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Sustainability report 2020

BHG Group AB (publ)
Nasdaq Stockholm: BHG

The Sustainability report is a part of the Annual Report 2020

COMMENTS FROM THE CEO

2020 was record-breaking and transformative year for us: we were well positioned to take advantage of the opportunities that arose in a total market that performed well and where online penetration accelerated. With growth of approximately 44%, we further strengthened our position as Europe's largest e-commerce company in home improvement – an area that combines both of our segments: DIY and Home Furnishing. I'm convinced that sustainability is a prerequisite for BHG's continued long-term growth. That's why in 2020 we took important steps and began several processes that will drive our sustainability forward. Our first sustainability report according to GRI Standards, the one you're reading now, is a result of this work!

Our ambition is for sustainability to be a self-evident part of BHG's operations and during the year we picked up the pace. To create the right conditions for our long-term sustainability work, we carried out a materiality analysis that included customers, investors, suppliers and employees. This analysis helped us understand what sustainability means for BHG and how in the coming years we can develop a strategy that reflects our business model and development as a company. We also carried out a major review among our companies, laid the foundation for a structure for collecting data and gathered sustainability data from our operations and our companies. There's still a lot of work to do, but when I look back on the year, I'm proud of our efforts!

I look forward to continuing this work and developing our sustainability strategy. This will also include setting clear goals and working together with our companies to jointly create a strategy that suits us as a group. Our decentralised business model is one of our strengths, but it also creates challenges. As we grow and acquire more companies, we realise the need to harmonise our work flows and establish more central and uniform processes for coordination and governance of sustainability within the Group. We will also continue to focus on delivering a first-class customer experience, with sustainability as an integrated part of our operations!

Adam Schatz,
President and CEO



THIS IS BHG

BHG's overall goal is to make life simpler for our customers, in line with our vision, "We make living easy". With the market's broadest product portfolio, the most competitive prices and a large range of services that includes product advice and installation, we want to create the very best online customer experience. We strive to make sustainability an integrated part of our operations.

About BHG

Our strong position in these markets makes us the largest online European pure-play within the home improvement space, which includes DIY and home furnishings. DIY includes all types of home improvement products, including products for building, renovating and maintaining homes and gardens. The Home Furnishing segment includes furniture and home furnishings. We have approximately one million unique products in our range. In addition to products, we offer services such as our own last-mile deliveries and installations for over 10,000 products. BHG has over 70 showrooms and 100 online destinations, including leading destinations such as Bygghemma.se, Trademax.se and NordicNest.se as well as category and expert stores such as Golvpoolen.se, Nordiskafönster.se and Stonefactory.se.

The majority of customers are located in the Swedish, Norwegian, Finnish and Danish markets. BHG is also present in most of Eastern and Central Europe and, through the acquisition of Nordic Nest, in additional countries in Europe and other parts of the world. We were active in a total of 22 countries in 2020. BHG's head office is located in Malmö, together with certain Group-wide functions such as accounting, finance, legal and IT. Sales of goods and services to external customers are carried out through our operating companies rather than at the Group's head office. The Group has no manufacturing plants of its own. Instead, all products are purchased through business partners, agents or directly from suppliers.

SUSTAINABILITY FOR BHG

To understand what sustainability means for our operations, and to ensure that we maintain the right strategic focus in the future, we carried out our first materiality analysis this year. This analysis relies on dialogues with our most important stakeholders and understanding the impact that BHG has.

The BHG Group AB (publ) share is listed on Nasdaq Stockholm Large Cap.

Number of employees: 2,018

Net sales: SEK 8,968 million

Equity: SEK 2,823 million

Liabilities: SEK 5,807 million

Stakeholder dialogues

Successful sustainability work requires an understanding of the expectations and viewpoints of our stakeholders. Given this, we carried out dialogues with our most important stakeholder groups during the year. Stakeholder groups were identified based on impact and interest to BHG according to the AA1000 Stakeholder Engagement Standard. Dialogues were then carried out via interviews and questionnaires. Refer to the table below for the sustainability areas that were highlighted for each stakeholder group..

