

A man wearing a brown jacket, a bucket hat, and sunglasses is riding a bicycle. He is holding a white, perforated helmet in his left hand. The background is a clear blue sky with some clouds. The text "CSR & SUSTAINABILITY REPORT 2019/20" is overlaid on the image in white, bold, sans-serif font.

CSR & SUSTAINABILITY REPORT 2019/20

BANG & OLUFSEN

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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) and Sustainability for the financial year of 2019/20 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 design icon operating in the intersection between consumer electronics and luxury. The Company was 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. Every Bang & Olufsen product continues to be characterised by the unique

combination of beautiful sound, timeless design, and unrivalled craftsmanship.

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

OUR VALUES

PRIDE, PERSISTENCE AND PASSION

OUR CORE CAPABILITIES



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 pearl-blasted anodised aluminium, authentic leather, Scandinavian wood and the fabrics that cover the products, the company's commitment to craftsmanship is unique.

LETTER FROM THE CEO

Dear stakeholder,

2019/20 was a challenging year for Bang & Olufsen with lower than expected sales and COVID-19 impacting our business. To improve our financial performance, we launched a new strategy and implemented several initiatives, and we have raised new capital to get us through the COVID-19 crisis.

Despite our financial challenges, we have made good progress on our corporate social responsibility (CSR) and sustainability efforts this year as we continue to execute on our three-year strategy. At Bang & Olufsen, CSR and sustainability forms an integral part of our business and we firmly believe that companies acting responsibly create more long-term value for society and stakeholders. The three-year strategy that guides our efforts towards 2020/21 is focused on four key areas: Environmental & Climate Impact, Responsible Employer, Role in Society and Responsible Partner.

In 2019/20, we saw solid progress in our work to minimise the climate and environmental impact of our company. We reduced the carbon footprint of our building portfolio and decreased the CO₂ emissions related to our own logistics system by moving more transportation from air to sea freight through a structured approach. In addition, we achieved an important milestone with the launch of our new sustainable packaging strategy that will minimise the climate impact and increase resource efficiency. The new strategy has already been

implemented for Beosound Balance and Beosound A1 2nd generation. Bang & Olufsen is widely recognised for the longevity of our products, and longevity has great significance for sustainability. Our ambition is to continue to make products with a long lifetime, as well as exploring new models for lifetime prolongation and use of recycled content in our products.

Last year, we took several initiatives to improve our employee engagement score. We believe that engaged and motivated employees are a key enabler for commercial success, and we are pleased to report that we saw an increase the engagement score. We will launch a new programme in the beginning of 2020/21 with the aim to strengthen values, culture and engagement across the company. Improving the gender balance is a key priority for us. However, we did not achieve our target of at least 25% female senior managers this year, though we did improve from 19% last year to 22% this year. We will continue our efforts to improve in this area – and next year we will outline a new long-term vision for diversity and inclusion. Despite our increased focus on mental health during, we did see a slight increase in the number of long-term illness cases caused by the psychological work environment. We will work to reverse that development in the next financial year.

We have an ambition to increase our contribution to society based on our core capabilities of sound, design and craftsmanship.

We partnered with Sound Hub Denmark to help 12 start-ups within the sound and technology industry, initiated six STEM initiatives towards young people, including our annual 'B&O Innovation Camp' that this year took place in Shanghai with 30 international students. This year, we also continued to leverage our unique capabilities within sound to help improve the quality of life for people. In October, we announced that we, together with key partners, had received DKK 40 million from Innovation Fund Denmark for a new sound and health project. The purpose of the project is to develop an advanced sound system that can remove unwanted sound from homes and hospitals as this could significantly improve life quality.

