

# 2015 ANNUAL REPORT

A YEAR OF INNOVATION AND ACHIEVEMENT



entertainment<sup>®</sup>  
software  
association



*Front cover and this page: More than 52,000 industry professionals, analysts, journalists and gamers attended E3 2015 at the Los Angeles Convention Center.*

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# A MESSAGE FROM MICHAEL D. GALLAGHER

Friends:

It is my pleasure to present to you the Entertainment Software Association's (ESA) 2015 Annual Report. Over the last year, the video game industry has prospered as games continue to not only alter the entertainment landscape, but change business, sports, arts and education. While 20 years ago games were a niche entertainment medium, today they are a strong engine for innovation across sectors.

Our industry plays a significant role throughout society. Today, more than 60 percent of Americans play video games, our industry generates over \$23 billion in annual U.S. sales, and video game companies and degree programs now stretch across 46 states and 84 congressional districts. The video game industry continues to push the envelope and deliver groundbreaking innovations that shape our industry and many others. In 2015, excitement around virtual reality (VR) and its promise to provide an exhilarating new way to experience games and entertainment dominated the news. VR is also paving the way for advancements in other sectors: it is used as a diagnostic and surgical tool by healthcare professionals; it is engaging students in critical STEM subjects; it is even helping to prepare astronauts for life in space and training them for their next mission.

This technology revolution is also ushering in a new generation of gamers—gamers who are highly engaged, informed and have strong opinions on critical issues. In fact, a survey we conducted in the fall found that 80 percent of gamers intend to cast their vote in the 2016 presidential election, compared to just 75 percent of the general population. These voters hold strong opinions on critical issues and more than 1 million of them are working through the Video Game Voters Network (VGVN) to ensure their voices are heard in government offices across the country. With such a powerful voice, the Gamer Vote will undoubtedly influence the political landscape in 2016 and beyond.

The tremendous growth of games and game technologies has also driven ESA to new heights. We welcomed leading companies—including Bethesda Softworks, Vantiv, Greybox, Magic Leap and Snail Games—as new members in 2015, and celebrated our most engaging E3 in the show's history. We also marked 15 years of giving back to local communities through the ESA Foundation. This important work was punctuated by our continued support for Extra Life, an annual 24-hour video game marathon which raised more than \$8 million dollars for Children's Miracle Network Hospitals during its 2015 event.

We continue to expand and protect the industry's frontiers. Where we once had a limited policy focus and often played defense, today we are active on dozens of issues and have established proactive partnerships that are having a meaningful impact. As a result of our efforts, the way people think and talk about video games is changing, and they increasingly understand that our industry is a vibrant part of American culture and the economy.

Since ESA's beginning in 1994, we have seen unparalleled growth in the video game industry. We've seen how games can play a pivotal role in our everyday lives and how they can help us take on some of our nation's toughest shared challenges. I look forward building upon our many successes and seeing what new and exciting endeavors our industry will take on next.

Sincerely,



Michael D. Gallagher  
President and CEO  
Entertainment Software Association



DEMOCRACY

*In 2015, VGVN launched Start Democracy  
and announced its 1 millionth member.*

# THE VOTERS TO COURT IN 2016: VIDEO GAME PLAYERS

With presidential candidates in full motion, House and Senate hopefuls busy courting voters and local candidates travelling door-to-door, politicians across the country are discovering a highly engaged segment of the electorate: video game players.

In November 2015, ESA released a poll revealing that video game players, like soccer moms before them, are an important group, one that will help shape our country's future. The first-of-its-kind survey, *Essential Facts About Gamers and Politics*, sought to uncover game players' voting habits and political leanings, and found that gamers will play a major role in the 2016 presidential election.

According to the survey, more than 80 percent of gamers—roughly 100 million people—said they anticipate voting in 2016. Gamers also shared their thoughts about hot-button issues such as foreign policy—49 percent believe the U.S. should engage with other countries; global warming—76 percent believe that human activity is causing or contributing to global warming; and the budget deficit—61 percent lean toward cutting programs and spending. The survey found that gamers identify equally as Republicans and Democrats.

Video game players have long been a politically active group. For nearly a decade, gamers have organized under the Video Game Voters Network (VGVN), a grassroots coalition of voting-age game players that mobilizes around public policy matters affecting the computer and video game industry and ensures that players' voices are heard. All told, VGVN members have sent countless letters, emails and messages to their members of Congress to speak up for their rights.

This coalition has swelled in recent years. In the fall, ESA announced that more than 1 million players have signed up with

VGVN to ensure that video games continue to enjoy the rights afforded them by the Constitution—the same rights as books, movies, music and television.

To commemorate this milestone, VGVN launched Start Democracy—a voter registration campaign aimed at increasing gamer turnout on Election Day. Beyond getting gamers to the polls in 2016, Start Democracy will highlight the need for candidates to address the concerns of the Gamer Vote. VGVN is partnering with Rock the Vote, the largest U.S. nonprofit and nonpartisan organization focused on driving youth to the polls. To promote this new initiative, a collective goal was set to register more than 1 million millennials by Election Day. VGVN will also encourage candidates to speak directly to gamers, promote voter registration at key political and video game industry events and utilize the unique reach and culture of video games to drive gamers to the polls.

This groundswell of support underscores how video games and those who play them are firmly cemented in the mainstream, taking center stage when it comes to shaping culture, politics and the broader U.S. society.

As ESA President and CEO Mike Gallagher said, "Gamers are engaged, informed and hold strong opinions on critical issues. From both sides of the aisle, and in every state across the country, they will influence the course of our nation's future."



# PREPARING DIGITAL NATIVES TO BE DIGITAL CITIZENS



*ESA Digital Living Project students from the  
Bertha Sadler Means Young Women's Leadership  
Academy in Austin.*



Kids today are attuned to the latest digital technologies, adopting new devices, software and online platforms at a rapid pace. Though often described as digital natives, research has found gaps in their understanding of the appropriate ways to use technology and lagging interest in creating technologies of their own. While many kids use these technologies to communicate positively with friends and family, others have been bullied or share inappropriate content online. At the same time, the National Science Board projects that of the 3.8 million ninth graders in the U.S., only 6 percent will end up pursuing a science, technology, engineering or math (STEM) degree in college.

Recognizing the dual need to promote responsible online behavior among students while fostering their interest in STEM subjects and careers, ESA partnered with EverFi—a leading education technology company—to create the *ESA Digital Living Project*. Leveraging an EverFi-developed curriculum, the program combines the power of rich media, engaging video games and real-world simulations to educate teens about online safety. Students also build digital skills, such as how to create a blog, maintain a responsible social networking profile and evaluate the legitimacy of online sources and receive an introduction to career opportunities within STEM fields. With courses for both middle and high school students, students demonstrate their mastery of technology and STEM skills as presented through real-life scenarios and engaging virtual missions.

In fall 2015, ESA joined with school administrators, local officials and students in three major cities to celebrate the *Digital Living Project's* expansion to additional schools and kick off the new school year.

At the Santee Education Complex in downtown Los Angeles, more than 200 students gathered for an event featuring California Assemblywoman Ling Ling Chang (R), who underscored the importance of STEM education in preparing youth to succeed in high-skilled, high-tech jobs. Assemblywoman Cristina Garcia (D) and representatives from the Los Angeles Mayor's office, the Los Angeles City Council and the Los Angeles Unified School District Board also attended and spoke with students. Following the assembly, girls in the school's STEM & Coding Program attended a special luncheon with female game developers from Activision and a representative from the University of Southern California's Video Game Development Program.

In October, Bronx Borough Deputy President Aurelia Greene (D), New York Assemblywoman Carmen Arroyo (D), New York State Sen.

Ruben Diaz Sr. (D), and Take-Two Interactive Software Vice President of Corporate Communications and Public Affairs Alan Lewis joined ESA at the Hostos-Lincoln Academy of Science School in the Bronx to recognize more than 60 middle school students who had completed the *Digital Living Project*.

In November, ESA hosted an event at the Bertha Sadler Means Young Women's Leadership Academy in Austin, Texas. Academy Principal Ivette Savina, Certain Affinity Business Relationship Manager Geoff Yetter and Austin ISD Executive Director of Career and Technical Education Annette Gregory spoke with *Digital Living Project* students, who later had an opportunity to meet with local professionals who work in STEM fields.

"It is critical that we provide our schools with effective and meaningful resources in the classroom," said Gregory. "I congratulate the students today on their achievements and thank the Entertainment Software Association for its efforts in engaging students about STEM technology and careers and helping to prepare our young people for the jobs of the future."

The *Digital Living Project* has reached nearly 20,000 students across California, Texas and New York since the program's inception in 2012. Participants have learned important skills through their coursework, with students scoring 59 percent higher on post-program tests compared to pre-program tests.

"Participating in the *ESA Digital Living Project* has opened up the doors to a diverse amount of careers," said one program participant. "The program has taught me many things like how to detect the correct websites, how to avoid malware, and the basics of selecting the correct computer/laptop. This has helped me gain knowledge for my future career path."

ESA and EverFi will continue to expand the program in 2016.

# E3 2015 RAISES THE BAR

Breaking records as the most-watched, talked about and expansive show to date, E3 2015 once again proved why it is the video game industry's premier global trade show.

