

2020



REMUNERATION REPORT

 ROVIO

Remuneration report

1. Introduction Letter from the Chair of the Remuneration Committee



Camilla Hed-Wilson
Chair of the
Remuneration Committee

Dear Shareholders,

A resilient and healthy working environment at Rovio is the foundation for success and sustainable performance also in the future, even more than before. The ability to foster creativity and boost innovation are prerequisites for long-term success.

Despite the unprecedented year due to the global pandemic behind us, the Remuneration Policy, as well as Rovio's remuneration practices, have stood the test of time. The company's remuneration framework must allow Rovio to be able to attract and retain talent to ensure the company achieves its goals.

Rovio's CEO Kati Levoranta left the company at the end of the year 2020. Following a comprehensive CEO search process and interviews with many top industry veterans, Alexandre Pelletier-Normand was appointed to the role as of January 1, 2021. Alexandre Pelletier-Normand's strong track record during and before his Rovio years proved to be a great match with Rovio's strategic focus and needs. This is an example of the company's succession pipeline and ability to secure talent to leadership positions in-house.

The role of the CEO and leadership team is to pave the way and enable the teams to create and release record-breaking games. In order to be successful, Rovio needs to employ top talent with specific expertise areas and a high level of professionalism. As every Rovian contributes to the company's performance, success is shared with everyone.

The successful release of new games backed with a strong and diversified live-games portfolio will build future growth, which will continue to be our primary focus going forward.

The Rovio Remuneration Report 2020 has been aligned with the Rovio Remuneration Policy to describe the events in 2020. The Remuneration Report and Remuneration Policy have been prepared and issued in accordance with the Finnish Corporate Governance Code 2020 and the EU's Second Shareholder Rights Directive 'SHRD II'. The Remuneration Policy was presented to the Annual General Meeting held on March 31, 2020.

A handwritten signature in black ink, appearing to read 'Camilla Hed-Wilson', written in a cursive style.

1.1. Recap of Company performance in 2020

Rovio was quick to adapt its way of working to meet the requirements of the global ‘new normal’. Operational efficiency was maintained while executing the strategy: launching a new game, acquiring a new game studio, as well as setting up a new game studio. On the other hand, players got more engaged with games, especially during the second quarter which had a clear peak in downloads, playing times and revenues. The live games portfolio revenue was stable and profitability was at a record high level. Exploring new ways to play and engage with players around the world is a high priority in our strategy. During 2020, Angry Birds brand visibility increased through different platforms. This in conjunction with the agreement with IGM Licensing for the global representation of Angry Birds brand licensing in consumer products and location-based entertainment provide a strong foundation and potential for growth supported by the well-established brand.

High profitability contributed to 2020 short-term incentives while the incentives based on revenue growth target was not achieved. For the year 2021, growth is of utmost importance, and this is also reflected in the targets set for the year.



1.2. Remuneration Policy at a glance

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 drive the Company’s success and shareholder value creation in the long term. Framework will also support the Company’s growth strategy focusing on games business while leveraging the Angry Birds brand and new IP through games and other entertainment. The Remuneration Policy is set to be consistent with the remuneration framework applied to all Rovio employees.

The General Meeting resolves on the remuneration of the Board. The proposal for the General Meeting is prepared by the Remuneration Committee. The Board decides on the remuneration of the CEO. The Remuneration Committee organizes practicalities related with the CEO’s remuneration and prepares proposals for the Board’s decision-making. The Remuneration Committee regularly evaluates the appropriateness of the CEO’s remuneration in order to ensure it is aligned with the Company’s strategy and shareholder interests.

The basis for 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.

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 cumulating share ownership in Rovio and optimal risk taking.

1.3. Application of the Remuneration Policy in 2020

During the year 2020, The Board of Directors has evaluated that the total remuneration opportunity is sufficiently competitive in relation to typical market level in peer group companies by conducting a benchmark study to analyze CEO and executive management compensation against peer companies.

