

Remuneration report

This report provides an overview of the remuneration policy as approved by the Annual General Meeting of Beter Bed Holding N.V. in 2020 (remuneration policy) and explains how this policy has been put into practice over the past financial year. The first section details remuneration of the individual members of the Management Board. The second section describes the remuneration of the Supervisory Board. This is followed by an outlook for 2023.

This remuneration report is intended to reflect the reporting requirements as stated in article 2:135b of the Dutch Civil Code (DCC), which came into effect on 1 December 2019, and implements the EU Shareholder Rights Directive II (SRD II), which came into effect on 3 April 2017. One of the key objectives of SRD II is to provide greater transparency for company stakeholders, which is something BBH fully supports and strives to achieve at all times.

Key considerations

This section describes the key considerations that the Remuneration Committee takes into account when designing pay programmes and making compensation decisions.

2022 was yet another extraordinary year during which nearly all sectors, including retail, faced considerable challenges. Overall company results being impacted by a lockdown and the war in Ukraine resulting in higher inflation, lower consumer confidence and macro-economic volatility, our management team continued to focus on cost control, disciplined capital spend and strict cash flow management. By deliberately maintaining high stock levels, we were able to ensure that any disruption to customer deliveries was minimised. While market conditions during 2022 were uncertain and challenging, our Management Board has shown decisive and proactive leadership by taking actions to carefully navigate through these circumstances. We continued to execute our strategic agenda and focused on sharpening our offering, strengthening our brand, optimising our store network and improving our online offering. At the same time, we see that our customers recognise the steps we are taking and appreciate our *Sleep better, live better* purpose, which is evidenced by an increase in our market share and double digit NPS growth compared with last year.

To support further the implementation of our strategic plans and pursue potential opportunities, we increased our financing facility to € 30 million (with Rabobank joining ABN AMRO), and continued to ramp up our sustainability activities – both in terms of preparations ahead of forthcoming regulations, and executing our sustainability strategy to become a more sustainable organisation.

Primary remuneration elements for 2022

The table below outlines the primary elements of our Management Board remuneration programme.

| | When granted | Reviewed every 12 months | Annually for reported financial year |
|----------------------------------|--------------------------|---|---|
| Who receives | Management Board members | | |
| When granted | Reviewed every 12 months | Annually for reported financial year | In general on an annual basis in Q1 |
| Form of delivery | Cash | | Equity |
| Type of performance | Short-term emphasis | | Long-term emphasis |
| Performance period | Ongoing | 1 year | 3 years + 2 years additional holding period |
| How payout is determined | Committee judgement | Formulaic & Committee judgement | Formulaic; Committee verifies performance before payout |
| Most recent performance measures | N/A | Financial KPIs: revenue growth (30%), gross margin (20%), EBITDA (30%), Free Cash Flow (20%), and qualitative objectives not driven by financial KPIs | ROCE (33%), customer satisfaction-NPS (33%), and sustainability objective (33%) |

Peer group

In principle, the remuneration level is validated by a benchmark comparison, which is conducted once every three years, and reviewed annually. This helps to determine the overall competitiveness of the Management Board's remuneration. The selection of the peer group is discussed and approved by the Supervisory Board. For those years during which no benchmark is performed, the Supervisory Board considers the appropriateness of any changes to the base salary based on the market environment, in addition to the average salary adjustments of the Company's employees in the Netherlands. In 2020, assisted by the external strategic advisory firm Focus Orange, the Remuneration Committee adopted a peer group for compensation benchmarking purposes. This resulted in a benchmark comparison of Beter Bed Holding N.V.'s remuneration with that of a peer group of other Dutch small-cap companies.

Summary of Management Board's remuneration

During 2022, the Management Board was composed of Mr John Kruijssen - CEO, and Mrs Gabrielle Reijnen - CFO. The table below provides a summary of the Management Board's remuneration.

