



CSR REPORT 2018/19

BANG & OLUFSEN

CONTENTS

ABOUT BANG & OLUFSEN	3
LETTER FROM CEO	4
BUSINESS MODEL	5
CSR STRATEGY	6
UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS	8
CSR RESULTS 2018/19	10
Environmental & Climate impact	10
Responsible employer	14
Role in Society	18
Responsible partner	21
OVERVIEW OF CSR RESULTS 2018/19	22
OUTLOOK FOR 2019/20	23
CSR GOVERNANCE	24

BANG & OLUFSEN FACTS

1925

FOUNDED IN 1925
IN STRUER, DENMARK

900

THE COMPANY EMPLOYS
AROUND 900 PEOPLE

70

OPERATES IN MORE
THAN 70 MARKETS

ABOUT THIS REPORT

This report provides a status on Bang & Olufsen's work on Corporate Social Responsibility (CSR) for the financial year of 2018/19 in compliance with the reporting requirements set out in section 99a and b of the Danish Financial Statements Act (Årsregnskabsloven). The intention is for the report to provide insight and understanding into the scope of Bang & Olufsen's CSR work, and how these activities form an integral part of the day-to-day business of the company.

ABOUT BANG & OLUFSEN

Bang & Olufsen is a global luxury lifestyle brand founded in 1925 in Struer, Denmark by Peter Bang and Svend Olufsen whose devotion and vision remains the foundation for the company.

The rich heritage built around the relentless determination to create products that push the boundaries of audio technology continues to place the company at the forefront of audio innovation. Today, every Bang & Olufsen product is still

characterised by the unique combination of beautiful sound, timeless design, and unrivalled craftsmanship.

The company's innovative and progressive audio products are sold worldwide in Bang & Olufsen mono-brand stores, online and in multibrand stores. The company employs around 900 people and operates in more than 70 markets and Bang & Olufsen's shares are listed on NASDAQ Copenhagen A/S.

BANG & OLUFSEN'S CORE CAPABILITIES

SOUND, DESIGN & CRAFTSMANSHIP



BEAUTIFUL SOUND

All products are created to deliver the most seamless and powerful sound experience no matter the circumstances – natural, authentic and as the artist intended, regardless of size or shape.



TIMELESS DESIGN

Design starts by seeking true innovation to make each product better. Innovation is the inspiration that drives form and expression and the end result is design that is performance-driven and magical.



UNRIVALLED CRAFTSMANSHIP

Only materials of the highest quality are used in Bang & Olufsen products. From pearls-blasted aluminium, authentic lambskin, Scandinavian wood and the fabrics that cover the products, the company's commitment to craftsmanship is unique.

LETTER FROM THE CEO

Dear reader,

From a financial point of view, this was a disappointing year for Bang & Olufsen. We failed to deliver on our expectations for 2018/19, and the results for the year were far from satisfactory. But despite the disappointing financial performance, we made good progress on our corporate social responsibility (CSR) efforts in 2018/19.

At Bang & Olufsen, CSR forms an integral part of our business. We believe that businesses acting responsibly create more long-term value for their stakeholders, and we work closely with all our stakeholders to stay focused on CSR in our day-to-day work. Last year, we presented an updated CSR strategy that draws upon the UN's 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals. The three-year strategy guides our efforts towards 2020/21 and focuses on four key areas: Environmental & Climate Impact, Responsible Employer, Role in Society and Responsible Partner.

In 2018/19, we partnered with Sound Hub Denmark to help 16 start-ups within the sound and technology industry, launched 12 educational STEM initiatives towards young people and we started two new research projects with external institutions to explore the positive effects that sound can have on health. These initiatives are part of our efforts to increase our contribution to society based



on our core capabilities of sound, design and craft.

We also launched several new initiatives and made further progress in our efforts to minimise the climate and environmental impact of our company. We reduced the carbon footprint of our building portfolio and we completed a comprehensive analysis to gain further insights into the environmental and climate impact of our products. We will in 2019/20 start to implement key recommendations from that analysis together with our key partners in our business.

Last year, we saw an increase in cases of long-term illness caused by the psychological work environment. Through a focused effort and new initiatives, we have managed to bring down the number of cases this year and we will maintain a strong focus on mental health going forward. Our employee engagement score fell in 2018/19.

The decline was likely due to the number of organisational changes, we made last year. We have already taken several initiatives to address this issue, including by introducing new leadership development programmes and global dialogue sessions with the Executive Management Board and the organisation.

