

REMUNERATION REPORT



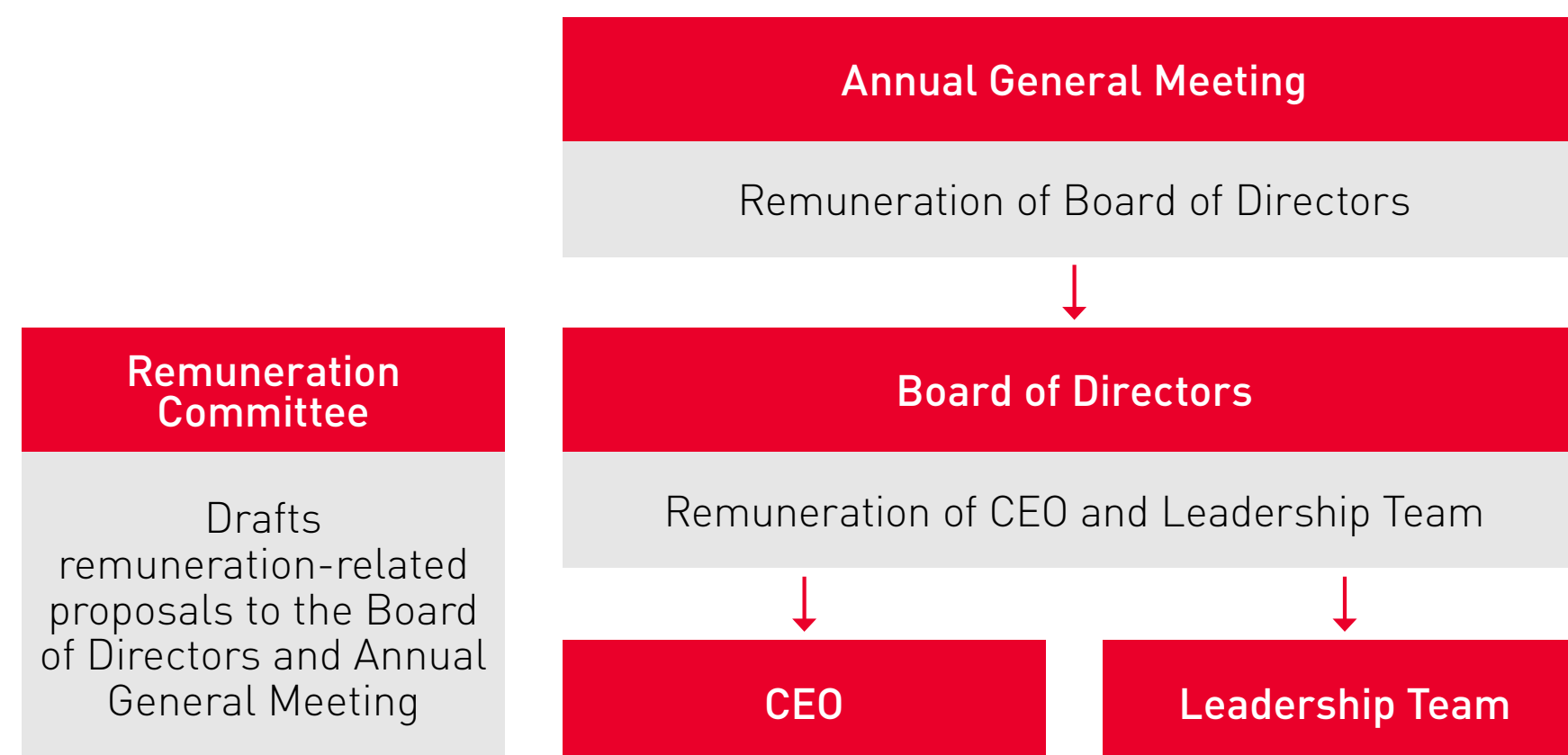
ROVIO

10 YEARS OF ANGRY BIRDS

REMUNERATION REPORT

Part A Decision-making procedure concerning the remuneration

Remuneration decision-making procedure



The remuneration of the Board of Directors: According to the Finnish Limited Liability Companies Act, the Annual General Meeting decides on the fees payable to the members of Rovio's Board of Directors. The Remuneration Committee is responsible for preparing proposal on remuneration of the Board of Directors to the Annual General Meeting.

The remuneration of the CEO and the Leadership Team: The Remuneration Committee is responsible for making recommendations to the Board of Directors on compensation matters of the CEO and the members of the Leadership Team.

