



BANG & OLUFSEN A/S

CORPORATE  
**SOCIAL**  
RESPONSIBILITY

2016/17

BANG & OLUFSEN



# LETTER FROM CEO

In Bang & Olufsen, we value CSR as a fundamental element and a key driver for achieving our results in a sustainable way. We believe in collaborating with our external stakeholders to help maintain focus on our CSR areas in the daily business. Thereby, CSR is embedded throughout the organisation as an overall umbrella.

Our values are also the cornerstones in our daily business, fuelling both decisions and practices when designing, creating and selling our unique products and when collaborating with stakeholders. In the coming years, CSR will be even more important as our business expands with external partnerships as well as grows in size and in that respect, CSR activities will be initiated to reflect this future development.

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

The 2016/17 CSR report documents our progress on the CSR objectives for the current year as well as outlining our CSR objectives for the next financial year.



**BANG & OLUFSEN**

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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 2016/2017 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.

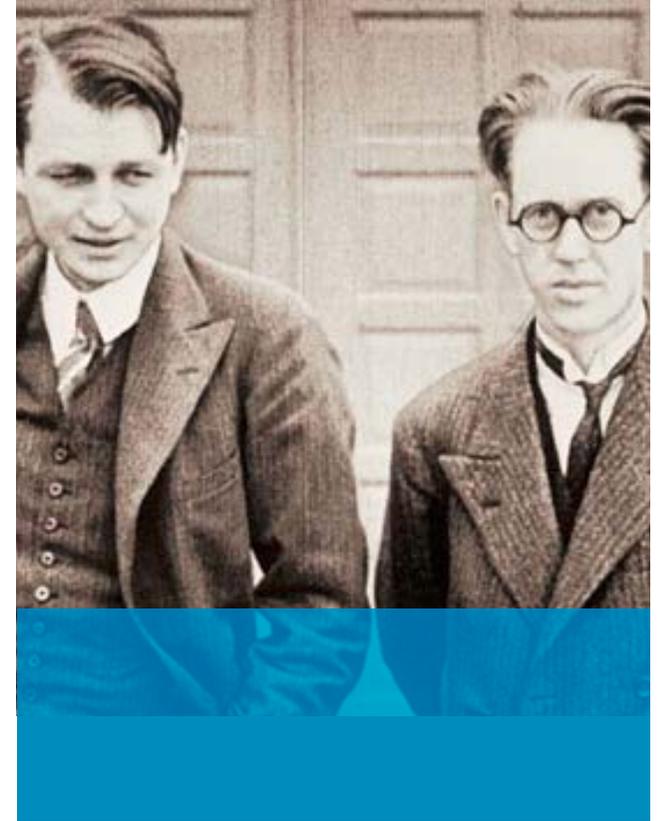
# ABOUT BANG & OLUFSEN

Bang & Olufsen was founded in Struer, Denmark, in 1925 by Peter Bang and Svend Olufsen, two innovative, young engineers devoted to developing functional and beautiful high-quality audio products.

This remains the foundation for the company and over the last 90 years, Bang & Olufsen has developed its expertise through practice and cooperation with external partners. The long-standing craftsmanship tradition and the strong commitment to innovation and development have made the brand globally-renowned for its core capabilities within acoustics, design and craftsmanship.

Today, Bang & Olufsen's product portfolio epitomises seamless media experiences in the home and on the move, for the family and for the individual.

Employees: More than 1,100 people	Products sold in more than 70 countries	Bang & Olufsen's shares are listed on NASDAQ Copenhagen	Revenue in 2016/17 2,954
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## BUSINESS UNITS

Bang & Olufsen operates within two business units; Bang & Olufsen and B&O PLAY.

The Bang & Olufsen business unit comprises audio and video products and is sold in more than 600 Bang & Olufsen branded stores around the world.

The B&O PLAY business unit delivers headphones and portable audio systems distributed through Bang & Olufsen branded stores and third-party retailers as well as online.

The business units are complemented by brand licensing partnerships with some of the largest and most innovative companies in the world. These partnerships represent an important platform for exposing potential customers to the brand and the core capabilities of the company.