MORE THAN  
**1,600**  
PRODUCTS  
WERE SHOWN

INCLUDING  
**100** NEW!  
Never-before-seen games,  
hardware and other products.

**300 EXHIBITORS**  
showcased the latest in  
entertainment software, an  
increase from 187 last year.

**1/3** of exhibitors were  
international companies

**300**  
exhibitors

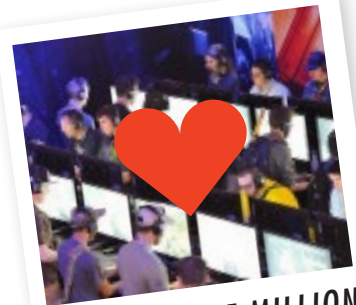
**52,200**

Video game professionals,  
analysts, journalists and  
enthusiasts, including for  
the first time around **5,000**  
**PROSUMERS, ATTENDED.**



ATTENDEES REPRESENTED  
**109 COUNTRIES**, more  
than the number of countries  
that attended the 2014  
Winter Olympic Games.<sup>1</sup>

A record **6.3 MILLION TWITTER POSTS**, more than the total number of  
tweets about the 2015 Oscars.<sup>2</sup>



**A RECORD 7.5 MILLION**  
Instagram likes on E3-related posts.



An E3 attendee tries out the latest game titles on the show floor.

E3 2015 brought together more than 52,000 video game professionals, analysts, journalists, enthusiasts and for the first time ever, about 5,000 prosumers. Attendees traveled to downtown Los Angeles from 109 countries to experience the latest innovations in game technology and software and get a glimpse of the industry’s future.

The show’s 300 exhibitors—up from 187 in 2014—showcased more than 1,600 products, including 100 never-before-seen games, hardware and other items. E3 2015 also featured nearly 30 augmented and virtual reality exhibitors—a 350 percent increase in the number of participating emerging reality technology companies since 2014 that underscored the industry’s position as a leader in cutting-edge technology.

E3 2015 also broke the show’s records for fan engagement, generating an incredible 6.3 million tweets and 7.5 million Instagram likes. More people watched streaming video of E3 on Twitch than viewed the NBA Finals in 2015 and more than 2 million videos of the event were posted to YouTube and Twitch.

“More than any other E3, this year was about the gamer. E3 demonstrated both the remarkable transformation of entertainment taking place on all video game platforms—virtual reality, augmented reality, hardware, mobile and handheld—and awesome games,” said Mike Gallagher, president and CEO of ESA.

E3 2016 is scheduled for June 14-16 in Los Angeles and will build on the show’s resounding success in 2015.



<sup>1</sup> [www.Olympic.org/sochi-2014-winter-olympics](http://www.Olympic.org/sochi-2014-winter-olympics) <sup>2</sup> <http://www.latimes.com/entertainment/envelope/cotown/la-et-c-oscars-social-media-twitter-facebook-canvs-data-20150223-story.html> <sup>3</sup> [http://espn.go.com/nba/playoffs/2015/story/\\_/id/13102198/nba-finals-draw-highest-ratings-1998-michael-jordan-last-season-chicago-bulls](http://espn.go.com/nba/playoffs/2015/story/_/id/13102198/nba-finals-draw-highest-ratings-1998-michael-jordan-last-season-chicago-bulls) <sup>4</sup> [www.census.gov](http://www.census.gov)



# ESA RESEARCH PROGRAM EXPLORES INDUSTRY REACH, GAMER COMMUNITY

Throughout 2015, ESA collaborated with partners including the Higher Education Video Game Alliance (HEVGA) to conduct original research exploring the continued growth and breadth of the video game industry.



**Americans are playing video games more often** and are fostering social connections while doing so. According to the ESA's *Essential Facts about the Computer and Video Game Industry*, released in April, more than 150 million Americans are playing video games and more than 42 percent play at least three hours a week.

Not only are Americans playing video games for entertainment, they are also using video games to connect with family and friends. More than half of the most frequent video game players reported that video games enable them to spend time with family and more than three quarters of parents who participated in the survey said they play games with their children as a way to have fun as a family.

**People are playing games while on the move** and consider game support to be extremely important when shopping for a new tablet or smartphone. ESA's *Commuting Gamer: Gameplay On-the-Go* report found Americans are spending nearly one-third of their monthly commuting and spend nearly \$32 each month on game-related purchases. The report also revealed that when purchasing new hardware or mobile devices, 70 percent of gamers consider device support for game play to be extremely important.

"Video games are a fixture in our daily lives. Everywhere you look—whether at home or on a bus, train or plane—Americans are playing games and sharing the fun with others," said Mike Gallagher, president and CEO of ESA. "Our industry leads the way in creating innovative entertainment, and remarkable advances in mobile technology enable people to enjoy their favorite games whenever and wherever they choose."

**Universities and colleges are preparing future leaders for success in game design careers**, providing them with the critical skills necessary to succeed in game design studios that create immersive, world-leading technologies. According to research ESA conducted in collaboration with HEVGA, as of October 2015, there are more than 1,641 video game development studios and publishing companies operating 1,871 separate video facilities nationwide. In order to meet these studios' growing demand for highly-educated designers, more colleges and universities are offering degrees in game design and development. ESA and HEVGA found 406 higher education institutions are offering these degree programs, up from 390 institutions in 2014. College programs and game companies stretch across 46 states and 84 percent of congressional districts.

# The Commuting Gamer: Gameplay On-the-Go

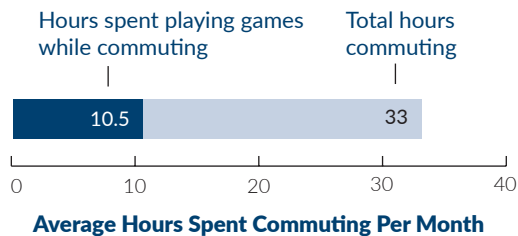
## KEY FINDING 1

34% of commuters with an average roundtrip commute of 3+ hours play video games while commuting



## KEY FINDING 2

Commuters spend almost a third (32%) of their commute time playing games



## KEY FINDING 3

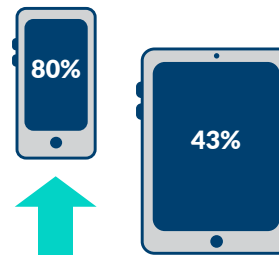
Device support for game play is extremely important



70 percent of gamers consider device support for game play extremely important when shopping for a new tablet or smartphone.

## KEY FINDING 4

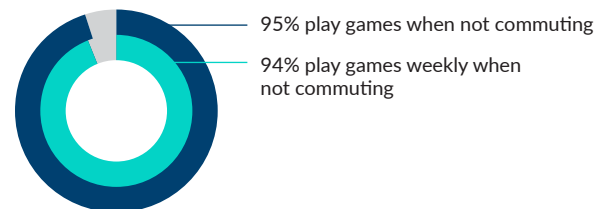
Smart phones are by far the most used platform when commuting



Commuters use smart phones to play 80 percent of the time, nearly twice as much as tablets (43 percent) the next most used device.

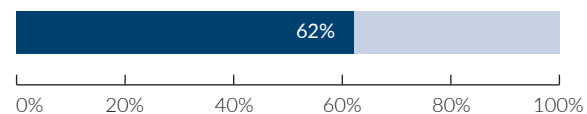
## KEY FINDING 5

Most commuting gamers also play games when not commuting



## KEY FINDING 6

Most non-game playing commuters could be motivated to become gamers with the right incentive



Free WiFi (32 percent) and good Internet connectivity (26 percent) were the top incentives.



*Extra Life participants play video games to support children's hospitals.*





# ESA FOUNDATION, EXTRA LIFE RAISE MILLIONS FOR CHILDREN

Gamers are a generous group. Each fall, tens of thousands of video game enthusiasts join together for Extra Life—a 24-hour video game marathon and fundraiser supported by the ESA Foundation—to benefit Children's Miracle Network (CMN) Hospitals across North America.

Extra Life invites gamers to sign up for the event and gather sponsorships from friends and family members for every hour of game play. Gamers can choose which CMN Hospital their donations will support and can play any game on any platform of their choice for any duration of time to support sick children in their communities. Some gamers have even come together to form 50 official Extra Life Guilds—groups that are working to grow the Extra Life movement across the U.S. and Canada and encourage local organizations to join the cause.

Extra Life 2015, the most successful ever, raised more than \$7 million, bringing the program's overall fundraising total to more than \$16 million. These funds help provide outstanding pediatric health care to every child in need, regardless of their family's ability to pay.

In 2015, ESA Foundation again sponsored the ESA Foundation Extra Life Challenge. This marathon offered \$30,000 grants to hospitals whose players raised the most money and also to the hospital with the highest per capita fundraising. Thanks to the dedication of local gamers, Dell Children's Medical Center in Austin, Texas, and Providence Health & Services Alaska in Anchorage, Alaska, achieved the top fundraising totals.

