

COMPENSATION SYSTEM FOR THE MEMBERS OF THE MANAGEMENT BOARD OF ZEAL NETWORK SE

Main characteristics of the Management Board compensation system and relationship to corporate strategy

ZEAL Network SE (hereinafter also “ZEAL”) is the leading German online provider of lottery products. In the course of the progressive online penetration of the German lottery market, ZEAL plans to further expand its market share in order to exploit the potential for a long-term increase in billings. ZEAL has therefore set itself the goal of continuing to expand its tried and trusted business models, especially in Germany and Spain, developing new lottery businesses and discovering new start-up ideas in order to tap further target groups, gain important market knowledge and test new product ideas quickly and inexpensively.

In order to achieve these goals, both financial and non-financial key performance indicators are used to manage ZEAL. Financial performance indicators include billings, sales, and EBITDA. The non-financial indicators used are market share in the online lottery segment, customer satisfaction, and corporate social responsibility.

Due to their relevance for the successful implementation of ZEAL’s corporate strategy, these performance indicators form the basis from which the targets relevant for the compensation of the Management Board are selected. In particular, the following aspects are taken into account:

- ZEAL’s year-on-year growth and the forecast growth of future periods,
- the corresponding expectations of the stakeholders,
- the general external environment and the market-standard compensation of executives and
- the clear alignment of Management Board compensation with a “pay for performance” approach.

The present system for the compensation of the Management Board members was resolved by the Supervisory Board on April 9, 2021 and will apply to all Management Board service agreements extended or newly concluded from that date. The current Management Board service agreements contain provisions that do not correspond to the resolved compensation system.

Procedures for the establishment, implementation and review of the compensation system

Pursuant to sections 87a para. 1 and 120a para. 1 AktG, the Supervisory Board shall adopt a clear and comprehensible compensation system for the Management Board of ZEAL and submit it to the Annual General Meeting for approval. If the compensation system is not approved by the Annual General Meeting, the Supervisory Board shall present a revised compensation system at the next Annual General Meeting at the latest in accordance with section 120a para. 3 AktG.

The compensation system shall be resubmitted for approval by the Annual General Meeting no later than every four years, but in the event of significant changes already at the next Annual General Meeting.

The Supervisory Board is supported in the establishment, implementation and regular review of the compensation system by the Chairman’s Committee in its function as Compensation Committee. This committee is responsible for submitting proposals for the compensation system and the specific compensation of each member of the Management Board. In addition, the Committee is responsible for determining the Company’s compensation system and the structure of the Management Board compensation, including the breakdown into fixed and variable components.

The general provisions of the German Stock Corporation Act (AktG) and the German Corporate Governance Code as amended on December 16, 2019 (GCGC) are observed when dealing with conflicts of interest during the establishment, implementation and review of the compensation system. If the Supervisory Board consults an external compensation advisor for support, it shall ensure that the advisor is independent of the Management Board and the Company.

Determination of specific total target compensation, assurance of appropriateness of Management Board compensation

At the recommendation of the Executive Committee, the Supervisory Board determines the amount of the total target compensation for each Management Board member on the basis of the compensation system. In doing so, it ensures that the compensation is commensurate with the duties and performance of the Management Board member and with the situation of the Company and does not exceed the customary compensation without special justification. To ensure that the compensation of the Management Board is appropriate and customary, it is regularly reviewed (at least every two years) by the Supervisory Board.

Overview of the compensation system for the Management Board

The components of the compensation system

The total compensation of the members of the Management Board is made up of fixed and variable compensation components. The fixed components include the fixed annual salary and retirement and fringe benefits. In addition, the Management Board members receive variable compensation consisting of a short-term incentive (STI) and a long-term incentive (LTI).