### Listed company

At the end of the financial year, Bang & Olufsen employed more than 1,100 people and the company's products are currently sold in more than 70 countries across the world. Bang & Olufsen's shares are listed on NASDAQ Copenhagen A/S.

# BANG & OLUFSEN

# 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, where CSR activities is fully integrated in our way of thinking and way of working, 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, our Slavery and Human Trafficking statement, our Code of Business Conduct and Ethics and Supplier Code of Conduct, which contain Bang & Olufsen's CSR requirements to our suppliers as well as guidelines to our employees.

Our CSR framework that was introduced last year builds on the above-mentioned policies, making sure that we define the right objectives in order to focus on our risk areas. The framework presents 'Focus and risks' within the policy areas that are introduced to help our surroundings understand the relevance to Bang & Olufsen's business activities. It also presents the actions within the individual policy areas, along with the results of the targets. 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, VP, Global General Counsel, Head of Operations, Senior Director Global Quality, and VP HR.

# BANG & OLUFSEN'S CSR POLICY

The purpose of Bang & Olufsen's CSR policy is to state the guidelines for our Corporate Social Responsibility activities within the framework of our business. The policy is divided into four main policy areas: Human Rights, Labour Rights, Environment and Anti-corruption. Each issue has a specific action plan to ensure continual improvement.

Bang & Olufsen commits to ensuring compliance both within our organisation as well as for partners and suppliers.

Under each policy area, we have adopted individual policies to support our CSR policy: Anti-corruption policy, Slavery and Human Trafficking statement, Code of Business Conduct, and Ethics and Supplier code of conduct.

## 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 ex-tortion, bribery, and facilitation payments. 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.

## HUMAN RIGHTS

In Bang & Olufsen, we respect internationally recognised labour rights and we follow national requirements for labour practices.

### Focus and risks:

#### Collective agreement for employees

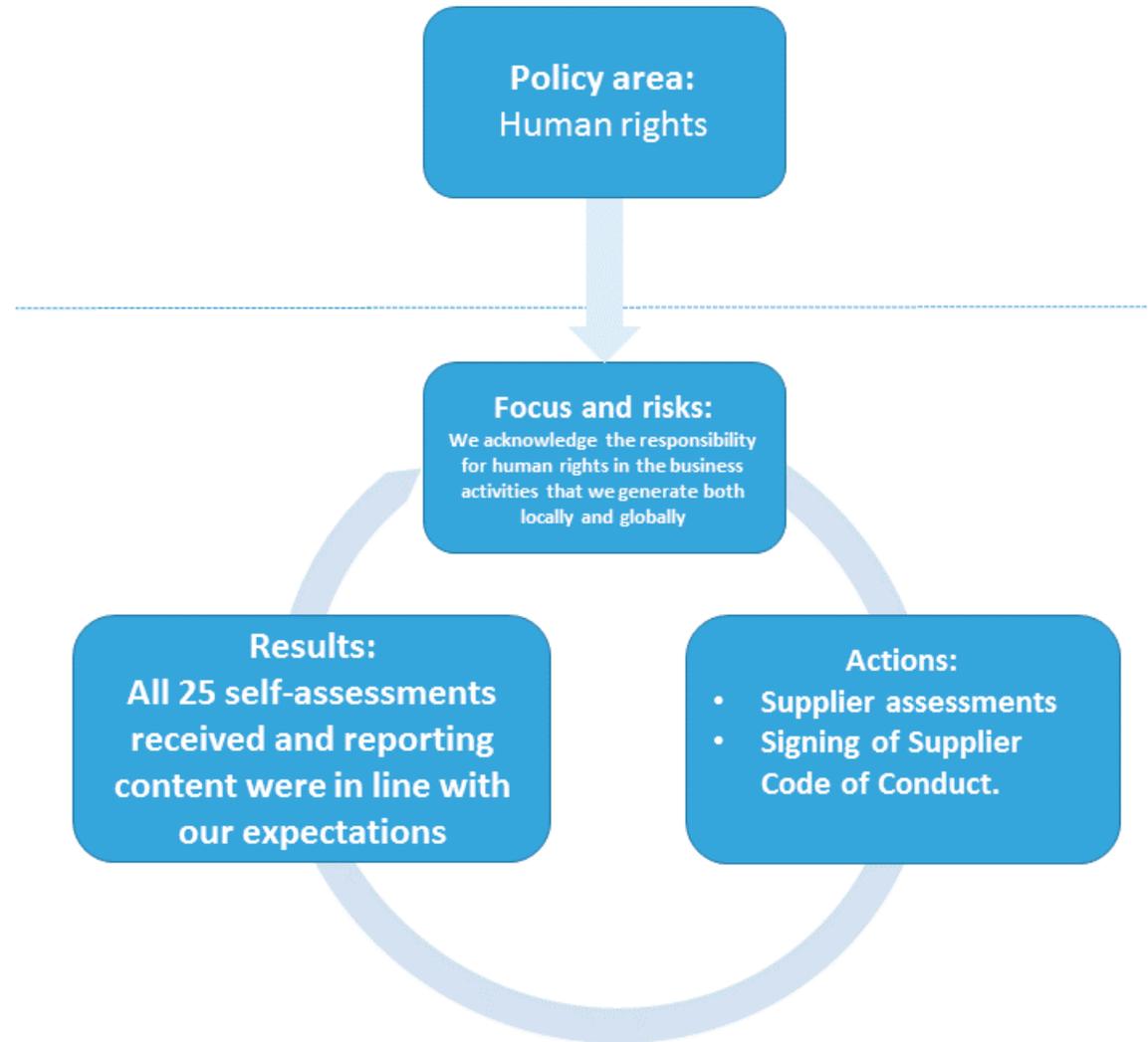
Bang & Olufsen's business activities generate a demand for products and services from global suppliers. We acknowledge the responsibility for human rights in the business activities that we generate both locally and globally, and we are committed to avoid any use of child labour and forced labour in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