Base salary

Base salaries for members of the Management Board depend on the scope of their responsibilities, and are based on the knowledge, insight and experience of the individual. The Supervisory Board sets a market competitive base salary for each member of the Management Board. Salary levels are reviewed annually, taking the market environment and average salary adjustments for employees in the Netherlands into account, without any commitment to increase. The remuneration is validated by a benchmark comparison every three years.

Other benefits

Benefits include social security charges and remuneration for items such as medical insurance, death and disability insurance, and car allowances. Members of the Management Board also benefit from directors' and officers' liability insurance coverage. These benefits are in line with market practice.

Pension

Members of the Management Board receive a contribution to their pension plan. The contribution is defined as a percentage of base salary, and is capped at 30% of base salary for the CEO and 25% of base salary for the CFO.

Variable remuneration

The variable income part of Management Board members' remuneration consists of short-term incentives (STIs) and long-term incentives (LTIs). The distribution between STIs and LTIs for on-target performance aims to achieve a proper balance between short-term results and long-term value creation. The parameters relating to the various elements of the variable income part of the remuneration are established and – where necessary – adjusted at the discretion of the Supervisory Board, taking into consideration the general rules and principles of the Remuneration Policy itself. The STIs and LTIs relate to the performance in the respective year.

Short-term variable remuneration

Amounts earned under the annual STI plan are paid out in cash.

| | Base salary | | Other benefits | | Pension | | Total fixed | | Short-term | | Long-term | | Total variable | | Total remuneration | | Fixed vs variable | |
|-----------------------|-------------|------|----------------|------|---------|------|-------------|------|------------|------|-----------|-------|----------------|-------|--------------------|-------|-------------------|---------|
| In thousand € | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| John Kruijssen | | | | | | | | | | | | | | | | | | |
| Costs (IFRS) | 493 | 472 | 87 | 79 | 148 | 142 | 728 | 693 | 384 | 368 | 1,208 | 232 | 1,592 | 600 | 2,320 | 1,293 | 31%-69% | 54%-46% |
| Grant date fair value | | | | | | | | | | | 246 | 2,593 | 630 | 2,961 | 1,358 | 3,654 | 54%-46% | 19%-81% |
| Gabrielle Reijnen | | | | | | | | | | | | | | | | | | |
| Costs (IFRS) | 313 | 300 | 81 | 94 | 78 | 75 | 472 | 469 | 203 | 195 | 235 | 123 | 438 | 318 | 910 | 787 | 52%-48% | 60%-40% |
| Grant date fair value | | | | | | | | | | | 156 | 150 | 359 | 345 | 831 | 814 | 57%-43% | 58%-42% |

Long-term variable remuneration

The amounts reported in the table on the previous page represent both the costs recognised during the year and the aggregate grant date fair value of share awards in the form of PSUs granted in the year shown. In general, the aggregate grant date fair value is the amount that the Company expects to expense for accounting purposes over the award's vesting schedule, and does not correspond to the actual value that the members of the Management Board will realise from the award. In particular, the actual value of PSUs and stock options received is different from the accounting expense as it is dependent on performance.

Implementation of remuneration policy in 2022

This section provides an overview of the application of the Remuneration Policy in 2022, additional remuneration information to ensure reporting transparency, and important contract terms of the members of the Management Board.

Base salary

Management Board members' salaries were assessed against the market environment and the adjustments in the salaries of the Company's employees in the Netherlands, and were adjusted by 4.32% in line with the market movement for BBH employees in the Netherlands.

Short-term variable remuneration

Members of the Management Board participate in the short-term annual incentive plan, which rewards achievement of predefined operational objectives 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 challenging. In addition to a specific target level for each performance indicator, the Supervisory Board sets a threshold performance level below which no payout is granted, and a maximum performance level where maximum payout is reached. Specific short-term target levels are not published ex-ante, as they are considered commercially sensitive. These targets are, however, reviewed appropriately and accounted for ex-post.

Performance at the predefined target levels on all indicators results in target payout in cash of 60% of base salary for the CEO and 50% for the CFO. Depending on performance, the actual payout may range from a threshold level of 80% to a maximum of 130% of target payout. Performance below threshold level is not rewarded. The benchmark conducted in 2020 indicated that the target STI levels as a percentage of base salary provided to members of the Management Board were in line with the market median.