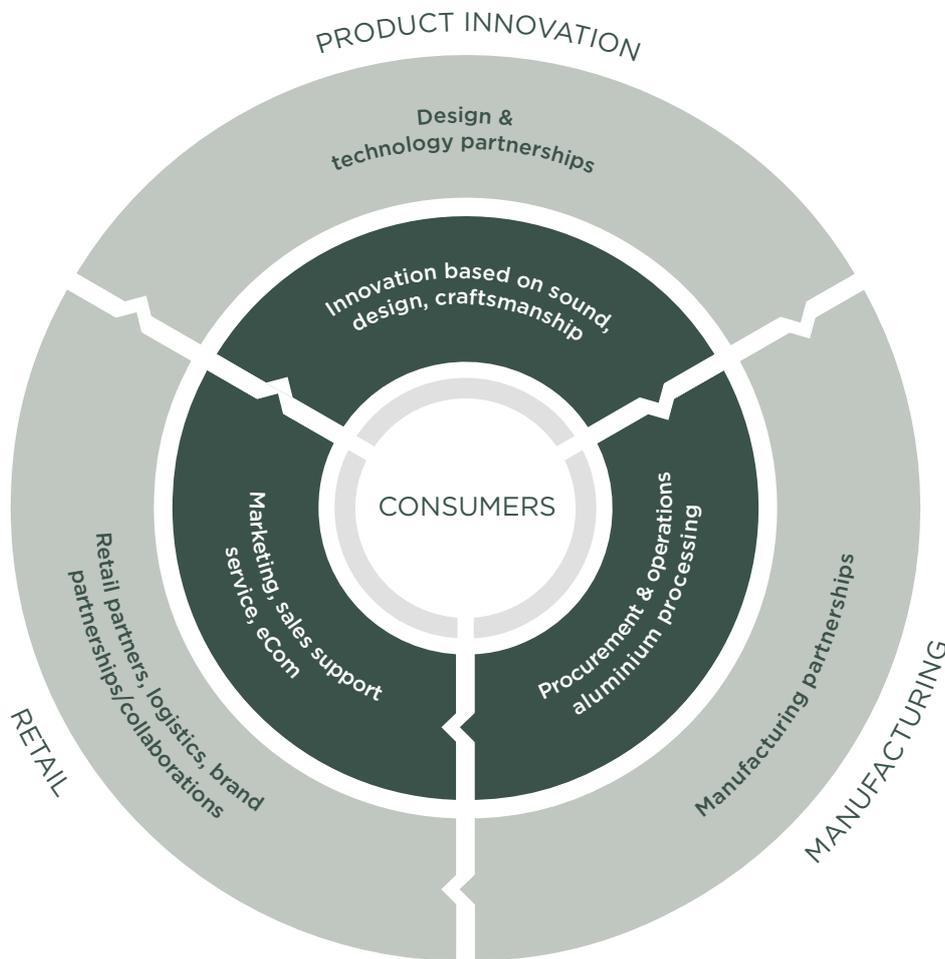
This report provides an overview of our CSR and sustainability achievements in 2019/20 and targets for next year. We did not achieve all our targets for 2019/20, but we have seen solid progress in most areas through focused efforts and targeted initiatives.

In 2020/21, we will continue to execute on the strategy with an enhanced focus on minimising the environmental and climate impact of Bang & Olufsen. In addition, we will during next year develop a new strategy for sustainability and societal impact to replace the current framework that expires in 2020/21.

Kristian Teär
President & 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 the financial performance more robust.

RISK ASSESSMENT IN BANG & OLUFSEN'S VALUE CHAIN

Bang & Olufsen is committed to ensure that the entire value chain is considered when evaluating the range of potential risks related to the company's operations.

Risks are taken into account on a daily basis and by doing so, Bang & Olufsen is able to address societal and environmental aspects of business operations and bring value to all the company's

stakeholders. A core team constantly evaluates risk in the value chain to determine the potential impact, evaluate threats and working proactively to mitigate them.

ASSOCIATED RISK FOR SPECIFIC STAKEHOLDERS AND AREAS

BANG & OLUFSEN	MATERIALS	SUPPLIERS (PRODUCTION)	TRANSPORT	RETAILERS	CONSUMERS	DISPOSAL
<ul style="list-style-type: none"> • Human rights • Labor rights • Diversity • Energy consumption • Water use • Pollution • Waste • CO₂ emissions • Work environment and mental health • Work safety 	<ul style="list-style-type: none"> • Extraction of virgin materials • Climate effect from packaging and products • Human rights • Labor rights • Anti-Corruption 	<ul style="list-style-type: none"> • Human rights • Labor rights • Anti-Corruption • Energy Consumption • Water use • CO₂ emissions • Waste • Dangerous substances 	<ul style="list-style-type: none"> • CO₂ emissions • Traffic safety • Anti-Corruption • Human rights 	<ul style="list-style-type: none"> • Human rights • Anti-Corruption • Compliance 	<ul style="list-style-type: none"> • Customer health and safety • Product compliance • GDPR 	<ul style="list-style-type: none"> • Recyclable waste • General waste

CSR STRATEGY

In 2017/18, Bang & Olufsen launched a revised three-year CSR strategy. 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.