### Actions:

In 2016/17, 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.

### Results:

During our risk assessment, we selected 25 suppliers to perform self-assessments. Of the 25 self-assessments 9 were Asia-based suppliers and 16 were from suppliers based in Eastern Europe. All 25 self-assessments were in-line with our expectations and did not lead to further actions. However, we have planned an independent audit at one Eastern European supplier to test the system.



## EMPLOYEE RIGHTS

In Bang & Olufsen, we are committed to providing safe and healthy working conditions for the more than 1,100 employees around the world

### Focus and risks:

#### *Employee health & life balance*

As part of our effort to be a good, attractive place of work for top-class employees, it is essential for us that our employees thrive in the company, work on exciting, challenging assignments, and that management provides the necessary guidance and support if and when required. Bang & Olufsen recognises that there are many factors affecting the overall well-being of our employees, and that both private and personal factors may play a role.

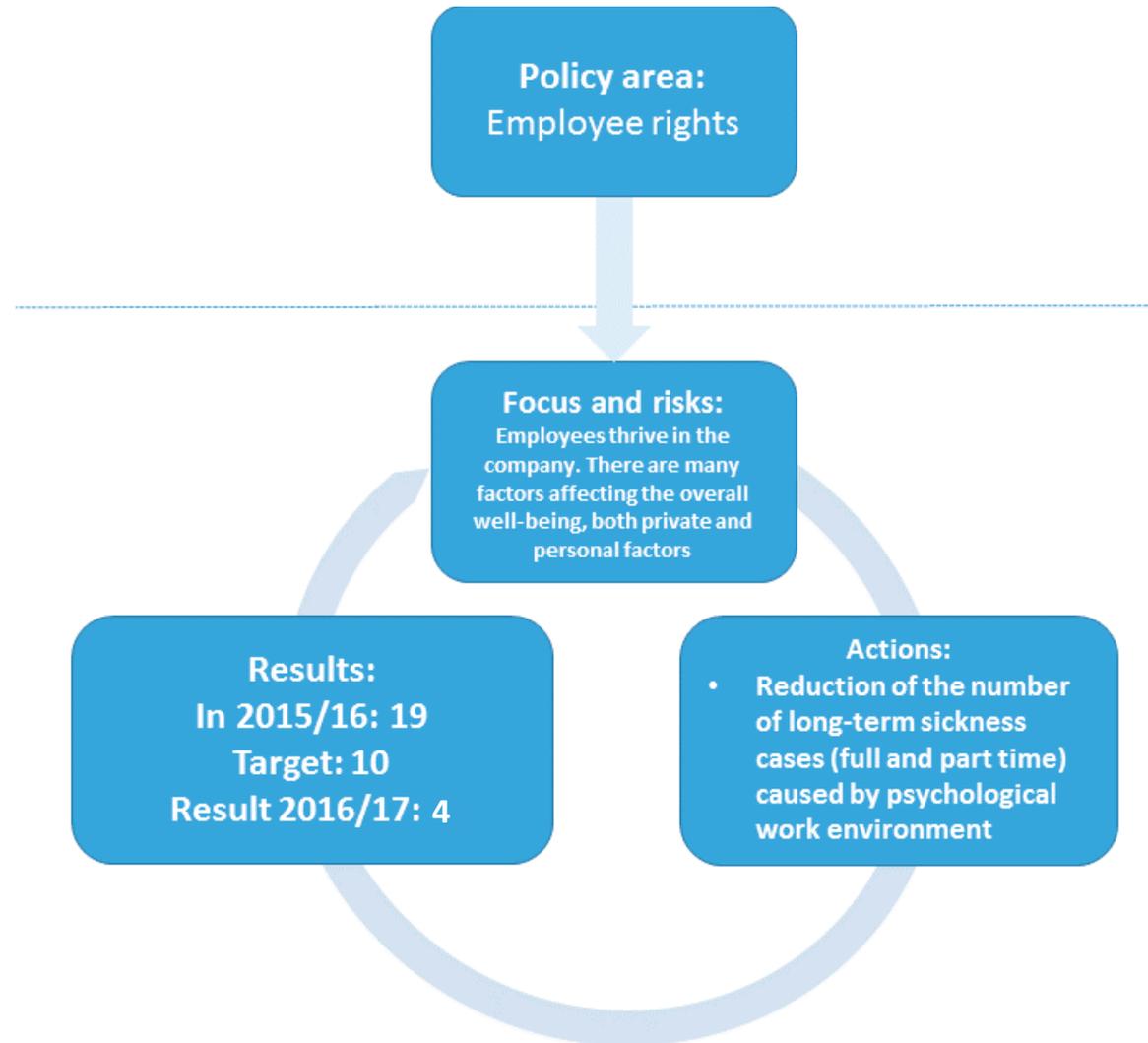
### Actions:

To reduce the number of long-term sickness cases (full and part time) caused by psychological work environment, the following activities have been conducted:

- Pro-active follow-up on stress cases and development of individual action plans for how to return to work.
- Training of leaders in feedback and IDP processes to enable leaders to better handle employees with stress signals

### Results:

We have reduced the number of long-term sickness cases from 19 last year to 4 this year, with an objective to reduce the number to 0.



## ENVIRONMENT AND CLIMATE

In Bang & Olufsen, we place great emphasis on the occupational health and safety of our employees. Our aim is to create a safe and healthy working environment – both physical and psychological – for our employees. Bang & Olufsen strives to adapt workplaces to suit the employees, not the other way around. For this reason, occupational health and safety aspects are taken into consideration as early as in the design and development phase, because the choices of for instance materials, joining methods and surface treatment options made by product developers often have a major impact on occupational health and safety in the production phase.

### Focus and risks: *Zero accidents*

Being a manufacturer of consumer electronics including a production site and employee offices, Bang & Olufsen strives to avoid any exposure 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 secure the well-being of our employees.