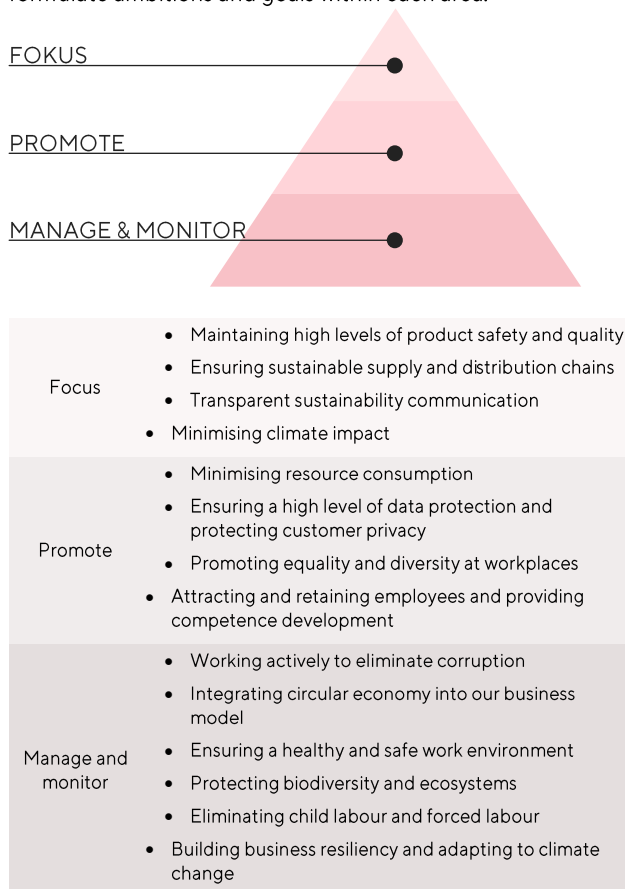
Stakeholder group	Method	Top three prioritised areas
Owners	Questionnaire and interview	Ensuring a high level of data protection and protecting customer privacy
		Eliminating child labour and forced labour
		Ensuring a healthy and safe work environment
Board of Directors	Questionnaire and interview	Minimising resource consumption
		Eliminating child labour and forced labour
		Minimising climate impact
Head office	Questionnaire and interview	Attracting and retaining employees and providing competence development
		Minimising climate impact
		Eliminating child labour and forced labour
Group companies	Questionnaire and interview	Attracting and retaining employees and providing competence development
		Minimising resource consumption
		Ensuring a healthy and safe work environment
Customers	Questionnaire	Eliminating child labour and forced labour
		Minimising climate impact
		Maintaining high levels of product safety and quality
Suppliers	Questionnaire	Working actively to eliminate corruption
		Protecting biodiversity and ecosystems
		Ensuring a healthy and safe work environment

Impact analysis

During the year, we carried out an impact analysis. The impact analysis provides insight and understanding regarding BHG's impact in terms of sustainability factors as well as how these factors affect our operations. The impact analysis is based on a double materiality perspective and identifies our negative and positive impact on, and from, the areas of human rights, labour rights, the environment and anti-corruption- across our value chain. The analysis also includes impact from a financial, operational and reputational perspective.

The materiality pyramid

The results from the stakeholder dialogues and impact analysis were combined to form a materiality pyramid. This pyramid is the basis for BHG's strategic focus, illustrating three levels of strategic work: focus, develop, and manage and monitor. Focus reflects the areas that BHG should prioritise in the future and focus on in its sustainability agenda; develop refers to topics that BHG needs to continuously highlight and develop in its agenda; manage and monitor remains important topics that BHG will work with, for example through annual follow-ups of key performance indicators (KPIs). During the coming year, we will focus on using the results from the materiality analysis to formulate ambitions and goals within each area.



GOVERNANCE AND RESPONSIBILITY FOR SUSTAINABILITY

BHG is a growing company with a decentralised business model. One of our strengths as a group is the entrepreneurial spirit in our companies, which is why we give them the freedom to decide over their operations themselves. However, when it comes to implementing Group-wide sustainability policies, this model has its own set of challenges. Within the Group, the Board of Directors has the overall responsibility for sustainability, while the CEO is responsible for enacting the decisions and strategies of the Board. The Group's CFO is responsible for leading and coordinating sustainability at BHG and developing proposals, carrying out analyses and leading the work on sustainability reports. The CFO reports directly to the CEO. The Group also holds monthly meetings with key individuals from each

company. During these meetings, the companies receive up-to-date information about the Group's work and they can also bring up issues like sustainability for discussion. We intend to further improve our sustainability governance across the Group in the coming years, for example by reviewing how we can establish more uniform governance that is better aligned with our operations.

Policy documents

The central policies that BHG applies are our Code of Conduct, Supplier Code of Conduct, Environmental policy, Employee policy, Purchasing policy, CSR policy and Information security policy. The CEOs and management of our companies receive the Code of Conduct and the other policies, after which it is up to each company to implement the policies.

Our Code of Conduct makes the company's position clear when it comes to issues concerning respect for human rights, labour rights, environmental issues and anti-corruption practices, and is based on the Ten Principles of the UN Global Compact. It applies to all Board members and employees at BHG. In previous years, BHG employees have undergone training in the Code of Conduct's guidelines, and we see the importance of renewing this training during the coming operating years. We also strive for all new employees to receive the Code of Conduct as an appendix to their employment contract. Deviations from the Code of Conduct can be reported anonymously through our whistleblower system.

