

Betsson AB (publ)

Remuneration Report 2022

Introduction

This report describes how the guidelines for executive remuneration (the “Remuneration Guidelines”) of Betsson AB (publ) (the “Company” or “Betsson”), which were adopted by the Annual General Meeting (the “AMG”) 2020, were implemented in 2022. The report also provides information on the remuneration to the CEO and includes a summary of the Company’s short- and long-term variable remuneration programs for senior executives. The report has been prepared in accordance with the Swedish Companies Act (2005:551) and the Stock Market Self-Regulation Committee’s *Rules on Remuneration of the Board and Executive Management and on Incentive Programmes*.

Further information on executive remuneration is available in note 7 (Employees, salaries and fees) on pages 95-97 in the Annual and Sustainability Report 2022. Information on the Remuneration Committee’s work in 2022 is included in the Corporate Governance Report on page 63 of the same report.

This report does not cover the remuneration for the Board of Directors (the “Board”). Such remuneration is resolved annually by the AGM and is disclosed in the Corporate Governance Report on page 61 and note 7 on page 96 in the Annual and Sustainability Report 2022.

No comments were made regarding the 2021 Remuneration Report in connection with the 2022 AGM proceedings.

Key developments 2022

In 2022, Betsson delivered the best year ever in terms of revenue and operating profit. For the full year, revenue increased by 18 percent and operating profit increased by 11 percent. Organically, revenue increased by 27 percent for the year. The strong performance was driven by disciplined capital allocation, geographical diversification, and investments in new markets, as well as continuous strengthening of the product offering. The CEO summarises the group’s overall performance in “CEO’s message” on pages 8-9 in the Annual and Sustainability Report 2022.

The Company’s Remuneration Guidelines

Scope, purpose and deviations

The Company’s business strategy is based on common values and rests on three pillars: Talented people, Quality products and Operational excellence. A prerequisite for the successful implementation of the Company’s business strategy and safeguarding of its long-term interests, including its sustainability, is the ability to recruit, motivate, retain, and reward qualified personnel. The Company’s Remuneration Guidelines enable the Company to offer executive management a competitive total remuneration. Under the Remuneration Guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed salary, results-based variable salary, as well as pension and other benefits.

Implementation 2022

The Remuneration Guidelines were fully implemented in 2022. There have been no deviations from the Remuneration Guidelines or from the decision-making process that, according to such, is to be applied to determine the compensation. No remuneration has been clawed back.

The Remuneration Guidelines can be found on page 64 in the Annual and Sustainability Report 2022 and on the Company's website, www.betssonab.com/, under the Corporate Governance section, where the auditor's report regarding the Company's compliance with the Remuneration Guidelines is also available.

CEO Salary

The Board has conducted a review of the CEO's remuneration during 2022 to ensure that the compensation is competitive in terms of market levels and aligned with the Remuneration Guidelines and the Company's strategy. As a result, the CEO's salary was increased.

Prior to the salary increase in 2022, the CEO had not received a salary adjustment since 2017 (when he commenced his role as the CEO). Therefore, the 2022 increase corresponds to an average annual increase of 3.1 percent for the years 2017 to 2022. This salary adjustment is lower than the salary increases of the wider workforce, which was 3.3 percent for the same period. Going forward, the CEO's salary increase will be in line with or lower than the salary increase of the general workforce.

Before the adjustment, the CEO's salary was at the bottom 10th percentile of the market versus peers in European listed companies in the consumer services sector.¹ The adjusted salary is better positioned between the median and the upper quartile of the peer group.

The salary increase is also justified based on the Company's business performance, with revenue increasing by 59 percent (from EUR 489.6 million to EUR 777.2 million) since 2017 and EBIT, during the same period, increasing by 43 percent (from EUR 91.6 million to EUR 131.2 million).

Total remuneration to the CEO – Table 1

The below table shows the total remuneration for the CEO during 2022 and 2021, on an annualised basis, divided into different forms of remuneration:

CEO remuneration (K EUR)	Year	Fixed remuneration		Variable remuneration					Proportion of tot.remun.	
		Base salary	Other benefits	One-year variable	Multi-year variable	Extraordinary items	Pension expense	Total remuneration	Proportion fixed	Proportion variable
Pontus Lindwall	2022	603	7	915	0	0	219	1,744	48%	52%
(CEO)	2021	532	7	170	0	0	191	900	81%	19%

1) Except for Multi-year variable remuneration, the table reports remuneration earned in 2022 and 2021.

