subsequent changes were made during 2022. The amounts are set out in Part 3 of this Remuneration Report.

The Policy of the Company is not to have an annual bonus. Therefore, the Remuneration Committee has not been called upon to make any judgment as to whether criteria have been met, let alone apply discretion to any aspect of remuneration for any employee.

Director remuneration for 2023

At IPO, base remuneration for Executive Directors was set at a lower level to help manage costs as the business transitions to being a UK listed company. As outlined in the Prospectus, the intention is that salary increases in the initial years are likely to be above the increases to the wider workforce salaries as the Executive Directors transition to salary levels determined by the Remuneration Committee to be appropriate for the long-term. The Executive Directors accepted the first step in the unwinding of the salary discounts, representing increases of €25,000 for the CEO, €20,000 for the COO and €15,000 for the CFO. The schedule for the unwinding of these discounts through to 2026 is set out and explained in Part 2 of this Remuneration Report.

The Committee approved a 10% increase for Executive Director base salaries after applying the unwinding of the salary discounts. This is in line with the policy of increasing Director remuneration at or below the average increase to base salaries received by the wider workforce. A 10% increase to the Chair's remuneration was approved by the Committee, also in line with the above policy. The Board reviewed Non-Executive remuneration and increased it by 10%, maintaining alignment among all Directors.

No changes to pensions or benefits have been approved for 2023.

The Committee will review every year, the basis of and targets set, for the Long Term Incentive Plan. The performance target for 2023 awards will continue to be based on adjusted EPS[1]. Our rationale for using this measure is set out in Part 2 of this Report.

Shareholder engagement

We look forward to engaging with Shareholders and other Stakeholders. I would welcome any feedback or comments on the Directors' Remuneration Report. I will be available at the 2022 AGM to answer any questions,

Ed Williams
Chair of the Remuneration Committee
6 July 2022

[1] Adjusted EPS in the Director's Remuneration Report is basic EPS adjusted for M&A impact as determined by the Committee.

Part 2: The Directors' Remuneration Philosophy and Policy

The Company's proposed Remuneration Policy (the "Policy") is included in this section on pages 79 to 94. At the 2022 AGM to be held on 28 September 2022, a resolution to adopt the Policy will be put to Shareholders for approval. The Policy is set to apply, subject to shareholder approval through to the 2025 AGM.

This Part of the report is broken into two distinct sections:

Section 2.1 provides a narrative description of the process adopted by the Committee in developing the Policy, including the objectives the Committee set itself, the culture, beliefs and needs of the Company itself, the main challenges we encountered and the steps we took to address potential conflicts of interest. It includes reference data used in reaching our recommendations.

Section 2.2 sets out our formal Directors Remuneration Policy including the terms of employment and the actual remuneration levels which the Committee established. It differs in a number of important respects from the policy of most UK publicly listed companies, with the differences accounted for by the aims of simplicity, transparency and objectivity. To a lesser extent differences may also be influenced by the Lithuanian context and the history of key Executives as founders and owners. We believe any assessment of the Policy as set out in section 2.2 would strongly benefit from reflecting on the narrative in section 2.1.

2.1 The Process by which the Committee formulated the Policy

Approach

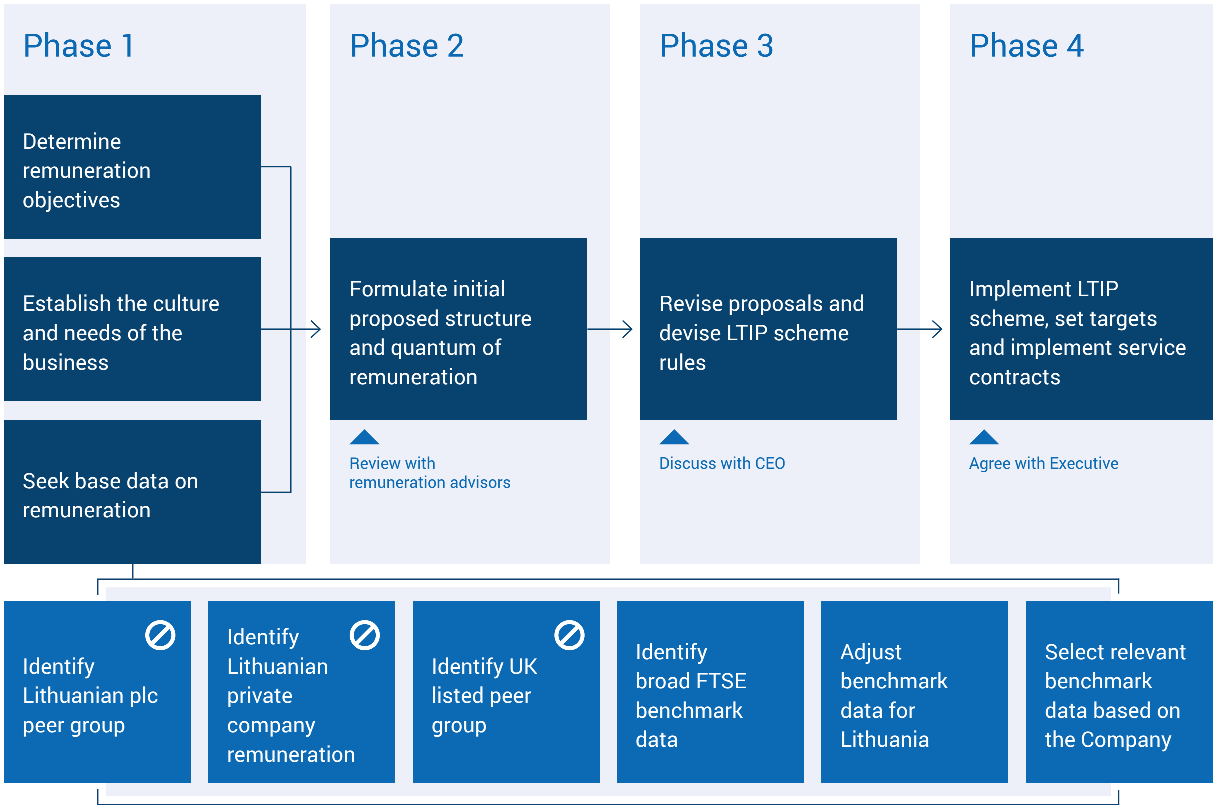
We decided at the outset that the remuneration approach for all Directors would be based on Lithuanian levels and employment practices. All three Executive Directors are based in and employed in Lithuania. The majority of employees are based in Lithuania, which is also the venue for the majority of Board meetings. However, the business is listed in London.

