

ROVIO ENTERTAINMENT CORPORATION  
CORPORATE RESPONSIBILITY REPORT 2019  
March 6, 2020

2019





## **Contents**

- 1. Business model**
- 2. Corporate responsibility focus areas, key figures and management of responsibility**
  - 2.1 Safe and responsible gaming**
  - 2.2 The responsibility of licensed products**
  - 2.3 Employee well-being and diversity**
  - 2.4 Responsible business conduct**
  - 2.5 Environment**

### **1. Business model**

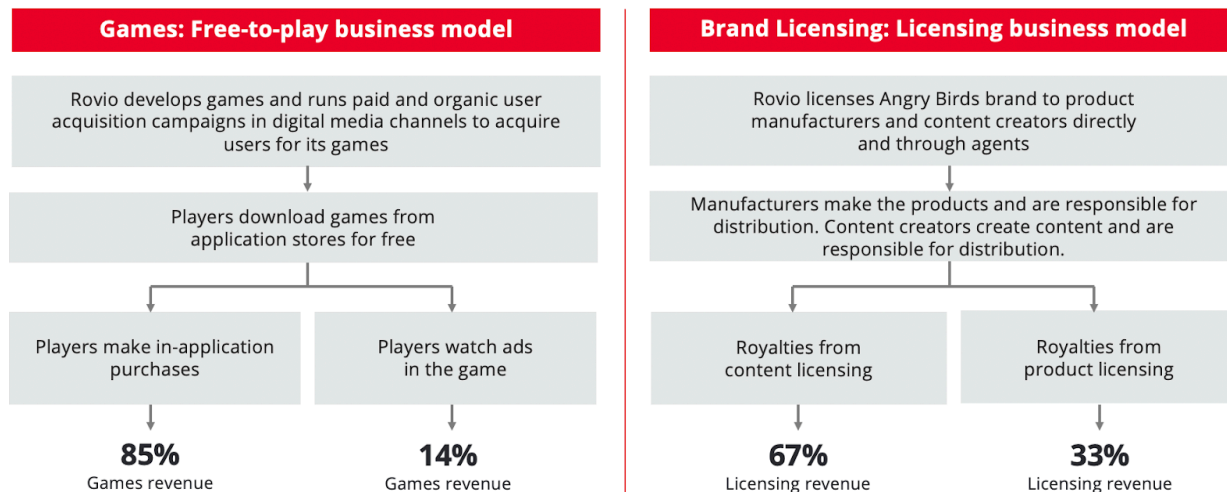
Rovio Entertainment Corporation is a global games-first entertainment company that creates, develops and publishes mobile games and licenses the Angry Birds brand for consumer products, movies, animations and other entertainment.

Rovio is best known for its global Angry Birds brand, which started as a popular mobile game in 2009 and has since evolved from games to various entertainment and consumer products through brand licensing. Rovio now has a portfolio of several mobile games and animated series and it has released two movies; The Angry Birds Movie in 2016 and The Angry Birds Movie 2 in 2019. Rovio is headquartered in Espoo, Finland, and is listed on the main list of NASDAQ Helsinki under the trading code ROVIO.

Rovio's group revenue amounted to EUR 289.1 million euros in 2019. Rovio's operations are divided into two businesses, Games and Brand Licensing. The Games business unit creates, develops and publishes mobile games. At the end of 2019, Rovio's games had been downloaded more than 4.5 billion times and during 2019 had an average of 43 million monthly active users and 6.3 million daily active users.

The prevailing revenue model in the mobile gaming market is free-to-play, which means that games can be downloaded and played for free. However, players can choose to make in-app purchases e.g. to progress more quickly, gain access to new content or unlock special features. Rovio's games may also contain ads and by watching ads players can also progress faster or gain alternative in-game benefits. All Rovio games are free-to-play games. The Games business unit accounted for 92% of Rovio's total revenue in 2019.

