

**CORPORATE GOVERNANCE STATEMENT**

**2017**

 **ROVIO**

# Corporate Governance statement 2017

## Introduction

The ultimate responsibility for the management and operations of Rovio Group of companies is with the governing bodies of the parent entity Rovio Entertainment Corporation ("Rovio"); the General Meeting of Shareholders, the Board of Directors with its two Committees, the Audit Committee and the Remuneration Committee, and the CEO, supported by the Leadership Team. This Corporate Governance Statement has been prepared in accordance with the Corporate Governance reporting requirements of the Finnish Corporate Governance Code 2015 and related instructions issued by the Securities Markets Association and includes descriptions of Rovio's Corporate Governance and internal control procedures, as well as the main features of its risk management systems. The Corporate Governance Code 2015 can be read on page <https://cgfinland2.fi/en/>

The Audit Committee and Board of Directors of Rovio have reviewed this Corporate Governance Statement, and it has been prepared separately from the Report of the Board of Directors. Rovio's auditor, Ernst & Young Oy, has ensured that the statement has been issued, and that the description of the main features of the internal control and risk management systems related to the financial reporting process contained herein are consistent with the Financial Statements. Rovio's Board of Directors have approved this Corporate Governance Statement in its meeting on March 1, 2018.

The Corporate Governance Statement and Rovio's financial statements and Report from the Board of Directors for the financial period January 1–December 31, 2017, were published March 26, 2018 and they are also available on <https://www.rovio.com/investors/releases-and-publications>

Rovio applied for listing of its shares to Nasdaq Helsinki Ltd and organized an initial public offering on September 18–28, 2017. Trading of shares on the Nasdaq Helsinki pre-list commenced on September 29, 2017, and on the official list on October 3, 2017. Rovio commits to Finnish legislation, in particular the Limited Liability Companies Act, Accounting Act and Securities Markets Act, as well as

Rovio's Articles of Association and corporate governance principles ratified by the company's Board of Directors. We also observe the rules and regulations of the Helsinki Stock Exchange (NASDAQ Helsinki) and the Financial Supervisory Authority, the Corporate Governance Code for Finnish Listed Companies 2015. Rovio does not deviate from any of the recommendations of the Corporate Governance Code 2015.

## Corporate Governance at Rovio

### General Meeting of Shareholders

The shareholders take part in the supervision and governance of Rovio through the resolutions of General Meetings of Shareholders. The General Meeting of Shareholders is the highest decision-making body Rovio.

The General Meeting of Shareholders is generally convened by the Board of Directors. In addition to this, a General Meeting of Shareholders shall be held if Rovio's auditor or shareholders representing a minimum of one-tenth of all outstanding shares in Rovio demand in writing that a General Meeting be convened.

The general meetings of Rovio are held in Helsinki, Espoo or Vantaa. The Annual General Meeting shall be held annually within six (6) months from the end of the financial year.

The notice convening the General Meeting shall be delivered to the shareholders no earlier than three (3) months and no later than three (3) weeks prior to the Meeting, but no later than nine (9) days before the record date of the General Meeting. The notice shall be delivered to the shareholders by means of a notice published on Rovio's website or at least in one national daily newspaper designated by the Board of Directors.

In order to be entitled to attend the General Meeting, a shareholder must notify Rovio of its attendance by the date specified in the notice convening the General Meeting, which date may not be earlier than ten (10) days prior to the General Meeting.

### General Meeting of Shareholders in 2017

Rovio's Annual General Meeting was held on May 30, 2017 and an Extraordinary General Meeting on September 8, 2017. The Annual General Meeting and the Extraordinary General Meeting were held before Rovio's shares were listed on Nasdaq Helsinki Ltd.

### Board of Directors

According to Rovio's Articles of Association, the Board of Directors consists of a minimum of three and a maximum of nine ordinary members. The Annual General Meeting elects the Chairman and the Vice Chairman of the Board of Directors.

The duties and operating principles of the Board of Directors are based on Finnish legislation, in particular the Finnish Limited Liability Companies Act and the Securities Market Act, as well as on the company's Articles of Association, the rules of Nasdaq Helsinki and the Finnish Corporate Governance Code for companies listed on Nasdaq Helsinki.

The general objective Board of Directors is defining and directing strategy for the Rovio Group and duly arranging the business, administration and operations of the whole Rovio Group. The Board of Directors constitutes a quorum when more than one-half of the members are present.