In comparison to the UK, remuneration in Lithuania:

- is substantially lower;
- has been increasing in real terms considerably faster than in the UK as the Baltic countries head towards average EC levels of wealth; and
- is, at the present time at least, the subject of substantially higher inflation, running at the time of writing at over 18%, significantly higher than the UK rate.

As a consequence, investors should anticipate substantially lower levels of compensation, but should expect those levels to rise faster in both nominal and real terms than in the UK.

Our overall approach to determining remuneration arrangements for the Baltics Classifieds Group, as a public company, is summarised below:



The first phase of our work consisted of three parallel steps:

1. Determining the objectives we sought to achieve through our approach to Executive remuneration.
2. Understanding the culture and needs of the Company, including the existing approach to remuneration.
3. Seeking base data to inform the decision as to what constitutes a responsible and reasonable level of Executive remuneration.

The first two of these steps were straightforward; the third was challenging.

We then went on to formulate our policy and set the quantum of remuneration before discussing our proposals with the CEO. We reflected on his feedback, before implementing the Remuneration Policy, setting targets and drawing up service contracts for all the Directors.

1. Objectives

We set ourselves the following objectives:

1.1	Establish an approach to, and level of, remuneration that is likely to result in BCG retaining its existing Executive team.
1.2	Establish an approach to and level of remuneration that is likely to be capable of attracting future talent, particularly should it be required at the Executive Director level.
1.3	Establish an approach which not only is consistent with the culture of the Company but actively supports the culture and needs of the Company, including, for example, aligning all Executive benefits with the rest of the organisation.
1.4	Ensure that the overall level of remuneration is modest by public company standards and is appropriate for the local living standards of the Baltics states where the executives reside and where the business is operated from, rather than the UK where the Company is listed.
1.5	Create a structure that is significantly simpler than found in the considerable majority of public companies.
1.6	Ensure the structure and targets are aligned with the strategy of the business.
1.7	Create a structure intended to be durable and where Shareholders know what to expect over a number of years. We believe the right Executives prefer to focus at all times on what is right for the business and that continuously reopening and adjusting the approach to remuneration rarely, if ever, results in more motivated executives.
1.8	Articulate our policy in a simple and transparent way with the minimum of jargon, including expressing things wherever reasonably possible in terms of absolute values of money rather than in a series of ratios and percentages.
1.9	Conform with public company best practices in relation to protecting Shareholders from excess remuneration being paid in the case of poor business performance and particularly with regard to any instances of unethical or more generally reputational damaging behaviour by Executives. This includes Director shareholding requirements, holding periods, Board discretion on payments and clawback provisions.
1.10	Set targets that are subject to auditable, objective and independently verifiable measures without the need for Board discretion or opaque formulae.
1.11	Ensure that for any given absolute level of remuneration, Executives receive it in a way that maximises its effectiveness to them in terms of making them feel valued.
1.12	Avoid as far as possible, approaches that could give rise to significant rewards to Executives arising incidental to their performance in running the business.
1.13	Ensure that Executives' remuneration does not influence, nor is affected positively or negatively by the decisions the Board takes on capital policy (e.g. distributing or retaining cash in the business; distributing through dividends or using share buy-backs).
1.14	Adopt a process in determining remuneration, and in administering remuneration, which is consistent with the focus on low costs exhibited in every other area of the business.
1.15	Ignore the impact of pre-existing equity ownership and additional equity ownership resulting from the IPO (i.e. the triggering of the private equity incentive scheme) on future reward structures and levels.

We believe we have been largely, though not entirely, successful in fulfilling these objectives. A brief self-assessment is included at the end of this section, though the true measure will be how it works in practice.

2. Culture and needs of the Company

We identified the following features of the Company:

Specifically on Executive remuneration

2.1	The Company has historically adopted the same structure for remuneration across all employees, with the only exception being that a group of Senior Management participating in a long-term equity-based incentive scheme, typical of those employed by private equity owners.
2.2	Performance based incentives related to the overall performance of the business not personal performance measures.
2.3	The Company did not pay annual bonuses to any employee and, over the years, has gone to considerable effort to remove annual bonuses from companies it has acquired.
2.4	The Company has absolutely minimal employee benefits, with those benefits that do exist, open to all employees.
2.5	Awards in the private equity Management Incentive Plan were not based on Executives' base salaries.

Wider cultural factors

2.6	The Company has a relentless focus on simplicity and clarity in everything it does and is extremely cost conscious.
2.7	The Company has a history of making acquisitions in the Baltic region. Part of the acquisition process is to move employees and Executives of the acquired business into the BCG remuneration structure rapidly.
2.8	The Executives seek to be, and are expected by staff to be, exemplars of all the behaviours that they value in others, including when it comes to remuneration.
2.9	The Executives see their own remuneration as a significant component of the overall costs of the business. Their remuneration can influence the level of remuneration paid to their direct reports. They seek strong profit growth, including from limiting the growth of the cost base.
2.10	The CEO has a history of significant equity ownership. Following the IPO, the private equity management incentive scheme will leave the Executive Directors and other long-term employees with substantial equity in the business. In line with a high proportion of Baltic companies, receiving remuneration in the form of dividends is a normal part of the remuneration, most likely reflecting the specific economic history of the region and wide differences in taxation rates on income (above 40%) and dividends (around 15%).
2.11	The Lithuania government does not operate any share ownership schemes which give favourable treatment or which incentivise a wide range of employees to buy shares in their business.

3. Base Data

We sought comparative evidence for remuneration packages from the following sources:

- Comparable listed companies in the Baltics region: The only other sizeable on-line classifieds business is in Latvia, is private and continues to be owned by the founders. Even opening the definition of comparator companies to cover all media and all technology, the only public company identified was a €25 million market capitalisation investment vehicle for investing in small software businesses. The remuneration consultants we approached also did not believe that comparable data was available.
- Seeking to identify direct comparator public companies outside the Baltics region: The comparable set was limited and the remuneration packages were self-evidently excessive for BCG in its Baltics context.

