

5th Planet Games A/S

Corporate Governance report 2022


**CORPORATE
GOVERNANCE**


Statutory report on corporate governance, cf. section 107 b of the Danish Financial Statements Act.

Notice!

The report constitutes a part of the management commentary on the annual report concerning the financial year:
2022

Danish Recommendations on Corporate Governance

Recommendation	The company <u>complies</u>		The company <u>explains</u> ¹	
			<i>why</i>	<i>how</i>
1. Interaction with the company's shareholders, investors and other stakeholders				
1.1. Communication with the company's shareholders, investors and other stakeholders				
1.1.1. The Committee recommends that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the board of directors obtains the possibility of hearing and including their views in its work.	Management host frequently webinars available for stakeholders.			
1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website.		Due to the limited size of the company policies are not yet adopted.	It is the intention of the Company and the board of directors to adopt official policies for the Company's relationship with its stakeholders within one year.	
1.1.3. The Committee recommends that the company publishes quarterly reports.	Quarterly reports are published			
1.2. The general meeting				
1.2.1. The Committee recommends that the board of directors organises the company's general meeting in a manner that allows shareholders,		Due to the limited size of the	It is every year evaluated if the	

¹ If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>why</i>	<i>how</i>
who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.		company, resources for live webcast are not available yet. Other recommendations are held.	general meeting must go live on webcast
1.2.2. The Committee recommends that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	The company follows this recommendation		
1.3. Takeover bids			
1.3.1. The Committee recommends that the company has a procedure in place in the event of takeover bids, containing a “road map” covering matters for the board of directors to consider in the event of a takeover bid, or if the board of directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the board of directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.	The company follows this recommendation		
1.4. Corporate Social Responsibility			
1.4.1. The Committee recommends that the board of directors adopts a policy for the company’s corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company’s website. The Committee recommends that the board of directors ensures compliance with the policy.		Due to the limited size of the company, it does not have a written policy of corporate responsibility.	It is the company’s aim to adopt such official policies on Corporate Social Responsibilities in line with the growth of the business activities.

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			<i>why</i>	<i>how</i>
1.4.2. The Committee recommends that the board of directors adopts a tax policy to be made available on the company's website.			Due to limited size of the company and the losses in the past the company does not have tax policy.	When relevant a tax policy will be established.
2. The duties and responsibilities of the board of directors				
2.1. Overall tasks and responsibilities				
2.1.1. The Committee recommends that the board of directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.		The board of directors follows this recommendation		
2.1.2. The Committee recommends that the board of directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.		The board of directors follows this recommendation		
2.1.3. The Committee recommends that the board of directors on a continuously basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.		The company follows this recommendation.		
2.1.4. The Committee recommends that the board of directors prepares and on an annual basis reviews guidelines for the executive		The company follows this recommendation.		

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management, including requirements in respect of the reporting to the board of directors.				
2.2. Members of the board of directors				
2.2.1. The Committee recommends that the board of directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.			Due to limited size of the company and board of directors no vice chairman has been pointed out.	Due to limited size of the company all members of the board of directors are updated regularly.
2.2.2. The Committee recommends that the chairperson in cooperation with the individual members of the board of directors ensures that the members up-date and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.	The company follows this recommendation			
2.2.3. The Committee recommends that if the board of directors, in exceptional cases, requests a member of the board of directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the board of directors should approve this in order to ensure that the board of directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the board of directors to take part in the daily management, including the expected duration thereof.	The company follows this recommendation			
3. The composition, organisation and evaluation of the board of directors				
3.1. Composition				

Recommendation	The company <u>complies</u>		The company <u>explains</u> ¹	
			<i>why</i>	<i>how</i>
<p>3.1.1. The Committee recommends that the board of directors on an annual basis reviews and in the management commentary and/or on the company's website states</p> <ul style="list-style-type: none"> • which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and • the composition of and diversity on the board of directors. 	The company follows this recommendation			
<p>3.1.2. The Committee recommends that the board of directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.</p>	The company follows this recommendation			
<p>3.1.3. The committee recommends that candidates for the board of directors are recruited based on a thorough process approved by the board of directors. The Committee recommends that in assessing candidates for the board of directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.</p>			Due to the limited size of the company this recommendation is not followed	The whole Board of directors valued once a year the competences and qualifications of the board of directors
<p>3.1.4. The Committee recommends that the notice convening general meetings, where election of members to the board of directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates'</p> <ul style="list-style-type: none"> • qualifications, • other managerial duties in commercial undertakings, including board committees, • demanding organisational assignments and 	The company follows the recommendation.			

