen A/S at the time of the acquisition.

- 4.8** That the Board of Directors is authorised in the period until 19 August 2021 at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 61,386,043.50 by issuing new shares at market price or at a discount to market price by way of payment in cash or by contribution of assets other than cash. The capital increase shall be with pre-emptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration.
- 4.9** That the Board of Directors is authorised in the period until 19 August 2021 at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 61,386,043.50 by issuing new shares at market price by way of payment in cash or by contribution of assets other than cash. The capital increase shall be without pre-emptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration.
- 4.10** If the proposals under agenda items no. 4.8 and 4.9 are adopted, it is further proposed that the total capital increase authorised by the Board of Directors may not exceed a total nominal value of DKK 61,386,043.50.
- 4.11** If the proposals under agenda items no. 4.8 and 4.9 are adopted, it is further proposed that the Board of Directors may implement the necessary amendments to the Articles of Association in connection

with changes to the capital structure in accordance with the above resolution.

If the proposals above under agenda items no. 4.3, 4.7, 4.8, 4.9, 4.10 and 4.11 are adopted, article 4 of the Articles of Association will be updated as follows:

“Article 4:

Section 1. (unamended) The share capital of the company amounts to DKK 613,860,435. The share capital is fully paid up.

Section 2. (unamended) The share capital is not divided into different classes of shares.

Section 3. (amended) The nominal value of each share is DKK 5 or multiples thereof.

Section 4. (amended) The Board of Directors is authorised to allow the company to acquire treasury shares in the period until 19 August 2021 up to an aggregate of 10% of the company's share capital at the time of the authorisation, provided that the company's total holding of treasury shares does not at any time exceed 10% of the company's share capital. The purchase price paid in connection with acquisition of treasury shares must not deviate by more than 10 % from the price quoted on Nasdaq Copenhagen A/S at the time of the acquisition.

Section 5. (amended) The Board of Directors is authorised in the period until 19 August 2021 at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 61,386,043.50 by issuing new shares at market price or at a discount to market price by way of payment in cash or by contribution of assets other than cash. The capital increase shall be with pre-emptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration.

**Section 6. (amended) The Board of Directors is authorised in the period until 19 August 2021 at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 61,386,043.50 by issuing new shares at market price by way of payment in cash or by contribution of assets other than cash. The capital increase shall be without pre-emptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration.**

**Section 7. (amended) Pursuant to Article 4, sections 5 and 6 above, the Board of Directors may not decide to increase the company's share capital by more than a total nominal value of DKK 61,386,043.50.**

**Section 8. (amended) The Board of Directors may implement the necessary amendments to the Articles of Association in connection with changes to the capital structure in accordance with the above resolution."**

**5. Election of members to the Board of Directors.**

**Pursuant to Article 8, section 2, of the Articles of Association, the members of the Board of Directors elected by the General Meeting stand for election each year at the Annual General Meeting.**

**The Board of Directors proposes the re-election of Juha Christen Christensen, Jesper Jarlbæk, Anders Colding Friis, Tuula Ryttilä and M. Claire Chung. The remaining members of the Board of Directors, consisting of Mads Nipper and Joan Ng Pi O, will not be up for re-election. Joan Ng Pi O will assume a role as Chairperson of Bang & Olufsen's China Advisory Board to further guide the company's activities in the Greater China market.**

**The composition of the Board of Directors reflects the skills and experience required to manage a public listed company. The company aims at composing the Board of Directors of persons who possess the professional skills and international experience required to serve as a board member.**

With respect to the existing board members' qualifications, including management positions in other businesses, reference is made to pages 55 to 56 of the annual report. All existing board members are considered to be independent.

Further, the Board of Directors proposes that Albert Bensoussan be elected as a new board member.

Albert Bensoussan has previously been a member of the Board of Directors in the period 2014 to 2019.

Albert Bensoussan has a great experience with luxury goods, gained through his previous positions with the LVMH Group and Cartier, Paris (the Richemont Group). In both groups, he held various management positions for 17 and 10 years, respectively. Most recently he has held for 6 years the position of chief executive officer of the "Luxury Watches and Jewelry" division of the Kering Group. Today, Albert Bensoussan is a professional board member and founder of AB Consultants.