This report provides an overview of our CSR achievements in 2018/19 as well as an outline of the updated CSR strategy and targets for next year. We did not achieve all our targets for 2018/19, but we have seen solid progress on most initiatives. In 2019/20, we will continue to execute on the strategy with particular focus on sustainable products and packaging, working with key partners to reduce the company's climate and environmental footprint and increase Bang & Olufsen's contribution to society.

Henrik Clausen
CEO

BUSINESS MODEL

The consumer is at the centre of everything - by constantly improving the value delivered to consumers, Bang & Olufsen strives to become the most desired audio brand in the world.



- Internal value streams
- Partner-driven value streams

Bang & Olufsen’s operating model builds on partner collaboration in everything from design to production and distribution. Advanced innovative features in top-range products flow to the rest of the portfolio.

The asset-light operating model enables Bang & Olufsen to adapt to changes and makes operations and the financial performance more robust.

CSR STRATEGY

Last financial year, Bang & Olufsen launched a revised three-year CSR strategy that runs until 2020/21. The strategy reflects the company's ambition to increase the positive impact and minimise the negative impact Bang & Olufsen has on the environment, climate and society.

The strategy consists of four focus areas; Environmental & Climate Impact, Responsible Employer, Role in Society and Responsible Partner. Based on these focus areas, eight specific CSR commitments have been outlined, see figure on next page. Action plans have been developed for each commitment to ensure progress and for the next three years, Bang & Olufsen will work actively to achieve the KPIs set forward.

The strategy was developed on the basis of input from both internal and external stakeholders (e.g. consumers) and on an assessment of the societal, climate and environmental impact of the company and existing efforts.

The CSR strategy provides a coherent framework for Bang & Olufsen, building on the company's core values and brand and guided by the 17 United Nations Sustainable Development Goals (SDGs). Bang & Olufsen is committed to the UN Global Compact principles, the ILO declaration on human rights, labour rights, environment and anti-corruption. Bang & Olufsen contributes to a

number of SDGs, and the company has chosen to enhance its focus on two specific SDGs, namely "Good Health & Well-Being" and "Quality Education" (goals nos. 3 and 4) in relation to the "Role in Society" focus area.

Environmental & Climate Impact

Bang & Olufsen is committed to minimising the adverse impact on the environment and climate from the company's own operations and its supply chain as well as to continuously reducing the environmental footprint of the company's products over their entire lifecycle.

Resource efficiency, serviceability and high-quality standards have been an integral part of the company's daily operations for years, and Bang & Olufsen has been widely recognised from a functional, aesthetical and technological perspective for the design and long-lasting characteristics of its products. However, it is the company's ambition to push the boundaries even further by creating more sustainable products while also improving the user experience.

This will include exploring the use of more recycled materials, better sourcing, better packaging and the introduction of more circular principles in the design of products.

Bang & Olufsen will also work to reduce the CO₂ emissions of its operations by managing its energy consumption and environmental impact in accordance with the ISO 14001 standard.

Responsible employer

Bang & Olufsen wants to be recognised as a people-oriented and responsible company. This involves a strong focus on empowering the company's employees and helping them develop their competencies as well as promoting the health and well-being of people working at Bang & Olufsen and ensuring a diverse and inclusive working culture.

Ensuring that employees have the proper knowledge to perform their work in a safe manner also remains a priority. Bang & Olufsen respects employees' right to freedom of association and collective bargaining and the right to raise concerns without fear of retaliation.

Role in society

Bang & Olufsen operates in a responsible and transparent manner and is committed to creating value to all the company's stakeholders. The company will continue to share knowledge and making the

company's expertise available to society and stakeholders, while continuing to support community initiatives in the societies in which The company will work towards 2020/21, the company will work to enhance two particular areas:

- **Sound & Health:** Bang & Olufsen aims to use its core capabilities within sound to help improve the quality of life for people by contributing to research and helping to create awareness of the positive effect sound can have on people's health and well-being.

- **Future Innovators:** Help nurture and inspire the next generation to develop skillsets within areas such as technology, engineering craftsmanship and design, which are related to the company's core capabilities. Bang & Olufsen aims to do that by sharing expertise, making the company's resources available and working with relevant institutions and partners.

