

# Corporate governance report

## General information about corporate governance

Starbreeze is a Swedish limited liability company that is listed on Nasdaq Stockholm. Starbreeze's corporate governance is based on Nasdaq's rules for issuers, the Swedish Corporate Governance Code (the "Code"), the Swedish Companies Act, good stock market practice, the company's Articles of Association, internal governance documents and other applicable laws, regulations and recommendations.

The internal control documents mainly comprise the Board's rules of procedure, the CEO's instructions, instructions for financial reporting, and the authorization and financial policies. Starbreeze also has a number of policy documents and manuals containing rules and recommendations, which set out principles and provide guidance for the company's operations and for its employees.

Companies applying the Code are not obliged to comply with every one of the Code's rules at all times. If the company finds that a particular rule is

not appropriate in that company's particular circumstances, the company may choose an alternative solution, provided that the company then discloses the deviation and the alternative solution (in accordance with the "comply or explain" principle). Starbreeze has applied the Code since October 2, 2017, when the company was listed on Nasdaq Stockholm.

## General Meeting of Shareholders

Shareholders exercise their influence in the company at the General Meeting of Shareholders, which is the company's highest decision-making body. Any shareholder who, on the record date for the General Meeting, is entered in the share register kept by Euroclear Sweden AB and registered in a CSD register or CSD account is entitled to attend, in person or by proxy. The general meeting of shareholders may pass resolutions on all matters concerning the company which do not expressly fall within the exclusive competence of another corporate body under the Companies Act or the Articles of Association. The meeting may, for the

## Corporate governance structure



share capital, amend the Articles of Association or liquidate the company. In the case of new share issues, convertible bonds or warrants, the general meeting of shareholders may authorize the Board of Directors to decide on the issue, in addition to taking the decision itself. Each shareholder, irrespective of the size of their shareholding, has the right to have a specific matter dealt with at the General Meeting. Shareholders wishing to exercise this right must submit a written request to the company's Board of Directors. Such requests must normally be received by the Board of Directors in sufficient time for the matter to be included in the notice convening the General Meeting.

The Annual General Meeting (AGM) is held annually within six months of the end of the financial year. The meeting's chair is nominated by the Nomination Committee and elected by the meeting. The tasks of the AGM include electing the company's Board of Directors and auditors, adopting the Group's and the company's balance sheets and income statements, deciding on the appropriation of the company's profit or loss in accordance with the adopted balance sheet, and discharging the Board members and the CEO from liability. The AGM also decides on the fees to be paid to the members of the Board of Directors and the company's auditors.

An Extraordinary General Meeting (EGM) may be convened by the Board of Directors when the Board of Directors considers that there is reason to hold a meeting before the next AGM. The Board

of Directors must also convene an EGM when an auditor or a shareholder holding more than ten percent of the shares in the company requests in writing that a meeting be held to consider a specific matter.

Notice of the general meeting is published in the Post- och Inrikes Tidningar (Official Gazette) and on the company's website. At the time of convening the meeting, information that the meeting has been convened is published in the Dagens Industri newspaper. Notice of AGMs and EGMs at which amendments to the Articles of Association are to be considered are issued no earlier than six (6) and no later than four (4) weeks before the General Meeting. Notice of other EGMs are issued no earlier than six (6) weeks and no later than three (3) weeks before the General Meeting. The meeting minutes will be available on the company's website no later than two weeks after the meeting.

The AGM for the 2022 financial year was held on May 12, 2022. The next AGM is scheduled to take place on May 11, 2023.

#### **Nomination Committee**

On May 13, 2020, the AGM resolved to adopt a procedure for the appointment of a Nomination Committee for future AGMs.

