

## **Annual General Meeting in Bang & Olufsen a/s**

Bang & Olufsen a/s' Annual General Meeting will be held on Wednesday 14 September 2016 at 16:30 pm CEST at Struer Statsgymnasium, Jyllandsgade 2, DK-7600 Struer, Denmark.

### **Agenda**

1. The Board of Directors' report on the company's activities in the past year.
2. Presentation and adoption of the company's audited annual report for the financial year 2015/16, including resolution concerning discharge to the Executive Management Board and the Board of Directors.
3. Resolution as to the distribution of profit or the covering of loss in accordance with the approved annual report.
  - 3.1 The Board of Directors proposes that no dividend be paid.
4. Proposals from the Board of Directors.

The Board of Directors proposes the following:

- 4.1 That the proposed remuneration to the Board of Directors for the financial year 2015/2016 is approved. Reference is made to page 65 of the company's annual report (note 2.2).

The Board of Directors proposes that the remuneration level for the financial year 2016/2017 remains unchanged and that the following level is approved by the General Meeting:

(i) The annual base remuneration paid to the members of the Board of Directors remains at DKK 275,000 for each member with respect to board members elected by the General Meeting or the employees, respectively, with three times the base remuneration and two times the base remuneration paid to the Chairman and Deputy Chairman, respectively.

(ii) The remuneration paid to the members of the Board of Directors serving on the company's Audit Committee is DKK

50,000 for each member, with two times the remuneration paid to the Chairman of the Audit Committee.

(iii) The remuneration paid to the members of the Board of Directors serving on the company's Remuneration Committee or Nomination Committee is DKK 50,000 for each member.

4.2 That, in the period until 30 September 2017, the Board of Directors is authorised to let the company acquire own shares up to a nominal value corresponding to 10 per cent of the company's share capital, provided that the share price does not deviate by more than 10 per cent from the most recently quoted market price for the shares on NASDAQ Copenhagen A/S at the time of the purchase.

4.3 That the company's "General guidelines concerning incentive-based remuneration" are amended to the effect that (i) the members of the Executive Management Board may receive an annual bonus which cannot exceed 38.5% of that member's gross salary for the relevant year, (ii) the performance criteria for the members of the Executive Management Board's participation in the Matching Shares Program, which is determined by the Board of Directors, will primarily relate to the achievement of agreed targets with respect to the company's earnings and turnover and (iii) the maximum number of Investment Shares which the participating members of the Executive Management Board may transfer to each Matching Shares Program will be determined at the discretion of the Board of Directors, but may in no event exceed 30% of the CEO's and 20% of the additional Executive Management Board members' annual base salary.

The full text of the revised "General guidelines concerning incentive-based remuneration" is set out in Appendix 1.

4.4 That the company's remuneration policy is revised in accordance with the draft remuneration policy (and redline) as set out in Appendix 2.

- 4.5 That VP Investor Services A/S is replaced by Computershare A/S, Kongevejen 418, DK-2840 Holte.

As a consequence, the company's articles of association article 5, section 5, is amended as follows:

“The company's register of shareholders will be kept and maintained by Computershare A/S, Kongevejen 418, DK-2840 Holte.”

5. Election of members to the Board of Directors.

Pursuant to Article 8, section 2, of the Articles of Association, the members of the Board of Directors elected by the General Meeting stand for election each year at the Annual General Meeting.

The Board of Directors proposes the re-election of Ole Andersen, Jesper Jarlbæk, Jim Hagemann Snabe, Majken Schultz, Albert Bensoussan and Mads Nipper.

The composition of the Board of Directors reflects the skills and experience required to manage a public listed company. The company aims at composing the Board of Directors of persons who possess the professional skills and international experience required to serve as a board member.

With respect to the existing board members' qualifications, including management positions in other businesses, reference is made to pages 35-36 of the annual report. All existing board members are considered as independent.

Further, the Board of Directors proposes election of Juha Christensen as a new board member.