We are satisfied with our level of policy implementation, since we have had low levels of deviations reported. Because we are growing, however, we realise the need to harmonise our work flows and follow up on our policies centrally. Over the next few years, we will therefore review how the Code of Conduct and other central policy documents can be implemented more uniformly in the Group's operations.

Risk analysis

In 2020, BHG carried out a sustainability risk analysis. BHG's entire value chain was analysed, looking at risks from the perspective of human rights, employees, social conditions, the environment and anti-corruption. The risk analysis also included industry and operation-specific sustainability risks. The risks identified primarily occurred in the supply chain, since BHG do not own manufacturing plants but instead purchase products from manufacturers and business partners/agents. The risks are primarily related to emissions, resource and material use and the risk of corruption, and human rights or labour rights not being respected. In addition to risks in the supply chain, risks were also identified in logistics and transportation, and in relation to BHG as an employer. As an e-commerce company, we are focused on greenhouse gas (GHG) emissions from shipping, something we continuously need to address by ensuring low return rates, an area where BHG is on the cutting edge. It is also important to attract the right talent and ensure that our employees thrive in our workplaces. Otherwise we risk losing important expertise.

Going forward, we will develop our risk management process to strengthen and build up the company's long-term resiliency. We started by identifying our material sustainability

topics during the year, taking into consideration the results of our risk analysis and insights into the areas where our largest sustainability risks arise. You can read more about how we are addressing these material topics in the following sections of the Sustainability Report.

Business ethics

BHG takes a zero tolerance stance towards all forms of corruption. Our largest corruption risk is in connection with the purchase of products and in the close and long-term relationships we develop with our suppliers. Our requirements and expectations for our employees, business partners and suppliers when it comes to anti-corruption are stipulated in our Code of Conduct, the Supplier Code of Conduct and the business ethics guidelines in our management handbook. In previous years, our employees have undergone training in the Code of Conduct, which provided them with information about guidelines and our preventative work regarding bribes and corruption. Over the next few years, we will review the possibility of renewing this training. As of 2019, new employees also receive information about BHG's guidelines, requirements and preventative work at the beginning of their employment with us. Any deviations from the Code of Conduct and the Group's business ethics guidelines can be reported anonymously to the Group's whistleblower system. 0 cases of corruption were reported during the year.

SUSTAINABLE SUPPLY AND DISTRIBUTION CHAINS

As Europe's largest home improvement e-commerce company, our operations and the products we sell have an impact on society, people and the environment. BHG strives to create an attractive e-commerce environment with the market's broadest and most complete product range, where sustainability is integrated into the entire process all the way from production to delivery.

Our supply chain

BHG provides almost a million unique products in a mix of external and proprietary brands, and we have several thousand suppliers. We have the market's broadest home improvement product range, which covers furniture, home furnishings and the DIY segment (all types of home improvement products, including products for building, renovating and maintaining homes and gardens). BHG has no manufacturing plants of its own. Instead, all products are purchased directly from business partners, suppliers or through agents in the Nordic region, Eastern Europe and Asia. Our proprietary brands are continuously supplemented with strong brands from third-party suppliers.

Because BHG does not own its own manufacturing plants but instead purchases all products, our largest sustainability impact is in the production side of our supply chain. This includes climate and environmental impacts, since the manufacturing of our products causes GHG emissions that contribute to climate change or deplete natural resources. In the production of our proprietary brands, we strive to be a part of the circular economy by optimising resource consumption and using sustainable materials. Protecting biodiversity and ecosystems has also been identified as a key area for BHG. Over the next year, we will investigate how we

can better understand the indirect impact we have on biodiversity and ecosystems and what we can do to manage it. The material in our products, for example the wood used in furniture production or the sand used in glass and cement, can have a negative impact on biodiversity. Our ability to control this is limited, but through systematic efforts we can establish requirements for our suppliers. Working with the supply chain also entails ensuring that our products are produced in environments that respect and uphold human rights, labour rights and good business ethics and are not associated with any form of child labour or forced labour. This becomes even more important when we purchase products produced in areas with a high risk for deviations.

Working for a sustainable supply chain

To support a sustainable supply chain, we established a Supplier Code of Conduct. This code is based on the Ten Principles of the UN Global Compact and lays out our requirements and expectations for our suppliers and business partners when it comes to respecting human rights and labour rights, minimising their negative environmental impact and maintaining good business ethics. These requirements include zero tolerance for child labour or forced labour. BHG has no central purchasing function. Instead, the supplier policy is presented to the companies' management groups, who are responsible for its implementation and compliance. Our companies are also responsible for evaluating new business partners, suppliers and agents according to the Supplier Code of Conduct. Our ambition is for the Supplier Code of Conduct to be included in all of BHG's agreements with new suppliers. Some of our companies have systematic processes in place for evaluating suppliers and conducting follow-ups in low-cost countries where the risk of deviations is assessed as being the greatest. Of the companies that have a systematic process in place, 100% of their new suppliers were evaluated based on human rights and labour rights criteria, while 69% of new suppliers were evaluated based on environmental criteria.

