



Fairfax Media Limited
ABN 15 008 663 161
1 Darling Island Road
Pyrmont NSW 2009

Dear Fellow Shareholder,

I am pleased to enclose the Notice of Meeting and Proxy Form for the Fairfax Media Limited Annual General Meeting. The meeting will be held on Thursday 7 November 2013, commencing at 10:30 am at the Sydney Masonic Centre, 279 Castlereagh Street, Sydney, NSW.

The resolutions on the agenda this year are for:

- the election of Directors;
- the approval of the allocation of performance shares and share options to CEO/Managing Director, Mr Gregory Hywood, under the Fairfax Transformation Incentive Plan; and
- adoption of the 2013 Remuneration Report.

At the 2012 Fairfax AGM, the non-binding vote on the Company's Remuneration Report did not achieve at least 75% of votes in favour of the Report. This is known as a "first strike" under the Corporations Law.

Since 2012, the Board has reviewed and comprehensively changed the remuneration structure for Senior Executives, including Mr Hywood. The details of the changes are set out in the Remuneration Report, which forms part of the Company's 2013 Annual Report.

Directors believe the new incentive plan strongly aligns Senior Management incentives with the achievement of shareholder value. We hope you will agree and vote in favour of the Remuneration Report this year.

If more than 25% of votes cast at the 2013 AGM are against the adoption of the 2013 Remuneration Report, this will constitute a "second strike".

If a "second strike" occurs, then a Board spill meeting resolution (Resolution 5) will be put to the meeting. This resolution, if passed, would result in the calling of an extraordinary general meeting of shareholders, at which all Non-executive Directors in office at the time of this Annual General Meeting would vacate their positions.



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If the spill resolution is put to the meeting, the Board unanimously recommends that shareholders vote against it, on the basis that it would be extremely disruptive to the Company and would distract management from the task of transforming the Company as discussed in the Annual Report.

All resolutions to be put to the meeting are discussed in the Explanatory Notes attached to the Notice of Meeting.

Directors' voting recommendations on the resolutions are set out in the Notice of Meeting and in the Explanatory Notes.

If you would like to submit questions for consideration by the Board before the meeting, please complete and return the shareholder question form that is included with the Notice of Meeting.

The Board hopes you are able to attend the Annual General Meeting and you will take the opportunity to meet with my fellow Directors and senior executives. I look forward to seeing you.

Sincerely

A handwritten signature in blue ink, appearing to read "Roger Corbett".

Roger Corbett, AO
Chairman

Notice of Annual General Meeting

Fairfax Media Limited (ABN 15 008 663 161) (the 'Company') hereby gives notice that the Annual General Meeting of shareholders will be held at 10:30 am on Thursday 7 November at The Grand Ballroom, Sydney Masonic Centre, 279 Castlereagh Street, Sydney.

AGENDA

A. Chairman's address to shareholders

B. Chief Executive Officer & Managing Director's address to shareholders

C. Shareholder discussion of the Financial Report, Directors' Report and Auditors' Report

D. Resolutions 1 & 2: Re-election of Directors

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. 'That Ms Sandra McPhee be re-elected as a Non-executive Director of the Company.'
2. 'That Ms Linda Nicholls be re-elected as a Non-executive Director of the Company.'

The Board (with Ms McPhee abstaining in respect of Resolution 1 and Ms Nicholls abstaining in respect of Resolution 2) recommends the re-election of Ms McPhee and Ms Nicholls

E. Resolution 3: Grant of performance shares and share options to the Chief Executive Officer & Managing Director under the Fairfax Transformation Incentive Plan ('TIP') for FY2014

3. To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

'That approval be given to grant to the Chief Executive Officer & Managing Director of the Company, Mr Gregory Hywood:

- a) Performance Shares; and
- b) Options,

on the terms and conditions described in the Explanatory Notes accompanying this Notice of Meeting and in accordance with the terms of the Fairfax Transformation Incentive Plan.'

The Board (Mr Hywood abstaining) recommends that shareholders vote in favour of Resolution 3

Note: a voting exclusion as set out below applies to Resolution 3.

