

# 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](http://www.corporategovernanceboard.se). During 2019, 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 32-33.

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](http://www.mtg.com) under News.

## Annual General Meeting

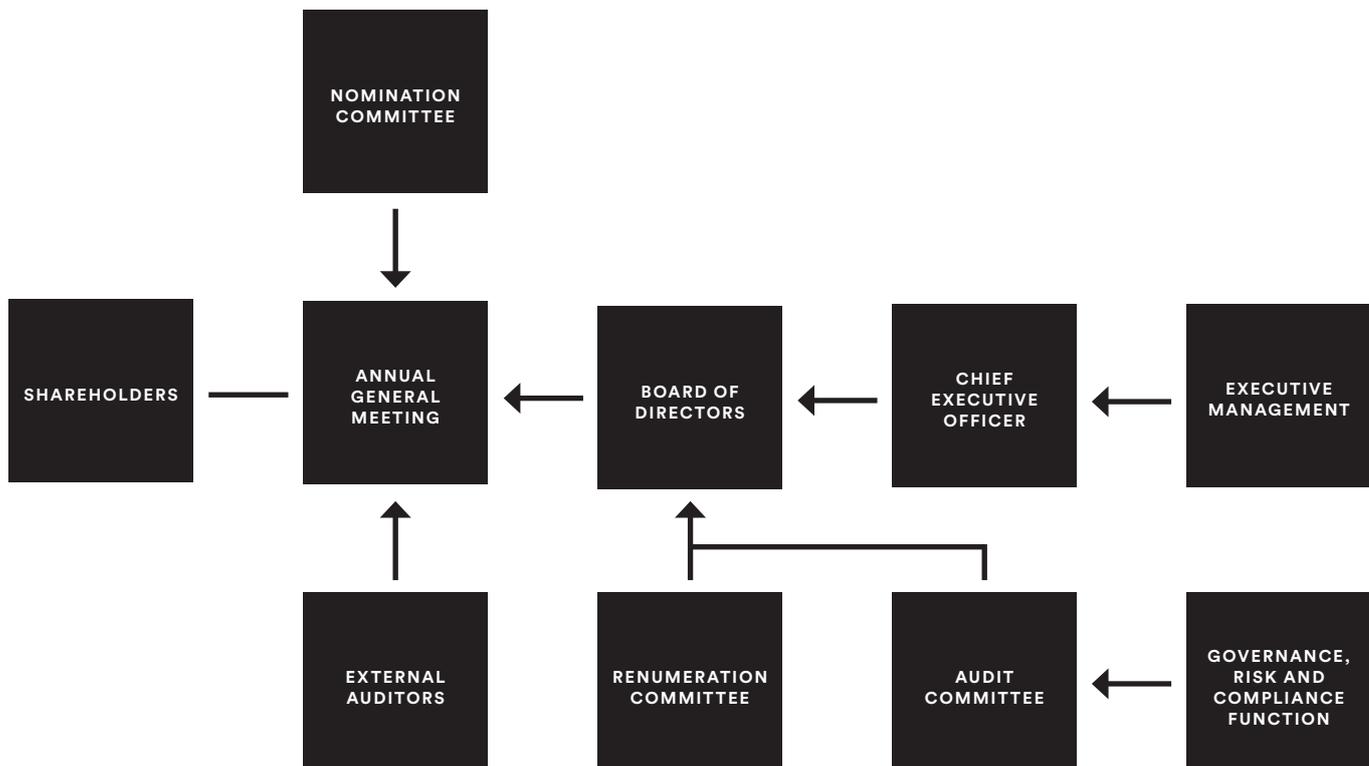
The Swedish Companies Act (2005:551) (the "Swedish Companies Act") and the Articles of Association determine how the notice to the Annual General Meeting and extraordinary general meetings

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.

## The Nomination Committee

The Nomination Committee consists of members appointed by 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 procedure of appointing the Nomination Committee for next Annual General Meeting



In accordance with the resolution of the 2019 Annual General Meeting of MTG shareholders, a Nomination Committee was convened to prepare proposals for the 2020 Annual General Meeting. The Nomination Committee comprises Joachim Spetz, appointed by Swedbank Robur Funds; Erik Durhan, appointed by Nordea Funds; David Marcus, appointed by Evermore Global Advisors, LLC; and David Chance, the Chairman of the Board. The three shareholders who have appointed representatives to the Nomination Committee hold approximately 17% percent of the total voting rights in MTG. The members of the Nomination Committee appointed Joachim Spetz as Chairperson of the Nomination Committee at their first meeting. Information about how shareholders can submit proposals to the Nomination Committee has been published on [www.mtg.com](http://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 2020. 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 2019 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 five Non-Executive Directors. The members of the Board of Directors are David Chance, Simon Duffy, Gerhard Florin, Donata Hopfen and Natalie Tydeman, and all of the current Board members were re-elected at the 2019 Annual General Meeting. In 2019, 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 42-43.

