

CORPORATE GOVERNANCE

Fairfax has adopted a corporate governance framework that is consistent with the 3rd edition of the ASX Corporate Governance Council Principles and Recommendations (ASX Recommendations).

The key corporate governance practices of the Fairfax Group are set out below including summaries of the Policy on Market Disclosure and Shareholder Communications, Risk Management Policy and Securities Trading Policy. The Fairfax Constitution, Board Charter, Board Committee Charters, Code of Conduct and Diversity Guidelines are available at <http://www.fairfaxmedia.com.au/Company/corporate-governance>.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

Membership of the Board and its Committees during the 2015 financial year is set out below.

DIRECTOR	MEMBERSHIP TYPE	COMMITTEE MEMBERSHIP		
		AUDIT AND RISK	NOMINATIONS	PEOPLE AND CULTURE
R Corbett AO	Independent Chair	Member	Chair	Member
G Hywood	CEO/Managing Director	–	–	–
M Anderson	Independent	–	–	Member
J Cowin	Independent	–	–	Member
*N Falloon	Independent	–	–	–
S McPhee AM	Independent	–	–	Chair
J Millar AM	Independent	Member	Member	–
L Nicholls AO	Independent	Chair	Member	–
T Sampson	Independent	–	–	–
P Young AM	Independent	Member	Member	–

*Appointed 1 May 2015

The qualifications, experience, term of office and other details of each member of the Board are set out on pages 24 to 26.

The number of Board and Committee meetings held during the 2015 financial year and each Director's attendance at these meetings are set out in the Directors' Meetings section of the Directors' Report on page 29.

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BOARD SKILLS

The following table summarises the skills, attributes and experience of the Company's Directors.

The Board benefits from the combination of the diverse skills, experiences and expertise that its Directors bring to the Board and the insights that results from this diversity.

Media Expertise	Expertise and experience in the media industry.
Advertising and subscriber management	Expertise and experience in advertising, advertising sales and subscriber and customer management.
Strategy	Expertise in the development and implementation of strategic plans to deliver investor returns over time.
Executive leadership	Experience and success in leadership of large organisations.
Marketing and product development	Expertise and experience in the development and marketing of major new products and services.
Financial acumen	Proficiency in understanding financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.
Remuneration	Experience in remuneration design to drive business success.
Capital projects, acquisitions and divestitures	Experience in evaluating and implementing projects involving large-scale financial commitments, investment horizons and major transactions
Governance	Knowledge and experience of standards of corporate governance, including ASX Listing Rules and practices.
Technology and data	Expertise and experience in the adoption of new technology and technology projects and in the use of data and data analytics to drive successful sales, marketing and business development.
Health, safety and corporate responsibility	Expertise related to workplace health and safety, environmental, community and social responsibility.
Public policy	Experience in public and regulatory policy, including how it affects corporations.

INDEPENDENCE OF DIRECTORS

Under the Board Charter, the majority of the Board and the Chair must be independent. A Director must notify the Company about any conflict of interest, potential material relationship with the Company or circumstance relevant to his/her independence.

Directors have determined that all Directors except the Chief Executive Officer (CEO) are independent. In assessing whether a Director is independent, the Board has considered Directors' obligations to shareholders, the requirements of applicable laws and regulations, criteria set out in the Board Charter and the ASX Recommendations. The Board has not set specific materiality thresholds, considering it more effective to assess any relationship on its merits on a case-by-case basis and determine whether it might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Fairfax and its shareholders generally. Where appropriate, external advice will be sought to assist the Board's assessment.

The ASX Recommendations, in summary, state that the Board should consider whether the Director:

- is, or has been, employed in an executive capacity by Fairfax or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to Fairfax or any of its child entities;
- is, or has been within the last three years, in a material business relationship with Fairfax or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;

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- is a substantial shareholder of Fairfax or an officer of, or otherwise associated with, a substantial shareholder;
- has a material contractual relationship with Fairfax or its child entities other than as a Director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of Fairfax for such a period that his or her independence may have been compromised.