The following gives an overview of the compensation components and their relevant parameters:

OVERVIEW OF THE COMPENSATION SYSTEM

Fixed compensation components

Annual fixed salary	<ul style="list-style-type: none"> Annual fixed salary paid in twelve equal monthly installments
Fringe benefits	<ul style="list-style-type: none"> Retirement benefits: <ul style="list-style-type: none"> at the choice of the Management Board member, payment into a pension plan designated by the Management Board member or equivalent payment to the Management Board member via payroll

Variable compensation components

Short-Term Incentive (STI)	<ul style="list-style-type: none"> One-year target bonus system STI payout amount dependent on achievement of predefined quantitative and qualitative targets, e.g.: <ul style="list-style-type: none"> Earnings before interest and taxes, depreciation and amortization (EBITDA) Sales Capital Efficiency Resolution of regulatory challenges Cap: 200 % of target amount Payment in cash after the end of the respective fiscal year
Long-Term Incentive (LTI)	<ul style="list-style-type: none"> Four-year performance-based restricted stock plan LTI payout amount dependent on STI target achievement in the previous fiscal year and share price performance of ZEAL shares after four years Cap: 200 % of grant value Cash payment after the end of the respective tranche

Other contract components

Claw-back	<ul style="list-style-type: none"> Full or partial claim for repayment of variable compensation components in the event of serious violations of legal obligations or internal corporate conduct guidelines
Shareholding Guidelines	<ul style="list-style-type: none"> Investment of 10 % of annual fixed salary in ZEAL shares Minimum holding period of three fiscal years Upon fulfillment of the Shareholding Guidelines, increase of the annual fixed salary by 10%
Maximum compensation	<ul style="list-style-type: none"> Chairman of the Management Board: € 2,750,000 Ordinary Member: € 2,000,000

Share of compensation components in total target compensation

The total target compensation of the Management Board members comprises the fixed annual salary, fringe benefits, STI and LTI (assuming 100 % target achievement in each case). The fixed annual salary accounts for around 40 % to 60 % of the total target compensation. The STI accounts for around 18 % to 26 % of total target compensation, while the LTI accounts for around 22 % to 32 % of total target compensation. The compensation structure of the Management Board members underlines the focus on the long-term and sustainable development of ZEAL through the higher weighting of the LTI compared to the STI. The significant share of variable compensation also ensures the pursuit of the “pay for performance” approach. The fringe benefits correspond to around 1 % of the total target compensation.

Maximum compensation

In addition to the individual cap on variable compensation components (STI and LTI), the Supervisory Board has set a maximum compensation for Management Board members in accordance with section 87a para. 1 sentence 2 no. 1 AktG. This comprises all compensation components (annual fixed salary, fringe benefits, variable compensation (STI and LTI)) and relates to the total of payments of all compensation components granted for a fiscal year, irrespective of when they are paid out. The maximum compensation per fiscal year is € 2,750,000 for the Chairman of the Management Board and € 2,000,000 for each ordinary member of the Management Board.

Detailed consideration of the compensation components

Fixed compensation components

Annual fixed salary

The fixed annual salary of the Management Board members is based on their respective areas of responsibility. It is paid in twelve equal monthly installments at the end of each month.

Fringe benefits

In addition to the fixed annual salary, the members of the Management Board receive fringe benefits as a non-performance-related compensation component. These mainly include retirement benefits. The members of the Management Board have a choice in respect of such benefits. ZEAL either pays contributions into a pension plan designated by the Management Board member or makes an equivalent payment to the Management Board member via payroll.

Variable compensation components

The variable compensation components underline the “pay for performance” orientation of ZEAL’s compensation system due to their performance-related character. In selecting the performance criteria and designing the compensation components, particular attention was paid to incentivizing the successful implementation of ZEAL’s corporate strategy through annual operational targets, while at the same time ensuring long-term successful and sustainable development. The variable compensation components consist of a one-year short-term Incentive (STI) and a four-year long-term Incentive (LTI).

Short-Term Incentive (STI)

The STI for the members of ZEAL’s Management Board is designed as a target bonus system which annually incentivizes the achievement of the Company’s operating targets. For this purpose, the Supervisory Board sets both quantitative and qualitative targets at the beginning of each fiscal year. Depending on the degree of achievement of these targets, the STI payment amount for the respective fiscal year is calculated after adoption of the annual financial statements.

