

ROVIO ENTERTAINMENT CORPORATION  
CORPORATE RESPONSIBILITY REPORT 2018  
March 12, 2019

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### **1. Business model**

Rovio Entertainment Corporation is a global games-first entertainment company that creates, develops, and publishes mobile games and licensees the Angry Birds brand for consumer products, movies, animations and other entertainment. Rovio's mission is to inspire people by crafting the best games and entertainment in the world.

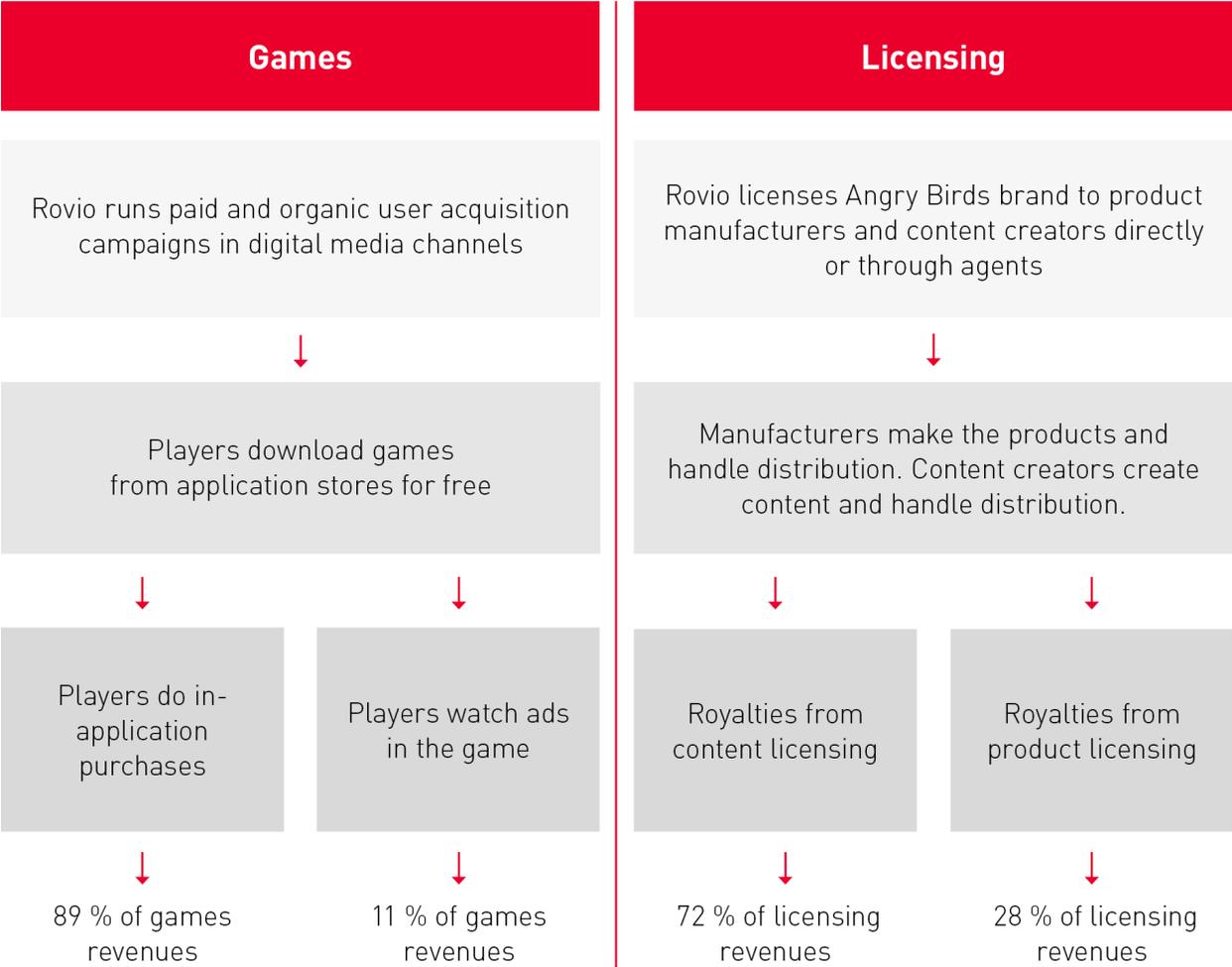
Rovio is best known for the global Angry Birds brand, which started as a popular mobile game in 2009 and has since evolved from games to various entertainment and consumer products through brand licensing. The Company now has a portfolio of several mobile games and animations and it also produced the Angry Birds Movie, which premiered in 2016 and has a sequel due to be released in fall 2019. Rovio is headquartered in Espoo, Finland, and the Company is listed on the main list of NASDAQ Helsinki under the trading code ROVIO.

Rovio's operations are divided into two business units, Games and Brand Licensing, and the Group's revenue amounted to EUR 281.2 million in 2018. The Games business unit creates, develops and publishes mobile games. Rovio's games had been downloaded more than four billion times by the end of 2018 and they had an average of 58.9 million monthly active users and 8.1 million daily active users during the three-month period that ended on December 31, 2018. Since 2010, more than 1.8 billion units of Rovio's licensed consumer products and services have been sold, and the Company's videos have been watched more than three billion times.