The Board Charter further specifies the duties of the Board of Directors as well as the methods of working at a practical level. In accordance with the Board Charter, the Board of Directors shall decide on the basic strategies of the Rovio Group business unit business plans and budgets and monitor their implementation, decide authority frames for capital expenditure for the Rovio Group, decide principals of authorization, approval and signing levels and monitor their implementation, decide on any major individual investment or expenditure as well as on any other major and strategically significant investments, decide on major business acquisitions and divestments, major sales contracts, significant financing arrangements by any of the Rovio Group companies.

In addition, the Board of Directors shall decide on appointment and dismissal of the Chief Executive Officer, his/her possible deputy and the other members of the Leadership Team, monitoring issues relating to top management resources, significant changes in the business organization of the Rovio Group as well as decides the incentive schemes and remunerations based on proposals by the Remuneration Committee.

The Board shall decide on Rovio Group's ethical values, establishment of the dividend policy, evaluating and approving Rovio's interim reports and annual accounts, monitoring issues pertaining to significant risks and risk management activities and ensuring that adequate policies for risk management are in place.

The Board of Directors is also responsible for calling the annual General Meeting of the Shareholders and providing all necessary proposals to the General Meeting.

Rovio does not have a nomination board committee and thus the Board of Directors prepares and presents to the General Meetings the proposals for remuneration, size and members of the Board of Directors.

The Board evaluates the independence of its members annually in accordance with the Corporate Governance recommendations. Among the members of Rovio's Board of Directors, Mika Ihamuotila, Kim Ignatius, Jenny Wolfram and Niklas Zennström are independent of Rovio and its significant shareholders. Kaj Hed and Camilla Hed-Wilson are beneficial owners of Trema International Holdings B.V., Rovio's largest shareholder, and thus they are deemed not independent of Rovio's major shareholder.

### Board of Directors meetings in 2017

Until the Annual General Meeting held on May 30, 2017, the Board of Directors comprised of the following four members; Kaj Hed (chairman), Camilla Hed-Wilson, Mika Ihamuotila and Niklas Zennström. The Annual General meeting on May 30, 2017 re-elected Kaj Hed, Camilla Hed-Wilson, Mika Ihamuotila and Niklas Zennström and, in addition, Kim Ignatius and Jenny Wolfram were elected as new

members of the Board of Directors. Mika Ihamuotila was elected as the chairman and Kaj Hed was elected as the vice-chairman of the Board in the Board of Director's meeting on May 30, 2017.

The Board of Directors met or held a teleconference or passed unanimous resolutions without convening 33 times. The attendance rate was 96,3%. The main focus of the Board of Directors in 2017 was the preparation and execution of the Initial Public Offering (IPO) as well as focusing on the strategies of the business units and Hatch Entertainment Oy, evaluating and preparing potential M&A activities, reviewing and deciding on remuneration models for personnel and management and balancing of risk and financing of the Rovio Group.

Participation in 2017	Meetings of the Board of Directors
Mika Ihamuotila	33/33
Kaj Hed	33/33
Camilla Hed-Wilson	30/33
Niklas Zennström	30/33
Kim Ignatius	26/26 (since May 30, 2017)
Jenny Wolfram	25/26 (since May 30, 2017)

Fees paid to the Board of Directors in 2017 totaled EUR 402,500.00.

### Board of Directors in 2017

**Mika Ihamuotila**, Chairman of the Board of Directors

Ph.D. (Econ.)

Born 1964, Finnish citizen

Chairman of the Board of Directors since 2017, Member of the Board of Directors since 2013, Member of Rovio's Audit Committee and Remuneration Committee since 2017, Independent of the Company and its major shareholders

**Primary work experience:** Chairman of the Board of Directors of Marimekko Oyj, President of Marimekko Oyj 2008–2015 and CEO 2008–2016, A member of the Board of Directors of Elisa Oyj 2003–2008, President and CEO of Sampo Pankki Oyj 2001–2007, Chairman of the Board of Directors of Sampo Pankki Oyj 2001–2005, a member of the Board of Directors thereof 2005–2007 and CEO thereof 2005–2007, A member of the Board of Directors and CEO of Mandatum Pankki Oyj 1999–2001 and Executive Director thereof 1998–2000

**Positions of trust:** A member of the Board of Directors of Sanoma Oyj, The Chairman of the Mannerheim Foundation, Member of the Supervisory board of Finnish Cultural Foundation

**Share ownership (December 31, 2017):** 245,190 shares owned through Muotitila Ltd.\*, a company under his control

**Kaj Hed**, Vice Chairman of the Board of Directors

Electrical engineer, studies of financing

Born 1955, Finnish citizen

Vice Chairman of Rovio's Board of Directors since 2017 and the Chairman of Rovio's Board of Directors in 2005–2006 and 2008–2017, Independent investor, Rovio's main shareholder

