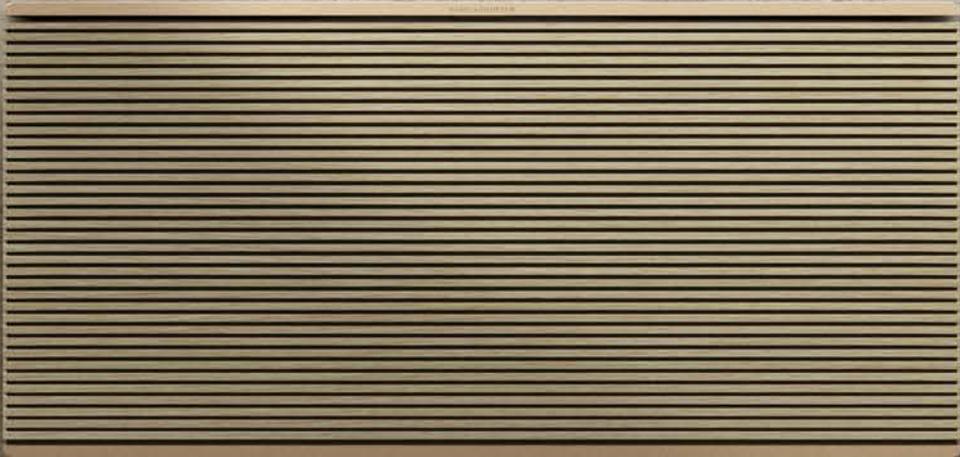


BANG & OLUFSEN

# CSR & SUSTAINABILITY REPORT 2020/21

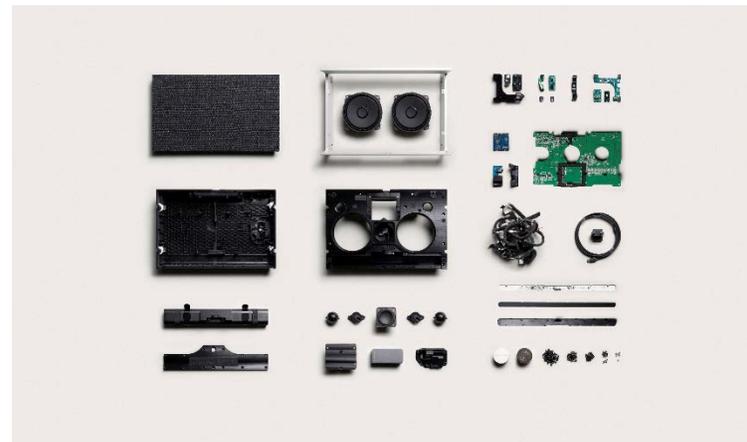




# Table of Contents



Beosound Emerge, designed to last through a modular design approach



Beosound Level, “exploded view” of the multiroom speaker that is built for a long lifetime as it is easy to upgrade and repair

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**About this report**

This report provides a status on Bang & Olufsen’s work on Sustainability for the 2020/21 financial year in compliance with the reporting requirements set out in sections 99a and b of the Danish Financial Statements Act. The intention is for the report to provide insight and understanding into the scope of Bang & Olufsen’s sustainability work, and how these activities form an integral part of the company’s day-to-day operations.

## OVERVIEW

About Bang & Olufsen	3
Letter from the CEO	4
Our business model	6
Risk assessment in Bang & Olufsen’s Value Chain	7
CSR & Sustainability Strategy	8

## RESULTS

Environmental impact	11
Responsible employer	15
Role in society	19
Responsible partner	22
Overview of results 2020/21	24

## OUTLOOK & GOVERNANCE

CSR & sustainability outlook 2021/22	25
Governance	26

Bang & Olufsen's core capabilities

# Sound, design, and craftsmanship

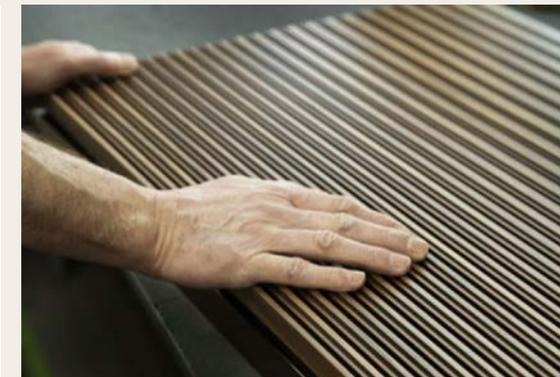
## *Beautiful Sound*

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*

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. From pearl-blasted anodised aluminium, authentic leather, Scandinavian wood and the fabrics that cover the products.

# Longevity is at the heart of Bang & Olufsen

Kristian Teär, President & CEO



Dear reader,

In 2020/21, Bang & Olufsen made significant progress as we completed the first phase of our turnaround and returned the company to profitability. This was an important milestone, and we achieved it despite the pandemic impacting consumers, businesses, and societies around the world. We owe our colleagues and partners our gratitude for their incredible efforts the past year.

In November, we celebrated our 95<sup>th</sup> anniversary and we can be proud of our long heritage. It underlines that we are a brand that has adapted to stay competitive based on our core capabilities of sound, design and craftsmanship with a firm focus on longevity. At Bang & Olufsen, we have an unrivalled ability to innovate and stay at the forefront of audio and visual technology, and for almost a century our amazing employees and partners have helped shape how people hear, feel, and see the world.

We want to continue to improve our business and build products and experiences that bring long-term value not only to our customers, but also our employees, society, and investors. By integrating sustainability more into our day-to-day operations, we want to strengthen our leading position on longevity in the consumer electronics industry and help fight technology obsolescence through innovation.

