



BANG & OLUFSEN

CORPORATE SOCIAL RESPONSIBILITY
2015/2016



LETTER FROM MANAGEMENT

In Bang & Olufsen, we value CSR as a fundamental element and a key driver for achieving our results in a sustainable way. In 2015/16 our CSR areas included human rights, employee rights, anti-corruption, environment and climate.

We believe in collaborating with our external stakeholders to help maintaining focus on these important CSR areas in the daily business. Our focus is therefore embedded throughout the organisation and as an overall umbrella. We have in 2015/16 instituted the Anti-Corruption policy and Code of Business Conduct and Ethics for which we measure ourselves and our external partners against.

We want to create a corporate culture that values CSR by pursuing initiatives in the areas we have included in our CSR work and hereby contributing to building a more sustainable world, and protecting both employee and human rights.

Our values are also the cornerstones in our daily business, fuelling both decisions and practices when creating and selling our unique products and when collaborating with stakeholders. In the coming years, CSR is becoming even more important as our business expands to new corners of the world and thereby the potential of forming new partnerships and relationships will grow.







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ABOUT THIS REPORT

This report provides a status on Bang & Olufsen's work within the area of Corporate Social Responsibility (CSR) for the financial year of 2015/2016 and thereby fulfils the reporting requirements set out in section 99a of the Danish Financial Statements Act (Årsregnskabsloven). It is our intention that the report will provide insight and understanding of the scope of our CSR work, and how these activities are an integrated part of the day-to-day business of our company.



ABOUT BANG & OLUFSEN

The Bang & Olufsen Group develops high-quality, innovative audio and visual solutions for its customers by striving for the perfect, uncompromising combination of iconic craftsmanship and design, beautiful sound and seamless integration.

Bang & Olufsen was founded in Struer, Denmark, in 1925 by Peter Bang and Svend Olufsen, two innovative, young engineers devoted to high quality audio reproduction. Since then, the brand has become an icon of performance and design excellence through its longstanding craftsmanship tradition and the strong commitment to high-tech research and development.



Still at the forefront of domestic technology, our current product range epitomises seamless media experiences in the home and on the move.

At the end of the financial year, Bang & Olufsen employed 1,734 people and our products are currently sold in more than 70 countries across the world. Bang & Olufsen's shares are listed on NASDAQ Copenhagen

CORE COMPETENCIES

In Bang & Olufsen, we recognise the importance of identifying and utilising our own expertise and we have over the years built up a number of areas of expertise through experience, practice, development and cooperation with external partners. Some of these areas have been identified as our core areas of expertise, such as sound and acoustics, design, and craftsmanship, as well as system integration.

BUSINESS AREAS

Bang & Olufsen operates within two business segments; Bang & Olufsen and B&O PLAY, complemented by brand licensing partnerships.

The Bang & Olufsen business comprises audio and video products sold exclusively in more than 600 Bang & Olufsen stores around the world. The B&O PLAY brand delivers headphones and portable audio systems distributed through Bang & Olufsen stores and third party retailers as well as online.



CSR IN BANG & OLUFSEN

In Bang & Olufsen we value CSR as a fundamental element and a key driver for achieving results in a sustainable way. As the business expands to new corners of the world, and thereby creating new partnerships, CSR is becoming even more important.

We recognise the UN and ILO declarations regarding human rights, labour rights, environment and anti-corruption. Consequently, we have chosen to structure our CSR effort, including the CSR policy, in accordance with the UN Global Compact guidelines.

We believe in a result oriented and pragmatic CSR approach, and consequently, we work with CSR systematically and within the framework of the Danish Financial Act section 99 on CSR. Our CSR policy covers the common CSR policy areas according to the above-mentioned international standards. The CSR policy is relatively fixed from year to year and is presented in the section 'Bang & Olufsen's CSR Policy'. The policy is supported by our Anti-Corruption policy and Supplier Code of Conduct, which contain Bang & Olufsen's CSR requirements to our suppliers as well as guidelines to our employees. External audits of the suppliers, as well as their sub-suppliers, are carried out if there is a concrete suspicion of breach of these policies.

For this report, we have produced a new CSR framework, which is illustrated in figure 1. The framework builds on the above-mentioned policies, making sure that we define the right objectives in order to focus on our risk areas. The framework first presents 'Focus and risks' within the policy areas that are introduced to help our surroundings understand the relevance to Bang & Olufsen's business activities. Then, a presentation of the actions within the individual policy areas are disclosed, and finally, the results of the targets are presented. The framework displays our dynamic CSR approach, because the risks and focus areas can be revised and the actions amended accordingly, when we assess the achieved results.