ROLE OF THE BOARD

The Board of Directors is responsible for the long-term growth and profitability of the Group.

The Board has adopted a Board Charter which sets out the responsibilities of the Board and its structure and governance requirements. Under the Board Charter, the responsibilities of the Board include:

- (a) setting the strategic direction of the Fairfax Group;
- (b) approving performance targets for the Fairfax Group and monitoring the achievement of these targets;
- (c) providing overall policy guidance and ensuring that policies and procedures for corporate governance and risk management are in place to ensure shareholder funds are prudently managed and that the Group complies with its regulatory obligations and ethical standards;
- (d) determining the terms of employment and reviewing the performance of the CEO;
- (e) setting and monitoring the Group's programs for succession planning and key executive development with the aim to ensure these programs are effective;
- (f) approving acquisitions and disposals of assets, businesses and expenditure above set monetary limits; and
- (g) approving the issue of securities and entry into material finance arrangements, including loans and debt issues.

The Board Charter also sets out the matters specifically reserved for the Board which include:

- (a) appointment and tenure of the CEO and his director reports;
- (b) determination of the CEO's terms and conditions (including remuneration);
- (c) determination of matters relating to expenditure, capital management and loan raisings above a monetary limit;
- (d) approval of the Fairfax Group's strategic plans at least annually;
- (e) approval of the issue of securities; and
- (f) approval of public statements which reflect significant issues of Fairfax policy, finance or strategy.

DELEGATION TO SENIOR MANAGEMENT

Subject to the Board's reserved powers and to the authorities delegated to the Board Committees, the Board has delegated to the CEO responsibility for the management and operation of the Fairfax Group. The CEO is responsible for the day-to-day operations, financial performance and administration of the Fairfax Group within the powers authorised to him from time-to-time by the Board. The CEO may make further delegation within the delegations specified by the Board and is accountable to the Board for the exercise of these delegated powers.

DIRECTOR APPOINTMENT, ROTATION AND SUCCESSION PLANNING

The Company's Constitution authorises the Board to appoint Directors to fill casual vacancies and to elect the Chair. Any Director appointed by the Board must stand for election at the next Annual General Meeting of shareholders.

One third of Directors (excluding the CEO and any Director appointed to fill a casual vacancy, and rounded down to the nearest whole number) must retire at every Annual General Meeting. In addition, no Director (other than the CEO) may remain in office for more than three years or beyond the third Annual General Meeting following appointment without retiring and being re-elected.

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The Company provides shareholders with material information that is relevant to a shareholder's decision regarding whether to elect or re-elect a Director.

The Nominations Committee assists the Board to identify potential candidates for appointment to the Board, as required. The Committee uses the following principles to recommend candidates and provide advice and other recommendations to the Board:

- a majority of the Directors and the Chair should be independent; and
- the Board should represent a broad range of expertise consistent with the Company's strategic focus.

As part of the process for identifying potential Director candidates, the Committee undertakes background checks. Where appropriate, the Committee seeks external advice on suitable candidates.

All new Directors receive an appointment letter setting out the terms of their appointment including details of their role and Committee memberships (if any) and their expected time commitment.

DIRECTOR INDUCTION AND CONTINUING EDUCATION

The Company provides an induction program for all new Directors. As part of this program, a comprehensive induction pack is provided containing materials to enable the Directors to understand their rights, duties and responsibilities as a Director of the Company. Meetings between key members of senior management and the Directors are scheduled so that the Directors can gain an understanding of the Company's businesses, key issues, strategy and operations.

Given the Company's recent and ongoing transformation within the industries in which it operates, and the increasing diversification of its businesses, the Board's development activities aim to reflect this through the provision of regular updates on each of the Group's activities and industry trends presented by senior management and, where appropriate external experts.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

Any Director may seek independent professional advice at the Company's expense. Prior approval by the Chair is required, but approval must not be unreasonably withheld.

