

# REMUNERATION POLICY

APPROVED BY THE BOARD OF DIRECTORS 11 FEBRUARY 2022  
AND VALID FROM 7 APRIL 2022



 ROVIO

# Rovio Entertainment Remuneration Policy

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## Introduction

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The Remuneration Policy includes the framework and principles for the remuneration of the Board of Directors and the CEO of Rovio Entertainment Corporation (“Rovio”, or “the Company”). What is stated about the CEO will also apply to a potential Deputy CEO.

This revised Remuneration Policy is presented for an advisory decision by the Annual General Meeting to be held on 7 April 2022. This Remuneration Policy replaces and supersedes the previous remuneration policy approved by the Annual General Meeting on 31 March 2020.

During the preparation of the revised policy, the advisory voting of the 2020 Remuneration Report in the AGM in March 2021 was taken into account. The advisory voting received a result in favor for acceptance, but the company was requested to pay attention to long-term incentive plan periods as well as non-performance based share incentives to senior leaders.

The updated policy includes the following key changes concerning the remuneration of the CEO:

- long-term incentives have been defined to be performance-based. The event that the share incentives would be granted without performance criteria would be considered as ‘exceptional circumstances’
- the total period length of the long-term incentives program is set to be a minimum of three years
- short-term incentives and one-time bonuses are set a cap of 100% of the annual salary per plan

In addition, changes which are not deemed material have been done to the terminology used in the policy.

Remuneration Policy will be applied until the Annual General Meeting to be held in 2026 unless the Board of Directors (“the Board”) decides to bring it for an advisory decision by the General Meeting earlier. The advisory decision is always required in case essential changes are made to the Remuneration Policy. Minor changes can be made without a separate presentation to the Annual General Meeting. Such changes may be, but are not limited to, changing remuneration terminology or change in legislation.

The Board Remuneration Committee (“the Remuneration Committee”) has taken into account the recommendations on the Finnish Corporate Governance Code 2020 as well as the latest provisions to the Finnish Securities Market Act and Limited Liability Companies Act in the preparation of the Remuneration Policy.

The Remuneration Committee is responsible for preparing the Remuneration Policy as well as monitoring and evaluating it continuously in order to ensure alignment with the Company’s business strategy and pay-for-performance philosophy. In addition, the Remuneration Committee takes into account the results of the General Meeting votes and comments by shareholders regarding the Remuneration Policy.