We therefore decided to use UK data but adjusted for Purchasing Power Parity ("PPP") and a specific difference in relation to the Lithuanian tax structure. Based on the likely market capitalisation, we looked at the average remuneration among non-financial services companies ranked between 251 and 350 in the FTSE index (ranging from market capitalisations of around €1.5 billion down to €0.75 billion) as at May 2021. This information is readily available publicly. The numbers were converted to Euros and adjusted to 73.3% of UK levels using the OECD PPP ratios averaged for the five years from 2016 to 2021.

An upward adjustment of 12% was made to reflect that Lithuania applies virtually all employment related taxes to employees and not the employer (see Note 1).

Note 1

On 1 January 2019, Lithuania transferred responsibility for virtually all payroll related taxes and social insurance (national insurance) to the individual. The Lithuanian government mandated that at the introduction of this change all base salaries should be increased by 28.9%. The result was no change to the cost to companies of employing people and no change to employees' take-home pay, but a big difference to employee gross income. Contrasting this to Estonia and Latvia, taxes on the employer there can amount to up to 30% of the total cost of employment. Headline salaries are commensurately lower, even if the cost to the employer and the take home pay of the employee are the same. As 13.8% would be paid by the company on UK based executive compensation, we adjusted up our benchmark data to be on a like-for-like basis, by 12% (being the 13.8% less the small remaining 1.77% employer deduction in Lithuania).

The above process gave us the benchmark data set out in Table 1.

Table 1 - Benchmark data

FTSE 251-350 excluding financial services

In Euros adjusting for Lithuanian cost of living, benefits and different approach to employer/employee payroll taxation/social insurance

	CEO (€ thousands)	CFO (€ thousands)	COO (€ thousands)	Chair [1] (€ thousands)	NED (€ thousands)	Audit chair (€ thousands)	Remco chair (€ thousands)
Single figure remuneration							
- Upper quartile	1,548	957	-	181	43	10	9
- Median	977	635	-	144	40	7	7
- Lower quartile	650	393	-	130	36	6	6
Salaries							
- Upper quartile	448	310	-	181	43	10	9
- Median	399	263	239	144	40	7	7
- Lower quartile	343	240	-	130	36	6	6
Maximum annual bonus							
- Upper quartile	806	458	-	-	-	-	-
- Median	592	337	-	-	-	-	-
- Lower quartile	431	260	-	-	-	-	-
Maximum LTIP							-
- Upper quartile	1,019	555	-	-	-	-	-
- Median	751	438	-	-	-	-	-
- Lower quartile	593	361	-	-	-	-	-

[1] Chair includes chairing committees

Determining the benchmark level of compensation

We took the view that there were a number of factors likely to mean that the actual benchmark for remuneration would be at the lower end of the range for FTSE 251-350 companies (even after adjusting for Lithuanian cost of living):

- The operational scale of the business, including relatively low number of employees;
- The absence of significant international travel requirements;
- The relative absence of risk factors including reputational risk and the likelihood of needing to, or being required to, operate in a visible public context; and
- The culture of the Company.

We also considered the extent to which Lithuanian Executives worked in an international market for talent. The skill set of the Executives is highly transferable within the European marketplace in a market sector attracting a lot of interest from large technology and media companies. The Executives have excellent English language skills, further assisting them to operate internationally. On the other hand, given limited use of the Lithuanian (and Estonian) languages by non-nationals, it might be hard for nonlocal Executives to be fully effective working in Lithuania. In the end, we decided not to attempt to factor in any special considerations regarding consideration of local or international levels of remuneration beyond adjusting for Lithuanian costs of living.

Ultimately, we felt that lower quartile FTSE 251-350 remuneration, after conversion to Euros and the overall downward adjustment to reflect Lithuanian purchasing parity and adjusted for the specific tax consideration described above, was a sensible starting point.

Table 2 sets out the lower quartile CEO, CFO, Chair and Non-Executive Directors remuneration for public companies in the FTSE 251-350 expressed in Euros and with the adjustments described above.

Table 2 - Benchmark level of compensation

Based on the lower quartile bottom 100 of the FTSE 350, converted to Euros and adjusted for different approach to taxation and for purchasing power parity compensation would be:

	CEO (€ thousands)	CFO (€ thousands)	COO (€ thousands)	Chair (€ thousands)	NED (€ thousands)	Audit chair (€ thousands)	Remco chair (€ thousands)
Single figure remuneration	649,9	392,8	-	130,0	36,1	6,5	6,1
Salary	343,0	239,7	218,0	130,0	36,1	6,5	6,1
Maximum annual bonus	431,1	259,9	236,4	-	-	-	-
Maximum LTIP	592,8	361,0	328,3	-	-	-	-
Total maximum remuneration	1 366,9	860,7	782,7	130,0	36,1	6,5	6,1

Structure of remuneration compared to benchmarks

Remuneration for executives in the FTSE 251-350 group almost invariably consists of five elements:

1. a base salary;
2. pension;
3. other benefits;
4. an annual bonus; and
5. a Long-Term Incentive Plan ("LTIP")

We concluded that it was in the best interests of the Company and Shareholders not to introduce a new benefits package, nor a pension scheme, nor to introduce an annual bonus scheme. This decision was in accordance with the wishes of the CEO, our own assessment of the needs of the Company and our previously stated objective to be simple and transparent. In particular, our experience of annual bonus schemes, both as previous executive directors and as non-executive directors of other companies, is that they are the least transparent and most time-consuming aspect of executive remuneration. With the right executives they make no actual difference to executive behaviour or positive contribution to motivation. Through superficially aligning remuneration more closely to performance, including non-financial performance, in practice we believe they do so poorly by comparison with long-term equity-based incentive plans.

In considering a remuneration approach based on only two of the normal five elements:

- we decided not to factor in any specific recompense to Executives for the absence of benefits or pensions. We believe that Shareholders would be sympathetic at some point in the future, if the Company felt it was in the best interests of employees to offer a pension scheme, for Executive Directors to participate in such a scheme on an equal basis with all other employees; and
- we also did not attempt to formulaically adopt a higher level of long-term incentives because of the absence of an annual bonus. However, we took the view that our ultimate recommendations need not be constrained by standard salary multiples for the LTIP, provided that the absolute value of the LTIP was well within the normal range for FTSE 250-350 ranked companies.

The Remuneration Committee therefore proposed remuneration at the levels set out in Table 3.

The Remuneration Committee expects to increase remuneration for all Directors annually in line with any basic rise in employee salaries applied across the Company.

We consider the use of Performance Share Plan as the basis for the LTIP to be the most appropriate form, in line with widespread practice.