The quantitative targets used to measure performance within the STI are predominantly numerical (e.g. EBITDA, sales, capital efficiency), while the qualitative targets mainly comprise strategic goals (e.g. resolving regulatory challenges). The targets used are linked. In addition, the proportion of quantitative targets outweighs that of qualitative targets. In selecting the targets used for the STI, the Supervisory Board focuses on incentivizing the implementation of the corporate strategy and ensuring the long-term and sustainable success of ZEAL. The quantitative targets take into account increases in both profitability and return on investment for the compensation of ZEAL’s Management Board members and push ZEAL’s growth.

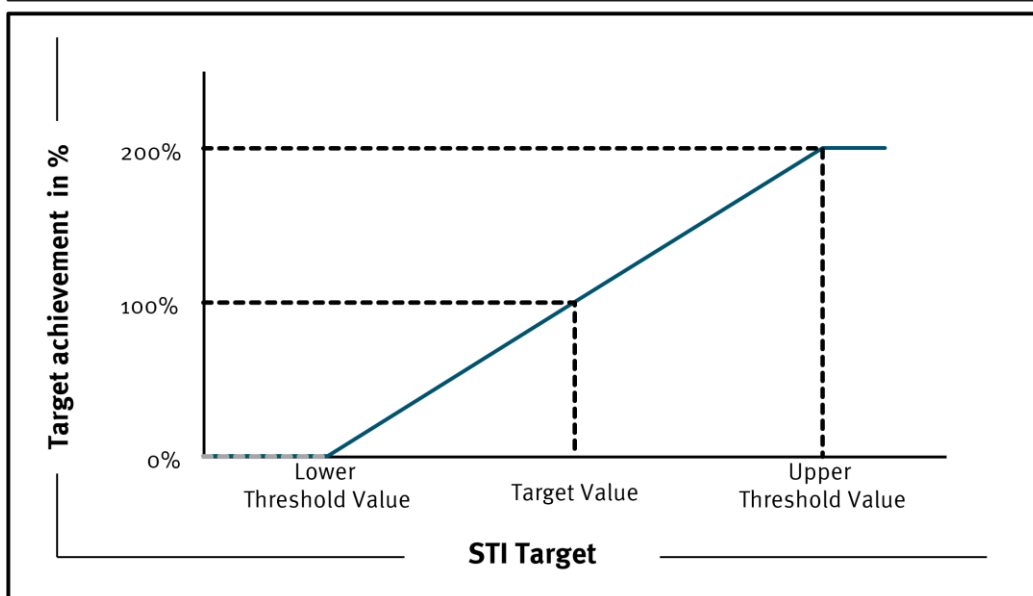
The STI is paid out in cash no later than two months after adoption of the respective annual financial statements. The STI payout amount is calculated by multiplying the STI target amount agreed within the Management Board service agreements by the total STI target achievement. The overall STI target achievement can be between 0 % and 200 %.

STI – Mode of Operation



For both the quantitative targets and the qualitative targets the Supervisory Board sets a target value as well as a lower and upper threshold value at the beginning of each fiscal year. If the target value for the respective target is reached, this corresponds to a target achievement of 100 %. If the lower threshold value is reached or not reached, this corresponds to a target achievement of 0 %. A total loss of variable compensation is possible as a result. At the upper end, target achievement is limited to 200 % (cap). This value is reached as soon as the upper threshold value is achieved. A further increase above the upper threshold does not result in an increase in target achievement above 200 %. Between the respective defined target achievement points (0 %; 100 %; 200 %), the target achievements are interpolated linearly.

STI – Target Achievement Curve



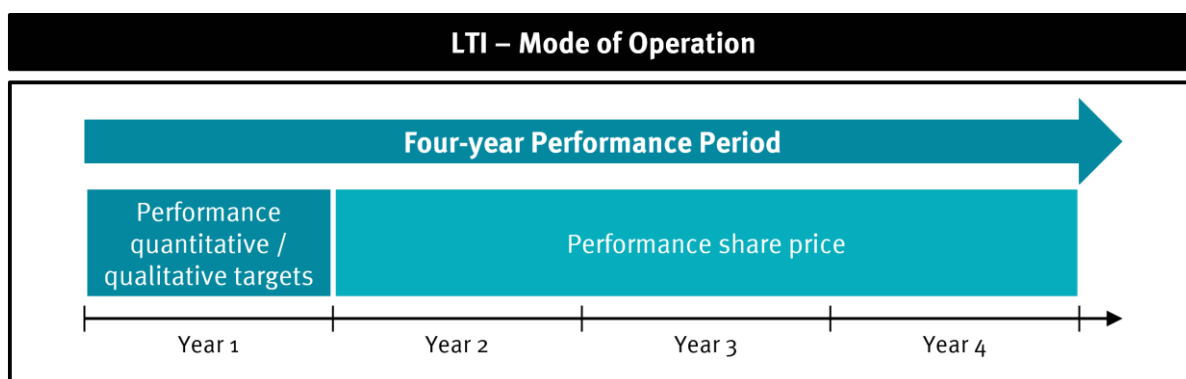
The target values set for a fiscal year, as well as the lower and upper thresholds and actual target achievement per target, are disclosed, as a rule, *ex post* in the compensation report.