The Brand Licensing unit licenses Rovio's Angry Birds brand and the related characters. The company's licensing business began in late 2010 and it currently represents 8% of the Group's revenue. Rovio has about 300 licensees around the world. Licensees manufacture products and produce content according to Rovio's approval process. Each licensee commits to respecting the guidance on Rovio's trademarks and comply with the Rovio Code of Conduct for Partners. Each licensee also agrees to have relevant audits performed. Since 2010, more than 1.8 billion Angry Birds licensed consumer products have been sold, and the Angry Birds animations on channels such as YouTube and Netflix have been watched more than 10 billion times.



Graph: Q4 2019. 1% of games revenue in 2019 came from customer contracts

At the end of 2019, Rovio group had 466 employees, with the majority working in the Games business unit. Rovio's operations are located in Espoo and Stockholm where its gaming studios are also located. In Stockholm. However, it also has employees, partners and subsidiaries based in other key strategic locations such as the United Kingdom, China and the United States. Most of the employees are based in Finland.

## 2. Corporate responsibility focus areas, key figures and management of responsibility

The gaming industry creates significant positive social and economic impact due to its entertainment value, innovation, technological know-how and creative work. The most significant environmental impact of the gaming industry is related to energy consumption, both in the game development stage and while gaming, and the manufacturing of gaming hardware. However, the environmental impact of mobile games is considerably lower than that of console and PC gaming.

Through its mobile games and licensed Angry Birds products, Rovio plays a role in the lives of millions of people every day. While gaming and entertainment are sources of positive experiences and solidarity for people, they may also involve negative effects. Rovio has increasingly focused on safe and responsible gaming, which is one of its highest priorities with regards to corporate responsibility. Other focus areas include the responsibility of licensed products, employee well-being and diversity, responsible operating methods and the environment.

The Company's CEO is responsible for Rovio's corporate responsibility, but each of the responsibility priorities has an assigned individual who is responsible for managing it and measuring the results. Rovio aims to apply responsible operating methods in game development, licensing and other operations. Matters related to corporate responsibility are monitored by the Leadership Team. In 2018, key performance indicators were defined for Rovio's responsibility priorities as part of the development of corporate responsibility.

Table: Rovio's responsibility focus areas, performance indicators and results in 2019.

Safe and responsible gaming	2019
Active involvement in industry development to promote safe and responsible gaming <sup>1</sup>	
<b>Responsibility of licensed products</b>	
New manufacturer commitments <sup>2</sup> Scope of manufacturer commitments in very high-risk countries Scope of manufacturer commitments in high-risk countries	172 100% 100%
New social responsibility audit reports from suppliers Scope of audit reports in very high-risk countries Scope of audit reports in high-risk countries	64 100% 41.8%
<b>Employee well-being and diversity</b>	
Diversity and equality: nationalities share of women/men among employees employee age structure (under 35, 35–50, over 50)	47 nationalities women 27%/men 73% 49% under 35 48% 35–50 3% over 50
<b>Responsible business conduct</b>	
Coverage of Code of Conduct, Anti-Corruption and Compliance trainings among employees, target is to reach 100% coverage	Trainings are organized regularly and the training coverage is continuously monitored
<b>Environment</b>	
Proportion of electricity used for cloud services that is produced from renewable sources <sup>3</sup>  CO <sub>2</sub> emissions: business travel <sup>4</sup> , total + per person offices <sup>5</sup> , total + per person  CO <sub>2</sub> emission offset  CO <sub>2</sub> emission offset Playing for the Planet initiative <sup>6</sup>	63%  Total 765 t, 1.64 t per person Total 248 t, 0.53 t per person  100% offset, In total 1013 t through UN climate carbon offset platform  19,476 carbon tons offset (CO <sub>2</sub> e / year) through UN Carbon offset platform

<sup>1</sup> More details in section 2.1 of the report, safe and responsible gaming

<sup>2</sup> By signing the manufacturer’s commitment, manufacturers commit to respecting Rovio’s trademarks, complying with the Rovio Code of Conduct for Partners and agree to have relevant audits performed.