**Juha Christensen** is a Danish citizen and currently lives in Silicon Valley, California. Juha Christensen studied Business Management at London Business School and is a design and technology entrepreneur with a remarkable track record in Europe, the U.S. and Asia. Building mobile operating systems during the first part of his career, he led the foundation of Symbian, went on to lead the charge in the early days of Microsoft's Smartphone and Pocket PC efforts, ran part of Macromedia, helped build Teleca into the largest System Integrator in the mobile industry, and worked on popularizing Trolltech and Qt. Today his focus is on growing innovative companies like Cogniance, CloudMade, Pelican Imaging, The Pad, and Brandworkz.

Juha Christensen is currently Chairman and CEO of CloudMade and chairman of the board of directors of Cogniance, Brandworkz, The Pad, Buttonwood Financial and a member of the board of directors of Pelican Imaging.

The special skills possessed by Juha Christensen that are of importance for the performance of his duties as a new member of the Board of Directors of Bang & Olufsen a/s are his key market knowledge and knowledge of consumer electronics concepts and customer experience.

Juha Christensen is regarded an independent board candidate.

6. Appointment of auditors.

The Board of Directors proposes re-election of Ernst & Young P/S as auditors of the company.

7. Any other business.

The agenda together with the complete proposals, as well as the annual report, are available for the shareholders' inspection at the company's offices at Peter Bangs Vej 15, DK-7600 Struer, Denmark, from Tuesday 16 August 2016. The above documents and the notice convening the Annual General Meeting, information about the total number of shares and voting rights as at the date of distribution of the notice convening the Annual General Meeting and the forms to be used for voting by proxy and postal voting are also available at the company's website [www.bang-olufsen.com/investor](http://www.bang-olufsen.com/investor).

Adoption of the proposal under agenda items no. 4.5 require 2/3 of the votes cast as well as of the share capital represented at the Annual General Meeting, whereas adoption of the other proposals requires a simple majority of votes.

At the date of distribution of the notice convening the Annual General Meeting, the company's nominal share capital totals DKK 431,974,780, divided into shares of a nominal value of DKK 10 each or multiples thereof. Each share of a nominal value of DKK 10 carries one vote.

The notice convening the Annual General Meeting will be published and distributed in accordance with article 6 of the Articles of Association. The Annual General Meeting will be convened by notice in the newspapers "Dagbladet Holstebro-Struer" and "Jyllands-Posten", on the company's website and by written notice by post to all shareholders registered by name in the register of shareholders, who have so requested. Additionally, the notice

will be published via NASDAQ Copenhagen. If you wish for the notice and/or the complete proposals to be sent to you by post, please contact VP Investor Services A/S at tel. +45 43 58 88 91.

Any shareholder is entitled to attend the Annual General Meeting if, by presentation of relevant identification, he/she has requested an admission card no later than on Thursday 8 September 2016 at 11:59 pm CEST.

The registration date is Wednesday 7 September 2016. A shareholder's right to vote at the Annual General Meeting is determined on the basis of the shares registered in the shareholder's name in the register of shareholders at the expiry of the registration date, or the shares for which the shareholder at that time has notified and documented his/her acquisition to the company.

Admission cards to the Annual General Meeting may be obtained at the company's website [www.bang-olufsen.com/investor](http://www.bang-olufsen.com/investor) where you will find a registration form. You may also request admission cards electronically at the company's website by using your CPR/CVR number and postal code or your VP reference number. Further, admission cards may be obtained by contacting VP Investor Services A/S on tel. +45 43 58 88 91. Admission cards and voting ballots will be sent to the address to which your custody account is registered.

To receive your admission card, you must submit a duly completed registration form to be received by VP Investor Services A/S no later than Thursday 8 September 2016 at 11:59 pm CEST either by post to VP Investor Services A/S, Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen S, Denmark, by fax to +45 43 58 88 67 or by email to [vpinvestor@vp.dk](mailto:vpinvestor@vp.dk).

If you are unable to attend the Annual General Meeting, you may issue a proxy or submit a postal vote. You may either issue a proxy *or* submit a postal vote, but you cannot do both. The proxy and postal voting form can be found at [www.bang-olufsen.com/investor](http://www.bang-olufsen.com/investor) or may be obtained by contacting VP Investor Services A/S by phone on +45 43 58 88 91.

