# Remuneration policy of the Management Board 2020

Beter Bed Holding ('Beter Bed' or 'the Company') has the clear ambition to translate the return to and improvement of profitable growth into sustainable value creation for all stakeholders of the Group. Its strategy is aimed at increasing market share, improving customer satisfaction and increasing online sales. A strong performance culture is supported by employee satisfaction and by achieving sustainability objectives and cost leadership. Specific objectives have been formulated for the mid-term in order to achieve this and provide guidance in setting this Remuneration policy ('the Policy').

## Objectives of the Policy

The objective of this Policy is to recruit, motivate and retain qualified persons as Management Board members, who enable Beter Bed to achieve its strategic objectives and realise the sustainable value creation that the Company strives for. To this end, the Policy offers executives a competitive remuneration package. An external reference point for market competitive level and structure is derived from a benchmark of Dutch listed companies of comparable size and complexity.

The Policy is enterprising by nature, offering incentives to reward the achievement of operational and strategic targets on both the short- and long term. These incentives support a focus on performance to ensure that the Management Board reaches the annual expected level of performance, while bearing in mind the sustainability of the Company.

The Policy is internally aligned, following the remuneration principles that apply more broadly within the Company. This provides a shared sense of purpose and direction at the different management levels and a shared reward, when success is achieved. Internal consistency is assured by assessing internal pay ratios to reflect the required competencies and responsibilities at each level.

## Considerations in setting the Policy

In setting this Policy, the Supervisory Board has taken into account:

- The social context in the Northwest European markets Beter Bed operates in.
- Principles and best practices of the Dutch Corporate Governance Code.
- The shareholder rights directive (EU2017/828) and its implementation in the Dutch law.
- Input of shareholders at the Annual General Meeting and in shareholder consultations.
- Input of the Works Council in regular consultations.

The main innovation in this Policy is the introduction of a new long-term incentive. The current effective share option plan has proven ineffective as a remuneration instrument, as it has not led to actual pay out of reward over the past few years. It is replaced by a performance share plan that sharpens the focus on strategic targets and long-term value creation. In shareholder consultations the Supervisory Board ('SB') has received support for this adjustment.

| | **Remuneration policy 2020** | **Previous Policy** |
|---|---|---|
| Base salary | Unchanged | Set by SB at competitive level |
| Short-term incentive (STI) | Unchanged | Cash bonus at target: 50% of base salary for the CFO, 60% for the CEO |
| Long-term incentive (LTI) | Conditional performance related grant of shares, vesting after 3 years with an additional 2-year holding restriction | Grant of options, vesting after 3 years and exercisable 2 years after vesting |

## Composition of the remuneration package

The remuneration package of the Management Board is composed of the following elements:

- Base salary.
- Variable remuneration, i.e.:
    - Performance related short-term incentive, delivered in cash.
    - Performance related long-term incentive, delivered in shares.
- Pension benefits.
- Other employment benefits.

The Policy is designed to put a substantial proportion of the Management Board's remuneration package "at risk" in the form of variable pay. Short- and long-term variable remuneration at target for the CEO is equal to 52% of total direct remuneration (i.e. base salary plus variable remuneration) and for the CFO the variable component is 50%. The total value of remuneration that could be earned rises with the level of performance that is delivered and the relative proportion of variable pay in the package may increase or decrease accordingly.

## Remuneration reference levels

The levels of total direct remuneration are based on the knowledge, insight and experience of the individual and are validated by an independent advisor. A scenario analysis of the possible outcomes of the variable components and the impact on the Management Board members' remuneration is conducted annually to minimise the risk that the performance criteria lead to inappropriate outcomes. The effect of different performance scenarios on the level and composition of remuneration has been analysed and the outcome has been taken into consideration by the Supervisory Board when reviewing the Management Board members' remuneration.

## Base salary

The Supervisory Board sets a market competitive base salary level for each member of the Management Board. Salary levels are annually reviewed in the light of the market environment and the average salary adjustments for the employees in the Netherlands, without any commitment to increase. Once every three years the remuneration level is validated by a benchmark comparison.