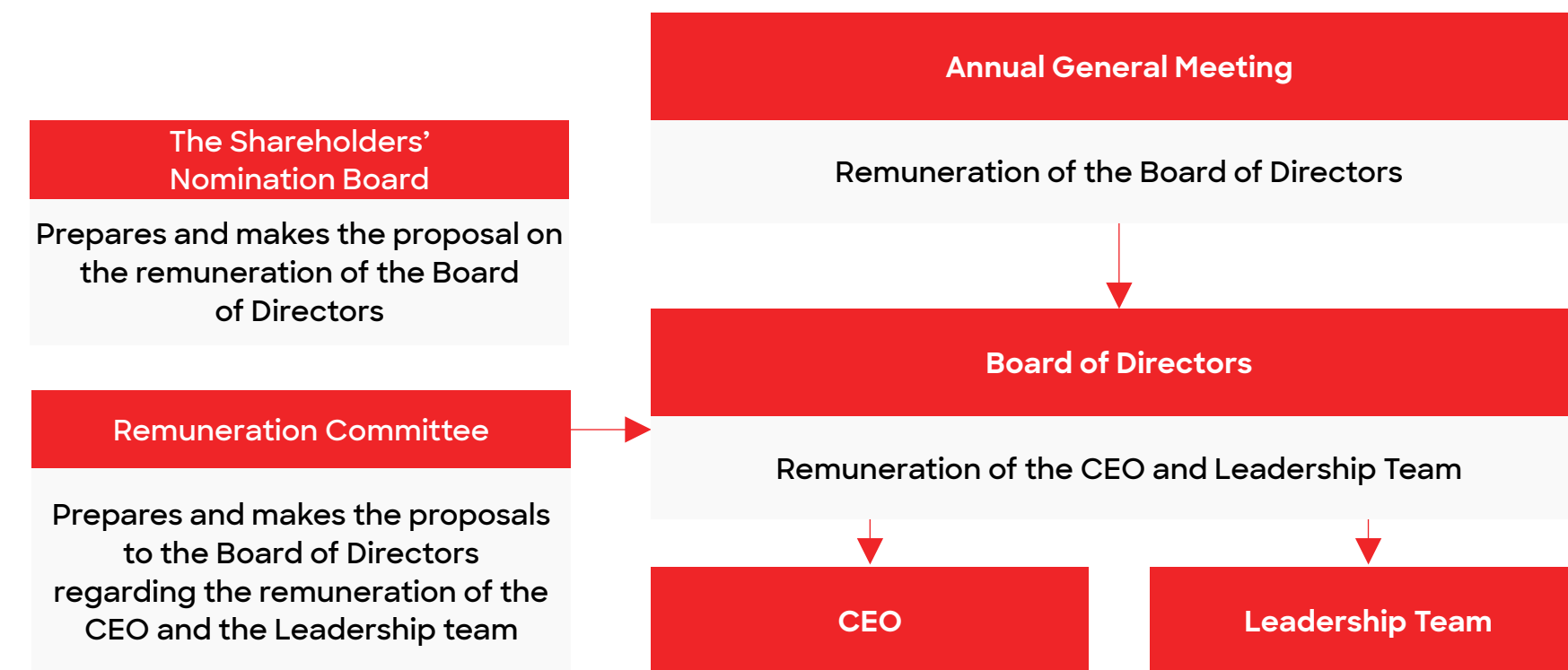
**Key principles**

The aim of the Remuneration Policy is to ensure the alignment of pay and performance in Rovio. To achieve this, Rovio has built a remuneration framework that creates an incentive to pursue the Company's success and shareholder value creation in the long term and to support the Company's growth strategy with its focus on games business while leveraging its Angry Birds franchise and other IPs through games and other entertainment. It is also important that the Remuneration Policy and the remuneration framework allow Rovio to be able to attract and retain competent management and Board members in the Company.

The Remuneration Policy is set to be consistent with the remuneration framework applied to all Rovio employees. This is for instance reflected in variable remuneration elements, eligible groups, and relevant metrics; the Company has carefully considered the purpose and function of the different remuneration elements, after which the metrics and the target groups are in alignment with the purpose of the variable remuneration element. All in all, the metrics of the plans are supporting the achievement of the overall strategic goal, yet avoiding overlapping of the rewarding mechanisms and target groups.



## Decision-making process



### Board of Directors

In the Annual General Meeting, shareholders resolve Board of Directors' remuneration based on a proposal made by the Shareholders' Nomination Board. Prior to making its proposal, the Shareholders' Nomination Board annually analyses and reviews the remuneration for the Chair and for the members of the Board of Directors against companies of similar size and complexity to Rovio.

### CEO

The Board decides on the remuneration of the CEO. The Remuneration Committee organizes practicalities related to the CEO's remuneration and prepares proposals for the Board's decision-making. The CEO is not a member of the Board or the Remuneration Committee, and is not in any way involved in the decision-making process regarding CEO's own remuneration.

The Remuneration Committee regularly evaluates the competitiveness of the CEO's remuneration in order to ensure it is aligned with the Company's strategy and shareholder interests. In this evaluation, external experts, as well as related external research data, are utilized to ensure that the CEO's remuneration is competitive compared to typical levels in companies of comparable industry, location, size, and complexity.

In order to promote alignment of interests with shareholders, and alignment of pay and performance, a part of the CEO's total compensation may be paid out in Rovio shares or share-linked instruments. The Board decides on reward payouts instruments on the basis of valid authorizations by the General Meeting. The General Meeting or the Board authorized by the General Meeting decides on the issue of shares or stock options or other special rights entitling to shares to the CEO.

## Description of the Remuneration of the Board of Directors

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In the Annual General Meeting, shareholders resolve Board of Directors' remuneration based on a proposal made by the Shareholders' Nomination Board.

The basis for the determination of the Board's remuneration is to ensure that the remuneration is competitive in relation to the market and that the remuneration reflects the competencies and efforts required from the members of the Board in order to fulfill their duties.



## Description of the Remuneration of the CEO

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The remuneration of the CEO is based on the following guiding principles:

- Total remuneration opportunity will be sufficiently competitive in relation to typical market level in relevant peer companies
- Variable remuneration forms a significant part of the total remuneration opportunity in order to align remuneration with achieved performance and shareholder value creation
- The majority of variable remuneration is long-term and share-based, emphasizing long-term performance and link to shareholder value development
- Requirements for share ownership and clawback provisions are set for the CEO in order to promote continuously accumulating share ownership in Rovio and optimal risk-taking.