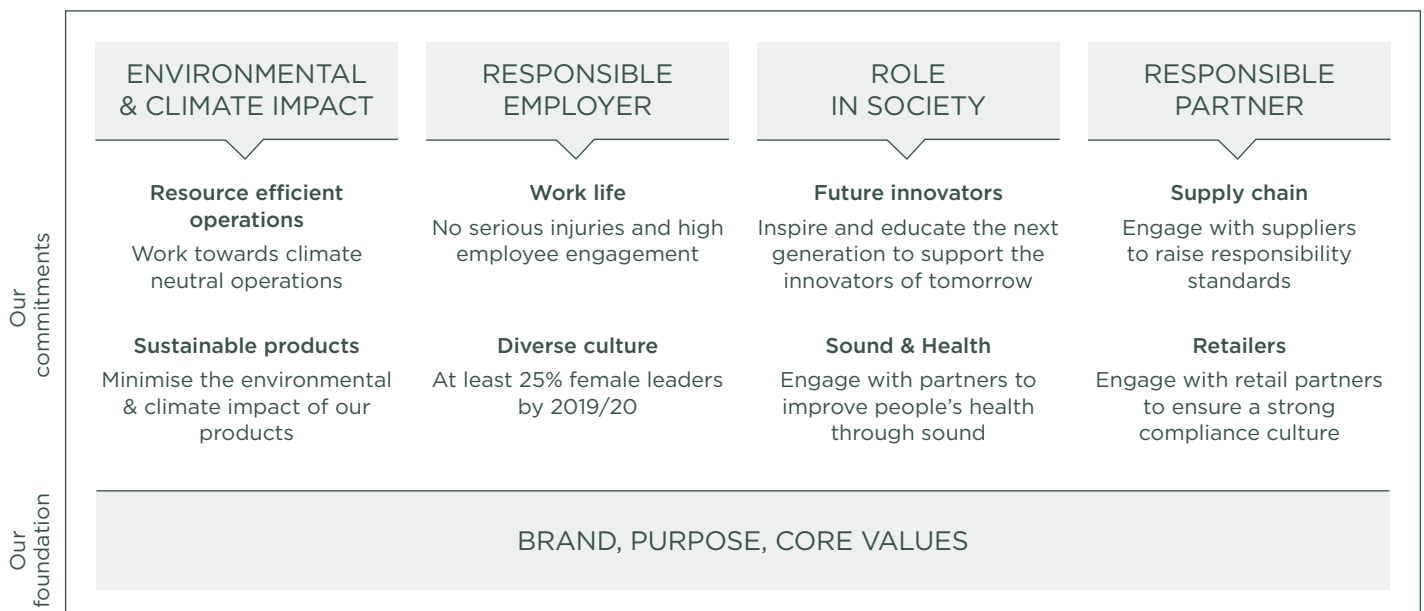
changing towards becoming more of a partner-based approach.

Therefore, the company will continue to engage constructively with its supply chain based on a view to driving continuous improvements and based on the assumption that suppliers share Bang & Olufsen's commitments to international principles for human rights, labour rights, the environment and anti-corruption. Bang & Olufsen will also work with retail partners to ensure that they live up to the company's ethical and social standards and expectations from all stakeholders.

Responsible partner

Responsible supply chain relationships are becoming an increasingly important aspect because Bang & Olufsen's business model is

CSR FRAMEWORK



UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Bang & Olufsen supports the United Nations Sustainable Development Goals (SDGs), and is committed to driving progress on selected goals that are closely aligned with the company’s CSR strategy.

Bang & Olufsen has chosen to enhance two specific SDGs, namely “Good Health & Well-Being” and “Quality Education” (goals nos. 3 and 4) in relation to the “Role in Society” focus area.



ENVIRONMENTAL & CLIMATE IMPACT



Bang & Olufsen is working to reduce CO₂ emissions across its operations. This work includes investments in energy efficiency initiatives and moving towards less intensive energy sources with the long-term objective of climate neutral operations.



Bang & Olufsen has increased its focus on how the company manufactures, designs, creates and delivers products to help drive progress towards a more circular and low-carbon economy.

RESPONSIBLE EMPLOYER



Bang & Olufsen is committed to improving gender equality. The company has launched several new initiatives and over the past three years the company have seen positive developments in the proportion of women in senior management.



Bang & Olufsen strongly believes that all employees deserve fair treatment, safe working conditions, and freely chosen employment. The company has banned any forced, bonded, or indentured labour, involuntary prison labour, slavery, or trafficking of persons within the company's supply chain.



Bang & Olufsen works to uphold fundamental rights and freedoms of all people. The company promotes a diverse and inclusive culture and will not tolerate discrimination of any kind.

ROLE IN SOCIETY



Based on its core capabilities Bang & Olufsen is committed to helping promote technology, engineering craftsmanship and design competencies to young people through various programmes and initiatives.



Bang & Olufsen aims to use the company's core capabilities within sound to help improve the quality of life for people by contributing to research and helping to create awareness of the positive effect sound can have on people's health and well-being.

RESPONSIBLE PARTNER



Bang & Olufsen works to ensure responsible supplier and retail relationships by integrating the company's environmental, social and ethical standards and by consistently focusing on impact and risk.