Building quality products with a long lifespan has always been at the core of Bang & Olufsen, and we see product longevity as a strategic lever for us to continue to succeed commercially.

This financial year, we introduced our first products with a new innovative and replaceable streaming module based on a modular approach to design. With this new feature, Bang & Olufsen speakers can be upgraded with new connectivity technology for many years. This will help ensure that the products can be adapted for future technological developments, if needed.

It has been an eventful past 12 months as the pandemic impacted all of us. Our number one priority in 2020/21 has been to safeguard the health and safety of our employees, customers, and partners, while making sure that we could continue to operate our business and execute on our strategy. We will maintain that focus in 2021/22, but we are pleased to see that the COVID-19 virus appears to be coming under control in many countries around the world.

The pandemic impacted global supply and logistics systems throughout the year and meant that we were unable to achieve the desired progress on cutting greenhouse gas emissions from our own logistics systems. We also saw an increase in emissions from our own buildings, primarily due to higher-than-expected activity levels at our aluminum

factory in Struer. Our retail partners and employees were also impacted by the pandemic, and during the year, we had to find new ways of working together internally as well as engage with our partners and customers. Despite these challenges, we saw an increase in employee engagement this year. This makes me proud, and I believe that the past 12 months have strengthened us as a company.

During the pandemic, we have demonstrated our ability to adapt to many changes, and this has also shown us what we can achieve, when we all work together - across our own organisation, and with our partners. This is an important learning as we continue transforming our business and supporting the transition towards a more sustainable future.

Overall, we did not make the desired progress on our sustainability efforts the past year, achieving eight out of thirteen targets. In 2021/22, we will continue to execute on our strategy and begin our work to develop a new sustainability strategy with long-term KPIs to replace the current framework.

**Kristian Teär**  
President & CEO

— Building quality products with a long lifespan has always been at the core of Bang & Olufsen, and we see longevity as a strategic lever for us to continue to succeed commercially.



Beosound Level



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# Business model



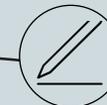
## THE BANG & OLUFSEN BRAND

Through 95 years Bang & Olufsen has designed the future, with a clear ambition of creating unconventional excellence for delightful living. In an ever-changing world, innovative design and technology continues to change how we all hear, see and feel the world.



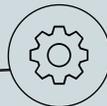
## CUSTOMER TARGETING

Bang & Olufsen's target audience is defined by people seeking iconic experiences. We call them "Design & Music Lovers" with a particular focus on four distinct customer segments: the APAC Gen Z,\* Careerist, Well-established, and the VHNWI.\*\*



## DESIGN & CREATION

Invention at Bang & Olufsen begins with an observation, deeply rooted in customer insight. Design ideas are converted into progressive and innovative products based on the core capabilities.



## MANUFACTURING

An asset-light manufacturing model drives efficiency throughout all stages of the manufacturing process. Our renowned inhouse aluminium production enables us to develop unique product components and bespoke solutions. Other parts of the manufacturing process are undertaken by ODM\*\*\* and production partners.



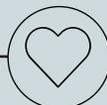
## VALUE CREATION

Bang & Olufsen strives to deliver iconic, reference class products which integrate seamlessly with existing technology and endure and retain value. The company strives to create value for Design & Music Lovers through the brand and product propositions, for shareholders through diligent and consistent development of the company, and for the society by being a responsible employer locally and globally.



## SALES

Multichannel go-to-market model builds brand experiences across physical and digital channels, reaching customers where they wish to engage. Physical branded retail includes company owned and operated stores, partner owned monobrand stores, and multibrand stores. Digital channels include own eCommerce and etailers



## CUSTOMER ACTIVATION

Brand and marketing activities are designed for the Bang & Olufsen target audience and specific customer segments. Programmatic demand creation activities across physical and digital channels boost customer awareness, consideration and loyalty.

\* Younger segments such as Millennials and Generation Z

\*\* Very High Net Worth Individuals

\*\*\* Original Design Manufacturing



# Risk assessment in Bang & Olufsen's value chain

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

Risks are assessed 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, assess threats and work proactively to mitigate them.

## Associated risk for specific stakeholders and areas

### BANG & OLUFSEN

- Human rights
- Labour rights
- Diversity
- Energy consumption
- Water use
- Pollution
- Waste
- CO<sub>2</sub> emissions
- Work environment and mental health
- Work safety
- Anti-corruption
- Compliance

### MATERIALS

- Extraction of virgin materials
- Climate effect from packaging and products
- Human rights
- Labour rights
- Anti-corruption

### SUPPLIERS (PRODUCTION)

- Human rights
- Labour rights
- Anti-corruption
- Energy Consumption
- Water use
- CO<sub>2</sub> emissions
- Waste
- Dangerous substances

### TRANSPORT

- CO<sub>2</sub> emissions
- Traffic safety
- Anti-corruption
- Human rights

### RETAILERS

- Human rights
- Anti-corruption
- Compliance

### CONSUMERS

- Customer health and safety
- Product compliance
- GDPR

### DISPOSAL

- Recyclable waste
- General waste



# CSR & sustainability strategy

Bang & Olufsen's CSR & sustainability 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.

Bang & Olufsen's CSR & sustainability consists of four focus areas: Environmental Impact, Responsible employer, Role in society, and Responsible partner. The strategy was developed on the basis of input from both internal and external stakeholders<sup>1</sup> and on an assessment of the societal, environmental impact of the company and existing efforts. The 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.