2022 Performance criteria and outcomes

On an annual basis, the Supervisory Board determines the most relevant performance criteria for the Management Board with regards to the STI plan. In addition, the Supervisory Board sets realistic and sufficiently challenging target levels for each performance criteria. For 2022, the performance criteria selected reflected the challenging economic circumstances that the Company experienced as a result of the war in Ukraine and the COVID-19 pandemic, while maintaining the focus on executing the Company's strategy, overseeing day-to-day business operations and optimising profitability. These criteria were: revenue growth and EBITDA, each weighted at 30%, and gross margin and free cash flow, each weighted at 20%. To improve the quality and predictability of the organisation, two additional qualitative targets were also applied.

| | Performance Period | Threshold (80%) | Target (100%) | Maximum (130%) | Weighting | Result | Variable pay-out |
|---|--------------------|-----------------|---------------|----------------|-----------|---------------|------------------|
| QUANTITATIVE PERFORMANCE CRITERIA | | | | | | | |
| Sales growth | FY 2022 | | | 7.1% | 30% | Above Maximum | |
| Operating margin | FY 2022 | | | 55.1% | 20% | Above Maximum | |
| EBITDA | FY 2022 | | | € 28.8 mln | 30% | Above Maximum | 130% |
| Free Cash Flow | FY 2022 | | | € 3.8 mln | 20% | Above Maximum | |
| QUALITATIVE PERFORMANCE CRITERIA | | | | | | | |
| Source 100% renewable energy for our operations by the end of 2022 | | | ✓ | Discretionary | | | |
| Implementing >20 BeterBed ID-configurations at strategic locations in store network | | | ✓ | Discretionary | | | |

The performance of each member of the Management Board was determined against these criteria. The assessment of performance under the STI plan is undertaken by the Remuneration Committee. A proposal is then made to the Supervisory Board. This proposal for approval includes an assessment of the coherence between the proposed payment and overall business performance. For members of the Management Board, the STIs were evaluated based upon the achievement of performance goals for the Company. The Supervisory Board applies an element of judgement in assessing alignment between calculated payout and overall business performance.

In light of the continuation of the challenges from 2021 that the Company faced in 2022, the uncertain macroeconomic circumstances, and the fact that the Company exceeded its annual targets for all performance metrics, the bonus pool was funded at 130% of the target. The Supervisory Board deemed the payout fair and reflective of the Company's overall performance.

Long-term variable remuneration

Annual PSUs

Beter Bed Holding N.V.'s LTI plan is based on performance share units (PSUs). This LTI rewards members of the Management Board and senior leadership team for achieving the Company's strategic objectives over a three-year period. The incentive is awarded in both PSUs and facilitates share ownership. Participation aligns management performance with sustainability objectives and the long-term interests of the Company, together with value creation for shareholders.

Members of the Management Board receive a conditional granting of shares on an annual basis to a value equivalent to 50% of base salary. The award is conditional, and is based on:

- Performance delivered on predefined targets over a three-year period; and
- Continued employment until the vesting date.

Each year when granting shares, 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 assessments is published in the remuneration report for the respective year that the conditional award is made.

At vesting, the performance delivered on each of the performance targets is assessed. If 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 award at threshold level to a maximum of 140%. Vested shares are entitled to dividends in shares during the performance period. Shares are not awarded in the event that performance is under the threshold level.

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 the event of a member of the Management Board leaving the Company before vesting due to retirement, permanent disability or death, all unvested performance shares are vested in full. In the event of a change in control of the Company, all unvested performance shares are vested in full. In the event that the term of appointment as Management Board member terminates, the vesting is prorated for the period between award and termination date. In the event of a resignation due to business disposition, collective dismissal or compromise agreement, the vesting is prorated for the period between award and termination date. In the event of voluntary resignation, all conditional shares are forfeited.