The Remuneration Committee also prepares general remuneration principles, short- and long-term incentive schemes and the compensation policy of Rovio Entertainment Oyj, which the Board of Directors approves. The Board of Directors appoints the CEO and approves his/her compensation as well as the nomination and compensation of other members of the Leadership Team.

Part B Leadership Team and main remuneration principles

The Leadership Team consisted of seven people (including the CEO) in 2019 who are all located in Finland. The remuneration of the CEO and the members of the Leadership Team consists of a fixed monthly salary, fringe benefits and both long- and short-term incentive programs. The Board of Directors determines the incentive plan rules, according to which possible incentives are determined and paid.

CEO and Leadership Team in 2019

Name	Role	Appointment date
Kati Levoranta	CEO	1 January 2016
Alex Pelletier-Normand	Head of Games	1 January 2019
Simo Hämäläinen	Head of Brand Licensing	1 April 2017
Rene Lindell	CFO	1 May 2017
Minna Raitanen	General Counsel	1 January 2016
Heini Kaihu	Head of HR	1 February 2019
Ville Heijari	Head of Marketing	11 April 2018

Marjo Kuosmanen acted as Head of HR until January 31, 2019.

Remuneration elements of the CEO and the members of the Leadership Team in 2020

The remuneration of the CEO and Leadership Team consists of the base salary and fringe benefits, short-term incentives, stock options and restricted shares. The CEO and the members of the Leadership Team do not have any supplemental pension arrangements. The CEO's agreement shall expire by the end of the month of the CEO's 63rd birthday.

Remuneration element	Purpose	Description
Base salary	To offer an appropriate base salary based on the role.	Fixed monthly salary and fringe benefits according to company policy.
Short-term incentives (STI)	To support the business strategy by rewarding and incentivizing the CEO and members of the Leadership Team for improvements on short-term performance.	<p>The CEO is eligible for the Leadership Team Short-term incentive plan (STI 2020). The bonus is determined by the Group's weighted revenue and adjusted EBIT margin. The maximum bonus is 100% of the base salary.</p> <p>The Leadership Team members are eligible for the Leadership Team Short-term incentive plan (STI 2020). The bonus is determined by the Group's weighted revenue and adjusted EBIT margin. The maximum bonus for the Leadership Team members is 100% of the base salary.</p>
Long-term incentives (LTI)	To align interests of the shareholders and employees, and reward employees for increasing the value of the company.	<p>Rovio has established an employee share savings plan (ESS plan) in January 2020. The employees will have an opportunity to save a proportion of their salaries (2-8% of the Gross Salary) and invest those savings in Rovio shares. 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 prerequisites for receiving the matching shares are continued employment and holding of savings shares until the end of the holding period.</p> <p>Participation in the ESS plan is voluntary and the employees will be invited to participate in one plan period at a time. The first plan period commences on April 1, 2020 and ends on August 31, 2022.</p> <p>The CEO and the members of the Leadership Team and selected key employees are entitled to the Performance Share Plan. 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 required performance levels will be decided by the Rovio Board of Directors on an annual basis for each performance period at a time. The Performance Share Plan 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.</p> <p>The CEO and the members of the Leadership Team and selected key employees are also entitled to a restricted share plan, in which pre-determined number of shares is paid after restriction period, which can differ from 12 months to 36 months based on the business needs.</p> <p>During the years 2017–2019 Rovio had a stock option plan for all employees, including the CEO and the Leadership Team. All employees were entitled to stock option plans. The number of options granted depended on the person's position. Exercise prices vary depending on the option program. The price is based on either the fair value of stock at the grant date or the volume weighted average price in the previous month the options were granted. Exercise periods vary depending on plans. Last options were allocated in 2019 and vesting periods last until June 2021.</p>
Pension	To provide the CEO and the members of the Leadership Team security for their retirement.	The CEO and the Leadership Team members participate in the statutory Finnish pension system, the Finnish TyEL, which provides for a retirement benefit based on years of service and earnings according to prescribed rules and regulations. No supplemental pension arrangements are provided.