RESULTS:

ENVIRONMENTAL & CLIMATE IMPACT



“Resource efficiency, serviceability and high-quality standards have been an integral part of the company’s daily operations for years.”

Resource efficient operations

Energy consumption in the production process is a large contributor to the company’s environmental and climate impact. The company strives to run a sustainable production, which includes reducing the energy consumed in the company’s facilities. Long-term, Bang & Olufsen is committed to working towards climate neutral operations. The target for 2018/19 was to reduce CO₂ emissions by 5%.

In 2018/19, Bang & Olufsen invested in several new initiatives to optimise and adapt the energy consumption in the company's building portfolio. This included changing the source of lighting to LED in buildings and training in the use of lighting in the production line, among other things.

The energy savings generated from the various energy-efficiency projects implemented amounted to a reduction of 275 tonnes CO₂, a reduction of 6.5%, and the 2018/19 goal was therefore accomplished.

Sustainable products

Resource efficiency, serviceability and high-quality standards has long been an integral part of the company's daily operations, and Bang & Olufsen has been widely recognised for long-lasting products.

Today, climate change represents major a risk not only to the environment, but also to societies, and it is increasingly a concern among governments, employees, consumers etc. Therefore, it is company's ambition do even more within this area by structuring and scaling its core capabilities of sound, design and craftsmanship to create more sustainable products that can help minimise the company's environmental and Climate footprint.

Bang & Olufsen's target for 2018/19 was to initiate a comprehensive

BANG & OLUFSEN'S PRIMARY ENVIRONMENTAL IMPACT COMES FROM:

- **Water** used for sanitary and production purposes, primarily from the anodising process in the company's anodising plant in Struer, Denmark
 - **Waste** mainly consisting of aluminium waste. In general, nearly 80% of all waste is recycled
 - **Wastewater** primarily from the anodising process is pre-treated and sent to the municipal purification plant
- **Disposal of obsolete products** (product takebacks and manufacturer responsibility) is collected and processed by an approved waste handler
 - **Pollution and external noise from production.** Bang & Olufsen always engages in dialogue with the regulatory authorities for the purpose of finding the best solutions and thereby keeping pollution to a minimum.

analysis to gain further insights into the environmental and climate impact of the company's design and product creation processes. The analysis had three main tracks:

1. Building a business case to assess impact of products
2. Implementation of circular design principles into design and product creation processes
3. Optimise packaging

The analysis was completed and new insights gained; however, recommendations have not been implemented. Therefore, this target was only partly accomplished. The target for 2019/20 will be to start implementing key recommendations.

IMPACT ANALYSIS OF PRODUCTS



1.
**BUILD A BUSINESS
 CASE TO ASSESS
 IMPACT ON PRODUCTS**

The company has created a new framework for mapping supply systems for individual products and packaging systems and linking these to environmental impact assessment. This was made in collaboration with research groups from the Technical University of Denmark (DTU) and Aalborg University (AAU).

A baseline was created for the climate and environmental impact of a product pilot case, including the identification of short-term and long-term improvement areas. Plans are to further scale this work to several other product systems and product categories. This will also enable modelling of the business impact of new initiatives aimed at reducing product and supply chain impact. The modelling tool is expected to be tested and implemented during next fiscal year.



2.
**IMPLEMENT CIRCULAR
 DESIGN PRINCIPLES
 INTO DESIGN AND
 PRODUCT CREATION
 PROCESSES**

In order to build a deeper understanding of recyclability and serviceability, circular economy training of product teams and disassembly workshops were conducted in collaboration with AAU and the DTU. The outcome was a list of guiding principles relating to improved design for serviceability, disassembly and recycling to consider for implementation in the company's innovation and product creation process, e.g. mandatory disassembly testing in all product projects.

Furthermore, a range of activities is being explored in relation to substitution and reduction of materials for both existing and new products along with packaging systems. Examples are substitution of polymer foam materials in packaging and substitution of virgin plastic materials with recycled content on selected components. In addition, pilot studies on take-back models enabling refurbishment, re-manufacturing and reuse of products have been initiated together with the DTU.



3.
**OPTIMISE
 PACKAGING**

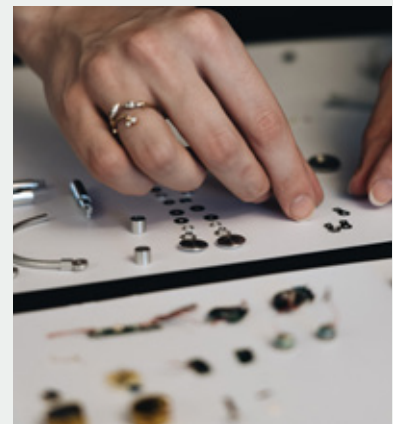
A general study of current packaging design has been conducted together with suppliers and the DTU. This included an assessment of component recyclability, ease of separation/sorting in a household disposal context and opportunities to reduce resource consumption. This study was concluded in June 2019. Specific alternative packaging materials is being explored in cooperation with suppliers and tested on specific product cases across product categories. Final targets and design guidelines for sustainable packaging designs were created and finalised at the end of June 2019.