Long-term incentives in 2022

Annual PSUs

The annual grants are set as a percentage of the base salary of the members of the Management Board. The number of awarded PSUs are determined by dividing this grant value by the average volume weighted average price (VWAP) of the Company's shares for all trading days in the calendar quarter immediately preceding the award date. Members of the Management Board were granted PSUs in 2022 that are converted into Beter Bed Holding N.V. shares at the end of the three-year performance period 2022-2024, subject to meeting the performance criteria. For the 2022 long-term incentive scheme, in addition to return on capital employed (ROCE) and net promoter score (NPS), the Supervisory Board introduced a key performance indicator (KPI) related to sustainability: "Reduction of BBH's absolute Scope 1 and 2 GHG emissions below 2020 baseline levels by 2024". Each of these awards was approved under the Remuneration Policy, which was approved at the 2020 AGM.

| Name | Year of Grant | Award type | Estimated Future Payouts Under Performance Share Units (#) | | | Grant Date Fair Value of Awards | Subject to 2-year holding period |
|-------------------|---------------|---------------|--|--------|---------|---------------------------------------|--|
| | | | Threshold | Target | Maximum | | |
| John Kruijsen | 2022 | Annual equity | 28,825 | 48,041 | 67,258 | 246,383 | ✓ |
| Gabrielle Reijnen | 2022 | Annual equity | 18,307 | 30,511 | 42,715 | 156,479 | ✓ |

Dividend equivalents

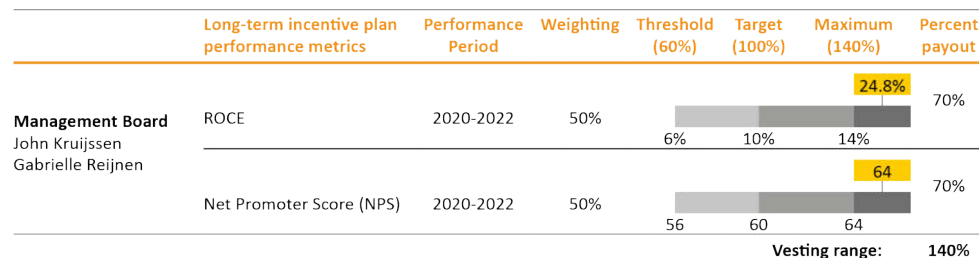
With respect to PSUs, whenever dividends are paid in cash by the Company to shareholders during the performance period, corresponding dividend equivalents are accrued on the PSUs awarded in that performance period.

2019 management options

Under the option programme, a number of options were granted to members of the Management Board in 2019 and 2020. In terms of the 2019 management options the Total Shareholder Return (TSR) of Beter Bed Holding N.V. after three years is compared with the TSR of nine relevant nationally and internationally listed companies that jointly form a peer group. The Company ranked five out of nine and, as a result, these options are vested at the 75% threshold, and accordingly the Remuneration Committee, in April 2022, confirmed the vesting of 75% of the 2019 Management Options.

2020 PSUs

The annual PSUs granted to the Management Board in 2020 are converted into Beter Bed Holding N.V. shares at the end of the performance period, based on ROCE and NPS at the beginning of the performance period of 1 January 2020 to 31 December 2022. For the calculation of the ROCE we refer to Financial results (see page #). The Company exceeded these performance goals, and the Remuneration Committee therefore awarded all 2020 PSUs at a 140% vesting range in January 2023.



Outstanding equity awards

The following table summarises the information about outstanding options and PSUs awards as of year-end. It includes unexercised stock options (vested and unvested) and PSUs for which vesting conditions were not yet satisfied as at 31 December 2022.