2) Multi-year variable remuneration is reported if vested in 2022 and 2021, as set out in Table 2 below (as applicable).

3) Disbursement of any payments may or may not have been made the same year.

4) Other benefits include expense of company car and health insurance.

5) Pension expense, which in its entirety relates to Base salary and is premium defined, has been counted entirely as fixed remuneration.

6) The variable remuneration also contains discretionary remuneration based on the financial outcome of the year as decided by the Board of Directors.

¹ 888 Holdings Plc, AcadeMedia AB, Basic-Fit NV, Compagnie des Alpes SA, eDreams ODIGEO SA, Greek Organisation of Football Prognostics SA, lastminute.com NV, Melia Hotels International SA, NH Hotel Group SA, Pierre & Vacances SA, Playtech Plc, Rank Group Plc and SkiStar AB.

Long-term share-based variable remuneration

Background

Betsson's long-term incentive programs were introduced at the end of 2008. Each program has been decided by the AGM. The CEO and senior executives residing in Sweden have been offered purchase share options at market price, and senior executives residing outside of Sweden have been offered employee stock options.

The options have been subject to three-year vesting periods with the possibility of exercise after such a vesting period. The options are issued at a fixed strike price of 130 percent of the share market price on the allocation date. The share-based remuneration has a cap corresponding to the latest price paid before the launch of the programs multiplied by 2.6. The group has no obligation to settle the options in cash.

Additional information regarding the Company's share-based programs, in addition to what is set out below, is available in note 30 (Share-based remuneration) on page 109 in the Annual and Sustainability Report 2022.

Purchase share options

At the closing date of 2022, the Company had three outstanding purchase share option plans (2020/2023, 2021/2024, and 2022/2025) for the CEO and members of the executive management residing in Sweden.

The options have been offered at market price and have been valued in accordance with the Black-Scholes option valuation model. Volatility is determined on the basis of historical volatility and expected volatility adjusted for business growth and stability of the Company and the industry.

For programs 2021/2024 and 2022/2025, the options have been issued in two series, Series A and Series B. The Board has resolved a pay-out of a bonus corresponding to the amount of the initially paid option premium for the Series A options. Such pay-out is conditional upon the employee exercising the purchase share options and remaining in the service of the group at the time of exercise.

At the end of the year, a total of 1,586,500 purchase share options were outstanding, equivalent to 1.1 percent of the shares in the Company.

Employee stock options

By the end of 2022, the Company had three outstanding employee stock option plans (2020/2023, 2021/2024, and 2022/2025) for members of the executive management and senior executives within the group residing outside of Sweden.

The employees have received free of charge employee stock options, provided the participants have invested in Betsson shares (B-shares). As of the programs 2021/2024 and 2022/2025, the employee stock options were offered without a requirement for share investment of a value corresponding to the value of the purchase share option plan's Series A. For Series B, participants are required to own an equal value of Betsson shares as the fair market value of the options. Employee stock options are conditional upon the employee remaining employed and that the initial investment in Betsson shares has been retained.

At the end of the year, a total of 3,889,815 employee options were issued, corresponding to 2.7 percent of the shares in the Company.

Programs that expired during 2022

During 2022, the term for the 2019/2022 incentive programs expired.

For the purchase share program, in total, 270,000 options were exercised. The CEO exercised 160,000 options (acquiring 160,000 Betsson B-shares). For the employee stock options, a total of 696,776 options were exercised.