If you want to issue a proxy, the proxy voting form must reach VP Investor Services A/S no later than Thursday 8 September 2016 at 11:59 pm CEST by post to VP Investor Services A/S to Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen S, Denmark, by fax to +45 43 58 88 67 or by email to [vpinvestor@vp.dk](mailto:vpinvestor@vp.dk).

If you want to submit a postal vote, the postal voting form must reach VP Investor Services A/S no later than Tuesday 13 September 2016 at 4:00 pm CEST by post to VP Investor Services A/S to Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen S, Denmark, by fax to +45 43 58 88 67 or by email to [vpinvestor@vp.dk](mailto:vpinvestor@vp.dk).

You may also appoint a proxy or submit a postal vote at VP Investor Services A/S' website [www.uk.vp.dk/agm](http://www.uk.vp.dk/agm) or at the company's website [www.bang-olufsen.com/investor](http://www.bang-olufsen.com/investor).

At the Annual General Meeting, the Board of Directors and the Executive Executive Management Board will answer questions from the shareholders on matters of relevance to the assessment of the annual report, the company's position and any other questions to be addressed at the Annual General Meeting. Questions can be submitted until the day before the Annual General Meeting by post to Bang & Olufsen a/s, Peter Bangs Vej 15, DK-7600 Struer, Denmark, addressed for the attention of Global General Counsel Line Køhler Ljungdahl, or by email to [llj@bang-olufsen.dk](mailto:llj@bang-olufsen.dk).

Prior to the Annual General Meeting, we would like to offer shareholders who are not employees a demonstration of Bang & Olufsen's products. The event begins at 14:00 pm in Bang & Olufsen's main building "Gården". Please announce your participation by calling tel. +45 96 84 11 22 if you wish to attend.

Yours sincerely  
Bang & Olufsen a/s  
Ole Andersen  
Chairman

**APPENDIX 1****General guidelines concerning  
incentive-based remuneration**

These guidelines apply to incentive schemes for the Board of Directors and the Executive Management Board in Bang & Olufsen a/s. The incentive-based remuneration will be dependent on individual or company performance.

**1. The Board of Directors**

The Board of Directors receives a fixed cash remuneration which is approved annually by the Annual General Meeting. The Board of Directors does thus not receive incentive-based remuneration.

**2. The Executive Management Board**

It is the view of the Board of Directors that a combination of fixed and performance-based remuneration for the Executive Management Board contributes to the company's ability to attract and retain competent key employees while, at the same time, the Executive Management Board has an incentive to create added value for the benefit of the company's shareholders through partial incentive-based remuneration.

The Executive Management Board is defined as the managers registered with the Danish Business Authority.

The Executive Management Board's terms of employment and remuneration are agreed between the individual manager and the Board of Directors, and the incentive-based remuneration may consist of the elements stated in this section 2.

The Board of Directors has set up a remuneration committee which assesses the Executive Management Board's remuneration conditions on an ongoing basis.

The Executive Management Board may be entitled to participate in the following incentive schemes:

- Cash bonus
- Matching Shares Programs (introduced as from 10 September 2014)
- Long-term Incentive Share Option Scheme (no further grants after 10 September 2014)
- Special Share Option Scheme (no further grants after 10 September 2014)

**2.1. Cash bonus**

Individual members of the Executive Management Board may receive an annual bonus which cannot exceed 38.5% of that member's gross salary for the relevant year. However, the CEO may receive an annual bonus which cannot exceed 100% of the CEO's gross salary for the relevant year.

This cash bonus is intended to ensure achievement of the company's short-term objectives. The payment of the bonus and the size thereof will therefore depend on the achievement of the objectives agreed from year to year. These objectives will primarily relate to the achievement of the company's budgeted results or the achievement of the financial ratios or other measurable personal results of a financial or non-financial nature.

