





Sustainability report

We know that we are all defined by our actions. So let's ensure that our actions speak for us.

JÖRGEN LARSSON

Sustainability report

In building a company that generates long-term value, Stillfront knows that sustainability must be an integral part in all decisions we make and of our strategy. Stillfront has prepared a sustainability report, comprising the Group companies, in accordance with the Swedish Annual Accounts Act, which is inspired by the Global Reporting Initiative (GRI) Standards.

Our business

- > Stillfront's mission is to build a leading powerhouse of gaming studios providing digital entertainment in the form of low-risk, long lifecycle games for loyal users. Stillfront acquires and develops gaming studios and realizes synergies between them to create a broad and diversified portfolio of games where long life cycles and a loyal player base generate stable income. This engenders strong cash flow and enables organic and acquired growth. Our business model is built on long-term relationships as regards our ownership role as well as in relation to our professionals and our users.

STILLFRONT'S POSITION IN A RAPIDLY GROWING DIGITAL ENTERTAINMENT MARKET

MARKET CONDITIONS



- > A large number of new games but few real successes
- > Free-to-play is the leading business model
- > Competition by other game developers but also by other kinds of digital entertainment
- > The industry is under consolidation
- > Larger players take market shares
- > 2.5 billion users worldwide

STILLFRONT GAME STUDIOS



DESIGN & DEVELOPMENT

Stillfront develops long lifecycle games with loyal users, especially in free-to-play

MARKETING

Stillfront strengthens its position in the value chain through in-house marketing expertise

PUBLISHING

Stillfront takes responsibility for sales

GLOBAL DISTRIBUTION



- > Browser
- > Mobile platforms, mainly iOS and Android
- > PC & Console

+600
MILLION
ACTIVE
USERS

Continual interaction with users and data analysis forms the base for developing and broaden the content of our games to ensure good revenues long term

How Stillfront governs sustainability

> For Stillfront, sustainability is about creating long-term value for shareholders and for society by developing well-run companies that make a positive contribution to the communities in which they do business, to the environment and to the economy. We act as one company with shared values and principles, while our decentralised organisation lets us seize local opportunities. At the same time, it is important to present a shared framework of values and business principles to underpin local implementation. We clearly express our expectation that our studios will conduct their business responsibly and ethically.

The Board of Directors is responsible for Stillfront’s overarching strategy, in which sustainability is integral to value creation.

Stillfront’s Management develops tools and processes that guide head office and our studios. These include the Code of Conduct, policies, training and follow-up material, as well as KPIs.

All our studios and their professionals are expected to be familiar with and live up to our sustainability ambitions. The Studio Head is responsible for implementation, carrying out training and follow-up. An approach that is resource-efficient, decentralised and digital is key to our business’ success.



Stakeholder dialogue

- > To steer work on sustainability, taking the demands of the wider community into account, it is important to engage in close dialogue with our stakeholder groups. The table below sets out the stakeholder groups identified as being the most important for Stillfront and the methods we use to conduct dialogue with these. The stakeholder groups have been identified, through discussions with the Board of Directors and Management, as the groups that are affected by our operations to the greatest degree and which have a major impact on our ability to follow through on our strategies and attain our goals.

RESULTS FROM STAKEHOLDER DIALOGUES		
STAKEHOLDER GROUP	FORMAT	KEY ASPECTS
> Shareholders and investors	<ul style="list-style-type: none"> > Interviews > Meetings > Analyses > Capital market day 	<ul style="list-style-type: none"> > Data privacy > Sustainable products > Responsible gaming > Anti-corruption
> Users/consumers	<ul style="list-style-type: none"> > Customer dialogue > Internal analysis by product specialists 	<ul style="list-style-type: none"> > Regular product updates > Data privacy > Climate impact
> Professionals	<ul style="list-style-type: none"> > Surveys > Formalised meetings with managers 	<ul style="list-style-type: none"> > Sustainable, accountable, equal workplace > High-quality, long-lasting products > Data privacy

Materiality analysis

- > A materiality analysis was started in 2018 and developed further in 2019. Based on the focus areas identified in the stakeholder dialogue and via the internal analyses conducted by the Board of Directors and the Management team, we have determined the aspects that are most relevant for Stillfront and linked them to our three strategic areas – *Creating games for all, Living our values and Smart resource use*. In identifying the most relevant aspects, we have taken into account the impact and the importance of economic, environmental and social consequences.