| Name | Year of grant | Award type | Outstanding | Exercisable | Exercise Price | Expiration Date | Market Value ¹ | Vesting Schedule |
|-------------------|---------------|------------|-------------|-------------|----------------|-----------------|---------------------------|---|
| John Kruijssen | 2019 | Options | 37,500 | 37,500 | 4.34 | 24-04-2024 | 0 | Not applicable |
| | 2020 | PSUs | 209,395 | - | | | 592,587 | 100% in 2023, subject to performance |
| | 2021 | PSUs | 44,237 | - | | | 125,191 | 100% in 2024, subject to performance |
| | 2021 | PSUs | 480,522 | - | | | 1,359,877 | 50% in 2024 and 50% in 2026, subject to performance |
| | 2022 | PSUs | 48,041 | - | | | 135,956 | 100% in 2025, subject to performance |
| Gabrielle Reijnen | 2020 | Options | 100,000 | - | 1.66 | 01-01-2024 | 117,000 | 100% on 1-1-2023 |
| | 2020 | PSUs | 132,987 | - | | | 376,355 | 100% in 2023, subject to performance |
| | 2021 | PSUs | 28,095 | - | | | 79,509 | 100% in 2024, subject to performance |
| | 2022 | PSUs | 30,511 | - | | | 86,346 | 100% in 2025, subject to performance |

1) The market value of PSUs is calculated by multiplying the closing price of BBH stock as of 31 December 2022 (€ 2.83) (the last trading day of the year) by the number of shares underlying each award and assuming satisfaction of the target performance conditions. For options, the market value is calculated by multiplying the number of shares underlying each award by the spread between the award's exercise price and the closing price of BBH stock as of 31 December 2022.

The following table shows the number of PSUs outstanding with members of the Management Board:

| Name | Specification of plan | Performance Period | Award date | Vesting date | End of holding period | Opening | Movement during the year | | Closing | | | |
|-------------------|-----------------------------------|--------------------|------------|--------------|-----------------------|---------------------------|--|----------------------|-------------|---------------------------------------|---------------------------------------|--------------------------------|
| | | | | | | PSUs at beginning of year | Applicable performance conditions and dividend equivalents | PSUs awarded in 2022 | PSUs vested | PSUs subject to performance condition | PSUs awarded and unvested at year end | PSUs subject to holding period |
| John Kruijssen | PSUs | 2020-2022 | 01-01-2020 | 31-12-2022 | 31-12-2024 | 142,039 | 67,356 | - | - | 209,395 | 209,395 | 209,395 |
| | PSUs | 2021-2023 | 01-01-2021 | 31-12-2023 | 31-12-2025 | 44,237 | | | - | 44,237 | 44,237 | 44,237 |
| | PSUs - one-time performance grant | 2021-2023 | 16-12-2021 | 31-12-2023 | 31-12-2025 | 240,261 | | | - | 240,261 | 240,261 | 240,261 |
| | PSUs - one-time performance grant | 2021-2025 | 16-12-2021 | 31-12-2025 | 31-12-2025 | 240,261 | | | - | 240,261 | 240,261 | - |
| | PSUs | 2022-2024 | 01-01-2022 | 31-12-2024 | 31-12-2026 | | | 48,041 | - | 48,041 | 48,041 | 48,041 |
| Gabrielle Reijnen | PSUs | 2020-2022 | 01-01-2020 | 31-12-2022 | 31-12-2024 | 90,209 | 42,778 | - | - | 132,987 | 132,987 | 132,987 |
| | PSUs | 2021-2023 | 01-01-2021 | 31-12-2023 | 31-12-2025 | 28,095 | | - | - | 28,095 | 28,095 | 28,095 |
| | PSUs | 2022-2024 | 01-01-2022 | 31-12-2024 | 31-12-2026 | | | 30,511 | - | 30,511 | 30,511 | 30,511 |

Other information

Pay ratio

Both the Supervisory Board and the Management Board are committed to balanced internal pay ratios. An overall ratio compares the average pay of members of the Management Board with the average pay of all Beter Bed Holding N.V.'s employees. The average pay of employees is calculated on a full-time basis and encompasses the total remuneration, comprising base salary, benefits including social security paid, pension expenses, variable remuneration, PSUs and share options. The table below shows the pay ratio over the last five years and how it is calculated:

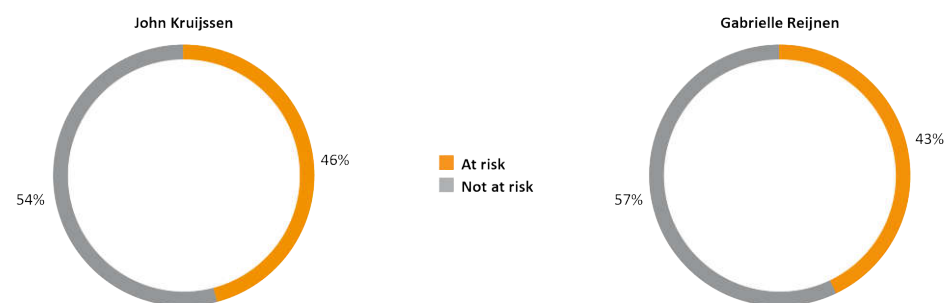
| in thousand € | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-------------|--------|--------|--------|---------|
| Management Board | | | | | |
| Average number of FTE | 2.0 | 2.0 | 2.0 | 2.0 | 1.7 |
| Remuneration for individual MB members | | | | | |
| - A.J.G.P.M. Kruijssen | 2,320 | 1,293 | 1,265 | 1,081 | 597 |
| - G.E.A. Reijnen | 910 | 787 | 721 | - | - |
| - H.G. van den Ochtend | - | - | - | 351 | 152 |
| - B.F. Koops | - | - | - | - | 216 |
| Total MB remuneration | 3,230 | 2,080 | 1,986 | 1,432 | 965 |
| Average remuneration (A) | 1,615 | 1,040 | 993 | 716 | 579 |
| Other employees | | | | | |
| Average number of FTE | 922 | 935 | 1,025 | 1,003 | 2,805 |
| Personnel expenses ¹ | 41,774 | 38,568 | 45,767 | 45,632 | 109,290 |
| Average remuneration (B) | 45 | 41 | 45 | 45 | 39 |
| Total | | | | | |
| Average number of FTE | 924 | 937 | 1,027 | 1,005 | 2,807 |
| Personnel expenses ¹ | 45,004 | 40,648 | 47,753 | 47,064 | 110,255 |
| Average remuneration | 49 | 43 | 47 | 47 | 39 |
| A/B pay ratio | 35.6 | 25.2 | 22.2 | 15.3 | 14.9 |

1 Personnel expenses less external staffing expenses.

The increase in the pay ratio in 2022 is caused by the one-time performance grant of the CEO following his reappointment in December 2021. In the period 2018-2019, the Company's pay ratio was effected by divestments resulting in changes in our employee mix.

Target compensation mix

The Remuneration Committee believes that the target compensation mix for members of the Management Board aligns with the long-term interests of the shareholders. The charts below illustrate the percentage of the target pay that is at risk for the respective members of the Management Board.



Scenario analysis

A scenario analysis of the possible outcomes of the variable components, together with the impact these have 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 for the year 2022 was analysed and the outcome taken into consideration by the Supervisory Board when reviewing the Management Board members' remuneration.

Share participation

The remuneration structure promotes the long-term ownership of shares by executives. The Supervisory Board encourages members of the Management Board to retain vested shares, and encourages investment in the Company's shares. As at 31 December 2022, the Management Board holds the following number of shares:

Management Board

| | |
|----------------------|---------------|
| A.J.G.P.M. Kruijssen | 10,000 |
| G.E.A. Reijnen | - |
| Total | 10,000 |

Other policy information and contract terms

Any use of right to reclaim

The Supervisory Board has the authority to adjust the payout 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 the event of force majeure, serious illness, long-term absence or incapacity to work, the Supervisory Board decides how the STI and the LTI are applied.

The Supervisory Board can reclaim in full, 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 such value adjustment or claw back is at the discretion of the Supervisory Board, and is accounted for in the remuneration report submitted to the AGM. No variable remuneration was clawed back in 2022.