BOARD COMMITTEES

NOMINATIONS COMMITTEE

The Board has a Nominations Committee, which operates under a formal Nominations Committee Charter. Under the Charter, the purpose of the Committee is to identify individuals qualified to become Board members and recommend them for nomination to the Board and its Committees, to ensure Board members' performance is reviewed regularly, and to recommend changes from time to time to ensure the Board has an appropriate mix of skills and experience.

Duties of the Nominations Committee include:

- making recommendations to the Board on the size and composition of the Board;
- identifying and recommending individuals qualified to be Board members, taking into account such factors as it deems appropriate;
- identifying Board members qualified to fill vacancies on the Committees;
- recommending the appropriate process for the evaluation of the performance of each director and the Board; and
- other duties delegated to it from time to time relating to nomination of Board or Committee members or corporate governance.

The Committee is comprised solely of Non-Executive Independent Directors.

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AUDIT AND RISK COMMITTEE

The Audit and Risk Committee operates in accordance with a Charter which sets out its role and functions. In summary, the Committee's role is to advise and assist the Board on the establishment and maintenance of a framework of risk management, internal controls and ethical standards for the management of the Fairfax Group, to monitor the quality and reliability of financial information for the Group, and to manage certain sustainability and corporate responsibility matters.

To carry out this role, the responsibilities of the Committee include:

- recommending to the Board the appointment of the external auditor, reviewing its performance, independence and effectiveness, approving the auditor's fee arrangements and enforcing the Company's Charter of Audit Independence;
- ensuring that appropriate systems of control are in place to effectively safeguard assets;
- ensuring accounting records are maintained in accordance with statutory and accounting requirements;
- formulating and overseeing an effective business risk plan;
- ensuring there is an appropriate framework for compliance with all legal and Australian Securities Exchange requirements;
- reviewing the external audit process with the external auditor, including in the absence of management;
- reviewing and approving the internal audit plan; and
- receiving internal audit summaries of significant reports prepared by internal audit.

Under its Charter, all members of the Committee must be Non-Executive Directors. Executives may attend by invitation. The Chair of the Committee is required to be independent and have relevant financial expertise and may not be the Chair of the Board.

PEOPLE AND CULTURE COMMITTEE

The Board has a People and Culture Committee, which operates under a formal People and Culture Committee Charter. The primary responsibilities of the Committee are:

- overseeing the development and implementation of the HR strategy with reference to appropriate resources, policies and procedures to support the achievement of the Company's strategy;
- promoting a safe work culture;
- driving high performance management by providing effective remuneration policies and plans;
- overseeing effective succession management programs develop talented, motivated and engaged people available to achieve the Company strategy; and
- reporting to shareholders in line with required legislation and governance standards.

COMPANY SECRETARY

The Company Secretary is accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board.

PERFORMANCE EVALUATION

BOARD, COMMITTEES AND DIRECTORS

The Board conducts an internal review of its structure, composition and performance annually. The Board may seek external advice to assist in the review process. Performance evaluations of all individual Directors, the Board and each Committee, as well as governance processes that support the Board's work, are reviewed on a regular basis. In accordance with this process, a performance evaluation for the Board and each Committee was conducted during the 2015 financial year.

SENIOR EXECUTIVES

Fairfax's senior executives are employed under individual employment contracts that set out the terms of their employment.

A process for senior management evaluations is undertaken each year. The executive's performance is measured against his or her KPIs set at the beginning of the year. The CEO undertakes performance evaluations with each of his direct reports. In accordance with this process, a performance evaluation for senior executives was conducted during the 2015 financial year.

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REMUNERATION

Information about the Company's remuneration policies and practices for Non-Executive Directors, the CEO and other senior executives, and their remuneration during the 2015 financial year, are set out in the Remuneration Report on pages 44 to 49.

RISK MANAGEMENT AND INTEGRITY OF FINANCIAL REPORTING

RISK MANAGEMENT FRAMEWORK

The Board oversees the risk management and internal compliance and control system of the Group.

