

Governance and responsibilities

Corporate Governance

Corporate Governance in MTG is based on Swedish legislation, the Rulebook for Issuer's on Nasdaq Stockholm and the Swedish Code of Corporate Governance (the "Code"), see www.corporategovernanceboard.se. During 2018, MTG has been compliant with the Code and the Rule Book for Issuers on Nasdaq Stockholm and the generally accepted principles in the securities market.

Shareholders

For information about the ownership structure, share capital and the MTG share, please refer to the Section "The MTG share" on pages 20-21.

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 under News.

Annual General Meeting

The Swedish Companies Act (2005:551) (the "Swedish Companies Act") and the Articles of Association determine how the notice to the Annual General Meeting and extraordinary general meetings shall occur, and who has the right to participate in and vote at the meeting. There are no restrictions on the number

of votes each shareholder may cast at the general meeting. Class A shares entitle to ten votes, whereas Class B and Class C shares entitle to one vote. Distance participation and voting at the general meeting is not possible.

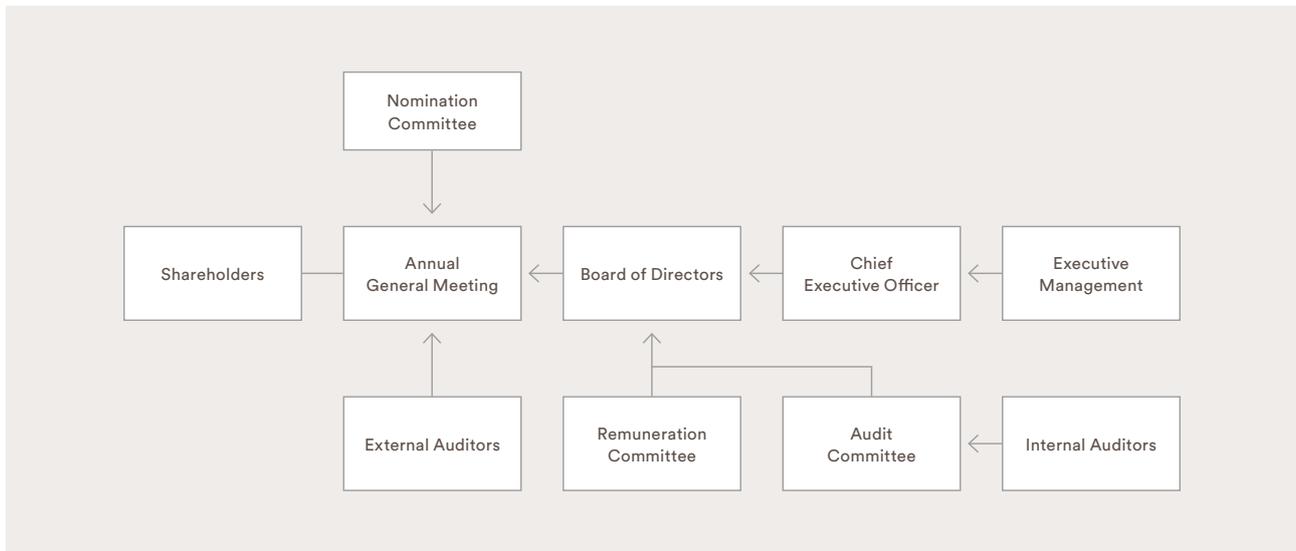
For information on authorizations approved by the Annual General Meeting for the Board to resolve on share buy-backs, please refer to the Section "The MTG share" on pages 20-21.

The Nomination Committee

The Nomination Committee consists of representatives of some of MTG's largest shareholders, and its responsibilities include:

- To evaluate the Board of Directors' work and composition
- To submit proposals to the Annual General Meeting regarding the election of the Board of 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 the Board of 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

Governance structure



In accordance with the resolution of the 2018 Annual General Meeting of MTG shareholders, the then largest shareholder in MTG, Kinnevik AB, convened a Nomination Committee to prepare proposals for the 2019 Annual General Meeting.