**Primary work experience:** The Chairman of the Board of Kiosked Oy Ab 2012–2014, Deputy Member of the Board of Directors and CEO of Global Inter Partners Ab since 2009, CEO and the Chairman of the Board of Trema Group 1992–2003

**Positions of trust:** The Chairman of the Board of Hatch Entertainment Oy since 2016, The Chairman of the Board of Moor Holding Ab since 2016, The Chairman of the Board of Moor&Moor Ab since 2012, The Chairman of the Board of MobiTizer Ltd since 2006

**Share ownership (December 31, 2017):** 12,919,011.2 shares owned through Trema International Holdings B.V. Trema International Holdings B.V. owns in the aggregate 32,297,528 shares in Rovio and forty percent (40%) of the shares of Trema International are controlled by Kaj Hed.

**Camilla Hed-Wilson**, Member of the Board of Directors  
BBA (Human resource management and Arts Management)  
Born 1983, Finnish citizen  
Member of Rovio's Board of Directors since 2011

**Positions of trust:** Founder and the Chairman of the Board of Directors of Fiilinki Oy, CEO and the Chairman of the Board of Directors of So Ihana Oy, CEO and the Chairman of the Board of Directors of Brilliant Problems Oy, A member of the Board of Directors of Oivor AB

**Share ownership (December 31, 2017):** 6,459,505.6 shares owned through Trema International Holdings B.V. Trema International Holdings B.V. owns in the aggregate 32,297,528 shares in Rovio and twenty percent (20%) of the shares of Trema International are controlled by Camilla Hed-Wilson

**Kim Ignatius**, Member of the Board of Directors  
BSc (Econ.), Helsinki School of Economics and Business Administration  
Born 1956, Finnish citizen  
Member of Rovio's Board of Directors since 2017, Chairman of Rovio's Audit Committee and Remuneration Committee since 2017, Independent of the Company and its major shareholders

**Primary work experience:** Executive Vice President and member of the management team of Sanoma Corporation 2017, Chief Financial Officer of Sanoma Corporation 2008–2016, Member of the Board of Directors and the Chairman of the Audit Committee of Millicom International Cellular S.A. 2011–2014, Executive Vice President and CFO of TeliaSonera AB 2003–2008, Executive Vice President and CFO of Sonera 2000–2003, CFO of Tamro 1997–2000, Various domestic and international management positions with Amer Oyj 1984–1997

**Positions of trust:** A member of the Board of Directors and Chairman of the Audit and Risk Committee of Fortum Oyj, Chairman of the Board of Directors and the Audit Committee of RR Holding Oy

**Share ownership (December 31, 2017):** 0 shares

**Jenny Wolfram**, Member of the Board of Directors  
LL.M Born 1990, Finnish citizen  
Member of Rovio's Board of Directors since 2017, Member of Rovio's Audit Committee and Remuneration Committee, Independent of the Company and its major shareholders

**Primary work experience:** CEO, a member of the Board of Directors and founder of BrandBastion Ltd, Chairman of the Board of Directors of Oy Group Dash Ab, A member of the Board of Directors and CEO of Jenny Wolfram Ab, The Chairman of the Board of Directors and CEO of Oy Wolfram Ab

**Positions of trust:** Recognized by Forbes 30 under 30 in Marketing in 2017

**Share ownership (December 31, 2017):** 0 shares

**Niklas Zennström**, Member of the Board of Directors  
Dual degrees in Business and M.Sc. (Eng.)  
Born 1966, Swedish citizen  
Member of Rovio's Board of Directors since 2011, Independent of Rovio and its major shareholders

**Primary work experience:** CEO and founding partner of Atomico, Co-founder and former CEO of Skype, Co-founder of Joost, Kazaa, and Joltid Ltd, CEO of the European portal and everyday.com

**Positions of trust:** President of the European Tech Alliance and co-founder of Zennström Philanthropies

**Share ownership (December 31, 2017):** 0 shares

### Evaluation of Board's work

The Board of Directors conducted a self-evaluation survey for its work during 2017 in order to further develop its work. Based on that assessment, the Board will set certain focus areas and amend certain processes in an effort to further enhance the efficiency of the board work and to strengthen the diversity.

### Principles on Diversity of the Board of Directors

The Board of Directors has defined its principles on diversity in the Board Charter as well as in its Principles of Diversity policy. In accordance with the policy, the following diversity principles are taken into account when preparing the proposal for the election of the members of the Board of Directors to the General Meeting; ensure that the Board of Directors as a whole possess the necessary knowledge and experience on the business, social and cultural conditions in the most significant markets to Rovio's business; ensure that the Board of the Directors have a fair and balanced combination of professional experience, skills, gender, nationality, knowledge, and variety of opinions and backgrounds considering Rovio's current and future needs and thus the capability to positively influence the long-term strategic direction and performance of Rovio; ensure that both genders are represented in the Board of Directors.