IPO-related success payments and awards

Frequently, companies approaching an IPO put in place some form of one-off compensation, generally for one of three reasons (from the narrowest through to the broadest):

1. specifically, to reflect the enormous extra workload on key individuals, especially the CFO;
2. to reward the executive team for the success of the IPO, and specifically to give the executives an initial equity stake in the business, generally in the circumstances that executives are not and would not otherwise be holders of equity stakes in the business; or

Table 3 - Proposal for 2026

Proposal for FY2026	CEO (€ thousands)	CFO (€ thousands)	COO (€ thousands)	Chair (€ thousands)	NED (€ thousands)	Audit chair (€ thousands)	Remco chair (€ thousands)	SID (€ thousands)
Single figure remuneration	-	-	-	-	-	-	-	-
Salary	350,0	210,0	280,0	120,0	30,0	7,5	7,5	2,5
Maximum annual bonus	-	-	-	-	-	-	-	-
Maximum LTIP	700,0	300,0	500,0	-	-	-	-	-
Total maximum remuneration	1 050,0	510,0	780,0	120,0	30,0	7,5	7,5	2,5
Median for FTSE251-350 in Euros	2 079,3	1 239,7	-	172,4	47,4	8,6	8,6	-

3. to provide a retention mechanism given that in a public company environment it will normally be at least 3 years before any long-term incentives put in place as a public company will vest and 5 years before executives can actually realise the value.

While we greatly appreciated the efforts of the Executive Directors and particularly the CFO, we felt that the pre-existing Management Incentive Programme ("MIP") offered ample reward, in the form of shares in the business, to the Executives for achieving a successful IPO. Therefore, the first two reasons did not apply. In consultation with the CEO, we formed the view that it was not necessary to put in place a scheme to "bridge" the period prior to the public company schemes being realised. The Company has very high retention rates and most employees in a scheme, should it have been implemented, would have already been with the Company for more than ten years and would have benefited from the MIP.

Holding periods, minimum shareholdings, malus and clawback provisions

We believe that Shareholders should be protected against payment for failure and particularly with regard to any improper behaviour on the part of Directors of the Company and in relation to termination of employment.

We therefore have adopted best practice policies and intend to update them as thinking continues to evolve. Currently this means:

- A holding period of a minimum of five years from award of shares under the LTIP.
- A minimum shareholding amount of €1 million for the CEO and €0.5 million for other Executive Directors. Where Executive Directors do not have that level of holding on appointment, they will be required to retain at least half of all future vested shares until they reach that level.
- Wide ranging and lengthy malus / clawback provisions in the following circumstances:
  - material misstatement of financial information;
  - serious misconduct;
  - material failure of risk management;
  - serious reputational damage;
  - serious corporate failure;
  - error in the number on shares awarded;
  - error in calculating performance or performance calculations based of misleading data; and/or
  - other circumstances of a similar nature at the discretion of the Non-Executive Directors.

  Malus and clawback provisions will apply for a period of five years from award. There will be no time limit in applying malus / clawback provisions from actions through the legal system against Directors or through deliberate concealment of information by Executives that subsequently becomes known to the Board, subject to the provisions being implemented within two years of the completion of the legal action or the information becoming available.
- Payment on termination is limited to clearly defined and limited contractual obligations regarding base salary and notice period. In addition, the CEO's appointment as a Director of the Company is terminable by him or the Company on 12 months' written notice and each of the other Executive Directors' appointments as a Director of the Company is terminable by each of them and the Company on six months' written notice. The Company has the ability to terminate the appointment of each of the Executive Directors of the Company with immediate effect by making a payment in lieu of notice which shall consist of the fee payable to them in respect of their role as a Director of the Company for the unexpired period of notice. The Company's policy is not to enter into employment agreements or letters of appointment with a notice period greater than 12 months.
- "Good leaver" provisions focused on allowing an open dialogue between Executives and Non-Executives, particularly as it reflects retirement from the business, to encourage succession planning to be done in a collaborative manner. Good leaver provisions will automatically apply in the case of death, resignation

through ill-health, injury or disability, and on retirement as a full-time Executive (to be tested after two years). The Remuneration Committee will also have discretion in considering someone to be a good leaver, with redundancy being the most probable circumstance in which to exercise this discretion. In the event of someone being determined to be a "Good leaver" awards would normally be prorated for time in employment and remain subject to vesting on the normal vesting date. There is Committee discretion to allow awards to vest on leaving, taking into account performance against targets and pro-rating for time.

- Holding periods post-termination or retirement will be enforced in full for two years and any pro-rata amounts in line with how they would have vested should the retired Executive still have been in employment.

Setting of targets in the Long-Term Incentive Plan

The primary business strategy of the Baltic Classifieds Group is the rapid organic growth of revenues and profits in our core geographical on-line classified advertising market. Therefore, it seems self-evident that the best alignment of strategy with long-term Executive compensation is broadly in the area of revenue and profit growth.

We decided on balance to set 100% of the performance target based on the three-year growth in adjusted EPS. This target is strongly aligned with the strategy of the business to grow revenues rapidly in its core businesses and to do so at high profit margins. "Adjusted EPS" in the Director's Remuneration Report is a basic EPS after adjustments that are likely to be restricted to those arising from mergers and acquisitions as determined by the Committee. Basic EPS is an audited number. Our reasons for preferring this over other targets (or over a mix of targets) is set out below.

Our aim is to make the operation of the LTIP neutral, in terms of the capital return policy of the business. This is in order to address the challenge that businesses undertaking significant levels of share buy-backs do so, at least in part, to advantage executives in long-term incentive schemes. In part, neutrality is achieved by awarding additional shares to executives equivalent to the value of dividends that would have been received on shares awarded but not vested. The other aspect is the potential of share buy-backs which boost earnings per share. In practice, we believe that the level of share buy-backs is unlikely to have a material impact on adjusted EPS over the next three-year period. Nonetheless, in setting the adjusted EPS targets we have factored in an expectation that, in addition to paying dividends, the Company will both repay debt and buy-back shares.

Should the Company buy-back shares as the result of receiving significant proceeds from the disposal of a business or through taking on significant additional debt, to do so, we would intend to "normalise" adjusted EPS by using the number of shares outstanding prior to such an event. Should the capital policy of the business materially diverge from that assumed when setting the adjusted EPS targets, and that difference materially affects the level of vesting of the PSP, the Remuneration Committee will reflect that at the time of vesting.