According to this procedure, the Nomination Committee shall consist of the Board Chair and a maximum of four members, who shall be appointed by the largest shareholders or groups of shareholders in terms of voting rights. The four largest shareholders in terms of voting rights

based on the company's list of registered shareholders as at the last business day in August, provided by Euroclear, will be contacted. Shareholders who are not registered with Euroclear and who wish to be represented on the Nomination Committee must notify the Board Chair no later than September 1, and provide proof of ownership. For the purposes of determining who constitutes the four largest shareholders in terms of voting rights, a group of shareholders shall be deemed to constitute one shareholder if they (i) have been grouped together in the Euroclear system or (ii) have publicly disclosed and notified the company in writing that they have reached a written agreement to adopt a long-term common approach to the company's governance through the coordinated exercise of voting rights. As soon as possible after the last business day in August, the Board Chair shall convene the four largest shareholders of the company in terms of voting rights to form the Nomination Committee. If any of the four largest shareholders in terms of voting rights waives their right to appoint a member of the Nomination Committee, the next largest shareholder will be given the opportunity to appoint a member, but no more than ten shareholders need be consulted. The Nomination Committee's Chair is the member representing the largest shareholder unless the members agree otherwise. The names of the committee members and the names of the shareholders who appointed them, as well as how to contact the Nomination Committee, will be announced as soon as the Nomination Committee

### Composition of the Board

Name	Audit and Remuneration Committee	Position held since	Independent of company/shareholders	Attendance Board meetings	Attendance Audit Committee	Attendance Remuneration Committee
Torgny Hellström	Audit and Remuneration Committee	2019	Yes/Yes	14/14	8/8	3/3
Kerstin Sundberg	Audit Committee (chair)	2019	Yes/Yes	13/14	8/8	
Mike Gamble		2021	Yes/Yes	12/14		
Thomas Lindgren	Audit Committee	2021	Yes/Yes	14/14	8/8	
Anna Lagerborg	Remuneration Committee	2021	Yes/Yes	14/14		3/3

### Board of Directors remuneration

2022 (TSEK)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension expense	Total
Torgny Hellström, Board Chair	833	-	-	-	833
Kerstin Sundberg, Director	461	-	-	-	461
Anna Lagerborg, Director May 13, 2020	295	-	-	-	291
Thomas Lindgren, Director May 12, 2021	332	-	-	-	332
Mike Gamble, Director May 12, 2021	250	-	-	-	250
Tobias Sjögren, CEO	3,038	-	-	530	3,568
Other senior managers, average 1 person, at year-end 1 person	6,400	-	143	1,092	7,635
<b>Total</b>	<b>11,608</b>	<b>-</b>	<b>143</b>	<b>1,622</b>	<b>13,373</b>

**Starbreeze's annual cycle for auditing and control**

Annual cycle



has been appointed, which must be no later than six months before the AGM.

The Nomination Committee's term of office runs until a new Nomination Committee has been appointed. Fees are not paid to Nomination Committee members. However, the company is responsible for reasonable costs associated with the performance of the Nomination Committee's duties.

The Nomination Committee's tasks are to submit proposals to the AGM and, where appropriate, to the EGM, concerning the number of Directors to be elected by the meeting, Directors' fees, the composition of the Board, the Board Chair, the AGM Chair, the election of auditors and auditors' fees and the appointment of the Nomination Committee.

The composition of the Nomination Committee shall be published on the company's website no later than six months before the AGM.

The company's Nomination Committee for the 2022 AGM and for the period until a new Nomination Committee is appointed comprises: Michael Hjorth (Digital Bros and Indian Nation), Caroline Sjösten (Swedbank Robur Fonder AB), Ossian Ekdahl (Första AP-fonden), and Torgny Hellström (Board Chair).

### **Board of Directors**

#### **The Board of Directors' duties**

The Board of Directors bears ultimate responsibility for the company's organization and for manag-

ing the company's activities in the interests of the company and all its shareholders. Some of the Board's main tasks include managing strategic issues relating to the company's operations, financing, business establishments, growth, results and financial position, and continuously evaluating the company's economic position. The Board also ensures that there are effective systems for monitoring and controlling the company's activities and that the company's information is transparent, accurate, relevant and reliable.

