

# CORPORATE GOVERNANCE

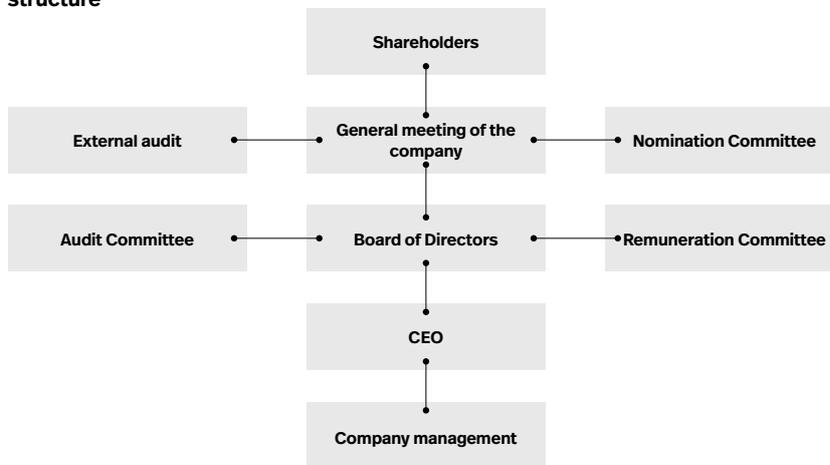
## About corporate governance

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

The internal control documents mainly include the Board's rules of procedure, the CEO instruction, instructions for financial reporting and authorization and finance policy manuals. In addition, Starbreeze also has a number of policy documents and manuals that contain rules and recommendations, which include principles and provide guidance in the company's operations as well as for its employees.

Companies that apply the Code are not obliged to comply at all times with every rule included in the Code. If the

Starbreeze corporate governance structure



company finds that a certain rule does not suit the company's particular circumstances, the company may choose an alternative solution, provided that the company then provides details of such deviation and the alternative solution (in accordance with the 'comply-or-explain' principle). Starbreeze has been applying

the Code since October 2, 2017, when the company was listed on Nasdaq Stockholm. Ahead of the 2019 Annual General Meeting, the company noted one deviation from the Code according to section 10.3, third paragraph – information that was unavailable three weeks prior to the meeting.

## Annual General Meeting

The shareholders' influence in the company is exercised at the general meeting of the company, 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 maintained by Euroclear Sweden AB and recorded in a VPC register or in a securities account has the right to participate, in person or via an authorized representative. The meeting may decide on all matters concerning the company which do not explicitly fall under the exclusive competence of another company body under the Swedish Companies Act or the articles of association. For example, the meeting may resolve on increasing or decreasing the share capital, amendments to the articles of association and the company going into liquidation. With regard to the issue of new shares, convertible shares or warrants, in addition to resolving on such issues itself the meeting also has the opportunity to grant authority to the Board of Directors to resolve on such issues. Each shareholder,

regardless of the size of their shareholding, has the right to have a specific matter addressed at the general meeting of the company. Shareholders who wish to exercise this right must submit a written request to the company's Board of Directors. Such a request should normally be received by the Board of Directors in time for the matter to be included in the notice convening the general meeting of the company.

The Annual General Meeting is held annually within six months of the end of the financial year. The chair of the AGM shall be 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 balance sheets and income statements of the Group and company, deciding on the appropriation of the company's profit or loss in accordance with the adopted balance sheet, and discharging the directors and the CEO from liability. The AGM also resolves on the fees to be paid to the directors and

the company's auditors.

An extraordinary general meeting may be convened by the Board of Directors when the Board considers that there are grounds for holding a meeting before the next Annual General Meeting. The Board of Directors will also convene an extraordinary general meeting when an auditor or shareholder holding more than ten percent of the shares in the company requests in writing that a general meeting be held to deal with a specific matter.

Notice convening a general meeting of the company shall be published via an advertisement in Post- och Inrikes Tidningar and on the company's website. When the convening notice is published, information that notice has been given shall be advertised in Dagens Industri. Notice convening ordinary general meetings of the company and extraordinary general meetings where amendments to the articles of association are to be addressed will be issued no earlier than six (6) and no later than four (4) weeks prior to the general meeting of the company. Notice

convening other extraordinary general meetings will be issued no earlier than six (6) and no later than three (3) weeks prior to the general meeting of the company. The minutes of meetings are made available on the company's website no later than two weeks after the meeting.

In the 2019 financial year, the Annual

General Meeting took place on June 4, 2019. On

March 7, 2019, an extraordinary general meeting was held at which it was resolved, as proposed by the Nomination Committee, to elect Jan Benjaminson, Torgny Hellström and Kerstin Sundberg as new directors for the period up to

and including the next Annual General Meeting.

During the 2020 financial year, one extraordinary general meeting has so far taken place. The next Annual General Meeting is scheduled to take place on May 13, 2020.