Extra Life's fundraising efforts support the treatment of children like Leyia, a 6-year-old living with sickle cell disease, a genetic blood disorder that can cause lifelong problems. Leyia receives treatment at



*Leyia, a UCSF Benioff Oakland patient receiving treatment for sickle cell disease, gives a thumbs up sign.*

the University of California San Francisco (UCSF) Benioff's Center for Sickle Cell Disease and Thalassemia, a 2014 ESA Foundation Extra Life Challenge winner and the world's most comprehensive clinical and research center for the debilitating disease. "Leyia's experience at the hospital was shaped by an expert team of doctors and nurses who provide her with excellent care," said Leyia's mom, Jennifer.

Leyia is just one of the children the ESA Foundation has been able to help thanks to the generosity of its donors. With the video game industry's continued support and dedication, ESA Foundation is making a positive, direct impact in the lives of children across the country through grants to and partnerships with organizations such as Extra Life.

# THE VIDEO GAME INDUSTRY: GROWING IN INFLUENCE

The U.S. video game industry is having a powerful economic impact and is driving innovation and business creation across the country. Here's a look at the industry's strength and impact.

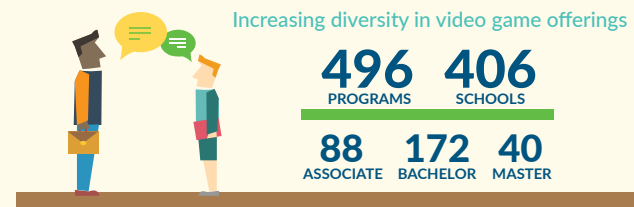
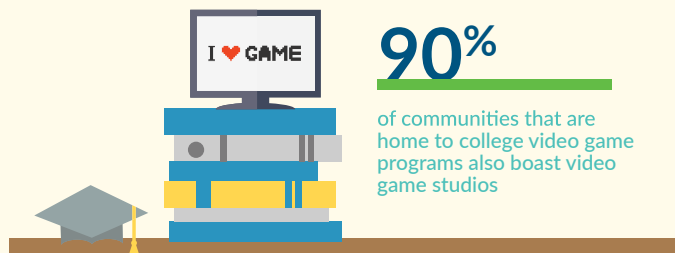
## A NATION OF GAMERS



## A GROWING GLOBAL INDUSTRY



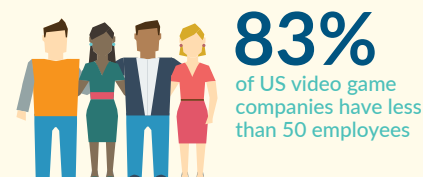
## BUILDING THE NEXT GENERATION WORKFORCE



## CREATING HIGH-SKILLED 21ST CENTURY JOBS



## GENERATING SMALL BUSINESS ENTREPRENEURSHIP AND INNOVATION



HIGHER EDUCATION  
VIDEO GAME ALLIANCE

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Washington, DC 20001  
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info@HigherEdGames.org  
HigherEdGames.org

# FEDERAL GOVERNMENT AFFAIRS

ESA's Federal Government Affairs (FGA) program advances the video game industry's policy priorities with Congress and the executive branch. ESA leverages the industry's economic success, technological prowess, innovation and self-regulatory practices to help inform Congress' legislative agenda and raise ESA member company and industry visibility. In 2015, FGA capitalized on the changing demographic trends in Congress, building strong new relationships and establishing ESA as a trusted policy leader on key issues.

## Evolving Legislative Priorities

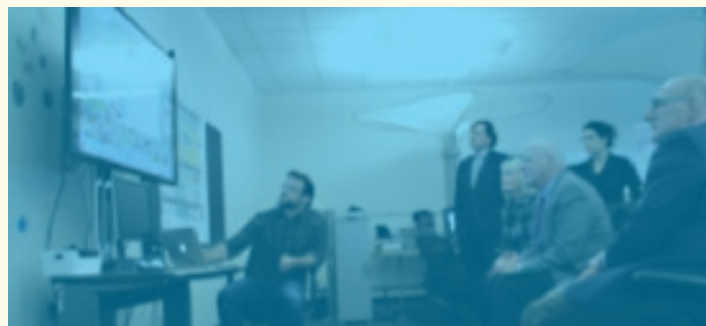
- + **In 2015, ESA engaged extensively with Congress on a broad variety of legislative issues**, including several new opportunities. Using new tools and resources, FGA engaged with members of Congress on Trade Promotion Authority, the Trans-Pacific Partnership (TPP), patent litigation reform, copyright reform and encryption. These issues form the basis for industry growth in the U.S. and abroad.

## Leveraging New Partnerships

- + **FGA worked with HEVGA** to train and harness the energy of the next generation of video game industry leaders. On March 2, 2015, ESA and HEVGA released the results of "Our State of Play," a survey of college-level video game design programs that underscored the growing diversity of the industry's talent pipeline. The survey found that these programs attract and retain nearly twice the number of women enrolled in other computer science or STEM-related programs.

## Events

- + **On February 26**, FGA arranged for Senate Judiciary Committee Ranking Member Patrick Leahy (D-VT) to tour Electronic Arts' (EA) Redwood Shores headquarters and the Games, Learning and Assessment Lab (GlassLab).



*Sen. Patrick Leahy at GlassLab.*

- + **On March 14**, at the annual South by Southwest Interactive conference, ESA Senior Vice President of Government Affairs Erik Huey joined Reps. Bill Flores (R-TX) and Tony Cardenas (D-CA) on a panel to discuss the role and potential of video games in developing the U.S. digital creative workforce.



- + **On April 21**, FGA partnered with the U.S. Department of Education to sponsor a one-day Games and Learning Summit at New York University that was attended by more than 250 government officials, developers, producers, educators and students. ESA President and CEO Mike Gallagher delivered a speech that provided an overview of the industry and its education initiatives. Other speakers included Richard Culatta, director of the U.S. Department of Education's Office of Educational Technology; Jesse Schell, CEO of Schell Games; and Asi Burak, president of Games for Change.
- + **On June 16**, FGA hosted its 6th annual Games & Learning Summit at E3. The discussion featured keynote speaker Laurent Detoc, executive director for the Americas at Ubisoft; Richard Culatta; Greg Toppo, national education writer for *USA Today*; and Jessica Lindl, executive director of GlassLab. The event attracted more than 80 experts in education and video game design, and focused on topics including preparing students for 21st century jobs, the education game marketplace and supporting game innovation in education. It also featured a fireside chat between Culatta and Toppo, discussing Toppo's new book, "The Game Believes in You."
- + **On July 13**, Erik Huey participated at a roundtable discussion hosted by the White House Office of Public Engagement on ways to promote diversity in the video game industry. Attendees included the Internet Association, Intel, Twitter, Twitch and Riot Games.
- + **On July 15**, ESA co-hosted a reception on Capitol Hill with iCivics and the Junior State of America (JSA) to celebrate the winners of JSA's video game competition at Georgetown University. More than 200 high school students from across the country attended the event. Greg Toppo and Congressional Caucus for Competitiveness in Entertainment Technology (E-Tech Caucus) Co-Chairman Jim McGovern (D-MA) were keynote speakers at the event.
- + **On September 28**, ESA hosted a dozen representatives from the U.S. Department of Commerce International Trade Administration's (ITA) video game working group. The working group seeks to help video game studios with fewer than 100 employees to access foreign markets. ITA staff currently deployed in China, Malaysia, Vietnam, Portugal and Spain attended the meeting.

- + **Also on September 28**, FGA, the NFL and EA hosted the annual *Madden* release party on Capitol Hill. Five members of Congress and over 350 congressional staff attended.



*Panelists from ESA and HEVGA's joint congressional briefing with ESA staff on the House Speaker's balcony at the U.S. Capitol Building.*

- + **On Oct 27**, FGA held a congressional briefing in conjunction with HEVGA and the E-Tech Caucus entitled, "Accelerating America's Creative Tech Industry." The event was attended by over 70 staff from 42 offices, representing 23 states and three congressional committees.
- + **On December 9**, ESA and tech incubator 1776 co-hosted an Ed Games Expo sponsored by the U.S. Department of Education, the Defense Advanced Research Projects Agency and the Small Business Administration. The event built on the 2014 expo's success, attracting over 45 game developers and over 210 attendees from both the public and private sector.
- + **On December 10 and 11**, ESA participated in HEVGA's annual meeting, entitled *Games + Higher Education + National Impact*, in Washington, D.C. The event attracted over 100 participants, including educators, industry participants and government representatives.

# STATE GOVERNMENT AFFAIRS

In 2015, ESA's State Government Affairs (SGA) department focused its time and resources on promoting the video game industry's numerous positive aspects to opinion leaders and elected officials across the U.S. through direct advocacy, education and relationship-building at all levels of government.

By leveraging its relationships with legislators, administration officials, governors, and state attorneys general, SGA created opportunities to advance the industry's messaging on industry growth, high-tech job creation and education supporting 21st century digital economy careers.

## STEM Education

- + **During the 2015 legislative session**, several states supported computer education, including coding programs. Two states in particular, Washington and Arkansas, passed pro-coding legislation supported by ESA, reinforcing their governors' public acknowledgment of the importance of STEM education in the 21st century.
- + **To increase visibility of ESA's commitment** to providing real-world educational opportunities to those interested in STEM-related careers, SGA re-launched ESA's *Digital Living Project*—featuring a new Girls-in-STEM initiative—with EverFi

on September 29. The partners hosted a launch event at Santee Middle School in downtown Los Angeles, which included a student essay contest and luncheon for girls in the school's STEM & Coding Program. California Assemblymembers Ling Ling Chang (R) and Cristina Garcia (D); representatives from Los Angeles Mayor Eric Garcetti's office and the Los Angeles City Council; and Steve Zimmer, president of the Los Angeles Unified School District Board, spoke during the event. Following the program, the students spoke with several female game industry professionals from ESA member company Activision and a representative from the University of Southern California's Video Game Development Program.