6.5%
CO₂

ENERGY REDUCTION

Through energy efficiency projects, B&O reduced its CO₂ emission in its facilities by 275 ton.



80%

**OF ALL WASTE
RECYCLED**

B&O recycled almost 80% of its production waste, which mainly consists of aluminium waste.

An analysis to gain further insights into the environmental and climate impact of the company's design and product creation processes was completed, which will enable B&O - together with its supply chain - to reduce its footprint.

ENVIRONMENTAL & CLIMATE IMPACT

COMMITMENTS	TARGETS FOR 2018/19	RESULTS
Resource efficient operations	<ul style="list-style-type: none"> Reduce CO₂ emissions by 5% in facilities 	<p>Accomplished 6.5% (275 ton CO₂)</p> <p>✓</p>
Sustainable products	<ul style="list-style-type: none"> Initiate analysis to gain insights on the environmental and climate impact of the company's products in order to reduce footprint and begin to implement recommendations 	<p>Partly accomplished</p> <p>✓</p>
	<ul style="list-style-type: none"> Implement of RoHS 2 Directive 	<p>Accomplished</p> <p>✓</p>

RESULTS:

RESPONSIBLE EMPLOYER



Work life

Bang & Olufsen's target was to improve its Employee Engagement Score compared to last year, but instead the score fell in 2018/19 to index score 70 from 71 last year (survey conducted in October 2018).

It is the company's assessment that the decline to some extent can be attributed to the changes in relation to the reorganisation that took place at the beginning of the financial year. The company merged its two business units, Bang & Olufsen and B&O PLAY, to establish a functional organisation operating under one brand and continued the changes towards of a more partner-based approach.

The company's Human Resources (HR) function not only defines employee-related policies and guidelines but also continuously addresses risks associated with company's workforce. To mitigate the challenges related to the company's transformation a number of targeted HR initiatives intended to help drive the rebuilding of employee engagement was implemented. These include dialogue sessions with senior management and team follow-up sessions on topics highlighted in the company's Engagement Survey to further secure the alignment of direction and support engagement.

During 2018/19, the company's top 30 leaders attended a new training programme, "Leading for Results",



“Bang & Olufsen continuously tries to provide the best work environment for employees to ensure motivated, productive and healthy employees.”



that will now be rolled out to all leaders. This will be key in securing engagement and support for the company's transformation at all levels of the organisation.

Health and safety

A combination of an active working-environment organisation and good collaboration between unions, employee representatives and management is key to ensure a healthy and safe workplace – both physically and mentally.

A key target for Bang & Olufsen in 2018/19 was to reduce the number of long-term illness cases caused by the psychological work environment after an increase last year. The number of cases fell from eleven last year to five and the objective to reduce it to six or less was achieved. During the year, the mental health of employees was a priority in the collaboration and dialogue with the working-environment organisation and the company has been focused on these

issues in internal communications, through campaigns and in manager training.

In May, Bang & Olufsen launched BeoMinds – a cross company initiative that aims to reduce stress and improve mental well-being. This includes a pilot project for a select group of managers, supplying them with better support and tools to reduce stress and create better working conditions for its employees.

In 2018/19 the objective was an accident frequency below 2. With a frequency of 3 that target was not achieved. The accidents were not serious and did not cause long-term absence. In February 2019, Bang & Olufsen was certified by ISO 45001 (Working Environment standard).

Diverse culture

With a view to promoting a diverse mind-set, a number of initiatives were launched during 2018/19. These included events celebrating

diversity driven by local employees, providing recruitment competence training for managers, ensuring an unbiased recruitment process, and most recently a group of employees took part in Google's #IamRemarkable initiative – an initiative empowering women and underrepresented groups to celebrate their achievements in the workplace and beyond.

The senior management team, defined as the Executive Management Board and the Director+ group, is a key driver in promoting a diverse culture and the team's composition reflects this focus. In 2017/2018, the company set a new target for the proportion of women in senior management positions. The goal is to have not less than 25% female representation in senior management positions.

While the Executive Management Board currently has no female members, the company increased the number of female leaders in senior management roles from

17.5% to 19% in 2018/19. The senior management team has a diverse composition with a large number of international profiles. On 31 May 2019, a total of 32.5% of senior management were not Danish nationals.