## Nomination Committee

At the Annual General Meeting on June 4, 2019, a decision was taken to adopt a procedure for the appointment of a nomination committee prior to forthcoming AGMs.

In accordance with this procedure, the Nomination Committee will consist of the Chairman of the Board and a maximum of four members, who will be appointed by the largest shareholders or groups of shareholders in terms of voting rights. The four largest shareholders in terms of voting rights will be contacted on the basis of the company's list of registered shareholders at the last banking day in August, provided by Euroclear. Any shareholder who is not registered in Euroclear and who wishes to be represented on the Nomination Committee must notify the Chairman of the Board no later than September 1 and be able to confirm the nature of their ownership. In assessing which shareholders are the four largest in terms of voting rights, a

group of shareholders shall be deemed to be an owner if they (i) have been grouped as owners in the Euroclear system, or (ii) have announced and communicated to the company in writing that they have entered into a written agreement to take a long-term, collective approach to the company's management through the coordinated exercising of voting rights. The Chairman of the Board shall, as soon as possible after the end of August, convene the four largest shareholders in the company in terms of voting rights to form the Nomination Committee. If one of the four largest shareholders in terms of voting rights waives their right to appoint a member to the Nomination Committee, the next shareholder in order of size will be given the opportunity to appoint a member, but no more than ten shareholders need be consulted. The chairman of the Nomination Committee shall, unless the members agree otherwise, be the member representing the largest

shareholder. The names of the committee members and the names of the shareholders who appointed them and details of how to contact the Nomination Committee shall be published as soon as the Nomination Committee is appointed, which will be no later than six months prior to the Annual General Meeting.

The term of office of the Nomination Committee extends up until the appointment of a new Nomination Committee. No fees are paid to the members of the Nomination Committee. However, the company will reimburse reasonable costs incurred by the Nomination Committee in performing its duties.

The Nomination Committee is tasked with submitting proposals prior to the AGM and, where applicable, extraordinary general meetings, regarding the number of directors to be elected by the general meeting, directors' fees, the composition of the Board of Directors, the Chairman of the Board, the chair of the AGM, election

## Composition of the Board of Directors

Name	Audit and Remuneration Committee	Held post since	Independent of company/shareholders	Attendance Board meetings	Attendance Audit Committee	Attendance Remuneration Committee
Torgny Hellström	Audit Committee and Remuneration Committee	2019	Yes/Yes	19/19	8/8	1/1
Kerstin Sundberg	Audit Committee (Chair)	2019	Yes/Yes	19/19	8/8	-
Jan Benjaminson	Audit Committee	2019	Yes/Yes	19/19	8/8	-
Harold Kim	-	2016	No/No	11/19	-	-
Stefano Salbe	-	2019	No/No	6/9	-	-
Tobias Sjögren	Remuneration Committee	2019	Yes/Yes	8/9	-	1/1
Matias Myllyrinne	-	2013	Yes/Yes	8/10	-	-

of auditors and auditors' fees and how the Nomination Committee is to be appointed.

The members of the Nomination Committee shall be published on the company's website no later than six months

## Board of Directors

### The tasks of the Board of Directors

The Board of Directors bears ultimate responsibility for the company's organization and management of the company's operations, which are conducted in the interests of the company and all shareholders. Some of the Board's main tasks include managing strategic issues regarding operations, financing, establishments, growth, earnings and financial position, and to monitor the company's financial situation on an ongoing basis. The Board of Directors also makes sure that effective systems are in place to monitor and control the company's operations, and ensures that the company's disclosure of information is transparent, accurate, relevant and reliable.

### Size and composition of the board

According to Starbreeze's articles of association, the Board of Directors shall consist of a minimum of three and a maximum of eight directors with a maximum of two deputies. Directors are normally elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting, but additional directors may be elected during the year at an extraordinary general meeting.

At the time of the publication of the Annual Report, the Board of Directors consists of six individuals: Torgny Hellström (Chairman), Kerstin Sundberg, Jan Benjaminson, Tobias Sjögren, Harold Kim and Stefano Salbe.

At the 2019 AGM, directors Jan Benjaminson, Torgny Hellström, Harold Kim and Kerstin Sundberg were re-elected, and Tobias Sjögren and Stefano Salbe were elected as new directors.

All directors are elected for the period until the end of the next Annual General Meeting, which will be held on May 13, 2020. However, each director is entitled to step down from the Board at any time.

The Nomination Committee has concluded that Torgny Hellström, Jan Benjaminson, Kerstin Sundberg and Tobias Sjögren are independent in relation to both the company and company man-

agement, as well as major shareholders.

The company's Nomination Committee for the 2020 Annual General Meeting and for the period until the appointment of a new Nomination Committee consists of: Ulf Virgin (Digital Bros), Åsa Nisell

and statutory Board meeting. The composition of the Board thus satisfies the Code's requirements in terms of independence.