Long-Term Incentive (LTI)

The LTI for the Management Board members of ZEAL is structured as a performance-based restricted stock plan. The initial value of the four-year LTI is the contractually defined LTI target amount. After the end of the first fiscal year of each tranche this is multiplied by the overall STI target achievement. The resulting LTI currency value is then converted into a number of virtual shares. To calculate the number of virtual shares to be granted, the LTI currency value is divided by the average volume-weighted price of a ZEAL share within a three-month period before the virtual share is issued.

At the end of the total four-year performance period, the average volume-weighted price of a ZEAL share within a three-month period prior to the end of the respective performance period is determined and multiplied by the number of virtual shares. The LTI payout is settled in cash and can range from 0 % to a maximum of 200 % of the LTI currency value (cap). In the event that the share price is affected by extraordinary external factors

(e.g. a shock of macroeconomic magnitude or changes in the regulatory environment affecting ZEAL), the Supervisory Board may adjust the share price at its reasonable discretion to compensate for these externally induced developments.



As a share-price-related compensation component, the LTI is a key instrument for ensuring the long-term nature and sustainability of Management Board compensation. In addition, the interests of the Management Board and shareholders are linked even more closely.

Claw-back

In the event of serious breaches by members of the Management Board of their statutory obligations or of the Company's internal code of conduct, ZEAL is entitled to demand the return of all or part of the variable compensation components paid out for the respective assessment period from the respective Management Board member (claw-back). The assertion of the claim for repayment is at the discretion of the Supervisory Board. The claim for repayment also applies if the term of office or employment relationship with the Management Board member has already ended at the time of the claim for repayment.

Shareholding Guidelines

The fixed annual salary of the Management Board members is increased by 10 % if they invest a corresponding amount in ZEAL shares each year. The Management Board members undertake to hold these shares for a minimum period of three fiscal years from January 1 of the respective fiscal year. Shares already held or not acquired within the respective fiscal year do not count towards the investment volume. In the event that a Management Board member does not hold the required shares for the minimum period, the corresponding increase in the fixed annual salary is due for repayment.

The resulting increase in the shareholdings of the Management Board members leads to a further alignment of the interests of the Management Board and the shareholders and at the same time promotes long-term and sustainable actions of the Management Board for the benefit of ZEAL's development.

Compensation-related legal transactions

Terms and termination options

The terms of the Management Board service agreements correspond to the respective period for which the Management Board member is appointed to office. That period is typically three years.

The Management Board service agreement ends at the latest at the end of the month in which the Management Board member reaches the standard retirement age under the statutory pension scheme. In addition, the Management Board service agreement ends at the end of the sixth month after permanent incapacity for service is established if the Management Board member becomes permanently incapacitated for service during the term of the Management Board service agreement.

Upon effective revocation of the appointment as a member of the Management Board pursuant to section 84 para. 3 AktG, the service agreement of a member of the Management Board shall also terminate. If the revocation is made for cause within the meaning of section 626 para. 1 of the German Civil Code ("**BGB**"), the Management Board service agreement shall end with immediate effect. If the revocation is made for cause

within the meaning of section 84 para. 3 AktG and does not at the same time fulfil the requirements for an extraordinary termination of the Management Board service agreement without notice pursuant to section 626 para. 1 BGB, the Management Board service agreement shall end with twelve months' notice to the end of the month irrespective of the term of the Management Board service agreement.