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>why</i>	<i>how</i>
<ul style="list-style-type: none"> independence. 			
<p>3.1.5. The Committee recommends that members to the board of directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.</p>	The company follows the recommendation.		
3.2. The board of director's independence			
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected in general meeting are independent in order for the board of directors to be able to act independently avoiding conflicts of interests.</p> <p>In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company, within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the board of directors, represent or be associated with a controlling shareholder, within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship, 		Two of the members of the board of directors represents a shareholder that is expected to be controlling shareholder. One of the members of the board of directors have been member of the executive management within the last five years and has a position as advisor for the company	Due to the limited size of the company the present members of the board of directors are judged to be the optimal board. When the company grows, the number of members of the board are expected to be complimented with further independence members.

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		<i>why</i>	<i>how</i>
<ul style="list-style-type: none"> • be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting, • be a CEO in a company with cross-memberships in the company's management, • have been a member of the board of directors for more than twelve years, or • be closely related to persons, who are not independent, cf. the above-stated criteria. <p>Even if a member of the board of directors does not fall within the above-stated criteria, the board of directors may for other reasons decide that the member in question is not independent.</p>			
<p>3.2.2. The Committee recommends that members of the executive management are not members of the board of directors and that members retiring from the executive management does not join the board of directors immediately thereafter.</p>	The company follows the recommendation.		
<p>3.3. Members of the board of directors and the number of other managerial duties</p>			
<p>3.3.1. The Committee recommends that the board of directors and each of the members on the board of directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the board of directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.</p>	The company follows the recommendation.		

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			<i>why</i>	<i>how</i>
<p>3.3.2. The Committee recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors:</p> <ul style="list-style-type: none"> • position, age and gender, • competencies and qualifications relevant to the company, • independence, • year of joining the board of directors, • year of expiry of the current election period, • participation in meetings of the board of directors and committee meetings, • managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and • the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year. 	The company follows the recommendation.			
3.4. Board committees				
<p>3.4.1. The Committee recommends that the management describes in the management commentary:</p> <ul style="list-style-type: none"> • the board committees' most significant activities and number of meetings in the past year, and • the members on the individual board committees, including the chairperson and the independence of the members of the committee in question. <p>In addition, it is recommended that the board committees' terms of reference are published on the company's website.</p>			Due to the current size and structure of the company, and the size of the board of directors, the only active committee is the Audit Committee, which is comprised of the entire Board of Directors	When the company grows, board committees' will be established when it is appropriate

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		<i>why</i>	<i>how</i>
<p>3.4.2. The Committee recommends that board committees solely consist of members of the board of directors and that the majority of the members of the board committees are independent.</p>		See 3.4.1	See 3.4.1
<p>3.4.3. The Committee recommends that the board of directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the board of directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in:</p> <ul style="list-style-type: none"> • supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions, • reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook, • assessing the need for internal audit, • performing the evaluation of the auditor elected by the general meeting, • reviewing the auditor fee for the auditor elected by the general meeting, • supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and • ensuring regular interaction between the auditor elected by the general meeting and the board of directors, for instance, that the board of directors and the audit committee at least once a year meet with the auditor without the executive management being present. 		Due to the current size of the company the board of directors has not found it relevant to establish a separate audit committee Hence the audit committee is comprised of the entire Board of Directors.	Due to the current size of the company the board of directors handle the tasks of an audit committee.

