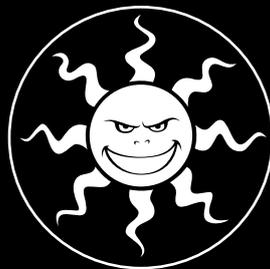


Sustainability Report 2020



STARBREEZE
STUDIOS

SUSTAINABILITY REPORT 2020

Introduction

From the 2017 financial year, larger companies meeting two or all three criteria are obliged under the Annual Accounts Act to issue a sustainability report. These criteria are: the average number of employees has been more than 250 persons; the balance sheet has totalled more than SEK 175 million and/or net reported sales have been more than SEK 350 million. Starbreeze met the criteria and consequently published its first sustainability report in 2019 and now, in 2020, is issuing its second edition. The Board of Directors is responsible for this sustainability report, which is prepared in accordance with the provisions of Chapter 6 of the Annual Accounts Act. The sustainability report relates to Starbreeze AB and all subsidiaries in the Group.

In 2020, the world was hit by Covid-19, prompting the business to prioritise measures to ensure employee safety and to make sure it is mindful of others and the world around us. The pandemic also led to many people being isolated and lonely, which has meant that Starbreeze's business of uniting and engaging players

around the world has become more important than ever. Many sources cite games as providing a social hub during the pandemic, and there has been a marked increase in the number of hours played and the number of players.

A positive, safe working environment is an important sustainability issue for the company. Starbreeze's measures in this area aim to create a physically, mentally and socially healthy and stimulating workplace for all employees that actively prevents the risk of occupational injury and work-related illness. Starbreeze regularly evaluates its work environment initiatives to ensure constant improvement in its day-to-day activity. Continuous gender-equality measures are regarded as important in terms of employees and social factors, and they are considered throughout all areas of the company's business. Starbreeze's gender-equality work aims to create an inclusive, mindful culture among employees and in the business relationships that the company initiates and pursues. The company has a new management team that is currently

working on an updated vision for the business, in which culture and values are central to this work.

The company's Code of Conduct sets out the basic principles of how Starbreeze does business, providing ethical guidance for both employees and the business. For example, it regulates how Starbreeze combats corruption and promotes fair competition. The Code of Conduct also sets out what employees can expect of Starbreeze as an employer in terms of work environment, safety, human rights, gender equality, health and individual privacy.

For games and their marketing, the company complies with labelling in line with applicable regulations and recommendations for each market, such as PEGI for the EU and the ESRB for the United States on matters such as content and age limits. Marketing should be ethical and honest and reflect generally common social standards on what is considered to be good taste and decency with regard to products.

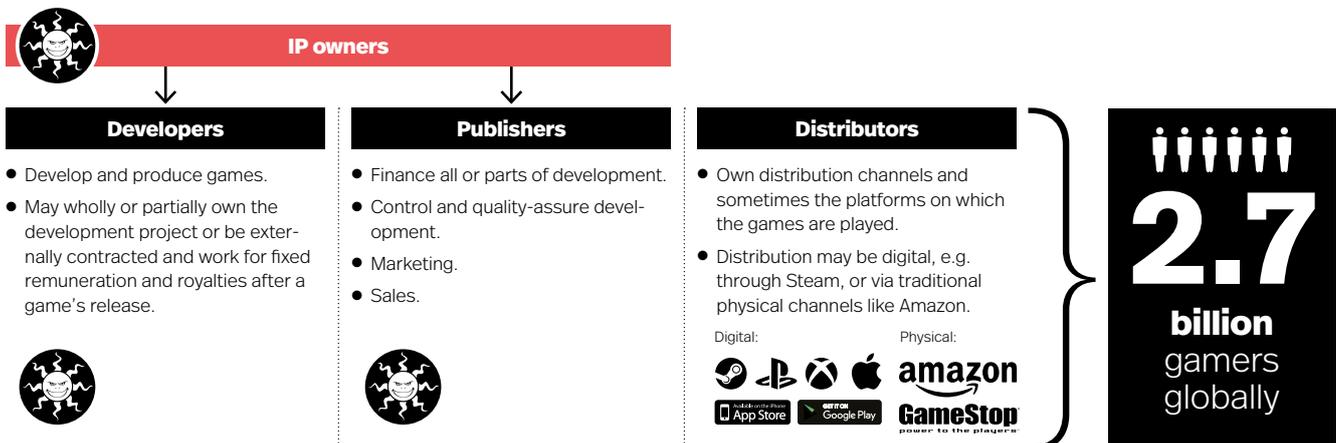
Business concept & model

Starbreeze is an independent developer, creator, publisher and distributor of PC and console games operating globally, 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.

Starbreeze's main business consists of the development of computer and video games that are wholly or partly financed with its own resources. The majority of the company's employees mainly work on developing the company's products, with outsourcing also used

in the games development process. 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 customers are the consumers who purchase the games through the various

The games industry value chain



distribution platforms and retailers. Starbreeze itself does not currently provide payment solutions for end customers.

Starbreeze develops games based on PAYDAY intellectual property (IP) for various gaming platforms. If the game has been funded by the company itself, Starbreeze receives all income after taxes and platform fees are deducted. If, on the other hand, the game has been financed wholly or partly by third parties, they receive a share of the revenue in the form of royalties.

Starbreeze covers distribution and marketing costs for self-funded games. Where games are jointly funded, this cost is usually shared equally. The company is usually entitled to deduct these costs before sharing revenue with any third-party IP owners.

