

# 2020 REMUNERATION REPORT

This report describes how the Remuneration Guidelines of Modern Times Group MTG AB, adopted by the Annual General Meeting 2020, were implemented for the financial year that ended 31 December 2020. The report also provides information on remuneration to the CEO and a summary of the company's outstanding share-related and share-price-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 26 (Employees and personnel costs) on pages 105-111 in the Annual Report 2020. This includes fixed and variable compensation, long-term incentive plans and other benefits, as per the requirement by chapter 5, sections 40-44 of the Annual Accounts Act (1995:1554).

Remuneration of the Board of Directors is resolved annually by the Annual General Meeting and disclosed in note 26 on page 107 in the Annual Report 2020. Two of the Board members, Chris Carvalho and Gerhard Florin, have received other remuneration in addition to the board fees resolved by the AGM. The other remuneration paid to Chris Carvalho and Gerhard Florin will be covered by this report.

## The Remuneration Committee

The Board has established a Remuneration Committee. In order to avoid any conflict of interest, the Remuneration Committee consist only of members that are independent of the company and its management. The remuneration is managed through well-defined processes ensuring that no individual is involved in the decision-making process related to their own remuneration.

The Remuneration Committee is responsible for preparing the Board's decision to propose guidelines for executive remuneration. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate

- programs for variable remuneration to the executive management,
- the application of the guidelines for executive remuneration, and
- the current remuneration structures and compensation levels in the company.

The Committee comprised three independent Non-Executive Directors, each of whom had served on the Committee for the full year 2020:

- Natalie Tydeman (Chairman of the Remuneration Committee)
- David Chance (Chairman of the Board)
- Gerhard Florin (Director of the Board)

Other Executives, including Jørgen Madsen Lindemann (former CEO), Maria Redin (as CFO and later in the year as CEO) and Lars Torstensson (CFO from September 2020) have been, from time to time, invited to attend meetings of the Committee. The Group Legal Counsel, Johan Levinsson, acts as secretary to the Committee. No individuals are involved in decisions related to their own remuneration.

Further information on the work of the Remuneration Committee in 2020 is set out in the corporate governance report available on pages 58 in the Annual Report 2020.

## Advisers

The Committee is informed of key developments, market updates and best practice in the field of remuneration and obtains advice from independent external consultants, when required, on individual remuneration packages and executive remuneration practices in general.

## Key developments 2020

The CEO summarizes the company's overall performance in her statement on page 6-9 in the Annual Report 2020.

## The company's Remuneration Guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. The remuneration structures shall encourage employees to do their utmost to safeguard shareholders' interests and thereby the company's sustainability and long-term value creation. Under the guidelines, executive remuneration shall be on market terms and may consist of the following components: base salary, variable cash remuneration, pension and other benefits. The guidelines provide for the ability to set relevant financial and non-financial STI measures including governance, social and environmental, further contributing to alignment between the guidelines and sustainability. The criteria shall be designed to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy.

The Remuneration Guidelines, adopted by the Annual General Meeting 2020, have been fully implemented. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The guidelines are found on pages 106-107 in the Annual Report 2020. The auditor's report regarding the company's compliance with the guidelines is available on [www.mtg.com/governance](http://www.mtg.com/governance). To the Annual General Meeting 2021, the Board has decided to propose that the guidelines shall remain unchanged in all material respects, however minor adjustments will be proposed to reflect the current composi-

tion of the Management Team and its remuneration. The proposed new guidelines are found on pages 58-60 in the Annual Report 2020 and under item 17 in the notice to the Annual General Meeting (the notice is available on [www.mtg.com/governance](http://www.mtg.com/governance)).

## Total remuneration of the CEO

Jørgen Madsen Lindemann, the CEO of MTG Group since 2012, submitted his resignation to the Board in July 2020. Jørgen has twelve months' notice period in his employment contract. On 3 September 2020 MTG announced the appointment of Maria Redin, the current Group CFO, as the new Group CEO with immediate effect.