As a growing group with a decentralised business model, we face challenges when it comes to coordinating the supply chain, and our companies' efforts to achieve a sustainable supply chain vary. Over the next few years, we will therefore look at how we can improve our governance, implementation and follow-up of sustainable supply chains. This also includes reviewing how we can ensure that the products we provide are manufactured sustainably, for example by setting stringent requirements for manufacturing our proprietary brands and the external brands we purchase.

Working for a sustainable distribution chain

We constantly strive to streamline our operations and optimise our processes, which also applies to how we distribute goods. We have a high share of direct deliveries from third-party distributors, an arrangement whereby goods are distributed directly from our suppliers to our customers. We supplement these direct deliveries by distributing products through our own distribution network, where we combine deliveries through third parties (such as DSV and Postnord) with our own last-mile deliveries using our own vehicles and drivers. Today, we have our own infrastructure for last-mile deliveries in Stockholm, Gothenburg and Skåne

County. 100% of deliveries in the Home Furnishing segment's operations in Eastern Europe are distributed via our own storage warehouses through our last-mile deliveries. The ambition going forward is to increase the share of own deliveries to customers in the Nordic region, since this has proven to be a successful concept.

We have the greatest possibility of affecting transportation and resource management in our own distribution network. When it comes to our last-mile deliveries, we engage in regular dialogues with our logistics partners about improving efficiency in the flow of goods between suppliers, warehouses and end customers. We aim to have a higher fill factor and improve loading, which indirectly leads to reduced emissions from customer deliveries. The emissions generated from our own transportation is included in our CO2e reporting in the section "Environmental impact of BHG's own operations" on page 46. It is also important to minimise the return rate, since this helps to avoid unnecessary shipments and thereby emissions. However, the share of returns for BHG is low, well under 5%. In addition, our companies engage in dialogues with our logistics partners regarding smarter packaging and use of packing material. The goal is to minimise resource consumption when shipping and delivering our products to customers.

PRODUCT SAFETY AND QUALITY

At BHG, we are proud of our broad product offering, which allows people to maintain their homes and gardens. Since our products often end up in people's homes, it is important to us that they are safe, high quality and do not contain any hazardous substances.

Our work related to product safety and quality

BHG's range consists of external brands, mainly well-known brands such as Bosch, Husqvarna and Ifö, as well as proprietary brands. When it comes to external brands, the manufacturers are responsible for product safety. We supplement the external brands offered with a portfolio of proprietary brands that meet or exceed customer expectations. Product safety and quality play an important role in this structure. Our proprietary brands are primarily manufactured in Eastern Europe and Asia. In Asia, product safety standards can be lower than the EU regulations for product safety and quality. In order to live up to our customers' expectations, it is important that we ensure that all of our suppliers meet the requirements for product safety set by the EU. Each company in BHG is responsible for the design and quality-assurance of their own products. 0 confirmed incidents related to non-compliance on product safety were reported during the year. However, some of our companies have received complaints about their products.

For next year, our ambition is to improve control of product safety and quality throughout BHG. We will start by developing Group-wide requirements for product safety, materials and quality and implement them in all of our companies and supplier agreements. Our ambition is also to clarify our risk assessment in order to better identify high-risk products in our range.

ENVIRONMENTAL IMPACT OF BHG'S OWN OPERATIONS

We strive to use energy and materials efficiently and to reduce our GHG emissions and the waste generated by our operations. Since a significant portion of our climate and environmental impact occurs in the supply chain, where our products are manufactured, this is an important area that we will focus more on in the coming year. Read more about BHG's work with sustainable supply chains on page 44. The section below focuses on the environmental impact of BHG's own operations.

Minimising environmental impact

BHG applies the precautionary principle. Over the next year, we will evaluate whether this principle needs to be featured more prominently in our existing steering documents and whether its implementation needs to be followed up to a greater extent than it currently is. Our Environmental policy establishes our overall expectations for our operations and our companies when it comes to environmental and climate issues. The Environmental policy stipulates that we are to work proactively to reduce our negative impact on the environment and climate, including GHG emissions, resource use and waste generation. Our energy consumption is connected to our offices, warehouses, showrooms, logistics, transportation and the data servers we use to conduct our operations. Energy-saving measures are implemented regularly at our warehouses, showrooms and offices. Our operations generate waste in the form of paper, plastic, cardboard and packaging. We sort paper, plastic and other consumables at our offices. Our companies work with well-established third parties within the recycling industry and going forward we will review how we can measure and collect data on waste generation and management. This will enable a more systematic approach to the issue.