The directors of the company are presented in more detail in the section entitled 'Board of Directors and Auditors' on pages 36–37.

The table on page 29 contains information about the participation of directors in various committees, when the director took up their position and the Board's assessment of the independence of various directors.

### Chairman of the Board

The Chairman of the Board has a number of duties, including leading the work of the Board and ensuring that it is carried out efficiently and that the Board fulfils its duties. The Chairman shall, via communication with the CEO, receive the information required in order to monitor the company's position, financial planning and performance on an ongoing basis. Furthermore, the Chairman shall consult with the CEO on strategic matters and verify that the decisions of the Board are effectively implemented.

The Chairman of the Board is responsible for maintaining contact with shareholders regarding ownership issues, and for conveying comments from the shareholders to the Board. The Chairman of the Board is elected by the general meeting of the company.

### Board procedures

The board follows written rules of procedure that are reviewed annually and established at the statutory Board meeting held in connection with the Annual General Meeting. The rules of procedure regulate such matters as the Board's working methods, duties, decision-making within the company, Board meeting agendas, the Chairman's duties and the division of tasks between the board and the CEO. Instructions regarding financial reporting and instructions to the CEO are also established in connection with the

(Swedbank Robur Fonder), Ossian Ekdahl (Första AP-fonden), Michael Hjorth (Indian Nation) and Torgny Hellström (Chairman of the Board).

statutory Board meeting.

During the 2019 financial year, 19 minutes meetings took place. Details of each director's attendance at Board and committee meetings are provided in the table on page 29.

The rapporteur on strategic matters is the CEO, and the Group's CFO is responsible for reporting on financial issues. The Board met with the auditor on several 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 is responsible for preparing the Board's work of quality assuring the company's financial reporting. Furthermore, the Audit Committee establishes guidelines for which non-audit services the company may procure from the company's auditors. The committee is also tasked with forwarding its evaluation of the audit work to the Nomination Committee in the preparation of the Nomination Committee's proposal for the Annual General Meeting regarding the election of auditors and the amount of the audit fee. During the 2019 financial year, the Audit Committee consulted with the company's auditors on the existing accounting assessments. Furthermore, the Audit Committee has proposed measures regarding the company's ongoing internal controls in connection with the Group's adjusted operations.

Since the statutory Board meeting following the 2019 AGM, the Audit Committee has consisted of: Kerstin Sundberg (chair), Jan Benjaminson and Torgny Hellström.

### Remuneration Committee

The Remuneration Committee is mainly tasked with preparing issues regarding remuneration and other terms of

employment for the CEO and other senior management personnel. The Remuneration Committee is also responsible for monitoring and evaluating ongoing programs and programs completed during the year for variable remuneration for company management, and for monitoring and evaluating the application of the guidelines for remuneration of senior management personnel resolved on by the Annual General Meeting.

Since the statutory Board meeting following the 2019 AGM, the Remuneration Committee has consisted of: Torgny Hellström (chairman) and Tobias Sjögren.

### Remuneration of directors

The remuneration of directors elected by the Annual General Meeting is decided by the general meeting of the company. At the Annual General Meeting on June 4, 2019, it was resolved that a fee of SEK

950,000 would be paid to the Chairman of the Board and SEK 280,000 each to other directors who are not employees of the company, with the exception of Stefano Salbe, who has declared that he would waive remuneration.

In addition, the Annual General Meeting approved a fee of SEK 75,000 each to the chairman and member of the Remuneration Committee. A fee of SEK 400,000 was decided on for the chair of the Audit Committee and SEK 175,000 to its members. Fees are paid to the auditor according to approved invoices. Directors' fees for 2019 are detailed on page 31.

### Evaluation of board performance

The work of the Board of Directors is evaluated annually for the purposes of developing the board's working methods and efficiency. The Chairman of the Board is responsible for such evaluation and for

presenting it to the Nomination Committee. The purpose of the evaluation is to gain an understanding of directors' views on how Board work is pursued and any measures that can be taken to streamline the work of the Board, and whether the Board has a good balance in terms of areas of expertise. The evaluation provides important information for the Nomination Committee ahead of the Annual General Meeting.

In 2019, an evaluation of the Board's work was carried out and presented to the Nomination Committee. The Nomination Committee discussed what experiences and skills are required on the Board, including in light of the now completed corporate restructuring process and core operations as defined by the company.

## CEO and other senior management

### Tasks of the CEO and other senior management

The CEO is appointed by the Board of Directors and oversees the Group's day-to-day management in accordance with the Board's guidelines and instructions. The CEO is responsible for keeping the Board informed of the company's development and reporting on material deviations from established business plans

and on events that have a major impact on the company's performance and operations, and for producing relevant decision-making documentation for the Board, for example, regarding establishments, investments and other strategic issues. Group management, led by the company's CEO, consists of persons responsible for significant business areas within Starbreeze.