The adjusted earnings per share number will be extracted from our relevant accounts.

In considering other potential choices of targets, we looked at a number of options in some detail and at some length.

Revenue growth versus earnings per share

The primary strategic goal of the business is to continue to grow revenue strongly, organically. We would not forego an opportunity to secure profitable revenue growth opportunities simply because the new revenue might be at a lower long-term margin than the high margins on existing revenue. Nonetheless the ultimate purpose of strong revenue growth is to drive profit growth. Hence, we considered a profit related target as preferable to a purely revenue target.

Total Shareholder Return

The most time and effort was spent on the extent to which the long-term targets should be aligned with shareholder value creation through the inclusion of a Total Shareholder Return ("TSR") test.

We have decided at this time not to introduce a TSR component, though we believe relative TSR is a good measure in principle. Our reasons for not adopting a TSR component are:

- difficulty in identifying a meaningful peer group of companies against which to benchmark;
- risk of inappropriate outcomes if benchmarked against a much wider set of companies (e.g. FTSE 250) not least because the benchmark would be expressed in GBP but BCG's entire earnings are in Euros. Attempting to adjust for differences in exchange rates would not be simple, transparent or, most likely, audited; and
- ability to achieve a key positive feature of TSR, that neutralises the effect of different capital policies, by other means (e.g. the inclusion of dividends during the period up to vesting).

ESG-related targets

ESG-related targets are now present in a high proportion of annual bonus schemes. The actual measures often appear to us as relatively subjective and the timeframe of 12 months is poorly aligned to the realities of speed of change in terms of many aspects of ESG (e.g. carbon emissions, gender diversity, gender pay gap). As we do not have an annual bonus scheme this issue does not affect BCG.

ESG targets are starting to make an appearance in long-term incentive plans but are yet to be the norm. The Company is at an early stage in developing its ESG approach, so we considered it inappropriate to set targets that would determine Executive remuneration in three to five years when we had yet to even identify our priorities and areas in which we can make the biggest impact. Once we have a robust ESG framework we will reconsider including one or more ESG measures.

Non-financial targets

In terms of non-financial targets, our view was that no one or two single KPIs stood out as most important to the business. Our view is that managing any business is complex. There are many factors and KPIs which Executives need to take into account and the focus on each varies over time.

Over a three-year timeframe material changes to individual KPIs in areas such as audience visiting the Company's websites, the level of organic revenue growth, operating margin and even wider measures such as customer and employee satisfaction, are likely to be reflected in the operating profit of the Company. In a complex world of changing priorities, we do not believe that selecting one or two additional performance measures is likely to align Executive remuneration better to Shareholder value and Stakeholder value more generally.

Impact of acquisitions

Acquisitions have long been a part of the strategy of the Baltics Classifieds Group. Acquisitions have the ability to distort EPS, our preferred performance measure.

Where acquisitions are small relative to the size of the overall Group, we would not expect to adjust for the impact of acquisitions. Where an acquisition is more significant relative to the size of the Group, we would seek to adjust targets to the best of our ability to make them fair to Shareholders and participants in the LTIP.

Publication of targets

Investors should expect targets to be published as part of the Annual Report published before the awards are made. The Board reserves the right not to make disclosures prior to grant where the nature of the target might be commercially sensitive or sensitive in the wider geo-political context.

Timing and pricing of share awards under the long-term incentive scheme

We propose to grant awards once a year. The performance target for the grant will be set and published ahead of the grant date.

In recent years, significant gyrations in share prices have raised the question of share awards being made at artificially low prices. The Non-Executive Directors have sympathy with this point of view. However, the exercise of discretion in this context by Non-Executive Directors puts them in an invidious and asymmetric position: who are they to say that the market as a whole is mispriced or that their company is being mispriced compared to other companies; why are they expected to exercise discretion on downturns (which may or may not prove to be the bottom of the market) but not exercise discretion in the instance of strong rises (which may or may not be the peak of the market). Just such a challenge currently exists given the undoubted effect of the Russian invasion of Ukraine on BCG's share price.

To help address this concern, the price used will be the average daily closing price of the shares in the period of the last three months before the grant date. We acknowledge that this could result in the award of a larger or smaller number of shares than would be awarded at the share price on the day of grant. However, we believe the approach is both a strong alignment with Shareholders and the best way to avoid subjective judgment. Though from time-to-time awards may be made at what seem like favourable (or unfavourable) prices, relative to the price on the day of the award, the continuity embedded in the approach even these out over time, the ultimate value realisation for Executives is at least five years away, and in any event, provided performance conditions are met, the Executive Directors will be getting shares that have a value.

Discussion with CEO

The CEO confirmed that the proposed structure of remuneration was in line with the culture of the organisation. He was also strongly supportive of the provisions intended to protect the interest of Shareholders.

The only significant area of concern was in relation to the proposed base salaries. These were seen as representing a substantial addition to the cost base of the business, especially at a time when there were a number of other costs arising from being a public company. As the Company grows he felt that the proposed amounts would be less of a drag on profits, especially if fed in gradually over a number of years.

As a result, he proposed that he and his Executive Director colleagues receive a very significantly lower level of base salary than proposed. Annual salaries could then be increased in a number of steps over five years to reach the levels that were supported by external data and proposed by the Remuneration Committee.

The cost of awards under any LTIP were seen as less of an issue in terms of their impact on the cost base of the Company in that the cost would naturally be phased in over three years based on the way accounting policies determine how their costs are allocated.

The Remuneration Committee indicated that they could see no basis on which they could insist Executives receive higher remuneration than Executives felt was appropriate. A phased approach, as proposed by the CEO, would result in significant annual rises in base salary for a number of years, something that typically received adverse comment by advisory organisations and some institutional investors.

The Remuneration Committee accepted the CEO's proposal, with the following caveats:

- the Committee wished to make it explicit to Shareholders as to what the Committee considered the correct base salary levels were for the Executive Directors, even if the contractual agreement between the Company and the Executives was at a lower level. As a consequence, the Board could seek Shareholder approval to higher salary levels than those contractually agreed, to be referred to as the "standard base salary";
- a schedule be provided to Shareholders (Table 4) showing the transition from the initial post-IPO base salaries over five years to the "standard base salary" (which would be adjusted upward each year in line

with the basic salary increases applied widely within the business). By mutual agreement between the Remuneration Committee and the Executive Directors, the transition could be completed in less than the five years as set out in Table 4 and/or with larger increases in any year towards but not exceeding the standard base salary; and

- the Committee felt that the proposed awards under the LTIP should stand. Given the long-term nature of the LTIP, the fact that awards should only vest if the Company has significantly grown (given the adjusted EPS performance target) and the way in which accounting policy would see the costs of the LTIP "layer in" over time, the Committee felt that concerns about increased costs were less relevant to this scheme than to base salaries. Therefore, for the purposes of the LTIP, the standard base salary would be used in relation to award levels and minimum shareholdings.