Due to the distribution by Kinnevik AB of its shareholding in MTG to its shareholders and the resignation by its representative from the Nomination Committee, the Nomination Committee currently comprises Joachim Spetz, appointed by Swedbank Robur Funds; John Hernander, appointed by Nordea Funds; and Jimmy Bengtsson, appointed by Skandia Liv. The three shareholders who have appointed representatives to the Nomination Committee hold approximately 23 percent of the total voting rights in MTG. The members of the Nomination Committee have appointed Joachim Spetz as Chairperson of the Nomination Committee at their first meeting and the Chairman of the Board has been invited to the Nomination Committee's meetings as deemed appropriate by the Nomination Committee.

Information about how shareholders can submit proposals to the Nomination Committee has been published on www.mtg.com, where the Nomination Committee's motivated statement regarding its proposal to the Annual General Meeting and a brief presentation of its work will also be published well in advance of the Annual General Meeting on 21 May 2019.

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. Further information may be found in the Nomination Committee's motivated statement regarding the proposal for the Board which was given in connection with the 2018 Annual General Meeting.

The Board of Directors

Board members are elected at the Annual General Meeting for a period ending at the close of the next Annual General Meeting. The Articles of Association contains no restrictions pertaining to the eligibility of Board members. According to the Articles of Association, the number of Board members can be no less than three and no more than nine members elected by shareholders.

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, Simon Duffy, Natalie Tydeman, Donata Hopfen, John Lagerling and Gerhard Florin. The Board of Directors' Chairman David Chance and Directors Simon Duffy, Natalie Tydeman, Donata Hopfen and John Lagerling were re-elected and Gerhard Florin was elected for the first time at the

2018 Annual General Meeting. The 2018 Annual General Meeting also re-elected Joakim Andersson as Director but due to Kinnevik's distribution of its shares in MTG he resigned from his position as Director in July 2018. In 2018, the Board of MTG complied with the Code's provision that the majority of members shall be independent in relation to the company and its management, and that at least two of them also shall be independent in relation to the company's major shareholders (i.e. those with a holding exceeding 10%). Biographical information on each Board member is provided on pages 30-31.

Responsibilities and Duties of the Board of Directors

MTG's Board of Directors is responsible for the overall strategy of the Group and for organizing its administration in accordance with the Swedish Companies Act. The Board's work and delegation procedures, instructions for the Chief Executive Officer, and reporting instructions are updated and approved at least annually following the Annual General Meeting.

As in previous years, a Remuneration Committee and an Audit Committee have been established within the Board. These committees are preparatory bodies of the Board and do not reduce the Board's overall responsibility for the governance of the Company and decisions taken.

The work of the Board

During the year, the Board of Directors held 14 Board meetings. Prior to each ordinary Board meeting, the members receive a written agenda, based on the Board's established rules of procedure, and a complete set of documents for information and decision-making. Recurring items include the company's financial results and position, the market situation, investments and adoption of the financial statements. Reports from the Audit and Remuneration Committees, as well as reports on internal control and financing activities are also regularly addressed. The Chief Executive Officer presents matters for discussion at the meetings, and the Company's CFO and other members of management also participate and present specific matters. The Group General Counsel is the Board's secretary.

The attendance of Board members at Board and committee meetings is presented in the table on page 31.

Important issues addressed during the year include strategic issues, with a particular focus on structural options (such as the split of MTG into two listed companies; the MTG Group and the Nordic Entertainment Group and the preparations for a proposal concerning the distribution of Nordic Entertainment Group), portfolio realignment and digital transformation.

Ensuring Quality in Financial Reporting

The reporting instructions approved annually by the Board include detailed 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. Last time such an extensive board evaluation was carried out was the year 2017.

Remuneration Committee

The Remuneration Committee comprises Natalie Tydeman as Chairman, David Chance, Gerhard Florin and John Lagerling. The Remuneration Committee's assignments are stipulated in Chapter 9.1 of the Code, and comprise issues concerning salaries, pension terms and conditions, incentive programs and other conditions of employment for the senior executives. The guidelines applied in 2018 are presented in Note 26 for the Group. Minutes are kept at the Remuneration Committee's meetings and are reported to the Board at its next meeting.