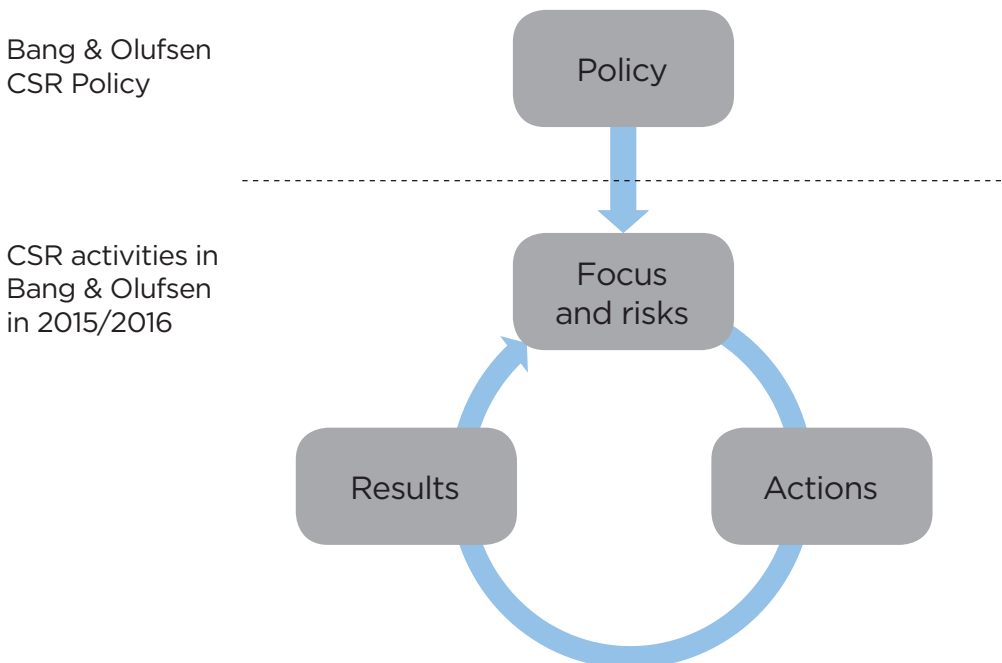


Figure 1: The CSR framework in Bang & Olufsen. The framework includes a relatively static policy section whereas the CSR activities are dynamic and agreed yearly in the CSR Steering Committee. The committee includes the CFO, Global General Counsel, VP Operations, Senior Director Global Quality, and VP HR.

BANG & OLUFSEN'S CSR POLICY

Bang & Olufsen's CSR policy states the guidelines for the Corporate Social Responsibility activities within the framework of the Bang & Olufsen Group.



Figure 2: Bang & Olufsen's CSR policy in the Bang & Olufsen CSR framework. Bang & Olufsen's CSR policy is coherent with international CSR standards.

HUMAN RIGHTS

Bang & Olufsen commits, in all matters within the Group's control, to supporting and respecting the protection of internationally proclaimed human rights.

EMPLOYEE RIGHTS

Bang & Olufsen commits to showing the greatest degree of social responsibility towards our employees. Bang & Olufsen supports the abolition of child labour and forced labour, and condemns discrimination in employment and occupation.

Bang & Olufsen attaches great importance to freedom of association and recognises the right to collective bargaining.

Bang & Olufsen commits to being a tolerant workplace where each employee thrives and has the possibility to develop and create a good work-life balance.

ANTI-CORRUPTION

Bang & Olufsen strongly disassociates itself from all kinds of corruption, including extortion and bribery. We are committed to conducting our business operations around the world in an honest, fair, transparent and ethical manner.

Reports of breaches to the policy will be investigated thoroughly and appropriate actions will be taken based on such investigation.

Bang & Olufsen is subject to serious criminal and civil penalties for breaches of applicable anti-corruption laws. Consequently, any employee who breaches the Anti-Corruption policy may be subject to criminal and/or civil penalties, including imprisonment and very substantial fines, which will not be reimbursed by Bang & Olufsen. In addition, any employee who breaches the policy may be subject to disciplinary action by Bang & Olufsen, up to and including termination of their contract of employment.