Albert Bensoussan has more than 30 years of international experience in the luxury industry and he will through his experience provide deep insights into branding, sale and marketing of luxury goods. Further, Albert Bensoussan brings vast experience within retail and brand building as well as knowledge of many of the Bang & Olufsen's focus markets.

Albert Bensoussan was born in 1959 and currently lives in Paris, France. Albert Bensoussan studied at Ecole Supérieure de Commerce de Lyon-France and holds a Master of Business Administration (MBA) from Pace University in New York (USA).

Albert Bensoussan is considered to be an independent board candidate.

**6. Appointment of auditors.**

The Board of Directors proposes re-election of Ernst & Young P/S as auditors of the company.

**7. Any other business.**

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**Voting rights and required majority**

As of the date of distribution of the notice convening the Annual General Meeting, the company's nominal share capital totals DKK 613,860,435, divided into



shares of a nominal value of DKK 0.1 each or multiples thereof. Each share of a nominal value of DKK 0.1 carries one vote, which means that each share listed on Nasdaq Copenhagen A/S carries 50 votes.

Adoption of the proposals under agenda items no. 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10 and 4.11 requires 2/3 of the votes cast as well as of the share capital represented at the Annual General Meeting, whereas adoption of the other proposals requires a simple majority of votes.

#### Registration date and rights

The registration date is Thursday 13 August 2020. A shareholder's right to participate and vote at the Annual General Meeting is determined on the basis of the shares registered in the shareholder's name in the register of shareholders at the expiry of the registration date, or the shares for which the shareholder at that time has notified and documented his/her acquisition to the company.

#### Convening notice and other information made available to shareholders

The notice convening the Annual General Meeting will be published and distributed in accordance with article 6 of the company's Articles of Association. The Annual General Meeting will be convened via the company's website and by email to all shareholders registered by name in the register of shareholders, who have so requested. Additionally, the notice will be published via Nasdaq Copenhagen A/S.

The agenda together with the complete proposals, as well as the annual report, are available for the shareholders' inspection at the company's offices at Bang og Olufsen Allé 1, DK-7600 Struer, Denmark and on the company's website <https://investor.bang-olufsen.com> from Wednesday 22 July 2020. The above documents and the notice convening the Annual General Meeting, information about the total number of shares and voting rights as at the date of distribution of the notice convening the Annual General Meeting and the forms to be used for voting by proxy and postal voting are also available at the company's website, <https://investor.bang-olufsen.com>.

#### Admission card

Any shareholder is entitled to attend the Annual General Meeting, if the shareholder has requested an admission card upon presentation of appropriate identification no later than Friday 14 August 2020, at 11:59 pm CEST.

Admission cards for the Annual General Meeting may be requested:

- online via the shareholder portal on the company's website, <https://investor.bang-olufsen.com>,
- by completing, signing and submitting the registration form by email to [gf@computershare.dk](mailto:gf@computershare.dk) or by ordinary mail to Computershare A/S, Lottenborgvej 26 D, first floor, 2800 Kgs. Lyngby, Denmark, or by using the registration form available on the company's website, <https://investor.bang-olufsen.com>. Please note the delivery time of the postal services if the registration form is sent by ordinary mail; or
- by contacting Computershare A/S, Lottenborgvej 26 D, first floor, 2800 Kgs. Lyngby, Denmark on tel. +45 4546 0997 (weekdays from 9:00 am to 3:00 pm CEST).

Admission cards are only sent electronically by email to the email address specified in the shareholder portal at registration. The admission card must be presented at the Annual General Meeting either electronically on a smartphone/tablet or printed. Shareholders who have ordered admission cards without specifying their email address can pick up the admission card at the entrance of the Annual General Meeting upon presentation of a valid photo ID.

Shareholders with voting rights will receive a voting form at the entrance of the Annual General Meeting.