During the change of the CEO contractual obligations have been followed as per Policy and binding contract between the parties. The remuneration of the newly appointed CEO follows the Remuneration Policy.

To strengthen the connection with the shareholder value creation in the long term, two new share-based incentive programs were launched in 2020: a performance share plan for key employees including CEO and members of the Leadership Team as well as an Employee share saving plan introduced to all employees in Finland and Sweden with voluntary participation.

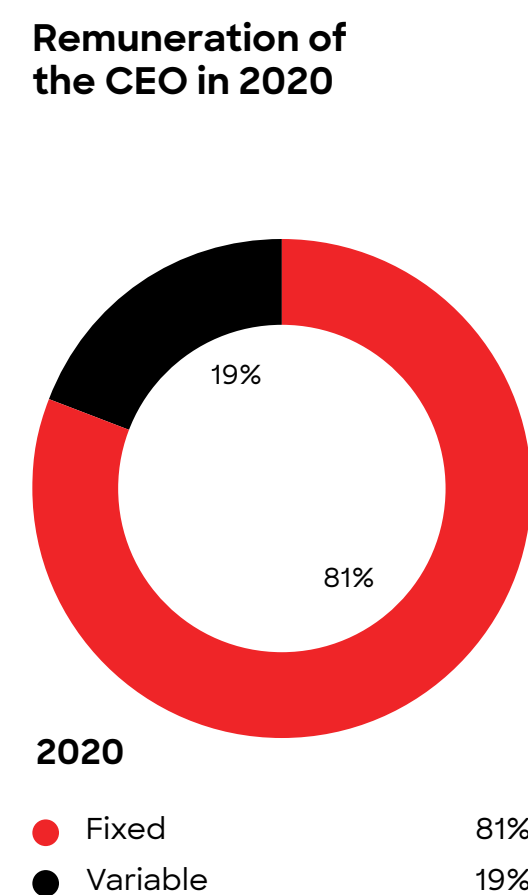
The remuneration related decisions taken during the year 2020 followed the initiation and approval process described in the Remuneration Policy. The Board has not deemed it necessary to utilize clawback nor make deviations to the Remuneration Policy during the year 2020.



2. Remuneration of the CEO in 2020

Remuneration of the CEO consists of a fixed monthly salary, fringe benefits, and both short- and long-term incentive programs. To secure alignment with the expected performance and shareholder value creation, at the target level of performance, the fixed base salary is expected to form less than 50%, short term incentives 10-20%, and long-term incentives 30-50% of the total remuneration.

In 2020, the CEO of Rovio was paid a total remuneration of EUR 469,109. Of the remuneration mix based on year 2020 the actual payout was 81% fixed and 19% variable (Graph 1). The fixed proportion is formed by the fixed monthly salary including fringe benefits, while the variable proportion is formed by the vesting of restricted shares granted. The performance criteria set for 2019 short-term incentive plan were not met and as a result, no bonus was paid in 2020.



Graph 1

In 2020, the CEO of Rovio was paid EUR 378,240 as fixed salary including taxable fringe benefits. The CEO does not have a supplementary pension plan in place. As per contractual obligations, Kati Levoranta will receive fixed salary and fringe benefits worth 6 months notice period in addition to 12 months severance pay. The final payment of these items will take place in April 2021.

The CEO is eligible for a short-term incentive plan in which the payout is determined by the Group's weighted revenue and adjusted EBIT margin. The targets set for 2020 were met at the level of 30%. The payout of EUR 108,000 will be paid in March 2021. For each performance period, the short-term incentive opportunity is capped at 100% of the base salary annually.