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, aesthetic 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 operates.

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

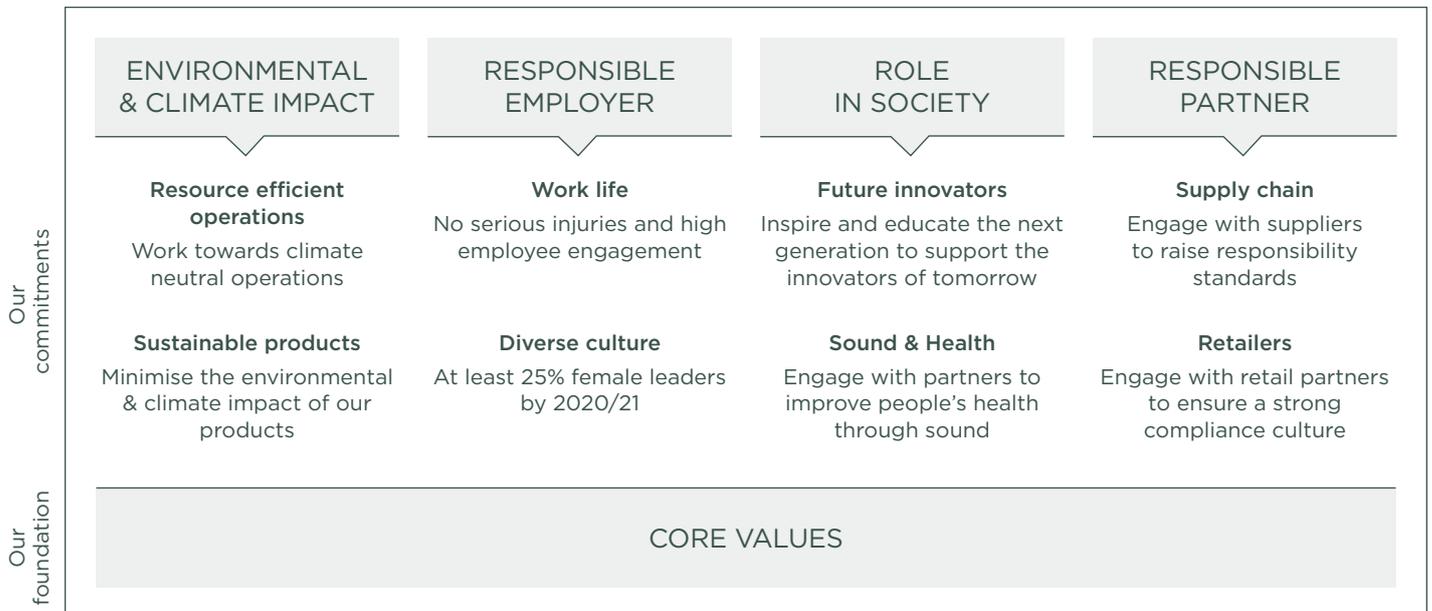
craftsmanship and design, which are related to the company's core capabilities. Bang & Olufsen aims to do that by sharing expertise, making the company's resources available and working with relevant institutions and partners

Responsible Partner

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

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. All the United Nations Sustainable Development Goals (SDGs) are important. Bang & Olufsen has chosen to enhance three specific SDGs, namely “Responsible Consumption & Production”, “Good Health & Well-Being” and “Quality Education” (goals 12, 3 and 4)



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.

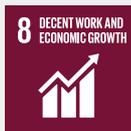


Bang & Olufsen has increased its focus on how the company manufactures, designs, creates and delivers products to help drive progress towards a more circular and low-carbon economy.

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



Bang & Olufsen continuously work to reduce the energy use and environmental impacts associated with the company's activities. Climate change represents a major risk also to society, and it is a growing concern among Bang & Olufsen's most important stakeholders such as governments, employees, consumers, retailers etc. The company strive to run a sustainable business by reducing the energy consumed in the building portfolio, production and creation processes and

logistics as they are all major contributors to the company's environmental and climate impact. Long-term, Bang & Olufsen is committed to working towards climate neutral operations. The company aims to reduce the CO₂ emissions of its operations by managing its energy consumption and environmental impact in accordance with the ISO 14001 standard.