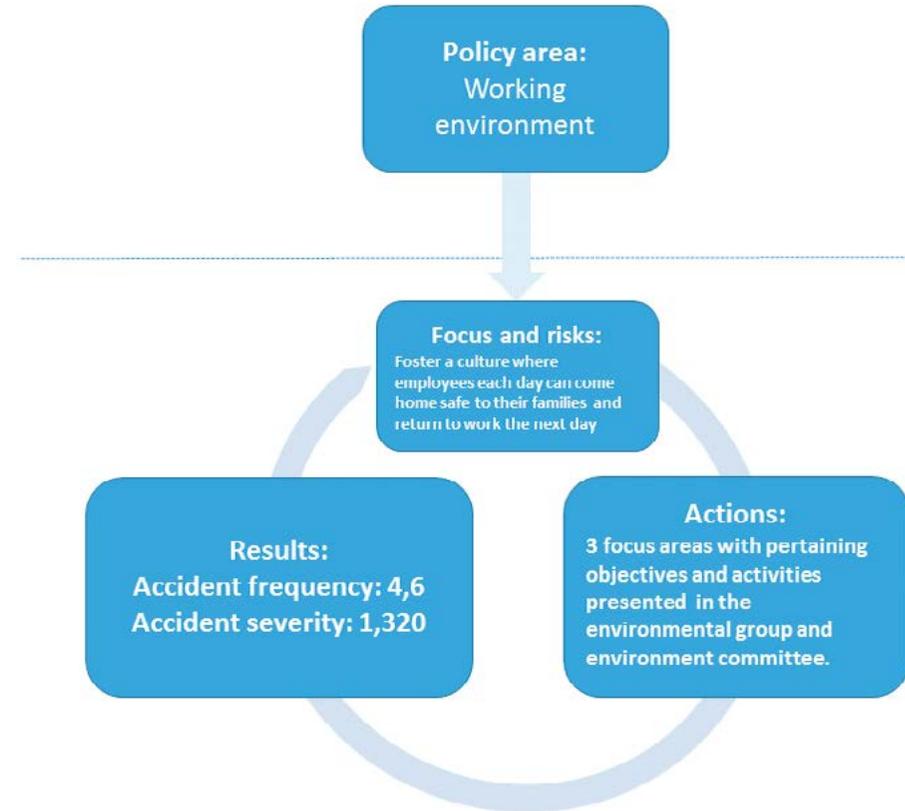
### Actions:

Bang & Olufsen's environmental groups have each selected 3 focus areas (objective and activities) with pertaining objectives and activities. Status of these focus areas are followed up each quarter in the environmental group and environment committee and best practice is shared across areas.

### Results:

With 10 accidents with absence in 2016/17 DK (4) and in CZ (6), we did not reach the goal for accident frequency and accident severity. 3 of the accidents in CZ were caused by sudden black ice, causing long-term absence of 3 employees.

All accidents were immediately analysed, followed by a so-called care conversation between the injured, the environmental group and the direct manager. The injury and the accident are then analysed while inspecting the scene. A root cause analysis is conducted to clarify the underlying causes. Afterwards, decisions are made which activities are needed to prevent a similar accident. In addition, the manager and the injured person review opportunities to resume work as well as light duties in a period. We consider it highly important that the injured person is still associated with his workplace and colleagues.



### Focus and risks: *Energy savings in facility*

Bang & Olufsen wants to maintain high focus on developing sustainable products and improve and prevent negative environmental and climate impact from our production and products..

Bang & Olufsen's primary environmental impact is:

Water used for sanitary and production purposes primary in the anodising plant from our anodising process

Waste where the main part is aluminium waste. In general, 77% of all waste is recycled

Waste water primary from the anodising process is pre-cleansed and sent to the municipal purification plant

Disposal of worn-out products (product takeback and producer responsibility) is collected and processed by an approved waste handler

Pollution and external noise from the production. Bang & Olufsen always enters into dialogue with the regulatory authorities with an aim to find the best solutions and thereby minimising pollution as much as possible.

Energy in our production is pointed out as our largest environment impact contributor. We strive to run a sustainable production where energy reduction in our facilities is an important target.