### Remuneration of the CEO and other senior management

Salaries, variable remuneration and other benefits were paid to senior management personnel in 2019, including the CEO, in a total amount of SEK 28,946 thousand (28,946). Share-based remuneration amount to SEK 27 thousand (27). Defined contributions to pension plans are paid for senior management personnel corre-

Board and senior management, 2019 see note 12 & 13 for details	Base pay/ director's fee, SEKK	Variable pay, SEKK	Other benefits, SEKK	Pension expense, SEKK	Share- related pay, SEKK	Total, SEKK	Allocated employee and director stock options	Remaining employee and director stock options	Allotted warrants	Remaining warrants
Michael Hjorth, director/chairman	118	-	-	-	-	118	-	-	-	-
Matias Myllyrinne, director	88	-	-	-	-	88	-	-	-	-
Torgny Hellström, Chairman of the Board	1 175	-	-	-	-	1 175	-	-	-	-
Jan Benjaminson, director	395	-	-	-	-	395	-	-	-	-
Harold Kim, director	373	-	-	-	-	373	-	-	-	-
Kerstin Sundberg, director	602	-	-	-	-	602	-	-	-	-
Tobias Sjögren, director	207	-	-	-	-	207	-	-	-	-
Stefano Salbe, director	-	-	-	-	-	0	-	-	-	-
Mikael Nermark, CEO.	5 847	2 095	176	246	-	8 364	-	-	-	100 000
Other senior manage- ment personnel; average of 2.6 individuals, 3 indi- viduals at year-end	8 598	-	32	352	-	8 982	-	-	-	-
<b>TOTAL</b>	<b>17 403</b>	<b>2 095</b>	<b>208</b>	<b>598</b>	<b>-</b>	<b>20 304</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

sponding to costs under the ITP plan.

Costs for share options granted to employees were charged against profit and loss for 2019 in the amount of SEK 983 thousand (983), see Note 13.

### **Guidelines for remuneration of senior management personnel**

The Swedish Companies Act requires the general meeting to decide on guidelines for remuneration of the CEO and other senior management personnel. At the Annual General Meeting on June 4, 2019, the guidelines proposed by the Board of Directors for remuneration of the company's senior management personnel were adopted as detailed below.

The company will offer market-based terms that enable the company to recruit and retain skilled personnel. Remuneration of company management will consist of fixed pay, pension benefits and other standard benefits. In addition, the Board evaluates on an annual basis whether share-based or share price-based incentive programs should be proposed to the AGM.

As a general rule, fixed pay is reviewed annually and such review must take into consideration the individual's qualitative performance. Remuneration of the CEO and other senior management personnel must be market-based.

The Board of Directors also decides on variable remuneration in the form of cash bonuses to the company's senior management personnel. Variable remuneration on an annual basis is capped at 75 percent of the fixed annual salary of the CEO and 50 percent of the fixed annual salary of other senior management personnel.

Defined contributions to pension plans are paid for the CEO and senior management personnel corresponding to costs under the standard ITP plan.

The CEO is required to give six months' notice of resignation and the company is required to give nine months' notice of termination of employment. Notice periods for other senior management personnel range from three to nine months. There are no agreements on severance pay.

The Board of Directors is entitled to deviate from the guidelines above if it finds that there are special circumstances to justify such a deviation.

### **The Board of Directors' proposal for guidelines for remuneration to senior**

### **management for the 2020 AGM**

These guidelines include senior management of Starbreeze, who are those who from time to time are part of the Company's management team. The guidelines shall apply to remuneration agreed upon, and changes made to already agreed remuneration, after the guidelines have been adopted by the Annual General Meeting. The guidelines shall apply to remuneration agreed upon, and changes made to already agreed remuneration, after the guidelines have been adopted by the Annual General Meeting. The guidelines do not cover remuneration decided by the Annual General Meeting.

In the case of employment relationships subject to rules other than Swedish, appropriate adjustments may be made to comply with mandatory such rules or local practices, in which case the overall purpose of these guidelines shall be met.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

The company's business strategy is briefly as follows.

Starbreeze is an independent developer, creator, publisher and distributor of PC and console games with a global market focus, with studios in Stockholm, Barcelona and Paris. With the successful PAYDAY brand at its core, Starbreeze develops games based on its own and others' brands, both internally and in collaboration with external game developers

Starbreeze's main business consists of its own development of video and computer games, which are financed in whole or in part from own resources. The majority of the company's employees have as their main occupation to develop the company's products. The games are then distributed mainly through digital platforms such as Steam, or in partnership with other companies for physical distribution. The company's end customer is the consumers who buy the game through the different gaming platforms or retailers.