Resource efficient operations

In 2019/20, Bang & Olufsen invested in several new initiatives to optimise and adapt the energy consumption in the company's building portfolio. A key initiative was an investment in district heating to optimise and adapt the energy consumption in the company's headquarters in Struer. This will reduce the CO₂ emissions in connection with the consumption

of energy for the heat supply by 800 tonne per year in the future, which corresponds to a total annual reduction of 20%.

The energy savings generated from the various projects implemented amounted to a reduction of 653 tonnes CO₂, a reduction of 15% compared to last year, and thus the company has achieved the target of at least 5% reduction of CO₂ emissions in the building portfolio.

Last year, Bang & Olufsen initiated a thorough analysis to assess the company's CO₂ footprint with support from Technical University of Denmark (DTU). The work revealed that 95% of the company's total CO₂ emissions from the transportation phase stems from airfreight, mainly related to moving products between inventory locations. The study also identified tangible KPIs and actions that will enable the company to closely monitor and

reduce the company's CO₂ emissions going forward.

Bang & Olufsen has rolled-out several initiatives within planning and logistics the past 6-7 months, sending more products by sea instead of air to reduce CO₂ emissions. This includes new launches Beosound Stage and Beosound Balance that from the early planning phases were scoped for sea shipment. Combined these initiatives have contributed to the company reaching its target of a reduction of CO₂ emissions of own logistics system by 5-10%. In total, the decrease was around 35%. This was, however, significantly impacted by the lower than expected sales. Per kilo, the CO₂ emissions dropped 4.4% compared to last year.

Sustainable products

Bang & Olufsen has been widely recognised for creating long-lasting products. However, it is the

company's ambition to do even more within this area by structuring and scaling its core capabilities of sound, design and craftsmanship to create more sustainable products. A focus area for Bang & Olufsen this year has been improving the product packaging design to reduce the environmental and climate impact and increase resource efficiency, while still ensuring the company deliver the right consumer experience.

Based on a thorough analysis of Bang & Olufsen's packaging design system, the company has developed a new sustainable packaging strategy that takes into account the full product system from the material extraction, manufacturing, transportation, use and end of life. The new strategy has three focus areas:

1. Reduce and avoid: Only using the relevant and necessary materials, in order to reduce the impact from product packaging.
2. Minimise the impact: Select materials with a lower CO₂ impact and with preference for materials from renewable sources, e.g. choosing paper/cardboard over plastics and foam and increasing focus on sourcing recycled materials.
3. Close the loop: Make it easy and simple to dispose of and recycle Bang & Olufsen packaging.

“A key focus area for Bang & Olufsen this year has been improving the product packaging design to reduce the environmental and climate impact and increase resource efficiency”



Bang & Olufsen aims to make products with a long lifetime, as well as exploring new models for lifetime prolongation and use of recycled content in products. Lifetime prolongation is important as it reduces annual CO₂ footprint of products by circling longer and reselling is substituting purchase of new virgin product and captures more value of energy investments already done. To explore this further, the company has initiated a project with University of Aalborg to explore the consumer user journey and a refurbished business model. However, this is yet to yield tangible results.

Bang & Olufsen achieved its target of implementing new guidelines for sustainable packaging, however the company only partly accomplished the objective of exploring new models for life prolongation and use of recycled content in products.

PACKAGING IMPROVEMENTS FOR BEOSOUND BALANCE AND BEOSOUND A1

Beosound Balance, launched in spring 2020, is the first product where the new sustainable packaging strategy was implemented. For Beosound Balance paper pulp trays have been introduced, a renewable material that can easily be disposed of and recycled when no longer needed. The primary packaging for Beosound Balance is made entirely out of paper-based materials that makes disposing of the box and the inserts easy.

The new strategy has also been implemented for Beosound A1 2nd Generation. The packaging

is with paper pulp trays to hold the product and all the accessories, replacing the EVA foam tray. Overall, the CO₂ impact is reduced by 6.4 % compared to the previous packaging solution*. The new packaging has been optimised in regard to both weight and volume. Lower weight demand less CO₂ emissions during transportation, while lower volume will increase the number of items per transport unit. By using mono-materials (paper based) and easily separable parts, it has also been made simpler for the consumer to recycle all of the packaging materials.