F. Resolution 4: Adoption of Remuneration Report

To consider and, if thought fit, pass the following non-binding resolution as an ordinary resolution:

4. 'That the Company's Remuneration Report for the financial year ended 30 June 2013 be adopted.'

The vote on this resolution is advisory only and does not bind the Directors or the Company.

The Board recommends that shareholders vote in favour of Resolution 4

Note: a voting exclusion as set out below applies to Resolution 4.

Under section 250R of the *Corporations Act 2001* ('Corporations Act'), although the vote on Resolution 4 is advisory only, if more than 25% of votes cast on this resolution are against the resolution, then the Board Spill Meeting Resolution below will be put to shareholders for their consideration and vote.

Resolution 5: Spill meeting resolution

To consider and if thought fit, pass the following resolution as an ordinary resolution:

5. 'That:
 - (a) an extraordinary general meeting of the Company ('Spill Meeting') will be held within 90 days of the passing of this resolution;
 - (b) all of the Non-executive Directors in office when the Board resolution to make the Directors' Report for the financial year ended 30 June 2013 was passed (being Michael Anderson, Roger Corbett, Jack Cowin, Sandra McPhee, James Millar, Sam Morgan, Linda Nicholls and Peter Young), and who remain in office at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and
 - (c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote of shareholders at the Spill Meeting.'

The Board recommends that shareholders vote against Resolution 5

Note: a voting exclusion as set out below applies to Resolution 5.

The Chairman intends to vote all undirected eligible proxies held by him in favour of Resolutions 1, 2, 3 and 4 and against Resolution 5 (if that resolution is put to shareholders).

Voting

The Chairman intends to put all Resolutions 1 to 4 (and Resolution 5, if a vote is required) to a poll at the meeting. Voting results will be announced to the Australian Securities Exchange ('ASX') as soon as practicable after the meeting.

Voting Exclusion Statement for Resolution 3

The Company will disregard any votes cast on Resolution 3:

- *by or on behalf of Mr Hywood (being the only Director who is eligible to participate in any of the Company's equity incentive scheme) or any of his associates, regardless of the capacity in which the vote is cast; and*
- *as a proxy by a member of the key management personnel ('KMP') at the date of the AGM or their closely related parties,*

unless the vote is cast:

- *as proxy for a person who is entitled to vote on Resolution 3 in accordance with the directions on the proxy form; or*
- *by the Chairman of the meeting as proxy for a person entitled to vote on Resolution 3 pursuant to an express authorisation to exercise the proxy as the Chairman sees fit (even though the resolution is connected directly or indirectly with the remuneration of a member of the Company's KMP).*

Voting Exclusion Statement for Resolutions 4 and 5

The Company will disregard any votes cast on Resolutions 4 and 5 (if Resolution 5 is put to the meeting):

- *by or on behalf of a member of the KMP as disclosed in the Remuneration Report or their closely related parties, regardless of the capacity in which the vote is cast; and*
- *as a proxy by a member of the KMP on the date of the AGM or their closely related parties,*

unless the vote is cast:

- as proxy for a person who is entitled to vote on Resolutions 4 and 5, in accordance with the directions on the proxy form; or
- by the Chairman of the meeting as proxy for a person entitled to vote on Resolutions 4 and 5 pursuant to an express authorisation to exercise the proxy as the Chairman sees fit (even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP).

Voting and Proxy Instructions

YOUR VOTE IS IMPORTANT
You are entitled to vote at the Annual General Meeting only if you are registered as a shareholder of the Company at 7:00 pm on 5 November 2013

Appointing a proxy

If you are unable to attend the meeting, you are encouraged to appoint a proxy to attend and vote on your behalf. A proxy need not be a shareholder of the Company and can be an individual or a body corporate.

A shareholder entitled to attend and cast at least two votes at the meeting is entitled to appoint up to two proxies. If a shareholder appoints two proxies, the shareholder may specify how many votes each proxy may exercise. If a shareholder appoints two proxies but does not specify how many votes each proxy may exercise, each proxy may exercise half the votes. If a member appoints two proxies, neither may vote on a show of hands if they both attend the meeting, however, they will be entitled to vote on a poll.