The risk management process seeks to provide a consistent approach to identifying, assessing, and reporting risks, including those related to Company performance, reputation, safety, environment, internal control, compliance and other risk areas.

The Company's risk framework is overseen and monitored by both the Board and the Audit and Risk Committee.

Key aspects of the Company's risk management and internal compliance and control system are summarised as follows:

- the Board, with the support of the Audit and Risk Committee, assesses the risk management framework to satisfy itself that it continues to be sound;
- risks are assessed at least annually and revised periodically for each division through the business planning, budgeting, forecasting, reporting, internal audit and performance management processes;
- the Board, through the Audit and Risk Committee, receives regular reports from management (and independent advisers where appropriate) on key risk areas such as treasury, health safety and environment, regulatory compliance, taxation, finance and internal audit and the effectiveness of the risk management system;
- formal risk assessments are required as part of business case approvals for projects or initiatives of a significant nature. Project teams are responsible for managing the risks identified; and
- under the direction of the Audit and Risk Committee, Internal Audit conducts a program of internal process control reviews over key areas, based on their importance to the Company, and provides assurance over the internal control assessments undertaken by management.

As part of the risk framework, specific policies and approval processes have been developed to cover key risk areas such as material investments and contracts, treasury, capital expenditure approval, occupational health and safety and environmental processes.

During the 2015 financial year, the Board assessed the risk management framework and is satisfied that it continues to be sound.

INTERNAL AUDIT

The Company's Internal Audit function comprises the Manager, Corporate Risk and Assurance and a team of professionals who work through a schedule of prioritised risk areas across all the major business units to provide an independent risk assessment and evaluation of operating and financial controls. The Internal Audit and Risk function is independent from the external auditor and the Manager, Corporate Risk and Assurance meets with the Audit and Risk Committee in the absence of management as required. Internal Audit and Risk reports its results to the Audit and Risk Committee and the Manager, Corporate Risk and Assurance attends the meetings.

MATERIAL RISKS

The Company assesses material exposure to economic, environmental and social sustainability risks on an annual basis and determines how they are to be managed.

Like all media companies globally the Company is subject to the ongoing structural shift away from print advertising and to fragmentation of the advertising market.

Fairfax has taken strategic action to transform its business in the face of these challenges. This is discussed in detail in the Chairman and CEO & MD reports. The Company addresses the issues of financial, social and environmental sustainability in its Sustainability Report beginning on page 14.

Declarations from the Chief Executive Officer and Chief Financial Officer

The Board receives written declarations from the CEO and the Chief Financial Officer (CFO) in relation to the half-year and full-year that in their opinion:

- (a) the financial statements and associated notes comply in all material respects with the accounting standards as required by the Corporations Act 2001 (Cth) (Corporations Act);

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(b) the financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at the end of the financial year and performance of the Company and Consolidated Entity for the period then ended as required by the Corporations Act; and

(c) the financial records of the Company have been properly maintained in accordance with the Corporations Act,

and that the statements made above are founded on a sound system of financial risk management and internal compliance and control, which is operating effectively.

These statements to the Board are underpinned by the requirement for appropriate senior executives to provide a signed letter of representation addressed to the CEO and CFO verifying material issues relating to the executive's areas of responsibility and disclosing factors that may have a material effect on the financial results or operations of the Group.

CHARTER OF AUDIT INDEPENDENCE

The Board has also adopted a Charter of Audit Independence. The purpose of this Charter is to provide a framework for the Board and management to ensure that the external auditor is both independent and seen to be independent. The purpose of an independent statutory audit is to provide shareholders with reliable and clear financial reports on which to base investment decisions. The Charter sets out key commitments by the Board and procedures to be followed by the Audit and Risk Committee and management aimed to set a proper framework of audit independence.

CODE OF CONDUCT

All Directors, managers and employees are required to act honestly and with integrity.

