

Corporate Governance Report

The Company's governance is based on the Articles of Association, the Swedish Companies Act, the Swedish Annual Accounts Act, the listing rules of Nasdaq Stockholm, the Swedish Code of Corporate Governance (the Code), and other relevant Swedish and international laws and regulations.

Governance structure



Shares and shareholders

The share capital consists of Class A, Class B and Class C shares. The holder of one Class A share is entitled to ten voting rights. Holders of Class B and Class C shares are entitled to one voting right for each share. The Class A and B shares entitle the holder to the same proportion of assets and earnings and carry equal rights in terms of dividends. The holder of a Class C share is not entitled to dividends. For further information about the Company's shares, see under the heading The MTG share, page 17–18.

Information regularly provided to shareholders includes interim reports and full year reports, Annual Reports and press releases on significant events occurring during the year. All reports, press releases and other information can be found on MTG's website www.mtg.com.

Annual General Meeting

The Annual General Meeting is the highest decision-making body in a limited liability company and it is at the Annual General Meeting where all shareholders can exercise their right to decide on issues affecting the Company and its operations.

The authority and work of the Annual General Meeting are primarily based on the Companies Act and the Code as well as on the Articles of Association adopted by the Annual General Meeting.

The Annual General Meeting of shareholders shall be held within six months after the end of the financial year. At the Annual General Meeting, resolutions shall be passed with respect to the adoption of the income statement and balance sheet as well as the consolidated income statement and statement of financial position, the disposition of the Company's earnings according to the adopted balance sheet, the discharge of liability for the Board of Directors and the Chief Executive Officer, appointment of the Board of Directors and their Chairman and the Company's auditors, and certain other matters provided for by law and the Articles of Association.

Shareholders wishing to have matters considered at the Annual General Meeting should submit their proposals in writing at least seven weeks before the Annual General Meeting in order to guarantee that their proposals may be included in the notice to the Meeting. Details on how and when to submit proposals to MTG can be found on www.mtg.com.

Shareholders who wish to participate in the Annual General Meeting must be duly registered as such with Euroclear Sweden AB. The shareholders may then attend and vote at the meeting in person or by proxy. A shareholder wishing to attend the Annual General Meeting must notify MTG of his or her intention to attend. The manner in which to notify MTG can be found in the notice convening the Annual General Meeting.

Those shareholders, who cannot attend the Annual General Meeting in person and wish to be represented by a proxy, must authorise the proxy by issuing a power of attorney. If such power of attorney is issued by a legal entity, an attested copy of the certificate of registration must be attached. The original power of attorney and the certificate of registration, where applicable, are to be sent to Modern Times Group MTG AB, c/o Computershare AB, P.O. Box 610, SE-182 16 Danderyd, Sweden, well in advance of the Meeting. The form to use for a power of attorney can be found on Modern Times Group MTG AB's website www.mtg.com.

The Annual General Meeting for the 2015 financial year will be held on 24 May 2016 in Stockholm.

The Nomination Committee

The Nomination Committee's tasks include:

- To evaluate the Board of Directors' work and composition
- To submit proposals to the Annual General Meeting regarding the election of Board Directors and the Chairman of the Board
- To prepare proposals regarding the election of Auditors in cooperation with the Audit Committee (when appropriate)
- To prepare proposals regarding the fees to be paid to Board Directors and to the Company's Auditors
- To prepare proposals for the Chairman of the Annual General Meeting
- To prepare proposals for the administration and order of appointment of the Nomination Committee for the Annual General Meeting.

Following a resolution of the Annual General Meeting of Modern Times Group MTG AB in May 2015, a Nomination Committee was established, consisting of major shareholders. The Nomination Committee comprises David Chance, Chairman of the MTG Board of Directors; Lorenzo Grabau, Investment AB Kinnevik; Erik Durhan, Nordea Funds; and Mikael Hanell, Catella. Lorenzo Grabau was appointed as the Chairman of the Nomination Committee at their first meeting. The members of the Nomination Committee do not receive any remuneration for their work.

The Nomination Committee will submit a proposal for the composition of the Board of Directors, fees and Chairman of the Board to be presented to the 2016 Annual General Meeting for approval. Shareholders wishing to propose candidates for election to the Modern Times Group MTG AB Board of Directors should submit their proposals in writing.