#### **Composition of the Board**

According to Starbreeze's Articles of Association, the Board of Directors must consist of a minimum of three and a maximum of eight Directors with a maximum of two alternates. Directors are normally elected annually at the AGM to serve until the end of the next AGM, but additional Directors may be elected during the year at an EGM.

At the time of publication of this Annual Report, the Board of Directors consists of five ordinary Directors: Torgny Hellström (Chair), Kerstin Sundberg, Mike Gamble, Thomas Lindgren and Anna Lagerborg.

At the 2022 AGM, members Torgny Hellström, Kerstin Sundberg, Anna Lagerborg, Mike Gamble and Thomas Lindgren were re-elected.

All Directors are elected to serve until the end of the next AGM, which will be held on May 12, 2022. However, each Director is entitled to step down at any time.

The Nomination Committee has made the assessment that Torgny Hellström, Kerstin Sundberg, Mike Gamble, Thomas Lindgren and Anna Lagerborg are independent in relation to the company and its management as well as its major shareholders. The composition of the Board therefore meets the independence requirements set out in the Code.

The company's Directors are presented in more detail in the section titled "The Board of Directors and the auditors" on page 55.

The table on page 47 lists each Director's participation in the various committees, when the Director took up their position and the Board's assessment of the independence of each Director

#### **Board Chair**

The Board Chair has numerous responsibilities, including directing the work of the Board and ensuring that the Board operates effectively and fulfills its duties. Through their contacts with the CEO, the Board Chair continuously receives the necessary information to follow the company's position, financial planning and development. The Board Chair also liaises with the CEO on strategic issues and ensures that the Board's decisions are implemented effectively

The Board Chair is responsible for liaising with shareholders on ownership issues and for communicating the views of shareholders to the Board. The Board Chair is elected by the General Meeting.

### The Board's working methods

The Board follows written rules of procedure which are reviewed annually and adopted at the inaugural Board meeting following the AGM. The rules of procedure regulate matters such as the Board's working methods and tasks, decision-making procedures within the company, the Board's meeting procedures, the Board Chair's tasks and the division of tasks between the Board and the CEO. Financial reporting instructions and instructions to the CEO are also set at the inaugural Board meeting.

14 minuted meetings were held during the 2022 financial year. Each Director's attendance at Board and Committee meetings is shown in a table on page 47.

The CEO is the spokesperson on strategic matters, and the Group's CFO is responsible for economic and financial matters. The Board met with the auditor on a number of occasions during the financial year.

### Board committees

The company's Board of Directors has established two committees, the Audit Committee and the Remuneration Committee. The Board has adopted rules of procedure for both committees.

### Audit Committee

The Audit Committee's task is to prepare the Board's work with regard to quality assuring the company's financial reporting. In addition, the Audit Committee establishes guidelines for any

services other than auditing that the company may procure from its auditors. The Audit Committee is also responsible for submitting its evaluation of the audit work to the Nomination Committee in preparation of the Nomination Committee's proposal to the AGM for the election of auditors and the audit fee. During the 2022 financial year, the Audit Committee consulted with the company's auditors on matters including the existing accounting assessments. Furthermore, the Audit Committee has proposed actions to ensure that the company continuously improves its internal controls.

Since the inaugural Board meeting after the 2022 AGM, the Audit Committee has comprised: Kerstin Sundberg (Chair), Torgny Hellström and Thomas Lindgren.

### Remuneration Committee

The main task of the Remuneration Committee is to consider matters relating to the remuneration and other terms of employment of the CEO and other senior managers. The Remuneration Committee also monitors and evaluates ongoing variable remuneration programs for the management team as well as programs completed during the year, and evaluates the application of the Remuneration Guidelines adopted by the AGM for senior managers.

Since the inaugural Board meeting after the 2022 AGM, the Remuneration Committee has comprised: Torgny Hellström (Chair) and Anna Lagerborg.