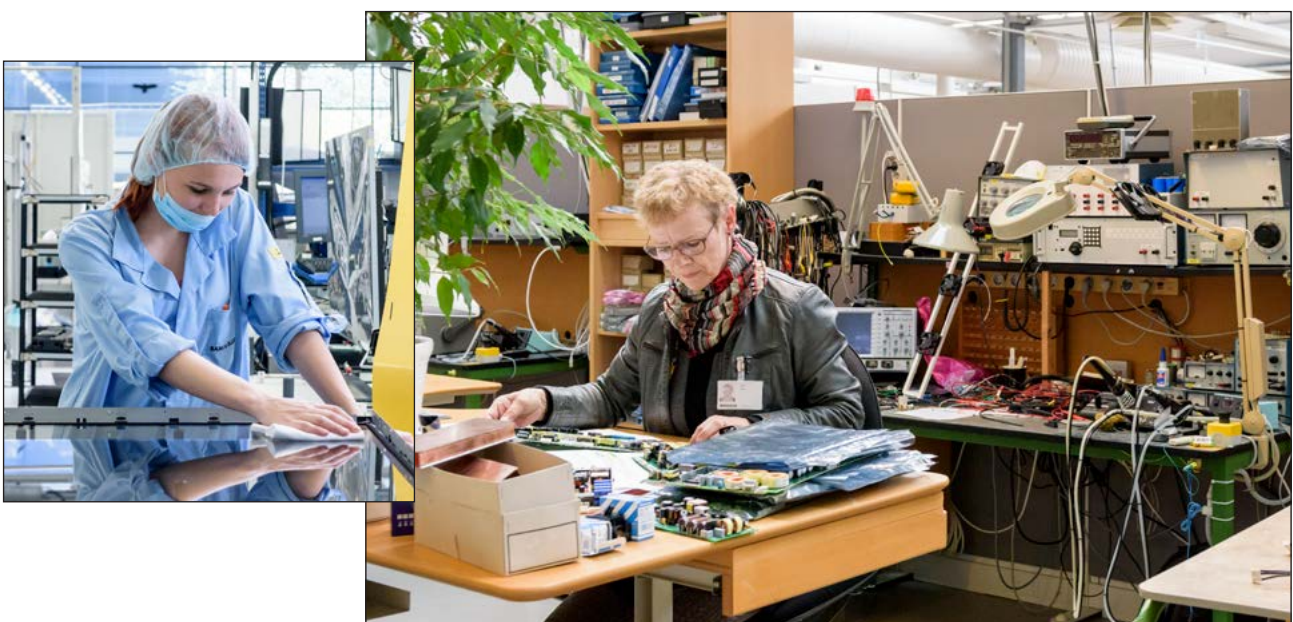
ENVIRONMENT AND CLIMATE

Bang & Olufsen has an integrated thinking with regard to the environmental consequences that our production and products have on our employees, customers and the environment. This means that we include the aspects of environment, working environment and product environment in the production and in the products. We use the word “environment” broadly to cover the areas of work environment, product environment and external environment, and these areas are all integrated in the production.

As a responsible company, Bang & Olufsen commits to creating sustainable products. The considerations involved in the operation, design, and longevity of our products must be in mutual balance with the environmental impact of production. Bang & Olufsen complies with existing legislation in the countries where we produce and sell our products.

More specifically, we aim to focus on the areas where the right balance between effort and impact can be achieved:

- improve the work environment and the health and safety conditions of our employees
- Prevent work related illnesses and/or injuries
- Improve and prevent negative environmental impact from our production and products, including reduction of climate impact.
- Prevent negative environmental and climate impact from use of products as well as maintain high focus on developing sustainable products.



CSR ACTIVITIES IN BANG & OLUFSEN IN 2015/16

This section presents the CSR activities in Bang & Olufsen of the financial year 2015/2016. The sections following the table contain further elaborations.

POLICY AREA	TOPIC	OBJECTIVES	ACTUAL RESULTS
Human rights labour	Collective agreement for employees (Suppliers and contractors)	Ensure compliance of our suppliers obtained by audits through risk-assessment of suppliers.	Risk-assessment conducted of twelve suppliers. Based on satisfactory self-assessments ten suppliers required no further action, and two were subject to further assessment due to overtime.
	Conflict minerals	Review and maintain processes and supplier agreements to avoid conflict minerals in any product. Conflict minerals refer to tantalum, tungsten, tin, and gold originated in the Democratic Republic of Congo and its adjoining countries.	During 2015/2016, different standard procedures have been tested and evaluated to minimise risks and avoid conflict minerals in products.
Environment	Accident and severity	<p>Accident frequency must not exceed 2 (number of accidents per 1 million working hours).</p> <p>The level of severity in accidents must not exceed 0.095. (the number of hours of absence per 1,000 working hours).</p>	<p>The actual result is 2.6</p> <p>The actual result is 0.214</p> <p>Safety walks in Danish and Czech production facilities initiated.</p> <p>Tool to visualise accidents and near misses (safety cross) in Czech facility initiated</p> <p>Actions implemented for focus areas in the environmental groups (cutting accidents, heavy lift, focus on own risk, ergonomic)</p> <p>Care conversation together with injured initiated to avoid long-term sickness absence.</p>
	Energy consumption in facilities	Energy reduction of least <0.34 kWh/total salary expense (The number of kWh adjusted for degree days/salary).	<p>The actual result is 0.37</p> <p>LED lights purchased in the Danish production facility</p> <p>Energy inspection conducted (external) in Danish facility - provides energy saving catalogue</p> <p>Low energy solutions at renewals.</p>
Anti-corruption	Policy review	Review policies and update to reflect actual business set-up.	In 2016, a thorough review of all policies was conducted a new Anti-Corruption policy was adopted which is in full compliance with the UK Bribery Act and the U.S. Foreign Corrupt Practices Act.
	Anti-corruption training	Conduct training for white collars in Procurement and Sales.	Based on the newly adopted Anti-Corruption policy and Supplier Code of Conduct and Ethics, an on-line training program will be set up for all employees with commercial responsibility to receive training in anti-corruption laws and procedures.

