

# Remuneration report

This report provides an overview of the remuneration policy as approved by the Annual General Meeting of Beter Bed Holding N.V. and explains how this Policy has been put into practice over the past financial year. The first section details the remuneration that has been paid to or accrued by the individual members of the Management Board. The second section describes the remuneration of the Supervisory Board. Finally, the outlook for 2020 is enclosed.

This remuneration report assumes to reflect the reporting requirements as provided by article 2:135b of the Dutch Civil Code (DCC), effective on 1 December 2019 and implementing the EU Shareholder Rights Directive II (SRD II), effective on 3 April 2017. One of the key objectives of the SRD II is to instil greater transparency for company stakeholders

## Overview remuneration policy

### Management Board Policy

#### Objective & principles

The objective of the remuneration policy ('the policy') is to recruit, motivate and retain qualified employees, including the Management Board members who enable Beter Bed Holding N.V. to achieve sustainable value creation that it strives for.

The following principles are kept in mind while drawing the policy:

- Discouraging excessive short-term risk taking & encouraging long-term shareholder engagement.
- Enterprising in nature to attract qualified candidates for the Management Board.
- Maintaining a reasonable in ratio with other members of management.
- Taking into account the social context, corporate governance structure and interests of stakeholders.

#### Composition of the remuneration package

The remuneration of the Management Board consists of the following competitive elements:

- A base salary.
- Participation in a short-term variable pay scheme.
- Participation in a long-term share option scheme, which also requires that all share options granted be used for the purchase of shares.
- Pension benefits.
- Other employment benefits.

#### Peer group

Remuneration levels are based on a benchmark comparison with a peer group at least every three years and is reviewed annually. This helps to determine the overall competitiveness of the Management Board remuneration and gives an appropriate reflection of relevant competitive markets. The selection of the peer group is discussed and approved by the Supervisory Board.

## Supervisory Board Policy

### Objective & principles

The objective of this remuneration policy is to recruit, motivate and retain qualified persons as Supervisory Board members, who supervise and support Beter Bed Holding N.V. 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 required for 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.

### Compensation 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.
- A committee fee for membership of the committees of the Supervisory Board.

The remuneration policy for Management Board and Supervisory Board is published on the Company's website. There were no changes to this policy in 2019. On 1 December 2019 the Dutch law passed an implementation of the EU Directive as regards the encouragement of long-term shareholder engagement and the provisions of this law have been taken into account in drafting this remuneration report. A proposal to amend the remuneration policy to align this with the new legislation will be presented during the Annual General Meeting scheduled for 13 May 2020.

## Implementation of the remuneration policy in 2019

2019 has been an eventful year for Beter Bed Holding N.V. in which a crucial turnaround has been achieved. The Company has arranged bridge financing with its shareholders, successfully sold its loss making German activities and Dutch distribution centers, reinstated its credit lines and, towards the end of the year, arranged succession for its CFO. The support of its shareholders for the transformation and a restated strategy have been crucial in creating a new beginning.

## Remuneration of the Management Board

During the financial year the Management Board was composed of Mr John Kruijssen, CEO, and, up to and including 12 December 2019, Mr Hugo van den Ochtend as CFO.

The tables below provide a transparent overview of their remuneration, specified in each remuneration component.

	2019								Total
	Salary	Variable remuneration	Options on shares	Pension benefits	Social security charges	Sub-total	Other employee benefits	Severance cost	
A.J.G.P.M. Kruijssen	450	351	91	135	12	1,039	42	-	1,081
H.G. van den Ochtend <sup>1</sup>	255	-	8	64	12	339	12	362	713
<b>Total</b>	<b>705</b>	<b>351</b>	<b>99</b>	<b>199</b>	<b>24</b>	<b>1,378</b>	<b>54</b>	<b>362</b>	<b>1,794</b>

1 Up to and including 12 December 2019.

	2018								Total
	Salary	Variable remuneration	Options on shares	Pension benefits	Social security charges	Sub-total	Other employee benefits	Severance cost	
A.J.G.P.M. Kruijssen <sup>1</sup>	338	142	8	101	8	597	41	-	638
H.G. van den Ochtend <sup>2</sup>	85	43	-	21	3	152	4	-	156
B.F. Koops <sup>3</sup>	149	-	20	37	10	216	8	-	224
<b>Total</b>	<b>572</b>	<b>185</b>	<b>28</b>	<b>159</b>	<b>21</b>	<b>965</b>	<b>53</b>	<b>-</b>	<b>1,018</b>