### Remuneration of Directors

Remuneration paid to Directors elected by the General Meeting is decided by the General Meeting. At the AGM 2022, it was resolved that a fee of SEK 650,000 would be paid to the Board Chair and SEK 260,000 to each of the other Directors who are not company employees.

In addition, the AGM set a fee of SEK 175,000 for the Chair and SEK 65,000 for the other member of the Audit Committee, a fee of SEK 50,000 for the Chair and SEK 40,000 for the members of the Remuneration Committee was also approved. Auditor's fees are paid according to approved invoices.

See page 47 for the fees paid to the members of the Board of Directors in 2022.

### Evaluation of the Board's work

The Board's work is evaluated annually to improve its working methods and efficiency. The Board Chair is responsible for this evaluation and for presenting it to the Nomination Committee. The evaluation is intended to provide an assessment of the views of the Directors on how Board work is conducted and what actions can be taken to improve efficiency, and whether the Board is well balanced in terms of skills. The evaluation is an important document for the Nomination Committee ahead of the AGM.

During 2022, an evaluation of the Board's work was conducted and presented to the Nomination Committee. The Nomination Committee discussed the experience and skills needed on the Board.

particularly in the light of the now completed corporate restructuring and the core business defined by the company.

**The CEO and other senior managers**

**Duties of the CEO and corporate management**

The CEO is appointed by the Board of Directors and manages the Group's day-to-day business in accordance with the Board's guidelines and instructions. The CEO is responsible for keeping the Board informed of the company's progress and reporting on significant deviations from established business plans as well as any events that have a major impact on the company's performance and operations, and for providing the Board with relevant decision-making information, for example regarding business establishments, investments and other strategic issues. Corporate management, headed by the company's CEO, consists of people with responsibility for key business areas within Starbreeze.

**Remuneration of the CEO and senior managers**

A total of SEK 11,203 thousand (6,048) was paid to senior managers, including the CEO, to cover salary, variable remuneration and other benefits in 2022. Share-related remuneration amounted to SEK 0 (0). Defined contribution pension premiums are paid for senior managers, corresponding to the cost set out in the ITP plan.

No costs of stock options granted to employees were charged against profit and loss SEK 0 (0). See Note 13 for more details.

**Guidelines for the remuneration of senior managers**

These guidelines apply to Starbreeze's senior managers, defined as employees who are part of the company's management team on occasion. These guidelines apply to any remuneration agreed, and any changes made to remuneration already agreed, after the guidelines have been adopted by the AGM. The guidelines do not cover any remuneration that is determined by the General Meeting.

In the case of employment relationships governed by regulations other than Swedish regulations, appropriate adjustments may be made to comply with any mandatory regulations or local practices, while still meeting the overall objectives of these guidelines.

The guidelines promote the company's business strategy, long-term interests and longevity.

**The company's business strategy in brief is as follows:**

Starbreeze is an independent developer, creator, publisher and distributor of PC and console games targeting the global market, with studios in Stockholm, Barcelona, Paris and London. With the successful PAYDAY brand at its core, Starbreeze develops games based on proprietary and third-party rights, both in-house and in partnership with external game developers.

Starbreeze's main activity is the development of proprietary video and computer games, which are wholly or partly financed by the company. The

majority of the company's employees are primarily engaged in the development of the company's products. The games are then distributed, mainly via digital platforms such as Steam, or in partnership with other companies for retail distribution. The company's end customers are the consumers who purchase the games via the various gaming platforms or retailers.

Visit [www.starbreeze.com](http://www.starbreeze.com) to find out more about the company's business strategy.

The company offers market conditions that enable it to recruit and retain competent staff.

The variable remuneration covered by these guidelines is aimed at promoting the company's business strategy and long-term interests, including its longevity.

**Forms of remuneration, etc.**

Remuneration to the management team may consist of a fixed salary, variable remuneration, pension and other customary benefits. In addition, the Board evaluates whether share-based or share-price based incentive schemes should be proposed to the AGM on an annual basis. Such share-based or share-price based incentive schemes are determined by the Annual Meeting and are therefore not covered by these guidelines.