*Students speak with Activision Blizzard's Fallon Christian at ESA's Digital Living Project event in Los Angeles, Calif.*



ESA's Tom Foulkes listens to Take-Two's Alan Lewis address students of Hostos-Lincoln Academy in Bronx, N.Y.

- + **On October 23**, ESA hosted a *Digital Living Project* event and conducted another Girls-in-STEM initiative with EverFi at the Hostos-Lincoln Academy of Science School in the Bronx, N.Y. Alan Lewis, vice president of corporate communications and public affairs for Take-Two Interactive Software, and Monica Major, director of education and youth services for Bronx Borough President Ruben Diaz Jr. (D), participated in the event.
- + **On November 4**, SGA hosted its final *Digital Living Project* event in Austin, Texas, featuring representatives from Certain Affinity, Retro Studies, and EA/Bioware. Similar to ESA's successful event in Los Angeles, the Austin event included ESA's newest program aimed at getting more young women interested in STEM-related careers. ESA Vice President of State Government Affairs Tom Foulkes and Austin Independent School District President Gina Hinojosa spoke at the event.

### Content Regulation

SGA remains vigilant in its efforts to prevent censorship or any type of detrimental legislation from being enacted by educating state elected officials on the video game industry and about the ESRB self-regulatory accomplishments and proactive educational initiatives, as well as constitutional protections secured under the First Amendment and reinforced by the 2011 *Brown v. EMA/ESA* U.S. Supreme Court decision.

Over the course of 2015, SGA faced two content regulation bills, one in New York seeking to criminalize the sale of Mature-rated games to minors, and another in Alabama that would have levied a 40 percent tax on video games, books, magazines, movies and other media deemed to have sexually oriented content.

### Tax Incentives

Today, 21 states provide tax incentives for computer and video game development. While these incentives have come under increased scrutiny and elected officials have questioned the value of these and other similar programs to their states, the computer and video game industry continues to educate lawmakers about the industry's significant economic impact in communities across the country. In 2015, ESA continued to advocate for the renewal or enactment of tax incentives benefiting the industry in states including California, New York, Pennsylvania and Texas.

- + **California:** On August 21, Chairman of the California Assembly Committee on Arts, Entertainment, Sports, Tourism, and Internet Media Ian Calderon (D) and several assemblymembers held a field hearing at the University of Southern California (USC) in Los Angeles to discuss the video game industry's value to the state and ways to keep it growing. ESA worked closely with committee staff to organize the agenda and secure speakers, including representatives from ESA; USC's Game Innovation Lab; the Milken Institute; Los Angeles Mayor's Office of Innovation; California Competes Tax Credit Program; EA; and UC Irvine Institute for Virtual Environments & Computer Games. The hearing was well-received by participating elected officials and served as a key step forward in ESA's efforts to encourage the California legislature to incentivize video game development similar to film production.
- + **Massachusetts:** On September 22, ESA testified in support of two video game tax incentive bills before the Massachusetts Joint Committee on Revenue. HB2606 would amend the Commonwealth's existing film tax incentive program to

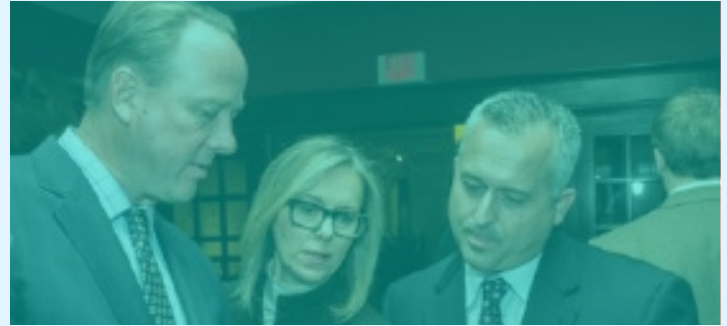


include the design and development of video game and interactive media products; HB2487 would increase economic development and business opportunity in the design and manufacture of video games through the expanded use of tax credits. At ESA's request, Scot Osterweil, creative director of the Massachusetts Institute of Technology's (MIT) Game Lab, also testified in favor of the bills, along with Tim Loew of Becker College.

- + **Texas:** On February 18, ESA hosted Austin Day 2015 at the State Capitol in Austin, Texas. ESA President and CEO Mike Gallagher, Andrew Wise of Microsoft, and Kellie Prinz Johnson of Retro Studios met with Texas Comptroller Glenn Hegar (R); Director of Economic Development Bryan Daniel; Jesse Ancira, chief of staff to the Speaker of the House; Mike Morrissey, budget director for Lt. Governor Dan Patrick (R); State Rep. Larry Gonzales (R), House Appropriations Committee member; and other elected officials to educate them about Texas' video game industry and to promote continued funding of Texas' Moving Image Industry Incentive Program.

#### Privacy/Data Breach

Multiple online, mobile, and children's privacy bills were introduced and signed into law during the 2015 legislative sessions in states such as Arizona, California, Louisiana, New Jersey, Oklahoma, Virginia and Washington.



*ESA President and CEO Mike Gallagher speaks with Texas Film Commissioner Heather Page and Texas Rep. Dwayne Bohac (R) at the Austin Day video game reception.*

- + **More than 80 data breach notification bills** were introduced in 2015, most notably in California, Delaware, New Jersey, New York and Wyoming. The large majority of these bills sought to expand state data breach notification laws, often as a response to recent large data breaches of retailers and other companies. ESA continues to work closely with the State Privacy and Security Coalition to address and amend any legislation which seeks to expand personal information definitions or require unreasonably short notification deadlines.
- + **On October 6**, California Gov. Jerry Brown (D) signed into law a bill which further clarified requirements to use an existing safe

*Students from Bertha Sadler Means Young Women's Leadership Academy in Austin speak with female game industry professionals.*



harbor provision for encrypted data. Under the new law, for data to be deemed encrypted, a company must store it in a manner that renders it unusable, unreadable or indecipherable to an unauthorized person through a security technology or methodology generally accepted in the field of information security. As this language is not contingent on a specific technology, it may be adapted as technologies continue to improve.

#### Additional Outreach

- + **California:** On June 16-18, SGA hosted several elected officials and their staff for informational tours of ESA member companies' E3 booths. During these tours, the elected officials met with ESA member company executives, took part in demonstrations of new products and learned more about the industry. Los Angeles Mayor Eric Garcetti (D) and Chief Innovation Officer Peter Marx participated in a demonstration of Microsoft's new HoloLens. Utah Attorney General Sean Reyes (R), California Assemblymember Evan Low (D), and California Board of Equalization Member Fiona Ma (D) met with a number of member companies and participated in demonstrations of Sony PlayStation VR. Other officials participating in E3 tours included California Assembly candidate and former Assemblymember Raul Bocanegra (D), California Senate candidate and former Assemblymember Steven Bradford (D), Los Angeles Councilman Mike Bonin, Policy Council for the California Republican Caucus Jared Yoshiki and staff for California Assemblymember Matt Dababneh (D).



*Elected officials who attended E3 included Los Angeles Mayor Eric Garcetti (D), shown here speaking at the opening ceremony.*

- + **National Conference of State Legislatures (NCSL):** SGA attended NCSL's National Summit in Seattle from August 2-6 and assisted Microsoft with tours for select California and other state elected officials in Redmond. While in Seattle, ESA also sponsored the Washington Women's Legislative Network's 30th Anniversary Gala and luncheon, which featured 37 female legislators from around the country. Additionally, SGA co-hosted a tech industry reception for select legislators. ESA member companies, including Microsoft and Nintendo, as well as close to 40 legislators from various states, attended the event.



- + **Colorado:** ESA continued to support the implementation of the Safe2Tell™ program, which provides young people with a safe and anonymous way to report any threatening behaviors or activities endangering themselves or someone they know. Safe2Tell™ is a state-funded strategic initiative of the Colorado Department of Law in the Office of the Attorney General. After achieving success in Colorado, Safe2Tell™ is now working to expand nationwide. ESA funded the creation of their national website and mobile tools for reporting suspicious behavior to law enforcement authorities, and will continue to monitor their progress moving forward.
- + **Arkansas:** Gov. Asa Hutchinson (R) issued his first and only veto of the 2015 session on SB 79, legislation that sought to provide a Right of Publicity to persons in the state. This bill was introduced at the behest of the family of legendary local football coach Frank Broyles. ESA directly engaged Gov. Hutchinson on the bill, highlighting the negative impact the overly broad statute would have on the computer and video game industry.



ESA President and CEO Mike Gallagher speaks to E3 College Game Competition finalists.