### Actions:

To optimise energy savings in facilities, the following activities have been conducted:

- To upgrade the environmental standard ISO 14001 to the 2015 version
- To conduct energy optimisation projects with 59 tonnes CO<sub>2</sub> reduction equivalent to 204.684 kWh. Measured on project level (improvement)

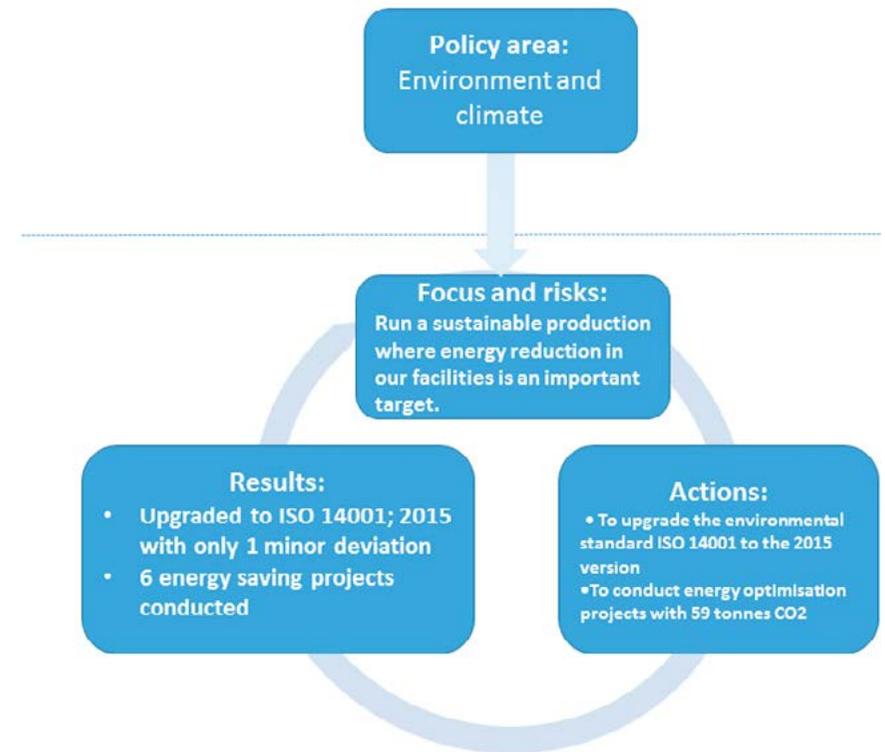
### Results:

In 2017, we upgraded ISO 14001; 2015 with only 1 minor deviation. Great praise was given to the organisation and the employees for our way of thinking environment into our processes as well as our commitment and openness.

We have conducted 6 energy saving projects both in DK and CZ:

- Change to LED light in the Plastic molding area and assembly in the production area
- Production managers and coordinators has been trained in behavior and attitude to use light in the production line
- Heat from air compressor used for warehouse heating has been implemented
- Skylight replacement in Innovation Center Struer
- A new compressor with inverter has been implemented
- Energy optimisation (ventilation) in adhesives area

We reached the energy goal for 2016/17. The overall result for the reduction is: 251.247 kWh equivalent to 76 tonnes CO<sub>2</sub>.



## ANTI-CORRUPTION

### Focus and risks

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.