Long-term purchases share option program (CEO) – Table 2

In the below table, the CEO's share-based remuneration is presented:

CEO remuneration	The main conditions of purchase options plans					Information regarding the reported financial year			
	Name/ Duration of plan	Issue date	Price per option (SEK)	Exercise date	Exercise price per share (SEK)	Options held at beginning of year	Options purchased during the year	Options vested during the year	Options held at end of year
Pontus Lindwall (CEO)	2019-2022	2019-08-15	2.10	2022-09-02	66.40	160,000	0	160,000	0
	2020-2023	2020-08-21	4.40	2023-09-08	87.40	160,000	0	0	160,000
	2021-2024	2021-08-20	3.21	2024-09-06	90.80	360,000		0	360,000
	2022-2025	2022-09-07	3.55	2025-09-26	90.80	0	304,000	0	304,000

Short-term variable cash compensation

Background

The Company has a short-term incentive plan for Betsson's senior executives within the group as determined by the Board.

Application of performance criteria

The variable cash remuneration for 2022 was based on quarterly targets for revenue and operating income (EBIT) as determined by the Board. To ensure delivery on both measures, the plan pay-out is based on the lower achievement of the two (e.g., if revenue performance is at 107 percent and EBIT at 96 percent, the pay-out will follow EBIT performance at 96 percent). An achieved quarterly bonus is paid out with six months delay, provided that the participant in the program remains employed within the group at the time of pay-out. This means that the bonus is paid during the earning year and the following year. The program has a cap and is limited to 200 percent of the base salary per year (individual fixed gross salary).

The Company has chosen not to provide financial guidance regarding revenue and EBIT targets and, therefore, cannot publish the targets for the 2022 program as it would deviate from such company policy.

Short-term variable remuneration programs (CEO) – Table 3

In the below tables, the performance criteria and the pay-out level for the CEO in 2022 and 2021, as established by the Board, are presented:

Year 2022 CEO	Criteria: Both revenue and EBIT targets have to be reached in order to trigger bonus	Possible yearly bonus per exact criteria (K EUR)	Reached criterias during the year				Earned yearly bonus per criteria (EUR)
		CEO	2022 Q1	2022 Q2	2022 Q3	2022 Q4	CEO
Pontus Lindwall (CEO)	Not Reach level (<95%)	0					0
	Almost Reach level (95%)	145					0
	Reach level (100%)	306					0
	Over-perform level (105%)	571					0
	Out-perform level (110%)	748	x	x	x	x	748
Totals							748

Year 2021 CEO	Criteria: Both revenue and EBIT targets have to be reached in order to trigger bonus	Possible yearly bonus per exact criteria (K EUR)	Reached criterias during the year				Earned yearly bonus per criteria (EUR)
		CEO	2021 Q1	2021 Q2	2021 Q3	2021 Q4	CEO
Pontus Lindwall (CEO)	Not Reach level (<95%)	0					0
	Almost Reach level (95%)	56				x	17
	Reach level (100%)	117			x		37
	Over-perform level (105%)	219	x				49
	Out-perform level (110%)	286		x			66
Totals							170

Change of remuneration and Company performance over the last five reported financial years

Remuneration and Company performance over the last five financial years – Table 4

In the below table, the changes in the CEO's total remuneration, changes to the group's revenue and EBIT and the remuneration of an average full-time employee in the group and in the Company over the past five years are presented:

	2022	2021	2020	2019	2018
CEO total remuneration (K EUR)	1 744	900	931	718	949
<i>of which CEO base salary (K EUR)</i>	603	532	532	532	532
<i>Yearly change total remuneration (%)</i>	94%	-3%	30%	-24%	47%
Group Revenue (MEUR)	777,2	657,7	609,3	488,5	528,4
<i>Yearly change (%)</i>	18%	8%	25%	-8%	8%
Group Operating Profit/EBIT (MEUR)	131,2	117,6	107,3	81,7	116,4
<i>Yearly change (%)</i>	12%	10%	31%	-30%	27%
Average remuneration of a full time employee:					
The whole group (K EUR)*	51,4	44,6	43,6	42,2	41,3
<i>Yearly change (%)</i>	15%	2%	3%	2%	13%
The holding company (K EUR)**	90,0	76,5	105,2	62,2	70,0
<i>Yearly change (%)</i>	18%	-27%	69%	-11%	-10%

Total remunerations refer to Total Remuneration and include base salary, one-year and multi-year variable remunerations, other benefits and pension expenses.

* Average remuneration in the total Group are reported excluding remuneration to the CEO, management team and the

** Average remuneration in the holding company is reported excluding remuneration to the CEO, the management team, and the Board.