* this is a rough screening estimate done via MECO methodology.



Investment in district heating in Struer



**15%
CO₂**

ENERGY REDUCTION

Through energy efficiency projects, B&O reduced its CO₂ emission in its facilities by 653 ton.

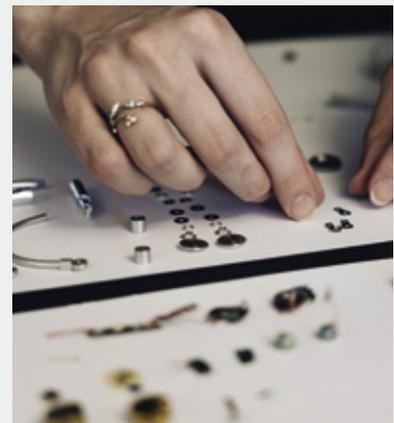


80%

**OF ALL WASTE
RECYCLED**

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

Bang & Olufsen has rolled-out several initiatives within planning and logistics the past 6-7 months, sending more products by sea instead of air to reduce CO₂ emissions.



AREA	TARGET 2019/20	STATUS
ENVIRONMENTAL & CLIMATE IMPACT	• Reduce CO ₂ in buildings with at least 5%	Accomplished (15%) ✓
	• Reduce CO ₂ emissions of own logistics system by 5-10%	Accomplished (35%) ✓
	• Implement new design guidelines for sustainable packaging during 2019/2020	Accomplished ✓
	• Start to explore new models for lifetime prolongation and use of recycled content in products	Partly accomplished (✓)

RESULTS:

RESPONSIBLE EMPLOYER



Bang & Olufsen hosted internal events in connection with Copenhagen Pride Week in August to celebrate diversity and inclusion

“Bang & Olufsen believes that equality and diversity can contribute to a healthier and more dynamic work environment, where passionate employees can learn and grow, and be an important enabler of success”

* Beovoice survey is the company's Employee Engagement Survey that is carried out by external provider Ennova.

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 and ensuring a diverse and inclusive working culture

Work life

A target for Bang & Olufsen this year was to improve the employee engagement score from 70 to 72. The target was achieved with an index score of 72 in the Beovoice survey* conducted in October and November 2019 among all employees. On the back of the decline in engagement score in 2018/19, several initiatives were launched to address the issues highlighted in the survey, and the company is pleased that the initiatives and actions have contributed to an improvement.

The company's Human Resources function (HR) not only defines employee-related policies and guidelines but also continuously addresses risks associated with company's workforce – both in terms of retention, talent development and attraction of new employees. Therefore, Bang & Olufsen also aims to continue to work to improve the engagement among employees and based on the results from this year survey, three main areas for improvement has been identified – and these are leadership communications and



transparency, work conditions and ways of working. The company has already launched a number of new initiatives within these three areas to ensure that the progress made in 2019/20 continues.

In 2018/19, the company's top 30 leaders attended a new leadership training programme, "Leading for Results", to ensure that leaders have the right tools and skillset to support the company's transformation journey. This year the programme was extended to include all leaders, and 88 of the 97 leaders (91%) at Bang & Olufsen at that time completed the training.

A combination of an active working-environment organisation and good collaboration between unions, employee representatives and management are key to ensure a healthy and safe workplace – both physically and mentally. This year, the company continued its strong focus on safety procedures in Factory 5 through increased

communication and training. Activities included introduction of learning modules with movies about first aid, fire threats, accidents and near miss as well as ergonomics and waste management. The accident frequency fell from 3.0 last year to 2.4 this year and none of the incidents were serious and did not cause long-term absence.

Increased focus on initiatives related to mental health was a target this year and this has been achieved. In May 2019, the company launched Beominds – a company-wide programme with focus on mental well-being activities and this programme has grown in scope this year. Among other, the company launched its first Global Mental Health Week for all employees. The initiative was launched in connection with World Mental Health Day on 10 October 2019 and consisted of a range of different activities, including an internal awareness campaign on the importance of mental health, mindfulness and yoga

sessions, knowledge sharing and stress tests. In addition, the company continued a pilot project initiated last year targeted managers and aimed at providing better support and tools for them to reduce stress and create better working conditions for colleagues.