Deviation and derogation from remuneration policy

Under Dutch law and the Dutch Corporate Governance Code, the Supervisory Board has the discretionary power to determine the remuneration of the members of the Management Board in accordance with the Remuneration Policy, and to temporarily derogate from the Company's Remuneration Policy for the Management Board in exceptional circumstances. The Remuneration Policy for the Management Board of BBH, as adopted in 2020, also includes such discretionary power.

The Remuneration Committee did not deviate from its decision-making process in relation to the implementation of the Remuneration Policy.

Change of control

In the event of a change of control, any variable remuneration granted to a member of the Management Board, shall be (deemed to be) vested, regardless as to the status of the realisation of the objectives, and exercisable, if applicable, upon such change of control.

Term of appointment

The term of appointment for all members of the Management Board is four years. Members of the Management Board are employed under management services agreement for the duration of their appointment, after which time the agreement terminates automatically. Members of the Management Board may be reappointed for additional term(s) of four years.

Notice period

All members of the Management Board have a notice period of three months. For the Company, the notice period is six months for termination without cause under the applicable management services agreements with the respective members of the Management Board.

Severance compensation

In the event that a member of the Management Board's agreement is terminated by, or at the initiative of, the Company, the member of the Management Board in question is entitled to a severance payment that will not exceed one year's base salary.

Governance

The Remuneration Committee prepares the Supervisory Board's decisions regarding the remuneration of individual members of the Management Board, within the scope of the applicable Remuneration Policy. In accordance with article 2:135a sub 2 DCC, the Supervisory Board proposes the Beter Bed Holding N.V.'s Management Board Remuneration Policy for adoption to the General Meeting once every four years, the next time being at the AGM in the first half of 2024 at the latest. The decision for adoption of the Remuneration Policy requires at least 75% of the cast votes in favour.

The remuneration report describes the process that has been followed by the Remuneration Committee in relation to the implementation of the Remuneration Policy over the given financial year, and, if applicable, any proposed revision of the Remuneration Policy. Every year, the implementation of the Remuneration Policy, through the remuneration report, is put to an advisory vote at the AGM (in line with article 2:135b sub 2 DCC).

Alignment with long-term value creation

The remuneration of members of the Management Board is intended to encourage behaviours that focus on performance. This is to ensure that the Management Board reaches the annual expected level of performance, while also taking long-term sustainable value creation into consideration. These include continuing to build a scalable and data-driven backbone to support customer relationships, enhance the customer offering, increase efficiency and create new business models.

The introduction of PSUs in 2020 further promotes share ownership and alignment with the Company's long-term value creation and shareholder interests. The Remuneration Policy is also aligned internally, following remuneration principles that apply more broadly within the Company.

This provides a shared sense of purpose and direction at the different management levels, together with a shared reward, if the agreed targets have been met. Internal consistency is assured by assessing internal pay ratios to reflect the required competencies and responsibilities at each level.

Stakeholder engagement and feedback

The Remuneration programme for the Management Board focuses leadership on key areas that drive the business forward and align with the interests of the Company's stakeholders. The Remuneration Committee considers many factors when evolving the remuneration programmes, including alignment with the company's strategy, market practice and trends, and shareholder feedback.

The Remuneration Committee continued to incorporate tailored performance criteria into the remuneration programme to align with growing investor interest in both operational and CSR metrics.

In addition, the Remuneration Committee considered shareholders' feedback during the 2022 AGM in relation to the Remuneration Policy and remuneration report. This included the Supervisory Board's rationale regarding: (i) the disclosure of the company-specific STI targets, and whether the STI targets for 2022 were sufficiently ambitious and challenging; and (ii) the reappointment of the CEO in December 2021, and the award mechanics of the related one-time equity performance grant.

With regards to (i), the Supervisory Board is of the view that the Company should not disclose the precise targets as they qualify as commercially sensitive information. Given the challenging macroeconomic uncertainty, the Supervisory Board considered that the criteria met were properly weighted, and that expectations with regards to the performance of the members of the Management Board were sufficiently ambitious and challenging. On the basis of this information, the Supervisory Board concluded that performance was very high. With regards to (ii), the Supervisory Board is of the view that management continuity is important for the successful execution of BBH's strategy for growth. To avoid uncertainty about the reappointment, the Supervisory Board considered it important to submit this to the shareholders on 16 December 2021. The Supervisory Board considered reappointment and a related incentive in the shape of performance shares to be connected. So as to ensure shareholders were fully informed and in the interests of full transparency, this was included in the explanatory notes to the agenda.