For further information on the company's business strategy, see [www.starbreeze.com](http://www.starbreeze.com)

The Company shall offer market conditions that allow the Company to recruit and retain competent personnel.

Variable remuneration covered by these guidelines shall aim to promote the Company's business strategy and long-term interests, including its sustainability.

### **The forms of compensation, etc.**

Remuneration to senior management may consist of fixed salary, variable remuneration, pension and other customary benefits. In addition, the Board of Directors shall annually evaluate whether share-based or share price-related incentive programs should be proposed to the Annual General Meeting. Such share-based or share price-related incentive programs are decided by the Annual General Meeting and are therefore not covered by these guidelines.

As a general rule, the fixed salary is reviewed once a year and shall take into account the individual's qualitative achievement. Remuneration to the CEO and other senior management shall be market-based.

The Board of Directors shall also decide on variable remuneration in the form of cash bonuses to the Company's senior management. The variable remuneration shall be linked to predetermined and measurable criteria. Variable remuneration on an annual basis may not exceed 75 per cent of the fixed annual salary of the Managing Director and 50 per cent of the fixed annual salary of other senior management.

For the CEO and senior management, defined contribution pension contributions are paid corresponding to the cost according to the usual ITP plan.

Other customary benefits may total a maximum of 10 per cent of the fixed annual salary.

In the case of employment relationships subject to rules other than Swedish, in the case of pension benefits and other benefits, appropriate adjustments are made to comply with mandatory such rules or local practices, with the overall purpose of these guidelines being met.

### **Termination of employment**

In the event of termination by the CEO, there is a notice period of six months and termination by the Company is subject to a notice period of nine months.

Other senior management shall have a notice period of three to nine months. There shall be no severance pay.

In addition, compensation for any restriction of competition may be paid. Such compensation

shall compensate for any loss of income and shall be paid only to the extent that the former executive is not entitled to severance pay. The remuneration shall not exceed 60% of the fixed

cash salary at the time of termination, subject to mandatory collective bargaining rules, and shall be paid for the period of the commitment to restrict competition, which shall be increased by no more than 18 months after the termination of employment.

### **Salary and conditions of employment for employees**

When preparing the Board's proposal for these remuneration guidelines, the salary and terms of employment for company's employees have been taken into account by taking into account data on employees' total remuneration, components and the increase and rate of increase in compensation over time have formed part of the committee's and the Board's decision-making documents in evaluating the fairness of the guidelines and the limitations resulting from them.

The decision-making process for defining, reviewing and implementing the guidelines

The Board of Directors has set up a remuneration committee. The committee's tasks include preparing the Board's proposal for guidelines for remuneration to senior management. The Board of Directors shall draw up proposals for guidelines at least every four years and submit the proposal for a resolution at the Annual General Meeting. The guidelines shall apply until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate variable remuneration programmes for company management, the application of guidelines for remuneration to senior management as well as current remuneration structures and remuneration levels in the company. In the Board's consideration of, and decisions on, remuneration-related issues, neither the CEO nor other members of the management of the company shall attend, in so far as they are the focus of the discussion.

### **Depart of the guidelines**

The Board of Directors has the right to deviate from the above guidelines in whole or in part if the Board of Directors considers that in an individual case there are special reasons justifying it and a deviation is necessary to satisfy the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As stated above, it is part of the remuneration committee's task to prepare the Board's decisions on remuneration issues, which includes decisions on deviations from the guidelines.

### **Transitional provisions applicable to the 2020 Annual General Meeting**

At the time of the Annual General Meeting on May 13, 2020, previously resolved benefits that had not been due amounted to an amount of 0 SEK.

## **Auditing and control**

### **External auditor**

The company's auditor is appointed by the general meeting. The auditor is tasked with auditing the company's financial statements and accounting records and the management of the company by the Board of Directors and Chief Executive Officer.

In addition to the auditor's report, the auditor normally also provides review reports on the Q3 interim financial report).

The AGM held on June 4, 2019, reappointed auditing firm Öhrlings PricewaterhouseCoopers AB, (Torsgatan 21, 113 21, Stockholm, Sweden) as the company's auditor for the period until the end of the 2020 AGM. Öhrlings PricewaterhouseCoopers AB was also the company's auditor for 2015, 2016, 2017, 2018, 2019 and the period prior to the 2020 AGM. Authorized public accountant Nicklas Kullberg is the auditor in charge. Nicklas Kullberg is a member of FAR, the institute for the accountancy profession in Sweden. The auditor's report is signed by Nicklas Kullberg.

### **Remuneration of the auditor**

Remuneration of the auditor is decided by the AGM according to the Nomination Committee's proposal. The AGM held on June 4, 2019, decided that fees to the

auditor would be paid in accordance with approved invoices.

