

Governance and responsibilities

Corporate governance

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. The Code is available on the Swedish Corporate Governance Boards website, who is responsible for the administration of the Code: www.corporat-governanceboard.se.

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 10 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 The MTG share on pages 24-25.

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 at 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 decision making of the Annual General Meeting are primarily based on the Swedish Companies Act and the Swedish Code of Corporate Governance, as well as on the

Articles of Association adopted by the Annual General Meeting.

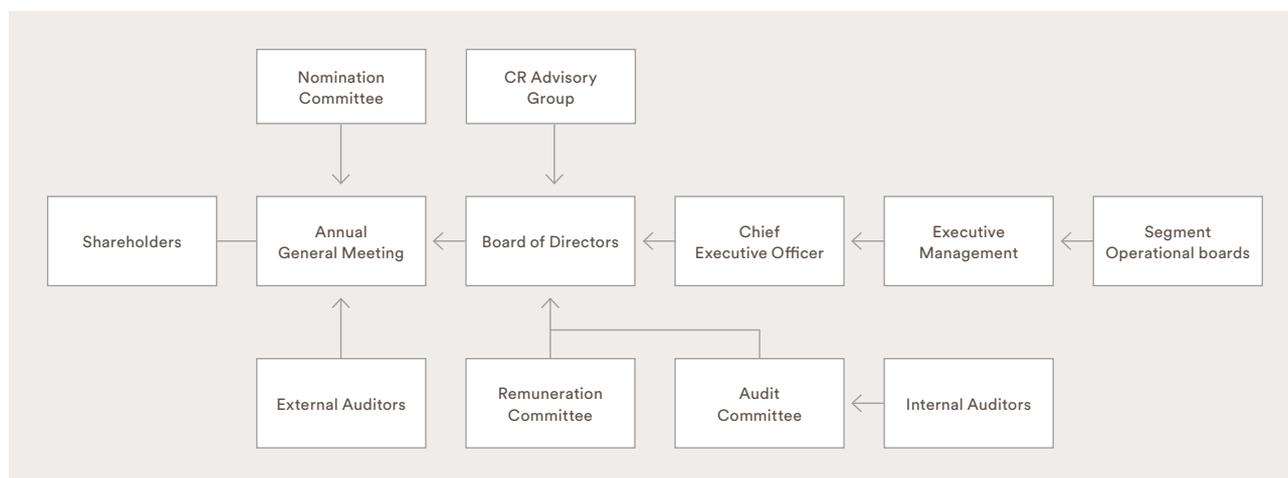
The Annual General Meeting of shareholders shall be held within six months after the end of the financial year. At the Annual General Meeting, resolutions shall be passed with respect to the adoption of the income statement and balance sheet, as well as the consolidated income statement and statement 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 the Chairman of the Board of Directors 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 at www.mtg.com.

Shareholders who wish to participate in the Annual General Meeting must be duly registered in the share register of MTG, held by 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,

Governance structure



are to be sent to Modern Times Group MTG AB in the manner which can be found in the notice convening the Annual General Meeting. The form to use for a power of attorney can be found at www.mtg.com well in advance of the Meeting.

The Annual General Meeting for the 2017 financial year will be held on 22 May 2018 in Stockholm.

The Nomination Committee

The Nomination Committee's tasks include:

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

In accordance with the resolution of the 2017 Annual General Meeting, the Chairman of the MTG Board of Directors has convened a Nomination Committee, consisting of major shareholders. The Nomination Committee comprises David Chance, Chairman of the MTG Board of Directors; Cristina Stenbeck, appointed by Investment AB Kinnevik; Erik Durhan, appointed by Nordea Funds; and Yvonne Sörberg, appointed by Handelsbanken Funds. Cristina Stenbeck 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, Board fees and Chairman of the Board to be presented to the 2018 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. Details on how and when to submit proposals to MTG can be found at www.mtg.com.

In its work, the Nomination Committee applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy. Accordingly, the Nomination Committee gives particular consideration to the importance of an increased diversity on the Board, including gender, age and nationality, as well as depth of experiences, professional backgrounds and business disciplines.

The Board of Directors as of 31 December 2017

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,

Donata Hopfen, John Lagerling and Natalie Tydeman. The Board of Directors' Chairman David Chance, Joakim Andersson, Simon Duffy, Donata Hopfen and John Lagerling were re-elected, while Bart Swanson did not seek re-election and Natalie Tydeman was elected for the first time at the 2017 Annual General Meeting. Biographical information on each Board member is provided on pages 34-35.

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 that 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 that include the Swedish Companies Act, the Articles of Association and the Swedish Corporate Governance 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 areas of responsibilities, 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 the provision of 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 divestments 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 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. 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

The Board complies with an annual performance review process to assess how well the Board, its committees and processes are functioning and how they might be improved.

Questions focus on whether the Board is adding value to the organisation and on 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.

In addition, every three years a more extensive Board evaluation is undertaken either by an independent Board member or an external consultant. This year, the Chairman of the Board led the evaluation together with an external consultant, which assisted in developing questionnaires, carrying out surveys and summarizing responses.