<sup>3</sup> The figure is based on information collected from the cloud service providers in 2018 used by Rovio, and covers approximately 90% of the providers. 2019 data from partners was not available at the time of the publication of this report.

<sup>4</sup> The figure is based on data obtained from service providers and includes air travel by employees based in Espoo and Stockholm, representing 98% of the Group’s personnel. The figures are not available for the other operating countries.

<sup>5</sup> The figure is based on data obtained from the service provider and only includes emissions for the head office in Espoo. The figures are not available for the Group’s other offices.

<sup>6</sup> Figure is based on the carbon emissions generated by our games’ daily active users each charging one top-end mobile device once per day. Calculations are based on Rovio’s methodology described in chapter 2.1 safe and responsible gaming.

In its corporate responsibility reporting, Rovio follows the provisions of the Finnish Accounting Act concerning non-financial disclosures, although Rovio is obligated to provide disclosures of financial information only.

In this report, the non-financial disclosures stipulated by the Accounting Act are covered as follows:

Topic required by the Accounting Act	Location in this report
Description of the business model	Business model
Environmental matters	Environment
Employee-related matters	Employee well-being and diversity
Social responsibility	Safe and responsible gaming, the responsibility of licensed products, employee well-being and diversity
Human rights	Safe and responsible gaming, the responsibility of licensed products, responsible operating methods, employee well-being and diversity
Anti-corruption	Responsible operating methods, responsibility of licensed products

## 2.1 Safe and responsible gaming

Safe and responsible gaming is one of the most important priorities in Rovio's corporate responsibility. It includes both human rights impact as well as social impact.

Over the years, Rovio has invested heavily in its technology and data related capabilities. Responsible data processing is a core part of Rovio's technology strategy. Since the EU General Data Protection Regulation (GDPR) came into force in 2018, Rovio has continued to work on reviewing and further improving its data processing practices. To strengthen its privacy governance, Rovio also designated a Data Protection Officer to oversee data protection related matters. Amidst a rapidly evolving regulatory landscape, Rovio actively engages with other companies in the gaming industry in an effort to translate new legislative requirements, such as those in the California Consumer Privacy Act (CCPA), into concrete actions for industry participants.

In addition to observing data protection, Rovio wants to create a safe environment for the players of Rovio games to enjoy their gaming experience regardless of their age. While Rovio's Angry Birds games are designed and marketed for adult players, they are always suitable for all audiences. The brand guidelines intended for Rovio's game developers cover topics including the type of language used in games, creating family-friendly characters and emphasizing inclusivity. Rovio puts the player at the center of its activities and constant player feedback is used to refine the games and ensure a safe environment for all.

Rovio also supports sustainable development by developing game contents. Rovio's subsidiary Hatch Entertainment Ltd. is developing Hatch Kids, a family-focused cloud gaming service, in line with digital learning principles set out by the UNESCO Mahatma Gandhi Institute of Education for Peace and Sustainable Development, which are in support of the UN Sustainable Development Goals (SDGs).

Being actively involved in industry development to promote safe and responsible gaming is the key performance indicator for these focus areas. Rovio is a member of an international Fair Play Alliance (FPA, <http://fairplayalliance.org/>) established by gaming companies. The goal of the alliance is to promote fair online gaming by sharing best practices and research between its members. More than 120 gaming companies have joined the alliance. Rovio is represented in the FPA steering group and the company is also otherwise actively involved in its operations. In 2019 the FPA held their first European Summit in London. Rovio has also been a member of the FIBS corporate responsibility network since 2014.

Moreover, Rovio is a member of Neogames, which is the Finnish umbrella organization for the gaming industry, as well as a signatory to the European Commission's initiative "Alliance to better protect minors online" <https://ec.europa.eu/digital-single-market/en/alliance-better-protect-minors-online>.

Rovio monitors regulatory developments, such as EU-level regulations related to safe internet use and the protection of minors. Rovio is also a member of the German Entertainment Software Self-Regulation Body USK.