The Company has developed and communicated to all employees and Directors the Fairfax Code of Conduct. The Code assists in upholding ethical standards and conducting business in accordance with applicable laws. The Code also sets out the responsibility of individuals for reporting Code breaches.

The Fairfax Code of Conduct aims to:

- provide clear guidance on the Company's values and expectations while acting as a representative of Fairfax;
- promote minimum ethical behavioural standards and expectations across the Group, all business units and locations;
- offer guidance for shareholders, customers, readers, suppliers and the wider community on our values, standards and expectations, and what it means to work for Fairfax; and
- raise employee awareness of acceptable and unacceptable behaviour and provide a means to assist in avoiding any real or perceived misconduct.

Supporting the Code of Conduct is the Company's range of guidelines and policies. These policies are posted on the Company intranet, are communicated to employees at the time of employment and are reinforced by training programs.

The Code of Conduct is to be read in conjunction with the codes of ethics for each masthead and the other Fairfax policies as amended from time to time.

MARKET DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

The Company has a Policy on Market Disclosure and Shareholder Communications which sets out requirements aimed to ensure full and timely disclosure to the market of material issues relating to the Group to ensure that all stakeholders have an equal opportunity to access information.

The Policy reflects the ASX Listing Rules and Corporations Act continuous disclosure requirements.

The Policy requires that the Company notify the market, via the ASX, of any price sensitive information (subject to the exceptions to disclosure under the Listing Rules). Information is price sensitive if a reasonable person would expect the information to have a material effect on the price or value of the Company's securities or if the information would, or would be likely to, influence investors in deciding whether to buy, hold or sell Fairfax securities.

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The CEO, CFO and Group General Counsel/Company Secretary are designated as Disclosure Officers who are responsible for reviewing potential disclosures and deciding what information should be disclosed.

Only the Disclosure Officers may authorise communications on behalf of the Company to the ASX, media, analysts and investors. This safeguards the premature exposure of confidential information and aims to ensure proper disclosure is made in accordance with the law. ASX and press releases of a material nature must be approved by a Disclosure Officer.

The Disclosure Officers, in conjunction with the Chair of the Board, are authorised to determine whether a trading halt will be requested from the ASX to prevent trading in an uninformed market.

The onus is on all staff to inform a Disclosure Officer of any price sensitive information as soon as becoming aware of it. The Executive Leadership Team is responsible for ensuring staff understand and comply with the Policy.

The Company actively encourages timely and ongoing shareholder communications.

To ensure ready access for shareholders to information about the Company, Company announcements, Annual Reports, analyst and investor briefings, financial results and other information useful to investors such as press releases are placed on the Company's website at www.fairfaxmedia.com.au as soon as practicable after their release to the ASX (where release is required). Several years' worth of historical financial information is available on the website. Webcasts and recordings of results announcements and investor briefings can be accessed on the website for a length of time.

The full text of Notices of Meetings and the accompanying explanatory materials are posted on the website for each Annual General Meeting. The Chair's and the CEO's addresses, proxy counts and results of shareholder resolutions at the meeting are also posted on the website as soon as practicable after their release to the ASX.

At the Annual General Meeting, shareholders are encouraged to ask questions and are given a reasonable opportunity to comment on matters relevant to the Company. The external auditor attends the Annual General Meeting and is available to answer shareholder questions about the audit and the Auditor's Report.

Shareholders are also able to send communications to, and receive communications from, Fairfax and its share registry electronically.

TRADING IN COMPANY SECURITIES

Directors and managers must not trade directly or indirectly in Fairfax securities while in possession of price sensitive information. Price sensitive information is information which has not been made public, usually about the Group or its intentions, which a reasonable person would expect to have a material effect on the price or value of Fairfax securities or which would be likely to influence an investment decision in relation to the securities.