Environment

The gaming industry has a relatively limited impact on the environment, as most of the business is conducted digitally and games distribution is handled through digital channels. The majority of Starbreeze's products are now sold via download and the company aims to promote sales through digital channels over bricks-and-mortar sales. The environmental impact of the business at present is deemed small, but Starbreeze actively monitors developments regarding server rooms and other solutions assessed to have environmental impacts now and in the future to establish and track the impact of the business.

Employees and social conditions

Starbreeze is a company that seeks to achieve diversity in all respects. The Group values all colleagues and prospective colleagues equally, regardless of gender, disability, religion or sexual orientation. It is important to the company that no one experiences discrimination in the workplace. This is discussed in the company's teams with line managers, and management acts promptly in the event of any deviations from this.

It is paramount that Starbreeze employees regard the workplace as engaging and see good career opportunities within the business. The busi-

Vision: To create, develop and publish exciting, game-play-focused and community-centric games.

Responsibility

Starbreeze's vision, mission, values and Code of Conduct guide employees in their day-to-day work regarding the company's aims on the work environment, social and environmental issues, human rights, and anti-corruption measures. The Code of

Conduct contains the company's binding guidelines. All Starbreeze employees have read the Code of Conduct and the heads of each department are responsible for ensuring it is complied with in day-to-day operations.

The company leases all its premises, which means primary responsibility for the business' electricity supply, waste collection and recycling is based on agreements with the respective landlord. Starbreeze is responsible for complying with these specifications and pointing out when activities are not carried out to the standards of the company. Starbreeze also endeavours to upgrade outdated equipment as much as possible and recycle all components correctly. During the year, Starbreeze discontinued operations in the United States, and the remaining equipment has been handled according to these guidelines.

Where possible, Starbreeze documents everything digitally and only prints documents when required by law or the particular nature of the work at hand. Invoices are stored and authorised electronically. Consumables such as printer toner and similar waste are sorted at source and returned to the supplier.

Starbreeze endeavours, both from an environmental and cost perspective, to replace physical travel with digital communications, such as video conferencing. When travelling is undertaken, the mode of transport with the least possible environmental impact is prioritised.

ness model requires skilled specialists and decision-makers at all levels of the company. The technical expertise of games developers is important, but collaboration and good leadership skills are also essential in all roles to ensure the business operates at its best. Motivation, commitment, clarity and cooperation are important to the company and are continually being developed in consultation with management.

Starbreeze is a knowledge-based company. A range of experience and a variety of backgrounds therefore support a creative approach to games develop-

ment. A key issue for the Group is the ability to attract and retain talent. It is therefore essential that the workplace is stimulating, offers good career opportunities and provides space for personal development for all roles in the Group. Starbreeze's goal is to set an example as a workplace and employer on diversity, engagement and career opportunities.

Starbreeze continually reviews discrimination in the workplace and the psychosocial work environment. It aims for zero tolerance; no one should experience discrimination in the workplace. Starbreeze has a systematic approach to

work environment issues, facilitated by the training of managers to ensure the necessary competence and tools are in place for a positive, supportive workplace. It establishes guidelines and risk assessments to disseminate knowledge about these issues among employees, helped by the use of surveys, discussions and plans. The security and safety of premises are discussed and upgraded on an ongoing basis. This includes both

evacuation drills and digital tools that check the number of people in a building. This work has been enhanced considerably with regard to Covid-19, and management evaluates and informs employees about measures being taken to ensure employee safety. This is done in light of the business' operations in a number of countries, which have different rules and conditions. With regard to employees and social factors, it is paramount that the

business is operated fairly and with clear respect for local conditions.

Starbreeze aims to ensure discrimination is not tolerated by any of the Group's suppliers and partners. It is challenging to monitor this issue closely, so it is vital that all employees are always enabled to discuss and handle these matters with the company's support.

Human rights

Human rights are of great importance to Starbreeze and the company considers them an integral part of its values. The risk of human rights violations is assessed as very low due to the avoidance of high-risk regions and the company's intensive work on its core values. Starbreeze regards human rights as a core issue both

for the company and society.

Starbreeze only conducts its own activities in countries with good employee protection and no forced or child labour. The company therefore does not consider this to be a major risk at this time. However, Starbreeze's partners and counterparties may be active in

places where forced and child labour do occur. To avoid this, Starbreeze relies on contractual requirements to comply with applicable labour legislation and on employees being responsive and attentive and reporting any doubts they may have.

Anti-corruption measures

Starbreeze should adopt a responsible approach in all aspects of the company's business.

Starbreeze believes the risk of corruption is low, but complies with the Code of Conduct that has been established for the business. It stipulates that unlawful, inappropriate and/or unethical behaviour is not accepted and specifically addresses corruption, bribery, fraud, extortion, money laundering and counterfeiting. It also contains guidelines on the giving and receiving of gifts and on entertainment. Employees are informed of these guidelines when joining the company, and are also notified of respon-

sibility regarding anti-corruption measures. Starbreeze applies a zero-tolerance policy to corruption and no suspected cases have been detected. The CFO is ultimately responsible for anti-corruption efforts.

There is a risk of employees being unaware of the Code of Conduct in day-to-day work and consequently not knowing what is and what is not acceptable. There may also be grey areas in which situations and boundaries are unclear, posing a challenge for new, less experienced employees. The preventive work currently undertaken ensures that the Code of Conduct is given to new employees, along

with the opportunity to ask questions and discuss potential scenarios. This is completed by both the company and the employee signing to confirm that the information has been shared. In addition to this, teams work on the principle of flagging any uncertainties they may have so they can obtain the correct guidance on how these should be managed.

For further details regarding Starbreeze's market conditions, personnel work and the business, see Starbreeze AB's Annual Report 2020 <https://www.starbreeze.com/sv/investerare/rapporter/>