As a rule, fixed salaries are reviewed once a year and must take each individual's qualitative performance into account. The remuneration of the CEO and other senior managers must be market-based.

The Board of Directors is also entitled to determine variable remuneration in the form of a cash bonus for the company's senior managers. All variable remuneration is linked to predetermined and measurable criteria. Maximum annual variable remuneration may not exceed 75 percent of the CEO's fixed annual salary, and 50 percent of fixed annual salary for other senior managers.

Defined contribution pension premiums are paid for the CEO and senior managers, corresponding to the cost set out in the ITP plan. Other customary benefits may not total more than ten percent of the fixed annual salary.

In the case of employment relationships governed by regulations other than Swedish regulations, appropriate adjustments may be made to pensions and other benefits to comply with any mandatory regulations or local practices, while still meeting the overall objectives of these guidelines.

#### **Termination of employment**

The CEO is required to give six months' notice when resigning, and the company is required to give the CEO six months' notice of termination of employment with the addition of six months provision for severance pay. Other senior managers have a notice period of three to nine months. Remuneration may be paid for a non-compete obligation. This is designed to compensate for any loss of income, and is only payable when the former manager is not entitled to severance pay. This remuneration may not exceed 60 percent of the fixed

cash salary at the time of termination, subject to any mandatory provisions in the collective agreement, and is paid for the duration of the non-compete obligation, which may not exceed 18 months after employment ends.

#### **Salary and employment terms for employees**

In preparing the Board's proposal for these Remuneration Guidelines, the remuneration and employment terms of the company's employees have been taken into account by including data on the total remuneration of employees, the components of this remuneration and the increase and rate of increase of remuneration over time. This is used in the Remuneration Committee's and the Board's decision-making process when evaluating the appropriateness of the guidelines and their limitations.

#### **The decision-making process for adopting, reviewing and implementing the guidelines**

The Board has established a Remuneration Committee. The Committee's tasks include preparing the Board's decision on proposed guidelines for the remuneration of senior managers. The Board drafts new guidelines at least every four years and submits them to the AGM for approval.

The guidelines apply until new guidelines are adopted by the General Meeting. The Remuneration Committee also monitors and evaluates variable remuneration programs for the management team, the application of the guidelines for the remuneration of senior managers, and the cur-

rent remuneration structures and levels in the company. The CEO and other members of the management team are not present when the Board discusses and decides on remuneration-related matters if they are affected by them.

#### **Departure from the guidelines**

The Board of Directors has the right to depart from the above guidelines in whole or in part if it considers that, in a particular case, there are special reasons justifying it and a departure is necessary to meet the long-term interests of the company, including its longevity, or to ensure the financial viability of the company. As stated above, the Remuneration Committee is responsible for preparing the Board's decisions on remuneration matters, including decisions on departures from the guidelines.

#### **Auditing and control**

##### **External auditor**

The company's auditor is appointed by the General Meeting. The auditor examines the company's annual accounts and financial statements and how the company has been managed by the Board of Directors and the CEO.

In addition to the auditor's report, the auditor also normally produces a reviser's report at the same time as the interim report for the third quarter.

At the AGM on May 11, 2022, audit firm Öhrlings PricewaterhouseCoopers AB, (Torsgatan 21, 113 21 Stockholm) was re appointed as the company's auditors until the end of the AGM to be held in 2023.



Öhrlings PricewaterhouseCoopers AB has been the company's auditor for the years 2015–2022 and up to the end of the AGM in 2022. The auditor in charge is Alexander Lyckow, Authorized Public Accountant.

Alexander Lyckow is a member of FAR (the institute for the accountancy profession in Sweden). The auditor's report is signed by Alexander Lyckow.

#### Remuneration of auditors

The auditor's remuneration is decided by the General Meeting, following a proposal from the Nomination Committee. At the AGM on May 12, 2022, it was decided that the auditor's fee would be paid according to the approved invoice.