HUMAN RIGHTS LABOUR

In Bang & Olufsen we are committed to providing safe and healthy working conditions for the more than 1700 employees around the world. We respect internationally recognised labour rights and we follow national requirements for labour practices. In the following section the activities for 2015/2016 in Bang & Olufsen within the human rights policy area will be presented.

FOCUS AND RISKS:

Child labour and forced labour

Bang & Olufsen's business activities generate a demand for products and services from global suppliers. We acknowledge the responsibility for human rights in the business activities that we generate both locally and globally, and we are committed to avoid any use of child labour and forced labour in our supply chains.

Conflict Minerals

Conflict minerals refer to tantalum, tungsten, tin, and gold originated in the Democratic Republic of Congo and its adjoining countries. Tin, tantalum, tungsten and gold are widely used in electronic equipment due to the excellent applications, however there are concerns that the conflict minerals fund armed forces, and cause infringement of human rights in the course of mineral excavation, such as forced labour and abuse of women and children. We are fully aware that the mining and processing of minerals can help developing more responsible supply chains for these minerals.

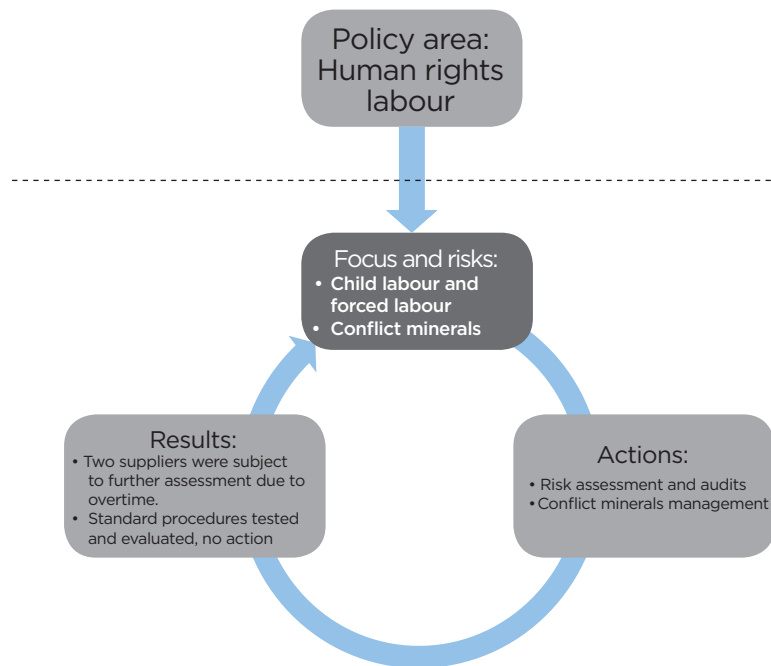


Figure 3: The activities in the human rights policy area are summarised in the figure above.

ACTIONS:

Risk assessments and audits

In the financial year 2015/16, Bang & Olufsen has conducted supplier assessments and in addition, suppliers have signed our Supplier Code of Conduct. Based on an updated risk assessment of our supply base, and the risk of business and country, actions were taken accordingly.

Conflict minerals management

Bang & Olufsen do not source tin, tantalum, tungsten and gold directly from smelters and hence we have assessed the risks of sourcing conflict minerals at our particular place in the global mineral supply chains. During 2015/16 we have tested and evaluated different standard procedures to minimise risks and avoid conflict minerals in our products.

RESULTS:

During our risk assessment, we selected twelve suppliers to perform self-assessments. Ten suppliers required no further action, and two were subject to further assessment due to overtime. However, since the employees are working overtime on a voluntary basis, it is compliant with local legislation, and the employees receive their overtime payment at premium rates, we can only make an effort to influence the suppliers in a positive direction.

Regarding conflict minerals, we have identified the responsibilities and risks in the supply chain and started to manage conflict minerals in supplier contracts.

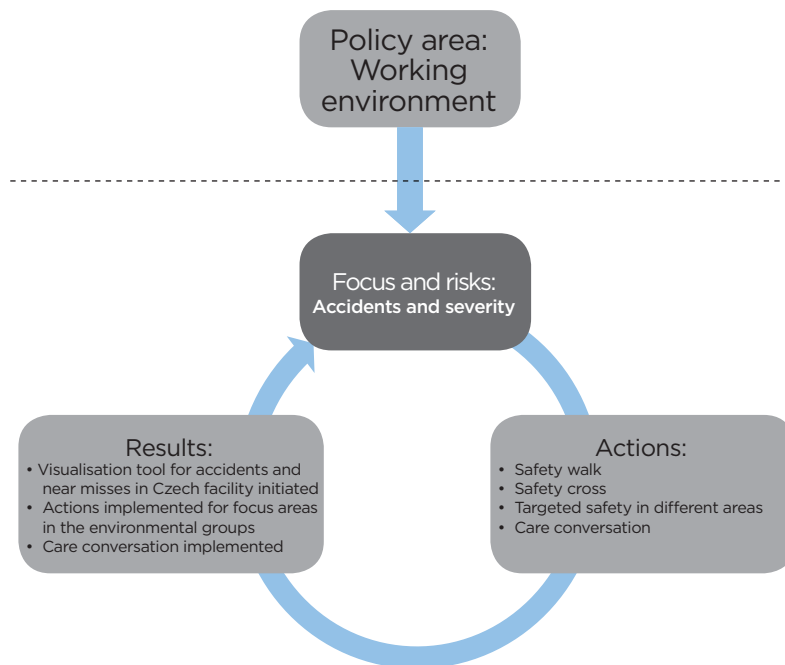


Figure 4: Bang & Olufsen's activities related to the work environment policy area is summarised in the table above.