The Board of Directors (BoD) consists of eight members elected by the General Meeting. There is currently one female member on the BoD and three members who are not Danish nationals.

The BoD believes that members should be chosen for their overall competences, and also recognises the benefits of a diverse Board in

respect of experience, culture and gender.

In 2015, the BoD set a target for female representation according to which the company's goal is to have two female members elected by the General Meeting by 2018. Since the new target was set, the BoD has been increased by one male candidate proposed by the Board based on his specific skills within retail, hence the target for female representation was not met. The target date for this goal is now the Annual General Meeting to be held in August 2019.

The company has set out a policy to increase the proportion of women in senior management positions, and the relevant action points are as follows:

- Secure at least one female candidate on shortlists for vacancies arising in senior management
- Ensuring an over-proportionate level of female participants in the Bang & Olufsen talent programme.





BEOMINDS

In May, Bang & Olufsen launched BeoMinds – a cross company initiative that aims to reduce stress and improve mental well-being. This includes a pilot project for a select group of managers, supplying them with better support and tools to reduce stress and create better conditions for employees to work in.



DIVERSE CULTURE

Women in senior management roles increased from 17.5% to 19% in 2018/19. B&O has a target of at least 25% female leaders before 2019/20.



RESPONSIBLE EMPLOYER

COMMITMENTS	TARGETS FOR 2018/19	RESULTS
Work life	• Zero fatalities	Accomplished ✓
	• Number of long-term illness cases (full and part-time) caused by the psychological work environment must not exceed 6 cases (12 in 2017/18)	Accomplished ✓ 6 cases
	• Accident frequency* must not exceed 2 (3.5 in 2017/18)	Objective not accomplished 3
	• Improve employee engagement survey score, as measured by Ennova, from 71 to 73	Objective not accomplished Score 70
Diverse culture	• Increase percentage of women in management positions to 20%	Objective not accomplished Increased to 19%

RESULTS:

ROLE IN SOCIETY



Future Innovators - helping start-ups

Last year, Bang & Olufsen partnered with Harman Lifestyle, Aalborg University, Danish Sound Network and Struer Municipality to create the world's first international sound technology innovation environment, Sound Hub Denmark. The ambition is to create a world-class sound and acoustics growth hub for start-ups, SMEs and corporates.

The hub is business acceleration in a sound professional co-working environment that gives small

businesses and startups access to excellent sound, craft and test facilities as well as highly specialised skills from industry leaders and knowledge institutions.

Bang & Olufsen is committed to help nurture and support these startups and participants in accelerator programmes through extensive knowledge sharing based on the company's core capabilities within sound. During 2018/19, Bang & Olufsen has supported 16 startups and began to support six more in June 2019.

Future Innovators - engaging young people in STEM

Science, technology, engineering and mathematics (STEM) education helps create innovative thinkers, increases science literacy, and enables the next generation of innovators. Bang & Olufsen has a long history of working with institutions and partners to help nurture and develop young people's education. Bang & Olufsen supported 11 new STEM initiatives in 2018/19, which was two more

than the target for the year. These initiatives included the following:

- **Innovation Camp.** For the tenth consecutive year some 30 young talents recruited from universities around the world took part. The course is a problem-based innovation process, involving professors as well as designers and engineers from Bang & Olufsen collaborating with the students before the final concept presentation. This year the Innovation Camp will be held in Shanghai
- **RealVision.** Bang & Olufsen participated in an EU-based research programme focused on sound and visual experiences that employs more than 15 international PhD students.

Sound & Health

Bang & Olufsen aims to use the company’s core capabilities within sound to help improve the quality of life for people by contributing to research and helping to create awareness of the positive effect sound can have in health-related areas.

During 2018/19, Bang & Olufsen took part in two separate research projects to explore the connection between sound and health. Both projects are created in collaboration with partners and the projects are now waiting for further external funding. Bang & Olufsen will continue to pursue opportunities to take part in relevant research projects that can benefit from the company’s capabilities within sound and share findings with relevant stakeholders.

Bang & Olufsen did not reach its target to partner with a global organisation to raise awareness of the positive impact of music on mental health. The company has been in dialogue with several organisations to explore potential partnerships during 2018/19, but despite fruitful discussions, these efforts did not materialise into new projects. Bang & Olufsen continues the dialogue with several potential partners.



“Bang & Olufsen plays an important role in the communities in which the company operates and continues to increase its local activities.”





FUTURE INNOVATORS

B&O has a long history of working with institutions and partners to help nurture and develop young people interest in Science, Technology, Engineering and Mathematic (STEM). In 2018/19, B&O actively supported 11 initiatives to support STEM.