Despite the company's increased focus on mental health, there was a slight increase in the number of long-term illness cases caused by the psychological work environment as the number of cases went from five in 2018/19 to seven in 2019/20. This is not satisfactory, and Bang & Olufsen is committed to reverse that development and bring down the number of cases. It is the company's assessment that the increase to some extent can be attributed to the reorganisation and cost reduction programme, that also included redundancies that was implemented during the financial year as a response to the company's financial challenges.

Diverse culture

Bang & Olufsen believes that equality and diversity can contribute to a healthier and more dynamic work environment, where passionate employees can learn and grow, and be an important enabler of success. At the end of 2018/19, the Board of Directors adopted a new People and Diversity policy that defines diversity across age, gender, culture and competencies, and this year the company's target was to increase the focus on promoting diversity and hiring a diverse workplace. This target was achieved through a number of initiatives, including equal recruitment processes driven by HR, multiple cross-company events celebrating diversity and inclusion and a continuation of the Google #IamRemarkable initiative – a programme that empowers women and underrepresented groups to celebrate their achievements in the workplace.

Improving the gender balance continues to be a focus area for Bang & Olufsen, and this year the goal was to ensure that the share of women in senior management positions was at least 25%. This target was not achieved as the share of women only increased from 19% in 2018/19 to 22% in 2019/20. The company will increase its focus on gender diversity to ensure that this target is achieved next year. The company's new Group Leadership Team established in March also includes five female members out of 14 in the team. In addition, the senior management team has a

diverse composition with a large number of international profiles. Today, a total of 42% of the company's senior leaders have an international background.

The Board of Directors (BoD) consists of 11 members elected at the General Meeting. At the Annual General Meeting in August 2019 three female members were elected, and there are currently five female members on the BoD. The three new members all have international backgrounds.

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. This target has now been achieved.





BEOINDS

In May 2019, the company launched Beominds – a company-wide programme with focus on mental well-being activities and this programme has grown in scope this year.



DIVERSE CULTURE

42% of the company’s senior management leaders have an international background.



AREA	TARGET 2019/20	STATUS
RESPONSIBLE EMPLOYER	<ul style="list-style-type: none"> Increase focus on initiatives related to mental health 	Accomplished ✓
	<ul style="list-style-type: none"> Continue focus on promoting diversity and hiring a diverse workplace 	Accomplished ✓
	<ul style="list-style-type: none"> Improve share of women in senior management to at least 25% (director+) 	Not accomplished (22%) ✗
	<ul style="list-style-type: none"> Improve employee engagement score from 70 to 72 	Accomplished (72) ✓

RESULTS:

ROLE IN SOCIETY

Future Innovators

Supporting global talents is a key part of Bang & Olufsen's DNA, and this year the target was to run at least five initiatives to help and promote STEM competencies for young people. This was achieved through several new and recurrent initiatives.

One of the company's recurrent programmes to support young talents is the 'B&O Innovation Camp' that took place for the 11th time in July 2019. This year, the camp was in Shanghai, China and Bang & Olufsen had invited 30 talented

students from around the world to be part of a three-week-experience of innovation processes and problem solving. The students were tasked to create an audio product for urban Chinese consumers on the move. The 'B&O Innovation Camp' was made in collaboration with a number of European and Asian universities. Together with external professors from the attending universities, Bang & Olufsen designers and engineers challenged and provided guidance to the students during the camp.

In recent years, Bang & Olufsen has been part of a Danish nationwide

campaign called 'Girls' Day in Science' that aims to create awareness about the lack of girls in science fields and kindle their interest. This year around 40 secondary school girls visited Bang & Olufsen's headquarters in Struer to experience how science plays a crucial role for the development of products and meet with some of the company's female employees, who shared their personal stories and gave them an introduction to some of the career paths in the company.

In 2018, Bang & Olufsen partnered with Harman Lifestyle, Aalborg University, Danish Sound Network



40 secondary school girls visited Bang & Olufsen as part of the Girls' day in Science campaign in Denmark.