Remuneration element	Purpose	Description
Terms and conditions	To ensure business continuity of Rovio and to provide financial security and competitive terms of employment to the CEO and the members of the Leadership Team.	The CEO's service agreement can be terminated by the CEO or the company with a notice period of six months. If the company terminates the CEO's service agreement for reasons not attributable to the CEO, the company is obligated to pay the CEO as a severance pay an amount corresponding to twelve months of the CEO's salary, provided that the CEO performs his/her duties under the agreement during the notice period. If the company cancels the CEO's service agreement due to the CEO materially violating the terms and conditions of the agreement, the agreement is terminated immediately, and the Company does not have any severance payment obligation. For the other members of the company's Leadership Team, the notice period is four to six months irrespective of which party terminates the agreement.
Pay mix for the CEO and Leadership Team	To align interests of the CEO, the members of the Leadership Team, and the shareholders by rewarding executives appropriately based on achieving short-, and long-term targets of the company.	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>CEO</p> <p>37% 10% 53%</p> </div> <div style="text-align: center;"> <p>Leadership Team</p> <p>36% 10% 53%</p> </div> </div> <p>● Base salary ● STI-target ● LTI-target</p>

Incentive plans in 2020

There is one short-term incentive plan in place in 2020

In order to support the business strategy by rewarding and incentivizing Leadership Team members and other employees for improvements on short-term performance, Rovio has a unified short-term incentive plan in place for all employees. The bonus pool is capped to 50% of total employee salary expense and the pool size varies between 0–50% depending on Group's revenue and pre-bonus adjusted EBIT margin. In addition, the maximum individual bonus is 100% of base salary.

There are three long-term incentive plans in place in 2020

The Board of Directors of Rovio Entertainment Corporation has decided on January 23, 2020 to establish a **performance share plan** for key employees including CEO and members of the Leadership Team.

The objective of the **Performance Share Plan** is to motivate the key employees to work to increase shareholder value in the long term by offering them a share-based reward for achieving the set performance criteria established by the Board of Directors of Rovio.

The Performance Share Plan 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. Waiting periods cover calendar years 2021, 2022 and 2023. The Performance Share Plan 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 required performance levels will be decided by the Rovio Board of Directors on an annual basis for each performance period at a time.

The potential rewards will be paid partly in shares and partly in cash after the end of each relevant waiting period in spring 2022, 2023 and 2024. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards. As a rule, no reward will be paid if a participant's employment or service ends before the reward payment.

The rewards to be paid on the basis of the performance period 2020 correspond to the value of an approximate maximum total of 738,000 Rovio Entertainment Corporation shares, including the proportion to be paid in cash.

A member of the Leadership Team must hold 50% of the net shares received within the Performance Share Plan until the member's total shareholding in the company corresponds to the value of 50% of the member's annual gross salary as long as the membership in the Leadership Team continues.

The Board of Directors of Rovio Entertainment Corporation has decided on January 23, 2020 to establish **an employee share savings plan (ESS plan)**.

The objective of the ESS Plan is to motivate employees to invest in Rovio shares by offering them additional shares in relation to their investment after a designated holding period.

The ESS Plan consists of annually commencing plan periods, each one consisting of a 12-month savings period and a holding period following the savings period. The ESS plan is offered to approximately 460 Rovio employees, excluding employees in China, United States, United Kingdom and Hatch Entertainment Ltd.

The employees will have an opportunity to save a proportion of their salaries and invest those savings in Rovio shares. The savings will be used for acquiring Rovio shares quarterly after the publication dates of the respective interim reports. Dividends paid for the shares will be reinvested in additional shares to be purchased from the market on the next potential acquisition date. 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 prerequisites for receiving the matching shares are continued employment and holding of savings shares until the end of the holding period. In the first plan period, the savings shares and the matching shares will be acquired by purchasing shares from the market.

Participation in the ESS plan is voluntary and the employees will be invited to participate in one plan period at a time. The first plan period commences on April 1, 2020 and ends on August 31, 2022. The holding period of the first plan period ends on August 31, 2022, after which matching shares will be paid out.

Rovio's Restricted Share Unit (RSU) Plan will continue as published on May 17, 2018. The aim of the restricted share plan is to commit the Company's key persons and to link the long-term interests of the participants and the shareholders. The plan offers selected key personnel an opportunity to receive a predetermined number of company's shares after specific restriction period, which differs from 12 to 36 months based on needs of business. The plan's reward will be paid to the participant as soon as possible after the restriction period. The payment of the reward requires that the participant's employment contract is valid, has not been discontinued or terminated, and it will continue until the end of the restriction period. The payment will be made in company shares and taxes and tax-related costs arising from the reward are deducted from the gross reward. The value of share shall be determined based on volume weighted average share price at the payment date. No payment shall be paid if the employment contract is terminated before the end of the restriction period.

In order to retain key personnel in Rovio, the number of RSUs to be allocated in the RSU Plan during the following 12 months is a maximum total of 644,000. At this moment, the rewards to be paid on the basis of the RSU Plan correspond to the value of an approximate maximum total of 1,097,195 Shares, including also the proportion to be paid in cash.