Table 4 - Migration route to standard base salaries in 2026

	FY2022 (€ thousands)			FY2023 (€ thousands)			FY2024 (€ thousands)			FY2025 (€ thousands)			FY2026 (€ thousands)		
	Salary	LTIP	Max rem	Salary	LTIP	Max rem	Salary	LTIP	Max rem	Salary	LTIP	Max rem	Salary	LTIP	Max rem
CEO	250	700	950	275	700	975	300	700	1,000	325	700	1,025	350	700	1,050
CFO	150	300	450	165	300	465	180	300	480	195	300	495	210	300	510
COO	200	500	700	220	500	720	240	500	740	260	500	760	280	500	780

Assessment of the remuneration arrangements against factors identified in the Corporate Governance Code 2018 (the "Code")

Our Policy has been designed with regard to the six factors listed in the Code: clarity; simplicity; risk; predictability; proportionality; and alignment to culture.

Clarity

We believe the Policy has clarity. Above all, the clarity flows from the simplicity. Clarity is enhanced through extensive use of absolute values rather than percentage ratios. Clarity of outcome is further enhanced by reducing the need and opportunity for the Board to exercise discretion.

Simplicity

We believe the Policy is self-evidently simple. This starts at the highest level by only having two of what are normally five elements of remuneration: we have salary and long-term incentives, we do not have other benefits, pensions or an annual bonus. The absence of an annual bonus we consider of particular benefit in achieving simplicity.

Risk

Appropriate limits are set out in the Policy and within the plan rules. The long-term nature of what we would hope will be the majority of remuneration encourages a long-term sustainable mindset. Clawback and malus provisions fully meet with best practice.

Predictability

Predictability again flows primarily from simplicity. The approach has been explicitly thought about in terms of a timeframe of longer than three years. As implemented, the most significant element of unpredictability in terms of outcomes may prove to be the future path of the share price.

Proportionality

The nature and quantum of remuneration has been considered with specific consideration for the Baltics. The Committee retains discretion to adjust for unforeseen factors, of which the most likely, in the opinion of the Committee, would be the effect of acquisitions or the effect of a significant change to capital policy. We do not envisage situations where the ultimate rewards for the Executive Directors could be driven materially by any other factor than the share price.

Alignment to culture

The culture of BCG is focused on simplicity, high growth, with low costs, and a long-term ownership mind-set. We believe the Policy clearly aligns with this culture.

Self-assessment

As the Committee set itself a larger number of more specific objectives than the six set out in the Code, we have attempted a simple self-assessment. Table 5 below attempts a qualitative self-assessment by the Remuneration Committee of how the resulting remuneration arrangements hold up against the objectives set at the start of the process.

Table 5 - Self-assessment

1	Establish an approach to, and level of, remuneration that is likely to result in BCG retaining its existing Executive team	Yes
2	Establish an approach to and level of remuneration that is likely to be capable of attracting future talent, particularly should it be required at the Executive Director level	Probably if internal or from Baltics; probably not if recruiting internationally
3	Establish an approach which not only is consistent with the culture of the Company but actively supports the culture and needs of the Company	Yes
4	Ensure that the overall level of remuneration is modest by public company standards	Yes
5	Create a structure that is significantly simpler than found in the considerable majority of public companies	Yes
6	Ensure the structure and targets are aligned with the strategy of the business	Yes
7	Create a structure intended to be durable and where Shareholders know what to expect over a number of years	To be seen
8	Articulate our Policy in a simple and transparent way with the minimum of jargon	Yes
9	Conform with public company best practices in relation to protecting Shareholders from excess remuneration being paid in the case of general poor business performance and particularly with regard to any instances of unethical or more generally, reputational damaging behaviour by Executives. This includes Director shareholding requirements, holding periods, Board discretion on payments and clawback provisions	Yes
10	Set targets that are subject to auditable, objective and independently verifiable measures without the need for Board discretion or opaque formulae	Yes
11	Ensure that for any given absolute level of remuneration, Executives receive it in a way that maximises its effectiveness to them in terms of making them feel valued	To be seen
12	Avoid as far as possible approaches that could give rise to significant rewards to Executives arising incidental to their performance in running the business	We believe so
13	Ensure that Executive remuneration does not influence, nor is affected positively or negatively by the decisions the Board takes on capital policy	Yes
14	Adopt a process in determining remuneration, and in administering remuneration, which is consistent with the focus on low costs exhibited in every other area of the business	Yes
15	Ignore the impact of pre-existing equity ownership and additional equity ownership resulting from the IPO on future reward structures and levels	Only partly

2.2. Terms of Employment and Remuneration

Most of the Policy has been described as part of the philosophy and process. However, in this section we aim to bring all the information on the actual terms of employment and remuneration into a single place.

Executive Directors

Base salary	
Purpose and link to strategy	To retain and attract Executive Directors to deliver the strategy
Operation	The Committee has set base salary based on a five-year transition to reach typical lower quartile non-financial FTSE 250-350 base salaries (adjusted for Lithuanian Purchasing Power Parity and approach to payroll tax) Changes normally effective from 1 May
Maximum opportunity	The base salary for each year will normally be as indicated in Table 4 of this report plus the application of any market adjustment applied each year to wider Company employees The Committee may make further salary adjustments in exceptional circumstances For 2022 maximums were €250,000 for CEO, €200,000 for COO and €150,000 for CFO
Performance measures	Not applicable

Benefits	
Purpose and link to strategy	To maintain the low cost base, simplicity and consistency with other employees of the Company
Operation	No benefits are payable
Maximum opportunity	Should benefits be introduced for all employees, Executive Directors would be eligible on the same basis One off or ongoing benefits may be provided in the event that an Executive is required to relocate or in other exceptional circumstances
Performance measures	Not applicable

Pensions	
Purpose and link to strategy	To maintain the low-cost base, simplicity and consistency with other employees of the Company
Operation	No pensions are payable
Maximum opportunity	Should pensions be introduced for all employees, Executive Directors would be eligible on the same basis
Performance measures	Not applicable

Annual Bonus	
Purpose and link to strategy	To maintain the low cost base, simplicity and consistency with other employees of the Company
Operation	No annual bonuses are payable
Maximum opportunity	The Committee does not envisage revisiting the question of annual bonuses prior to 2025
Performance measures	Not applicable

Long-term Incentive Plan

The Company provides its long-term incentives under a Performance Share Plan ("PSP").