Board working procedures

Remuneration Committee

The Remuneration Committee comprises Joakim Andersson as Chairman, David Chance and John Lagerling. The Board of Directors commissions the work of the Remuneration Committee. The responsibilities of the Remuneration Committee include:

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

Audit Committee

The Audit Committee comprises Simon Duffy as Chairman, Joakim Andersson, Donata Hopfen and Natalie Tydeman. 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
- 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 in preparing 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.

Corporate Responsibility Advisory Group

Further to the Board committees, a Corporate Responsibility Advisory Group was established in 2013 to support the Board on corporate responsibility topics. The Directors Simon Duffy and Joakim Andersson are members of the Corporate Responsibility Advisory Group.

Remuneration of Board members

The remuneration to the Board members is proposed by the Nomination Committee, comprising representatives of 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 to Board members is provided in Note 25. Board members do not participate in the Group's incentive schemes.

Work of the Board during 2017

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 structural options, portfolio realignment and digital transformation. The Board of Directors met 11 times during 2017.

External auditors

KPMG was elected as MTG's auditor for the financial years 2014 to 2017, and has been the Group's external auditor since 1997. Joakim Thilstedt, Authorised Public Accountant, has been 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 that may result from observations noted during such examination or the implementation of such other tasks. All other tasks are defined as other assignments.

The auditor reports its findings to the shareholders by means of the auditors' report, which is presented to the Annual General Meeting. In addition, the auditor's report detailed findings at each of the ordinary meetings of the Audit Committee and to the full Board as necessary.

KPMG provided certain additional services in 2017. 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 26.

Pre-approval of 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 2017 and 2016 by the Audit Committee.

Executive Management

MTG's Executive Management comprises the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Strategy Officer and the Executive Vice Presidents. Biographical information on each executive is provided on pages 36–37.

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 management and acquisitions. Among other tasks, this includes preparation of financial reports and communication with the stock market. The Company guidelines and policies issued include financial control, communication practices, 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, the Chief Financial Officer and other Executive Vice Presidents.

Executive remuneration

The guiding principles approved by the 2017 Annual General Meeting can be found in Note 25. Senior executives covered by these guidelines include the Executive Management. The guiding principles have been followed during 2017.

The remuneration paid to the Group's Executive Management is set out in Note 25, together with information about the beneficial ownership of Company shares set out in the biographical information on each executive.

Proposal for 2018 executive remuneration guidelines

The Board proposes the following guidelines for determining remuneration for MTG's CEO and other senior executives (the "Senior Executives") as well as members of the Board if they are remunerated outside their directorship.

Remuneration guidelines

The objective of the guidelines is to ensure that MTG can attract, motivate and retain senior executives within the context of MTG's international peers, which primarily consist of Nordic and European media and telecom businesses and global online companies. The aim is to create a remuneration that is market competitive and well balanced, as well as reflective of individual performance and responsibility, both short-term and long-term, and of MTG's overall performance. The aim is also to align the incentives for the Senior Executives with the interests of the shareholders. The intention is that each of the Senior Executives shall have a significant long-term shareholding in MTG in relation to his or her fixed salary and that remuneration to the Senior Executives shall be based on the pay for performance principle.

Remuneration to the Senior Executives shall consist of fixed salary, short-term variable remuneration paid in cash ("STI"), and the possibility to participate in long-term, share- or share price related incentive programs ("LTI") as well as pension and other customary benefits.

Fixed salary

The fixed salary for the Senior Executives shall be competitive and based on their individual responsibilities and performance.

Variable remuneration

The STI shall be based on fulfilment of established targets for the MTG Group and in the area of responsibility for each of the Senior Executives, respectively. The result shall be linked to pre-determined, measurable targets (qualitative, quantitative, general, individual). The targets within each area of responsibility are defined to promote MTG's development in the short and long-term.

The maximum payment under the STI shall generally not exceed 100 percent of Senior Executives' individual fixed salary. In order to achieve the intention that the Senior Executives shall

have a significant long-term shareholding in MTG in relation to his or her fixed salary, payment of part of the STI is conditional upon it being invested in MTG shares and on these shares being held for an agreed period of time.

The LTI shall be linked to certain pre-determined financial and/or share or share-price related performance criteria, ensure a long-term commitment to the development of the MTG Group and align the Senior Executives' incentives with the interests of the shareholders.

Pension and other benefits

The Senior Executives shall be entitled to pension commitments that are customary, competitive and in line with market conditions in the country in which the Senior Executive is employed. Pension commitments will be secured through premiums paid to insurance companies.

MTG provides other benefits to the Senior Executives in accordance with local practice. Other benefits can include, for example, a company car and health care. Occasionally, housing allowance could be granted for a defined period.

Notice of termination and severance pay

The maximum notice period in any Senior Executives' contract is twelve months during which time salary payment will continue. MTG does not generally allow any additional contractual severance payments to be agreed.

Compensation to Board members

Board members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board.

The Board may deviate from the above guidelines on a case by case basis. For example, additional variable remuneration or cash payments may be paid in the case of exceptional performance or in special circumstances such as recruitment or retention. In such cases the Board will explain the reason for the deviation at the following Annual General Meeting.

Share-based long-term incentive plans

The Group has three outstanding share based long-term incentive programmes, decided upon in 2015, 2016 and 2017. For information about these programmes, see Note 25 and www.mtg.com.