The Annual General Meeting held on May 30, 2017 elected six Board members: four men and two women. Board members have degrees in four different areas of study, with a majority of the degrees in economics. All members have professional experience in various types of positions and from various industries. The Board members are from two countries: Finland and Sweden. The members represent different ages between 27 and 62 years of age, and their length of service on the Rovio Board of Directors is 1–12 years.

### Board committees

Rovio has two board committees: Audit Committee and Remuneration Committee. Board committees were established on May 30, 2017.

### Audit Committee

The Board Audit Committee assists the Board of Directors in matters relating to financial reporting and control in accordance with the duties specified for audit committees in the Finnish Corporate Governance Code of 2015 issued by the Securities Market Association and the Finnish Limited Liability Companies Act. The purpose of the Audit Committee is to assist the Board of Directors in ensuring the appropriate arrangement of the governance, controls and risk management according to the Finnish Limited Liability Companies Act. The Board of Directors has confirmed the Audit Committee's key duties and operating principles in the Board Audit Committee Charter.

The Audit Committee consists of the Chairman and at least two members. The Committee meets regularly at least four times per year. The term of office of the members is one year. The majority of the Audit Committee members shall be independent of the company and at least one member shall be independent of significant shareholders.

The members of the Audit Committee shall have the qualifications necessary to perform the responsibilities of the Audit Committee, and at least one member shall have expertise specifically in accounting, bookkeeping or auditing.

In its meeting on May 30, 2017, Rovio's Board of Directors established the Audit Committee and appointed Kim Ignatius as the Chairman and Mika Ihamuotila and Jenny Wolfram as members of the Audit Committee.

In 2017, the Audit Committee met two times and focused on the following topics; reviewing and preparations for the execution of Initial Public Offering (IPO) of Rovio, reviewed reports prepared by the auditors, the interim reports and related investor presentations, reviewed and approved plans for Internal Audit and Internal Controls; reviewed treasury matters; reviewed the risk management process and discussed risk analysis; reviewed the risk management, internal audit, internal control and related party transaction policies and reviewed company's Corporate Governance structure and set the annual schedule for the Audit Committee meetings.

The attendance of members in Audit Committee meetings was the following:

Participation in 2017	Meetings of the Audit Committee
Kim Ignatius	2/2
Mika Ihamuotila	1/2
Jenny Wolfram	2/2

### Remuneration Committee

The Board Remuneration Committee is responsible for recommending and evaluating executive nominations and compensations including CEO's, evaluating the performance of the CEO and making recommendations to the Board of Directors on management compensation matters.

The Board of Directors has confirmed the Remuneration Committee's key duties and operating principles in the Board Remuneration Committee Charter. The Remuneration Committee consists of the Chairman and at least two members. The Committee meets regularly at least four times per year. The term of office of the members is one year. The majority of the Committee members shall be independent of the Company and at least one member shall be independent of significant shareholders.

In its meeting on May 30, 2017, Rovio's Board of Directors established the Remuneration Committee and appointed Kim Ignatius as the Chairman and Mika Ihamuotila and Jenny Wolfram as members of the Remuneration Committee.

In 2017, Remuneration Committee met three times and focused on the following topics; total compensation structures and levels for the Leadership Team, including external benchmarking (+ compensation model proposal), reviewed and proposed the long term and short term incentive models to the Board, review talent management and competence development plan, reviewed and discussed employee survey results, succession planning and review of the people strategy at Rovio.

The attendance of members in Remuneration Committee meetings was the following:

Participation in 2017	Meetings of the Remuneration Committee
Kim Ignatius	3/3
Mika Ihamuotila	2/3
Jenny Wolfram	3/3

### Chief Executive Officer (CEO) and the Leadership Team

#### CEO

The CEO is responsible for managing and controlling Rovio's business and day-to-day operations in accordance with the directions and instructions by the Board of Directors. It is the duty of the CEO to ensure that the Rovio's operations are in compliance with the laws and regulations applicable at the time. The CEO is the chairman of the Leadership Team.

The CEO reports on his/her actions to the Board of Directors of the company. The Board of Directors shall decide on the appointment and dismissal of the CEO.

The CEO may have a deputy who will attend to the duties of the CEO in the event that the CEO is prevented from doing so him/herself.

On November 30, 2015, the Board of Directors of Rovio appointed Ms. Kati Levoranta, as the CEO of Rovio. She assumed the duties of CEO as of January 1, 2016.