### **Internal auditing and control**

The Board of Directors' responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Annual Accounts Act, which require Starbreeze to provide information in the corporate governance statement about the key elements of its systems for internal control and risk management in conjunction with annual financial reporting. The Board of Directors' responsibility for internal control is also regulated in the Code. Accordingly, the Board's duties include ensuring that Starbreeze maintains effective internal control and formalized procedures that ensure compliance with established principles for financial reporting and internal control, and ensuring that appropriate systems are in place for monitoring and control of the company's operations and the risks associated with its operations.

The overarching purpose of internal control is to obtain reasonable assurance that the company's operational strategies and objectives are followed up and shareholders' investments protected. Internal control should also determine, with reasonable assurance, that external

financial reporting is reliable and prepared in accordance with generally accepted accounting practices, that it complies with applicable laws and regulations and with rules applicable to listed companies.

### **Control environment**

Internal control at Starbreeze is based on a control environment that encompasses the organization, decision paths, duties and powers. The Board of Directors has written rules of procedure that clarify the Board's responsibilities and regulate the division of work among the directors. The board's rules of procedure also specify the issues that must be submitted to the Board for decisions. The division of roles between the Board of Directors and the CEO is communicated in the Board's rules of procedure and in its instruction to the CEO. In addition, the CEO manages operations based on the Swedish Companies Act, other laws and ordinances, regulations applicable to listed companies, the Swedish Corporate Governance Code, etc. The Board of Directors monitors compliance with established principles of financial reporting and internal control and maintains purposeful contact with the company's auditors. Company management is responsible for the internal control system required to manage

material risks in ongoing operations. The Audit Committee also prepares matters for decisions by the Board in order to maintain an effective control environment.

#### **Risk assessment and control activities**

A clear organization and decision-making procedures aim to promote awareness of risks among employees, and carefully considered risk-taking. Embedded internal control points are also intended to minimize the risk of misstatements in the accounts. Similarly, there are documented procedures for the management of the company's finance and consolidation system. Ongoing monitoring and follow-up are applied to maintain effective internal control and thus prevent and detect risks.

#### **Risk management**

Material risks that affect internal control of financial reporting and operational controls are identified and managed at Group, business area and subsidiary levels. Within the Board, the Audit Committee is responsible for ensuring that material financial risks and risks of misstatements in financial reporting are identified and prepared for decisions by the Board regarding possible corrective measures to ensure accurate financial reporting. Special priority is awarded to identifying processes where the risk of

material misstatement is relatively higher due to the complexity of the process or in contexts that involve high monetary values.

The Board of Directors tasks senior management with analyzing operations and identifying and quantifying the risks to which the Group is exposed. Once the risks have been identified, they are ranked according to their probability and consequences. Based on this analysis, the company has designed a large number of controls in the areas of Finance, Management, IT, HR and Game Development, Marketing and PR, and IR. A planned self-assessment process is conducted according to an established plan and the outcome is reported to the Audit Committee and the Board of Directors, who verify that the controls have been performed. The results, analysis and measures in connection with this process are reported directly to the Audit Committee and Board of Directors as outlined below.

#### **Follow-up**

The Board of Directors continuously evaluates the information provided by company management and the Audit Committee. The work of the Board of Directors also includes ensuring that measures are taken regarding any deficiencies, as well as measures recommended in connection with external audit and internal follow-up of internal control

implemented by the company. Once the Board has received an analysis of internal control, the Audit Committee prepares proposals for the Board regarding measures to address any deficiencies and weaknesses identified.