The Board of Directors as at 31 December 2015

The Board of Directors of Modern Times Group MTG AB comprises six Non-Executive Directors. The members of the Board of Directors are David Chance, Joakim Andersson, Simon Duffy, Michelle Guthrie, Alexander Izosimov and Bart Swanson. David Chance, chairman of the Board of Directors, Simon Duffy, Michelle Guthrie and Alexander Izosimov were re-elected, while Joakim Andersson and Bart Swanson were elected for the first time at the 2015 Annual General Meeting. Blake Chandlee and Lorenzo Grabau declined re-election. Mia Brunell Livfors declined re-election close before the Meeting, and the Nomination Committee therefore decided to reduce the proposed number of Board members from seven to six. Biographical information on each Board member is provided on pages 25–26 of this report.

Responsibilities and duties of the Board of Directors

The Board of Directors has the overall responsibility for MTG's organisation and administration. The Board of Directors is constituted to provide effective support for, and control of, the activities of the Executive Management of the Company. The Board has adopted working procedures for its internal activities which include rules pertaining to the number of Board meetings to be held, the matters to be handled at such regular Board meetings, and the duties of the Chairman. The work of the Board is also governed by rules and regulations which include the Companies Act, the Articles of Association, and the Code.

In order to carry out its work more effectively, the Board has appointed a Remuneration Committee and an Audit Committee. These committees handle business within their respective segment and present recommendations and reports on which the Board may base its decisions and actions. However, all members of the Board have the same responsibility for decisions made and actions taken, irrespective of whether issues have been reviewed by such committees or not.

The Board has also adopted procedures for instructions to the Chief Executive Officer. These procedures require that investments in non-current assets of more than SEK 2,000,000 have to be approved by the Board. The Board also has to approve large-scale programming investments and other significant transactions including acquisitions and closures or disposals of businesses. In addition, the Board has also issued written instructions specifying when and how information, which is required in order to enable the Board to evaluate the Group's and its subsidiaries' financial positions, should be reported.

Ensuring quality in financial reporting

The working procedures determined annually by the Board include instructions on the type of financial reports and similar information which are to be submitted to the Board. In addition to the full-year report, interim reports and the annual report, the Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the entities within the Group.

The Board also reviews, primarily through the Group's Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes in these principles. The tasks of the Audit Committee also include reviewing reports regarding internal control and financial reporting processes, as well as internal audit reports submitted by the Group's internal audit function. The Group's external auditors report to the Board as necessary,

Board of Directors during 2015

Name	Position	Born	Nationality	Elected	Independent to major shareholders	Independent to company and its management	Remuneration Committee	Audit Committee	Corporate Responsibility Advisory Group
David Chance	Chairman	1957	American and British	1998	Yes	Yes	Member		
Joakim Andersson	Member from 19 May 2015	1974	Swedish	2015	No	Yes	Member	Member	
Simon Duffy	Member	1949	British	2008	Yes	Yes		Chairman	Member
Michelle Guthrie	Member	1965	Australian	2013	Yes	Yes		Member	Member
Alexander Izosimov	Member	1964	Russian and Swedish	2008	Yes	Yes	Chairman		
Bart Swanson	Member from 19 May 2015	1963	American	2015	Yes	Yes		Member	
Mia Brunell Livfors	Member until 5 May 2015	1965	Swedish	2007	No	No	Member		Member
Blake Chandlee	Member until 19 May 2015	1966	American	2012	Yes	Yes			
Lorenzo Grabau	Member until 19 May 2015	1965	Italian	2011	No	No	Chairman	Member	

but at least once a year. A minimum of one such meeting is held without the presence of the CEO or any other member of Executive Management. The external auditor also attends the meetings of the Audit Committee. Minutes are taken at all meetings and are made available to all Board members and to the auditor.

Evaluation of the Board of Directors and the Chief Executive Officer

Each year in Q4 the Chairman of the Board circulates a questionnaire with some key questions asking the Directors of the Board to individually assess how they think the Board itself has performed during the past year. Questions focus on whether the Board is adding value to the organisation and enhancing its performance through examination of Board structure and composition, its operation and effectiveness and its role in monitoring the execution of agreed strategies. The survey also includes an individual performance review. Answer options include both a quantitative ranking system as well as an opportunity to provide any relevant comments, particularly in relation to ideas for improvement. At the Q4 Board Meeting the Chairman provides the full Board with a report of the outcome of the Board evaluation process; this summary is also presented by the Chairman and discussed with the Nomination Committee.