Sustainability framework, input and ambitions

- > Based on our three strategic areas, stakeholder dialogues and the materiality analysis, we have established a sustainability framework tailored to our decentralised business model. We have drawn inspiration from global regulations and reporting standards, including GRI and Nasdaq’s ESG Reporting Guide. Our efforts in changing our listing from First North Premier Growth Market to the main Nasdaq Stockholm market have also been important. Linking sustainability issues and material aspects to the three strategic areas sees us ensuring that the sustainability perspective is integral when setting targets and executing our strategy.

Work to implement the framework has begun and will continue in 2020. Stillfront’s Management team is developing tools and implementation will then be run at the respective studios. It is vital that our studios act locally to identify, understand and tackle relevant risks and opportunities in their operations.

In 2020 we will set targets for our identified key areas and develop KPIs to follow up on progress. We intend to implement a sustainability policy that will guide professionals at all levels towards our shared goals.

SUSTAINABILITY FRAMEWORK

STRATEGIC AREAS



LIVING OUR VALUES

Stillfront believes in lasting relationships and decentralised leadership founded in our shared values. All our studios and professionals share the vision that acting sustainably will see us attain our long-term goals, grow together as a company and as individuals, and continue to develop successful games with longevity. The values that shape the culture are *entrepreneurship*, *scalability* and *structure*, and maintaining a good balance between these three elements is crucial to our success.



CREATING GAMES FOR ALL

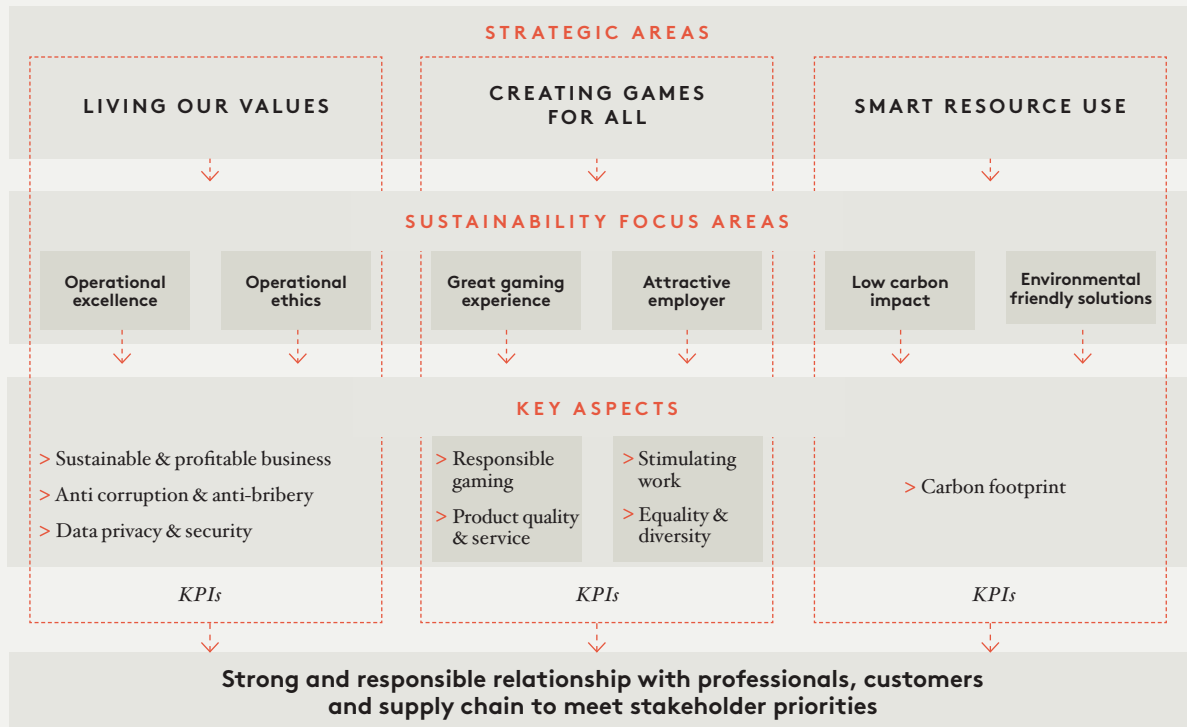
Stillfront's core concept of low-risk, long lifecycle games is key to all decisions taken. This is partly about accountability but just as much about building a stable, successful business capable of developing and growing over time. We also strive to create an inclusive and inviting environment for users and professionals. Being alert and data-driven means we can recognise development areas with potential to create long-term improvements.