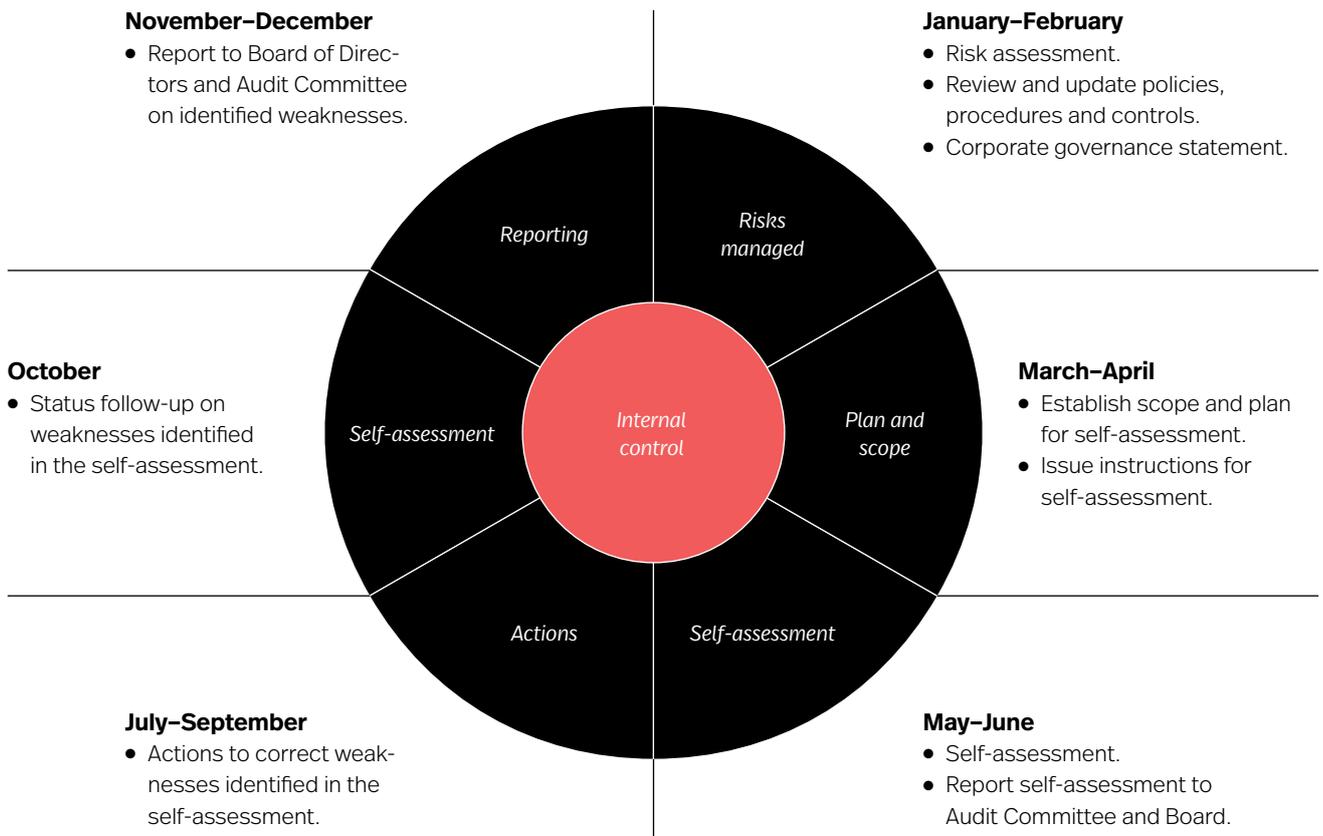
Towards the end of the year, the Audit Committee receives a final report on the outcomes and status of internal control. Based on this report, the Audit Committee prepares a proposal on improvement measures for submission to the Board. This is a continuous process according to the annual cycle for auditing and control illustrated below.

The Board is also provided with regular reports on the Group's financial position and performance. The Group's financial situation is reviewed at the end of each quarter and senior management analyses the profit and loss trend at a detailed level on a monthly basis and thereafter provides a summarized report to the Board. At its meetings, the Audit Committee follows up on financial reporting and receives a special report from the auditors once every financial year concerning their observations.

## **Starbreeze AB (publ) and five subsidiaries in reconstruction in 2019**

On December 3, 2018, Stockholm District Court granted reconstruction of the companies Starbreeze AB (publ) and its Swedish subsidiaries Starbreeze Publishing, Starbreeze Production, Starbreeze Studios, Enterspace and Enterspace International. On December 6, 2019, a successful conclusion of the reconstruction was reached and Stockholm District Court approved the composition agreement.

**Starbreeze annual cycle for auditing and control**



## Board of Directors and auditors



### **Torgny Hellström**

*Chairman of the Board since extraordinary general meeting 2019*

**Born:** 1958.

**Principal occupation:** Torgny Hellström is active as a Board member and management consultant and has previously held senior positions as Chairman of DDM Holding AG and MagComp AB, board member of True Heading AB and Seapilot AB, within Anoto Group, most recently as CEO and previously as COO and Chief Legal Officer. Torgny's previous jobs also include Vice President Litigation within the Ericsson Group and positions within IBM Europe and IBM Nordic.

**Other roles:** Chairman of Precise Biometrics.

**Holdings in the company:** Directly or indirectly owns 250,000 Class B shares

Torgny Hellström is independent in relation to the company, its management and major shareholders.



### **Jan Benjaminson**

*Director since extraordinary general meeting 2019*

**Born:** 1958

**Principal occupation:** Jan Benjaminson has extensive experience as a CFO with various listed and unlisted software companies in Sweden and is now CFO of G-Loot, an e-sports company. Jan has previously been CFO and CEO of TargetEveryOne and he is also one of the founders of Level Eight, an independent mobile gaming development company. Jan was Chairman of Massive Entertainment from 2000 to 2002.

**Other roles:** Founder and Chairman of the Board of Level Eight AB

**Holdings in the company:** -

Jan Benjaminson is independent in relation to the company, its management and major shareholders.



### **Hyung Nam Kim (Harold Kim)**

*Director since 2016*

**Born:** 1977

**Education:** Bachelor of Science, University of Southern California Marshall School of Business.

**Principal occupation:** Vice President of Business Development for Smilegate Holdings Inc. and Acting Director of SG Interactive Inc.