The annual bonus which may be granted to the CEO must be divided so that 75% of the bonus may be paid if certain ordinary bonus objectives determined at the discretion of the Board of Directors in accordance with the criteria described above have been fulfilled, whereas the remaining 25% of the bonus may be paid if certain extraordinary bonus objectives determined at the discretion of the Board of Directors in accordance with the criteria described above have been fulfilled.

## **2.2. Matching Shares Programs**

Members of the Executive Management Board may at the discretion of the Board of Directors be offered to participate in Matching Shares Programs.

Under the company's Matching Shares Programs, the participating members are offered the opportunity to acquire shares in Bang & Olufsen a/s at their own cost ("Investment Shares") which after three years of ownership will provide the participating members with the right to receive 1–4 shares ("Matching Shares") in the company per Investment Share, subject to certain conditions having been fulfilled. The number of Matching Shares which the participating member will be entitled to receive (if any) is determined on the basis of the number of Investment Shares acquired, the performance of the company and the participant's continued employment in the company. The performance criteria will be determined by the Board of Directors and will primarily relate to the achievement of agreed targets with respect to the company's earnings and turnover.

Participation in the Matching Shares Programs is regarded as variable salary and is offered to the members of the Executive Management Board as an element of remuneration and in order to ensure that the Executive Management Board stays focused on value creation and achievement of the company's long-term objectives.

Participation in one or more Matching Shares Programs may be offered at the discretion of the Board of Directors.



For the Executive Management Board's participation in the Matching Shares Programs, the following guidelines apply:

Participation in the Matching Shares Programs is subject to the individual Executive Management Board member acquiring Investment Shares in the company at a value that as a minimum corresponds to a percentage of the relevant member's annual base salary determined by the Board of Directors ("Investment Requirement"). In order to observe the Investment Requirement, the member may either purchase shares at market price on the Nasdaq Copenhagen during an open trading window or transfer shares already owned by such member to the Matching Shares Program.

- A. The maximum number of Investment Shares which the participating members of the Executive Management Board may transfer to each Matching Shares Program will be determined at the discretion of the Board of Directors, but may in no event exceed 30% of the CEO's and 20% of the additional members' annual base salary.
  
- B. Three years after the participating members' acquisition of the Investment Shares, the company will free of charge provide such members with Matching Shares in the company. The number of Matching Shares granted to the participating members will depend on the number of Investment Shares acquired, the performance of the company during the three-year vesting period and the participant's continued employment in the company. However, Matching Shares will only be granted to the participating member if the following conditions have been fulfilled:
  - i. The member has acquired a sufficient amount of Investment Shares to satisfy the Investment Requirement and has satisfied this requirement during the entire vesting period.
  - ii. The member has not for any reason lost his/her right to participate in the program.
  - iii. The member is still employed with the company or has left the company as a good leaver (i.e. the member's employment has been terminated by the company without such termination being due to the member's breach, due to the maximum retirement age or due to death, or the member's employment has been terminated by the member due to an applicable public or private pension scheme entering into force or due to the company's material breach of the employment relationship).
  - iv. The criteria for the grant as determined by the Board of Directors are fulfilled.
  - v. The Matching Shares Program has not been terminated.

- C. Matching Shares provided to a member of the Executive Management Board are not subject to any ownership requirements. In lieu of Matching Shares, the company is entitled to provide the member with a cash amount corresponding to the value of the Matching Shares.
- D. In the exceptional situation where Matching Shares have been provided to a member of the Executive Management Board on the basis of data or accounts which subsequently prove to have been misstated, the company may reclaim in full or in part the Matching Shares provided on the basis of such data.

The market value of the participation of the members of the Executive Management Board in the Matching Shares Programs for 2016 is estimated to a maximum amount of DKK 11,236,000 as at the date of grant. The estimate is based on the market value of the company's shares on the date of the notice to convene the annual general meeting 2016, and the market value of the participation of the members of the Executive Management Board may increase in case of an increase in the actual market value of the company's shares as at the date of grant.

The members of the Executive Management Board may at the discretion of the Board of Directors be offered to participate in further Matching Shares Programs. The estimated maximum amount may in subsequent years increase in comparison to the 2016 estimated amount in case of salary increase or increase of the market value of the company's shares.