SMART RESOURCE USE

The earth's resources are finite and we need to adapt our operations accordingly in the way we buy products and services and in making more effective use of them. We can reduce the negative impact while simultaneously saving our internal resources so that they can be invested smartly in our operations.

A LEADING FREE-TO-PLAY POWERHOUSE



Sustainability areas and key aspects

Operational excellence & Operational ethics

- > To ensure that studios and professionals share our vision of long-term, sustainable operations, we need to have shared values and a structure that fosters them. The parent company, with its Board of Directors and Management team, provides the tools. Stillfront's decentralised organisation means it is the responsibility of the studio heads to implement these and follow up on compliance at local level.

SUSTAINABLE AND PROFITABLE BUSINESS

Stillfront's strategy of developing low-risk, long lifecycle games means we can use our resources cost-effectively. Growth in the number of studios opens up opportunities to scale up and exploit the specialist expertise we have on board, learning from each other. Potential acquisitions of new studios are evaluated from a sustainability perspective and significant risks are identified. This evaluation process takes the form of discussions and interviews with the studio's management team.

ANTI-CORRUPTION AND ANTI-BRIBERY

Corruption, fraud and money laundering are unacceptable to Stillfront and we work to prevent these activities every day. As we see it, our policies, guidelines and processes show the way, fostering the right behaviour on the part of every professional.

Our Code of Conduct sets out how we are expected to act and since late 2019 there has been a whistleblower function in place for reporting irregularities. All companies that we acquire undergo a risk assessment specifically focusing on internal processes that safeguard financial security, including preventing corruption. The Code of Conduct is available for all professionals on Stillfront's internal portal and the respective studio head is responsible for ensuring that professionals are familiar with it. In 2020 an e-learning course on the Code of Conduct will be launched for all professionals, including a section on anti-corruption and anti-bribery.

Anyone can report breaches of the Code of Conduct or other irregularities linked to Stillfront through their manager or using the whistleblower function, which offers anonymity. A report can be made via a link on Stillfront's website, by e-mail or by post. Cases are handled in confidence by Stillfront's Whistleblowing Team, which comprises the Chairman of the Board and the General Counsel. No cases were reported during the year.

One of our most important areas is protecting our users from cyberattacks and card fraud. We comply with all legislations and rules to achieve maximum security and also expect the same of our business partners and suppliers. Stillfront's Goodgames studio has developed its own fraud prevention solution, which has been implemented at several of our other studios. The solution monitors payment patterns in real time and reacts in the event of fraudulent behaviour.

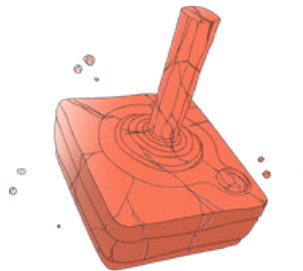
DATA PRIVACY AND SECURITY

Being data-driven is central to Stillfront. Analysing user data enables us to identify behaviour patterns that tell us how we can be even better at developing games, environments, details and functions, as well as following events, activities and campaigns for a better experience. Our users constantly tell us what they think via customer service and their opinions are important to us when developing games and new functions. We could say that we develop our games in collaboration with them. The fact that marketing is data-driven is crucial in attracting users to play free-to-play games. If we get it right, we can use our financial and human resources most effectively.

Data privacy and security are of the utmost importance to Stillfront. Over the years, we have put considerable resources into ensuring that our privacy programme meets the criteria of the General Data Protection Regulation (GDPR) and other relevant local regulations on data protection and privacy. Our processes have been designed to safeguard confidentiality, privacy and access to information and data. Our Processing of personal data policy is available on Stillfront's internal portal. Stillfront's external website also contains information on the rights that users have and descriptions of how Stillfront processes personal data.