The Fairfax Securities Trading Policy regulates dealings by Directors and certain senior employees (Designated People) in Fairfax securities (including shares, convertible notes, derivatives and options). The purpose of the Policy is to ensure that Designated People comply with the legal and company-imposed restrictions on trading in securities whilst in possession of unpublished price sensitive information. The Policy sets out blackout periods when no trading is to be undertaken and a process for authorisation of trading at other times. Designated People means the Directors, CEO, Company Secretary, those employees who report directly to the CEO and those employees who are notified that they are subject to the Policy.

A Designated Person must not trade in breach of the Policy either directly or indirectly through another entity, such as a partner, child, nominee or controlled company acting on his/her behalf. Under the Policy, Designated People are prohibited from trading in Fairfax securities without approval under the Policy or when in possession of price-sensitive information about Fairfax. In addition, Designated People must not tip anyone else on Fairfax securities, engage in short term speculative trading in Fairfax securities or trade in Fairfax derivatives.

Black-out periods occur before the announcement of the half-yearly and annual results, other trading updates and the Annual General Meeting. During black-out periods Designated People will not be authorised to trade. Outside of the trading black-out periods, Directors must obtain approval from the Chair (or the chairman of the Audit and Risk Committee for approvals for the Chair to trade). Other Designated People must obtain approval from the Company Secretary who will consult with the Chair.

Each Director must notify the Company Secretary of any change in the Director's interest in Fairfax securities so as to ensure compliance with the disclosure requirements of the ASX Listing Rules.

The Policy prohibits Designated People from entering into any financial transactions that operate to limit the economic risk of unvested Fairfax securities which have been allocated to an employee as part of his/her remuneration, prior to the securities vesting. Any breach of this prohibition risks disciplinary sanctions.

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DIVERSITY

Fairfax is committed to creating a workplace that is fair and inclusive and reflects the diversity of the communities in which we operate. Fairfax values respects and encourages diversity of board members, employees, customers and suppliers. The Company believes diversity includes but is not limited to gender, age, ethnicity and cultural background. Accordingly, Fairfax has adopted Diversity Guidelines to establish the framework within which it will promote diversity, including the requirement for the People and Culture Committee to endorse measurable objectives for the year and to annually review the objectives and progress towards achieving them.

Fairfax recognises the importance of its employees and aims to attract, motivate, retain and engage high performing employees. The Company recognises that each employee brings their own unique capabilities, experiences and characteristics to their work, and values such diversity at all levels of the Company in all that it does.

Encouraging diversity broadens the pool for the recruitment of talented employees, enhances retention and supports innovation. Increasing the focus on high quality employees supports the Company to improve its financial performance and achieve its strategic objectives.

The Company's workforce gender demographics are:

- Proportion of women who are Non-Executive Directors on the Board: 22%
- Proportion of women in senior management (which, for these purposes, includes any senior manager of the Group, including those who participate in the Group's employee incentive schemes): 34%
- Proportion of women across the organisation: 53%

The Company has exceeded its objective of 30% female gender representation among senior managers by 2015. A new target of 35% female participation in senior management by 2018 has been set.

In 2013, the Fairfax Women of Influence Awards was introduced. Fairfax Women of Influence Awards is an internal reward and recognition award aiming to celebrate the contributions and successes of high-achieving female Fairfax employees to raise their leadership profiles. The awards comprised of six categories: agenda setter, emerging leader, customer centric leader, community leader, leadership champion, and change and innovation champion. Judging panel included members of the Board in addition to senior leaders across the business. Participation in the awards was high and the calibre and diversity of nominees was outstanding. The program has made a significant impact in raising the leadership profiles of females across the business.

The Company has continued in its efforts to have a senior female included in all panels for senior executive roles and at least one female candidate in the shortlist for senior roles.

A number of employment terms are in place to positively impact on women's participation in the workforce. These include:

- Flexible work hours
- Compressed working weeks
- Time-in-lieu
- Telecommuting
- Part-time work job sharing
- Carer's leave
- Purchased leave
- Unpaid leave

The Company is compliant with the Workplace Gender Equality Act 2012 in Australia.

This Corporate Governance Statement is current as at 13 August 2015 and has been approved by the Board of Fairfax.