Bang & Olufsen sponsors 'Run To The Beat' - an annual running event and concert in Struer with more than 4000 participants.

and Struer Municipality to create the world's first international sound technology innovation environment, Sound Hub Denmark. The hub is business acceleration in a sound professional co-working environment that gives small businesses and startups access to sound, craft, and test facilities as well as highly specialised skills from industry leaders and 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. Since the beginning more 30 startups have used the facilities of Sound Hub Denmark. This year Bang & Olufsen supported 12 startups, which meant that the

“Bang & Olufsen will continue to support Sound Hub Denmark and aims to extend the company's partnership and mentor startups in areas such a consumer experience, product development and marketing.”

company did not reach its target of 15. Bang & Olufsen will continue to support Sound Hub Denmark and aims to extend the company's partnership and mentor startups in areas such a consumer experience, product development and marketing.

In 2019/20, Bang & Olufsen also continued to engage in community activities in Struer. As a partner in the international sound art festival, Struer Tracks, the company helped created the sound art pieces 'The Receiver' and 'Amplified Views' that were covered in both Danish and

international media. Bang & Olufsen also sponsored 'Run To The Beat' – an annual running event and concert in Struer with more than 4000 participants.

Sound & health

Bang & Olufsen wants 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 2019/20, Bang & Olufsen continued the work within the existing two research projects that the company initiated last year, and thus the company achieved

the target for the year. In addition, the company entered into new research projects during the year.

A key project this year was ISO-BEL (Interactive Sound for Better Living) where Bang & Olufsen partnered with Soundfocus, Wavecare and Aalborg University on a DKK 40 million project funded by Innovation Fund Denmark. Current research studies have shown that unwanted sound have significant health consequences and the purpose of this project is to develop an entirely new type of advanced sound system that can remove unwanted sound. The project is focused on developing systems for people's homes and in hospitals as

sound impression management in these areas might help improve life quality. 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. This was due a repriorisation of organisational focus and funding due to the company's financial challenges. This project has now been postponed until further notice.



'Run To The Beat' in Struer, August 2019.



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 2019/20, B&O actively supported six initiatives to support STEM.



SOUND & HEALTH

Bang & Olufsen partnered with Soundfocus, Wavecare and Aalborg University on a DKK 40 million project funded by Innovation Fund Denmark. The project is focused on developing systems for people's homes and in hospitals to reduce unwanted sound which might help improve life quality.



12 STARTUPS

Through its partnership with Sound Hub Denmark, B&O supported 12 startups within technology and sound.

AREA	TARGET 2019/20	STATUS
ROLE IN SOCIETY	<ul style="list-style-type: none"> Support at least 15 startups 	Not accomplished (12) ✗
	<ul style="list-style-type: none"> Run at least 5 initiatives to help and promote STEM competencies for young people 	Accomplished (6) ✓
	<ul style="list-style-type: none"> Continue work with 2 key research projects within sound and health 	Accomplished ✓
	<ul style="list-style-type: none"> Partner with global organization to raise awareness of the positive impact of music 	Not accomplished ✗

RESULTS:

RESPONSIBLE PARTNER

Bang & Olufsen continued to engage with suppliers to raise responsibility standards and no critical issues have been reported by suppliers during the past year.

Bang & Olufsen achieved its target of strengthening the internal compliance function by hiring a Global Compliance Officer in newly established position. He is responsible for the implementation of new programme that reflects the company's values, integrity and commitment to compliance. In 2019/20, the programme effectiveness was evaluated and core elements strengthened, such as risk assessment process, corporate standards and internal reporting processes.

The company achieved its target of completing the revision of Business Conduct & Ethics Policy and training of key stakeholders. In 2019/2020 the Board of Directors approved a revision of the global policies resulting in five global policies including

a new Anti-Corruption Policy, Stakeholder, CSR and Sustainability Policy, People and Diversity Policy and Business Conduct and Ethics Policy. The Business Conduct and Ethics Policy was launched through a global awareness campaign with focus on a new internal governance resource for policies and guidelines.

Employees play a key role in identifying areas of improvement or unacceptable workplace behaviour and an internal awareness campaign called BeoShare was launched to support a workplace where all employees feel welcome, included and are free to express their views.

The company also launched an internal campaign 'spend company money wisely' to increase awareness of the guidelines on purchasing of non-production related products and services. This also included training for select employee groups. With the campaign and a strong focus from the Group Leadership

Team the company has seen a positive development in compliance rate within procurement processes – going from a compliance rate in September 2019 of 70% to a compliance rate of 89%. Thus, the company achieved its target of strengthening training in and awareness of the procurement processes among employees. In addition, the company ran an IT Security Awareness Training Programme to ensure safer digital behaviour. 80% of the company's employees completed that.