#### Leadership Team

The Leadership Team consists of the CEO, CFO, Head of Games, Head of Brand Licensing and the Chief Corporate Development Officer, General Counsel, Head of HR and SPV, Corporate Communications & IR. The Leadership Team assists

the CEO in planning operations and operative management, as well as prepares matters for discussion by the Board of Directors. Leadership Team meetings are convened by the CEO on a regular basis.

The Leadership Team prepares Rovio Group's strategic and annual planning, supervises the implementation of plans and financial reporting, and prepares significant investments as well as mergers and acquisitions.

The Leadership Team members have authority within their individual areas of responsibility and have the duty to develop the company's operations in accordance with the targets set by the Board of Directors and the CEO. In addition to their main duties, the Leadership Team members may also be members in the Boards of subsidiaries.

The current leadership team started operating as of April 1, 2017. During the first quarter of 2017 the leadership team comprised of CEO, CFO, Head of Games, Head of Animation, Chief Corporate Development Officer, Chief Strategy Officer, General Counsel and Head of HR. The main focus of the leadership team in 2017 was the implementation of the Games First Entertainment Company strategy, including the global restructuring of the Rovio Group in 1H/2017 and thereafter the preparation and execution of the Initial Public Offering (IPO) of Rovio.

**Kati Levoranta**, CEO

LL.M (in Finland and Columbia University School of Law, the United States),

MBA (Econ.)

Born 1970, Finnish citizen

Joined Rovio in 2012

CEO since 2016, Member of Rovio's Leadership Team since 2012, Head of Sales, EMEA at Rovio Entertainment Oy 2015, Chief Legal Officer at Rovio Entertainment Oy 2012–2015

**Primary work experience:** Several positions in Nokia Oyj and Nokia Siemens Networks Oy 2005–2011, latest Head of Global Commercial Transactions

**Positions of trust:** Member of the Board of Directors of Finland Chamber of Commerce

**Share ownership (December 31, 2017):** 0 shares

**Number of options (December 31, 2017):** 90,000 from option programme 2017 and 270,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 40,000

**René Lindell**, CFO

M.Sc. (Econ.), Ph.D. (Tech.)

Born 1976, Finnish citizen

Joined Rovio in 2014

Chief Financial Officer at Rovio since 2017, Member of Rovio's Leadership Team since 2016, Chief Strategy Officer and Strategy and Business development officer at Rovio 2014–2017

**Primary work experience:** Strategy Director at Nokia Oyj 2011–2014, Management Consultant at the Boston Consulting Group 2006–2011

**Share ownership (December 31, 2017):** 0 shares

**Number of options (December 31, 2017):** 40,000 from option programme 2017 and 140,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 14,000

**Rauno Heinonen**, SVP, Corporate Communication and IR

M.Soc.Sc. (Communications)

Born 1964, Finnish citizen

Joined Rovio in 2017

Senior Vice President, Corporate Communication & IR since September 2017, Member of Rovio's Leadership Team since 2017

**Primary work Experience:** Senior Vice President, Corporate Communication, IR & CR at Alma Media Oyj 2007–2017, Account Director at Miltton 2006–2007, Head of IR and Communication at Satama Interactive Oyj 2005–2006, SVP Corporate Com-

munication and Branding at M-real Oyj 2000–2003, Head of Communication and Group Marketing at ICL Data Oy 1995–2000

**Share ownership (December 31, 2017):** 150 shares

**Number of options (December 31, 2017):** 25,000 from option programme 2017

**Simo Hämäläinen**, Head of Brand Licensing

M.Sc. (Eng.)

Born 1980, Finnish citizen

Joined Rovio in 2013

Head of Brand Licensing since 2017, Member of Rovio's Leadership Team since 2017, Various roles at Rovio 2013–2017, latest Head of Marketing and Promotions

**Primary work experience:** Member of the Board of Directors at Alberga Brewing Company Oy since 2016, Various international sales, marketing and brand management positions at Oy Hartwall Ab and Heineken N.V. 2007–2013

**Share ownership (December 31, 2017):** 0 shares

**Number of options (December 31, 2017):** 40,000 from option programme 2017 and 40,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 15,000

**Marjo Kuosmanen**, Head of HR

BBA

Born 1977, Finnish citizen

Joined Rovio 2014

Head of HR since 2016, Member of Rovio's Leadership Team since 2016, HR director of Games Business Unit 2014–2016

**Primary work experience:** HR manager at Global Functions at UPM Kymmene Oyj 2011–2013, Various HR positions at Nokia Oyj since 2006, latest Global HR Manager 2009–2011

**Share ownership (December 31, 2017):** 20,000 shares

**Number of options (December 31, 2017):** 25,000 from option programme 2017 and 30,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 7,500

**Minna Raitanen**, General Counsel

LL.M.