In September 2019, together with some of the biggest names in the gaming industry, Rovio formed the UN initiative Playing for the Planet (<http://playing4theplanet.org/>). As part of the joint commitment to take action on climate change, Rovio has offset the carbon impact from its players each charging one device, once per day. As it is almost impossible to take into account all factors and create a 100% accurate methodology, Rovio had to make certain assumptions:

- assumption was made that all our players each own one top-end mobile device.
- assumption was made that all our players fully charge their mobile device once per day.
- calculations were made using the Average USA Electricity Grid.

Recognizing the fact that Rovio players are interacting with their mobile devices in other ways than just playing Rovio games, Rovio decided to compensate for a full charge to keep the methodology simple and ensure Rovio would not under-compensate the impact. In total, this equated to 19,476 carbon tons (CO<sub>2</sub>e / year). The full amount was offset via a United Nations Carbon offset platform. A full description of the methodology is available via Rovio's website: <https://investors.rovio.com/en/corporate-social-responsibility>

With respect to refunds for in-game purchases that are accidental or otherwise subsequently regretted by the customer, Rovio complies with the policies and practices of the app stores. Rovio also has its own refund policy, according to which Rovio issues refunds to players who make their first accidental or unauthorized purchase and contacts Rovio about this within three months. Along with the refund, players receive instructions for avoiding unwanted in-game purchases. Rovio recommends that in-game purchases should be secured by the player by using any available password protection and that instead of allowing children to use credit cards, purchases should always be authorized by an adult. Guidance on these matters can be found via Rovio's website: <https://info.rovio.com/hc/en-us/categories/360000081067-Rovio-for-Parents>

The risks Rovio has identified related to safe and responsible gaming are mainly related to information security, privacy protection as well as inappropriate in-game behavior and discrimination. Risks related to information security and privacy protection are managed by carefully designed automated in-game processes that minimize the chances of information security breaches. Guidelines for game developers, the monitoring of games and user surveys aim to ensure that games are safe for all players regardless of their age and background. Rovio aims to remain at the forefront of any development in the industry, for instance via its GDPR initiatives and its involvement with the Fair Play Alliance and other initiatives, constantly monitoring latest developments in order to manage risks.

**2.2 The responsibility of licensed products**

Ever since Rovio began licensing the Angry Birds brand in 2010, it has emphasized the role that the value chain of licensed products plays in its corporate responsibility, including aspects related to respecting human rights and product safety.

In 2019, Rovio had about 300 licensing partners around the world. All Rovio partners must commit to the Partner Code of Conduct. Rovio’s Partner Code of Conduct requires, amongst other things, partners to observe responsible business practices in all their operations and comply with national and international laws, as well as regulations and product safety requirements set by the applicable laws and Rovio.

Rovio has implemented a clearly defined process for conducting risk assessments related to the social responsibility of suppliers and verifying their responsibility. Depending on the supplier’s country, the assessment involves various types of assurance procedures as described in the chart below.



The countries where the majority of the products are manufactured were classified in risk categories based on the fulfillment of social responsibility requirements in 2019 as follows:

Very high risk countries	Bangladesh, Pakistan
High risk countries	China, India, Russia, Mexico
Moderate risk countries	Malaysia, Italy
Low risk countries	Poland, USA

The risk categories are based on information adapted from the Amfori Country Risk Classification (<https://www.amfori.org/news/country-risk-classification-2020-now-available>) The risk assessments are updated annually.

The key performance indicators for the responsibility of the licensing business are the number of manufacturer commitments and their scope of the total supplier base, as well as the number of audit reports and their scope of the manufacturers operating in very high and high risk countries. In 2019, Rovio received 172 new manufacturer commitments and the scope of the commitments was 100% of the suppliers in very high risk and high risk countries. Rovio received 64 new social responsibility audit reports during the year. The scope of the audit reports was 100% of the suppliers in very high-risk countries and 41.8% of the suppliers in high risk countries. No significant nonconformities were observed in the audit reports received from licensees in 2019. Rovio accepts third-party audit reports that are based on reliable international standards (such as SMETA & BSCI). In 2019 Rovio did not conduct any direct factory audits.