# COMMUNICATIONS & INDUSTRY AFFAIRS

Through a program of media outreach, events, digital communications and grassroots advocacy, Communications & Industry Affairs (C&IA) educated policymakers, members of the media, opinion leaders and the general public about the evolution of the video game industry. The department underscored gamer audience diversity and highlighted the contributions that games made to the U.S. economy and in social issues, including the education and health fields. C&IA also publicized ESA's major partnerships, initiatives and legislative efforts.

## Industry Communications

- + ESA organized and hosted E3 2015 from June 16-18 in Los Angeles, Calif. E3 welcomed 52,200 attendees from 109 countries, including, for the first time, around 5,000 prosumers. During E3, ESA hosted a cocktail reception for registered E3 media, where ESA President and CEO Mike Gallagher gave brief remarks on the industry's evolution and diversity. Gallagher also spoke at an E3 ribbon cutting ceremony with Los Angeles Mayor Eric Garcetti and Los Angeles Tourism & Convention Board President & CEO Ernest Wooden, as well as the unveiling of the 2015 *Into the Pixel* exhibit. ESA also hosted several additional events throughout E3, including a diversity networking happy hour with HEVGA and a reception for ESA Foundation grantees.
- + C&IA organized the 2015 E3 College Game Competition, which recognized top student video game design talent from U.S. colleges and universities. Teams representing more than 30 colleges and universities participated. A blue ribbon panel of industry professionals selected the DigiPen Institute of Technology's student team as the competition for their original video game, *RumbleTV*. Competition finalists also included entries from the Academy of Art University, the University of Utah, Brigham Young University and Savannah College of Art and Design.

- + C&IA collaborated with the Hispanic Heritage Foundation's Latinos on the Fast Track (LOFT) program to offer the second annual ESA LOFT Video Game Innovation Fellowship. The fellowship awarded 20 minority youths, aged 15-25, with a grant to create a video game that helps solve social problems in their community. The 20 fellows traveled to Washington, D.C. in October for a STEM education panel on Capitol Hill featuring ESA President and CEO Mike Gallagher. The fellows also presented their game ideas to members of the Obama administration, Congress and national community leaders.
- + Throughout 2015, C&IA released new research exploring the gamer community and the video game industry's breadth.
  - On April 14, C&IA released ESA's *2015 Essential Facts About the Computer and Video Game Industry* report, which found that more than 150 million Americans play video games.
  - On August 12, C&IA released the findings from a survey of video game-playing commuters finding that commuting gamers spend one-third of their travel time playing games and that support for game play is a major factor in their mobile device purchasing decisions.
  - On October 27, ESA and HEVGA released research showing that more than 1,600 U.S. video game development studios and publishing companies operate nearly 1,900 facilities in 46 states. The research also found that 406 U.S. colleges and universities offer graduate and undergraduate degrees or professional certificates in video game design and development.

- On November 5, C&IA released a poll stating that 80 percent of U.S. voting-age gamers will vote in the 2016 presidential election.
- + C&IA secured several speaking opportunities for ESA representatives at high-profile events, including the Silicon Flatirons Center's Digital Broadband Migration Conference, Video Games and Digital Media Conference, Games for Change, GamesBeat Summit 2015, Mobile Games Forum Seattle and VRX 2015.

### Video Game Voters Network

The Video Game Voters Network (VGVN) is ESA's online community focused on promoting the positive impact that video games have in society. Through legislative outreach, partnerships, active online forums and interaction with both new and mainstream media, VGVN members actively protected the rights of video game creators and consumers in 2015.

- + VGVN sponsored a series of eSports competitions with One Nation of Gamers in June and July. The events were featured on Twitch and added more than 70,000 new VGVN members.
- + On November 12, the VGVN announced that more than 1 million people are now VGVN members. At the same time, VGVN launched Start Democracy, a new initiative to encourage people to vote in the 2016 election.

# 155 million

Americans play video games

There are an average of  
**TWO GAMERS**

in each game-playing U.S. household



**FOUR OUT OF FIVE**

U.S. households own a device used to play video games

# 51%

of U.S. households own a dedicated game console

ESA's 2015 *Essential Facts About the Computer and Video Game Industry* report highlighted the gamer audience's breadth and diversity.





*Jon Berroya, Ehren Reynolds and Nick Weger of ESA's Content Protection team; Michael Lewis, the first secretary for intellectual property at the U.S. Embassy in Mexico; Kiyoshi Tsuru, ESA's local counsel in Mexico; and the members of the Mexican Attorney General's IP Cybercrime unit.*

# LEGAL, POLICY & REGULATORY AFFAIRS

ESA's Legal, Policy & Regulatory Affairs program supports the industry's First Amendment, tech policy and intellectual property priorities. In 2015, those efforts included advocacy before the U.S. Supreme Court, federal and state agencies and international regulatory bodies.

As a result, ESA succeeded in obtaining a waiver from Federal Communications Commission (FCC) requirements on accessibility, a carve-out from virtual currency regulations and a limited exemption to circumvent technological protection measures used to protect video game content. ESA continues to grow in prominence in public policy debates and has emerged as a leading voice on matters involving the intersection of media and technology.

## **U.S. Supreme Court Amicus Brief**

- + **On November 5**, ESA filed an amicus brief in support of EA's petition for the U.S. Supreme Court to review the Ninth Circuit Court of Appeals' decision in *Davis v. EA*. The Ninth Circuit in that case found that EA did not have a First Amendment right to use the likenesses of retired NFL players in its *Madden NFL* games because its use was too realistic. ESA's amicus brief argued that *Davis* conflicts with *Brown v. EMA/ESA*, in which the Supreme Court found that the First Amendment protects video games to

the same extent as other forms of media. The brief also argued that the Ninth Circuit's decision could have a chilling effect on an entire genre of realistic games and that the Ninth Circuit, like other courts, applied the incorrect test. The Supreme Court is likely to decide whether to hear *Davis* in January 2016.

## **FCC Accessibility Rules**

- + **On September 16**, the FCC granted ESA's request for a limited, temporary waiver from the agency's accessibility rule for advanced communications services. That extension will allow platforms and game publishers further time to jointly explore solutions for bringing accessible communications to game software. This latest waiver is both shorter in duration and narrower in scope than ESA's prior waiver, which had covered game software, game distribution services, and game consoles. The recently approved waiver expires in January 2017.

### Digital Millennium Copyright Act Section 1201 Rulemaking

- + **On October 27**, the Librarian of Congress issued a decision denying a request to circumvent technological protection measures that protect video game consoles for purposes of modification, maintenance and repair. In response to a separate request, the Librarian issued a limited exemption (and permitted circumvention) to allow local gameplay (for gamers) and preservation activities (for museums and archives) when developer server support for a video game has ended. Overall, the Librarian's decision recognized the importance of technological protection measures while allowing gamers and preservationists to enjoy appropriate access to video games that no longer are supported by game makers.

### Virtual Currency

- + **ESA successfully advocated** having video game-related points and prizes excluded from regulations covering virtual currencies that were issued by the New York Department of Financial Services in June. The department sought to regulate the use of digital currency, such as Bitcoin, that might pose consumer protection risks and be used for the online purchase of unlawful items, among other things. ESA sought and obtained clarification that these rules do not apply to digital units used solely within online game platforms or used as part of prepaid cards.

### Intellectual Property Enforcement Coordinator Joint Strategic Plan

- + **On October 16**, ESA filed public comments urging that the Office of the U.S. Intellectual Property Enforcement Coordinator (IPEC) continue its efforts to have the federal government address IP infringement at all levels. ESA's filing came in response to a request for public comment by the IPEC as part of its triennial joint strategic plan. ESA filed jointly with members of the International Intellectual Property Alliance and the Copyright Alliance. The IPEC will publish its updated plan in 2016.

### Notorious Markets List

- + **On October 5**, ESA filed public comments urging the Office of the U.S. Trade Representative (USTR) to list 15 online and physical markets on its Notorious Markets list. ESA's filing came in response to USTR's annual inquiry, which seeks information to help target the U.S. government's IP enforcement efforts. USTR will publish its updated Notorious Markets list in early 2016.

### Trans-Pacific Partnership

- + **ESA played a significant role** in supporting strong IP protections in the TPP, a multinational trade agreement of 12 countries, including the U.S. ESA participated in several briefings regarding the terms of the final agreement, including one delivered by USTR Michael Froman, who led the U.S. delegation. The agreement was reached on October 5; the official text of the agreement was released for public and congressional consideration on November 5. Among issues relevant to the video games industry, the agreement requires TPP partners to enact basic laws that protect against IP infringement. It also includes a general obligation to allow free transfers of data across borders and that there be no requirement that data be stored locally. ESA will work with other industry groups to support approval of the TPP by Congress.

### International Rating Laws

- + **In 2015**, ESA worked with regulators in Chile and Mexico regarding regulations that will define and limit the scope of ratings laws passed in each country. Chile's law, once effective, would require rating information to cover 25 percent of each side of video game packaging. Mexico's law mandates the creation of a universal rating system for video games and other content. ESA's local consultants in each country have met with regulators to propose language that would ease the burden of compliance for ESA members, including allowing for gradual implementation of the law. While regulations interpreting each law are still being drafted, ESA's lobbying efforts already have yielded positive concessions, including: (i) each government confirmed that the respective law will not be enforced until regulations are issued; and (ii) each government confirmed that it will permit self-rating and provide for equivalency of the local ratings with ESRB ratings such that ESA members will not be required to submit to a separate rating process.