Born 1974, Finnish citizen

Joined Rovio in 2012

General Counsel since 2016, Member of Rovio's Leadership Team since 2016, Senior Legal Counsel 2012–2016

**Primary work experience:** Senior Legal Counsel at Nokia Siemens Networks Oy and Nokia Oyj 2005–2012, Attorney-at-law at Veikko Palotie & co 2000–2004

**Share ownership (December 31, 2017):** 0 shares

**Number of options (December 31, 2017):** 40,000 from option programme 2017 and 80,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 7,500

**Mikko Setälä**, Chief Corporate Development Officer

M.Sc. (Eng.)

Born 1956, Finnish citizen

Joined Rovio in 2006

Chief Corporate Development Officer since 2015, Member of Rovio's Leadership Team since 2016, President of Rovio's North America subsidiaries 2013–2015 CFO of Rovio 2011–2012, Chairman of the Board of Directors of Rovio Entertainment 2006–2008

**Primary work experience:** Dream Team Leader at Supermatrix 2009–2011, Member of the Board of Directors and CEO of Setala Capital Oy since 2005, COO and CEO at TJ Group plc. 2000–2004, Various executive positions at Lotus Development 1992–2000

**Share ownership (December 31, 2017):** 0 shares

**Number of options (December 31, 2017):** 25,000 from option programme 2017 and 50,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 7,000

**Wilhelm Taht**, Head of Games until 2 March 2018

M.Sc. (Econ.)

Born 1980, Finnish citizen

Joined Rovio in 2014

Member of Rovio's Leadership Team since 2016

**Primary work experience:** Head of External Products at Rovio Entertainment Oy 2015–2016, Tribe Leader, External Products at Rovio Entertainment Oy 2014–2015, Chief Operating Officer at Playground Publishing in Marseille, France 2013–2014, Various positions in marketing at Digia Plc. 2012–2013, Director and Head of EMEA Marketing at RealNetworks, Inc. 2006–2010, Key Account Manager at Mr. Goodliving Ltd. 2004–2005, Founder of Cirque Créatif Oy and TARANOKO OÜ, Chairman of the Board of both companies until 2017

**Share ownership (December 31, 2017):** 0 shares

**Number of options (December 31, 2017):** 80,000 from option programme 2017 and 240,000 from option programme 2015, Shares allocated in accordance with the Restricted Share Plan (December 31, 2017): 60,000

## The main features of Rovio's risk management and internal control

### Risk management

#### Purpose

The Rovio risk management policy defines the objectives and principles, organization, responsibilities and practices of risk management within Rovio.

Risk management is an important part of the Rovio Group business management and corporate governance. The objective of Rovio's risk management is to support the whole organization in achieving its strategic, operational and financial targets. In order to meet the objectives Rovio has incorporated procedures to recognize, assess and manage risks and their consequences. The risk management objective is reached when the Group has identified the uncertainties, risks and opportunities related to the targets and is able to effectively assess and manage the risks.

Rovio upholds a risk portfolio to be able to assess Rovio's full risk position, instead of only identifying individual risks. Rovio's view is that controlled risk taking can have a positive effect on the organization's development and achievement of the set targets. Rovio also acknowledges that certain mitigating measures bear some risk in themselves.

#### Rovio enterprise risk management

Risk management in Rovio aims at ensuring a Group wide risk recognition, assessment, management and control. Risk management is a part of the Rovio day-to-day decision making and operations. Risk management is handled both centrally and in business units to ensure efficiency and visibility across the organization. Key risks are regularly and systematically recognized, assessed, managed, monitored and reported to the Board of Directors as a part of the business operations at a Group and business unit level;

- set our goals and targets taking both business opportunities and risks into account
- take calculated and assessed risks within the limits of our strategy, e.g. in expanding business operations, in strengthening market position, and in creating new business
- In risk assessments, consider not only the financial impact but also the impact on people, environment and company reputation
- seek to avoid or reduce the impact of risks
- create a safe working environment for employees
- minimize opportunities for crime or malpractice through our control processes
- ensure the continuity of operations by safeguarding critical functions and resources
- make preparations for the realization of risks by crisis management, continuity and recovery plans, by training plan implementation and by using sufficient insurance coverage
- keep risk management costs and resources proportionate to the obtainable benefits
- provide information on risks and risk management to stakeholders in accordance with our corporate governance principles.

#### Risk definition and risk categories

Rovio divides risks into external and internal risks and further into strategic, operational and financial risks.

Strategic risks are uncertainties mainly related to changes in Rovio's operating environment and the ability to respond to these changes or to prepare for them. These can be related to e.g. changes in the macro-economic situation, legislative environment, technologies, consumer behaviors and competitive environment.