## Environmental impact

Bang & Olufsen is committed to minimising the adverse impact on the environment 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 for many years been widely recognised from a functional, aesthetic, and technological perspective for the design and longevity of its products. The company's ambition is to push the

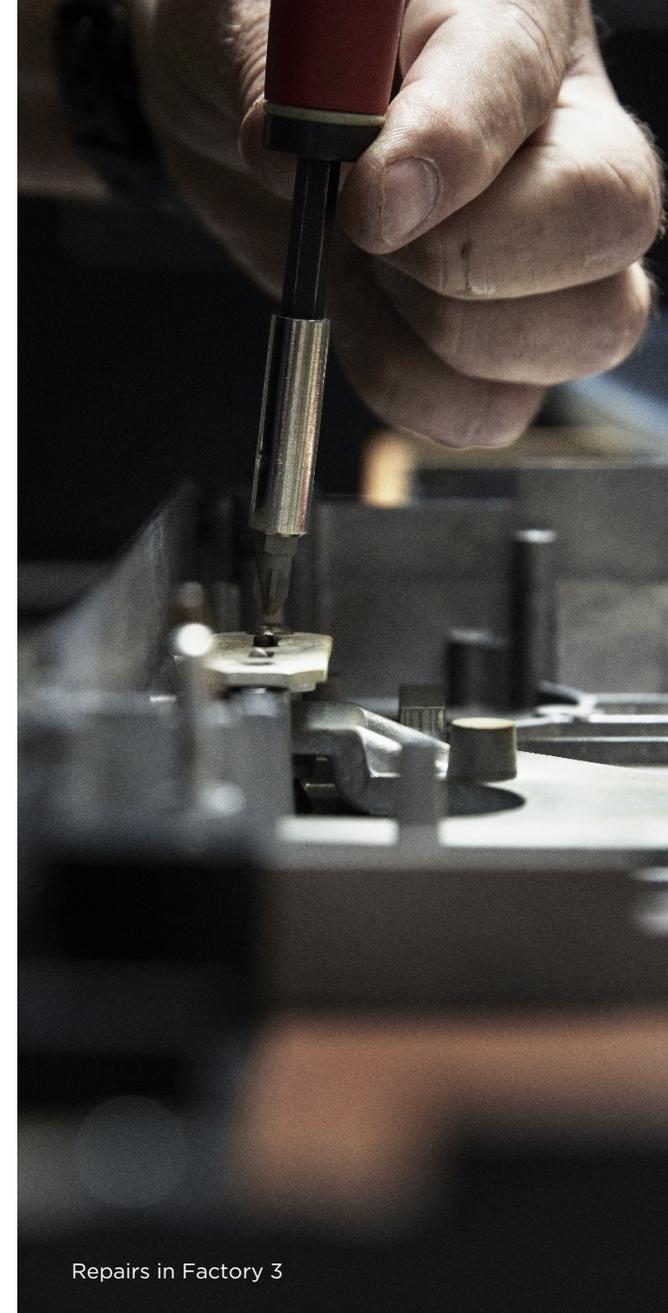
boundaries even further by creating more sustainable products while also improving the user experience. This will include exploring the use of more recycled materials, better sourcing, better packaging, and the introduction of more circular principles in the design of products. Bang & Olufsen will also work to reduce the CO<sub>2</sub> emissions of its operations by managing its energy consumption and environmental impact in accordance with the principles of 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 skills as well as promoting the safety 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.

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<sup>1</sup> Stakeholders included was partners, employees and customers



Repairs in Factory 3



### Role in society

Bang & Olufsen operates in a responsible and transparent manner and is committed to creating value for all the company's stakeholders. The company will continue to share knowledge and make the company's expertise available to society and stakeholders, while continuing to support community initiatives in the societies in which the company operates.

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 with the view of becoming more of a partner-based approach. The company will therefore continue to engage constructively with its supply chain based on a view to drive continuous improvements and based

on the assumption that suppliers share Bang & Olufsen's commitment 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 & Sustainability framework

	ENVIRONMENTAL IMPACT	RESPONSIBLE EMPLOYER	ROLE IN SOCIETY	RESPONSIBLE PARTNER
<b>OUR COMMITMENTS</b>	<b>Resource efficient operations</b> Work towards climate neutral operations  <b>Sustainable products</b> Minimise the environmental & climate impact of our products	<b>Work life</b> No serious injuries and high employee engagement  <b>Diverse culture</b> Improving gender equality and support a diverse and inclusive culture	<b>Future innovators</b> Inspire and educate the next generation to support the innovators of tomorrow  <b>Sound &amp; Health</b> Engage with partners to improve people's health through sound	<b>Supply chain</b> Engage with suppliers to raise responsibility standards  <b>Retailers</b> Engage with retail partners to ensure a strong compliance culture
<b>OUR FOUNDATION</b>	<b>CORE VALUES</b>			



# Contribution to the SDGs



## ENVIRONMENTAL IMPACT

Bang & Olufsen is working to reduce CO<sub>2</sub> 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 and the company has launched several new initiatives to support a diverse and inclusive culture.



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 impact

Bang & Olufsen is committed to minimising the adverse impact on the environment 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 efficient operations

In 2020/21, Bang & Olufsen continued to work to optimise and adjust the energy consumption in the company’s buildings. In 2019/20 year, the company invested in district heating to optimise the energy consumption in the company’s production and building portfolio in Struer with the aim to reduce the CO<sub>2</sub> emissions by around 800 tonne per year<sup>2</sup>.