SOUND & HEALTH

B&O took part in two separate research projects to explore the connection between sound and health. Both projects are created in collaboration with partners.



16 STARTUPS

Through its partnership with Sound Hub Denmark, B&O supported 16 startups within technology and sound.



ROLE IN SOCIETY

COMMITMENTS	TARGETS FOR 2018/19	RESULTS
Future innovators	• To help at least 15 start-ups or SMEs by way of knowledge sharing and support through partnership with Sound Hub Denmark	Accomplished 16 start-ups supported ✓
	• Run at least 10 initiatives to help and promote STEM competencies for young people	Accomplished 11 initiatives supported ✓
Sound & health	• Partner with global organisation to raise awareness of the positive impact music may have on mental health	Not accomplished
	• Contribute to research in order to expand existing knowledge on how sound can impact health	Accomplished ✓

RESULTS:

RESPONSIBLE PARTNER

Supply Chain

As Bang & Olufsen's business model is changing towards a partner-based approach the company's most critical human rights and business integrity risks are also related to its direct and indirect supply chains.

To mitigate these risks, the company took several new initiatives. In 2018/19, the company's target was for all the company's tier 1 suppliers to be certified in terms of compliance with the company's anti-corruption policy. Throughout the year, the company engaged closely with key suppliers on this matter, and the certification process was completed in the beginning of 2019. The company will continue to further strengthen the future governance structure for compliance across the business, driving the compliance culture, managing compliance risks and upgrading processes, tools and systems, thereby making compliance an integral and strategic part of doing business with



Bang & Olufsen. As part of these efforts, Bang & Olufsen has created a new position for a compliance officer.

Retailers

At Bang & Olufsen, data privacy has always been a key pillar, and safeguarding customers' personal data and ensuring that personal information is collected and used appropriately has been a priority.

For 2018/19, Bang & Olufsen's target was to ensure that at least 90% of existing monobrand retail partners in EU would sign the new data protection agreements (DPA) as part of the company's GDPR programme. By 31 May 2019, 96% of the targeted monobrand retail partners in EU had signed the agreement. Today, a DPA is a prerequisite for a retailer to get access to customer data.

RESPONSIBLE PARTNER

COMMITMENT	TARGETS FOR 2018/19	RESULTS
Supply chain	<ul style="list-style-type: none"> Receive certification from all tier 1 suppliers on compliance with the anti-corruption policy 	Accomplished ✓
	<ul style="list-style-type: none"> Initiate analysis to better understand the environmental and impact of supply chain and start to implement recommendations* 	Partly accomplished ✓
Retailers	<ul style="list-style-type: none"> Deploy compliance programme to 90% of monobrand retail partners in EU 	Accomplished 96% deployed ✓

* This analysis was integrated into the analysis on Sustainable Products

OVERVIEW OF CSR RESULTS 2018/19

COMMITMENT	TARGETS FOR 2018/19	RESULTS
ENVIRONMENTAL & CLIMATE IMPACT		
Resource efficient operations	<ul style="list-style-type: none"> Reduce CO₂ emissions by 5% at production facilities * 	Accomplished Emissions was reduced by 6.5% (275 tonnes CO ₂) ✓
Sustainable products	<ul style="list-style-type: none"> Initiate analysis to gain insights into the environmental and climate impact of the company's products in order to reduce footprint and begin to implement recommendations 	Partly accomplished ✓
	<ul style="list-style-type: none"> Implement of RoHS 2 Directive 	Accomplished ✓
RESPONSIBLE EMPLOYER		
Work life	<ul style="list-style-type: none"> Zero fatalities 	Accomplished ✓
	<ul style="list-style-type: none"> Number of long-term illness cases (full and part time) caused by psychological work environment must not exceed 6 cases (11 in 2017/18) 	Accomplished 6 cases ✓
	<ul style="list-style-type: none"> Accident frequency** must not exceed 2 (3.5 in 2017/18) 	Objective not accomplished 3
	<ul style="list-style-type: none"> Improve employee engagement survey, as measured by Ennova, from 71 to 73 	Objective not accomplished Score 70
Diverse culture	<ul style="list-style-type: none"> Increase percentage of women in management positions to 20% 	Objective not accomplished Increased to 19%
ROLE IN SOCIETY		
Future innovators	<ul style="list-style-type: none"> To help at least 15 startups or SMEs by way of knowledge sharing and support through partnership with Sound Hub Denmark 	Accomplished 16 startups supported ✓
	<ul style="list-style-type: none"> Run at least 10 initiatives to help and promote STEM competencies for young people 	Accomplished 11 initiatives supported ✓
Sound & health	<ul style="list-style-type: none"> Partner with global organisation to raise awareness of the positive impact music may have on mental health 	Not accomplished
	<ul style="list-style-type: none"> Contribute to research in order to expand existing knowledge on how sound can impact health 	Accomplished ✓
RESPONSIBLE PARTNER		
Supply chain	<ul style="list-style-type: none"> Receive certification from all tier 1 suppliers on compliance with the anti-corruption policy 	Accomplished ✓
	<ul style="list-style-type: none"> Initiate analysis to better understand the environmental and climate impact of supply chain and start to implement recommendations*** 	Partly accomplished ✓
Retailers	<ul style="list-style-type: none"> Deploy compliance programme to 90 % of monobrand retail partners in EU 	Accomplished 96% deployed ✓