Rovio established an employee share savings plan (ESSP) in January 2020. As a reward for the commitment, Rovio grants the participating employees one free matching share (gross) for every two savings shares acquired with their savings, including the proportion to be paid in cash to cover applicable taxes and tax-related costs. The first plan period commenced on April 1, 2020 and ends on August 31, 2022. The CEO has participated in the employee share saving plan, and with the saved amount 620 shares have been purchased. Assuming that the CEO maintains the purchased shares until the end of holding period, 310 matching shares (gross value) will be granted once the programme has come to an end in August 2022.

The CEO and the members of the Leadership Team and selected key employees are entitled to the Performance Share Plan (PSP). The PSP offers the participants a possibility to earn shares for reaching the required levels set for the performance criteria. The performance criteria for the plan are Rovio's Adjusted Operating Profit (EBIT, %, Hatch Entertainment Ltd. excluded) and Relative Games Revenue Growth (%). The PSP consists of three annually commencing performance periods, covering the consecutive calendar years of 2020, 2021 and 2022. Each performance period is directly followed by a one-year waiting period. Under the first performance period of the PSP, the performance criteria were met as 50% of the maximum. The

CEO is awarded with 45,000 performance shares including proportion equivalent to cover taxes and tax-related costs. The performance period continues with a one-year waiting period.

The CEO and the members of the Leadership Team and selected key employees are also eligible for a Restricted Share Plan (RSP), in which predetermined number of shares is paid after restriction period. For the RSP 2018-2020 the restriction period came to an end in 2020, and the CEO received full ownership of 7,969 shares. The transfer price was EUR 5.6109 totalling EUR 44,713 as well as EUR 46,155 paid to cover taxes and tax-related costs. Kati Levoranta retains rights to 15,000 restricted shares (gross value) under the Restricted share plan 2019-2021. The restriction period for this lot of restricted share units comes to an end in June 2021.

During the years 2017-2019, Rovio had a stock option plan for all employees, including the CEO and the Leadership Team. Kati Levoranta did not exercise any options during the year 2020. As of December 31, 2020, she holds 90,000 options under the programme 2018A. In accordance with the terms and conditions of the option scheme, the share subscription period for series 2018A option rights began on June 1, 2020, and the subscription period will continue until May 31, 2021. Cur-

rently, the share subscription price under the 2018A series option rights is EUR 5.08 per share and the subscription period will continue until May 31, 2021. Kati Levoranta retains rights to 90,000 options under the programme 2019A. The subscription price for the 2019 options is the trading volume-weighted average quotation of the shares on Nasdaq Helsinki during May 2 -31, 2019. Currently the subscription price is EUR 7.04 per share. For the 2019A programme the vesting period will continue until May 31 2021, which will be followed by a one-year subscription period. An overview of the Company share plans can be found in the Annual Report

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 reward, or shares subscribed with stock options as it sees appropriate. Kati Levoranta has accumulated shares worth more than 50% of the annual gross fixed base salary based on valuation from December 31, 2020.

Table 1 below illustrates Rovio remuneration components, actual remuneration paid in 2020 and accrued remuneration for CEO Kati Levoranta.

Component	Actual paid in 2020	Accrued Remuneration
Fixed Salary + Fringe Benefits	EUR 378,240	Fixed salary and fringe benefits worth 6 months notice period in addition to 12 months severance pay.
Short-Term Incentives	EUR 0 Based on performance period 2019 with potential payout in March 2020	EUR 108,000 Based on performance period 2020 with payout in March 2021
Long-Term Incentives	EUR 90,869 Based on restricted shares vested in 2020	<p>Ongoing schemes:</p> <p>Employee share saving plan: 620 shares purchased with the saved amount which entitle to 310 matching shares (gross value).</p> <p>Performance share plan: 45,000 performance shares including cash proportion equivalent to cover taxes and tax-related costs.</p> <p>Restricted share plan: 15,000 shares outstanding (gross value)</p> <p>Stock option plan: 2018A (vested): 90,000 options 2019A plan (unvested): 90,000 options</p>

Table 1 Remuneration of the CEO

3. Remuneration of the Board of Directors in 2020

The Annual General Meeting on March 31, 2020, resolved that the members of the Board of Directors are entitled to the following monthly compensations:

- Chairman of the Board of Directors: EUR 9,500 per month
- Vice chairman of the Board of Directors: EUR 7,500 per month
- Member of the Board of Directors: EUR 5,000 per month
- Additional monthly compensation to the Chairman of the Audit Committee: EUR 2,500 per month. When the Chairman of the Audit Committee is the Chairman of the Board of Directors or the Vice Chairman of the Board of Directors, no additional compensation shall be paid. As this has been the case during 2020, no additional remuneration has been paid.