### **2.3. Long-term Incentive Share Option Scheme (no further grants after 10 September 2014)**

Prior to 10 September 2014 and for purposes of ensuring value creation and the achievement of the company's long-term objectives, Bang & Olufsen a/s has issued a Long-term Incentive Share Option Scheme for members of the Executive Management Board.

No further stock options will be granted under the Long-term Incentive Share Option Scheme after 10 September 2014.

For further information on the total number of stock options granted to the current members of the Executive Management Board under the Long-term Incentive Share Option Scheme as well as on the market value of such stock options, reference is made to the company's annual report.

The key features of the Long-term Incentive Share Option Scheme are as follows:

- The option scheme is share-based.
- Each stock option entitles the holder to buy one share in Bang & Olufsen a/s of a nominal value of DKK 10.

- The exercise price of the stock options was determined at the time of grant (no less than the market value of the company's shares at the date of grant). The exercise price and/or the number of granted options will be adjusted for any dividend paid by Bang & Olufsen a/s and in case of any other corporate actions that dilute the value of the options.
- The stock options will not vest and become exercisable until at least three years after the date of grant and will expire if not exercised within a period of two consecutive weeks starting six trading days after the announcement of the company's annual report for the relevant financial year.
- Vesting of the stock options may be conditional on achievement of the company's budgeted results or financial key figures.
- The total outstanding stock options cannot exceed 5% of the total share capital of Bang & Olufsen a/s at the date of grant (however, not including the Special Share Option Scheme which may be granted to the company's CEO, please see section 2.4. below).

#### **2.4. Special Share Option Scheme (no further grants after 10 September 2014)**

At the Annual General Meetings held on 10 March 2011 and 19 September 2013, respectively, the shareholders of Bang & Olufsen a/s approved a Special Share Option Scheme for the company's CEO for purposes of retaining the CEO and to ensure that the CEO stayed focused on value creation and the achievement of the company's long-term objectives.

The Special Share Option Scheme was divided into two separate schemes, the key features of each of which are described in further detail below: (i) a Special Share Option Scheme exercisable in the period 2013-2015; and (ii) a Special Share Option scheme exercisable in 2016.

No further grants of share options under the Special Share Option Scheme will be made after 10 September 2014.

For further information on the total number of stock options granted to the CEO under the Special Share Option Scheme as well as on the market value of such stock options, reference is made to the company's annual report.

##### *(i) Special Share Option Scheme exercisable in the period 2013-2015*

With effect from 11 March 2011, the company granted to the CEO a Special Share Option Scheme exercisable in the period 2013-2015, as further described in company announcement no. 10.16 of 11 March 2011 (as corrected by a company announcement of 14 March 2011). For this Special Share Option Scheme, the key features are as follows:

- The stock options granted in 2011 may be exercised in three portions of equal sizes in 2013, 2014 and 2015, respectively.

- The stock options may only vest and become exercisable if certain agreed targets with respect to the company's EBITDA and share price are met.
- The exercise prices of the stock options are fixed at 69, 77 and 86 for the options exercisable in 2013, 2014 and 2015, respectively. However, the number of shares and/or the exercise price for the stock options will be adjusted for any dividend paid by Bang & Olufsen a/s and in case of any other corporate actions that dilute the value of the options.
- The total number of stock options granted under the Special Share Option Scheme exercisable in the period 2013-2015 is capped at 1,250,000 stock options. Each option grants a right to buy one share in Bang & Olufsen a/s of a nominal value of DKK 10, equal to 3.45% of the total share capital of the company at the date of grant of the stock options.
- Based on a Black & Scholes calculation, the estimated market value of the stock options at the date of grant equals approximately DKK 10 million.
- The gain that may be realized under the Special Share Option Scheme at exercise is capped at DKK 20 million per year (2013-2015), i.e. the total gain is capped at DKK 60 million (before tax).