Despite these efforts the company did not achieve its target for 2020/21 of at 5% reduction of CO<sub>2</sub> emissions in its buildings. Instead, the company saw an increase of 1.4%<sup>3</sup>. This was primarily due to higher than expected activity levels at the company’s aluminium production factory, Factory 5 in Struer as a consequence of higher consumer demand compared to last year.

In 2019, the company made a thorough analysis of CO<sub>2</sub> its footprint in various areas including logistics,

which was supported by the Technical University of Denmark (DTU). Bang & Olufsen has continued to build on this work. This year, the company has achieved data coverage on 90% of the inbound and outbound transportation, started to produce closer to markets for regional variants, initiated rail shipment, and hired dedicated resources to support the work to reduce the CO<sub>2</sub> emissions.

Despite these efforts, the company did not reach the target of reducing its CO<sub>2</sub> emissions of the company’s logistics system by 5-10% per Kilo. The CO<sub>2</sub> emissions increased 8.3% compared to last year. The increase was driven by the extraordinary global supply situation and the logistics challenges connected to the pandemic. This meant less flexibility in planning and that most products had to be shipped by air rather than rail or sea as original intended. In 2020/21, 98% of the company’s total CO<sub>2</sub> emissions from the transportation of goods stemmed from air freight, mainly related to moving products between factories and inventory locations. Logistics and supply challenges will continue into 21/22 and represents a risk to the company’s work to minimise the environmental footprint of its own logistic system. The company will enhance its focus to ensure to

reverse this trend in the next financial year and launch new initiatives during 2021/21.

— The goal is to find new solutions to fight technology obsolescence and thereby expanding product lifetime



<sup>2</sup> This corresponds to a reduction of around 20% of the total energy used in Struer in 2019/20

<sup>3</sup> The total was 2675 tonnes in 2020/21.

## Sustainable products

Bang & Olufsen is widely recognised for creating long-lasting products. It is the company's ambition to continue to do more within this area by structuring and scaling its core capabilities of sound, design, and craftsmanship to create even longer-lasting products in the future with less impact on the climate.

Last year, the company developed a new sustainable packaging strategy that takes into account the full product system from material extraction, manufacturing, transportation, un-boxing & use, and end of life. This new approach was applied to Beosound Balance and Beosound A1 2nd generation launched in 2019/20. The target this year was to implement the new strategy for new product introductions in the On-the-go and Flexible Living speaker category. The company launched six new products in these categories during 2020/21 and all packaging was designed with substantial resource-efficiency improvements according to guidelines from this strategy.

<sup>4</sup> Screening estimate done via MECO methodology

### FACT BOX: SUSTAINABLE PACKAGING STRATEGY

In 2019/20, the company introduced a new sustainable packaging strategy that reduced CO<sub>2</sub> emissions by 6.4 % compared to the previous solution.<sup>4</sup> The new packaging has been optimised regarding both weight and volume. Lower weight will reduce CO<sub>2</sub> 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 the packaging materials.

Designing products for longevity has always been a core value at Bang & Olufsen. The company aims to make products with a long life and explore new ways of prolonging life and using of recirculated materials in products to help close material loops and enable products to support remain longer in circulation.

According to the EU, extending the lifetime and delaying obsolescence of electronic products will significantly reduce the impact on the environment by reducing waste generation and contributing to

<sup>5</sup> Eurostat 2019a

achieving the EU's environmental, climate and circularity objectives.<sup>5</sup> Lifetime prolongation is important as it reduces CO<sub>2</sub> footprint of products by extending the lifetime and reducing the amount of electronic equipment waste generated. Furthermore, long-lasting product design can enable multiple ownerships and life cycles. This is valuable because reselling pre-owned products can replace purchase of new products and captures more value of energy investments already made.

A key target for Bang & Olufsen this year has been to introduce a formalised circular product design program to support the company's longevity commitment. The company achieved this target and has taken several new steps, including adding dedicated resources to drive this focus moving forward.

The company launched the first product in its new Bang & Olufsen's Classics Programme, the Beogram 4000c Recreated Limited Edition. The programme is a key part of Bang & Olufsen's efforts to explore 'Design for Longevity', a core principle of circular economy and has already helped the company to define evidence-based principles for emotional durability, long-lasting craftsmanship, technology obsolescence and timeless design. These principles will provide input for future Bang & Olufsen products to

ensure that the company continues to push the boundaries of long-lasting audio products.

Bang & Olufsen also introduced the first products featuring a new innovative and replaceable streaming module (System-on-a-Module) based on a modular approach to design. With this new feature Bang & Olufsen speakers can be upgraded with new connectivity technology for many years, which will help ensure that the products can be adapted to new technological developments. The goal is to find new solutions to combat technology obsolescence and expand the product lifetime of wireless speakers substantially.

This ground-breaking new approach were first introduced with the connected speakers Beosound Level and subsequently in Beosound Emerge and the Beolab 28 stereo speakers. This innovative approach will be part of all future Bang & Olufsen home speakers and enable the company to future-proof technology and ensure the longevity of products to the benefit of both consumers and environment.

### About Beogram 4000c and the Classics programme

In October, Bang & Olufsen launched the turntable Beogram 4000c Recreated Limited Edition, the company's first product in its new 'Classics' programme. The turntable series was designed by Jacob Jensen in 1972. The purpose of the design was to create a record player that was both timeless and progressive in its technical performance, whilst maintaining the Bang & Olufsen aesthetic. A total of 95 units of the product were refurbished and recreated turntables and made available for purchase.