1 As of 1 April 2018.

2 As of 1 September 2018.

3 Up to and including 31 July 2018.

During the past year, the Management Board's remuneration has been implemented in accordance with the remuneration policy. To ensure remuneration is linked to performance, a proportion of the remuneration package is variable and dependent on the short and long-term performance of the individual member of the Management Board and the Company.

### Base salary

The Supervisory Board considers the appropriateness of any changes to the base salary based on the market environment as well as on the average salary adjustments for the employees in the Netherlands.

### Variable remuneration

The variable income part of the remuneration consists of short-term and long-term incentives. The distribution between short-term and long-term incentives 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 variable income part of the remuneration are established and – where necessary – adjusted by discretion of the Supervisory Board, considering the general rules and principles of remuneration policy itself. The short-term and long-term incentives relate to the performance in the respective year.

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.

### Short-term variable pay

Any potential pay-out under the short-term incentive plan occurs annually during the first quarter of the next financial year. A minimum level of performance must be achieved before any payment under the plan will be made. The pay-out is capped at an outstanding level of performance, known as the maximum.

In 2019 the Supervisory Board stayed within the boundaries for the maximum variable pay as set in the remuneration policy. The maximum allowed variable pay within the policy is 100% of base salary, split in quantitative and qualitative criteria. The quantitative objectives are driven by financial KPIs such as revenue growth, EBITDA, cash flow, and the qualitative objectives are driven by non-financial KPIs. The minimum variable pay opportunity is 0% of base salary.

These targets were set, validated and agreed upon by the Supervisory Board at the beginning of 2019. In May/June 2019, as the Company came in a precarious position, new overriding priorities were identified. The Supervisory Board formulated four key milestones that were considered crucial in assuring the viability of the Company. The key milestones were:

- Agreement of an additional loan.
- Realisation of sale and leaseback of the three distribution centers.
- Deleveraging the senior debt.
- Divestment of Matratzen Concord within a period of six months.

These key milestones were fully achieved in 2019, thereby averting bankruptcy and creating a new perspective for the Company. The 'on-target' variable pay percentage is 60% of base salary for the CEO, and 50% of base salary for the CFO. In case of excellent performance, 130% of the target variable pay levels can be rewarded, which means that the maximum variable pay opportunity is 78% of the base salary for the CEO and 65% of the base salary for the CFO. The Supervisory Board considered the overall performance of the CEO and concluded to award the CEO with a variable pay of 78% of base salary for 2019 and 0% of base salary to the CFO.

### Options on shares

The policy offers a long-term incentive in the form of an annual grant of share options. In 2019 the CEO received a grant of 50,000 options and the CFO a grant of 40,000 options. The options will vest three years after the grant date, conditional on the continued employment of the Management Board members and the management teams still being in service. The options and the right to exercise will expire on the fifth anniversary date of the grant date. For members of the Management Board, the net proceeds upon exercise of options are deferred into Beter Bed Holding N.V. shares with a four years holding period.

The CEO received additional options in an arrangement approved by the Annual General Meeting in 2019, to redeem his sign-on arrangement. The 100,000 options granted upon his appointment forfeited in exchange for 200,000 options with an amended exercise price plus 100,000 options the CEO bought at an agreed price.

The 2019 options grant to the CFO was forfeited when he left the Company before the end of the year.

The following table summarises the information about outstanding options of each member of the Management Board as well as the movements during the year.