The safety of licensed products is verified by conducting a product category-based risk assessment on each new licensing partnership in every geographical region. The identified responsibility risks in the licensing business are primarily related to manufacturers' and partners' working conditions, illegal or inappropriate business conduct as well as health and safety risks related to products and events. Risks are managed by imposing contractual requirements on manufacturers and partners, such as the Partner Code of Conduct, by carefully observing the previously mentioned risk assessment practices concerning partners and products, as well as by regularly auditing licensing partners' suppliers and by supporting activity park and event partners on matters related to social responsibility and human rights.

### **2.3 Employee well-being and diversity**

Employee well-being, equal treatment and diversity impact directly Rovio's employees, social responsibility and human rights. They also influence Rovio's reputation as an employer and improve the company's ability to retain highly competent professionals and recruit the best talent in the industry.

One of Rovio's competitive advantages as an employer is its Nordic workplace culture. Employees are encouraged to build a healthy work-life balance, which also helps maintain their work ability. The reconciliation of work and family life is supported by providing remote work opportunities and flexible hours.

Rovio places a high priority on making work rewarding and ensuring inclusivity in the workplace. Rovio complies with international ILO agreements and the labor laws valid in the countries it operates in. Equality and non-discrimination planning are used to encourage diversity while also preventing discrimination on the basis of gender, age, religious beliefs, nationality, sexual orientation, parenthood or any other reason.

Rovio focuses on employee engagement in all matters concerning personnel and maintains an ongoing dialog to ensure a high level of job satisfaction. Managers hold development discussions with employees on a regular basis, and all employees have the opportunity to complete a quarterly survey to help Rovio measure job satisfaction and determine which areas need further improvement.

Corporate Social Responsibility is highly valued amongst Rovio employees. In 2019 Rovio became the first partner in a new donation model called Staff for UNICEF, created by UNICEF Finland. Currently in its pilot phase, Staff for UNICEF is a donation model where Rovio employees can choose to give a set monthly amount towards UNICEF's education program across the world, with Rovio then adding double the amount. In addition, Rovio is supporting UNICEF's Salmaïtou Senegal Project. This project aims to give a second chance to the most vulnerable adolescent girls in and out of school. Also, as part of Angry Birds 10<sup>th</sup> anniversary campaign - entitled Bring the Anger - in late 2019, Rovio donated EUR 100 000 to UNICEF's Education in Emergencies fund.

At the end of 2019: out of Rovio's 466 employees, 27% were women and 73% were men. The gender split in the Leadership Team was 50% women and 50% men, with the corresponding figures for the Board of Directors being 28% women, 72% men. Rovio's employees represented 47 different nationalities.

In the FINDIX study of diversity 2020 Rovio was ranked as number one among Finnish public companies in the category of mid-size companies and consumer products and services. The FINDIX study of diversity 2020 includes all companies on the main list of Nasdaq Helsinki. The survey studied the company's leadership and Board of Directors using four variables. Variables are based on Securities Markets Associations Corporate Governance Codes: genre, age, nationality and education. More detailed information can be read here: <http://findix.fi/index.html>.

Employee-related responsibility risks in the industry are related to issues such as work ability, discrimination, harassment and non-compliance with the terms of employment. These risks are managed by maintaining an ongoing dialog between employee representatives and the management, employee surveys, development discussions, occupational health services and a whistleblower tool. The tool is described in more detail in section 2.4. Responsible business conduct.

## **2.4. Responsible business conduct**

Rovio is committed to respecting human rights and promoting their fulfillment and protection in its operations. Rovio's Code of Conduct outlines the general principles of ethical and responsible behavior standards for Rovio and all Rovio employees and partners. The Code of Conduct and sub-policies are applicable to all Rovio employees, including the employees of its subsidiaries and the members of Board of Directors. Every person to whom the Code of Conduct applies has the obligation to ensure that they understand the guidelines and comply with the Code of Conduct.