* Equal to a reduction of 239 tonnes CO₂

** Frequency is measured as accidents per 1 million work hours

*** This analysis was integrated with the analysis on Sustainable Products.

OUTLOOK FOR 2019/20

FOCUS AREA

OUTLOOK AND KEY TARGETS 2019/2020

**ENVIRONMENTAL
& CLIMATE IMPACT**

- Continue to optimise energy consumption in building portfolio to reduce CO₂ emissions by at least 5%
- Reduce CO₂ emissions of own logistics system by 5-10%
- Implement new design guidelines for sustainable packaging during 2019/2020
- Start to explore new models for lifetime prolongation and use of recycled content in products

**RESPONSIBLE
EMPLOYER**

- Increase focus on initiatives related to mental health
- Continue focus on promoting diversity and hiring a diverse workplace
- Improve share of women in senior management to at least 25%
- Improve employee engagement score from 70 to 72

ROLE IN SOCIETY

- Help at least 15 start-ups by way of knowledge sharing and support through partnership with Sound Hub Denmark
- Run at least 5 initiatives to help and promote STEM competencies for young people
- Continue work with 2 key research projects within sound and health
- Partner with global organisation to raise awareness of the positive impact music may have on mental health

**RESPONSIBLE
PARTNER**

- Strengthen internal compliance function
- Complete revision of Code of Conduct and complete training of key stakeholders
- Strengthen training in and awareness of the procurement processes among employees
- Continue roll-out of updated contractual framework to retail partners

CSR GOVERNANCE

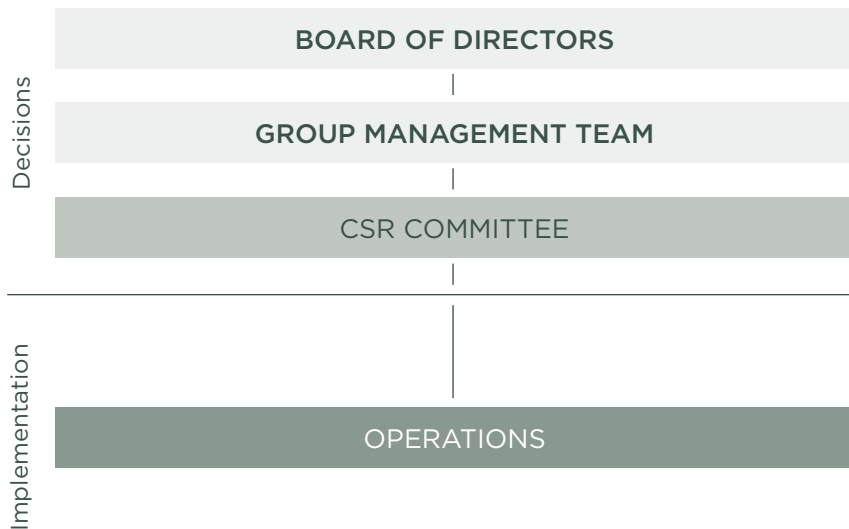
Bang & Olufsen has established a strong governance structure to support the implementation of the updated strategy and ensure that Bang & Olufsen achieves its ambition.

CSR Committee

The CEO has appointed the members of the CSR Committee,

which is responsible for overseeing the implementation of the updated CSR strategy, and setting the strategic direction and coordinating the various CSR initiatives. The committee reports to Bang & Olufsen's Group Management Team (GMT) and is chaired by the head of Group Functions, who is also a member of the GMT.

Group Communications will function as the CSR Committee's secretariat. They will be responsible for driving the overall CSR agenda. This includes the responsibility for developing, implementing and communicating about CSR, including on new initiatives.





Bang & Olufsen A/S
Bang og Olufsen Allé 1
DK-7600 Struer
Denmark

Tel. +45 9684 1122
www.bang-olufsen.com
investors@bang-olufsen.com
Registration no: 41257911