

Remuneration report for 2020

INTRODUCTION

This report describes how the guidelines for remuneration to senior executives in BHG Group AB, adopted by the 2020 Annual General Meeting, were implemented in 2020. The report also provides information on remuneration to the CEO and a summary of the company's outstanding programmes for share-based remuneration. The report has been prepared in accordance with the requirements of the Swedish Companies Act (2005:551) and the Swedish Corporate Governance Code issued by the Swedish Corporate Governance Board.

Further information on remuneration to senior executives is available in Note 7 Personnel costs and remuneration of senior executives on pages 82–85 of the Annual Report for 2020. Information on the work of the Remuneration Committee in 2020 is available in the corporate governance report on pages 52–57 of the Annual Report for 2020.

Remuneration to the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting. For information on remuneration to Board members, refer to Note 7 on pages 82–85 of the Annual Report for 2020.

THE COMPANY'S PERFORMANCE IN 2020

The CEO summarises the company's overall performance in his statement on pages 5–7 of the Annual Report for 2020.

THE COMPANY'S GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

In brief, the company's business strategy is to capitalise on its leading position in the online home improvement market in order to leverage the underlying growth in the market arising

as a result of increased Internet use, and to combine organic growth with continuous active consolidation measures, such as acquisitions. For further information on the company's business strategy, visit www.wearebhg.com. A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer senior executives competitive total remuneration. Variable cash remuneration covered by these guidelines is to support the company's business strategy and long-term interests, including its sustainability.

The guidelines are presented on pages 34–35 of the Annual Report for 2020. During 2020, the company complied with the applicable remuneration guidelines adopted by the general meeting of shareholders. There have been no deviations from the guidelines and no derogations from the decision-making process that, according to the guidelines, is to be applied when determining remuneration. The auditor's report regarding the company's compliance with the guidelines is available on www.wearebhg.com/corporate-governance/. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the company's Annual General Meetings have resolved to implement long-term share-based incentive programmes (LTIP).

Total remuneration to the CEO in 2020 (SEK million)*

	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension costs	5 Total remuneration	6 Proportion of fixed and variable remuneration****
	Basic salary**	Other benefits	One-year variable	Multi-year variable***				
Martin Edblad (CEO until 19 February 2020)	0.2	-	0.3	-	-	0.0	0.6	33% / 67%
Adam Schatz (CEO from 20 February 2020)	0.9	-	1.7	0.1	-	0.2	2.9	34% / 66%

* With the exception of multi-year variable remuneration, the table shows remuneration earned in 2020. Multi-year variable remuneration is reported if vested in 2020. Multi-year variable remuneration pertains entirely to share-based remuneration; see below.

** Including holiday pay of SEK 0.1 million to Adam Schatz.

*** Vested share-based remuneration; see below.

**** No pension has been paid for variable remuneration.

SHARE-BASED REMUNERATION

The Annual General Meetings on 5 May 2020, 15 May 2019 and 26 March 2018 resolved to introduce incentive programmes for key employees in the Group. Accordingly, there are three incentive programmes running in parallel (LTIP 2018, LTIP 2019 and LTIP 2020).

2020 incentive programme – LTIP 2020

The 2020 incentive programme encompasses approximately 40 employees in the Group. In total, the programme encompasses 1,037,000 warrants, each of which entitles the holder to subscribe for one ordinary share in the company. The subscription price for shares through warrants amounts to 130% of the volume-weighted average price quoted for the shares during the five-day period preceding the allotment of the warrants to the respective participants in the programme. The warrants can be exercised from 1 June 2023 to 31 August 2023. The price for the warrants (warrant premium) corresponds to the market value of the warrants on the date of subscription and allotment, which has been calculated in accordance with the Black-Scholes pricing model, with measurement policies in accordance with market practice. Participants receive a subsidy from BHG Group AB reflecting 50% of the warrants' fair value at the subscription date.

Current CEO Adam Schatz holds 50,000 warrants under LTIP 2020 and received a subsidy of SEK 0.7 million from the company (before tax) to acquire warrants under LTIP 2020.

2019 incentive programme – LTIP 2019

The 2019 incentive programme encompasses 26 employees in the Group. In total, the programme encompasses 1,610,526 warrants, each of which entitles the holder to subscribe for one ordinary share in the company. The subscription price for shares through warrants amounts to SEK 48.20, which corresponds to 130% of the volume-weighted average price quoted during the period from 24 May 2019 to 31 May 2019. The warrants can be exercised from 1 June 2022 to 31 August 2022.