## Share options

Board Member	Year of grant	Out-standing beginning	Granted in year	Exer-cised	Expired / forfeited	Out-standing end 2019	Exercise price (€)	Vesting date	Expiry date
A.J.G.P.M. Kruijssen	2018	-	100,000	-	(100,000)	-	13.06	1-04-21	31-03-22
	2019	-	300,000 <sup>1</sup>	-	-	<b>300,000</b>	4.34	24-04-21	24-04-22
	2019	-	50,000	-	-	<b>50,000</b>	4.34	24-04-22	24-04-24
H.G. van den Ochtend	2018	-	-	-	-	-	-	-	-
	2019	-	40,000	-	(40,000)	-	4.34	24-04-22	24-04-24
<b>Total</b>		-	<b>490,000</b>	-	<b>(140,000)</b>	<b>350,000</b>			

<sup>1</sup> 200,000 options (replacement for the 100,000 signing options granted in 2018) and 100,000 options (against cash payments) as adopted in the 2019 Annual General Meeting held on 25 April 2019.

At the end of the financial year Mr Kruijssen held 10,000 shares in Beter Bed Holding N.V.

## Change of control

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 upon such change of control.

## Pension benefits

Pension contributions are an element of the overall total remuneration of the Management Board members. Pension contribution is capped at 30% of base salary for the CEO and 25% of base salary for the CFO.

## Severance compensation

Mr Hugo van den Ochtend assumed his role as CFO in September 2018 and contributed to the turnaround of Beter Bed Holding N.V. After careful consideration and by mutual agreement, the Supervisory Board and Mr Hugo van den Ochtend have come to realise that it is in the interest of the Company that someone else will fulfil the position of CFO. Mr Van den Ochtend's severance compensation will consist of the payment of six months' notice period and nine months fixed salary, in line with the management contract.

## Comparative 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 the Management Board members with the average pay of all Beter Bed Holding N.V. employees. The average pay of employees is calculated on a full-time basis and encompasses the total remuneration, comprising base salary, variable remuneration, share options, and pension benefits, as well as the social security paid over this remuneration package

The table below shows the pay ratio over the last five years and how it is calculated:

in thousand €	2019	2018	2017	2016	2015
<b>Management Board</b>					
Average number of FTE	2.0	1.7	1.8	2.0	2.0
Remuneration for individual MB members					
- A.J.G.P.M. Kruijssen	1,039	597	-	-	-
- H.G. van den Ochtend	339	152	-	-	-
- A.H. Anbeek	-	-	452	659	702
- B.F. Koops	-	216	456	459	450
Total MB remuneration	1,378	965	908	1,118	1,152
Average remuneration (A)	689	579	495	559	576
<b>Other employees</b>					
Average number of FTE	912	2,805	2,726	2,619	2,425
Employee expenses	45,686	109,290	104,912	99,405	91,024
Average remuneration (B)	50	39	38	38	38
<b>Total</b>					
Average number of FTE	914	2,807	2,728	2,621	2,427
Employee expenses	47,064	110,255	105,820	100,523	92,176
Average remuneration	51	39	39	38	38
<b>A/B pay ratio</b>	<b>13.8</b>	14.9	12.9	14.7	15.3

The decrease in the remuneration package of the Management Board members and in the average number of FTE compared to last year is mainly attributable to the divestment of Matratzen Concord.

## Remuneration of the Supervisory Board

The General Meeting has determined the annual remuneration of the Supervisory Board in 2015 as follows:

The annual remuneration for the Chair of the Supervisory Board amounted to € 31 thousand (2018: € 31 thousand), while the other Supervisory Board members were paid € 21 thousand (2018: € 21 thousand). Supervisory Board members also received compensation for participation in a committee amounting to € 4.5 thousand per committee (2018: € 4.5 thousand). Supervisory Board Chair and member remuneration does not depend on the Company's results. Supervisory Board members are not awarded shares and/or share options. No loans, advances and/or guarantees have been granted to Management Board and Supervisory Board members.