The Company compensates Board members' reasonable travel expenses arising from Board or committee work. Board members do not have an employment relationship or service contract with Rovio and they are not covered by any of Rovio's short- or long-term incentive plans. Fees paid to the members of the Board of Directors were 471,500** EUR in 2020 (519,000 EUR in 2019) as shown in the Table 2.

Board Member	Member of Board since	Board fees (EUR)	Shareholding*
Kim Ignatius (Chairman of the Board of Directors and chairman of the audit committee)	Chairman since April 2020, Member since 2017	108,000	9,000
Kaj Hed (Vice Chairman)	Vice Chairman since May 2017, Chairman in 2005-2006 and 2008-2017	90,000	12,919,000 shares owned through Moor Holding AB, a company under his control and 11 shares owned through Oivor AB.
Camilla Hed-Wilson (Chairman of the Remuneration Committee)	Since 2011	60,000	6,459,500 shares owned through Brilliant Problems Oy, a company under her control and 6 shares owned through Oivor AB.
Björn Jeffery	Since 2020	45,000	-
Jeferson Valadares	Since 2019	60,000	-
Leemon Wu	Since 2020	45,000	-

Table 2 Remuneration of the Board

*December 31, 2020

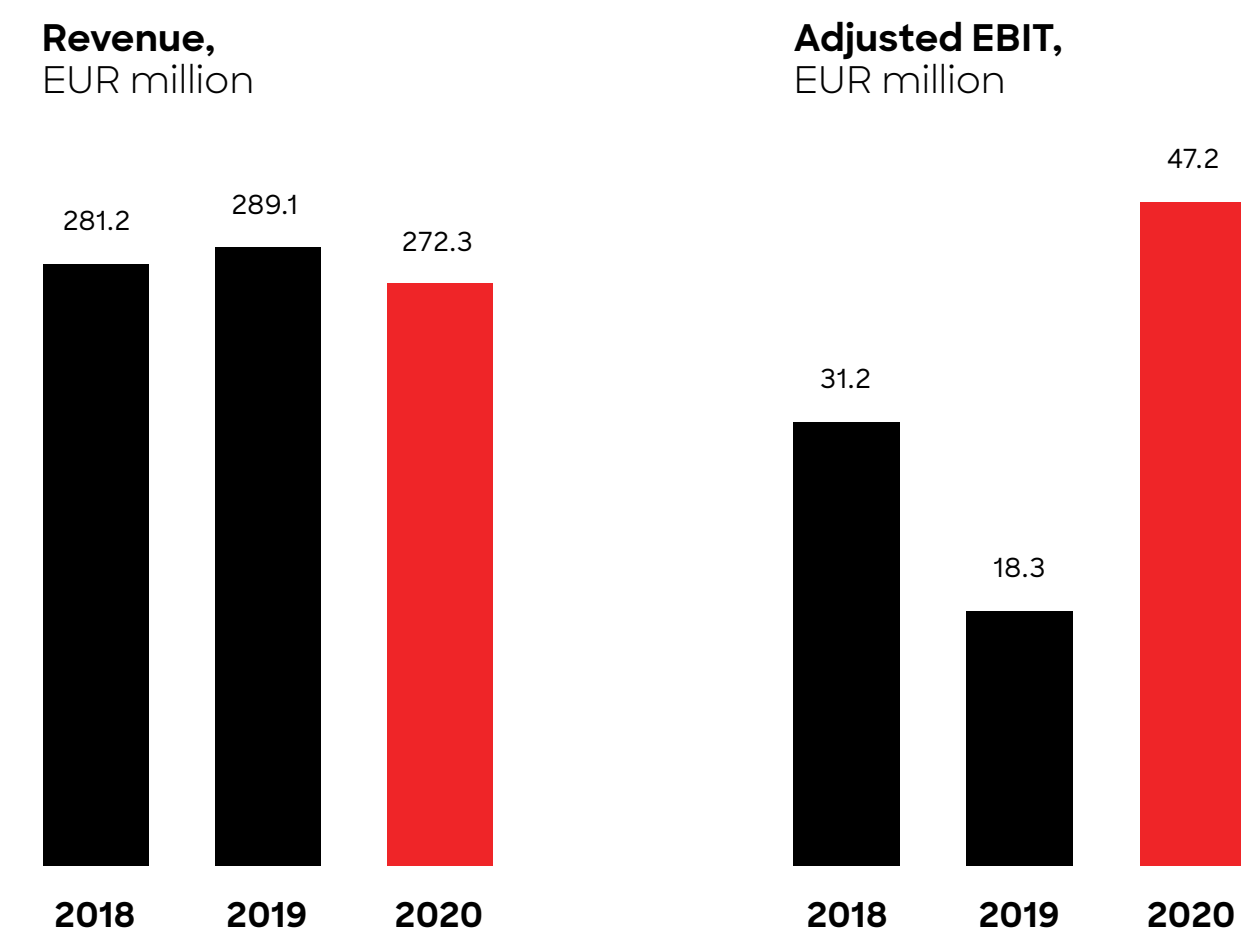
** Mika Ihamuotila acted as a Chairman and member of Board until March 31, 2020 (paid Board fees EUR 28,500), Jenny Wolfram acted as a Member of Board until March 31, 2020 (paid Board fees EUR 15,000), Fredrik Löving acted as a Member of Board until April 30, 2020 (paid Board fees EUR 20,000).

4. Historical development of remuneration and Company performance

As Rovio is a mobile-first gaming company aiming for long-term growth, its financial performance is best described by revenue and EBIT. Rovio was listed in the Helsinki stock exchange in September 2017, the historical development performance and rewards is shown from the full financial year 2018 onwards. The three-year development of financial figures are illustrated in Graph 2.