The implementation of the Remuneration Policy, through the Remuneration Report, was put forward for an advisory vote to the AGM (in line with article 2:135b sub 2 of DCC). At our 2022 AGM, approximately 92.1% votes cast in favor of and 7.9% against our 2021 Remuneration Report.

Both the Management Board and the Supervisory Board have a transparent relationship with BBH's works council in the Netherlands, which rendered a positive advice on the Remuneration Policy in 2020.

Remuneration of the Supervisory Board

This section provides an overview of the Remuneration Policy for the Supervisory Board of Beter Bed Holding N.V., which was last amended at the 2020 AGM. The objective of the Remuneration Policy for the Supervisory Board is to attract, motivate and retain qualified people as Supervisory Board members who can supervise and support Beter Bed Holding N.V. in the achievement of its strategic objectives, and in doing so realise the sustainable value creation for which the Company strives. To this end, the Policy offers Supervisory Board members a remuneration package that reflects the time spent and the 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. In preparing the 2020 Remuneration Policy for the Supervisory Board, a benchmark comparison was performed using a reference group of fifteen Dutch small cap companies with a two-tier board structure. This indicated that an increase in the remuneration levels was warranted.

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. Members of the Supervisory Board receive an annual base fee as shown in the table below, and there are no additional meeting attendance fees. The Chair of the Supervisory Board receives an additional base fee due to the workload and broad responsibilities of this position. Travel expenses and facilities for members of the Supervisory Board are borne by the Company and reviewed by the Audit Committee. The Company does not provide loans, advance payments or guarantees to members of the Supervisory Board.

| | |
|--------------------------------------|----------|
| All members of the Supervisory Board | € 40,000 |
| Additional fee Chair | € 10,000 |

Members of the Supervisory Board also benefit from directors' and officers' liability insurance coverage. These benefits are in line with market practice.

Summary compensation

The table below shows the remuneration for each member of the Supervisory Board during the financial year 2022.

in thousand €

| Supervisory Board member | 2022 | 2021 | 2020 | 2019 | 2018 |
|--------------------------|------------|------|------|------|------|
| B.E. Karis | 50 | 50 | 50 | 37 | 3 |
| B.M.A. van Hussen | 40 | 40 | 25 | - | - |
| A. Beyens | 40 | 40 | 40 | 30 | 3 |
| M.C. Schipperheijn | 40 | 40 | 25 | - | - |
| Previous members | - | 40 | 40 | 61 | 106 |
| Total | 170 | 210 | 180 | 128 | 112 |

Outlook 2023

The salaries of members of the Management Board were assessed against the market environment and the adjustments for other employees, and will be adjusted by 4.0% in line with the market movement for employees in the Netherlands. For the 2023 STI scheme, the Supervisory Board believes that the following four quantitative KPIs are appropriate: revenue growth and EBITDA, both of which weighted at 30%; and gross margin and free cash flow, both of which weighted at 20%. To improve the quality and predictability of the organisation, two additional qualitative targets will also apply: the auditing of medium- and high-risk suppliers in line with the 'Business Social Compliance Initiative' standards by the end of 2023 (given that all our suppliers signed our Code of Conduct in 2022); and the implementation of the new OMS and POS, which should be functioning by the end of 2023.

While the Company does not disclose the exact targets as they qualify as commercially sensitive information, these targets and the performance related to them will be accounted for in the 2023 remuneration report. For the 2023 long-term incentive scheme, in addition to NPS, the Supervisory Board introduced a KPI related to underlying EBITDA and sustainability: 'By the end of 2025, sustainability to be integrated into the business strategy, and CSRD reporting and the auditing thereof to be in place'.