The target of assessing strategic risks and opportunities is to identify the measures that can and should be taken to achieve objectives by taking controllable risks. Failure in identifying or taking advantage of opportunities also constitutes a risk.

Operational risks are circumstances or events which can prevent or hinder the achievement of objectives or cause damage to people, property, business or information. The target is to avoid or reduce operational risks to an extent, where the cost of measures is in a reasonable proportion to the extent of the risk.

Financial risks are risks related to Rovio's financial position. These include currency risk, liquidity and funding risk, interest rate risk, credits and counterparty risk. The management of financial risks is based on the Group's finance policy, confirmed by the Board of Directors.

Risk assessments consider also other aspects than purely financial impacts. Reputational risks arise if Rovio's operations are inconsistent with the expectations of different stakeholder groups, such as the end consumers for Rovio's products, business partners or the general public. Preventing reputational risks requires compliance with Rovio's internal guidelines and corporate governance. The management of reputational risks relies especially on providing timely and right external communication.

The risks are further divided into group level and business unit (i.e. Games and Brand licensing) level risks.

#### Risk management in 2017

Rovio continued formalizing its risk management process in 2017, with specific measures taken around for instance GDPR regulation. As a part of the IPO readiness process, risk assessments have been conducted both internally and externally in various areas, to ensure that there are no material unknown and unreported risks and that the existing governance and reporting processes are robust enough.

### **Internal control**

Rovio's Internal Control Policy defined the Internal control as a process designed to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Internal control in financial reporting aims at providing assurance that the financial reporting is reliable and in line with the generally accepted accounting principles, applicable laws and regulations as well as internal reporting principles. Rovio Group's internal control policy sets out the framework for Rovio's internal control function.

Rovio's strategic and business objectives as well as Rovio's Corporate Governance set the foundation for the Internal Control processes. Internal Control is defined as a process, affected by the Board of Directors, the Leadership Team and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. When the system of Internal Control is determined to be effective, the Leadership Team and the Board of Directors have reasonable assurance, relative to the application within the entity structure, that the organization:

- Achieves effective and efficient operations when external events are considered unlikely to have a significant impact on the achievement of objectives or where the organization can reasonably predict the nature and timing of external events and mitigate the impact to an acceptable level;
- Understands the extent to which operations are managed effectively and efficiently when external events may have a significant impact on the achievement of objectives or where the organization can reasonably predict the nature and timing of external events and mitigate the impact to an acceptable level;
- Prepares reports in conformity with applicable rules, regulations, and standards or with the entity's specified reporting objectives; and

- Complies with applicable laws, rules, regulations, and external standards. Rovio's strategic and business objectives as well as Rovio's Corporate Governance principles set the foundation for the Internal Control processes.

### **Internal audit**

Rovio's internal audit policy sets out the framework within which Rovio's internal audit provides objective and independent assurance and advice to the Audit Committee and to the Board of over the processes and systems of internal control and risk management operating within the Rovio Group.

Internal audit observations and follow-up measures and other related matters are reported to the Audit Committee. Rovio does not have its own internal audit team, the Internal Audit at Rovio is more a process than a function. Internal Audit is led by the Audit Committee, who ultimately decides the procedures and activities to be performed. Some of these may be delegated within Rovio, for instance to the CEO, CFO or General Counsel or outsourced to an external party, if that is more efficient and/or adequate. Internal Audit may work closely together also with external auditors, especially in areas where they mutually support each other's objectives.

Internal Audit is responsible for the development and the approval of an audit plan. The plan typically details proposed approach over the next 12 months. Internal Audit reviews the plan regularly together with the Audit Committee and any suggested material amendments to it. The Audit Committee approves the plan, which is executed either by Rovio internally or outsourced to reliable partners, especially in areas that require fully independent and/or specialized knowledge and capabilities.

The scope of Rovio's Internal Audit Policy covers inter alia the assessment of systems, processes, controls, information and operations relating to the following:

- business units and legal entities that form part of the Group, and any other related interests

- IT systems and services
- risk management and assessment
- finance and accounting
- compliance and regulatory operations and oversight
- corporate governance
- Group planning and strategy, including project management
- human resources
- management information
- third party relationships
- ethics related objectives, programs and activities, and risk and control culture
- other functions that support the operation and infrastructure of the Group, including regulatory related models and frameworks.

#### Internal Audit in 2017

Rovio continued formalizing its internal audit process in 2017. No specific deep dive audits were conducted, but in preparation for the IPO, Rovio's processes and governance model were analyzed and further strengthened and specific measures taken in many areas to ensure compliance with the increased regulation after becoming publicly listed. Rovio has to date prepared the internal audit plan for the next 12 months and is currently analyzing areas of focus. Internal audit services are purchased from KPMG Oy.