We have appointed an external Data Protection Officer (DPO) to evaluate our privacy programme and we will be updating our personal data policy to provide more detailed information about our data protection methods. The DPO guides and trains the groups at Stillfront that handle personal data and also acts as a resource for users with questions about the way we process data.

We recognise that data protection and the privacy of our users demands continuous improvement. In 2019 no substantiated claims about data breaches were reported.



- Great gaming experience** > Stillfront operates in an area that is really very old, namely entertainment with a competitive element, something people have enjoyed since time immemorial. Today we are seeing an ever more rapid rise in digital entertainment, with streaming services such as Netflix and Spotify as just two examples. With a few exceptions, our games are in the free-to-play segment and are geared towards adults. The free-to-play model gives players access to games without having to pay. A majority of our users spend low amounts on in-game purchases. However, there is also a dedicated target group who see the game as a hobby or a lifestyle and this increases willingness to pay.

RESPONSIBLE GAMING

For Stillfront, responsible gaming is about offering users entertainment that can be equated with a hobby, like attending a sporting event or watching streamed films. Here it is important to offer a diversified portfolio of games that attract different types of players, irrespective of sex, background or income, and to treat users with respect. Our strategy is to offer products with a long lifetime, which means it is essential that we develop, test, iterate and optimise our games in close collaboration with our users and with input from customer service.

Marketing is vital to boost a game's visibility and attract users. Stillfront complies with the legislations and rules that apply to us in every market we operate. PEGI in the EU and ESRB in the US are relevant and must be complied with regarding content and age limits. Marketing must be ethical, honest and reflect fundamental human values.

The opportunity to interact with other users is a central and appreciated function in many of our games. Some of our forums already have built-in functions that filter out bad language and we have zero tolerance of threats and personal attacks. Automated analysis tools are constantly improving the abilities to put controls in place and the ambition is to have the same functionality in all forums. Our games attract mainly adult users and the average age of users in this market segment is 35–45 years.

PRODUCT QUALITY AND SERVICE

Developing high-quality products with a long lifetime demands a deep understanding of what users are looking for. Our studios take a data-driven approach and user data helps us to make the right decisions for successful game development. We test new games at an early stage to see whether they are measuring up. We then continue to develop our games jointly with users over the lifecycle of the game, whether this involves a campaign, a new function or a new theme. Games need to constantly develop and be updated with new content to create loyal users.



Attractive employer

- > Our business depends on the wellbeing of our professionals. We operate in an industry that revolves around expertise and talent. Behaving responsibly and sustainably will see us attract and retain the foremost talent in the industry. This demands an inclusive, equal workplace with high diversity.

STIMULATING WORK

We want to be the best platform for developing and developers, by combining the three core values of *entrepreneurship, scalability and structure*. Each studio has its own identity and culture with its own organisation, working methods and processes, plus local market knowledge. It is our ambition, and our challenge, to let studios work autonomously while simultaneously deriving benefits from collaboration with other parts of the business, as Stillfront grows and scales up.

At the start of the year, we set out Stillfront's Code of Conduct describing our shared values, business principles and policies. The code covers a number of areas in the field of sustainability, including provisions on human rights, business ethics, data processing and anti-corruption, as well as other key guidelines and processes. All professionals are expected to comply with the code and the code also explains what professionals can expect of Stillfront.

We plan to develop a web-based training course explaining the Code of Conduct and the goal for 2020 is for all professionals to have completed the training and understood the code.

Stillfront is a knowledge company with highly skilled professionals in a flat organisation in which everyone is encouraged to make a positive contribution to the business. Continued learning is a priority and professionals engage in further training all the time. This takes various forms, with several studios running internal academies, for example. Recruiting qualified people is difficult and takes time.

To tackle this challenge, the studio Imperia Online in Bulgaria launched the IT Talents programme, which provides free courses for developers.

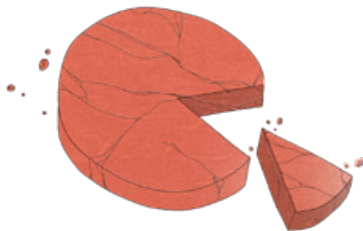
In 2019 Imperia Online employed seven developers from the two courses run that year and eight seasons have been completed since the programme started in 2013, resulting in more than 450 people gaining employment with 80 companies. The programme is set to expand from next year with new courses and new city locations.