**Other roles:** Acting Director of SG Interactive Inc. and Vice President of Business Development for Smilegate Holdings Inc.

**Holdings in the company:** -

Harold Kim is not independent in relation to the company, its management and major shareholders.

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## Changes to the Board during the financial year

On December 10, 2018, four Board members asked to step down from the Board of directors and as a result Starbreeze's Board of Directors was without a quorum from December 10, 2018, up until the date of the extraordinary general meeting on March 7, 2019.



## **Kerstin Sundberg**

*Director since extraordinary general meeting 2019*

**Born:** 1954

**Principal occupation:** Kerstin Sundberg has a background as an authorized public accountant and financial advisor, and has been a partner at Deloitte for the past 17 years. In addition to auditing large and medium-sized listed and unlisted Swedish as well as international companies in various industries, including media and telecommunications, Kerstin has extensive experience in M&A and transaction services.

**Other roles:** Member of the Board of WWF Sweden.

**Holdings in the company:** -

Kerstin Sundberg is independent in relation to the company, its management and major shareholders.



## **Tobias Sjögren**

*Director since 2019 AGM*

**Born:** 1975.

**Education:** EMBA Gruppen

**Principal occupation:** Since 1996, Tobias has been active in the video game industry in production, business development, sales and management. Most recently, Tobias was CEO of White Wolf Entertainment and he has previously worked at Paradox Interactive, Stardoll and the international agent company DDM Agents. Tobias was head of DICE Stockholm's studio during the launch of the first Battlefield game 17 years ago. Tobias is currently CEO of Fox in a Box.

**Other roles:** CEO and Board member of the company Fox in a Box Holding AB.

**Holdings in the company:** -

Tobias Sjögren is independent in relation to the company, its management and major shareholders.



## **Stefano Salbe**

*Director since 2019 AGM*

**Born:** 1965.

**Education:** Graduate degree from University of Bocconi

**Principal occupation:** Since 2000 CFO and Board member of Digital Bros S.P.A and the subsidiary 505 Games.

**Other roles:** CFO and Board member Digital Bros S.P.A and in 505 Games Srl.

**Holdings in the company:** -

Stefano Salbe is not independent in relation to the company, its management and major shareholders.

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## **Auditors**

The authorized auditing firm Öhrlings PricewaterhouseCoopers AB is the company's elected auditor.

### **Nicklas Kullberg**

*Auditor in charge*

Auditor of Starbreeze AB (publ) since 2015.

**Born:** 1970

Authorized Public Accountant.

## Senior management



### **Mikael Nermark**

*CEO since December 2018  
(Deputy CEO since 2009, CEO between 2011 and 2013)*

**Born:** 1970

**Education:** Business, Stockholm University.

**Background:** Executive and expert in the games industry for 20 years.

**Holdings in the company:** Directly or indirectly owns 623,433 Class B shares.



### **Claes Wentzel**

*Acting CFO since December 2018*

**Born:** 1962

**Education:** Bachelor of Science in Business Administration Stockholm University

**Background:** Financial Advisor Ocopeptides AB (publ.), Group CFO Catena Media PLC, CFO Pricer AB (publ.), Financial Advisor Doro AB (publ.), Financial Advisor Mycronic AB (publ.)

**Holdings in the company:** Directly or indirectly owns 1,000,000 Class B shares.



### **Maeva Sponbergs**

*Chief Commercial Officer  
(prior to this EVP of Communications since 2017,  
Head of Investor Relations 2015 & Head of Operations 2014)*

**Born:** 1980

**Education:** IT Project Management, IHM Business School.

**Background:** Nineteen years' industry experience and many years of experience in communications and investor relations.

**Holdings in the company:** Directly or indirectly owns 71,137 Class B shares.

## Operational management team



### **Per Juhlén**

*Head of Production since 2019*

**Born:** 1973

**Education:** -

**Background:** 20 years of experience working in the gaming industry in senior positions at Ubisoft, most recently as Executive Producer for the studio in Montreal, Canada.

**Holdings in the company:** -



### **Charlotte Albertsson**

*Head of Business and Financial Control since 2018 (prior to this Head of Financial Control 2017, Financial Controller 2016)*

**Born:** 1987

**Education:** International MBA, Linköping University.

**Background:** Worked as an economist for seven years for companies including Qliro and Deloitte.

**Holdings in the company:** -



### **Martin Ternheim**

*HR Director since 2019*

**Born:** 1977

**Education:** MA in International Human Resources Management, University of Greenwich, 2004, and BSc in Human Resources Management, Unitec, 2002.

**Background:** Worked in HR for more than 15 years, most recently as HR Manager at Telenor.

**Holdings in the company:** Directly or indirectly owns 101,168 Class B shares.