

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

Bang & Olufsen a/s' Annual General Meeting will be held on Wednesday 13 September 2017 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 2016/17, 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 remuneration to the Board of Directors in the future is approved for the current financial year instead of being approved for the preceding financial year together with the annual report. This means that in 2017 remuneration for both the financial year 2016/17 and the financial year 2017/18 is to be approved by the General Meeting.

That the proposed remuneration to the Board of Directors for the financial year 2016/2017 is approved by the General Meeting. Reference is made to page 65 of the company's annual report (note 2.2).

**That the following remuneration level for the financial year 2017/2018 is approved by the General Meeting:**

**(i) The annual base remuneration paid to the members of the Board of Directors is DKK 300,000 for each member with respect to board members elected by the General Meeting or the employees, respectively, with 3 times the base remuneration and 1.5 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 75,000 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, Nomination Committee or Technology Committee is DKK 75,000 for each member.**

- 4.2** That, in the period until 30 September 2018, 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 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 (unchanged) and

25% of the additional Executive Management Board members' annual base salary and (ii) three years after the participating member has been offered and accepted to participate in a Matching Shares Program and subject to fulfilment of certain conditions, including agreed performance targets, the company will free of charge provide such members with Matching Shares in the company.

Amendment (ii) is a clarification that the Investment Shares matures from the time when the participating member has accepted to participate in the Matching Shares Program. At the discretion of the Board of Directors, amendment (ii) can be applied for current Matching Shares Programs and will be applied in future Matching Shares Programs.

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.

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.

Deputy Chairman Jim Hagemann Snabe has informed the Board of Directors that he does not seek re-election to the Board of Directors.

The Board of Directors proposes the re-election of Ole Andersen, Jesper Jarlbæk, Majken Schultz, Albert Bensoussan, Mads Nipper, Juha Christensen and Kai Lap (Ivan) Tong.

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 34-35 of the annual report. All existing board members are considered as independent, except for Kai Lap (Ivan) Tong. Kai Lap (Ivan) Tong is not deemed to be an independent candidate for the Board of Directors since he has a material commercial relation to the company through his position as a chairman of the board of directors of Sparkle Roll Group Limited which is a distributor for e.g. B&O PLAY products in China.

**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 Monday 14 August 2017. 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).

All proposals may be passed by 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 Computershare A/S at tel. +45 45460999.

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 Friday 8 September 2017 at 11:59 pm CEST.

The registration date is Wednesday 6 September 2017. 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 requested electronically on the Shareholder Portal via [www.bang-olufsen.com](http://www.bang-olufsen.com) by logging in with username and password or NemID.

Admission cards can also be ordered by filling in the registration form, which can be found on the company’s website, and sending it by post, to Computershare A/S, Lottenborgvej 26 D, 1. Sal, DK-2800 Kgs. Lyngby, Denmark, by fax to +4545460998, or by email to [gf@computershare.dk](mailto:gf@computershare.dk).

Furthermore, admission cards may also be obtained by contacting Computershare A/S on tel. +45 45460999.

Request for admission cards must be submitted no later than Friday 8 September 2017 at 11:59 pm CEST.

Admission cards and voting ballots will be sent to the address to which your custody account is registered.

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 and you can do so electronically on the Shareholder Portal via [www.bang-olufsen.com](http://www.bang-olufsen.com) by logging in with username and password or NemID or by filling in the proxy and postal voting form which can be found on the company's website, and sending it by post, to Computershare A/S, Lottenborgvej 26 D, 1. Sal, DK-2800 Kgs. Lyngby, Denmark, by fax to +45 45460998, or by email to [gf@computer-share.dk](mailto:gf@computer-share.dk). Furthermore, the form can also be obtained by contacting Computershare A/S on tel. +45 45460999.

Nomination of proxy must be submitted by Friday 8 September 2017 at 11:59 pm CEST and postal votes must be submitted by Tuesday 12 September 2017 at 4:00 pm CEST.

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)

**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 25% of the additional members' annual base salary.
- B. Three years after the participating member has been offered and accepted to participate in a Matching Shares program and subject to fulfilment of the below conditions, including agreed performance targets, 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 and the performance of the company during the three-year vesting period. 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 until the expiration of the 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). If a member is employed with the Company at the expiry of a Matching Shares Program, but has been delayed in acquiring Investment Shares due to the member being in possession of inside information, such member shall maintain its right to receive Matching Shares, even if the member terminates his/her employment with the Company after expiry of the Matching Shares Program.**
  - 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 2017 is estimated to a maximum amount of DKK 17,033,000 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 2017, 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 2017 estimated amount in case of salary increase or increase of the market value of the company's shares.

### **2.3. 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 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 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 13 September 2017. The guidelines have been published on the company's website [www.bang-olufsen.com](http://www.bang-olufsen.com).

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**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 21.5 times the annual base fee for their extended duties.
- 3.4. All 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 can also participate in the pension scheme of the Company.~~ If a member of the EMB need to relocate to another country in order to take up the position in the EMB, such EMB member may, at the Board's discretion, be entitled to certain other non-monetary benefits such as housing allowance and school tuition fee allowance.

4.2.4. The members of the EMB can also participate in the pension 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 13 September 2017.
- 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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