The new Classics programme aims to refurbish, restore and recreate more of the company's most iconic heritage products to preserve their value. However, the new programme is also a key part of the company's efforts to explore 'Design for Longevity', a core principle of the circular economy.

Through the restoration of classic products, the company aims to further understand how to extend the lifespan and relevance of new and existing products. This work has already helped the company define evidence-based principles for emotional durability, long-lasting craftsmanship, technology obsolescence and timeless design. This will provide input for future Bang & Olufsen products to ensure that the company continues to build long-lasting products to the benefit of consumers and the environment.

### CASE: Beosound Level, first speaker based on modular approach

Beosound Level was the first product to be powered by Bang & Olufsen's innovative replaceable streaming module (System-on-a-Module) that ensures that customers can always access the latest technology standards. The speaker was designed with a modular approach with the purpose of expanding the lifetime substantially beyond industry standards.

Beosound Level is assembled modularly using standardised types of screws, service partners have easy access to critical components that can be repaired or replaced if needed. Customers can also replace the battery themselves. This ensures a long lifetime with one customer and enables opportunities for multiple loops with a series of different ownerships. Beosound Level will also – when it reaches its end-of-life point after many years of service – support a resource-efficient process because of ease of disassembly and use of high-quality materials, including recirculated polymer materials for structural components.

The new replaceable streaming module has been frontloaded with enough processing power and connectivity technology to receive new performance updates and features for many years to come, because the module can easily be accessed for exchange and reconnection to the main board as

a service solution, if that should ever be needed. This means that if connectivity and streaming technology should become outdated several years from now, the module can be replaced with the latest version and the speaker can be future-proofed by updating to latest technology standards to deliver decades of great sound experiences. Bang & Olufsen will also continue to produce new editions of the replaceable speaker cover as part of its accessory line.



Beoplay A9



Bang & Olufsen introduced the first products carrying a new innovative and replaceable streaming module (System-on-a-module) based on a modular approach to design



Working on the Beogram 4000c

# 6.4% CO<sub>2</sub>

The company introduced a new sustainable packaging strategy that reduced the CO<sub>2</sub> emission by 6.4% compared to the previous packaging solution.

## ENVIRONMENTAL IMPACT

### Targets for 2020/2021

- Reduce CO<sub>2</sub> in buildings with at least 5% ■ (+1.4%)
- Implement sustainable packaging strategy for upcoming products in the On-the-go and Flexible Living category ■
- Reduce CO<sub>2</sub> emissions of own logistics system by 5-10% pr. kilo ■ (+ 8.3%)
- Introduction of formalised circular product design program ■

■ Accomplished    ■ Not accomplished



Creating the Beogram 4000c

The new classics programme is a key part of the company's efforts to explore 'Design for Longevity', a core principle of the circular economy.

# Results: 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 skills as well as promoting people’s health and wellbeing and ensuring a diverse and inclusive working culture.

In 2020/21, the COVID-19 pandemic had a significant impact on the work life of all the company’s employees. The lockdowns affected the company’s day-to-day operations as most employees across the world were advised to work from home. This represented a risk for both employee motivation and potentially the company’s ability to continue to operate.

To maintain operations, some employees were asked to continue to work on site. This employees at the aluminium factory in Struer where strict health guidelines were upheld to ensure the safety.

All of this required tremendous team effort across the company.

Simultaneously, the execution of the company’s strategy, presented in April 2019, focused on reducing cost and the outsourcing of certain back-office positions to partners. In addition, the majority of the employees also took a voluntary salary reduction of 10% to help the company through the pandemic in the first quarter of the financial year. Despite these circumstances, the company saw an increase in employee engagement compared to last year.



Colleagues taking part in global walkathon picture competition.

## Employee engagement

This year's overall target for Bang & Olufsen was to improve the employee engagement score from 72 to at least 74. The target was achieved with an index score of 75 in the Beopulse surveys<sup>6</sup> conducted by the company among all employees three times this year.

The company's People & Culture function not only defines employee-related policies and guidelines but also continuously addresses risks associated with the company's workforce – in terms of attraction, talent development and retention of new employees. To ensure a high engagement score, the company will be introducing several new initiatives during 2021/22, including a new leadership model and the launch of a revised shared company purpose and culture.

To become a more attractive workplace, the company has had a strong focus on creating an open and feedback-driven culture. To support this focus, the company introduced Beopulse in 2020/21. This

is a more frequent employee engagement survey to replace the company's annual engagement survey. All of the company's approximately 1,000 employees were invited to take part and the average response rate was 89%. This initiative has been a success and enabled leaders and senior management to facilitate structured feedback sessions with teams across the organisation and work on current issues. As an example, workload was identified as an issue in some functional units as part of the survey, and the company managed to improve that score during the year. During the financial year, the company also hosted ten Culture Talk workshops with participation by more 100 employees across business units and markets. The input and feedback from these workshops will be included in the shared purpose and culture, which will be revealed in 2021/22.

The company also significantly increased senior management communication and visibility to ensure direction-setting, alignment and availability of senior managers during a challenging and transformative period for the company. One initiative has been the

introduction of monthly town hall meetings for all employees and hosted by the Group Leadership Team. On average, 80% of the company's white-collar workers participated live and more than 90% found the Town Halls valuable.<sup>7</sup> This enhanced focus on senior management communication may also have contributed to the significant increase in employee confidence in the decisions made by the Group Leadership Team.<sup>8</sup>

## Safety and wellbeing in a more virtual workplace

In 2020/21, most employees globally worked remotely. This was in line with recommendations from the local authorities to help curb the spread of COVID-19 and ensure the health and safety of employees.