### E-Commerce

- + **The Uniform Law Commission (ULC)** is working on a revised model law on unclaimed property (i.e., property abandoned by the original owner and which, under law, escheats to the state after a dormancy period). This effort could impact the state legislative landscape because states often look to ULC model laws in crafting legislation. ESA participated in the stakeholder process in 2015 and made some early progress in excluding game-related digital content from the scope of escheatable property.

## Launch of Substantive Working Groups

- + **ESA established a Cybersecurity Working Group (CWG)** comprised of the member company attorneys who are responsible for supporting their company's information security teams. The CWG will be used as a forum for identifying common perspectives regarding information security policies and, in some cases, the dissemination of high-level information pertaining to online security threats.
- + **In February**, ESA launched the Accounting Standards Group (ASG), in which accounting and legal department representatives of member companies discuss the new standards that will replace all existing U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards guidance. The ASG convened three meetings in 2015.

## Content Protection Program

- + **ESA's content protection program** employs a variety of techniques to provide scalable enforcement initiatives that protect legitimate game sales by deterring casual infringement of its members' intellectual property. In 2015, ESA's efforts were more productive than ever: it submitted more URLs to Google for de-indexing than all but 13 other entities; referred prominent game infringement websites to the U.S. Department of Justice and the City of London Police; and created a successful competition for game developers in Mexico that strengthened the video game industry's relationship with government officials, local developers, and consumers by demonstrating the value of video game-specific intellectual property.

## Online Enforcement

- + **From January through November**, ESA removed approximately 10.2 million links to infringing game files from Google and Bing search engine results. This represents a 20 percent increase compared to the 8.5 million removed during the same period of time in 2014.
- + **In April**, ESA expanded the scope of its online marketplace enforcement activity to address the use of C2C platforms by sellers who resell or rent their online game accounts to third parties without authorization. As a result of ESA's engagement on this issue, eBay is now proactively scanning for and removing

these listings, and Mercado Libre, the largest e-commerce platform in Latin America, has modified its terms and conditions to prohibit such listings on its sites.

## Latin American Initiatives

- + **In October**, the winners of Video Juegos MX, a Mexican video game design competition created by ESA to help consumers and Mexican government officials understand the value of the video game industry's intellectual property, were announced by the president of INADEM—the Mexican analogue of the U.S. Small Business Administration—at a ceremony during Mexico's Entrepreneurship Week. ESA received entries from nearly 150 contestants. Seven government agencies that focus on economic development and/or intellectual property protection participated in the contest and sponsored various events. Mexican President Enrique Peña Nieto invited some of the contest winners to be guests of honor during remarks he made at the conclusion of Entrepreneurship Week.



*INADEM President Enrique Jacob Rocha with the Video Juegos MX contest winners.*

- + **In November**, ESA hosted the newly-created, IP-focused cybercrime unit of the Mexican Attorney General's Office for an in-depth training on investigating online infringement. The tutorial introduced members of the four-person unit to basic web-based investigative resources and techniques for identifying and prioritizing potential enforcement targets. Michael Lewis, the first secretary for intellectual property at the U.S. Embassy in Mexico City, also participated in the training.



Members of Dell Children's Hospital and local Extra Life gamers receive the ESA Foundation Extra Life Challenge award from ESA Vice President of Government Affairs Tom Foulkes.

# ESA FOUNDATION

Created by the U.S. video game industry, the ESA Foundation provides scholarships to the next generation of industry innovators and supports organizations that leverage entertainment software and technology to make a positive difference in the lives of America's youth. The proceeds from a signature annual fundraiser, Nite to Unite—for Kids, and other charitable initiatives support this mission.

## Development

Humble Bundle and the ESA Foundation continued to collaborate in 2015 to feature the ESA Foundation as Humble Bundle's charitable partner in the E3 digital game bundle. Humble Bundle allows consumers to purchase digital games and add-on content, pay what they want and choose how their payment is divided between game publishers, Humble Bundle and a partnering charity.

## Grantee Highlights

- + **On January 27**, iCivics, ESA Foundation and ESA hosted an event with former Supreme Court Justice Sandra Day O'Connor to launch *DBQuest: Eyes on the Prize*. Funded by ESA Foundation and developed by iCivics, *DBQuest* is an interactive online reading and critical thinking tool that challenges students to tackle important civic questions using analytical skill. iCivics' initial *DBQuest* challenge focuses on the Nashville sit-in

movement of 1960 and draws from the landmark civil rights documentary, "Eyes on the Prize." Founded by Justice O'Connor, iCivics helps teachers prepare the next generation of active and engaged citizens through a series of web-based civics games and innovative educational resources. *DBQuest* is currently available to teachers, students and the public free of charge.

- + **Extra Life and the ESA Foundation** continued working together to offer the ESA Foundation Extra Life Challenge to benefit the Children's Miracle Network Hospitals (CMN Hospitals). The Challenge encourages gamers' fundraising efforts during the annual Extra Life 24-hour video game marathon, and provides \$30,000 grants to the hospital whose players raise the most money and to the hospital with the highest per capita fundraising total. Dell Children's Medical Center in Austin, Texas and Providence Health & Services Alaska in Anchorage were the 2015 Challenge winners. Extra Life 2015 raised more than \$7 million to help



CMN Hospitals provide outstanding pediatric health care to every child in need, regardless of their family's ability to pay.

### Computer and Video Game Scholarship Program

Scholarships were awarded to 30 women and minority students, which totaled \$90,000. The recipients come from 16 states and Puerto Rico and attend 26 schools, including MIT, Ringling College of Art & Design (Fla.), Rutgers University (N.J.), Savannah College of Art and Design (Ga.), University of Florida (Fla.), University of Pennsylvania (Pa.) and University of Texas at Austin (Texas). Each student received \$3,000 to advance their education in subjects including game art and design, computer animation and virtual technology.

### 2015 Grantees

The ESA Foundation awarded eight grants to organizations and academic institutions in 2015 to support interactive entertainment software and technology projects that create educational opportunities.

- + **Boys & Girls Clubs of America (BGCA)** have served millions of children across the nation for more than 100 years, providing a safe environment for them to learn and grow. The BGCA offers multiple educational programs, including its STEM initiatives. The ESA Foundation supported this initiative in 2015 to encourage kids and young adults to apply STEM concepts to real-life experiences to improve their local communities.
- + **Children's Miracle Network Hospitals** and ESA Foundation partnered to support Extra Life, a 24-hour video game marathon and fundraiser that has raised more than \$16 million for medical research and treatment at CMN Hospitals across North America since its inception.
- + **Drexel University**, a leader in collegiate game design programs, used its ESA Foundation grant to offer game development workshops for girls in the Philadelphia region in partnership with TechGirlz, a nonprofit dedicated to reducing the gender gap in technology occupations. The workshops gave girls a hands-on experience with different technologies and encouraged them to pursue degrees and occupations in technology-related industries.
- + **HopeLab** harnesses the power and appeal of technology to motivate measureable positive health behaviors in young people. Since 2006, the ESA Foundation has supported

HopeLab's creation and release of *Re-Mission* and *Re-Mission 2*, which promote successful, long-term treatment outcomes for adolescents and young adults with cancer. In 2015, ESA Foundation supported clinical testing for *Zamzee*, a new physical activity tracker that encourages physical activity among children and their families.

- + **National Center for Missing & Exploited Children (NCMEC)** has served as the nation's clearinghouse on issues related to missing and sexually exploited children since 1984. Now with better public awareness, training, laws and technology, the recovery rate of missing children has jumped from 62 percent in 1990 to more than 97 percent today. The ESA Foundation supported NCMEC's development of *NetSmartz Kids Club UYN*, a monthly online feature that promotes Internet safety with animated media, interactive activities and more.
- + **National Museum of the American Indian (NMAI)**, a component of the Smithsonian Institution, is dedicated to preserving one of the world's most expansive collections of Native American artifacts. With support from the ESA Foundation, NMAI developed *The Great Inka Road: Engineering an Empire*, an in-gallery game play experience that will explore the importance of the Inka Road and how the indigenous peoples of the Western Hemisphere changed the course of world history.
- + **ThanksUSA** is an effort to mobilize Americans to thank the men and women of the U.S. armed forces. It provides college, technical and vocational school scholarships to the children and spouses of military personnel. It also offers *Treasure Hunt*, a digital American history game that reminds players of the freedom and values sustained by members of the armed services. The ESA Foundation has supported both programs since 2009.
- + **VisionQuest20/20** harnesses the power of educational technology to establish a nationwide vision screening program to help provide exceptional eye care to school children across the United States. Its newest screening system, an interactive game called *EyeSpy 20/20*, is the only screening system that tests visual acuity, depth perception and color vision. The ESA Foundation's support provided *EyeSpy 20/20* software and related supplies and trainings to more than 30 schools to help them conduct unlimited screenings.

*ESRB President Patricia Vance moderating a roundtable discussion at DICE Europe on the future of age and content ratings, with a focus on IARC.*

# ENTERTAINMENT SOFTWARE RATING BOARD

The ESRB is the nonprofit self-regulatory body for the video game industry, which administers a world-class content rating system for video games and apps that continues to be among the most comprehensive and trusted entertainment rating systems in use today. The ESRB enforces advertising and marketing guidelines for the video game industry through the Advertising Review Council (ARC), and helps companies maintain compliance with the growing complexity of online and mobile privacy protection laws through ESRB Privacy Certified (EPC).