Provisions in the event of premature termination of the Management Board service agreement

In no case may any payments to the Management Board member on premature termination of their service agreement, including fringe benefits, exceed the value of two years' compensation (severance payment cap). The severance payment cap is calculated on the basis of the total compensation for the past fiscal year and, where appropriate, the expected total compensation for the current fiscal year. In the event of termination by the Management Board member themselves, no such severance payment will be made.

If the Management Board service agreement is terminated for cause within the meaning of section 626 para. 1 BGB, no payments will be made to the Management Board member, either. At the same time, there is neither an entitlement to an STI for the year of departure nor an entitlement to payment from the LTI insofar as the respective performance period has not yet ended for the latter.

Regulations in the event of commencement or termination of office during the year

In the event of a member joining or departing the Company during the year, the annual fixed salary as well as the STI and LTI are calculated *pro rata temporis* according to the length of service in the relevant fiscal year. Specific provisions apply, as described above, in the event of termination of the Management Board service agreement for cause attributable to the Management Board member.

Assumption of mandates

At the request of the Supervisory Board and without additional compensation, the members of the Management Board will assume supervisory board mandates, Management Board mandates and similar offices in companies in which ZEAL directly or indirectly holds an interest (intercompany board functions). The same applies to activities in associations in which ZEAL is a member and to honorary offices.

Incapacity or death

In the event of temporary incapacity to work on the part of the Management Board member due to illness, accident or a reason for which the Management Board member is not responsible, the fixed annual salary shall continue to be paid for up to six months, but at the longest until termination of the employment relationship. Sick pay, daily sick pay or pensions from health insurance funds are offset against these payments, insofar as the benefits are not based exclusively on the contributions of the Management Board member.

If the Management Board member becomes permanently incapacitated during the term of the Management Board service agreement, the Management Board service agreement shall end at the end of the sixth month following the determination of the permanent incapacity.

If the Management Board member dies during the term of his Management Board service agreement, his surviving dependents are entitled to continued payment of the fixed annual salary for the month of death and the twelve following months.

Temporary deviation from the compensation system

Pursuant to section 87a para. 2 sentence 2 AktG, the Supervisory Board of ZEAL may temporarily deviate from the compensation system if this is necessary in the interest of ZEAL's long-term welfare. Such deviations may be necessary, for example, to ensure adequate incentives in the event of a severe corporate or economic crisis. Such temporary deviation is only possible under special and exceptional circumstances and require a determination of such circumstances by resolution of the Supervisory Board. Notwithstanding any temporary deviation from the compensation system, the Supervisory Board shall ensure that the compensation of the Management Board continues to be aligned with the long-term and sustainable development of ZEAL and is commensurate with the situation of the Company and the performance of the respective Management Board member.

The Supervisory Board may, by resolution, deviate from the following components of the compensation system after determining exceptional circumstances: The regulations on the compensation structure and amount, the regulations on the targets underlying the variable compensation, and the regulations on the individual compensation components.

If the option to temporarily deviate from the compensation system has been used, the necessity for this and the procedure to be followed shall be explained in the compensation report and, pursuant to section 162 para.

COMPENSATION AND COMPENSATION SYSTEM OF THE SUPERVISORY BOARD

The compensation of the members of the Supervisory Board is set out in section 15 of the Company's Articles of Association. It consists of a basic compensation and supplements granted for assuming certain functions in view of the additional workload involved.

Section 15 of the Company's Articles of Association reads as follows:

§ 15 Remuneration

- (1) For each full fiscal year, the members of the Supervisory Board shall receive a fixed annual remuneration of EUR 45,500, which shall be multiplied by three for the Chairman and by two for the Deputy Chairman.
- (2) For their service on one or more Supervisory Board committees, the members of the Supervisory Board shall receive an additional annual compensation of EUR 17,500, which shall be multiplied by two for the respective Chairman.
- (3) In the case of changes in the Supervisory Board and/or its committees during the year, compensation shall be paid *pro rata temporis*, rounded up to full months. If a member of the Supervisory Board does not attend one or more meetings of the Supervisory Board, one third of the total remuneration to which he is entitled in accordance with paragraph (1) shall be reduced pro-rata according to the number of meetings missed out of the total number of meetings during the relative fiscal year. This shall apply *mutatis mutandis* to the committee remuneration pursuant to paragraph (2) if a committee member does not attend one or more meetings of the committee.
- (4) The remuneration pursuant to paragraph (1) shall become due at the end of the Annual General Meeting which receives the consolidated financial statements for the respective fiscal year or decides on their approval.
- (5) The members of the Supervisory Board shall also be reimbursed for all out-of-pocket expenses and any value-added tax incurred on their remuneration and out-of-pocket expenses.
- (6) The Company may take out D&O insurance for the benefit of the members of the Supervisory Board at customary and reasonable terms, covering the statutory liability arising from the Supervisory Board membership.
- (7) The Annual General Meeting shall resolve on any other types of remuneration as well as on benefits with pecuniary character granted to the members of the Supervisory Board.

Procedures for the determination, implementation and review of the compensation of the Supervisory Board

The Supervisory Board reviews the appropriateness of the structure and amount of its compensation at irregular intervals. In its opinion, the existing compensation is appropriate in terms of structure and amount, also with regard to Supervisory Board compensation at other comparable companies.

The task of the Supervisory Board and its members is to monitor and advise the Management Board in the management of the business of the Company. This activity differs fundamentally from the activities of the employees of the Company and the ZEAL Group. Therefore, when reviewing the structure and the amount of the compensation of the members of the Supervisory Board, a so-called vertical comparison with the employee compensation is not appropriate.

From 2020 onwards, the Annual General Meeting of listed companies is required to resolve on the compensation of Supervisory Board members or to confirm the existing compensation of the Supervisory Board members at least every four years. Against this background, the Supervisory Board of the Company will in future carry out a corresponding analysis of its compensation at least every four years in preparation for this regular resolution in order to submit a corresponding resolution proposal to the Annual General Meeting together with the Management Board.

In this context, the members of the Supervisory Board are inevitably involved in the design of the compensation system relevant to them. Any resulting conflicts of interest are countered by the fact that the decision on the approval of the compensation system is the sole responsibility of the Annual General Meeting, which is presented with a proposal for a resolution by both the Supervisory Board and the Management Board.

Implemented structure of the compensation of the Supervisory Board

The compensation of the members of the Supervisory Board consists of a basic compensation plus supplements granted for assuming certain functions in view of the additional workload involved.

The members of the Supervisory Board receive a fixed annual compensation of €45,500 for each full fiscal year in office.

Due to the increased preparation time and workload regularly associated with this and in accordance with recommendation G.17 GCGC, the members of the Supervisory Board receive an additional annual compensation of € 17,500 for their membership in one or more committees, or € 35,000 in the case of the committee chairmen.

Furthermore, the Chairman of the Supervisory Board receives a supplement of € 91,000 and the Deputy Chairman a supplement of € 45,500 on the basic compensation. In accordance with recommendation G.17 GCGC, these supplements take into account the special responsibility associated with the exercise of these offices as well as the considerable additional organizational and administrative effort.

If a Supervisory Board member does not attend one or more meetings of the Supervisory Board, one third of the total compensation due to the member is reduced on a percentage basis in proportion to the Supervisory Board meetings held in the fiscal year compared with the Supervisory Board meetings which the Supervisory Board member did not attend. This applies accordingly to committee compensation if a committee member does not attend one or more meetings of the committee.

If a member joins (or leaves) the Supervisory Board, one of its committees or assumes or renounces an office remunerated with a supplement, during the year, the relevant compensation component is reduced on a pro rata basis (payment of one-twelfth of the relevant annual compensation component for each month or part thereof of membership or exercise of office).

The compensation is paid after the end of the Annual General Meeting which receives the consolidated financial statements for the respective fiscal year or decides on their approval.

Supervisory Board members are also reimbursed for all expenses incurred in connection with the exercise of their Supervisory Board mandate, as well as any value-added tax payable by them in this respect. The Company also pays the Supervisory Board members any value-added tax payable on their total compensation.

Finally, the Company may take out liability insurance for the benefit of the Supervisory Board members covering the legal liability arising from Supervisory Board activities.