For better insight and to find more efficient ways to reduce our negative impact on the environment, we began to collect data from our operations and our companies during the year.

The results are presented in the table "Energy use and emissions" below. The data collected represents 83% of the Group in terms of sales, which means that BHG's total emissions are actually higher than the data would suggest. To estimate BHG's total emissions, we used the reported carbon dioxide emissions (83% of sales generated 3,638 tonnes of CO₂e) and calculated an estimate for the remaining companies (17% of sales). Based on this calculation, we generated an estimated 4,371 tonnes of CO₂e in 2020. However, we are aware that this figure could be higher since we have yet to receive complete data from all of our companies and our Scope 3 data only includes business trips, transportation and logistics. During the coming years, we will focus on further improving the quality of the data and using insights from the year's analysis to review how we can reduce our climate impact, both in our own operations and in the production of the products we provide.

Energy consumption in BHG (MWh)

Energy source	Total
Fuel (diesel and natural gas)	1,696
Electricity	4,389
Heat	2,617
Cooling	8
Total energy consumption	8,710

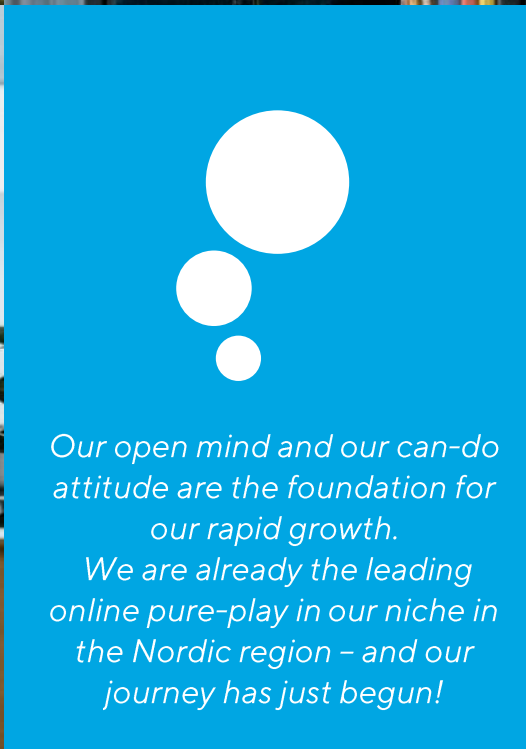
We currently lack reliable information about the proportions of renewable and non-renewable energy sources as well as data for heat, cooling and steam. We intend to address this in 2021.

Total emissions, tonnes CO₂e*

	Total
Scope 1	416
Scope 2	499
Scope 3**	2,722
Total	3,638

* Emission factors from DEFRA 2019 and AIB 2019 were used.

** Scope 3 data currently consists of emissions from business trips and transportation. Total CO₂e includes data items that are stated in CO₂, due to the availability of data



OUR MOST IMPORTANT ASSETS

Our employees are our most important resource. Although we are growing quickly, we know that our success depends on having talented, driven and capable employees. We strive to be an attractive employer, creating an environment where our employees thrive at work, always have room to learn and grow, and think outside the box.

Our employees

We are convinced that BHG thrives when our employees thrive. We actively work to ensure that our employees feel motivated, thrive at the workplace and have access to competence development. Our Code of Conduct and employee policy include our requirements for our employees and workplaces, including equality and diversity, work environment, occupational health and safety, recruitment and development and training. 52% of our employees are part of a collective bargaining agreement.

We actively work to be a good employer, and BHG's entrepreneurial spirit and growth enable employees to take their own initiative and grow into new roles and career paths. We believe in developing and cultivating the best in our employees. All of our employees are expected to have individual development plans with goals and feedback concerning their performance as well as annual performance reviews, where we also follow up on how our employees perceive us as an employer. To see the share of BHG's employees who participated in these reviews over the year, refer to the table "Performance reviews" on the next pages.

An equal and inclusive workplace

BHG strives to be a diverse and inclusive workplace. We do not allow any form of discrimination, harassment or bullying. Our presence in many different countries and our broad customer group means that supporting gender, age and ethnic diversity is part of our DNA. We work continuously to provide a workplace where everyone feels welcome and where differences are appreciated and utilised. These expectations are stipulated in our employee policy and our Code of Conduct, which are distributed to each company in the Group. 0 confirmed cases of discrimination were reported during the year.

BHG strives for gender parity within the Group and aims for men and women to each represent 50% of the total number of employees as well as among management. Our employees are often young and come from different backgrounds. The diversity challenges we see in our operations largely concern people in upper management who are often the same age and gender and from similar backgrounds. This is partially a result of acquiring several companies where the founders and entrepreneurs had similar backgrounds. Another reason is that diversity was not previously part of our agenda, but it is something we need to integrate into our operations to ensure our continued success. During the next few years, we will review how we can best reach this goal.