Board working procedures

Remuneration Committee

The Remuneration Committee comprises Alexander Izosimov as Chairman and David Chance and Joakim Andersson. The Board of Directors commissions the work of the Remuneration Committee. The responsibilities of the Remuneration Committee include

- issues related to salaries, pension plans, bonus programmes
- advise to the Board on proposals for the Guidelines for Remuneration applicable to the Chief Executive Officer and Executive Management
- the review and monitoring of the application of the Guidelines for Remuneration, the variable remuneration programmes and of the remuneration structure and levels of remuneration within MTG
- advise the Board on long-term incentive schemes.

Audit Committee

The Audit Committee comprises Simon Duffy as Chairman, Joakim Andersson, Michelle Guthrie and Bart Swanson. The Audit Committee's responsibility is to

- monitor the company's financial reporting
- monitor the company's efficiency relating to internal control, internal audit and risk management

Attendance at Board and Committee Meetings

Board of Directors	Board meetings	Audit Committee	Remuneration Committee	Corporate Responsibility Advisory Group
Meetings until the Annual General Meeting 19 May 2015	1	1	4	2
Meetings from the Annual General Meeting 19 May 2015	10	4	3	0
Total number of meetings	11	5	7	2
David Chance, Chairman	11/11		7/7	
Joakim Andersson (from 19 May 2015)	10/10	4/4	3/3	
Simon Duffy	11/11	4/5		0/0
Michelle Guthrie	8/11	3/5		2/2
Alexander Izosimov	11/11	0/1	3/3	
Bart Swanson (from 19 May 2015)	10/10	4/4		
Mia Brunell Livfors (until 5 May 2015)	1/1		4/4	2/2
Blake Chandlee (until 19 May 2015)	0/1			
Lorenzo Grabau (until 19 May 2015)	1/1	1/1	4/4	

- keep informed regarding the audit of the annual report and the consolidated accounts
- review and monitor the impartiality and independence of the auditor, with special attention to the services provided other than audit
- assist the Nomination committee to prepare for the election of auditors at the Annual General Meeting

In addition, the Audit Committee should, when applicable, monitor and secure the quality and fairness of transactions with related parties.

CR Advisory Group

Further to the board committees, a CR Advisory Group was established in 2013 to support the Board on corporate responsibility topics. The Group consist of six members including Board Directors Simon Duffy and Michelle Guthrie.

Remuneration to Board members

The remuneration of the Board members is proposed by the Nomination Committee, comprising the Company's largest shareholders and approved by the Annual General Meeting. The Nomination Committee proposal is based on benchmarking of peer group company compensation and company size. Information on the remuneration of Board members is provided in Note 28 to the Accounts in this Report. Board members do not participate in the Group's incentive schemes.

Work of the Board during 2015

The Board reviewed the financial position of Modern Times Group MTG AB and the Group on a regular basis during the year. The Board also regularly dealt with matters involving acquisitions, the establishment of new operations, and matters related to investments in programming and non-current assets. The Board of Directors also reviewed the Group's strategies and future plans with a particular focus on the digital transformation and restructuring measures.

The Board of Directors had 11 meetings during 2015.

External auditors

The Company's auditors are elected by the Annual General Meeting for a period of four years. KPMG was elected as MTG's auditors in 2014 and has been external auditors since 1997. Joakim Thilstedt, authorised public accountant, is responsible for the audit of the Company on behalf of KPMG since December 2013. Audit assignments have involved the examination of the annual report and financial accounting, the administration by the Board and the CEO, other tasks related to the duties of a company auditor and consultation or other services which may result from observations noted during such examination or the implementation of such other tasks. All other tasks are defined as other assignments.

The auditors report their findings to the shareholders by means of the auditors' report, which is presented to the Annual General Meeting. In addition, the auditors' report detailed findings at each of the ordinary meetings of the Audit Committee and to the full Board once a year.

KPMG provided certain additional services for the years 2015 and 2014. These services comprised tax compliance work, advice on accounting issues, and advice on processes and internal controls and other assignments of a similar kind and closely related to the auditing process. For more detailed information concerning the auditors' fees, see Note 29 of the notes to the consolidated financial statements.

Pre-approval policies and procedures for non-audit related services

In order to ensure the auditor's independence, the Audit Committee has established pre-approval policies and procedures for non-audit related services to be performed by the external auditor. The policy was approved in December 2014 by the Audit Committee of MTG.