	Restriction period	Max number of shares	Shares outstanding	Unique Holders
Restricted share plan*	12–36 months	1,300,000	425,845	45

*as of December 31, 2019

Rovio's Board of Directors approved on July 27, 2017 a long-term incentive program consisting of an **option plan for all employees**, including the CEO and the Leadership Team.

The option plan provided for the issuance of up to 5,000,000 options. Each option entitles its holder to subscribe for one share. The option plan includes three lots of options that were allocated to 2017, 2018, and 2019. **Last options from the plan were allocated in 2019.**

Stock option plans are intended to reward personnel from the positive change in company's share value and to align the interest of the employees and shareholders.

Option plan	Exercise period	Exercise price	Options granted	Max number of options	Holders
2017A	October 1, 2019–September 30, 2021	11.32 EUR	827,650	1,616,667	240
2017B	October 1, 2019–September 30, 2021	11.50 EUR	25,500	50,000	2
2018A	June 1, 2021–May 31, 2022	5.17 EUR	973,750	1,616,667	275
2018B	June 1, 2021–May 31, 2022	5.26 EUR	10,500	50,000	1
2019A	June 1, 2022–May 31, 2023	7.13 EUR	1 15,500	1,616,666	357
2019B	June 1, 2022–May 31, 2023	7.13 EUR	10,000	50,000	1

Remuneration of the Board of Directors in 2019

The Annual General Meeting on April 9, 2019 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 (EUR 114,000 per year)
- Vice chairman of the Board of Directors: EUR 7,500 per month (EUR 90,000 per year)
- Member of the Board of Directors acting as a Chairman of the Audit Committee: EUR 7,500 per month (EUR 90,000 per year)
- Member of the Board of Directors: EUR 5,000 per month (EUR 60,000 per year)

If the Chairman of the Audit Committee is the Chairman of the Board of Directors or the Vice Chairman of the Board of Directors, no separate remuneration shall be paid. The Company compensates Board members' reasonable travel costs. 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 519,000 EUR in 2019.

Board member	Member of the Board since	Board fees (EUR)	Shareholding*
Mika Ihamuotila (Chairman)	Chairman since May 2017, Member since 2013	114,000	245,190 shares owned through PowerBank Ventures Ltd, a company under his control.
Kaj Hed (Vice chairman)	Vice Chairman since May 2017, Chairman in 2005–2006 and 2008–2017	90,000	12,919,011 shares owned through Oivor AB.*** Oivor AB owns in the aggregate 32,297,528 shares in Rovio and 40% of the shares of Oivor AB are controlled by Kaj Hed.
Kim Ignatius (Chairman of the audit and remuneration committees)	Since 2017	90,000	9,000 shares
Camilla Hed-Wilson	Since 2011	60,000	6,459,505 shares owned through Oivor AB.*** Oivor AB owns in the aggregate 32,297,528 shares in Rovio and 20% of the shares of Oivor AB are controlled by Camilla Hed-Wilson.
Jenny Wolfram	Since 2017	60,000	-
Fredrik Loving	Since 2019	45,000	-
Jeferson Valadares	Since 2019	45,000	-
Total		519,000**	19,632,706

*December 31, 2019

**Niklas Zennström acted as a Member of the Board of Directors until April 9, 2019 (paid Board fees EUR 15,000)

***The Rovio shares previously owned by Trema International Holding B.V. have transferred to Oivor AB

Remuneration of the CEO and the members of the Leadership Team in 2019

The remuneration of the CEO and the members of the Leadership Team consists of fixed base salary, fringe benefits, annual short-term incentive plan, stock options and restricted share plan.

In 2019 the total accrual-based cash compensation for the CEO was EUR 368,000. In addition, the CEO received 90,000 options based on the applicable option plans. The total accrual-based cash compensation for the members of the Leadership Team was EUR 1,374,903. In addition, the members of the Leadership Team received 330,000 options based on the applicable option plans.

	Fixed base salary (EUR)	STI* (EUR)	Vested options 2017A**	Unvested options 2018A***	Unvested options 2019A***	Restricted shares received**	Restricted shares receivable***
CEO Kati Levoranta	368,000	0	90,000	90,000	90,000	56,195	31,195
Leadership Team	1,294,103	80,800	155,000	167,500	240,000	106,500	220,500
Total	1,662,103	80,800	245,000	257,500	330,000	162,695	251,695

*Includes the STI program bonuses as well as other possible one-off payments of bonus nature that have been recorded as expense during the financial year.

**Number of options/shares vested and received as December 31, 2019.

***Number of options/shares receivable as December 31, 2019.