Employment contract and type, by gender

Employment contract	Women	Men	Total
Permanent employment	838	1,040	1,878
Temporary employment	46	94	140
Total	884	1,134	2,018
Full-time	668	972	1,640
Part-time	216	160	376
Total	884	1,134	2,018

Data includes employees from all of the companies in the Group. In addition to our employees, we have 65 people working in finance, marketing, IT and customer service.

Employment contract, by region

Region	Total	Permanent employment	Temporary employment
Nordic region	1,580	1,498	82
Other countries in Europe	436	378	58
Other countries outside Europe	2	2	-
Total	2,018	1,878	140

Number of employees who have started and ended employment by gender, age and region

	New employees (%)	Employee turnover (%)
Total	546	443
Women	320 (24 %)	237 (18 %)
Men	226 (17 %)	206 (15 %)
<30 years	381 (28 %)	317 (24 %)
30-50 years	143 (11 %)	111 (8 %)
>50	22 (2 %)	14 (1 %)
Nordic region	546 (41 %)	443 (33 %)

Share (%) is based on the total number of employees in the companies included in this report (1,340).

BHG management and employees, gender and age (%)

Employment category	Women	Men	<30 years	30-50 years	>50 years
Board of Directors	17%	83%	0%	17%	83%
Management group	0%	100%	0%	67%	33%
Managers	20%	80%	0%	80%	20%
Other employees	21%	79%	7%	86%	7%

Share (%) is based on the total number of employees in the BHG Group (22).

Other companies' management and employees, gender and age (%)

Employment category	Women	Men	<30 years	30-50 years	>50 years
Management group	19%	81%	5%	74%	21%
Managers	38%	62%	20%	68%	12%
Other employees	53%	47%	61%	32%	7%

Share (%) is based on the total number of employees in the companies included in this report (1,340). For information about the scope of this report, refer to "About the report" on page 50.

Number of employees who have had a performance review, by gender and employment category

Employment category	Women	Men	Total
Management group	11%	54%	65%
Managers	28%	25%	54%
Other employees	36%	23%	60%

Share (%) is based on the total number of employees in the companies included in this report. The employment categories include both BHG (head office) and other companies. One company did not conduct performance reviews during the reporting year, and some companies lack comprehensive records in their existing systems about reviews conducted.

A healthy and safe workplace

It is important for us that our employees thrive and feel that our workplace is supportive and safe. At BHG, health and safety is included in our Employee policy and Environmental policy, but since we are a quickly growing company with many new acquisitions in several countries, our approach to health and safety varies across the Group. Work is under way to review the health and safety measures that have been implemented in our companies. During the year, 12 minor work-related injuries were reported, such as injuries caused when using a forklift. There were also 7 registered cases of stress-related ill health. Because of our structure, the reporting in the rest of this section will focus on BHG's head office and Bygghemma Sweden, which share office premises in Malmö.

BHG's head office and Bygghemma Sweden have joint policies for health and safety and follow the same health and safety agenda. Our occupational health and safety policies include guidelines for physical and psychosocial health, preventive healthcare, alcohol and threats, violence and/or other types of harassment at the workplace. We therefore offer company healthcare and preventive healthcare subsidies to the employees at our head office and Bygghemma Sweden. During the year, we also took measures to improve the physical work environment at our office by adding a lounge, among other things.

At the head office and Bygghemma Sweden, we have an occupational health and safety management system that was implemented to ensure our compliance with the Swedish Work Environment Act. An important part of the management system involves identifying work environment risks, which we do twice a year through safety inspections carried out by the office manager, the safety officer, the HR manager and unit heads. We ensure that the individuals responsible for these inspections, i.e., the safety officer, the HR manager and the unit heads, learn the requirements of the Swedish Work Environment Act.

The risks that have been identified include psychosocial health when working alone, which is a risk we have also taken measures to address. Aside from the risks we identified at the head office, we are aware that other occupational risks may arise in other parts of the operations, for example in our showrooms. The risks in stores are primarily related to assault and robbery, which require different procedures than the ones we have at our offices.

It is important to us that our employees participate in the development, implementation and evaluation of our health and safety agenda. In 2020, we established a safety committee tasked with discussing and making decisions related to health and safety. The safety committee meets four times per year and addresses issues related to reported risks, company healthcare, suppliers of health and safety services, etc. The safety committee's work is currently focused on our employees at the head office in Malmö. In addition to the safety committee, we have a designated person to represent our employees in work environment matters. We have not yet conducted systematic training in health and safety for our employees.

DATA PROTECTION AND PROCESSING OF PERSONAL DATA

We place great emphasis on data protection and on protecting our customers' and our employees' privacy and personal data. The anonymous customer behaviour data we use to optimise our offering and the customer experience on our online destinations is received from third-parties. We do not process any credit card information.