Remuneration development over a three-year period for the Board of Directors, CEO, and Rovio employees is shown in Table 3. For the Board of Directors, the figure is illustrated as an average of actual Board fees paid during the year. The remuneration for the CEO consists of actual compensation during the respective year, covering fixed base salary, fringe benefits, and paid short- and long-term incentives. Rovio employee remuneration is calculated as wages and salaries during the year divided by the average number of employees during the financial year.

In alignment with the pay for performance philosophy and the Remuneration Policy, the variable remuneration forms a significant part of the total remuneration opportunity for the CEO in order to align remuneration with achieved performance and shareholder value creation. In addition, for the CEO, the majority of variable remuneration is long-term and share-based, emphasizing long-term performance and a link to shareholder value development. Although the remuneration framework is applied to all employees globally, the employee remuneration is not weighted on the variable remuneration to the same extent as with the CEO. However, the incentive target setting is aligned across the Company.



Graph 2

Average remuneration (in EUR)	2018	2019	2020
Board of Directors*	82,333	71,340	69,000
CEO*	568,442	636,632	469,109
Rovio employee**	80,224	67,964	79,926

Table 3

*Actual paid during the year

**Wages and salaries during the year (excluding CEO) divided by the average number of employees during the financial year

The figures for different groups illustrated in the table are not fully comparable, as remuneration for the Board of Directors and the CEO is based on cash paid during the year, whereas the average Rovio employee remuneration level is based on accruals.