The pandemic has sparked more digital ways of working, and this spring the company surveyed selected employees with the aim of becoming a more flexible and virtual workplace and the message was

that most teams would like to have the option to work remotely in the future.

A high-paced and transformative work environment can have a negative impact on the mental and physical health of employees. The uncertainty relating to the company's financial challenges in recent years and the stress due to the pandemic may have further challenged the employee wellbeing. Because of this, the company increased its communication of guidelines, best practice, and mental well-being advice.

The company introduced a new intranet site that provides updates on guidelines and inspiration for employees on how to cope with change and uncertainties related to COVID-19. Online Learning Sessions focusing on the use of digital tools to work more remotely were also introduced. In addition, the company decided to launch a number of virtual social events to mitigate work-from-home fatigue.

<sup>6</sup> In the previous three years, the employee engagement score has been measured in an annual survey, Beovoice. This year that was replaced by Beopulse, a more frequent and smaller survey, to ensure the more ongoing feedback from the organization and enable management to address issues. The score

reflects an average of the three Beopulse surveys that was completed during 2020/21.

<sup>7</sup> Town hall meetings were completed during 2020/21. After each session, a feedback survey was sent to all participants.

<sup>8</sup> In the Beopulse survey conducted in February, employees were asked "I have confidence in the decisions made by GLT". The index score was 78, up 19 points, since the Beovoice survey in 2019 when the question was last surveyed.

Examples included global virtual Friday bars, walkathons and virtual product celebrations.

To monitor the mental wellbeing of employees working remotely, the company also launched a 'Work from Home' survey. Among other things. This has revealed that on average around 80% are satisfied with their work-from-home setup.<sup>9</sup>

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. The maintained its strong focus on safety procedures in Factory 5 with special emphasis on COVID-19 guidelines. These included strict safety and health measures.

The accident frequency increased from 2.4 last year to 3.3 this year, though none of the incidents was serious and none caused long-term absence. A contributing factor to the increase could be the higher

<sup>9</sup> Work-from-home survey was conducted bi-monthly from November. The survey was shared on the company's COVID-19 hotline and on average 100 employees responded.

activity levels and higher workload at the company's aluminium factory in 2020/21.

Despite this being a challenging year with many changes due to COVID-19, the long-term illness cases caused by the psychological working environment decreased from seven in 2019/20 to three in 2020/21.<sup>10</sup> This was a satisfactory development, and the company will maintain a strong focus on mental health moving into the next financial year.

**Diversity and inclusion**

Bang & Olufsen believes that diversity and inclusion contribute to a healthier and more dynamic working environment, where passionate employees can learn and grow, and be an important enabler of success.

In 2018/19, the Board of Directors adopted a new People and Diversity policy that defines diversity across age, gender, culture, and competencies. Today, a total of 40% of the company's leaders in senior management positions<sup>11</sup> have an international background and 18% are women. This year Bang & Olufsen's target was to ensure that the share of

<sup>10</sup> Psychosocial disorders cover both private and work-related illness, such as stress. The sick leave percentages 0.46% (number of psycho-social

women senior management positions increased to at least 25%. This target was not met. This is not satisfactory, and the company will increase its focus on gender diversity. To support these efforts, the company has established its a 'Diversity, Equity & Inclusion Council' as the first of several new initiatives to support inclusion, equal opportunities and create an attractive workplace.

Bang & Olufsen's Executive Management Board consists of four members, with one being female (25%) and one having an international background (25%). The members of the company's Board of Directors (BoD) elected at the Annual General Meeting consists of six members, whereof two are female (33%) and the company thus complies with the requirements for gender equality on the Board. In addition, the Board has three members with international backgrounds (50%).

disorders per number of employees). The company has a target of less than 0.83%.

<sup>11</sup> Senior leaders are part of the company's director+ group, which consisted of 51 leaders at 1 June 2021.



Beolab 90



The company's employee engagement score increased from 72 to 75 in 2020/21.



Colleague receiving "lockdown licorice"



Colleague working on Beogram 4000c at Factory 3 in Struer

### RESPONSIBLE EMPLOYER

Targets for 2020/2021

Improve Employee Engagement score from 72 to at least 74	■	75
Increase share of women in senior management to at least 25% (director+)	■	18%

■ Accomplished    ■ Not accomplished



Colleague celebrating the launch of Beosound Emerge

*Diverse culture*  
42% of the company's senior leaders have an international background.

## Results:

# Role in society

Bang & Olufsen operates in a responsible and transparent manner and is committed to creating value for all the company's stakeholders. The company will continue to share knowledge and make the company's expertise available to society and stakeholders, while continuing to support community initiatives.

### Future innovators

Supporting global talent 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 target was met through several new and recurrent initiatives, despite the pandemic impacting several annual events such as the company's participation in Girls' Day in Science campaign in Denmark and the B&O Innovation Camp that was due to be held in China during the summer 2020. Two PhD students (one funded by Innovation Fund Denmark and

one by Marie Curie EU ITN) were onboarded and two PostDocs (funded by Innovation Fund Denmark)

In 2018, 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 hub offers 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



Design students on tour in Innovation Lab in Struer

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. During the year, Bang & Olufsen supported 5 startups. Consequently, the company did not reach its target of 10. This was primarily due to the accelerator programme being cancelled because of the pandemic. However, Bang & Olufsen also started a concrete project with one of the start-ups coming out of Sound Hub Denmark with the aim of implementing the company's technology in future products.