As stated in Jørgen's legacy employment agreement signed in 2012, when notice of termination has been given, the Board may at any time terminate the agreement with immediate effect and make a payment in lieu of notice. The Board decided to exercise this option and decided to terminate the employment on 30 September 2020 and to make a payment in lieu of notice. The payment is equal to Jørgen's base salary, no other benefits or pension, for the remaining part of the notice period. Jørgen Madsen Lindemann will continue to act as an adviser to the company and his non-compete obligations will remain in effect until 23 July 2021.

In April 2020 Jørgen received a legacy cash-based retention bonus of kSEK 12 882 which he was awarded as being instrumental in the project to split MTG into two companies, the cash-based retention bonus was approved prior to the split of MTG and NENT in Q1 2019.

The table below shows the total remuneration paid to the two CEOs.

Table 1 - Total CEO remuneration in 2020 (kSEK)

Name of director (position)	Fixed remuneration		Variable remuneration				Pension	Total remuneration	Proportion of fixed and variable remuneration <sup>5)</sup>
	Base salary <sup>1)</sup>	One-year variable	Multi-year variable <sup>2)</sup>	Other benefits <sup>3)</sup>	Extraordinary items <sup>4)</sup>				
Jørgen Madsen Lindemann Jan-Sept 2020 (former CEO)	9,303	5,690	12,882	936	9,923	930	39,664	38/62	
Maria Redin Sept-Dec 2020 (new CEO)	1,924	1,413	-	45	-	194	3,576	60/40	

<sup>1)</sup> Jørgen Madsen Lindemann's base salary amount refers to January-September 2020. Maria Redin's base salary refers to the period 3 September 2020 - 31 December 2020.

<sup>2)</sup> Jørgen Madsen Lindemann's Multi-year variable refers to a legacy cash based retention bonus of kSEK 12 882 which he was awarded as being instrumental in the project to split MTG into two companies, the cash based retention bonus was approved prior to the split of MTG and NENT in Q1 2019 and it was paid out in April 2020.

<sup>3)</sup> Jørgen Madsen Lindemann's Other benefits amount mainly refers to car allowance, housing and travel benefits. Maria Redin's Other benefits amount mainly refers to company car benefits.

<sup>4)</sup> Jørgen Madsen Lindemann's Extraordinary items in the table above refers to a payment in lieu of notice is salary during the remainder of his notice period until 23 July 2021. As stated in Jørgen's legacy employment agreement signed in 2012, when notice of termination has been given, the Board may at any time terminate the agreement with immediate effect and make a payment in lieu of notice. The Board decided to exercise this option and decided to terminate the employment on 30 September 2020 and to make a payment in lieu of notice. The payment is equal to Jørgen's base salary, no other benefits or pension, for the remaining part of the notice period.

<sup>5)</sup> The proportion of fixed and variable remuneration is excluding Jørgen Madsen Lindemann's Extraordinary item.

## Other remuneration paid to Board members in addition to the board fees resolved at the AGM

Chris Carvalho has been a member of the Board of MTG since the Annual General Meeting 2020, i.e. since 18 May 2020. In parallel with his Board assignment Chris Carvalho has an assignment as a consultant and advisor at MTGx Gaming Holding AB, the commencement of this assignment was in February 2019. The consultancy fee paid by MTGx Gaming Holding AB to Chris Carvalho during the period 18 May 2020 to 31 December 2020, was 456 kSEK. Gerhard Florin has been a member of the Board of MTG since the Annual General Meeting 2018. He also serves as appointed Chairman of InnoGames. InnoGames has paid 767 kSEK in board fees to Gerhard Florin in 2020, the payment from InnoGames is outside the MTG board fees which were approved at the Annual General Meeting 2020.