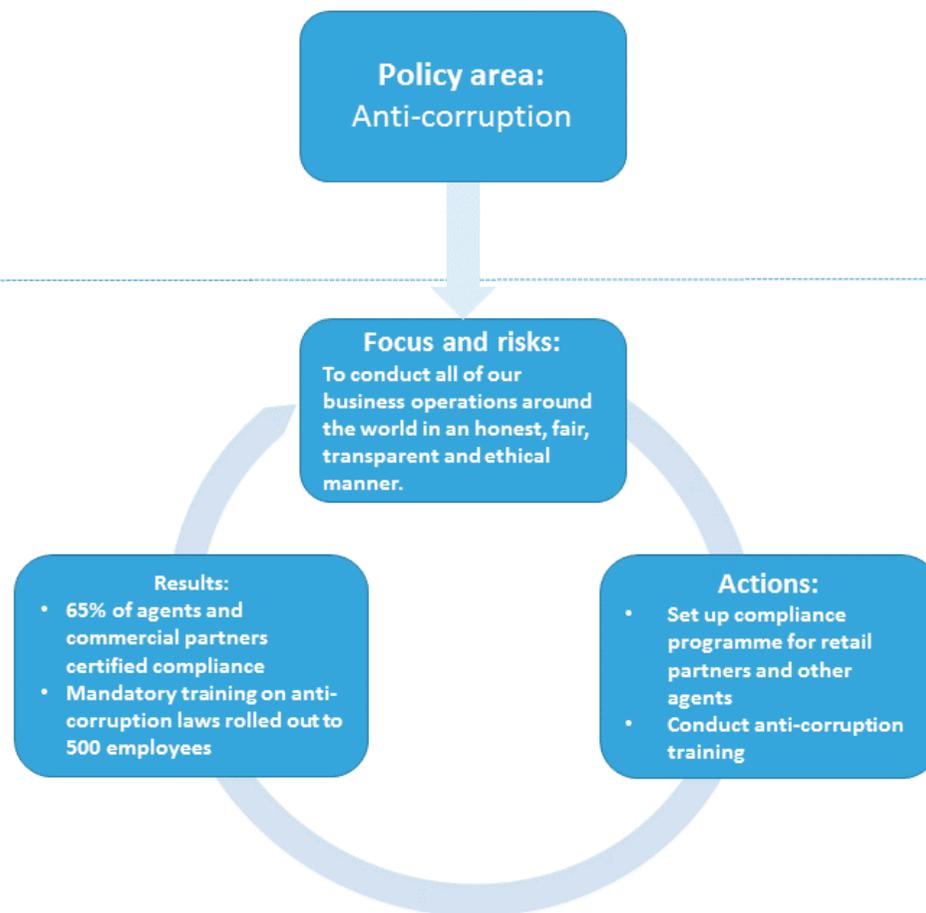
Furthermore, we are committed to conducting our business activities with the highest standards of ethics and professionalism. We believe that acting responsibly and fairly are important factors in achieving long-term business success, and always maintain the highest standards of integrity, safety and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

Two specific actions have been selected within the anti-corruption policy area. The first was to set up compliance programme for certain retail partners and other agents with the overall objective of having partners and other agents certify compliance with the newly established Anti-Corruption policy. By the end of 2016/17, the target was to have 70% of the retail partners and other agents certified.

**Anti-corruption training**

The second action was to conduct anti-corruption training. The overall objective was to establish on-line training programme for all employees with commercial responsibility, and to ensure and track that all such employees conduct the training as planned.

**Results:****Compliance programme**

In this area we reached our target this year, as 74% of agents and commercial partners acting on our behalf certified compliance with Bang & Olufsen's Anti-Corruption policy. We are satisfied that such a high number of agents acting on our behalf are able to certify compliance.

**Anti-corruption training**

On the training of employees, we also reached our target this year. Mandatory e-learning training on anti-corruption laws was rolled out to 500 employees with commercial responsibility in Bang & Olufsen. This training will enable the organisation to better understand our policies and feel comfortable with how to act if a situation in this area arises.