Bang & Olufsen will continue to support Sound Hub Denmark and aims to extend the company's partnership and mentor startups in areas such as consumer experience, product development and marketing. In 2020/21, Bang & Olufsen continued to engage in community activities in Struer, though many recurrent activities such as Run to the Beat in Struer were impacted by the pandemic.

Bang & Olufsen has also played a major role in establishing Danish Sound Cluster (DKK +20m in public funding), which will have its headquarters in Struer hosted by Sound Hub Denmark.

### 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.

In 2020/21, Bang & Olufsen continued the work within the existing two research projects that the company initiated last year, and thus the company met the target for the year. In addition, the company entered into new research projects during the year. A key project is ISOBEL (Interactive Sound for Better Living) where Bang & Olufsen are partnering with Soundfocus, Wavecare, and Aalborg University on a DKK 40m 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 adapt its properties to accommodate number and positions of listeners (sound zones), the acoustic environment and ambient noise conditions. The project is focused on developing systems for people's homes and in hospitals as sound impression management in these areas may help improve life quality. Main results are 1) accommodating audio playing in multiple zones simultaneously, 2) zones can be moved in real time based on user input, 3) virtual microphone indicating potential to interpolate transfer functions, 4)

sound zones successfully visualized in a number of different ways, 5) perceptual attributes of quality of sound Experience developed.

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.



School students visiting the headquarters in Struer

Bang & Olufsen partnered with Aalborg University on a DKK 40 million project funded by Innovation Fund Denmark. The aim is to develop advanced sound systems that can reduce unwanted sound in homes and hospitals to help improve people's life quality.



Bang & Olufsen has a long history of working with institutions and partners to help nurture and develop young people's interest in Science, Technology, Engineering and Mathematics (STEM). In 2020/21, B&O actively supported six STEM initiatives.

**ROLE IN SOCIETY**

**Targets for 2020/2021**

- Run at least 5 initiatives to help and promote STEM competencies for young people ■ 6
- Support at least 10 startups through collaboration with Sound Hub Denmark ■ 5
- Continue work with key research projects within sound and health and share knowledge with key stakeholders ■

■ Accomplished    ■ Not accomplished



Through its partnership with Sound Hub Denmark, Bang & Olufsen supported 5 startups within technology and sound.



# Results: Responsible partner

Bang & Olufsen works and engages with its supply chain and partners to drive continuous improvements in line with the company’s commitments to international principles of human and labour rights, the environment and anti-corruption.

Bang & Olufsen met its target of establishing a new Global Compliance Committee<sup>12</sup>. The committee acts as an advisory function providing assistance and guidance to the Global Compliance Officer, the Global Leadership Team and the Board of Directors’ Audit Committee to ensure Bang & Olufsen operates in accordance with regulatory and ethical business standards. The establishment of the committee was another important step for the company in

terms of strengthening compliance procedures and culture to mitigate risks.

The committee consists of key internal stakeholders<sup>13</sup>. As Bang & Olufsen continues to grow its global business and enter new partnerships, the importance of a strong compliance culture is becoming increasingly important. The Compliance

Committee has a target of holding at least 4 meetings per year and this target was met in 2020/21.

During 2020/21, Bang & Olufsen met its target of improving the due diligence process for high-risk commercial partners.<sup>14</sup> As we grow our business, these processes are key to mitigate potential risks, and this new updated approach to the due diligence process will ensure that all partners mirror Bang & Olufsen’s ethical and social standards as well as expectations from stakeholders. 205 employees received training in the new due diligence process, a total of 16 partners were subject to the new due diligence process, and 23 red flags were resolved.

The company’s employees play a significant role in identifying areas of improvement and ensuring a strong compliance culture. This year, Bang & Olufsen celebrated the International Anti-Corruption Day in December and used the opportunity to launch an awareness initiative around guidelines on commercial relationships and company gifting.

The company also had also set targets relating to the launch of a new internal compliance training programme in 2020/21. A total of 346 employees received in-class training, and an e-learning on business conduct and ethics was launched in May 2021 with a target of 600 employees’ completing the programme.

Company policies and guidelines play an important part in educating Bang & Olufsen employees on how to perform their jobs in compliance with law and ethical standards. A dedicated repository of all policies and guidelines is available to all employees and with an average of 527 visits to the repository every month out of a total of approximately 800 employees. This indicates that employees actively seek guidance when it is needed.

BeoShare, the Bang & Olufsen speak-up culture, was launched at the end of 2019/20, and 2020/21 was the first year of its operation. This includes an online reporting tool, where employees and external stakeholders can submit any concerns anonymously. First and foremost, all employees are encouraged to

<sup>12</sup> Internal Advisory committee.

<sup>13</sup> Global Compliance Officer, Senior Corporate Procurement Manager, Senior Manager HR Operations, Senior Director Accounting and Consolidation,

Head of Finance APAC and Senior Manager EMEA Operations.

<sup>14</sup> A high-risk commercial partner is defined as a partner that exposes Bang & Olufsen to a high level

of compliance and ethical risk. A high-risk partner would typically interact with public officials, conduct business in high-risk markets, be perceived to be an agent of Bang & Olufsen and/or represent a high commercial value for Bang & Olufsen. High-

risk commercial partners include third parties operating Bang & Olufsen stores, distributors, product related suppliers and non-product related suppliers.



discuss a concern with their manager, however the online reporting tool offers all employees additional safeguard against possible retaliation. Bang & Olufsen maintains a no-retaliation policy. The target on BeoShare cases reported using the online reporting tool was 4, and the actual number of cases for 2020/21 was 8. This indicates that Bang & Olufsen has a good speak-up culture where issues and concerns are shared.