BHG has steering documents and processes in place to ensure a high level of data protection and appropriate processing of personal data. In our Information security policy and CSR policy, we undertake to ensure that personal data from our customers and employees is processed in a secure manner. Our GDPR handbook is also distributed to our companies, which are responsible for implementing and following up on the requirements in their own operations. As a result of this, the companies are, for example, developing data security policies, training employees, striving to minimise the storage of personal data and conducting internal audits. The companies also regulate who has access to data and cooperate with their suppliers to provide guidance and information about data processing. BHG's work is followed up through annual IT audits and internal audits. In 2020, we had 1 confirmed case of a customer privacy breach. Processes and routines have been adapted to prevent similar events from happening again. We had 0 confirmed cases of identified leaks, theft or loss of customer data.

ABOUT THIS REPORT

This is BHG's annual sustainability report pursuant to the Swedish Annual Accounts Act. This is the first time we have prepared a sustainability report in accordance with the GRI Standards: Core option. The goal of this report is to transparently describe our strategy, results and ambitions within sustainability.

Scope

This report covers the following companies: BHG Group AB (publ), Bygghemma Group Nordic AB, Bygghemma Sverige AB, Home Furnishing Nordic AB, Netrauta Finland Oy, Taloon Yhtiöt Oy, M & M Visions Oy, Edututor Oy, Handelsmark ÖÜ, Golvpoolen Arredo AB, Arc E-commerce AB, Domino Møbler ApS, My Home 2 A/S, My Home 3 A/S, My Home 4 A/S, My Home 7 A/S, My Home 8 A/S and Hemfint Kristianstad AB, which represent 83% of the Group's sales. The remaining companies have been excluded this year for reporting and size reasons, but we aim to include the majority of our companies in the coming years. For a complete picture of the BHG Group, please refer to Note 15.

The figures presented in this report are from 1 January 2020 to 31 December 2020 unless otherwise stated. Employee data is calculated per employee (head count) and collected via the HR systems at our subsidiaries. Data pertaining to energy consumption and CO₂e emissions is primarily collected from invoices and suppliers and has been calculated according to the GHG Protocol. When invoices or comprehensive information is not available, energy consumption has been calculated based on the previous

year's consumption for the same period and/or through calculations based on total consumption and space used. In some cases, we excluded individual premises since we did not have access to its data, which means that we were unable to calculate estimates for these premises. In 2021, we will work to ensure a comprehensive collection of energy and CO₂ emissions data, which means that the corresponding figures will probably change in the next report. Our goal for next year to be our base year for GHG emissions data. This report has not been reviewed by any third party, but a statement about the report has been prepared pursuant to the Swedish Annual Accounts Act.

Contact

For further information, visit www.wearebhg.com or contact:

Adam Schatz, President and CEO
adam.schatz@bhgggroup.se
+46 (0) 709-32 43 00

Jesper Flemme, Group CFO
jesper.flemme@bhgggroup.se
+46 (0) 720-80 25 69

Johan Hähnel, Head of Investor Relations
johan.hahnel@bhgggroup.se
+46 (0) 70-605 63 34

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* Not relevant since this is our first sustainability report using the GRI Standards



Specific General Disclosures

GRI Standard	Title	Page	Comments
Topic: Working actively to eliminate corruption			
GRI 103: Management approach 2016	103-1-103-3 Management approach	43-44	
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	44	
Topic: Minimising climate impact			
GRI 103: Management approach 2016	103-1-103-3 Management approach	44-46	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	46	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	46	
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	46	
GRI 305: Emissions 2016	305-3 Other indirect (Scope 3) GHG emissions	46	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	44	
Topic: Minimising resource consumption			
GRI 103: Management approach 2016	103-1-103-3 Management approach	44-46	Omission*
Topic: Integrating circular economy into our business model			
GRI 103: Management approach 2016	103-1-103-3 Management approach	44-46	Omission*
Topic: Protecting biodiversity and ecosystems			
GRI 103: Management approach 2016	103-1-103-3 Management approach	44-46	Omission*
Topic: Ensuring a healthy and safe work environment			
GRI 103: Management approach 2016	103-1-103-3 Management approach	49	
GRI 403: Occupational Health and Safety	403-1-403-7	49	Omission**
GRI 403: Occupational Health and Safety	403-9 Work-related injuries	49	Omission**
GRI 403: Occupational Health and Safety	403-10 Work-related ill health	49	Omission****
Topic: Attracting and retaining employees and providing competence development			
GRI 103: Management approach 2016	103-1-103-3 Management approach	48	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	48	
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	49	
Topic: Promoting equality and diversity at workplaces			
GRI 103: Management approach 2016	103-1-103-3 Management approach	48	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	48	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	48	
Topic: Ensuring sustainable supply and distribution chains			
GRI 103: Management approach 2016	103-1-103-3 Management approach	44	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	44	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	44	
Topic: Eliminating child labour and forced labour			
GRI 103: Management approach 2016	103-1-103-3 Management approach	44	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	44	
Topic: Maintaining high levels of product safety and quality			
GRI 103: Management approach 2016	103-1-103-3 Management approach	44-45	
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	45	
Topic: Ensuring a high level of data protection and protecting customer privacy			
GRI 103: Management approach 2016	103-1-103-3 Management approach	49	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	49	