## International Age Rating Coalition

In 2015, ESRB continued to chair the International Age Rating Coalition (IARC), a cooperative initiative with other rating organizations from around the world that administers a streamlined process for assigning age and content rating information to digitally delivered games and apps. The award-winning IARC rating system was deployed on Google Play and Nintendo eShop in 2015, bringing the total number of digital storefronts using the system to three, including Mozilla's



*Digital storefronts using the IARC rating system.*

Firefox Marketplace. Developers can now access the IARC rating tool through these storefronts' on-boarding process to generate rating information for ESRB (North America), PEGI (Europe), USK (Germany), ClassInd (Brazil) and the Classification Board (Australia), as well as a generic rating for the remainder of the world.

- + **Media coverage** of the Google and Nintendo deployments generated over 650 million impressions globally, including approximately 400 million impressions from 270 news stories published in the U.S. that discussed the expanding use of ESRB ratings for mobile games and apps.
- + **On September 15**, ESRB President Patricia Vance moderated two roundtable discussions at DICE Europe on the future of age and content ratings with a focus on IARC. Game and mobile developers and publishers as well as representatives from platform and service companies participated in the discussion, many of whom vocalized their praise and support for IARC.
- + **On October 7**, the Brazilian government honored IARC with the e-Servicos Públicos or Public Service award, which each year recognizes government-sponsored digital initiatives that best help the people of Brazil.
- + **On October 19**, the Mobile Ecosystem Forum (MEF) recognized IARC as a finalist in the Consumer Trust category in the 12th annual MEFFYS awards.
- + **Additional storefronts** will implement the system in 2016. IARC is engaged in ongoing discussions with other potential rating authority participants from around the world.



#### Advertising Review Council

- + **In 2015**, ARC continued to monitor and enforce the advertising and marketing guidelines to ensure that video games are appropriately labeled and marketed responsibly. The vast majority of game publishers now pre-clear their advertising and media plans through ARC to ensure compliance with its guidelines.
- + **In September 2015**, ESRB issued an updated ARC Manual to reflect the ever-changing media landscape, including new guidelines for social media.

#### ESRB Privacy Certified Program

The EPC provides its 26 member companies with:

- + **Children's Online Privacy Protection Act (COPPA)** Safe Harbor protection since 1999 with a perfect track record of compliance;
- + **Individualized privacy risk assessment** for online and mobile products;
- + **Assistance with global privacy compliance**, including in Canada, Europe, and Asia-Pacific;
- + **A Federal Trade Commission (FTC)**-approved solution for obtaining verifiable parental consent;
- + **Guidance** on consumer-friendly privacy disclosures and privacy policies; and
- + **Ongoing consultation**, monitoring and reporting to ensure continued compliance and protection.



ESRB Privacy Certified Seals

In 2015, EPC launched a monthly newsletter to help members stay abreast of the evolving global privacy landscape. On May 28, ESRB President Patricia Vance and Vice President for EPC Dona Fraser met with staff from the FTC and other COPPA Safe Harbors to discuss clarifying rules related to ongoing compliance and updates to COPPA.

## What others have to say about the ESRB and IARC

“[...] I applaud efforts by the private sector to keep our children safe and parents informed about the content young Americans are viewing—regardless of medium: whether it’s on video game consoles, PCs or mobile devices.”

—United States Rep. Cathy McMorris Rodgers (R-WA)

“Information is key when it comes to parents making responsible choices for their kids—whether it’s about video game consoles, PCs or mobile devices. These ratings provide critical information for parents as they decided what games are appropriate for their children. More importantly, these ratings help parents like me make informed decisions when it comes to video games. I strongly support this new approach to broaden informed and responsible accessibility to mobile games and apps.”

—United States Rep. Jim McGovern (D-MA)

“[IARC is] an important step in making the internet a better place for children.”

—Robert Madelin DG Connect, European Commission

“IARC is the first international system that takes German norms and standards into account. Finally parents can choose adequate contents for their children based on the established age categories when using mobile devices.”

—Manuela Schwesig, Federal Ministry of Family Affairs, Senior Citizens, Women and Youth, Germany

## Ratings Education and Outreach

- + **ESRB.org** was redesigned to feature new functionality and a white and blue color palette, while providing an optimal responsive viewing experience across a wide range of devices, including personal computers, tablets and mobile phones. The ESRB website continues to be a useful resource that generates nearly 12 million user sessions and 2.1 million rating searches annually.



The updated ESRB.org website



+ **Updates** for all three versions (iOS, Android, Windows) of the ESRB rating search app were completed in advance of the holiday shopping season and included ESRB's new white and blue color palette, an improved user experience for using filters to search ESRB's ratings database, and responsive viewing for a wider range of screen sizes. Consumers conducted approximately 500,000 rating searches in 2015 using ESRB's mobile apps.



Updated ESRB.org and rating search app graphics

+ **ESRB implemented** a holiday outreach campaign promoting ratings awareness and use and other ESRB resources for parents, which included:

- Engaging ESRB's Parent Ambassadors, approximately 25 parent bloggers, to promote parental control guides and instructional videos for game consoles that are available on ESRB.org;

- Socializing tips from parents about choosing which games are appropriate for children and other family members; and
- Developing content supporting ratings education and parental controls that was published on news and parent-focused websites.



Patricia Vance (front row, center), president, ESRB and chairperson of IARC, is joined by other senior representatives from various international classification authorities and stakeholders from around the world attending the 2015 International Ratings Summit in Cologne, Germany.

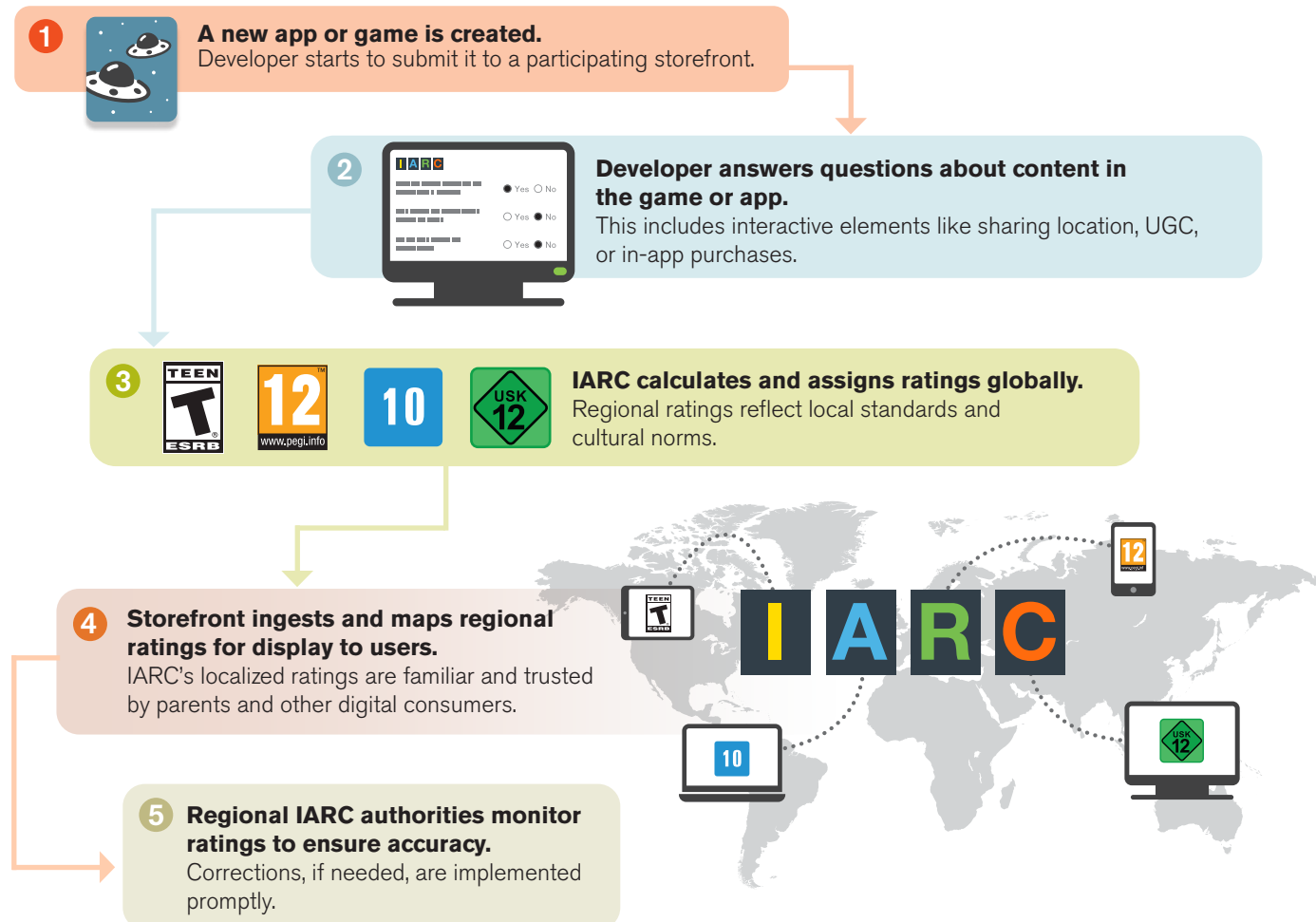


A ground-breaking global rating system for digital games and mobile apps administered by many of the world's game rating authorities.