WORKING ENVIRONMENT

The following section describes the activities within our working environment policy area.

FOCUS AND RISKS:

Reduction of accident and severity

Being a manufacturer of consumer electronics including a production site and employee offices, Bang & Olufsen strives to avoid that our employees are exposed to risks, which may cause accidents at work. In Bang & Olufsen we want to foster a culture where employees each day can come home safe to their families and return to work the next day. Safety has a high priority across the organisation. We want to reduce the number of injuries, and thereby obtain a reduction of absence days.

ACTIONS:

Safety walk

A safety walk is a recurring activity to reduce accidents, and in the financial year 2015/2016, safety walks took place both in our Danish production facility, and in our Czech production facility. The manager tours the production to engage in a dialogue with employees regarding safety and health. The intention is to focus on right and wrong conduct, and to provide clear leadership and management focus and commitment towards health and safety issues.

Safety Cross

We have initiated a tool to visualise accidents and near misses in our Czech production on a daily operational level, during production meetings.

Targeted Safety in different areas

During the financial year 2015/2016 Bang & Olufsen has assessed area-specific safety risks and implemented actions to reduce area-specific accidents within the different environmental area groups. Employees in different business areas face different safety risks, e.g. a production worker is facing other types of risks than an office assistant.

Care conversation

To avoid long-term sickness absence, we contact our employees to schedule a care conversation. This also encourages the employee to return to work and to make the employee feel needed and cared for. If the employee can maintain a protected job for a period until he or she is ready to return to the original job, a protected job position will be available for the injured employee.

RESULTS

During the financial year 2015/16, Bang & Olufsen had seven cases of work related injuries (two in the Czech Republic and five in Denmark), which resulted in absence. We did not reach the target, but the frequency has decreased 24 per cent and the severity 0.2 compared to 2014/15

The number of injuries with absence, split in white-collar and blue-collar workers, is outlined in the graph below (see figure 5). The graph also shows the frequency (number of accidents per 1 million working hours) and the severity (number of hours of absence per 1,000 working hours) of the industrial injuries.