Purpose and link to strategy	• To retain and attract Executive Directors to deliver the strategy • The PSP aligns the interest of selected employees with those of Shareholders and may act as a retention tool • To achieve simplicity and transparency and minimise the need for the Committee to exercise discretion
Operation	• PSP awards are made annually in the form of conditional shares or nominal cost options. The intention is to use a share price based on the average of the daily closing share prices for the previous three months. Awards normally vest over a period not shorter than three years and in the case of nominal cost options would normally be exercisable up to 10 years from grant • Performance condition(s) apply and will be disclosed in the annual report prior to award. Normally 25% of awards vest for threshold level of performance • Awards will normally be subject to a further two-year holding period • The value of dividends paid between grant and vesting will accrue to the benefit of PSP participants • Exceptionally, at the discretion of the Committee, settlements may be made in cash
Maximum opportunity	• The maximum annual award is set by the scheme rules at 250% of base salary (with an allowance for 300% in exceptional circumstances) • The Policy for the next three years is to award an absolute value of € 700,000 for the CEO, € 500,000 for the COO and € 300,000 for the CFO • In no case would these awards represent greater than 200% of the long-term target base salary as set out in Table 4
Performance measures	• The intention is to use adjusted EPS, with the Committee exercising discretion primarily in relation to the significant impact of acquisitions, demergers or variations in share capital • The rules of the PSP offer discretion to the Board to vary the choice of performance measures / targets prior to setting those targets • The Committee reserves the right to adjust PSP vesting levels if it considers that the outcome would not otherwise reflect the performance of the Company or the individual. The Committee may adjust targets, provided such changes do not make the targets materially less difficult to satisfy than envisaged at the time of award

The IPO prospectus provided for an initial post-IPO award of shares, under the new PSP and with the terms for such an award materially in line with that described immediately above. The level of awards and performance targets are set out in Part 3 of this Report.

Share ownership guidelines, malus and clawback

Purpose and link to strategy	• Help ensure Executive remuneration is aligned with the interest of Shareholders
Operation	• Executive Directors are expected to hold shares in the Company of at least the following values: CEO €1 million, others €0.5 million • Should Executive Directors not hold sufficient shares to meet the guideline they will be required to retain at least half of all vested shares received under any scheme • Executive Directors are expected to maintain their minimum holding for two years following their departure from the Company • Clawback provisions apply to the PSP relating to a wide range of circumstances including material misstatement, reputational damage, misconduct, business failure, or error in setting or applying the PSP • Clawback can be applied for up to three years from vesting or until up to one year following the resolution of litigation, if longer
Maximum opportunity	• Not applicable
Performance measures	• Under certain circumstances, the Committee has the discretion to waive the minimum share ownership guideline. Situations of personal hardship would be the most likely to be considered

Employment contracts and leaving policy

The Executive Directors are each subject to a Board appointment letter, under the law of England and Wales, and a service contract, under the law of the Republic of Lithuania. All six contracts are dated 3 June 2021. The Board appointment letters are for a fixed-term and the service contracts are rolling contracts with no fixed expiry date.

The Board appointment letters are terminable on written notice by either party, or earlier if employment ceases earlier under the service contracts. The notice period is 12 months for the CEO and six months for other Executive Directors. The Board appointment letters require, at the Company's discretion, the Executive to resign from employment effective on termination of their Board appointment.

The appointment letters and service contracts are available for inspection at the 2022 AGM and at the Company's registered office.

In the event of early termination, a payment in lieu of notice may be based only for the outstanding notice period and may be paid monthly or as one or more lump sums at the discretion of the Committee. Except for instances of retirement, long-term ill-health or other compassionate reasons, payments will normally be subject to mitigation based on the individual taking reasonable steps to find an alternative position. The Committee may make any other payments in good faith to discharge existing legal obligations or to settle claims arising from the termination.

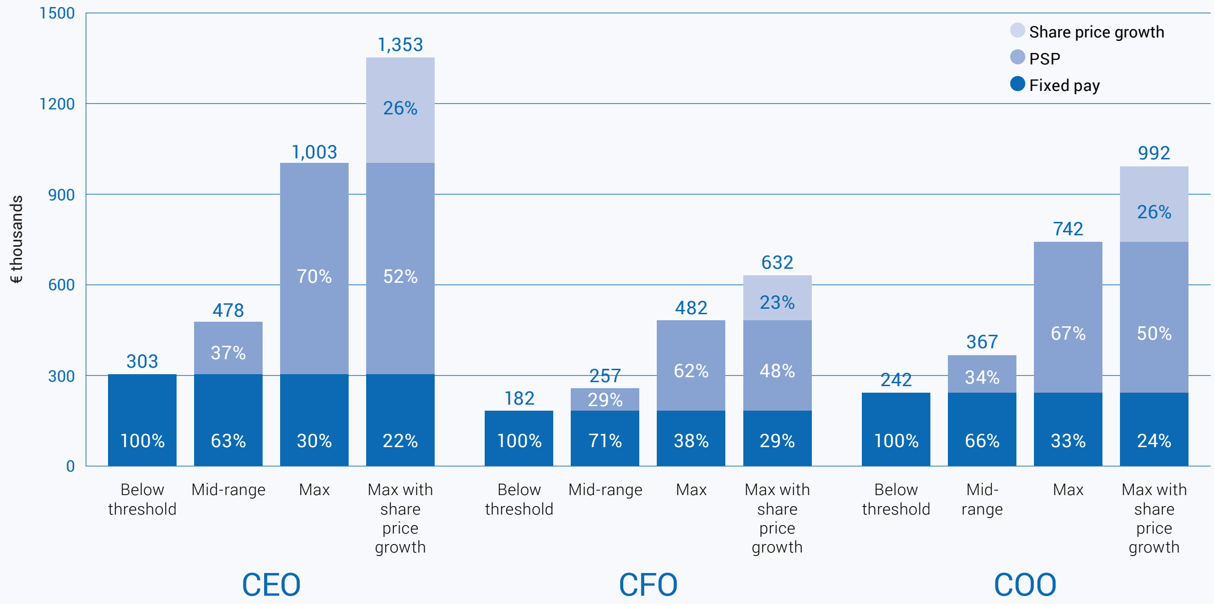
The Board appointment letters and the service contracts of Executive Directors contain provisions to secure intellectual property rights. The Board appointment letters provide for 12 months non-solicitation. The Company retains the right, at its discretion, to apply post-employment non-compete provisions for up to 12 months via the service contracts, subject to the payment of a significant proportion of the employee's base salary during that period (as required to have confidence of enforceability in Lithuanian).