#### Proxy and postal votes

You will be able to exercise your shareholder rights by issuing a proxy or by submitting a postal vote, but you cannot do both. The granting of proxy and postal voting can take place electronically via the shareholder portal available at <https://investor.bang-olufsen.com>. Login requires username and password or NemID. Proxy and postal voting can also take place using the forms available on the company's website, <https://investor.bang-olufsen.com>. The completed form must be sent by ordinary mail to Computershare A/S, Lottenborgvej 26 D, first floor, DK-2800 Kgs. Lyngby, Denmark or by email to [gf@computershare.dk](mailto:gf@computershare.dk).

Nomination of proxy must be received by the company or Computershare A/S in accordance with the above no later than Friday 14 August 2020 at 11:59 pm CEST, and postal votes must be received by the company or Computershare A/S in accordance with the above no later than Wednesday 19 August 2020 at 4:00 pm CEST.

#### Processing of personal data

In respect of the company's processing of personal data in connection with general meetings, reference is made to the company's policy on "Collection, processing and storing of personal data in connection with general meetings", which is available on the company's website, <https://investor.bang-olufsen.com>.

Questions and answers At the Annual General Meeting, the Board of Directors and the Executive Management Board will answer questions from the shareholders on matters of relevance to the assessment of the annual report, the company's position and any other questions to be addressed at the Annual General Meeting. Questions can be submitted until the day before the Annual General Meeting by post to Bang & Olufsen a/s, Bang & Olufsen Allé 1, DK-7600 Struer, Denmark, addressed for the attention of EVP, Chief Legal Officer Line Køhler Ljungdahl, or by email to [lj@bang-olufsen.dk](mailto:lj@bang-olufsen.dk).

After the Annual General Meeting, we will host a product demonstration event for all shareholders. The event begins just after the conclusion of the Annual General Meeting.

Yours sincerely  
Bang & Olufsen a/s  
Juha Christen Christensen  
Chairman

**Appendix A**



**1. Preamble**

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

**2. Scope of Policy**

- 2.1. This policy applies to remuneration received by the members of the Board and the EMB for work performed for Bang & Olufsen.
- 2.2. This policy governs agreements on remuneration and any amendments thereto adopted after the policy has been approved by the Company's general meeting.

**3 Definitions**

<b>Bang &amp; Olufsen / B&amp;O</b>	Bang & Olufsen a/s
<b>Company</b>	Bang & Olufsen a/s
<b>EMD / Executive Management Board</b>	Refers to the executive officers of the management board of Bang & Olufsen, registered as such, with the Danish Business Authority

**4. Objective**

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

(c) there shall be clarity about performance criteria and measurability for award of variable components, and

(d) the variable remuneration shall comprise of both short-term and long-term components.

**5. Remuneration of the Board**

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

**6. Remuneration of the EMB**

**6.1. The total remuneration**

- 6.1.1. It is the view of the Board that a combination of fixed and performance-based remuneration for the EMB contributes to the Company's ability to attract and retain competent key employees while, at the same time, the EMB has an incentive to create added value for the benefit of the Company's shareholders and stakeholders through variable remuneration.
- 6.1.2. The EMB's terms of employment and remuneration are agreed between the individual executive and the Board.
- 6.1.3. The total remuneration of the EMB may consist of the following fixed and variable remuneration components:

(a) a fixed base salary including pension contributions ("annual base salary"),

(b) variable remuneration consisting of (i) non-share based cash bonus (see 6.3.3), and/or (ii) share-based remuneration (see 6.3.4),

(c) termination and severance payment,

(d) customary non-monetary employment benefits, and

(e) potential extraordinary incentive grants subject to the terms of this policy, including clause 6.4.

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

## **6.2. Annual base salary**

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

6.2.3. The members of the EMB may be granted individual non-monetary benefits such as a company car or car allowance. If a member of the EMB need to relocate to another country in order to take up the position in the EMB, such EMB member may, at the Board's discretion, be entitled to relevant individual non-monetary benefits such as housing allowance and school tuition fee allowance. The total value of individual non-monetary benefits may not exceed 20% of the annual base salary.