#### Internal auditing and control

The Board's responsibility for internal control is governed by the Swedish Companies Act and the Swedish Annual Accounts Act, which require that information on the key elements of Starbreeze's systems for internal control and risk management in connection with financial reporting be included in the Corporate Governance Report each year. The Board's responsibility for internal control is also governed by the Code. The Board of Director's duties include ensuring that Starbreeze has good internal control and formalized procedures that ensure compliance with established principles for financial reporting and internal control, and that there are appropriate systems for monitoring and controlling the company's operations and the

risks associated with the company and its operations. The overall objective of internal control is to provide reasonable assurance that the company's operational strategies and objectives are followed up and that the shareholders' investment is protected. In addition, internal control ensures that external financial reporting is reliable with reasonable assurance and prepared in accordance with generally accepted accounting principles, that disclosed requirements are met in accordance with internal policies, and that applicable laws and regulations and requirements for listed companies are complied with.

#### Control environment

Internal control at Starbreeze is based on a control environment that includes organization, decision paths, powers and responsibilities. The Board has written rules of procedure that clarify its responsibilities and regulate the division of labor. The rules of procedure also specify the issues to be submitted to the Board for decision. The division of roles between the Board and the CEO is communicated in the Board's rules of procedure and in its instructions to the CEO. In addition, the CEO manages the business based on the Swedish Companies Act, other laws and regulations, regulations for stock market companies, the Swedish Code of Corporate Governance, etc. The Board monitors compliance with established financial reporting and internal control principles and maintains appropriate relations with the compa-

ny's auditors. The management team is responsible for the system of internal controls necessary to manage material risks in day-to-day operations. In addition, the Audit Committee prepares matters for the Board to consider in order to ensure effective control.

#### Risk assessment and control activities

A clear organizational and decision-making structure aims to create a good risk awareness among employees and a balanced approach to risk-taking. Embedded control points aim to minimize the risk of accounting errors. There are also documented procedures for the management of the company's financial and consolidation systems. Monitoring is carried out on an ongoing basis in order to maintain good internal control and thus prevent and detect risks.

#### Risk management

The material risks affecting internal control over financial reporting and operational controls are identified and managed at Group, business area and subsidiary level. Within the Board, the Audit Committee is responsible for identifying material financial risks and risks of misstatement in the financial reporting, and preparing for decisions on possible actions by the Board to ensure accurate financial reporting. A particular priority is to identify processes where the risk of material misstatement is relatively high due to the complexity of the process, or in contexts where large amounts are involved.

The Board instructs the management team to analyze the business and identify and quantify the risks to which the Group is exposed. Once the risks have been identified, they are ranked according to their probability and impact. From this process, the company has developed a large number of controls in the areas of Finance, Management, IT, HR, and Game Development, as well as in Marketing, PR, and IR. Scheduled self-assessment procedures are carried out according to a defined plan and the results are reported to the Audit Committee and the Board, which ensures that the controls have been carried out. The results, analysis and actions of this process are reported directly to the Audit Committee and the Board.

**Follow-up**

The Board continuously evaluates the information presented by the management team and the Audit Committee. The Board's work also includes ensuring that action is taken on any deficiencies or measures recommended in connection with the external audit and the internal monitoring of internal control implemented by the company. After

the Board has received the internal control analysis, the Audit Committee prepares proposals for adoption by the Board to remedy the deficiencies and weaknesses identified.

At the end of the year, the Audit Committee receives a final report on the outcome and status of the internal control. Based on this, the Audit Committee prepares proposals for improvement actions to be submitted to the Board. This is a continuous process according to the annual audit and control cycle illustrated above.

The Board also receives regular reports on the Group's financial position and performance. After the end of each quarter, the Group's financial position is reviewed and the management team analyzes the monthly performance in detail. A summarized report is then provided to the Board on a monthly basis. The Audit Committee monitors the financial statements at its meetings and the Audit Committee together with the Board receives a specific report from the auditors on their observations once per financial year.