The treatment of leavers under the Company's Long-term Incentive Plan is determined by the rules of the PSP. Outstanding awards will lapse unless the leaver is deemed by the Committee to be a "good leaver". Death is automatically considered as a "good leaver" and awards would vest immediately subject to the Committee's reasonable assessment of the extent to which performance criteria are likely to be met. The Committee has discretion to determine that other leavers are "good leavers", with discretion likely to be considered in cases where the individual is leaving for reasons of retirement, redundancy, long-term illness or compassionate reasons, considered to be in good faith. The Committee will determine the basis of vesting with a presumption that vesting takes place on the same basis and against the same performance conditions as if the person had stayed and the proportion vested be adjusted pro-rata for the proportion of the vesting period during which the individual was actually employed. The normal period for exercising an option is 12 months from vesting.

Remuneration outcomes in different performance scenarios

The following charts illustrate how the composition of the Executive Directors' remuneration packages varies under three different performance scenarios: below threshold; mid-range; and maximum, both as a percentage of total remuneration opportunity and as a total value. It should be noted that these scenarios are for illustrative purposes only and have been determined using the approach specified in the regulations. They should not be construed as profit forecasts or a prediction of share price movements.

Modeling of performance scenario impact on remuneration packages



Assumptions:

- Below threshold = fixed pay only
- Mid-range = fixed pay plus 25% vesting under the PSP
- Maximum = fixed pay plus 100% PSP vesting
- Maximum + share price growth = fixed pay plus 100% PSP vesting with a 50% increase in share price applied to the PSP award

Salary levels used in the illustration are agreed Executive salaries for 2023. PSP figures reflect PSP awards that will be granted to the Executives in 2023. Aside from the maximum + share price growth scenario, no share price increase is assumed and any dividend equivalents payable are not included.

Recruitment Policies

When determining the remuneration package for a newly appointed Executive Director, the Committee would seek to apply the following principles:

- the service contract terms and notice period would be in line with that of the previous holder of that position, or the COO, in the event of it being a new role;
- the package should be market competitive to facilitate the recruitment of individuals of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more, nor less, than it believes is necessary to secure the required talent. In practice, where an issue with existing levels of Executive Director remuneration is likely to arise is if the relevant "market" is the pan-European talent pool of on-line executive talent. However, our aspiration, and given language constraints, the more likely scenario would be that the relevant "market" is the Baltic region, with the Company itself a leading source of local talent;
- we would seek to determine a remuneration package within the existing structure of base salary and LTIP, including conforming to the rules and limits set in the PSP rules. Should this not prove possible, we would disclose any additional components in the relevant Remuneration Report, together with our view of the implications for the remuneration of other Executive Directors and the wider workforce;
- Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of the appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting time frame of forfeited opportunities. The guiding principle of such an arrangement would be that such payment or awards were no more than a reasonably assessed "like-for-like" compensation. The Committee may grant awards in such circumstances relying on the exemption in the Listing Rules which allows for grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director without seeking prior Shareholder approval;
- the Committee may provide assistance with relocation, with a strong emphasis of one-off costs as opposed to ongoing payments; and
- in the event of the appointment of an internal candidate, pre-existing entitlements would normally be honoured. Should the employee not meet the shareholding guidelines at the time of appointment, the requirement to retain half of all vested shares until the requirement be met would only be applied to awards made subsequent to the new appointment.

Wider Executives and employees

Remuneration arrangements are determined throughout the Group based on the same principles as for Executive Directors. The rest of the Senior Management team does not receive annual bonuses or sales bonuses (sales bonuses exist at more junior levels).

Participation in PSP is determined each year, with no employee (other than the Executive Directors) having an entitlement to participation as part of their terms of employment. The intention, initially, is to target awards to key employees, often different groups of employees each year, with the hope of creating widespread retention incentives and subsequently meaningful shareholdings. The level of awards is determined as a set of absolute amounts not percentages of salary. It would be rare for any one individual to receive significantly more than 50% of base salary (and in the few cases where they do, this would typically reflect comparatively lower base salaries in the first place).

Chair and Non-Executive Director remuneration and terms of employment

Purpose and link to strategy	• To enable the Company to attract and retain experienced skilled Chair and Non-Executive Directors ("NEDs")
Operation	• NEDs receive a fee, paid in cash. In the case of NEDs (other than the Chair) there is a supplementary fee for chairing (but not being a member of) a Board Committee and for the Senior Independent Director • The Chair is paid a fixed fee in cash • Changes normally effective from 1 May • Reasonable costs in relation to travel and accommodation are payable where supported by appropriate proof of having been incurred • The Company may pay an additional fees should the Company require significant additional time commitment in exceptional circumstances • NEDs do not participate in any other form of remuneration or benefits
Maximum opportunity	• Fees paid to NEDs are subject to consideration by and approval of the Board, Chair's fee is subject to Committee approval • Until 2025 changes are likely to be limited to increases in line with the annual market adjustment applied widely within the Company

The Chair and Non-Executive Directors serve the Company on the basis of renewable letters of appointment which can be terminated by six months' written notice by either party. No compensation is awarded on termination. Letters of appointment are available for inspection at the 2022 AGM and the Company's registered office.

Consideration of the views of employees

The Committee does not consult with employees specifically on its Remuneration Policy for Directors. However, the Policy puts consistency in treatment as a key principle.

Investor consultation

The Committee will consider Shareholder views throughout the year and at the 2022 AGM. It intends to consult with major Shareholders in advance of making material changes.

As this is our first year as a company listed on the London Stock Exchange we have undertaken specific investor consultation on the Policy set out in the Report.