6.2.4. Members of the EMB may furthermore be entitled to customary employment benefits such as insurance, newspaper, telephony and internet access etc. as approved by the Board from time to time. The members of the EMB can also participate in the pension scheme of the Company, provided the individual contributions shall be taken out of the annual base salary.

## **6.3. Variable remuneration**

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

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

(a) Short term cash bonus plan

(b) Long term combined performance and restricted share plan

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

### **6.3.3. Short term cash bonus plan**

6.3.3.1. Individual members of the EMB may receive an annual bonus which will amount to approx. 35% of the base salary in case of achievement of targeted performance thresholds and up to a maximum of 45.5% of the base salary in case of achievement in excess of targets. For the CEO, the levels are 75% for on-target performance and up to 100% for performance in excess of targets.

- 6.3.3.2. This cash bonus is intended to ensure achievement of the Company's short-term objectives. The payment of the bonus and the size thereof will therefore depend on the achievement of the objectives agreed from year to year. These objectives will primarily relate to the achievement of the Company's financial performance and individual performance criteria which reflect and support the Company's short term objectives.
- 6.3.3.3. The annual bonus which may be granted to the CEO must be divided so that 75% of the bonus may be paid if certain ordinary bonus objectives determined at the discretion of the Board in accordance with the criteria described above have been fulfilled, whereas the remaining 25% of the bonus may be paid if certain extraordinary bonus objectives determined at the discretion of the Board in accordance with the criteria described above have been fulfilled.
- 6.3.4. Long term combined performance and restricted share plan
- 6.3.4.1. Individual members of the EMB may annually receive a conditional right to receive (against no or only nominal consideration) shares after a reference period comprising three financial years, subject in each case to a combination of performance targets, requirements for continuous service and/or satisfactory people review ratings.
- 6.3.4.2. The performance share element shall comprise at least 2/3 of the value of the annual grants under the plan. The performance share element shall be subject to the level of achievement of performance targets to be defined and set annually by the Board and comprising one or more financial years in the reference period. The performance targets shall be linked to the Company's internal business targets, such as e.g. revenue, EBIT and/or strategic targets. When defining the performance targets the Board shall take into account the plan's overall purpose and anticipated effect in relation to the long-term sustainability and performance of the Company.
- 6.3.4.3. The performance and restricted shares may vest incrementally during the reference period, but will only be finally awarded after the three financial year reference period. Details of the combined performance and restricted shares arrangements and relevant performance metrics for each grant will be set out in the annual Remuneration Report.
- 6.3.4.4. Assuming achievement of targeted performance thresholds, the value of the individual grants within a given financial year may not at the time of grant exceed 62.5% of the recipients' base salary for the relevant year. The maximum value (i.e. assuming achievement of the defined maximum performance thresholds in excess of targets) may not exceed 125% of the base salary for the given financial year. For the CEO, the levels are 75% for on-target performance and up to 150% for performance in excess of targets.
- 6.3.4.5. Both performance and restricted shares will be subject to good and bad leaver provisions, pursuant to which unvested awards may be forfeited in whole or in part in case of e.g. if the EMB resigns or is terminated with cause.
- 6.3.4.6. The value of the granted performance and restricted shares and the method of calculating the value will be set out in the Company's Remuneration Report from time to time. The Company intends to buy back shares in order to cover its obligations in relation to the awarded rights to performance and restricted shares.

#### **6.4. Award of extraordinary incentive-based remuneration**

- 6.4.1. In order to meet the overall objective of the Company's incentive-based remuneration programs, the Board may in individual extraordinary cases and when considered to be in the Company's interest decide to award a one-off bonus, retention bonus, severance payment or a sign-on bonus in connection with recruitment, in each case deviating from the principles relating to the regular incentive programs set out above in clauses 6.3.3 and 6.3.4.1 to 6.3.4.5. Such extraordinary award may consist of cash and/or share-based remuneration and may or may not include performance criteria or criteria of continued employment.