GRI Standard	Title	Page	Comments
Topic: Building business resiliency and adapting to climate change			
GRI 103: Management approach 2016	103-1-103-3 Management approach	43	Omission*
Own KPI: Annual risk analysis		43	
Topic: Transparent sustainability communication			
GRI 103: Management approach 2016	103-1-103-3 Management approach	/	The entire report covers BHG's management and efforts to systematically and transparently report sustainability information
Own KPI: Sustainability Report		/	Own KPI: Published sustainability report

* Omission 103-2 & 103-3: Due to our rapid growth and decentralised business model, our management approach is not sufficiently developed for reporting this year. Our management approach will be developed in the coming years.

** Omission: This year is the first time we are reporting using this comprehensive standard and we therefore did not have all the information available prior to preparation of the report.

*** Omission: Injuries per hour worked cannot be reported since we were unable to obtain reliable data from the HR systems at the various companies.

****Omission: Ill health per hour worked cannot be reported since we were unable to obtain reliable data from the HR systems at the various companies

Auditor's report

To the general meeting of the shareholders of BHG Group AB (publ), corporate identity number 559077-0763.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of BHG Group AB (publ) for the year 2020 except for the corporate governance statement and the statutory sustainability report on pages 52-57 and 38-51 respectively. In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement and the statutory sustainability report on pages 52-57 and 38-51 respectively. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Particularity important area**Valuation of intangible assets**

With reference to Note 2 and Note 13.

Goodwill and other intangible assets with an indefinite useful life represents a significant part of BHG Group's assets. The Company performs an impairment assessment of the assets based on a calculation of the discounted cash flow for the cash generating units in which goodwill and other intangible assets are reported. This impairment test is based on a high level of judgements and assumptions regarding future cash flows. Information is provided in Note 2 and Notes 13 as to how the Company's management has undertaken its assessments, and also provides information on important assumptions and sensitivity analyses. Key variables in the test are growth rate, profit margins, overheads, working capital requirements, investment requirements and discount factor (cost of capital).

It is presented that no impairment requirement has been identified based on the assumptions undertaken.

Recognition of acquisitions

With reference to Note 5.

In the financial year 2020, BHG Group made three business acquisitions across all business areas. Information on these acquisitions is presented in Note 5.

The total purchase price for the business acquisitions was SEK 1 857,4 million, of which SEK 498,9 million refers to identified fair value adjustments in the acquisition analyses for trademarks and customer relationships and SEK 1463,9 million refers to goodwill.

The recognition of acquisitions involves a high degree of judgement by management. Significant estimates and judgements refer to the purchase price allocation of fair value in acquisition analyses for assets and liabilities, as well as referring to adjustments for adaptation to the group's accounting principles.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-23 and 111-116. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and

How our audit considered the particularly important area

In our audit, we have evaluated the calculation model applied by management and conducted that the model is compatible with acceptable valuation techniques.

We have reconciled and critically tested essential assumptions against budget and strategic plan for the Company. We have analyzed the accuracy on how previous years assumptions have been met and assessed any adjustments to assumptions compared to previous year, as a result from changes in the business and external factors.

We have tested the sensitivity analysis for key assumptions in order to assess the risk of need for impairment.

We have also assessed the correctness of the disclosures included in the financial statements.

Our audit of the acquisitions was partially based on assessment of the acquisition agreements as well as supporting documents for opening balances in the acquired companies. We have also evaluated the implemented adjustments for adaptation to the group's accounting principles.

Our audit has also included an assessment of significant estimates and judgements made in connection with the purchase price allocation of fair value in the acquisition analyses. We have also assessed the basis for the judgements and comparing those judgements with similar acquisitions in the group in previous years.

We have also assessed the correctness of the disclosures of acquisitions included in the financial statements and assessed supporting documentation for the accounting of the acquisitions.

consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error. In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of BHG Group AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's

financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 52-57 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 38-51, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is

different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Öhrlings PricewaterhouseCoopers AB has been the company's auditor since 2016.

Malmö 24 March 2021

Öhrlings PricewaterhouseCoopers AB

Eva Carlsvi
Authorized Public Accountant
Partner in charge

Vicky Johansson
Authorized Public Accountant