Executive Management

MTG's Executive Management comprises the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), and Executive Vice Presidents (EVP). Biographical information on each executive is provided on pages 27–29 of this report.

Chief Executive Officer

The CEO is responsible for the ongoing management of the Company in accordance with the guidelines and instructions established by the Board.

The CEO and the Executive Management team, supported by the various employee functions, are responsible for the adherence to the Group's overall strategy, financial and business control, financing, capital structure, risk manage-

ment and acquisitions. Among other tasks, this includes preparation of financial reports and communication with the stock market and other issues. The Company guidelines and policies issued include financial control, communication, brands, business ethics and personnel policies.

There is an operational board for each of the segments. The Chief Executive Officer chairs the operational board meetings, which are attended by the Executive Management of the relevant business segments and the Chief Financial Officer and other Executive Vice Presidents.

Executive remuneration

The current guiding principles for executive remuneration and the proposals for 2016 are described under the heading Executive Remuneration on pages 15–16.

The remuneration paid to the Group's Executive Management are set out in Note 28 to the accounts of this report, as well as information about the beneficial ownership of the Company shares set out in the biographical information on each executive.

Share based long-term incentive plans

The Group has three outstanding share based long-term incentive programmes, decided upon in 2013, 2014 and 2015. For information about these programmes, see Note 28 to the Accounts of this report and the MTG website at www.mtg.com.

Internal control report

The processes for internal control, risk assessment, control activities, information and communication, and monitoring regarding the financial reporting are designed to ensure reliable overall financial reporting and external financial statements in accordance with International Financial Reporting Standards, applicable laws and regulations and other requirements for listed companies on Nasdaq Stockholm. This process involves the Board, Executive Management and personnel.

Control environment

The Board has specified a set of instructions and working plans regarding the roles and responsibilities of the Chief Executive Officer and the Board committees. The Board also has a number of established basic guidelines, which are important for its work on internal control activities. This includes monitoring performance against plans and prior years. The Audit Committee assists the Board in overseeing various issues such as monitoring internal audit and establishing accounting policies applied by the Group.

The responsibility for maintaining an effective control environment and internal control over financial reporting is delegated to the Chief Executive Officer. Other Executive Managers at various levels have respective responsibilities. The Executive Management regularly reports to the Board according to established routines and in addition to the Audit Committee's reports. Defined responsibilities, instructions, guidelines, manuals and policies together with laws and regulations form the control environment. All employees are accountable for compliance with these guidelines.

Risk assessment and control activities

The Company has prepared a model for assessing risks in all segments in which a number of items are identified and analysed. These risks are reviewed regularly by the Board of Directors and by the Audit Committee, and include both the risk of losing assets as well as irregularities and fraud. The process involves all Group companies, segments and business units. Overall coordination is done centrally by the Group's Risk Management staff function. In addition to that a Risk Committee has been established comprising Group top management representatives. The purpose is to provide a group-wide overview and a basis for decision-making regarding risk management. Risk management is performed through an appropriate balance between preventive and risk-reducing measures. The most important segments are compliance with the broadcasting regulations, control and follow-up on penetration, share of viewing and listeners, broadcasting continuity and the development of advertising markets. The respective managers are in charge of risk management in the Group's companies, segments and business units. The responsibility encompasses the day-to-day work focused on operational and other relevant risks, and on leading risk management activities in their own areas of responsibility. The managers are supported by central Group functions.

Information and communication

Guidelines and manuals used in the Company's financial reporting are updated and communicated to the employees concerned on an ongoing basis. There are formal as well as informal information channels to the Executive Management and to the Board of Directors for information from the employees identified as significant. Guidelines for external communication ensure that the Company applies the highest standards for providing accurate information to the financial market.

Follow-up

The Board of Directors regularly evaluates the information provided by Executive Management and the Audit Committee. The Board receives regular updates of the Group's development between the meetings. The Group's financial position, its strategies and investments are discussed at every Board meeting. The Audit Committee reviews the quarterly reports prior to publication. The Audit Committee is also responsible for following up on internal control activities. This work includes ensuring that measures are taken to deal with any inaccuracy and to follow up suggestions for actions emerging from the internal and external audits.

The Company has an independent internal audit function responsible for the evaluation of risk management and internal control activities. This work includes scrutinising the application of established routines and guidelines. The internal audit function plans its work in cooperation with the Audit Committee and reports the result of its reviews to the Audit Committee. The external auditors report to the Audit Committee at each ordinary meeting of the Committee.