The appointment of one or more duly appointed proxies will not preclude a member from attending the meeting and voting personally. The appointment of a proxy is not revoked by the member attending and taking part in the meeting, however, if the member votes on any resolution, the proxy/proxies will not be entitled to vote, and must not vote, as the member's proxy on the resolution.

For your vote to count, your proxy form must be received by the Company's share registrar, Link, no later than 48 hours prior to the commencement of the meeting i.e. by **10:30 am on Tuesday 5 November 2013**. To lodge your proxy, send it to Link at Level 12, 680 George Street, Sydney 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138, fax it to (02) 9287 0309 or lodge it online at www.linkmarketservices.com.au (click the proxy icon and follow the prompts). For online proxy lodgement, you will need to enter your SRN or HIN shown at the top right hand side of your personalised proxy form with the notice of meeting. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions on the website.

Alternatively, you may send or fax your proxy form to the Company's registered office at 1 Darling Island Road, Pyrmont NSW 2009, fax (02) 9282 1633. For additional proxy forms, contact Link on 1300 888 062 (or from outside Australia, +61 2 8280 7670).

Further instructions for appointing a proxy are included on the proxy form.

Default of proxy votes to Chairman in certain circumstances

If:

- a poll is duly demanded at the meeting in relation to a proposed resolution; and
- a member has appointed a proxy (other than the Chairman) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and
- that member's proxy is either not recorded as attending the meeting or does not vote on the resolution,

the Chairman of the meeting will, before voting on the resolution closes, be taken to have been appointed as the proxy for the member for the purposes of voting on that resolution and must vote in accordance with the written direction of that member.

Important information regarding appointing the Chairman or another member of KMP as your proxy in relation to Resolutions 3, 4 and 5

Except in the case of the Chairman of the meeting, the members of the Company's KMP (which includes each of the Directors and executives named in the Company's 2013 Remuneration Report) and their closely related parties (which includes spouses, dependents, certain other family members and controlled companies) will not be able to vote your proxies on Resolutions 3 and 4 (and if applicable, Resolution 5), unless you direct them how to vote. If you intend to appoint a member of the KMP (such as one of the Directors) or one of their closely related parties as your proxy, please ensure that you direct them how to vote on Resolutions 3 and 4 (and if applicable, Resolution 5).

If you intend to appoint the Chairman of the meeting as your proxy (or if he is appointed as your proxy by default as outlined above), you can direct him how to vote by ticking the relevant boxes next to each resolution on the proxy form (i.e. 'for', 'against', 'abstain'). If no direction is provided, then by signing and returning the proxy form, you will be expressly authorising the Chairman of the meeting to exercise your proxy as he thinks fit, even though those resolutions are connected with the remuneration of a member of the Company's KMP.

The Chairman of the meeting intends to vote any undirected proxies in favour of Resolutions 3 and 4 and against Resolution 5 (if put to members at the meeting).

Corporate representatives

A corporate shareholder may appoint an individual as its representative to attend the meeting and vote on its behalf. Corporate shareholders who appoint a representative must provide the representative with a properly executed notice of appointment, which the representative must bring to the meeting for the purposes of registration. The appointment may be for this meeting only or for all meetings of the Company. Shareholders can download an Appointment of Corporate Representation form from www.linkmarketservices.com.au/public/forms/general.

If the proxy form is signed by an attorney, the original power of attorney under which the proxy form was signed, or a certified copy, must be received by Link or the Company at least 48 hours before the meeting i.e. by 10:30 am on Tuesday 5 November 2013 (unless it has been previously provided).

Shareholder questions

If you wish to submit a question to the meeting, please complete the shareholder question form at the back of this notice. Questions must be received by Link by 10:30 am Thursday 31 October 2013. You may post or fax questions to Link or lodge them online (see instructions on the question form). Shareholders who attend the meeting will have an opportunity at the meeting to ask relevant questions.