Accidents and frequency 2015/2016

	TARGET	ACTUAL
Frequency	<2	2.6
Severity	<0.095	0.214

Accidents and frequency 2015/2016

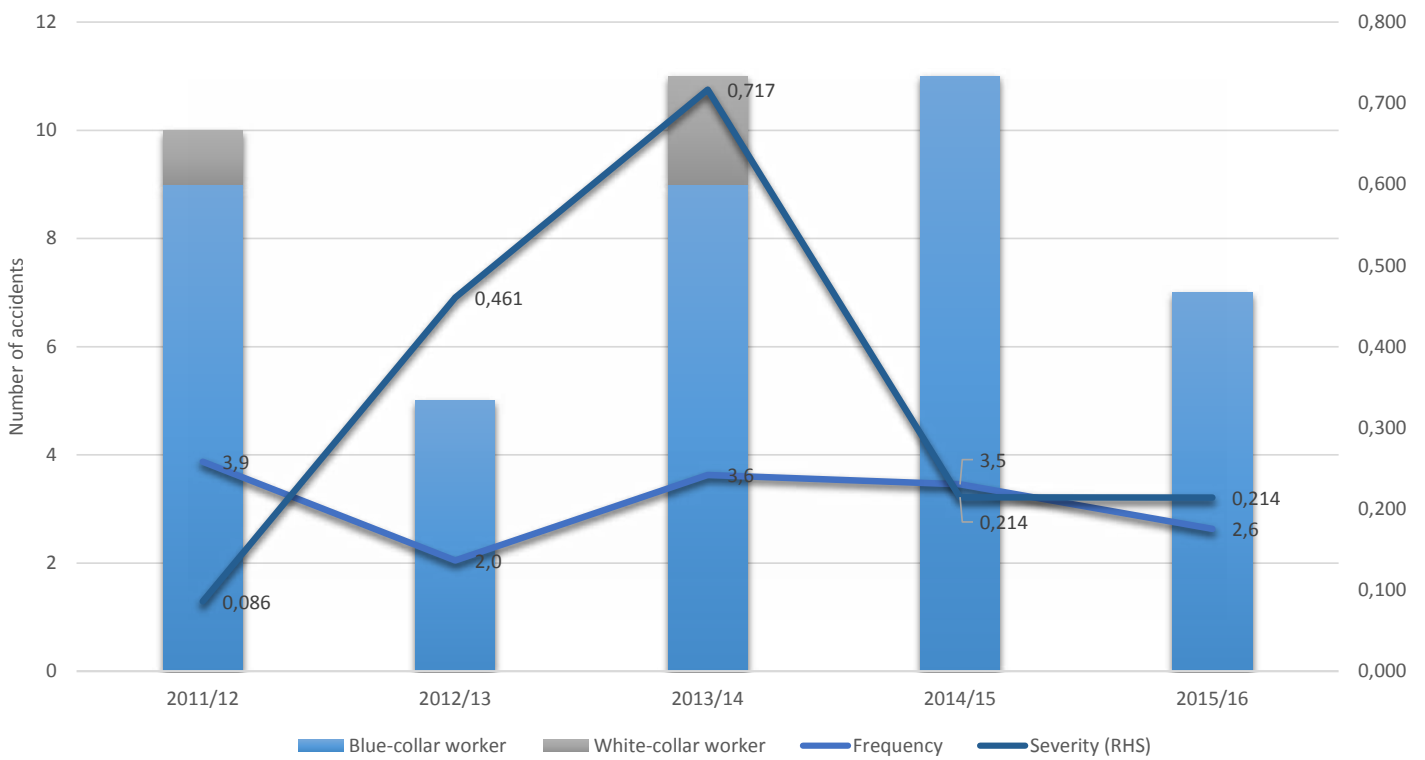


Figure 5: The graph shows the development in the number of accidents and the frequency (number of accidents per 1 million working hours) and the severity (number of hours of absence per 1,000 working hours).

ENVIRONMENT AND CLIMATE

The following section describes the activities in the Environment and Climate policy area.

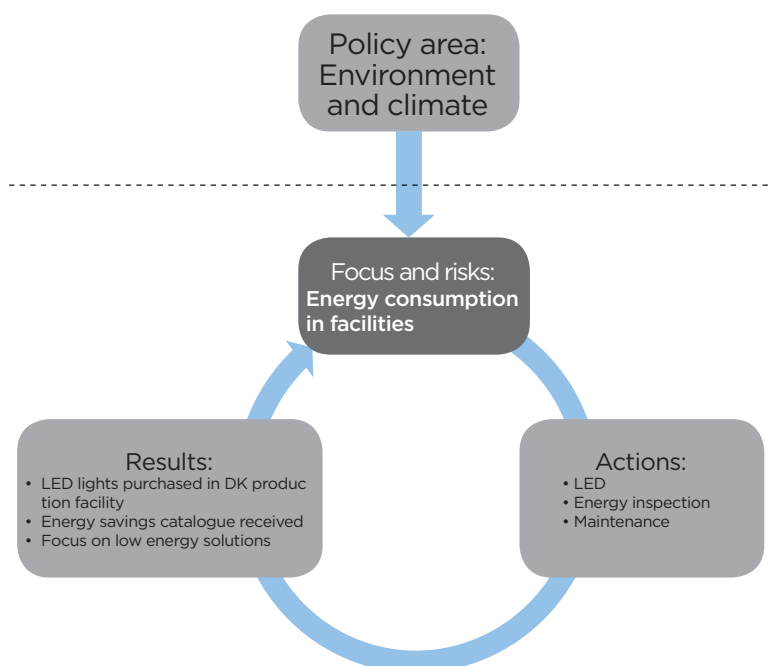


Figure 6: The activities within the environment and climate policy area are summarised in the figure above.

FOCUS AND RISKS:

Energy consumption in facilities

Bang & Olufsen's business activities depend on energy in our production, and it is our largest environment impact contributor. We strive to run a sustainable production where energy reduction in our facilities is an important target.

ACTIONS:

LED

To reduce energy consumption in the production facilities we have replaced outdated light bulbs with LED lighting during the financial year 2015/2016.

Energy inspection

A consultant has carried out an energy inspection, and consequently, an energy savings catalogue will be conducted for the financial year 2016/17.

Maintenance

When roof, pumps and other things have to be changed, we strive to replace with low energy solutions.

RESULTS:

We did not reach the target for 2015/2016. At present, Bang & Olufsen's spatial footprint in our headquarters in Struer exceeds the space for the number of employee, which is causing our heating demands to be high.

	TARGET	ACTUAL
Energy Consumption	<0.34	0.37

Note: KPI (kWh/earned wages)

The energy consumption has declined by 7.5 per cent during the last five years, corresponding to 8.6 per cent CO2 reduction of (853 tonnes CO2).