## Short-term variable remuneration

The short-term incentive rewards achievement of predefined operational objectives that are considered crucial to achieving the strategic goals of the Company over a one-year period. At the beginning of each year the Supervisory Board selects specific performance indicators, reflecting current operational priorities, and assigns a weighting and a target level to each indicator.

Performance targets must be realistic and sufficiently stretching. In addition to a specific target level for each performance indicator, the Supervisory Board sets a threshold performance level below which no pay-out is granted and a maximum performance level where maximum pay-out could be reached. Specific short-term target levels are not published ex-ante, as they are considered commercially sensitive. However, these targets are properly reviewed and accounted for ex-post.

Performance at the predefined target levels on all indicators results in pay-out in cash of 60% of base salary for the CEO and 50% for the CFO. Depending on the performance delivered, the actual pay-out may range from a threshold level of 80% to a maximum of 130% of target pay-out. Performance below threshold level is not rewarded.

## Long-term variable remuneration

The long-term incentive rewards members of the Management Board and senior management for the achievement of the Company's strategic objectives over a three-year period. The incentive is awarded in performance share units (PSUs) and facilitates share ownership. Participation aligns management with sustainability and long-term interest of the Company and with value creation for shareholders.

Members of the Management Board annually receive a conditional grant of shares to a value equivalent to 50% of base salary. The grant is conditional, based on:

- Performance delivered on predefined targets over a 3-year period.
- Continued employment until vesting date.

Each year at grant, the Supervisory Board sets performance conditions that reflect the intended long-term value creation and targets for the required performance levels. The performance conditions selected and their weighting in performance assessment will be published in the Remuneration report over the year that the conditional grant is made.

At vesting the performance delivered on each of the performance targets is assessed and accounted for. When the targets are fully met, 100% of the conditionally granted number of shares will vest. Depending on the actual performance delivered, vesting may range from 60% of the conditional grant at threshold level to a maximum of 140%. Vested shares are entitled to dividends in shares during the performance period. In case of a performance under threshold level, the grant will forfeit.

After vesting of the shares, a further two-year holding period applies. Board members may sell shares to cover applicable taxes due at vesting ('sell to cover').

In case a Management Board member leaves the Company before vesting due to retirement, permanent disability or death, all unvested performance shares will vest in full. When resignation is due to business disposition, collective dismissal or compromise agreement, the vesting is pro-rated for the period between grant and termination date. In case of voluntary resignation, all conditional shares will forfeit.

In case of a change of control, any long-term incentives granted to a Management Board member, shall be (deemed to be) vested, regardless of the status of the realisation of the objectives, and exercisable, if applicable, upon such change of control.

*Share participation*

The remuneration structure promotes long-term share ownership of executives. The Supervisory Board emphasises Management Board members to retain vested shares and encourages investment in the Company's shares.

## Value adjustment and claw back of variable remuneration

The Supervisory Board has the authority to adjust the pay-out or vesting of variable remuneration of the Management Board if the result as calculated under the Policy is not reasonable or fair under the prevailing circumstances.

In case of force majeure, serious illness, long-term absence or incapacity for work, the Supervisory Board will decide how the STI and the LTI are applied.

The Supervisory Board can reclaim in whole, or in part, any variable remuneration that has vested or has been paid out on the basis of incorrect information on the underlying performance achievement.

Any value adjustment or claw back is at the discretion of the Supervisory Board. It will be accounted for in the Remuneration report that will be submitted to the Annual General Meeting.

## Pension benefits

Members of the Management Board receive a contribution to their pension plan. The contribution is defined in a percentage of base salary, set by the Supervisory Board in line with market practice and according to fiscal regulations.

## Other employment benefits

In addition the Management Board members receive remuneration for items such as medical insurance, death and disability insurance and car allowances. They also benefit from directors' and officers' liability insurance coverage. These benefits are in line with market practice.

## Derogation and deviation

In the exceptional circumstances and to assure the viability of the Company or to serve its long-term interests and sustainability, the Supervisory Board may derogate temporarily from the Policy on base salary, variable remuneration and post-contract benefits as set out above. The derogation will be accounted for by the Supervisory Board who will submit the Policy to the Annual General Meeting as soon as reasonably possible.