The company achieved its goal of continuing the roll-out of updated contractual framework to retail partners. The framework is key to ensure compliance with legal issues and mitigate third-party risks. The roll-out has increased awareness of and compliance with data privacy standards to safeguard customers' personal data and strengthened compliance within anti-corruption and sanctions control regimes.

AREA	TARGET 2019/20	STATUS
RESPONSIBLE PARTNER	<ul style="list-style-type: none"> Strengthen training in and awareness of the procurement processes among employees 	Accomplished ✓
	<ul style="list-style-type: none"> Strengthen internal compliance function 	Accomplished ✓
	<ul style="list-style-type: none"> Complete revision of Business Conduct & Ethics Policy and complete training of key stakeholders 	Accomplished ✓
	<ul style="list-style-type: none"> Continue roll-out of updated contractual framework to retail partners 	Accomplished ✓

OVERVIEW OF RESULTS 2019/20

AREA	TARGETS 2019/20	STATUS
ENVIRONMENTAL & CLIMATE IMPACT	<ul style="list-style-type: none"> Reduce CO₂ in buildings with at least 5% 	Accomplished (15%) ✓
	<ul style="list-style-type: none"> Reduce CO₂ emissions of own logistics system by 5-10% 	Accomplished (35%) ✓
	<ul style="list-style-type: none"> Implement new design guidelines for sustainable packaging during 2019/2020 	Accomplished ✓
	<ul style="list-style-type: none"> Start to explore new models for lifetime prolongation and use of recycled content in products 	Partly accomplished (✓)
RESPONSIBLE EMPLOYER	<ul style="list-style-type: none"> Increase focus on initiatives related to mental health 	Accomplished ✓
	<ul style="list-style-type: none"> Continue focus on promoting diversity and hiring a diverse workforce 	Accomplished ✓
	<ul style="list-style-type: none"> Improve share of women in senior management to at least 25% (director+) 	Not accomplished (22%) ✗
	<ul style="list-style-type: none"> Improve employee engagement score from 70 to 72 	Accomplished (72) ✓
ROLE IN SOCIETY	<ul style="list-style-type: none"> Support at least 15 startups 	Not accomplished (12) ✗
	<ul style="list-style-type: none"> Run at least 5 initiatives to help and promote STEM competencies for young people 	Accomplished (6) ✓
	<ul style="list-style-type: none"> Continue work with 2 key research projects within sound and health 	Accomplished ✓
	<ul style="list-style-type: none"> Partner with global organization to raise awareness of the positive impact of music 	Not accomplished ✗
RESPONSIBLE PARTNER	<ul style="list-style-type: none"> Strengthen training in and awareness of the procurement processes among employees 	Accomplished ✓
	<ul style="list-style-type: none"> Strengthen internal compliance function 	Accomplished ✓
	<ul style="list-style-type: none"> Complete revision of Business Conduct & Ethics Policy and complete training of key stakeholders 	Accomplished ✓
	<ul style="list-style-type: none"> Continue roll-out of updated contractual framework to retail partners 	Accomplished ✓

TARGETS FOR 2020/21

FOCUS AREA

OUTLOOK AND KEY TARGETS 2020/2021

**ENVIRONMENTAL
& CLIMATE IMPACT**

- Reduce CO₂ in buildings with at least 5%

- Implement sustainable packaging strategy for upcoming products in the On-the-go and Flexible Living category

- Reduce CO₂ emissions of own logistics system by 5-10% pr. kilo

- Introduction of formalised circular product design program

**RESPONSIBLE
EMPLOYER**

- Improve Employee Engagement score from 72 to at least 74

- Improve share of women in senior management to at least 25% (director+)

ROLE IN SOCIETY

- Support at least 10 startups through collaboration with Sound Hub Denmark

- Run at least 5 initiatives to help and promote STEM competencies for young people

- Continue work with key research projects within sound and health and share knowledge with key stakeholders

**RESPONSIBLE
PARTNER**

- Strengthen training in the procurement processes in the organisation

- Launch internal compliance training program

- Establish global compliance committee

- Improved due diligence onboarding process for high risk commercial 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 Leadership Team (GLT) and is chaired by the Head of Group Communications & CSR.

The Group Communications & CSR team 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.



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