The company has a rolling audit of all its tier 1 product suppliers. This means that those suppliers are audited at least every three years. This year, key partners Tymphany and Toong In were audited, and no significant issues were identified. A full overview of the company's tier 1 product supplier can be found on the company's website. The company did not manage to rollout a new training programme on procurement processes to employees, and consequently did not meet its target of strengthening

training in procurement processes in the organisation. The company will ensure that this target is met next year. The company did however, completed courses in Data Protection and online training programme on Business Conduct and Ethics for all employees.

## RESPONSIBLE PARTNER

### Targets for 2010/2021

- Establish global compliance committee ■
- Launch internal compliance training program ■
- Improved due diligence onboarding process for high-risk commercial partners ■
- Strengthen training in the procurement processes in the organisation ■

■ Accomplished    ■ Not accomplished





# Overview of results 2020/21

## ENVIRONMENTAL IMPACT

### Targets for 2020/21

- Reduce CO<sub>2</sub> in buildings with at least 5% ■ +1.4%
- Implement sustainable packaging strategy for upcoming products in the ■
- On-the-go and Flexible Living category
- Reduce CO<sub>2</sub> emissions of own logistics system by 5-10% pr. kilo ■ +8.3%
- Introduction of formalised circular product design program ■

## RESPONSIBLE EMPLOYER

### Targets for 2020/21

- Improve Employee Engagement score from 72 to at least 74 ■ 75
- Improve share of women in senior management to at least 25% (director+) ■ 18%

## ROLE IN SOCIETY

### Targets for 2020/21

- Run at least 5 initiatives to help and promote STEM competencies for young people ■ 6
- Support at least 10 startups through collaboration with Sound Hub Denmark ■ 5
- Continue work with key research projects within sound and health and share knowledge with key stakeholders ■

## RESPONSIBLE PARTNER

### Targets for 2020/21

- Establish global compliance committee ■
- Launch internal compliance training program ■
- Improved due diligence onboarding process for high-risk commercial partners ■
- Strengthen training in the procurement processes in the organisation ■

■ Accomplished    ■ Not accomplished



# CSR & sustainability outlook 2021/22

Since 2017/18, Bang & Olufsen has worked to implement its CSR & sustainability strategy with focus on four key themes: Environmental Impact, Responsible Employer, Role in Society, and Responsible Partner.

Despite the financial challenges facing the company throughout that period, Bang & Olufsen has achieved good progress and integrated sustainability even more into its day-to-day operations, reducing its adverse environmental impact as well as strengthened the company's societal contribution.

The company will continue to execute on the current strategy in 2021/22, but a strategy development process will be initiated during the financial year with the aim to present a new and revised sustainability framework for Bang & Olufsen.

In the spring of 2020/21, Bang & Olufsen completed an analysis and benchmarking of its ESG and sustainability efforts, and the company will engage in further dialogue with key stakeholders in 2021/22 on environmental, social, and governance aspects.

Based on this, Bang & Olufsen will present a new strategy together with long-term key targets to ensure that the company have the right metrics in place for tracking the company's impact and contribution in a reliable way.

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## OUTLOOK FOR SUSTAINABILITY WORK 2021/22

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Theme	Outlook
<b>Environmental impact</b>	<ul style="list-style-type: none"> <li>• Continue work to minimize greenhouse gas footprint in buildings and own logistic system through targeted initiatives</li> <li>• Determine the company's greenhouse gas footprint according to the greenhouse gas protocol (scope 1-3) and set target for becoming climate neutral</li> <li>• Expand longevity and circularity product programmes to support the company's commitment to create more sustainable products and increase transparency across the value chain</li> </ul>
<b>Responsible employer</b>	<ul style="list-style-type: none"> <li>• Increase focus on good employee experiences throughout employee journeys</li> <li>• Establish a Diversity, Equity &amp; Inclusion Council</li> <li>• Ensure a fair, non-biased recruitment process with the right composition of gender, age, cultural background, and competencies</li> <li>• Continue to focus on building the company's talent pipeline and succession plan through the Leadership Accelerator Program and planned Talent Program</li> </ul>
<b>Role in Society</b>	<ul style="list-style-type: none"> <li>• Develop partnership with Sound Hub Denmark and Danish Sound Cluster to support innovators and development of STEM skills among young people.</li> <li>• Maintain a focus on community engagement and stakeholder dialogue, including supporting STEM educations.</li> <li>• Continue the efforts to explore the impact of sound on people's health and well-being through research programmes.</li> </ul>
<b>Responsible Partner</b>	<ul style="list-style-type: none"> <li>• Include relevant ESG statements in Business Conduct &amp; Ethics policy and People &amp; Diversity Policy and set relevant compliance metrics</li> <li>• Continue work with embedding compliance even more into our day-to-day operations and implement structured training programmes</li> <li>• Report on internal speak-up setup (whistleblower system)</li> <li>• Continue ethical screening and training of new monobrand partners</li> </ul>



# Governance

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

## CSR & Sustainability Committee

The CEO has appointed the members of the CSR & Sustainability Committee. This committee is responsible for overseeing the implementation of the CSR & sustainability strategy, setting the strategic direction, and coordinating the various initiatives. The committee reports to Bang & Olufsen's Group Leadership Team and is chaired by the Head of Group Communications & Sustainability.

The Group Communications & Sustainability team functions as the Committee's secretariat. They will be responsible for driving the overall sustainability agenda. This includes the responsibility for developing, implementing and communicating about sustainability, including new initiatives.

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# BANG & OLUFSEN