(Additional rating authorities to be announced)

## How the system works:



GLOBALRATINGS.COM

## ESRB and Retailers

- + **The ESRB Retail Council (ERC)** includes Amazon, Best Buy, GameStop, Target, Toys 'R' Us and Walmart, which collectively represent over 85 percent of the overall packaged video game market. ESRB implements two annual mystery shopper audits of ERC members' retail outlets to measure their voluntary compliance with enforcing store policy not to sell Mature-rated games to children under 17 without permission from a parent.

The most recent audit, which was completed in December 2015, found (weighted by market share) that store policy was enforced 83 percent of the time; the same percentage of stores displayed the correct ESRB rating and store policy signage. ESRB also checks ERC member websites biannually to ensure accurate display of ESRB rating information. The latest audit conducted in November 2015 found that 96 percent of webpages presented accurate age rating information.

# HOW THE THE ESRB VIDEO GAME RATING SYSTEM WORKS

## 1 ESRB RATING CATEGORY ICONS



These icons suggest age appropriateness of each game.

## 2 CONTENT DESCRIPTOR



Content descriptors indicate content that may have triggered a particular rating and/or may be of interest or concern.

## 3 ESRB INTERACTIVE ELEMENTS AND DEFINITIONS

Interactive elements inform potential users about interactive aspects of a digital game or app, including users' ability to interact, the sharing of users' location with other users, or the fact that personal information may be shared with third parties.

### SHARES INFO:

Indicates that personal information provided by the user (e.g., email address, phone number, credit card info, etc.) is shared with third parties

### SHARES LOCATION:

Includes the ability to display the user's location to other users of the app

### USERS INTERACT:

Indicates possible exposure to unfiltered/uncensored user-generated content, including user-to-user communications and media sharing via social media and networks

### DIGITAL PURCHASES:

Enables purchases of digital goods completed directly from within the app (e.g., purchases of additional game content, levels, downloadable music, etc.)

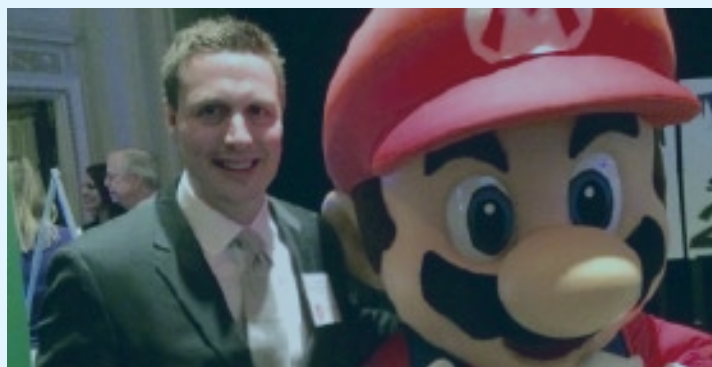
The ESRB ratings provide guidance about video games and apps so that consumers, especially parents, can make informed choices about the ones they deem suitable for their family.

# ENTERTAINMENT SOFTWARE ASSOCIATION OF CANADA

The Entertainment Software Association of Canada (ESAC) is the voice of the Canadian video game industry. ESAC represents major video game console makers, publishers, large and small independent developers as well as national distributors. The Canadian industry's 475 companies contribute \$3 billion a year to Canada's GDP and directly employs 20,400 workers. The Canadian video game industry has grown tremendously and demonstrates its critical place in Canada's digital economy.

## 2015 Ottawa Parliamentary Day

On February 24, ESAC held its 8th annual Ottawa Parliamentary Day, hosting the largest-ever group of ESAC members for meetings and discussions with relevant members of Parliament (MPs), key advisors and Cabinet ministers. ESAC members and staff participated in meetings discussing key issues such as labor mobility, copyright, privacy and skills. An evening reception featured the largest game showcase in the history of the event, with many members featuring made-in-Canada games to 300 attendees, including over 25 MPs.



*ESAC President and CEO Jayson Hilchie with Mario at Ottawa Parliamentary Day in February.*

## New Government

After winning a majority, Liberal leader Justin Trudeau was sworn in as Prime Minister of Canada on November 4. The new government includes 200 first-time MPs and 30 additional seats, making this one of the biggest and most diverse House of Commons Canada has ever seen. ESAC has already begun to strategically build relationships with MPs and Cabinet Ministers in key positions and will continue in the upcoming months to introduce new MPs to the video game industry and advocate for issues of top concern to members.

## Research Launch and Associated Industry Events

In November, ESAC unveiled a new economic report which found that the Canadian video game industry continued its meteoric growth in 2014, cementing its critical place in Canada's new digital economy. The report found that there are 472 active video game studios in Canada, 143 more than two years prior. With these studios directly employing over 20,000 people full time, the industry's contribution to Canada's GDP jumped to \$3 billion in 2015, a staggering 31 percent increase since 2013. Companies' outlook for the future remains positive, with several companies expecting their growth rate to continue over the next two years. It is estimated that 1,377 jobs will need to be filled in technical and creative roles in the next 12-24 months. ESAC will continue to use these numbers as the backbone of ESAC's advocacy over the next few years.



To promote the contents of ESAC's new research, President and CEO Jayson Hilchie delivered an address entitled, "Playing to Win in The Digital Economy—Canada's Rising Video Game Industry" at the Montreal International Games Summit on November 16. ESAC continued the rollout of this new information with events in Toronto, Vancouver and Halifax, reaching close to 80 video game companies in addition to distinguished guests in both provincial and federal government.



*ESAC President and CEO Jayson Hilchie launching new economic research at the Montreal International Games Summit in November.*



*ESAC President and CEO Jayson Hilchie, Parliamentary Secretary for the BC Jobs Plan Greg Kylo, Vice President of Policy and Legal Affairs Tanya Woods, and Vice President of Public Affairs Julien Lavoie attending ESAC's Vancouver economic research launch in November.*

### Student Video Game Competition

In February, ESAC launched its first annual game competition for post-secondary students, mirroring ESA's successful initiative. Two winners from Vancouver Film School in British Columbia showcased their game, *Zeta Busters*, at E3 2015. This initiative complements ESAC's other ongoing work to promote skills development in Canada and efforts to influence public policy surrounding access to foreign workers. ESAC continues to advocate the need for better education and training within the school system to produce the skills necessary to grow.

### Digital Privacy Act

In June 2015, the Digital Privacy Act was passed by Parliament, making changes to Canada's privacy regime. New breach notification requirements and compliance agreement provisions will come into force in 2016. ESAC anticipates that most regulations to be set will meet the needs of its member companies, however, there will be new obligations relating to reporting that may increase administrative burdens. ESAC worked to ensure that other problematic amendments were not considered and that other key stakeholders were supportive of the bill as drafted.

### Provincial Tax Credits

In 2015, ESAC continued to work with provincial partners to introduce, restore and improve provincial tax credits that benefit the Canadian video game industry. Support measures for video games are now in place in eight of Canada's 10 provinces, creating a positive investment and business climate for existing and new companies in those jurisdictions. ESAC directly worked to renew tax credits in Nova Scotia, Ontario and British Columbia as well as working alongside partners in Quebec to reverse previously made cuts that would have stifled industry growth in that province.

### Membership

ESAC welcomed three new members in 2015:

- + **Relic Entertainment**, a Vancouver-based developer owned by SEGA, a world leader in interactive entertainment.
- + **Other Ocean Interactive**, a developer with facilities in Newfoundland and Labrador.
- + **Roadhouse Interactive**, another Vancouver-based company that develops, operates and publishes live games for smartphones, tablets and connected devices.

# ESA MEMBERS

As of January 2016

345 Games  
505 Games  
Activision Blizzard, Inc.  
Bandai Namco Entertainment Inc.  
Bethesda Softworks  
Capcom Co., Ltd.  
Deep Silver  
Disney Interactive Studios, Inc.  
Electronic Arts, Inc.  
Epic Games, Inc.  
Focus Home Interactive  
Grey Box  
GungHo Online Entertainment America, Inc.  
Konami  
LEVEL-5 Inc.  
Little Orbit, LLC  
Mad Catz Interactive, Inc.

Microsoft  
Natsume Inc.  
Nexon America, Inc.  
Nintendo Co., Ltd.  
NVIDIA  
Snail Games USA  
Sony Computer Entertainment America LLC  
Square Enix Ltd.  
Take-Two Interactive Software, Inc.  
Tencent  
Tripwire Interactive  
Ubisoft, Inc.  
Vantiv Entertainment Solutions  
Wargaming Public Company, Ltd.  
Warner Bros. Interactive Entertainment  
XSEED Games



*This Page: A student at the Hostos Lincoln Academy of Science in Bronx, NY speaks with a local reporter about the ESA Digital Living Project.*

*Back cover: E3 attendees experience the newest innovations in video game software, hardware and related products firsthand.*





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software  
association**

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