

Remuneration report for 2023

INTRODUCTION

This report describes how the guidelines for remuneration to senior executives in BHG Group AB, adopted by the 2023 Annual General Meeting, were implemented in 2023. The report also provides information on remuneration to the CEO, Deputy 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 91–95 of the Annual Report for 2023. Information on the work of the Remuneration Committee in 2023 is available in the corporate governance report on pages 56–61 of the Annual Report for 2023.

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 91–95 of the Annual Report for 2023.

THE COMPANY'S PERFORMANCE IN 2023

The CEO summarises the company's overall performance in his statement on pages 7–8 of the Annual Report for 2023.

THE COMPANY'S GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

In short, the company's business strategy is to leverage its leading position in the online home improvement market to

continue benefiting from the market's underlying growth as a result of increasing online penetration and to couple organic expansion with further active consolidation measures, such as M&A. For more information regarding the company's business strategy, please see the company website 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 executive management a competitive total remuneration package. Variable cash remuneration covered by these guidelines should aim to promote the company's business strategy and long-term interests, including its sustainability.

The guidelines are available on pages 33–34 of the Annual Report for 2023. During 2023, 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 and Deputy CEO in 2023 (SEK million)*

	1		2		3	4	5	6				
	Fixed remuneration		Variable remuneration						Extraordinary items	Pensions costs	Total remuneration	Proportion of fixed and variable remuneration****
	Basic salary**	Other benefits	One-year variable	Multi-year variable***								
Gustaf Öhrn (CEO)	6.4	0.0	3.0	4.3	-	1.9	15.6	47% / 53%				
Mikael Hagman (Deputy CEO)	2.5	0.0	1.2	1.0	-	0.5	5.2	53% / 47%				

* With the exception of multi-year variable remuneration, the table shows remuneration earned in 2023. Multi-year variable remuneration is reported if vested in 2023. Multi-year variable remuneration pertains entirely to share-based remuneration; see below.

** Including holiday pay of SEK 0.9 million to Gustaf Öhrn and SEK 0.3 million to Mikael Hagman.

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

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

SHARE-BASED REMUNERATION

The Extraordinary General Meeting on 13 January 2023 and the Annual General Meetings on 3 May 2023, 5 May 2022, 5 May 2021 and 5 May 2020 resolved to introduce incentive programmes for key employees in the Group. Six incentive programmes ran in parallel during the financial year (LTIP 2020, LTIP 2021, LTIP 2022, LTIP CEO 2023, LTIP 2023 and Long-Term Share-Based Incentive Programme 2023). LTIP 2020 ended during the third quarter of 2023.

2023 incentive programme – LTIP CEO 2023

The 2023 incentive programme for CEO Gustaf Öhrn encompasses 1,898,654 warrants, each of which entitles Gustaf Öhrn to subscribe for one ordinary share in the company. The subscription price for shares through warrants amounted to SEK 35. When the subscription price exceeds the share's quotient value, the portion of the subscription price that exceeds the share's quotient value is allocated to the free premium reserve. The warrants can be exercised from 3 April 2024 to 3 July 2026. 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.

CEO Gustaf Öhrn holds 1,898,654 warrants under LTIP 2023 and received a subsidy of SEK 4.2 million from the company (before tax) to acquire warrants under LTIP 2023.

An agreement was also signed between CEO Gustaf Öhrn and BHG Group AB, where under certain conditions the CEO is obligated to repay a portion of the subsidy he received from the company and to offer BHG Group AB or BHG Group LTIP AB the opportunity to acquire some or all of the warrants.

2023 incentive programme – LTIP 2023

The 2023 incentive programme encompasses 25 employees in the Group. In total, the programme encompasses 4,800,000 warrants, each of which entitles the holder to subscribe for one ordinary share in the company. The subscription price for shares through warrants amounted to SEK 35. When the subscription price exceeds the share's quotient value, the portion of the subscription price that exceeds the share's quotient value is allocated to the free premium reserve. The warrants can be exercised from 1 August 2026 to 30 September 2026. 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. The participants received a subsidy from BHG Group AB corresponding to 60% of the warrants' fair value at the allotment date. An agreement was also signed between the warrant holders and BHG Group AB, where under certain conditions the warrant holders are obligated to repay a portion of the subsidy received from the company and to offer BHG Group AB or BHG Group TIP AB the opportunity to acquire some or all of the warrants.

Deputy CEO Mikael Hagman holds 1,000,000 warrants under LTIP 2023 and received a subsidy of SEK 0.4 million from the company (before tax) to acquire warrants under LTIP 2023.

Long-Term Share-Based Incentive Programme 2023

The long-term share-based incentive programme is intended for certain senior executives, CEOs and key employees in the Group. To participate in the programme, participants must have made a private investment in the company by acquiring investment shares. For each investment share held under the programme, the company will grant participants a right to up to two performance shares free of charge, provided that certain conditions are fulfilled. A right will be considered vested and exercised provided that the participant has kept their own original investment shares and has maintained their employment in BHG Group up to and including the date of the 2026 Annual General Meeting.

CEO Gustaf Öhrn and Deputy CEO Mikael Hagman have each privately acquired 10,000 investment shares.

2022 incentive programme – LTIP 2022

The 2022 incentive programme encompasses 70 employees in the Group. In total, the programme encompasses 1,900,000 warrants, each of which entitles the holder to subscribe for one ordinary share in the company. The subscription price for shares through warrants amounted to 130% of the volume-weighted average price quoted for the shares during the five-day period preceding the 2022 Annual General Meeting, which resulted in a subscription price of SEK 84.48. The warrants can be exercised from 1 August 2025 to 30 September 2025. 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 BHG Group AB reflecting 50% of the warrants' fair value at the subscription date.