*(ii) Special Share Option Scheme exercisable in 2016*

With effect from 20 September 2013, the company granted to the CEO a Special Share Option Scheme exercisable in 2016, as further described in company announcement no. 13.07 of 20 September 2013. The key features of this Special Share Option Scheme are as follows:

- The stock options may be exercised in 2016.
- The stock options may only vest and become exercisable if certain agreed targets with respect to the company's EBIT and share price are met. The exercise price of the stock options is fixed at 60. However, the number of shares and/or the exercise price for the stock options will be adjusted for any dividend paid by Bang & Olufsen a/s and in case of any other corporate actions that dilute the value of the options.
- The total number of stock options granted under the Special Share Option Scheme exercisable in 2016 is capped at 665,000 stock options. Each option grants a right to buy one share in Bang & Olufsen a/s of a nominal value of DKK 10, equal to 1.7% of the total share capital of the company.
- Based on a Black & Scholes calculation, the estimated market value of the stock options at the date of grant equals approximately DKK 3.7 million.
- The gain that may be realized under the Special Share Option Scheme at exercise is capped at DKK 20 million (before tax).

## **2.5. Grant of options**

At the discretion of the Board of Directors, the company intends, to the extent possible and on an ongoing basis, to cover the stock options that are expected to be exercised or Matching Shares that must be provided to a member of the Executive Management Board through the acquisition of own shares. Consequently, it is expected that no capital increase is required in order to provide the shares covered by the stock options granted or to cover the company's obligations under the Matching Shares Programs.

### **3. Publication of the guidelines**

These guidelines have been reviewed and approved by the Annual General Meeting held in Bang & Olufsen a/s on 14 September 2016. The guidelines have been published on the company's website [www.bang-olufsen.com](http://www.bang-olufsen.com).

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This is an English translation. In case of discrepancy between the Danish version and the English translation of these guidelines, the Danish version will prevail.

## APPENDIX 2

**Remuneration Policy of Bang & Olufsen a/s****1. Preamble**

- 1.1. The following remuneration policy of Bang & Olufsen a/s, CVR no. 41257911, (“B&O” or the “Company”) is based on the recommendations published by the Committee on Corporate Governance and implemented by NASDAQ Copenhagen A/S.
- 1.2. The remuneration policy provides a framework for remuneration paid to the members of the Board of Directors (“Board”) and the Executive Management Board (“EMB”) of B&O. The EMB means the executive officers of the management board of B&O, registered as such, with the Danish Business Authority. The guidelines apply to remuneration received by the members of the Board and the EMB for work performed for B&O including all companies in the B&O Group.
- 1.3. With respect to incentive pay reference is made to the general guidelines of B&O in relation to incentive-based remuneration of the EMB (the “Incentive Guidelines”) approved at the Company’s general meeting. The Incentive Guidelines form an integral part of the remuneration policy of B&O.

**2. General principles**

- 2.1. The overall objective of the Remuneration Policy of B&O is to attract, motivate and retain qualified members of the Board and the EMB as well as to align the interests of the Board and the EMB with the interests of the Company’s shareholders.
- 2.2. The remuneration of the Board and the EMB shall be designed to support the strategic goals of B&O and to promote value creation for the benefit of the shareholders of B&O.
- 2.3. The specific remuneration packages and incentive programs covering the members of the EMB shall comply with the following principles:
  - (a) limits shall apply on the variable components’ part of the total remuneration package,
  - (b) a reasonable balance shall be ensured between the remuneration and incentive pay offered, the expected risks and the value creation for shareholders in the short and long term,

- (c) there shall be clarity about performance criteria and measurability for award of variable components, and
- (d) there shall be criteria ensuring that the vesting periods for incentive pay that includes share based instruments are longer than one calendar year.

2.4. The Board may in extraordinary circumstances decide to deviate from the overall remuneration policy, hereunder the Incentive Guidelines, on an individual basis. In such case the Board is obliged to explain the reason for the deviation at the following annual general meeting.

### **3. Remuneration of the Board**

3.1. The members of the Board shall be remunerated with fixed annual fees approved by the general meeting and shall not be covered by incentive programs or be entitled to variable remuneration.