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 uses the free-to-play model for all of its games. Games may also contain ads and by watching ads players can e.g. also progress faster. The Games unit accounted for approximately 89% of Rovio's total revenue in 2018.

The Brand Licensing business unit licenses Rovio's Angry Birds brand and the related characters. The licensing business began in late 2010 and it currently represents approximately 11% of the Group's business. Rovio has about 230 licensees around the world. Licensees manufacture products and produce content, in according to the Rovio's approval process. Each licensee commits to respecting guidance on Rovio's trademarks, complying with the Rovio Code of Conduct for Partners and agree to having relevant audits performed.

**Business models**



At the end of 2018, Rovio Group had 418 employees, with the majority of this figure working in games. Rovio has game studios in Finland and Sweden as well as offices in 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 has significant positive social and economic impacts arising from its entertainment value, innovation, technological know-how and creative work. The most significant environmental impacts of the gaming industry are related to energy consumption, both in the game

development stage and while gaming, and the manufacturing of gaming hardware. However, the environmental impacts of mobile games are considerably lower than those of console and computer 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 the highest priorities of the Company 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 ultimately in charge of 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 regularly 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. Rovio has been a member of the FIBS corporate responsibility network since 2014.

Table: Rovio's responsibility focus areas, performance indicators and results in 2018.

<b>Safe and responsible gaming</b>	<b>2018</b>
Active involvement in industry development to promote safe and responsible gaming*	
<b>Responsibility of licensed products</b>	
New manufacturer commitments**	126
Scope of manufacturer commitments in very high-risk countries	100%
Scope of manufacturer commitments in high-risk countries	100%
New social responsibility audit reports from suppliers	39
Scope of audit reports in very high-risk countries	100%
Scope of audit reports in high-risk countries	37.2%
<b>Employee well-being and diversity</b>	
Diversity and equality: nationalities	40 nationalities
share of women/men among employees	women 24%, men 76%
employee age structure (under 35, 35–50, over 50)	46% under 35 51% 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. Measurement of the participation rate will begin in 2019.
<b>Environment</b>	
Proportion of electricity used for cloud services that is produced from renewable sources*** CO <sub>2</sub> emissions: business travel****, total + per person  offices*****, total + per person  CO <sub>2</sub> emission offset	63%  Total 595 t, 1.66 t per person Total 249 t, 0.81 t per person  100% offset, In total 844 t through UN climate carbon offset platform

\* More details in section 2.1 of the report, safe and responsible gaming

\*\* 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 having relevant audits performed.

\*\*\* The figure is based on information collected from the cloud service providers used by Rovio, and covers approximately 90% of the providers

\*\*\*\* The figure is based on data obtained from service providers and includes air travel by employees based in Espoo and Stockholm, representing 86% of the Group's personnel. The figures are not available for the other operating countries.

\*\*\*\*\* 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.

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

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

<b>Topic required by the Accounting Act</b>	<b>Location in this report</b>
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 impacts.

The application of the new EU General Data Protection Regulation (GDPR) began in May 2018 and it requires companies to transparently and understandably disclose what customer information they collect, why the information is collected, how the information is processed and how long it is stored. GDPR gives the players of mobile games the right to demand to see their information and request erasure of their data, among other things.

Rovio prepared for the entry into force of the GDPR both internally and through active involvement in a working group with other gaming companies since late 2016. Workshops were organized with other gaming companies regarding the requirements stipulated by the GDPR and to assess their impacts. The purposes of the cooperation included discussing whether the GDPR requirements could be met using the same approach throughout the gaming industry to make it consistent from the customer's perspective.

In addition to observing data protection, we want to create a safe environment for the players of our 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. The safety of the games is also monitored, and the games are continuously refined with the help of various user surveys.

Rovio also supports sustainable development by developing game contents. Rovio's subsidiary Hatch Entertainment Ltd co-operates with the UNESCO Mahatma Gandhi Institute of Education for Peace and Sustainable Development to develop games that support the UN Sustainable Development Goals (SDGs). The first games are planned for release in 2019.

Being actively involved in industry development to promote safe and responsible gaming is the key performance indicator for this focus areas. In addition to our active participation in the development of GDPR-related practices, at the beginning of 2018 we joined the 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 90 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. Rovio is also 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 also keeps an eye on regulatory developments, such as EU-level regulations related to safe internet use and the protection of minors. The Company is also a member of the German Entertainment Software Self-Regulation Body USK.

With respect to refunds for in-game purchases that are accidental or otherwise subsequently regretted by the customer, we comply with the policies and practices of the application 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 of this within three months. Along with the refund, players receive instructions on avoiding unwanted in-game purchases. Rovio recommends that in-game purchases should be secured by fingerprint identification or facial recognition 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 at Rovio's website.

The risks the Company 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. The active development of the industry is also part of risk management in this area.