When recruiting a new member for the Management Board, the Supervisory Board may, on top of the remuneration as set out above, grant a one-off payment to compensate for any rights to remuneration that the new member loses in the transition.

## Contract

Members of the Management Board are employed under management services agreement for the duration of their appointment, after which the agreement shall terminate automatically. The duration of the agreement can be no more than four years, as required by Dutch law. Management Board members may be re-appointed for another term of four years. The notice period for termination of the contract is 3 months for board members and 6 months for the Company. Severance pay will not exceed the annual salary.

The nomination of any new member of the Management Board requires approval of the Annual General Meeting. Attached to the proposal for nomination is an outline of the contract and its conditions that the Annual General Meeting will consider in its approval.

## Loans

The Company does not provide loans, advance payments or guarantees to its Board members.

## Implementation and duration of the Policy

This Policy is prepared by the Remuneration Committee and is approved by the full Supervisory Board, before it is submitted for approval at the Annual General Meeting on 13 May 2020.

Following approval by the Annual General Meeting the Policy is published on the website of the Company and will be implemented from 1 January 2020 onward. The Policy has a maximum duration of four years and a new proposal will be submitted for approval at the Annual General Meeting in the spring of 2024 at the latest.

# Remuneration policy of the Supervisory Board

Beter Bed Holding ('Beter Bed' or 'the Company') has a very clear ambition to translate the return to and improvement of profitable growth into sustainable value creation for all stakeholders of the Group. Its strategy is aimed at increasing market share, improving customer satisfaction and increasing online sales. To supervise and advice management in the implementation of this strategy, Beter Bed requires a Supervisory Board with the required competences and experience on leadership level.

## Objectives of the Policy

The objective of this Remuneration policy ('the Policy') is to recruit, motivate and retain qualified persons as Supervisory Board members, who supervise and support Beter Bed in the achievement of its strategic objectives and realise the sustainable value creation that the Company strives for.

To this end, the Policy offers Supervisory Board members a remuneration package that reflects the time spent and responsibility of the role. A reference point for an adequate remuneration level and fitting remuneration structure is derived from a benchmark of Dutch listed companies of comparable size and complexity with a two-tier board structure.

## Considerations in setting the Policy

In setting this Policy, the Supervisory Board has taken into account:

- The social context in the Northwest European markets Beter Bed operates in.
- Principles and best practices of the Dutch Corporate Governance Code.
- The shareholder rights directive (EU2017/828) and its implementation in Dutch law.
- Input of shareholders at the Annual General Meeting and in shareholder consultations.
- Input of the Works Council in regular consultations.

## Composition of the remuneration package

Remuneration of the Supervisory Board is not dependent on the results of the Company. The Policy offers fixed annual fees in cash only:

- A base fee for all members of the Supervisory Board.
- An additional base fee for the chair of the Supervisory Board.

## Remuneration levels

In preparing this Policy the Supervisory Board has evaluated its remuneration. A benchmark comparison, using a reference group of fifteen Dutch listed small cap companies with two-tier board structure, indicates that an increase of the remuneration levels is warranted.

The Supervisory Board aims to compensate at a level below median. The remuneration will be concentrated in one fixed annual all-in fee, instead of the combination previously used, consisting of a fixed base and additional committee fees. A uniform fee promotes team work and an equal sharing of the work load in the board.

The chair of the Supervisory Board is granted an all-in fee of € 50,000 a year, compared to a total remuneration including committee fees of € 40,000 previously. Regular members of the Supervisory Board receive € 40,000 including committee fees, compared to a total remuneration of € 30,000 previously.

## Expenses

Travel expenses and facilities for members of the Supervisory Board are borne by the Company and reviewed by the Audit Committee.

## Loans

The Company does not provide loans, advance payments or guarantees to its Board members.

## Contract

Members of the Supervisory Board are appointed on an assignment agreement for no more than four years, with the possibility of reappointment. The Supervisory Board submits proposals for (re)appointment to the Annual General Meeting.

Following approval by the Annual General Meeting on 13 May 2020, the policy is published on the website of the Company and is implemented from 1 January 2020 onward. The Policy has a maximum duration of four years and a new proposal will be submitted for approval at the Annual General Meeting in the spring of 2024 at the latest.