#### Auditors

Rovio has one official auditor, who shall be an auditing firm approved by the Finnish Patent and Registration Office. The term of the auditor shall be until the conclusion of the first Annual General Meeting following the election. The Annual General Meeting elects the auditor and decides on their fees.

In the Annual General Meeting on May 30, 2017, audit firm Ernst & Young Oy, a firm of Authorized Public Accountants, was elected as Rovio's auditor. The auditor

with principal responsibility is Mikko Ryttilahti. Ernst & Young Oy has been Rovio's auditor since 2013.

In 2017, Rovio paid a fee of EUR 388,110.58 for the auditing services. Additionally, Rovio paid to the auditor EUR 705,443.55 for other non-audit related fees.

#### Insider management

Rovio observes the Market Abuse Regulation (EU 596/2014, "MAR") and the regulations and guidance given under it, including the insider guidelines of Nasdaq Helsinki Ltd. In addition to this, Rovio has prepaid supplementing internal Insider Guidelines.

Rovio has defined the members of the Board of Directors, the CEO and other members of the Leadership Team as persons discharging managerial responsibilities ("managerial persons"). The managerial persons and their closely associated persons are required to notify Rovio and the FIN-FSA of every transaction conducted on their own account relating to the Financial Instruments of (or linked to) Rovio without delay and at the latest within three business days after transactions in question was conducted. In addition, Rovio discloses via stock exchange releases and its website information on transactions by managerial persons and their closely associated persons.

The managerial persons may not conduct any transactions on their own account or for the account of a third party, directly or indirectly, relating to Rovio's shares or other financial instruments during a closed period of thirty (30) calendar days before the announcement of an interim financial report, half year report or a year-end report, including the day of publication of said report.

Rovio has further expanded same trading restrictions during the closed period to cover such employees and other persons, who are not managerial persons but may have access to information on the interim financial report(s) or the year-end report or otherwise have regular access to essential financial information of Rovio due to their position or duties at Rovio (so called "closed period employees").

Rovio's insider list comprises of one or more project-based insider lists. Rovio can also create a list of "permanent insiders" who, due to the nature of their role or position, continuously have access to all inside information within the company. Rovio maintains a list of employees and service providers who have access to inside information.

Trading in the shares or other financial instruments of Rovio is always prohibited when holding inside information relating to Rovio or its financial instruments, regardless of whether the person has been entered into an insider list.

Rovio's General Counsel is responsible for insider guidelines and general insider management in the Company.

## Related party transactions

Rovio's related party transaction policy describes the process of identifying and reviewing potential related party transactions, as an example business arrangement between a major shareholder or a managerial person and Rovio.

Rovio has to identify and report the related party transactions that are material from the perspective of Rovio and where such transactions deviate from Rovio's normal business operations or are not made on market or market equivalent terms. Even if an applicable related party transaction does not fall within the specifications above, Rovio is required to report the decision-making procedure applied in Related Party Transactions if reporting is necessary to provide a true and fair view.

In accordance with Rovio's related party transaction policy, if a transaction is potentially identified as related party transaction, the transaction will be referred to the Audit Committee for review and approval.

## Disclosure matters

In its communications, Rovio complies with EU and Finnish legislation, stipulations contained in the regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (Market Abuse Regulation) ("MAR"), and the Company's corporate governance principles, Nasdaq Helsinki Ltd. – Helsinki Stock Exchange rules and guidelines (incl. Nasdaq Helsinki Ltd. (the "Nasdaq Helsinki") – Insider Guidelines for listed companies), the guidelines of ESMA (European Securities and Markets Authority) and the Finnish Financial Supervisory Authority, and the Finnish Corporate Governance Code for listed companies as well as Rovio's Disclosure Policy.

Rovio's Disclosure Policy describes the key principles and practices according to which Rovio communicates with the different capital market participants. The principles set in the disclosure policy govern Rovio and its subsidiaries.

The objective of Rovio's financial and investor communications is to ensure that all market participants have simultaneously and without delay an access to equal, fair, sufficient and simultaneous information on the material factors relating to Rovio and its business, which factors may have an effect on the value of Rovio's financial instruments, and that the information disclosed gives correct and sufficient information on Rovio's operations.

In accordance with a pre-announced schedule, Rovio discloses information on its financial performance and financial position in its financial statements and reports of the Board of Directors, financial statements releases, half year releases and interim reports.

Rovio discloses to the public primarily the information regarding the group and its reporting segments (Games, Brand Licensing and Other). As a general rule, financial information or key performance indicators of the Company's other units or legal persons are not published.