Audit Committee

The Audit Committee comprises Simon Duffy as Chairman, Donata Hopfen and Natalie Tydeman. The Audit Committee's assignments are stipulated in Chapter 8, Section 49b of the Swedish Companies Act. These tasks include monitoring MTG's financial reporting and the efficiency of MTG's internal controls and internal audits, as well as maintaining frequent contacts with the external and internal auditors. The Audit Committee's work primarily focuses on the quality and accuracy of the Group's financial accounting and the accompanying reporting, as well as the internal financial controls within MTG. Furthermore, the Audit Committee evaluates the auditors' work, qualifications and independence. The Audit Committee monitors the development of relevant accounting policies and requirements, discusses other significant issues connected with MTG's financial reporting and reports its observations to the Board. Minutes are kept at the Audit Committee's meetings and are reported to the Board at its next meeting.

During 2018, the Company's Corporate Responsibility Advisory Group (which was established in 2013 to support the Board on corporate responsibility topics) was dissolved as it was deemed more appropriate and effective for matters that would have been considered by the Corporate Responsibility Advisory Group to be considered by the full Board and within the Audit Committee's work.

Remuneration of Board Members

The remuneration to the Board members for Board work, and work in the committees of the Board, is proposed by the Nomination Committee 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 26, please note that members of both MTG's and Nordic Entertainment Group's Boards have received remuneration for both assignments. Board members do not participate in the Group's incentive plans.

External Auditors

KPMG was elected as MTG's auditor for the financial year 2018 for a term-of-office ending at the end of the 2019 Annual General Meeting. KPMG 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 auditors' 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 2018. These services comprised work in relation to the split of MTG and Nordic Entertainment Group, 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 27.

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 November 2018 by the Audit Committee.

Executive Management

At year-end of 2018, the members of the Executive Management in MTG included Chief Executive Officer Jørgen Madsen Lindemann, Chief Financial Officer Maria Redin and seven other people. In February 2019, Jette Nygaard-Andersen left MTG. Biographical information, including shareholding as of 31 December 2018, on each member of the Executive Management is provided on pages 32-33. With effect from and including the date of the distribution of Nordic Entertainment Group AB, i.e. 28 March 2019, the Executive Management of MTG was increased by two people; Arnd Benninghoff, EVP Games & Esports, and Johan Levinsson, Group General Counsel.

Chief Executive Officer

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

In consultation with the Chairman of the Board, the CEO prepares the information and documentation required as a basis for the work of the Board and in order to enable Board members to make well-informed decisions. The CEO is supported by the Executive Management team.

The Board evaluates the performance of the CEO on a regular basis. The Board also held one meeting to evaluate the CEO's performance, without the attendance of the CEO or any other member of management. The CEO and the Executive Management, 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.

Executive remuneration

The existing guidelines for remuneration to senior executives approved at the 2018 Annual General Meeting, as well as information regarding the application of, and the deviations from, the existing guidelines and remuneration for the senior executives paid out during 2018, can be found in Note 26 for the Group. Senior executives covered by these guidelines include the Executive Management.

The Remuneration Committee's evaluation has resulted in the conclusion that there has been compliance with the guidelines for remuneration to the senior executives resolved by the 2017 and 2018 Annual General Meetings during 2018. However, the Board has used its possibility to make an exemption to the guidelines. Due to the split of MTG the condition that part of the STI was to be reinvested in MTG shares was waived in relation to senior executives that after the split are working in the management team of Nordic Entertainment Group. These former MTG senior executives will instead be required to reinvest part of the STI in Nordic Entertainment Group shares following the split. This conclusion has been confirmed by the auditor.

Proposal for 2019 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

MTG's Remuneration Guidelines is designed to drive and reward company and individual performance, be market competitive to attract and retain key talent, and to incentivise creation of long-term shareholder value.

Total remuneration may consist of fixed salary, variable components in the form of short-term and long-term incentive plans, pension and other benefits/allowances.

Fixed salary

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

Variable remuneration (STI)

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 Executive's individual fixed salary.

Variable remuneration (LTI)

The LTI shall be linked to pre-determined performance criteria, and may be both share and share price related as well as cash based.

Pension and other benefits

All benefits/allowances including pensions follow the competitive market practice in the applicable country of the Senior Executive's employment or residence.

Notice of termination and severance pay

Notice period can be up to 12 months depending on the local country's market practice, but in any event compensation paid during the notice period plus any additional severance payment will not together exceed an amount equivalent to the individual's 24 months fixed salary.

Deviation from the guidelines

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.