Policy changes for 2023

Performance Share Plan

The current structure of Betsson's long-term incentive program, which has been in place since 2008, no longer serves its purpose and its effectiveness has been questioned by shareholders. As a result of this, and after an internal evaluation, the Board proposes that the AGM decide on a performance share plan for 2023 (the "Performance Share Plan").

Under the proposed Performance Share Plan, participants will receive performance share rights at no cost. Based on the achievement of performance conditions over a three-year period, from 1 January 2023 to 31 December 2025 (the "Performance Period"), shares will be allocated to participants during the second quarter of 2026. The maximum compensation is 225 percent of the participant's individual fixed gross salary at the start of the program. The vesting period will run from 1 June 2023 for three years.

The number of performance shares allocated to participants will be reduced if the share price at the end of the program exceeds 200 percent of the share price at the start of the program.

The Company's performance will be measured against four performance conditions (the "Performance Conditions"):

- Revenue: Total revenue during the Performance Period.
- EBIT: Total EBIT during the Performance Period.
- Operating cash flow: Total operating cash flow during the Performance Period.
- ESG: Maintenance of the current AA rating given by MSCI (Morgan Stanley Capital International) at the end of the Performance Period.

The Performance Conditions have been chosen as they are considered to be the key indicators in driving the Company's underlying performance and contributing to its long-term development. Discussions have also been held with major shareholders, confirming support for the chosen Performance Conditions.

Although two of the Performance Conditions (revenue and EBIT) are the same as in the short-term incentive programs, the Board believes that the fact that the performance period is considerably longer (quarterly in the short-term incentive programs compared to three years in the Performance Share Plan) justifies the choice of the Performance Conditions. Furthermore, the Board believes that these two programs together will provide incentives for participants to perform both in the shorter and longer term.

MSCI ESG has been chosen as it is an external, well-established, and unsolicited ESG rating. The MSCI AA rating is considered very strong (a so-called "leader"), particularly within Betsson's industry. The requirements under this rating are expected to increase, and maintaining AA is therefore seen as a target that will i) continue to drive internal ESG efforts and ii) challenge the Company to evolve to maintain its position as a leader. The Board believes that this goal will maximize shareholders' value.

The targets are especially geared to reward achievement that exceeds the targets. The table below summarizes the target levels for the Performance Conditions and pay-out levels (as a percentage of the base salary):

MEASURE		Min	Level 1	Level 2	Max
Revenue	Achievement	97%	101%	106%	112%
	Pay-Out	6.7%	13.3%	41.7%	71.7%
EDIT	Achievement	97%	101%	106%	112%
	Pay-Out	6.7%	13.3%	41.7%	71.7%
Operating cash flow	Achievement	97%	101%	106%	112%
	Pay-Out	6.7%	13.3%	41.7%	71.7%
ESG	Achievement	n/a	AA	AA	AA
	Pay-Out	n/a	10.0%	10.0%	10.0%
Total	Pay-Out	20.0%	50.0%	135.0%	225.0%

As previously stated in this report, financial guidance regarding the now relevant Performance Conditions is not communicated to the market in accordance with company policy. Therefore, the Company will disclose the target levels for revenue, EBIT and operating cash flow after the end of the program. The ESG target is described above.

Participants in the Performance Share Plan are senior executives within the Betsson group as decided by the Board. The Performance Share Plan will have a total of approximately 15 participants. At maximum allocation of Performance Shares, the number of shares under the Performance Share Plan will amount to 1,100,379 series B shares in Betsson, corresponding to a dilution effect of approximately 0.8 percent of the share capital and approximately 0.4 percent of the votes.

New internal policy on the shareholding requirement

To align the interests of senior executives and shareholders and to strengthen management's commitment and thereby increase shareholder value and long-term value growth in the Company, the Board has adopted guidelines on share ownership. According to the guidelines, each covered senior executive shall accumulate personal ownership of Betsson shares equivalent to a value of 100 percent of the annual base salary. The personal share ownership should be built up within a five-year period, which also applies to newly hired senior executives covered by the policy.

Stockholm, April 2023

Betsson AB (publ)

Board of Directors