The price for the warrants (warrant premium) corresponds to the market value of the warrants on the date of subscription and allotment, which has been calculated in accordance with the Black-Scholes pricing model, with measurement policies in accordance with market practice. Participants received a subsidy from Bygghemma Group First AB (now BHG Group AB) reflecting 50% of the warrants' fair value at the subscription date.

Current CEO Adam Schatz holds 92,030 warrants under LTIP 2019 and received a subsidy of SEK 0.4 million from the company (before tax) to acquire warrants under LTIP 2019. Former CEO Martin Edblad holds no warrants under LTIP 2019.

2018 incentive programme – LTIP 2018

The 2018 incentive programme encompasses approximately 60 employees in the Group. In total, the programme encompasses 2,760,016 warrants, each of which entitles the holder to subscribe for one ordinary share in the company. The subscription price for shares through warrants amounts to 130% of the company's listing price on 27 March 2018. The warrants can be exercised from 1 January 2021 to 26 March 2021. The price for the warrants (warrant premium) corresponds to the market value of the warrants on the date of subscription and allotment, which has been calculated in accordance with the Black-Scholes pricing model, with measurement policies in accordance with market practice. Participants received a subsidy from Bygghemma Group First AB (now BHG Group AB) reflecting 50% of the warrants' fair value at the subscription date.

Neither current CEO Adam Schatz nor former CEOs Martin Edblad and Mikael Olander hold warrants under LTIP 2018.

FULFILMENT OF CRITERIA FOR VARIABLE REMUNERATION

The variable cash remuneration to the CEO is to be linked to predetermined and measurable criteria which can be financial or non-financial. These criteria may also comprise individualised, quantitative or qualitative objectives. The criteria are to be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promoting the senior executive's long-term development.

The fulfilment of criteria for awarding variable cash remuneration is to be measured over a period of one year. After the end of the measurement period for fulfilment of the criteria for payment of variable cash remuneration, the level of criteria fulfilment is to be assessed/confirmed. The Remuneration Committee is responsible for performing the assessment of variable cash remuneration for the CEO. For financial objectives, the assessment is to be based on the company's most recent published financial information.

Performance of the CEO in the reported financial year: variable cash remuneration

	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Outcome of objectives b) Actual remuneration
Martin Edblad (CEO until 19 February 2020)	Adjusted EBIT for the Group in 2020	50%	a) SEK 700.8 million b) SEK 0.2 million
	Net sales for the Group in 2020	50%	a) SEK 8,968.2 million b) SEK 0.2 million
Adam Schatz (CEO from 20 February 2020)	Adjusted EBIT for the Group in 2020	50%	a) SEK 700.8 million b) SEK 0.9 million
	Net sales for the Group in 2020	50%	a) SEK 8,968.2 million b) SEK 0.9 million

The above remuneration refers to the remuneration earned by the individual in question during the period in which the individual held the position of CEO.

COMPARATIVE INFORMATION CONCERNING CHANGES IN REMUNERATION IN RELATION TO THE COMPANY'S PERFORMANCE

Changes in remuneration and the company's performance in the 2017 to 2020 financial years (SEK million)*

	2018 vs 2017	2019 vs 2018	2020 vs 2019	2020
Remuneration to the CEO**	SEK -0.0 million (-4.3%)	SEK +2.1 million (+163.2%)	SEK +0.1 million (+4.3%)	SEK 3.5 million
Group operating income	SEK -4.3 million (-4.7%)	SEK +194.8 million (+223.3%)	SEK 375.8 million (133.2%)	SEK 657.8 million
Average remuneration to other employees in the Parent Company ***	n/a	n/a	n/a	SEK 3.5 million
Average remuneration to other employees in the Group ****	SEK +0.0 million (+6.3%)	SEK +0.0 million (+11.9%)	SEK -0.0 million (-13.2%)	SEK 0.3 million

* The company was formed on 21 September 2016 in connection with the acquisition of the Group by FSN Capital. Accordingly, information concerning changes in remuneration is only reported for the full years 2017 to 2020.

** Remuneration to the CEO pertains to remuneration earned by the individual or individuals who held the position of CEO during the financial year in question (see above).

*** Excluding other senior executives. Average remuneration has been calculated by dividing the total number of employees in BHG Group AB (except for the CEO and other senior executives) by the average number of employees calculated as full-time equivalents. Prior to 2020, the company had no employees other than those included in the group "senior executives".

**** Excluding other senior executives. Average remuneration has been calculated by dividing the total number of employees in the Group (except for the CEO and other senior executives) by the average number of employees calculated as full-time equivalents.