EQUALITY AND DIVERSITY

At Stillfront everyone is to be treated equally irrespective of gender, age, identity, or marital status. Employment and development opportunities must always be based on skills, experience and capacity to perform. As Stillfront is a global business, we are able to encourage getting to know and understanding people from different backgrounds and cultures.

In 2019 Stillfront comprised 74 percent men and 26 percent women. Stillfront's Board of Directors comprised 50 percent men and 50 percent women. The gaming industry is male-dominated and Stillfront is working in various ways to be inclusive and create a more gender equal workplace. Staff at the studio Babil Games in the Jordanian capital Amman, which has put a great deal of effort into creating a more gender equal workplace, today comprise 60 percent men and 40 percent women.

A diversified workforce is key to understanding a diversified population of users all around the world. For example an increasing share of women are playing games and the world's population demands high-quality entertainment in their native tongues as well as culturally adapted to religions, customs and behavior.



Low carbon impact & Environmental friendly solutions

- > Stillfront provides digital entertainment classed as digital consumption, in other words there is no physical product in the value chain. Consuming digital entertainment, however uses energy. Our games are played globally in browsers and on mobile phones. All use creates data traffic and affects energy consumption.

CARBON FOOTPRINT

Stillfront causes relatively low greenhouse gas emissions. The foremost source of emissions is server solutions and data storage, but there is also an impact from business travel, energy consumption at our offices, purchased material and indirectly through the digital products we sell. Important environmental aspects are choosing electricity suppliers that offer renewable energy and changing the materials used for the technology. Stillfront's studios use cloud-based server solutions at companies such as Google Cloud, Amazon and Microsoft Azure, which are working intensively to guarantee a high proportion of renewable energy.

In the daily work, our studios seek to cut their carbon footprint using recycling solutions, schemes for old electronics and purchasing procedures.

Our ambition for 2020 is to conduct fundamental calculations of our climate impact to find out where we can make the biggest difference and decide on a strategy.

KEY PERFORMANCE INDICATORS ON SUSTAINABILITY ASPECTS

SUSTAINABLE ECONOMIC PERFORMANCE

Being a financially strong company is necessary to create long-term value for our stakeholders.

+48%

Stillfront's net revenues for 2019 totalled SEK 1,967 m, a growth of 48 percent in comparison to 2018.

LARGE GEOGRAPHIC SPREAD



- 48% Europe
- 29% North America
- 18% Asia
- 2% South America
- 2% Oceania
- 1% Africa

GREAT GAMING EXPERIENCE

Oldest title in the portfolio.

33 YRS

GemStone is published by Simutronics and has a loyal profitable userbase.

LOYAL USERS

Long-life games for a loyal customer base create sustainable recurring revenues.

755 SEK

Average revenue per monthly paying user.

DIVERSE AND GLOBAL WORK FORCE

Of many nationalities and with an increasing number of women.



- 74% Men
- 26% Women

DIVERSIFIED PORTFOLIO

Diversified portfolio for long-term profitability.

37 GAMES

Operating 37 live games.



Studios give back to society

By involving players we add an additional meaningful layer to the game and at the same time raise awareness on urgent environmental matters.

In 2019 the German Studio Goodgames has created branded in-game events and the players of Big Farm: Mobile Harvest have sponsored the following projects:

ORGANISATION	PROJECT	PARTICIPANTS
> One Tree Planted	> 5,000 trees planted in the us > 5,000 trees planted in the Amazon	> 250,000 participants > 300,000 participants
> Bracenet	> Collection of lost fishing nets & cleaning the ocean	> 300,000 participants
> Deutsche Wildtier Stiftung	> Support protection of the seriously endangered wild bees in Germany	> 200,000 participants

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Stillfront Group AB (publ),
corporate identity number 556721-3078

Engagement and responsibility

- > It is the Board of Directors who is responsible for the statutory sustainability report for the year 2019 on pages 12–23 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

- > Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

- > A statutory sustainability report has been prepared.

Stockholm, April 21, 2020

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

STILLFRONT

GROUP



stillfront.com