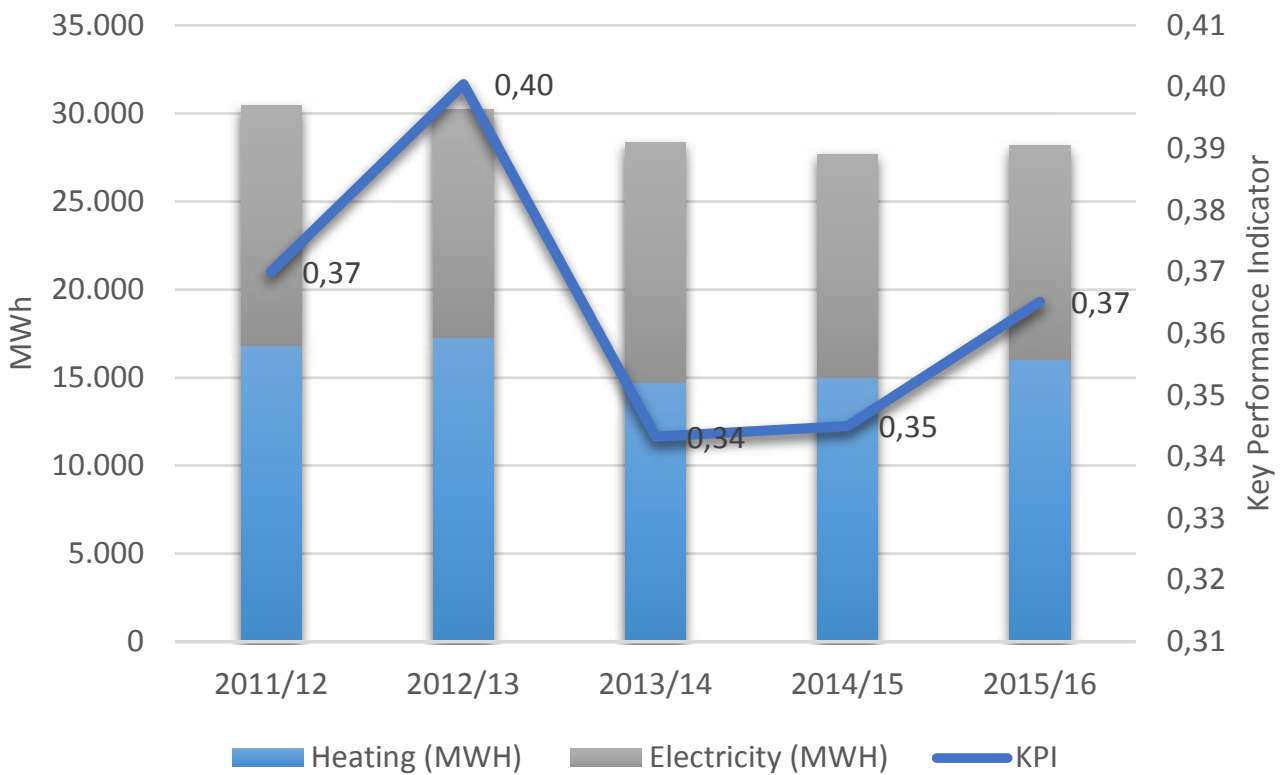


Figure 7: Total energy consumption in MWh split by electricity and heat and KPI (kWh/earned wages)

ANTI-CORRUPTION

The following section describes the activities in the anti-corruption policy area.

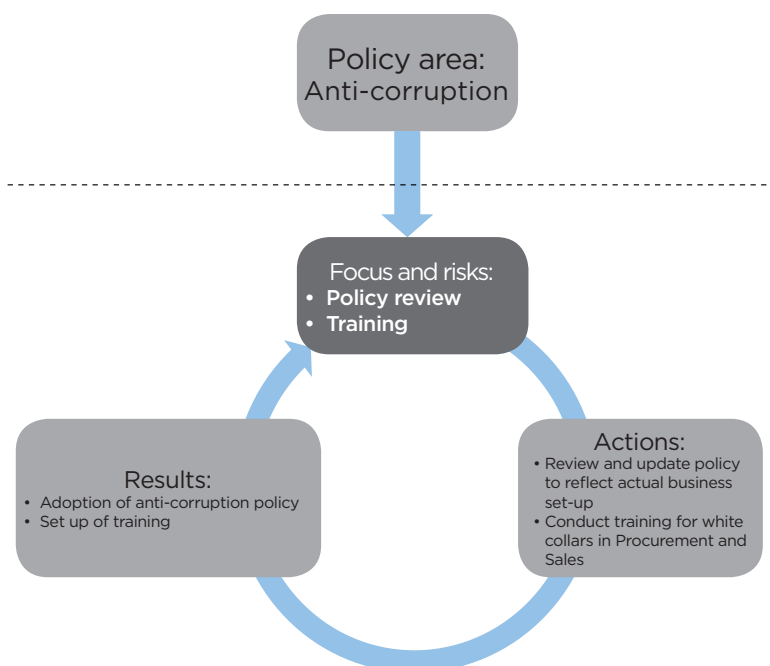


Figure 8: The 2015/2016 CSR activities in the anti-corruption policy area are summarised in the figure above.

FOCUS AND RISKS

Bribery and corruption is a major global issue, which causes damage to societies and individuals worldwide. Bang & Olufsen, as with every other commercial organisation, faces the risk of bribery and corruption when conducting business.