By order of the Board

Gail Hambly
Company Secretary
30 September 2013

Registered Office

1 Darling Island Road
Pyrmont NSW 2009
Ph: +61 2 9282 2833
Fax: +61 2 9282 1633
Web: www.fairfaxmedia.com.au

Share Registry - Link Market Services

Level 12, 680 George Street
Sydney NSW 2000
Telephone: + 61 1300 888 062
Fax: +61 2 9287 0303
Email: : registrars@linkmarketservices.com.au

All correspondence to:

Fairfax Share Registry
Level 12, 680 George Street, Sydney, NSW, 2000
Locked Bag A14, Sydney South, NSW, 1235
Telephone: + 61 1300 888 062
Facsimile: +61 2 9287 0309
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

EXPLANATORY NOTES

These Explanatory Notes have been prepared to help shareholders understand the business to be put to shareholders at the forthcoming Annual General Meeting. They relate to the resolutions set out in the Notice of Meeting and should be read in conjunction with the Notice of Meeting. These Explanatory Notes form part of the Notice of Meeting.

AGENDA ITEM C

Financial Report, Directors' Report and Auditor's Report

The Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2013 will be tabled at the meeting.

The Financial Report, the Directors' Report and the Auditor's Report are also contained in the 2013 Fairfax Annual Report ('Annual Report') which is available at www.fairfaxmedia.com.au.

At the meeting, shareholders will be given a reasonable opportunity to comment on or ask questions about the Group's management and financial performance. The Company's Auditor will be present at the meeting and shareholders will also be given the opportunity to ask the Auditor questions on the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies adopted by the Company for the preparation of the financial statements and the independence of the Auditor.

AGENDA ITEM D

Resolutions for the re-election of Directors

Resolutions 1 and 2 are supported by the Board

Resolution 1

Ms Sandra McPhee, AM

Non-executive Director

Independent

Appointed: 26 February 2010

Last elected: 11 November 2010

Board Committees: Chair of the People and Culture Committee and Member of the Sustainability and Corporate Responsibility Committee

Ms McPhee is retiring by rotation and standing for re-election in accordance with Rule 6.1 of the Company's Constitution and with Listing Rule 14.4.

Sandra McPhee AM was appointed to the Board of Directors on 26 February 2010. She is a director of AGL Energy Limited, Westfield Retail Trust, Kathmandu Holdings Limited, and Tourism Australia. Her previous directorships include Australia Post, Coles Group Limited and Perpetual Limited. Prior to becoming a Non-executive Director, Ms McPhee held senior executive positions in a range of consumer oriented industries including retail, tourism and aviation, most recently with Qantas Airways Limited.

The Board (Ms McPhee abstaining) unanimously recommends the re-election of Ms McPhee to the Board.

Resolution 2

Ms Linda Nicholls

Non-executive Director

Independent

Appointed: 26 February 2010

Last elected: 11 November 2010

Board Committees: Chair of the Audit and Risk Committee and Member of the Nomination Committee

Ms Nicholls is retiring by rotation and standing for re-election in accordance with Rule 6.1 of the Company's Constitution and with Listing Rule 14.4.

Ms Nicholls was appointed to the Board of Directors on 26 February 2010 and is a corporate advisor and director of a number of leading Australian companies and organisations. She is Chair of KDR (Yarra Trams) and a director of Sigma Pharmaceutical Group, the Walter and Eliza Hall Institute of Medical Research and Low Carbon Australia Pty Limited. She is a former Chair of Australia Post,

former Chair of Healthscope Limited and former director of St. George Bank Limited. Prior to becoming a professional director, Ms Nicholls held senior executive positions in the banking and finance industry.

The Board (Ms Nicholls abstaining) unanimously recommends the re-election of Ms Nicholls to the Board.