#### **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 12 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 posi-

tion, 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 43. 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 and the strategic review of the gaming vertical).

#### **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 reports submitted by the Group's governance, risk and compliance (GRC) 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 and Gerhard Florin. 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 2019 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, as well as maintaining frequent contacts with the external auditor and the Group's governance, risk and compliance Director. 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.

## 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. Board members do not participate in the Group's incentive plans.

## External Auditors

KPMG was elected as MTG's auditor for the financial year 2019 for a term-of-office ending at the end of the 2020 Annual General Meeting. KPMG has been the Group's external auditor since 1997. Joakim Thilstedt, Authorized 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 2019. 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 2019 by the Audit Committee.

## Executive Management

At year-end of 2019, the members of the Executive Management in MTG included Chief Executive Officer Jørgen Madsen Lindemann, Chief Financial Officer Maria Redin, Head of Communications & Investor Relations Lars Torstensson, Head of Product Development and Incubation Peter Nørrelund, Head of Esport and Gaming Arnd

Benninghoff and Group General Counsel Johan Levinsson. In February 2019, Jette Nygaard-Andersen left MTG. Biographical information, including shareholding as of 31 December 2019, on each member of the Executive Management is provided on pages 44-45.

## 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 2019 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 2019, 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 2018 and 2019 Annual General Meetings during 2019. This conclusion has been confirmed by the auditor.

## Proposal for 2020 executive remuneration guidelines

The Board proposes the following guidelines for determining remuneration for MTG's CEO and other senior executives in the MTG Group (the "Senior Executives"), as well as members of the Board if they are remunerated outside their directorship. The Group Management currently comprises six Senior Executives (the CEO and 5 other Senior Executives).

## Remuneration guidelines

Subject to the adoption by the 2020 Annual General Meeting, these Remuneration Guidelines shall be applied to employment agreements entered into after the 2020 AGM and to changes made to existing agreements thereafter. The guidelines shall be in force until new guidelines are adopted by the General Meeting, the intention is for the guidelines to remain in place for up to four years. These guidelines do not apply to any remuneration decided or approved by the General Meeting such as long-term share or share price related incentive plans and ordinary Board remuneration.

The Board has established a Remuneration Committee. In order to avoid any conflict of interest, the Remuneration Committee consist only of members that are independent of the company and its management. The remuneration is managed through well-defined pro-

cesses ensuring that no individual is involved in the decision-making process related to their own remuneration. The Remuneration Committee's tasks include preparing the Board's decision to propose guidelines for executive remuneration. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration to the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company.

Information regarding the existing remuneration arrangements for the Senior Executives can be found in Note 26 of the 2019 Annual Report, this includes fixed and variable compensation, long-term incentive plans and other benefits.

MTG is a strategic operational and investment company that combines investment expertise with hands-on operational engagement. MTG's Vision is to become the home of esports and gaming entertainment. MTG's Mission is to grow the gaming ecosystem and benefit its communities through relevant storytelling with craftsmanship, innovation and sustainability at its centre. MTG's Strategy is to drive profitability and organic growth in portfolio companies and invest in high-potential esports and gaming businesses.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. The remuneration structures shall encourage employees to do their utmost to safeguard shareholders' interests and thereby the company's sustainability and long-term value creation.

More information on MTG's strategy can be found on the MTG's website and in the most recent annual report, [www.mtg.com](http://www.mtg.com).

#### Remuneration principles

The Remuneration Guidelines provides a structure that aligns remuneration with the successful delivery of our long-term strategy: to drive profitability and organic growth in our portfolio companies and invest in high-potential esports and gaming business. The guidelines sets guiding principles for selection of LTIP performance measures and LTIP performance period to ensure the link to the shareholder value and as such the guidelines contributes to the long-term success and value creation of the company. The guidelines provides for the ability to set relevant financial and non-financial STI measures including governance, social and environmental further contributing to alignment between the guidelines and sustainability as well as the company values, which are Bold, Smart, Engaging and Fun. The performance measures for the STI are determined by the Remuneration Committee based on the business priorities for the year. Each year stretch objectives are set in the light of the Company's annual business plan and the operating environment. The guidelines provides incentives for the CEO and the Senior Executives to drive innovative and performance based culture which contributes to achieving our company mission.

The remuneration of the CEO and the Senior Executives consist of base salary, short-term and long-term incentives, pension and other benefits.