In Bang & Olufsen, we are committed to conducting all of our business operations around the world in an honest, fair, transparent and ethical manner. Our policy is to comply with all applicable anti-corruption laws and not to engage in any corrupt activity. We do not accept any kind of corruption and/or bribery in or in connection with our business activities.

At Bang & Olufsen we do not tolerate the acceptance, offering, promising or paying of bribes of any kind. We may only give or accept gifts, meals or other things of value if these are within a reasonable level and have a specific and legitimate business purpose in accordance with our Anti-Corruption policy.

Furthermore, we are committed to conducting our business activities with the highest standards of ethics and professionalism. We believe that acting responsibly and fairly are important factors in achieving long-term business success, and always maintain the highest standards of integrity, safety and fairness.

In Bang & Olufsen we expect our employees to adhere to core values such as integrity, fairness and honesty. Safeguarding the reputation of Bang & Olufsen and complying with governmental laws or regulations, as well as our Supplier Code of Conduct and Ethics is the responsibility of every employee and director.

Our newly adopted internal policies are designed to help employees resolve day-to-day ethical dilemmas, such as situations involving anti-corruption, confidentiality, the misuse of company assets for personal advantage and the rules regarding donations and gifts.

To ensure compliance with company policies, we have established a whistleblower system, which encourages and enables our staff members to report immediately any questionable actions or activities that may involve criminal conduct or violations of our company policies and guidelines, either through internal channels or through the Bang & Olufsen whistleblower hotline.

The whistleblower hotline system is confidential and employees can choose to remain anonymous when reporting incidents through the hotline. The hotline is managed by an independent third party to ensure the highest level of security and confidentiality.

ACTIONS:

Policy review

In 2015/2016 we have conducted a thorough review of all of our policies and have decided to adopt a new anti-corruption policy which is in full compliance with the UK Bribery Act and the U.S. Foreign Corrupt Practices Act.

Anti-corruption training

Based on the newly adopted Anti-Corruption policy and Supplier Code of Conduct and Ethics, an on-line training programme will be set up for all employees with commercial responsibility to receive training in anti-corruption laws and procedures.

RESULTS:

The review of policies revealed the need for an overall code of business conduct and ethics covering ethical dilemmas, such as situations involving confidentiality, the misuse of company assets for personal advantage and the rules regarding donations and gifts, which was also adopted by the Board of Directors in 2015/16.

The training programme on anti-corruption has been set up and will be conducted in the autumn 2016. The results from the training are expected to be finalised before end of 2016.



PLANNED CSR ACTIVITIES AND OBJECTIVES IN 2016/17

Bang & Olufsen's CSR activities and target for the 2016/17 financial year are summarised in the table below.

CSR ACTIVITIES AND OBJECTIVES FOR 2016/17

POLICY AREA	TOPIC	OBJECTIVE
Code of conduct	Collective agreement for employees (Suppliers and contractors)	Risk-assessment of supplier base to identify audit needs. Conduct CSR audits and follow-up accordingly.
	Employee health and life balance	Reduce number of long-term sickness cases (full and part time) caused by psychological work environment.
Environment	Zero accidents	Accident frequency: 5% reduction compared to 2015/16 Accident severity: 5% reduction compared to 2015/16.
	Energy savings in facilities	Energy optimisation projects with 59 tonnes CO2 reduction equivalent to 204.684 kWh. Measured on project level (improvement).
Anti-corruption	Set up compliance program for commercial partners and agents	The overall objective is that all retail partners and other agents certifies compliance with newly established Anti-Corruption policy. By the end of 2016/17, the target is to have 70% of the retail partners and other agents certified.
	Anti-corruption e-learning and training programme	Establish online training program for all employees with commercial responsibility. Ensure and track that all such employees conduct the training as planned.

In 2016/17 we will continue our CSR effort to improve the working environment and reduce the environmental impact of our activities. Independent supplier audits will continue with re-audits of the suppliers where deviations have been discovered in relation to the Supplier Code of Conduct policy area. A new focus area under this policy area is employee health and life balance. We have a holistic approach to our employees, and we believe that a good health, both mental and physical, contributes to performing the utmost at work. We care for our employees, and we want them to have a sound health and life balance. In the anti-corruption policy area we will set up a compliance programme for our retail partners and other agents, in order to ensure that they comply with the new policies.

Running a responsible business is a work in progress. We have achieved most of our objectives set for this financial year, and naturally, we strive to obtain all of them, while setting new and ambitious objectives, in order to constantly improve our CSR effort. We acknowledge that there are challenges when conducting business on the global scene e.g. foreign labour outside Denmark working overtime. We do not support exploitation in our company or in our supply chain, however, when being compliant with local legislation, we can only make an effort to influence our suppliers in a positive direction.

As the global scene changes rapidly, we have to be able to adapt accordingly, but at the same time keep focus on our responsibility to preserve and care for people and the environment.