## Share-based remuneration

In light of the uncertain financial effects and possible impact from the spread of Covid-19 it was decided by the Board to not put forward any Long Term Incentive Plan for approval to the Annual General Meeting in May 2020, accordingly no shares/options were granted to the CEO during the financial year 2020.

The company has one outstanding Long Term Incentive program, that is the 2019 LTIP which comprise both a performance share plan and warrants.

The performance share plan in 2019 LTIP was directed towards 25 senior executives and other key employees. The CEO and the senior executives are required to have a certain shareholding in MTG shares (Target Holding) in order for the share awards to vest. The Target Holding to be achieved is for the CEO a shareholding equivalent to the value of 1 year's net base salary at time of grant and, for the senior executives, equivalent to a value of 50% of one year's net base salary.

Based on the participant's base salary and the share price at grant, the CEO is granted share awards equivalent of 56% of the base salary, senior executives are granted share awards equivalent of 50-65% of the base salary and, for the key employees, 57-75% of the base salary.

Depending on the fulfillment of certain stipulated performance conditions one (1) share award would vest as one (1) MTG Class B share to be allotted to the participants at the end of the 3-year vesting period. The CEO was granted 59,330 share awards and the plan in total comprised 218,333 share awards (entitling the participants to the corresponding number of MTG Class B shares depending on fulfilment of the performance conditions).

The performance conditions relate to MTG's organic revenue growth and organic EBITDA margin. The target level for the performance conditions were set by the Board for 2019, with the relative weight of each of the two conditions is 70% and 30% respectively, and each condition measured separately. The performance measurement period was one year, i.e. the financial year 2019. The fulfillment of the performance targets has been evaluated by the Board after year end and none of the performance targets did reach their respective entry levels. The outcome is presented in the table below. As the performance targets in 2019 LTIP were not met the CEO and the other participants will not be allotted any shares at the end of the 3-year vesting period.

Table 2 – Performance Share Plan (CEO)

The main conditions of share award plans						Information regarding the reported financial year					
Name of the holder (position)	Specification of plan	Performance period	Award date	Vesting date	End of retention period	Opening balance	During the year		Closing balance		Shares subject to retention period
						Share awards held at the beginning of the year	Awarded	Vested	Subject to performance condition	Awarded and unvested at year end	
Jørgen Madsen Lindemann (former CEO)	LTIP 2019 <sup>1)</sup>	2019	31 May 2019	29 April 2022	29 April 2022	0	0	0	0	0	0
Maria Redin (new CEO)	LTIP 2019 <sup>1)</sup>	2019	31 May 2019	29 April 2022	29 April 2022	0	0	0	0	0	0

<sup>1)</sup> The maximum number of shares that could be awarded under LTIP 2019 for Jørgen Madsen Lindemann was 59 330 shares. The maximum number of shares that could be awarded under LTIP 2019 for Maria Redin, in her former CFO role, was 24 949 shares, the outcome of LTIP 2019 resulted in 0 shares for the former CEO and former CFO.

The warrant plan in 2019 LTIP was directed towards the CEO and senior executives. The warrants issued entitle to a maximum of 434,667 Class B shares. Each warrant entitles the holder to, during a period from 15 June 2022 to 15 June 2023, subscribe to one new Class B share at SEK 135 corresponding to 115% of the average volume-weighted share price during the period 9 May 2019 and 22 May 2019. MTG subsidized the participants' purchase of warrants by granting the participants a cash compensation corresponding to between 25-75 per cent (depending on the participant's category), net after taxes, of the warrants purchased by the participant. Such subsidy has been paid out at the time of purchase of the warrants.

If the participant leaves MTG during the three-year vesting period for the subsidy, MTG may under certain circumstances reclaim the subsidy, in whole or in part in proportion to the term of the vesting period. The participants' maximum profit is capped at 4.0 times the share price of SEK 117.24, the average volume weighted share price during the five last trading days in March 2019.