# CSR ACTIVITIES IN BANG & OLUFSEN IN 2016/17

Policy area	Topic	Objectives	Target status	Actual results
Human rights & Employee rights	Collective agreement for employees (Suppliers and contractors)	Risk-assessment of supplier base to identify audit needs. Conduct CSR audits and follow-up accordingly.		The objective was met as we received 25 self-assessments out of 25. The number of suppliers were selected based on our Top40. The remaining 15 suppliers have already been evaluated in the previous years.
	Employee health & life balance	Reduce number of long-term sickness cases (full and part time) caused by psychological work environment		In addition, one supplier was randomly selected for audit to be carried out this Summer. The objective was met as the number was reduced from 19 to 2 and the target was 10. Act: 19 (15/16; All employees in DK) Target: 10 (16/17) Result 4
Environment and climate	Zero accidents	Accident frequency must not exceed 2.5 (number of accidents per 1 million working hours) which is a 5% reduction compared to 2015/16 (Target <2.5)		The objective was not met as the result was 4.2 in accident frequency due to an increase in the number of accidents. 3 accidents were caused by black ice. As we want to secure the well-being of our employees, the long-term objective is zero accidents
		Accident severity must not exceed 0.203 (the number of hours of absence per 1,000 working hours), which is a 5% reduction compared to 2015/16 (Target <0.203).		The objective was not met as the result was 1.351 compared to 0.203. The accidents, caused by sudden black ice have resulted in long-term absence.
	Energy savings in facilities	Energy optimisation projects with 59 tons CO2 reduction equivalent to 204,684 kWh. Measured on project level (improvement)		This objective was met as the reduction was 251.247 kWh equivalent to 76 tonnes CO2. The increased reduction was a result of 6 energy saving projects both in DK and CZ.
Anti-corruption	Set up compliance programme for retail partners and other agents	The overall objective is that retail partners and other agents certify compliance with the 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.		The objective for 2016/17 has been met as 74% of agents and commercial partners acting on our behalf has certified compliance with the company's Anti-corruption policy.
	Anti-corruption training	Establish on-line training programme for all employees with commercial responsibility. Ensure and track that all such employees conduct the training as planned.		The long-term objective is to ensure that 100% of agents and commercial partners acting on our behalf certifies compliance in relation of our Anti-corruption policy. The objective for 2016/17 has been met as mandatory online training has been established and rolled out to all 500 employees with commercial responsibilities.

## OTHER CSR RELATED ACTIVITIES IN 2016/17

### Children's learning and creativity in the municipality

Bang & Olufsen has partnered with Struer Municipality in order to support children's learning and creativity in the municipality through sound. In that connection, each of Struer's schools and day care centers have received two Beoplay A2.

The wireless speakers for the schools and day care centers will be instrumental in encouraging the children's interest in sound, hopefully resulting in plenty of innovative children interested in sound. The initiative is part of project Struer - the City of Sound.

### From refugee to skilled worker

The industry needs more skilled workers, and young refugees and family reunified persons need integration and jobs. This is the reason why Bang & Olufsen have joined the project "From refugee to skilled worker". The aim of the project is to assist young refugees and family reunified persons in getting an education and a job.

Bang & Olufsen had 2 refugees from Syria in a four-week traineeship in Struer, and subsequently, one has been offered an apprenticeship contract.

### Ambitious training programme strengthens competencies

Five quality assistants and one quality technician from the Mechanical Factory in Struer have completed an ambitious training programme to strengthen the competencies and ensure more cross-functional cooperation between the areas. The goal was that both skilled and unskilled employees were given the opportunity to acquire more competencies and thereby be able to solve tasks with less risk of deterioration while at the same time achieving greater job security. Both the employees and the company are very pleased with the outcome and they have come home with useful tools that can ensure a more structured way of working. The training programme was funded by The Fund for Better Working Environment and Labour Retention



## PLANNED CSR ACTIVITIES AND OBJECTIVES IN 2017/18

In 2017/18, we will continue our CSR effort to improve the working environment and reduce the environmental impact of activities through these newly established objectives.

Policy area	Topic	Objectives
Human rights & Employee rights	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 & life balance	Reduce number of long-term sickness cases (full and part time) caused by psychological work environment.
	Zero accidents	Accident frequency: 5% reduction compared to 2016/17 Accident severity: 5% reduction compared to 2016/17
Environment and climate	Energy savings in facilities	Energy optimisation project with 591,4 tonnes CO2 reduction equivalent to 2.517.057 kWh. Measured on project level (Improvement). Impact 2017/18: 259 tonnes CO2 reduction equivalent to 1.088.349 kWh.
Business integrity	Affirm commitment on business integrity and maintain and reinforce a strong compliance culture within anti-competitive practices	All employees within the sales organisation to complete antitrust training
	Supplier audit on compliance with anti-corruption laws	Receive certification from top 20 suppliers of compliance with the Anti-corruption policy