In 2019 the remuneration (in thousand €) was as follows:

Supervisory Director	Supervisory Board	Audit Committee	Remuneration Committee	Chair	Total 2019	Total 2018
B.E. Karis	21.0	4.5	4.5	6.7	36.7	2.5
H.C.M. Vermeulen	21.0	-	-	-	21.0	17.0
A. Beyens	21.0	4.5	4.5	-	30.0	2.5
P.C. Boone	21.0	4.5	4.5	-	30.0	2.5
G.E.A. Reijnen	12.7	2.7	2.7	-	18.2	-
D.R. Goeminne	7.0	1.5	1.5	3.3	13.3	40.0
E.A. de Groot	-	-	-	-	-	27.5
W.T.C. van der Vis	-	-	-	-	-	27.5
A.J.L. Slippens	-	-	-	-	-	8.5
<b>Total</b>	<b>103.7</b>	<b>17.7</b>	<b>17.7</b>	<b>10.0</b>	<b>149.2</b>	<b>128.0</b>

## Outlook 2020

The Supervisory Board will propose a new remuneration policy for the Management Board and the Supervisory Board at the 2020 Annual General Meeting to align the policy with article 2:135a DCC.

## Management Board Policy 2020

In preparation to this new policy, the remuneration of the Management Board has been benchmarked against a reference group of 15 Dutch listed small cap companies with a two-tier board structure. The market environment, as well as on the salary adjustments for Beter Bed Holding N.V.'s employees have been taken in consideration. Based on this evaluation the Supervisory Board has decided to increase the base salary of the CEO to € 472,364, in line with the agreed CAO wage increases for employees in the Netherlands since his appointment in 2018. The annual base salary of the new CFO, who is nominated for appointment as Statutory Director at the upcoming Annual General Meeting, is set at € 300,000.

Under the new 2020 remuneration policy, the target levels of the short-term incentive scheme remain unchanged. For the CEO this amounts to 60% and for the CFO to 50% of base salary. In case of overperformance pay out may rise to a maximum of 1.3 times target level, i.e. 78% of base salary for the CEO and 65% for the CFO. A threshold level for pay out is set at 0.8 times target and below threshold there will be no pay out.

Given the operational focus on growing the business and optimising profitability, the Supervisory Board feels that for the financial year 2020 the following four quantitative KPIs are appropriate: revenue growth for the key business and EBITDA, each weighted at 25%, and gross margin and operational cash flow each weighted at 15%. To improve the quality and predictability of the organisation, additionally two qualitative criteria targets will apply: improving the corporate governance structure and completing the refinancing of the Company before the summer, each with a weight of 10%. The Company does not disclose the exact actual targets as they qualify as commercially sensitive information, but will account for targets set and performance delivered in the Remuneration Report 2020.

Regarding the long-term incentive instrument the Supervisory Board proposes to change the current stock options by Performance Stock Units (PSUs). The introduction of PSUs will facilitate the promotion of share ownership and therefore align management better with shareholder interests and long-term value creation. PSUs are a simpler and more transparent instrument compared to stock options. Outcomes of the grant are more predictable, both for the recipients and for shareholders, as downward risk and upward potential are more balanced. Improved predictability makes PSUs more attractive to the top managers that Beter Bed Holding N.V. wants to attract and retain. The PSU plan for the Management Board is aligned with a similar plan for Senior Management.

Under the PSU plan, shares to the value of 50% of base salary will conditionally be granted to both CEO and CFO. Vesting of these shares is conditional on the achievement of predetermined performance targets that reflect the value creation for shareholders. At the end of a three-year period performance will be assessed. In case of performance at target conditionally granted shares will vest and in case of outperformance up to 1.4 times that number. Vesting is followed by a two-year holding period.

For the PSU grant 2020-2022 long-term value creation will be primarily measured by Return on Capital Employed (ROCE) and by Customer satisfaction (Net Promotor Score). Both performance measures will have an equal weight. The predefined targets for each performance indicator and the performance delivered will be accounted for on vesting.

## Supervisory Board Policy 2020

In preparation to the proposed Supervisory Board remuneration policy a benchmark has been executed against the same reference group of small cap companies that was used for the evaluation of the Management Board remuneration. The remuneration level granted since 2006 proves to be below median level. The Supervisory Board proposes to pay from 1 January 2020 onward an annual fixed fee of € 50,000 to the Chair and € 40,000 to regular members of the Supervisory Board. This all-in fee replaces a base fee of € 31,000 for the Chair and € 21,000 for members, supplemented by a fixed annual fee of € 4,500 for each committee role.

The proposed new policy for Management Board and Supervisory Board is published on the website and will be explained in the notes to the Agenda of the Annual General Meeting scheduled on 13 May 2020.