

## LETTER FROM CHAIRMAN OF THE BOARD

# REFINING EMBRACER'S SUSTAINABLE AND DECENTRALIZED GOVERNANCE MODEL

*In an eventful year, we further evolved our strategy to expand the Group's operations and we made several strategic acquisitions in line with this updated strategy. A major initiative during the year has been our planned up-listing of the Embracer share to Nasdaq Stockholm's regulated market before the end of 2022. This has triggered a thorough readiness assessment and further refinement of our unique, decentralized governance model, risk management and commitment to sustainability. As I have said before, things move quickly here at Embracer Group.*

A devastating war on European soil is creating unimaginable damage, human suffering and geopolitical insecurity whilst people in many regions are still coping with the effects of the pandemic. I extend my compassion and sympathy to all of you who have been affected in various ways. At the same time, I'm impressed and pleased with the determination and unselfish willingness to help and contribute shown by so many of you across the organization. I'm truly grateful for the way the group has come together and cared for the safety of our people.

I would like to believe that this caring mentality is part of our corporate culture. One of the core elements of the growing Embracer Group is our strong trust in the individual. This is the foundation of our decentralized model, and I think our model has yet again proved itself during these difficult times.

### **EFFICIENT GOVERNANCE MODEL – DECENTRALIZED DECISION MAKING**

The decentralized governance model is the essence of Embracer and we have a strong conviction to never become a slow, bureaucratic organism. With that said, we have been building and enhancing our governance model for years now. During the year, we took important steps to refine it further.

As we are aiming to list the company's shares on Nasdaq Stockholm's regulated market by the end of 2022, we have to comply with even stricter requirements. This has triggered a thorough readiness assessment. We launched several new initiatives and improvements to our corporate governance such as further developed committee-work in the Board, recruitments in key positions and an increasing number of group policies, guidelines and instructions to be consistently implemented. We made improvements to our risk assessment and risk management structure, including internal control as well as to our commitment to sustainability, with group-wide objectives,

policies and training programs being rolled out in key areas. Once we are up-listed, we will be implementing the Swedish Corporate Governance Code, and a transfer of our reporting to IFRS began as of the start of the financial year 2022/2023.

In the following pages we outline the governance structure and the extended framework of policies, guidelines and instructions. The policies have been resolved by the Board of Directors to be implemented throughout the Group. The Board also decided to expand the scope of the Audit committee to also include sustainability renaming it the Audit and Sustainability Committee. Stakeholders are pushing for greater corporate transparency and they want to know how we are addressing ESG-risks and opportunities because of their potential impact on shareholder value. By adding sustainability to the audit committee's responsibilities we address this with a better governance structure.

### **THE M&A PROCESS - A WELL ESTABLISHED PART OF THE GOVERNANCE MODEL**

This strict and highly professional governance framework is combined with creating an environment which allows for creative independence for companies that join us. Our approach to M&A is to empower entrepreneurs to remain independent and work in the way that works best for them and for us. Strategic and cultural fit are important elements, so getting to know the entrepreneurs is always an important part of the evaluation process. In the end you have to trust people, and we do.

Naturally, we have a well-established process for mergers and acquisitions and a dedicated and experienced M&A-team. They follow thorough, yet efficient procedures for financial, legal, commercial and sustainability due diligence. Of course, a failed acquisition could be a serious risk, but an equally important risk is that we lose creativity, talented employees or important skills that we



paid for. Our model has proven successful in balancing these risks and objectives.

#### **BROADENED STRATEGIC SCOPE – TRANSFORMATIVE ACQUISITIONS**

The Board resolved on a revised, updated strategy that expands the strategic scope of the Group, creating an even stronger ecosystem. With Asmodee, Dark Horse, Gearbox and Easybrain, we made sizeable, strategic and transformative M&A in line with this revised strategy.

The strategic development of the Group has been gradual but consistent and very deliberate. Remember that this was only our first full year with a substantial mobile business, alongside our well-established premium console- and PC-games business. Today we have 10 operative groups and highly diversified revenue streams.

#### **SIGNIFICANT SHAREHOLDING AMONG KEY PEOPLE ALIGNING INTERESTS**

The entrepreneurs joining us by M&A are still entrepreneurs after they have joined the Group. The difference is that after an acquisition, they become part of a greater family that empowers them to develop their business further. An important element in making this work in the long-term is the alignment of interests obtained by widespread ownership of the Embracer-share among our key people. It's a huge strength for the Group to have such a

large shareholder base of operationally active key people, because they are ambitious, skilled entrepreneurs and they share our long-term commitment to build something significant and lasting. Such a strong base of shareholding amongst entrepreneurs and co-founders is a solid foundation for our values and governance model.

I am proud that we are able to implement a sustainability framework in this dynamic and decentralized group. Creating a sustainable company is an ongoing journey and we continue to make important progress. Step by step we work towards our objectives, to create great entertainment, be a great company to work for and to do good for local communities and society.

Kicki Wallje-Lund  
*Chair of the Board*