## **2.2 The responsibility of licensed products**

Ever since Rovio began licensing the Angry Birds brand in 2010, the Company 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 2018, Rovio had about 230 licensing partners around the world. Rovio has drafted a Partner Code of Conduct, which all partners must commit to. Rovio's Partner Code of Conduct requires amongst

other things that Rovio's partners observe responsible business practices in all of their operations and comply with national and international laws and regulations. Licensing partners are also obligated to comply with the product safety requirements set by the applicable laws and regulations and by 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 2018 as follows:

Very high risk countries	Bangladesh, Pakistan
High risk countries	China, India, Russia, Mexico
Moderate risk countries	Brazil, Turkey
Low risk countries	EU, USA

The risk categories are based on information adapted from the Amfori Country Risk Classification (<https://www.amfori.org/resource/countries-risk-classification>). 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 high risk countries. In 2018, Rovio received 126 new manufacturer commitments and the scope of the commitments was 100% of the suppliers in very high risk and high risk countries. Rovio received 39 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 37.2% of the suppliers in high risk countries. No significant nonconformities were observed in the audits carried out on licensees in 2018. Rovio accepts third-party audit reports that are based on reliable international standards (such as SMETA & BSCI). Rovio did not make any factory visits of its own.

The safety of licensed products is verified by conducting a product category-based risk assessment on each new licensing partnership in every geographical region. Rovio also requests partners to provide

product testing reports on a selective basis with regard to high-risk products, including all products intended for children under three years of age. In such cases, the licensee may not begin selling the products until Rovio has received confirmation that the products have passed the required tests.

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 are Rovio's direct impacts related to 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.

Employee turnover is typically high in the gaming industry due to intense competition for employees. 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.

The Company 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 the Company 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 performance reviews with employees on a regular basis, and all employees have the opportunity to complete a quarterly survey to help the company measure job satisfaction and determine which areas need further improvement.

Of Rovio's 418 employees, 24% were women and 76% were men. The gender distribution of the Leadership Team was 50% women and 50% men, with the corresponding figures for the Board of Directors being 33% women, 67% men. Rovio's employees represented 40 different nationalities.

In FINDIX study of diversity Rovio was listed in top three of Finnish companies. Survey studied company's leadership and Board of Directors using five variables. Variables are based on Securities Markets Associations Corporate Governance Codes: genre, age, international background, education and professional background. More detailed information can be read here: <http://findix.fi/index.html>

Key figures related to the Company's employees but not directly related to responsibility are provided in the Annual Report, available on company's website: <https://www.rovio.com/investors/releases-and-publications?language=en>

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, performance reviews, 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 lays down the Company's ethical operating guidelines and applies to all Company employees and Board members regardless of their country of operation, seniority or business unit. 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. Code of Conduct training for employees was one of the key performance indicators for responsibility as defined in 2018.

Rovio also has a separate anti-corruption and anti-bribery policy, which covers matters such as gifts, hospitality and conflicts of interest situations. Rovio has a policy of zero tolerance for corruption and, when it comes to gifts and hospitality, Rovio adheres to the principle of equity. Employees may never accept or give money as a gift.

Rovio organizes Code of Conduct, Anti-Corruption ja Compliance trainings among employees; target is to reach 100% coverage. We will begin monitoring the coverage of this training in 2019 employees and the plan is to publish our results with regard to this performance indicator.

Rovio provides a Whistleblower tool for employees to report observations and suspected misconduct related to corruption 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 form in which the whistleblower details the violation that has come to their attention. The reports are anonymous and submitted only to the General Counsel. No reports were filed via the whistleblower system in 2018.

Rovio's risk management policy is described in full on the Company's website at <http://www.rovio.com/investors/governance/corporate-governance#risk>

## **2.5 Environment**

Due to the nature of Rovio's business, the environmental impacts of its operations are indirect. The most significant environmental impacts are related to the server capacity required for mobile games, which Rovio obtains through outsourced cloud services. Rovio actively monitors the environmental impacts of suppliers as well as the measures they take to mitigate these impacts. 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 impacts 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 renewable energy in the electricity consumption of Rovio's cloud service providers (target: 100%) and the CO<sub>2</sub> emissions arising from air travel and the use of office premises and their carbon offset. According to data collected from service providers, renewable energy accounted for approximately 63%\* of the electricity used for Rovio's cloud services in 2018. The CO<sub>2</sub> emissions caused by air travel amounted to 1.66 tons per person\*\* and the CO<sub>2</sub> emissions of offices were 0.81 tons per person\*\*\*. 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 844 tons was fully compensated through the United Nations climate carbon offset platform.

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

\* The figure is based on information collected from the cloud service providers used by Rovio, covers approximately 90% of the providers

\*\* Includes air travel by employees based in Espoo and Stockholm, representing 86% of the Group's personnel. The figures are not available for the other operating countries.

\*\*\* Only includes emissions for the head office in Espoo. The figures are not available for the Group's other offices.

### **3. Development of corporate responsibility**

Rovio's stakeholders have a growing need for information on responsibility and the Company aims to respond to this need. Rovio will continue to develop its corporate responsibility efforts and reporting on responsibility in 2019.