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<p>If the board of directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:</p> <ul style="list-style-type: none"> • prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department, • ensure that the internal audit function has sufficient resources and competencies to perform its role, and • supervise the executive management's follow-up on the conclusions and recommendations of the internal audit function. 				
<p>3.4.4. The Committee recommends that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that is or should be represented in the two management bodies, • on an annual basis evaluating the board of directors and the executive management's structure, size, composition and results and preparing recommendations for the board of directors for any changes, • in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members' competencies, knowledge, experience 		<p>Due to the current size of the company the board of directors has not found it relevant to establish a separate nomination committee. Hence the nomination committee is comprised of the entire board of Ddirectors.</p>	<p>At least once a year the board of directors will conduct an assessment of the executive management and a self-assessment in order to evaluate the company's management competencies and performance in regard to its responsibilities. This is part of the tasks to be overseen by the chairman of the board.</p>	

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<p>and succession as well as reporting on it to the board of directors,</p> <ul style="list-style-type: none"> • handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors' approval, • ensuring that a succession plan for the executive management is in place, • supervising executive managements' policy for the engagement of executive employees, and • supervising the preparation of a diversity policy for the board of directors' approval. 			
<p>3.4.5. The Committee recommends that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • preparing a draft remuneration policy for the board of directors' approval prior to the presentation at the general meeting, • providing a proposal to the board of directors on the remuneration of the members of the executive management, • providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting, • ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and • assisting in the preparation of the annual remuneration report for the board of directors' approval prior to the presentation for the general meeting's advisory vote. 		<p>Due to the current size of the company the board of directors has not found it relevant to establish a separate remuneration committee. Hence The remuneration committee is comprised of the entire board of directors.</p>	<p>It is part of the tasks to be overseen by the chairman of the board to ensure adequate remuneration. However, the Company has a positive interest in establishing a remuneration committee once the company's business grows.</p>

Recommendation

The company complies

The company explains¹

why

how

3.5. Evaluation of the board of directors and the executive management

3.5.1. The Committee recommends that the board of directors once a year evaluates the board of directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the board of directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:

- the composition of the board of directors with focus on competencies and diversity
- the board of directors and the individual member's contribution and results,
- the cooperation on the board of directors and between the board of directors and the executive management,
- the chairperson's leadership of the board of directors,
- the committee structure and the work in the committees,
- the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and
- the board members' preparation for and active participation in the meetings of the board of directors.

Due to the structure and size of the company and its business, a evaluation procedure is set on hold for a period.

The board of directors always evaluate its work and composition after each board meeting as well as between board meetings in an informal manner.

3.5.2. The Committee recommends that the entire board of directors discusses the result of the evaluation of the board of directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company's website and at the company's general meeting.

Due to the limited size of the company's board of directors the result of the evaluation is not described in the management commentary, on the company's website and at the company's general meeting.

The result of the evaluation of the board of directors are discussed of the entire board on a board meeting.

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>why</i>	<i>how</i>
<p>3.5.3. The Committee recommends that the board of directors at least once a year evaluates the work and results of the executive management according to pre-established criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the board of directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity, succession planning and risks, in light of the company's strategy.</p>	The company follows this recommendation		
<p>4. Remuneration of management</p> <p>4.1. Remuneration of the board of directors and the executive management</p>			
<p>4.1.1. The Committee recommends that the remuneration for the board of directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.</p>	The company follows this recommendation		
<p>4.1.2. The Committee recommends that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.</p>	The company follows this recommendation		
<p>4.1.3. The Committee recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.</p>	The company follows this recommendation		

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4.1.4. The Committee recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements.	The company follows this recommendation		
4.1.5. The Committee recommends that members of the board of directors are not remunerated with share options and warrants.		Due to the current size and structure of the company, the majority portion of the remuneration of members of the Board of Directors has been replaced by warrants to save cash payments.	In the future the remuneration will be evaluated.
4.1.6. The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the board of directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.		The company does not comply as the variable remuneration cannot be reclaimed.	In the future this will be evaluated.
5. Risk management			
5.1. Identification of risks and openness in respect of additional information			
5.1.1. The Committee recommends that the board of directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks.	The company follows this recommendation		

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>why</i>	<i>how</i>
The company should in the management commentary give an account of these risks and the company's risk management.			
5.1.2. The Committee recommends that the board of directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.		Due to the limited size of the company no whistleblower scheme is established.	In the future this will be evaluated when the company grows.