#### Base salary

Attracts and retains the CEO and the Senior Executives taking into account of their individual responsibilities, their personal contribution, the size of role and business complexity. The base salary for the CEO and the Senior Executives shall be competitive. The base salary is reviewed annually, typically with effect from 1 January. The Remuneration Committee looks at pay practices in selected comparison groups, the benchmarks are conducted through independent advisors. Decisions on salary also take into account the performance and experience of the individual, changes in the size and scope of the role, and the level of salary awards across the business.

#### Short term incentive (STI)

Drives and rewards achievement of our stretching annual financial, strategic, operational and sustainability targets aligned with our business strategy. The STI is capped at 125% of the individual's base salary. Performance measures and weightings are reviewed at the start of each year to take account of current business plans and to ensure they continue to support the short-term business strategy. These measures can vary from year to year to reflect business priorities and typically the measures includes a balance of the Company's financial performance measures (for example profitability, revenue and cash flow measures) and non-financial measures (for example key operational, strategic, environmental, social, governance or other sustainability related measures) provided that in any given year majority of weighting will be on financial performance measures. Through the combination of the financial measures with the non-financial measures the STI will contribute to the long-term interests and sustainability of the company. Details of actual performance measures applied for each year and how they support the business strategy will be disclosed in the annual Remuneration Report. Performance against targets is monitored and determined based on assessment of performance level versus each target level. The Board reviews the performance and determines the extent to which each of the targets have been achieved, to determine the final pay-out level. As regards to the financial criteria, the evaluation shall be based on the latest financial information made public by MTG. The Board has discretion to adjust the formulaic STI outcome in changed circumstances to improve the alignment of pay with value creation for shareholders, and to ensure the outcome is a fair reflection of the company's performance, and will take into account any relevant environmental, social, and governance (ESG) matters when determining outcomes. To further strengthen the connection to the shareholders' interest and the company's long-term value creation, payment of part of the STI may be deferred and delivered in MTG shares and such shares to be retained for an agreed period of time. Awards are subject to claw-back in cases where the final payment is made based on performance that is proven to be manifestly misstated. The Board may decide to reclaim whole or a part of the final payment. In its decision to reclaim any amount the Board may, in its sole discretion, reduce the amount to be reclaimed based on the employee's lack of direct involvement in the performance and reporting of performance which has been manifestly misstated.

#### Extraordinary arrangements

By way of exception, additional one-off arrangements can be made on a case by case basis when deemed necessary, under the condition that such extraordinary arrangement is made for recruitment or retention purposes, subject to Board approval. Each such arrangement shall be capped at, and never exceed, 200% of the individual's annual base salary.

### **Long Term Incentive Programme (LTIP)**

The Board may offer LTIPs in order to attract and retain key individuals, as well as to share the success of the company's growth. The LTIPs that can be offered are 3-4 year plans which are share or share price related programmes (such as performance share plans and/or warrant plans), which will be put forward to the General Meeting to resolve on – irrespective of these guidelines. Share and share price related LTIPs shall be structured to ensure a long-term commitment to the development of MTG and with the intention that the Senior Executives shall have a significant long-term shareholding in MTG. The outcome shall be linked to certain pre-determined performance criteria, based on MTG's share price and value growth. The Board have also – irrespective of these guidelines – in 2018 agreed to offer one employee, today a Senior Executive, participation in the local Management Incentive Programs, i.e. a cash based LTIP linked to pre-determined levels for the value creation of a specific vertical or subsidiary within MTG. The maximum outcome has a predetermined cap.

More information regarding the ongoing LTIPs, including the criteria which the outcome depend on, can be found on MTG's website and in the most recent annual report, [www.mtg.com](http://www.mtg.com).

### **Pension**

Provides competitive and appropriate retirement arrangement in context of the market practice in the applicable country of the executives employment or residence and total remuneration. The pension arrangements shall be provided in the form of a defined contribution or as a cash allowance and shall amount to no more than 20% of the individual's annual base salary.

### **Other benefits**

Provides competitive level of benefits and supports recruitment and retention. Other benefits may include car allowance, company car and housing. The combined value of these benefits shall normally constitute a limited value in relation to the total remuneration package and shall correspond to market practice.

Additional benefits may be received by Senior Executives in certain circumstances such as relocation or international assignment, taking into account the overall purpose of these guidelines.

### **Termination of employment and severance pay**

In general, executive contracts have indefinite duration. The notice period can be up to one year for either party and non-compete restrictions can go up to one year. The Company may require the individual to continue to fulfil current duties during the notice period or may assign garden leave.

In case of termination of a Senior Executive's employment agreement, the STI is evaluated and paid pro-rata for the period up to the termination date where applicable. It should be noted that these cases are handled according to the discretionary right of the Board.

### **Salary and employment conditions for employees**

In the preparation of the Board's proposal for these guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employee's total income, the components of the remuneration and increase and growth rate over time, in the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

### **Deviations from the guidelines**

The Board may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. The Remuneration Committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.