### **Annual total remuneration mix of the CEO**

The CEO's remuneration consists of fixed base salary (including fringe benefits), variable remuneration, and potential other components, in line with the Remuneration Policy. Variable remuneration may include one or several share-based or cash-based incentive plans in the short-term and/or in the long-term.

Variable remuneration incentive plans will form a significant portion of the annual remuneration opportunity provided to the CEO at the targeted performance level. The short-term incentives are performance-based with criteria set in alignment with the business priorities. The long-term share-based incentives will form the majority of the CEO's total variable remuneration opportunity, in order to ensure shareholder alignment. Long-term incentives are performance-based with reten-

tion element built in. The structure of the CEO's target total compensation is base salary under 50%, long-term incentives 30–50%, and short-term incentives 10–20 % of the total compensation.

The exact proportion of fixed remuneration in relation to variable remuneration, as well as the exact proportion of short-term remuneration in relation to long-term remuneration are set depending on the business objectives of the Company upon deciding on remuneration ensuring that the remuneration mix stays optimal. The Board carefully considers Rovio's strategy and targets as well as typical market practices when annually defining the remuneration components and their weightings, performance metrics, and their targets.

The Board will set a target and a maximum metrics level for both the short-term and long-term remuneration, as an amount of cash or a number of shares or stock options. For share-based plans, the value of the remuneration opportunity will at any time be calculated by applying the prevailing Rovio share price at the commencement of the performance period, or by applying a generally accepted stock option valuation method.

The Board has implemented share ownership guidelines to emphasize the importance of the CEO's personal share ownership in Rovio to further ensure long-term alignment with shareholders, exceeding the timespan of the share-based incentives.

### **Timeline of the CEO's remuneration**

In order to promote the alignment of the remuneration with Company strategy and shareholder value in the long term, going forward, the total incentive timeline of the long-term remuneration will be a minimum of three years. For performance-based long-term incentives, within each incentive plan, there may be one or several measurements and vesting periods. Such periods depend on what the Board sees appropriate in the respective strategic phase.

As a main rule, any Rovio stock options that have been vested are at the CEO's disposal after the vesting period and shares that are earned based on the long-term incentive plan, are at the CEO's disposal after the reward payment. However, the CEO is expected to accumulate a shareholding in Rovio as per the Company's share ownership guidelines. The Board may set transfer restrictions to paid out reward shares or shares subscribed with stock options as it sees appropriate in pursuit of this objective.

### **Performance metrics and target setting of incentive plans**

At the launch of each incentive plan period, the Board decides on the optimal performance metrics for each incentive plan. Variable remuneration is intended to reward for contributing to the Company's financial success, shareholder value creation, and sustainability goals. Variable remuneration performance targets and measurement principles for each performance metric will be clearly defined by the Board when the targets are set.

Performance targets will be based on one or several of the following metric groups:

- Total Shareholder Return and other shareholder value-based metrics – focus on long-term shareholder value creation
- Financial and operative metrics – focus on growth, profitability, operational efficiency, and Company development
- Strategic metrics – focus on strategic development and renewal, and corporate responsibility





## Main Components of the CEO's Remuneration

Component	Purpose and link to strategy	Description
<b>Fixed Salary + Benefits</b>	A sufficiently competitive guaranteed pay is being offered to attract and employ highly competent CEO to drive the company's strategy and value creation	<p>Fixed salary includes taxable fringe benefits.</p> <p>Fixed salary is set based on the market level, the individual's skills and experience, and other relevant factors.</p> <p>Fixed salary is reviewed by the Board at least annually.</p> <p>Benefits are being provided in line with the market practice in the country of employment.</p> <p>The CEO is also eligible to participate in benefit plans and programmes which are provided to all Rovio employees. This includes, but is not limited to, a programme such as all employee share saving plan where co-investment by the participant is required.</p>
<b>Short-Term Incentive</b>	To support and set the focus on the business strategy by rewarding and incentivizing the CEO for achieving and going beyond the expected performance levels in short-term.	<p>Performance is measured for a one-year period against the pre-defined targets set by the Board of Directors. The reward is normally paid after the year-end, based on the achieved performance.</p> <p>Short-Term Incentive reward is capped annually at a maximum of 100% of the annual base salary.</p> <p>Short-Term Incentive reward is paid in cash. The Board may decide on an exceptional basis that part of the reward is paid in shares.</p>
<b>Long-Term Incentive</b>	<p>To reward for long-term shareholder value creation and achievement of set strategic and financial targets.</p> <p>To align the CEO's interests with Rovio shareholders' interests.</p> <p>To accumulate the CEO's share ownership in Rovio, according to the share ownership guidelines.</p>	<p>The CEO may be offered share-based long-term incentives, which are performance based and reward for shareholder value creation and/or Company performance. The Board selects optimal long-term incentive mechanisms that optimally correspond to Company needs.</p> <p>The total period for long-term incentives is a minimum of three years. Within each total period there may be one or several performance and vesting periods. Performance criteria as well as vesting periods are defined by the Board of Directors prior the launch of the plan. The reward is paid as soon as practically possible, based on the pre-defined performance criteria and after the applicable vesting period has come to an end.</p> <p>In addition to performance-based long-term incentives, the Board may in exceptional circumstances and with careful consideration grant retention-focused share-based incentives to be earned only based on continuous service in Rovio such as Restricted Share Units. The retention-focused incentives may be conditional to personal investment in Rovio share.</p>