Current CEO Gustaf Öhrn holds no warrants under LTIP 2022.

Former CEO Adam Schatz holds 100,000 warrants under LTIP 2022 and received a subsidy of SEK 0.2 million from the company (before tax) to acquire warrants under LTIP 2022.

Deputy CEO Mikael Hagman holds 100,000 warrants under LTIP 2022 and received a subsidy of SEK 0.2 million from the company (before tax) to acquire warrants under LTIP 2022.

2021 incentive programme – LTIP 2021

The 2021 incentive programme encompasses 65 employees in the Group. In total, the programme encompasses 1,200,006 warrants, each of which entitles the holder to subscribe for one ordinary share in the company. The subscription price for shares through warrants amounted to 130% of the volume-weighted average price quoted for the shares during the five-day period preceding the 2021 Annual General Meeting, which resulted in a subscription price of SEK 216.90. The warrants can be exercised from 1 August 2024 to 30 September 2024. 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 BHG Group AB



reflecting 50% of the warrants' fair value at the subscription date.

Former CEO Adam Schatz holds 45,000 warrants under LTIP 2021 and received a subsidy of SEK 0.9 million from the company (before tax) to acquire warrants under LTIP 2021.

Deputy CEO Mikael Hagman holds 45,000 warrants under LTIP 2021 and in his previous role as COO received a subsidy of SEK 0.9 million from the company (before tax) to acquire warrants under LTIP 2021.

2020 incentive programme – LTIP 2020

The 2020 incentive programme encompassed approximately 40 employees in the Group. In total, the programme encompassed 1,037,000 warrants, each of which entitled the holder to subscribe for one ordinary share in the company.

The subscription price for shares through warrants amounted 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. This resulted in a subscription price of SEK 145.00 for the majority of participants. The warrants could be exercised from 1 June 2023 to 31 August 2023.

None of the warrants under LTIP 2020 were exercised during 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 received a subsidy from BHG Group AB reflecting 50% of the warrants' fair value at the subscription date.

Former CEO Adam Schatz held 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.

Deputy CEO Mikael Hagman held 27,000 warrants under LTIP 2020 and in his previous role as Area Manager DIY received a subsidy of SEK 0.4 million from the company (before tax) to acquire warrants under LTIP 2020.

FULFILMENT OF CRITERIA FOR VARIABLE REMUNERATION

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

The satisfaction of criteria for awarding variable cash remuneration is to be measured over a period of one year. The extent to which the criteria for awarding variable cash remuneration have been satisfied is to be evaluated/determined when the measurement period has ended. The Remuneration Committee is responsible for the evaluation insofar as it concerns variable remuneration to the CEO and Deputy CEO. For financial objectives, the evaluation is to be based on the latest financial information made public by the company.

Performance of the CEO and Deputy 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
Gustaf Öhrn (CEO)	Adjusted EBIT for the Group in 2023	40%	a) SEK 96.7m b) SEK 0.0m
	Inventory reduction for the Group in 2023	40%	a) SEK 1,110.7m b) SEK 2.4m
	Customer satisfaction for the Home Improvement segment in 2023	3%	a) 48.5% b) SEK 0.0m
	Customer satisfaction for the Value Home segment in 2023	3%	a) 36.2% b) SEK 0.0m
	Customer satisfaction for the Premium Living segment in 2023	3%	a) 62.6% b) SEK 0.0m
	Implementation of business strategy in 2023, approved by the Board	10%	a) 100% b) SEK 0.6m
Mikael Hagman (Deputy CEO)	Adjusted EBIT for the Group in 2023	40%	a) SEK 96.7m b) SEK 0.0m
	Inventory reduction for the Group in 2023	40%	a) SEK 1,110.7m b) SEK 1.0m
	Adjusted EBIT for the Home Improvement segment in 2023	10%	a) SEK 54.0m b) SEK 0.0m
	Inventory reduction for the Home Improvement segment in 2023	10%	a) SEK 440.7m b) SEK 0.2m

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

Changes in remuneration and the company's performance in the 2019 to 2023 financial years (SEK million)

	2020 vs 2019	2021 vs 2020	2022 vs 2021	2023 vs 2022	2023
Remuneration to the CEO	SEK +0.6m (+18.1%)	SEK +0.6m (+16.5%)	SEK +0.1m (+3.4%)	SEK +10.9m (+232.2%)***	SEK 15.6m
Remuneration to the Deputy CEO	n/a	n/a	SEK +1.3m (+100.0%)	SEK +4.0m (+327.9%)****	SEK 5.2m
Group operating income	SEK +375.8m (+133.2%)	SEK +52.8m (+8.0%)	SEK -894.5m (-125.9%)	SEK -1,190.4m (+647.4%)	SEK -1,374.2m
Average remuneration to other employees in the Parent Company*	n/a	SEK +0.8m (+131.3%)	SEK -0.5m (-33.9%)	SEK +0.0m (+2.7%)	SEK 0.9m
Average remuneration to other employees in the Group**	SEK -0.0m (-13.2%)	SEK -0.0m (-15.0%)	SEK +0.1m (+23.3%)	SEK +0.1m (+21.0%)	SEK 0.3m

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

*** The difference between year 2022 and 2023 is because recognized remuneration to the CEO for year 2023 compared to 2022 is higher, mainly regarding basic salary, variable and share-based remuneration of SEK 9.4 million. In addition, recognized pension cost for year 2023 are SEK 1.6 million higher compared with 2022.

**** The difference between year 2022 and 2023 is because recognized remuneration for year 2022 only refers to 3.5 months compared to 12 months for 2023. This is because Deputy CEO was appointed the post on 15 September 2022; no individual has previously held this position.