Rovio has a separate anti-bribery policy, which covers matters such as gifts, hospitality and conflicts of interest situations. Rovio has a zero-tolerance approach to bribery and other corruptive practices. When it comes to gifts and hospitality, Rovio employees shall not give or receive gifts or hospitality to/from current or potential suppliers, customers, or other Rovio stakeholders unless a gift or hospitality is given or received during the ordinary course of business and, in all circumstances, is of moderate value. Cash gifts are never acceptable.

Rovio also has a separate Code to Address Workplace Harassment to ensure that all individuals working at Rovio Group are aware and committed to fighting against all kinds of harassment and bullying and know whom to contact and how to proceed if they have experienced harassment or are accused of harassment. All employees are expected to behave respectfully and courteously towards other employees, clients, customers and partners at all times.

Rovio organizes regular Code of Conduct, Anti-Corruption and Compliance training among employees. The training coverage is monitored and the target is to reach 100% coverage. Rovio provides a whistleblower tool for employees to report observations and suspected misconduct related to securities market, corruption, harassment and other forms of unethical and unacceptable behavior. In order to ensure proper documentation and confirm the date and time of the incident, the reports are submitted using an electronic tool either anonymously via Rovio's whistleblower tool or non-anonymously by sending an email to [whistleblowing@rovio.com](mailto:whistleblowing@rovio.com) (which is automatically forwarded to the General Counsel). No reports were filed via the whistleblower tool in 2019.

Rovio's risk management policy is described in full on the company's website at <https://investors.rovio.com/en/governance/risk-management>

## 2.5 Environment

Due to the nature of Rovio's business, most of its operations' environmental impact is indirect. The most significant environmental impact is related to the server capacity required for mobile games, which Rovio obtains through outsourced cloud services. Rovio actively monitors the environmental impact of suppliers, as well as the measures they take to mitigate this impact. The company also promotes the use of renewable energy sources in electricity production.

Compared to other forms of digital gaming, gaming on mobile devices consumes approximately one tenth (a typical smartphone) or half (a tablet device) of the electricity consumed by a laptop computer during gaming. Console gaming consumes as much as a hundred times more electricity than mobile gaming.

Rovio pays continuous attention to the environmental impact of its operations, such as air travel, the energy efficiency of office premises and recycling. While travel is part of business for an organization that operates in an international industry, Rovio aims to use alternative solutions, such as online meetings, as much as possible to reduce air travel and save time.

The key performance indicators for environmental responsibility are the proportion of Rovio's cloud service providers using renewable energy in their electricity consumption (target: 100%), as well as committing to offset the CO<sub>2</sub> emissions arising from company air travel and the use of office premises. According to data collected from service providers, renewable energy accounted for approximately 63%<sup>1</sup> of the electricity used for Rovio's cloud services in 2018. The CO<sub>2</sub> emissions caused by air travel amounted to 1.64 tons per person<sup>2</sup> and the CO<sub>2</sub> emissions of offices were 0.53 tons per person<sup>3</sup>. We strive to offset our measurable direct CO<sub>2</sub>-emissions through certified carbon offset programs. The combined CO<sub>2</sub>-emission from air travel and office space of 1013 tons was fully compensated through the United Nations climate carbon offset platform.

Rovio's environmental risks are minor, as is typical of office work.

<sup>1</sup> The figure, based on information collected in 2018 from the cloud service providers used by Rovio, covers approximately 90% of the providers. New data for 2019 from partners was not available at the time of the publication of this report.

<sup>2</sup> Includes air travel by employees based in Espoo and Stockholm, representing 98% of the Group's personnel. The figures are not available for the other operating countries.

<sup>3</sup> Only includes emissions for the headquarters in Espoo. The figures are not available for the Group's other offices.