The former CEO, Jørgen Madsen Lindemann, joined the 2019 LTIP warrant plan last year, he purchased 250,253 warrants, no subsidy was paid to the CEO.

**Table 3 – Warrant Plan (CEO)**

The main conditions of the warrant plan								Information regarding the reported financial year			
Name of the holder (position)	Name of plan	Performance period	Allotment date	Vesting date	Exercise period	Exercise price (subscription price) (SEK)	Warrants held at beginning of year	Opening balance	During the year		Closing balance
								Warrants allotted	Warrants vested	Warrants subject to performance condition	Warrants allotted and unvested
Jørgen Madsen Lindemann (former CEO) <sup>1)</sup>	LTIP 2019	21 June 2019 - 15 June 2022	21 June 2019	15 June 2022	15 June 2022 - 15 June 2023	135	250,253	0	0	0	250,253
Maria Redin (new CEO) <sup>2)</sup>	LTIP 2019	21 June 2019 - 15 June 2022	21 June 2019	15 June 2022	15 June 2022 - 15 June 2023	135	58,284	0	0	0	58,284

<sup>1)</sup> At the time of Jørgen Madsen Lindemann's resignation from the company in July 2020 the Board decided to not exercise its right to repurchase the warrants which Jørgen paid for himself. Jørgen retains the 250 253 warrants and continues to be covered by the Terms and Conditions of the 2019 LTIP warrant plan.

<sup>2)</sup> The new CEO, Maria Redin, was allotted 58 284 number of warrants in LTIP 2019, in her former role as CFO.

### Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to deliver the company's strategy which is in the long-term interest of the company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account. The combination of these measures further contributes to the profitability and organic growth in the vertical companies as well as the long-term interests and alignment with sustainability of the company.

**Table 4 - Performance of the CEO in the reported financial year: Variable cash remuneration**

Name of director (position)	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) actual award/remuneration outcome (kSEK) <sup>1)</sup>	
Maria Redin Sept-Dec 2020 (new CEO)	Gaming revenues vs target rate	22.50%	a) 93,2%	b) 279,5 kSEK
	Gaming EBITDA vs target rate	22.50%	a) 100%	b) 329,2 kSEK
	eSport revenues vs target rate	22.50%	a) 100%	b) 329,2 kSEK
	eSport EBITDA vs target rate	22.50%	a) 100%	b) 329,2 kSEK
	CSR <sup>2)</sup>	10.00%	a) 100%	b) 146,3 kSEK

<sup>1)</sup> The STI payout was pro rated for the period 3 September 2020 - 31 December 2020.

<sup>2)</sup> The CSR target is evaluated from a qualitative perspective on the following parameters:

- Roll-out and full implementation of a new CSR management system common for all group vertical companies
- Implement a well-functioning whistle blower policy at ESL and DH (ESL Gaming)
- Continued recognition by SAM ESG/DJSI for the MTG CSR Strategy

**Table 5 - Comparative information on the remuneration and company performance**

As this is MTG's first remuneration report, the information in the table below only refers to the 2020 financial year. In the 2021 Remuneration Report, the remuneration for 2020 will be included to report the annual change.

<b>CEO remuneration (kSEK)</b>	<b>2020</b>
CEO remuneration (annualized) <sup>1)</sup>	10,986
<b>Company performance (kSEK)</b>	
Adjusted EBITDA <sup>2)</sup>	535,224
<b>Average remuneration on a full time equivalent basis of employees (kSEK)</b>	
Average remuneration of employees of the parent company <sup>3)</sup>	1,941

<sup>1)</sup> The new CEO's remuneration is annualized and it includes fixed salary, STI, benefits and pension.

<sup>2)</sup> Definition of Adjusted EBITDA can be found on page 139 in the Annual Report 2020.

<sup>3)</sup> Employees average remuneration are calculated as an average of 15 employees (FTE), and it includes fixed salary, STI, benefits and pension.