Component	Purpose and link to strategy	Description
<b>Supplementary Pension Arrangements</b>	Supplementary pension arrangement is considered as an element in the total remuneration package to secure the optimal balance of different compensation items and alignment with the local market practices for equivalent positions.	<p>At the time of establishing and revisiting the Remuneration Policy, there is no supplementary pension scheme in place for the CEO.</p> <p>The Board will continuously assess the situation and make decisions as deemed appropriate based on business needs and market practices.</p> <p>Potential supplementary pension schemes will be based on defined contribution.</p>
<b>One-time bonuses</b>	To reward for concluding a special project with significant financial or strategic importance.	<p>At the time of establishing and revisiting the Remuneration Policy, there are no such one-time bonuses in place.</p> <p>The performance is measured by the success of the respective project. The Board uses its discretion to determine if such one-time bonuses are paid. Each one-time bonus is capped at a maximum of 100% of the annual base salary.</p>
<b>Share Ownership Guidelines</b>	To promote share ownership and to align the CEO's interests with Rovio shareholders' interests.	The aim is that over time the CEO's shareholding in Rovio accumulates to a value corresponding to the value of 50 % of the CEO's annual gross fixed salary. The Board may set transfer restrictions to shares paid as a reward or shares subscribed with stock options as it sees appropriate.





### **Deferred Reward Payments and Clawback**

The Board has the right to reduce incentive plan rewards or defer payments to a time that is more favourable to the Company if e.g. changes in circumstances beyond the Company's control or other circumstances would result in materially adverse or unacceptable results for the Company or for the CEO.

The Board will have the right to cancel remuneration, in whole or in part, unvested or vested, if it deems necessary to amend the financial statements of the Company and these amendments affect or would have affected the amount of the remuneration. Furthermore, the Board has the right to cancel or recover from the CEO already paid remuneration, unvested or vested, or withdraw stock options that have not been transferred or used for share subscription by the CEO, if the CEO has acted against the business interest of the Company or against criminal or employment-related law or against the ethical guidelines of the Company or otherwise unethically, as resolved by the Board in each case.

### **CEO's Service Agreement and Severance Pay**

In the event of a termination of the CEO's service agreement, any payable compensation is determined in line with local legislation, contractual obligations, and the rules of the incentive plans.

The notice period of the CEO's service agreement is determined so that it is in line with the market practices existing at the time of entering into the agreement. Also, the possible fixed salary during the notice period, and potential severance pay, are determined so that they are in line with the market practices existing at the time of entering into the service agreement.

The Board may exercise its discretion in leaver situations, as to whether granted short-term and/or long-term incentive rewards will be paid (in full or partly) during the year of departure or later. In addition, Board may set conditions for reward payout.

The CEO's service agreement will expire by the end of the month of the CEO's 63rd birthday.

## Exceptional circumstances

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It is beneficial for Rovio and its shareholders that the Board is able to react to an unforeseen situation by temporarily deviating from certain principles defined in the Remuneration Policy. Thus, the Board may, after careful consideration, deviate from the Remuneration Policy in the following situations:

- Recruitment of a new CEO
- Significant merger, acquisition, demerger or another corporate restructuring event
- A significant change in Rovio's strategy
- Immediate retention needs arising from external factors
- Changes in legislation, regulation, taxation, or equivalent.

Changes may apply to components of remuneration, key terms applicable to the service agreement and incentive plan structures, instruments and mechanisms, as well as incentive plan timelines, metrics and earning opportunities, as seen compulsory in order to ensure the development of Rovio long-term shareholder value. Any deviation from the Remuneration Policy must be communicated transparently to Rovio shareholders no later than at the next remuneration report and General Meeting.