3.2. All members of the Board whether elected by the general meeting or the employees of B&O or the B&O Group receive an annual base fee which shall be in line with market practice of comparable listed companies taking into account the required competencies, effort and scope of work of the members of the Board.

3.3. The Chairman of the Board shall receive 3 times the annual base fee and the Deputy Chairman shall receive 2 times the annual base fee for their extended duties.

3.4. ~~Except for the Chairman and the Deputy Chairman a~~All other members of the Board who are also members of the committees established by the Board shall receive an additional fixed fee as remuneration for their committee work. The size of the fixed committee fee depends on the competencies, effort and scope of work required by the members of each committee.

3.5. In the event a member of the Board takes on specific ad hoc tasks outside the scope of ordinary tasks of the Board in accordance with the Rules of Procedure of the Board, the member may be offered a fixed fee for the work carried out related to such tasks.

3.6. With the purpose of aligning the interests of the Company's shareholders and the members of the Board in regard to the development of the share price, each member of the Board elected by the general meeting is obliged to invest in shares issued by the Company not later than 12 months after the date of the member's election to the Board for an amount at least corresponding to the annual base fee paid to an ordinary member of the Board

according to the most recent annual report and to keep such shareholding for as long as the individual is member of the Board.

- 3.7. The Board's remuneration for the current financial year shall be approved by the general meeting of the Company.

#### **4. Remuneration of the EMB**

##### 4.1. The total remuneration

- 4.1.1. The total remuneration of the EMB may consist of the following fixed and variable remuneration components:

- (a) a fixed base salary including pension contributions ("annual base salary")
- (b) variable remuneration consisting of (i) non-share based cash bonus, and/or (ii) share-based remuneration, and
- (c) termination and severance payment.

These remuneration components shall create a well balanced remuneration package reflecting (i) individual performance and responsibility of the members of the EMB in relation to established goals and targets, both in the short and the longer term, and (ii) the Company's overall performance.

##### 4.2. Annual base salary

- 4.2.1. The annual base salary for the members of the EMB shall be in line with market practice and based on the individual member's responsibilities and performance.

- 4.2.2. The members of the EMB shall be entitled to customary non-monetary benefits such as company car, insurance, newspaper, telephony and internet access etc. as approved by the Board

- 4.2.3. The members of the EMB ~~shall arrange for their own pension planning and shall not be covered by~~ can also participate in the a pension plan scheme of the Company.

##### 4.3. Variable remuneration

- 4.3.1. In addition to the annual base salary, the members of the EMB may, in accordance with the Incentive Guidelines receive variable remuneration, which shall be based on the individual performance and responsibility of the members of the EMB in relation to established goals and targets, both in the short and the longer term, as well as the Company's overall performance.



**5. Remuneration Committee**

- 5.1. The Board has established a remuneration committee (the “Remuneration Committee”) to ensure that the Company maintains a remuneration policy for the members of the Board and the EMB as well as overall guidelines for incentive-based remuneration to the EMB. The remuneration policy, the overall guidelines for incentive-based remuneration to the EMB and any changes thereto shall be approved by the Board of Directors as well as the general meeting.
- 5.2. The Remuneration Committee shall evaluate and make recommendations for the remuneration of the members of the Board and the EMB.
- 5.3. The Remuneration Committee shall retain its own advisers separate from the external advisers engaged by the Company and/or the EMB.

**6. Approval and publication of the remuneration policy**

- 6.1. This remuneration policy has been reviewed and approved by the Board and this remuneration policy shall be posted on the Company’s website ([www.bang-olufsen.com](http://www.bang-olufsen.com)) specifying the date of adoption by the general meeting of the Company on 14 September 2016.
- 6.2. The remuneration policy shall be described in the Company’s annual report and the Chairman shall in connection with the report from the Board at the annual general meeting comment on the principles of the remuneration policy and compliance hereof.
- 6.3. Information on the total remuneration, in the aggregate for each of the management boards and on an individual basis, is disclosed in the Company’s annual report for the relevant financial year including a statement on compliance with the remuneration policy.
- 6.4. The remuneration policy shall be reviewed at least on an annual basis.

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