- 6.4.2. The terms for such an extraordinary award to be decided by the Board. The value of such an extraordinary award may not at the time of the award exceed an amount corresponding to 100% of the EMB member's base salary in each of the relevant financial year(s). To the extent such an extraordinary award relates to a sign-on bonus or other schemes related to recruitment of EMB members, the award may be increased by additional 50%.
- 6.4.3. Subject to the above limitations, the Company has established an extraordinary short-term cash based retention program for certain key employees, including certain members of the EMB, in the transition phase covering the financial year 2020/21 and 2021/22, subject in each case to requirements of continued service and satisfactory people review ratings.
- 6.5. **Claw-back, adjustments to terms, etc.**
- 6.5.1. In the situation where incentive remuneration have been provided to a member of the EMB (or right to receive such) on the basis of data or accounts which subsequently prove to have been misstated, the Company may reclaim the incentive remuneration in full or in part on the basis of such data.
- 6.5.2. For all incentive-based remuneration, the Board may decide that specific terms shall apply for accelerated vesting or award (and/or for roll-over or adjustment) of incentive-based remuneration in case of a take-over in whole or in part, significant divestiture of activities, demerger, merger or other business combination involving the Company. Further, the Board may in order to further the principles and objectives of this Policy, adopt adjustments to performance targets, bonus amounts and/or number of shares e.g. in the event the Company's capital structure is changed or in case of other material events that would otherwise adversely influence the value or effect of the incentive-based remuneration.
- 6.6. **Legacy programs**
- 6.6.1. In accordance with prior Remuneration Policies, current and former members of the EMB participate in Matching Shares Programs pursuant to which the participants hold shares in B&O ("Investment Shares") which subject to certain terms and conditions entitle them to receive a number of shares ("Matching Shares") in the Company. The Matching Shares Programs are described in the Company's Remuneration Report.
- 7. Termination and severance payment**
- 7.1. Employment agreements with members of the EMB may be ongoing (i.e. without a fixed terms) and shall be subject to a maximum notice of termination of 24 months.
- 8. Remuneration Committee**
- 8.1. The Board has established a remuneration committee (the "Remuneration Committee") to ensure that the Company maintains and observes a remuneration policy for the members of the Board and the EMB.
- 8.2. The Remuneration Policy and any changes thereto shall be approved by the Board as well as the general meeting.
- 8.3. The Remuneration Committee shall evaluate and make recommendations for the remuneration of the members of the Board and the EMB. The Remuneration Committee also assesses and determines the level of achievement of performance targets.
- 8.4. The Remuneration Committee shall retain its own advisers separate from the external advisers engaged by the Company and/or the EMB.
- 8.5. To avoid conflicts of interest, the Remuneration Policy and the remuneration of the Board will be approved by the general meeting, and the remuneration of the EMB will be approved by the Board.



**9 Considerations in relation to employee compensation**

- 9.1 In preparing this Policy and the individual remuneration agreements, the Remuneration Committee considers the remuneration and employment terms of the Company's other employees to ensure an appropriate alignment with due regard to market practice for comparable listed companies and overall responsibility and duties of the individual members of the Board and the EMB.
- 9.2 The Board considers the principles for ordinary short-term incentives for the Executive Board and the Company's other key employees are aligned.
- 9.3 Long-term share based incentive programs are not offered to the Company's employees in general. The Board considers that the long-term share based incentive program outlined herein (which is also extended to members of the Company's broader management team and certain key specialists) is appropriate and required in order to align the interests of those with management responsibilities with the interests of the Company and its shareholders.
- 9.4 With regard to terms of resignation, the Board considers that longer resignation periods for EMB members reflect market practice and are appropriate as part of the overall remuneration package to EMB members.

**10. Approval and Publication of the Remuneration Policy**

- 10.1. This Remuneration Policy has been reviewed and approved by the Board and this Remuneration Policy shall be posted on the Company's website (<https://investor.bang-olufsen.com>) specifying the date of adoption by the general meeting of the Company.
- 10.2. 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.
- 10.3. The Company will prepare a remuneration report in accordance with applicable law containing information on, inter alia total remuneration, for each of the management board members and on an individual basis, and on compliance with the Remuneration Policy.

**11. Policy Review**

- 11.1. The Remuneration Policy shall be reviewed by the Remuneration Committee at least on an annual basis.

**12. Owner**

- 12.1 The CEO.