AGENDA ITEM E

Grant of performance shares and options to Chief Executive Officer & Managing Director under the Fairfax Transformation Incentive Plan ('TIP') for FY2014

Resolution 3 is supported by the Board

Resolution 3

Background

The print media industry as a whole, and Fairfax's business specifically, has been affected by a fundamental shift to digital media over the past few years. This paradigm change has resulted in material, year on year, declines in our traditional sources of revenue. It has also sparked our need to transform our business. A task that our management team is addressing.

During 2013, the Board undertook a comprehensive review of the Group's remuneration arrangements, including the Short Term and Long Term Incentive Plans. Given the dramatic changes in our industry, the changes required in our business model and the effect on shareholders over the past few years, these traditional plans are not in the interests of our shareholders nor our executives.

Accordingly, we have designed a bespoke solution. One that is aligned with our Plan for transformation and that links executive returns to the medium and longer term – the horizons over which we see regeneration of shareholder value.

The Transformation Incentive Plan ('TIP') is weighted heavily to the long term. The CEO will receive 70% of his award in the form of share options, with an exercise price determined around the time of the AGM. He will only benefit in growth in share price from that time to the earliest vesting date at the end of three years. In addition, before the options may be exercised, a performance condition linked to growth in total shareholder return, share price increases and dividends/distributions to shareholders, must be satisfied over the period. As we are uncertain exactly when the transformation will bear fruit, we have allowed for the performance conditions to be re-tested after 3 ½ years and after 4 years.

Also, to help incentivise our management team to continue to strive for this fundamental shift in our business, a small proportion, 30%, of the TIP award is available in the form of performance shares, which may be granted at the end of the 2014 financial year for achieving milestones in our transformation. However, cognisant that shareholders may not see the full share price benefit of these milestones in the short term, any performance shares granted following the achievement of the applicable conditions will be deferred into Fairfax shares, half for a further 12 months, and the balance for 24 months, to ensure that the value of the award continues to be linked to changes in the price of Fairfax shares.

The key considerations of, and outcomes from, the review of the remuneration arrangements for the members of the KMP that are executives are set out in the 2013 Remuneration Report.

Resolution 3 proposes that the CEO and Managing Director, Mr Hywood, be approved to participate in the TIP in the 2014 financial year.

Shareholder approval is being sought for the grant of performance shares and options to Mr Hywood under the TIP for the 2014 financial year on the terms described in these Explanatory Notes. The Company is seeking approval for these grants in accordance with ASX Listing Rule 10.14, both as a matter of good corporate governance and to preserve flexibility as to how it sources any Performance Shares or any shares allocated on vesting of the Options (i.e. whether shares are purchased on market or newly issued). The Board will exercise its discretion in relation to how any shares are sourced with the best interests of the Company's shareholders in mind.

Existing remuneration arrangements for Mr Hywood

The remuneration details for Mr Hywood are set out in the 2013 Remuneration Report and are summarised below.

Mr Hywood's remuneration arrangements with the Company include a Fixed Remuneration of \$1.6 million per year. This is unchanged from the last 2 years. For the 2014 financial year, Mr Hywood volunteered to sacrifice 10% of his Fixed Remuneration, which will be used to purchase Company shares that will be restricted for two years. The Fixed Remuneration represents the total fixed cost to Fairfax, which includes base salary, superannuation and other benefits.

Mr Hywood is also presently eligible for a performance bonus of up to 150% of Fixed Remuneration depending on achievement of defined performance criteria set at the beginning of each financial year ('STI'). The performance targets are recommended by the People & Culture Committee of the Board and approved by the Board each year. Of the Performance Bonus, 55% is determined by achievement of financial targets for the Group. The remaining incentive is based on other Key Performance Indicators ('KPIs') set by the Board each year depending on the operational and strategic goals of the Group. These KPIs may also include specific financial and strategic targets.

Under the existing long-term incentive ('LTI'), up to and including 2013, Mr Hywood was entitled to a grant each year of performance shares or performance rights up to a maximum value of 50% of his Fixed Remuneration. These grants will vest on the terms set out in the Remuneration Report.

If shareholders approve Mr Hywood's participation in the new TIP, this will replace his existing STI and LTI entitlements for future years.

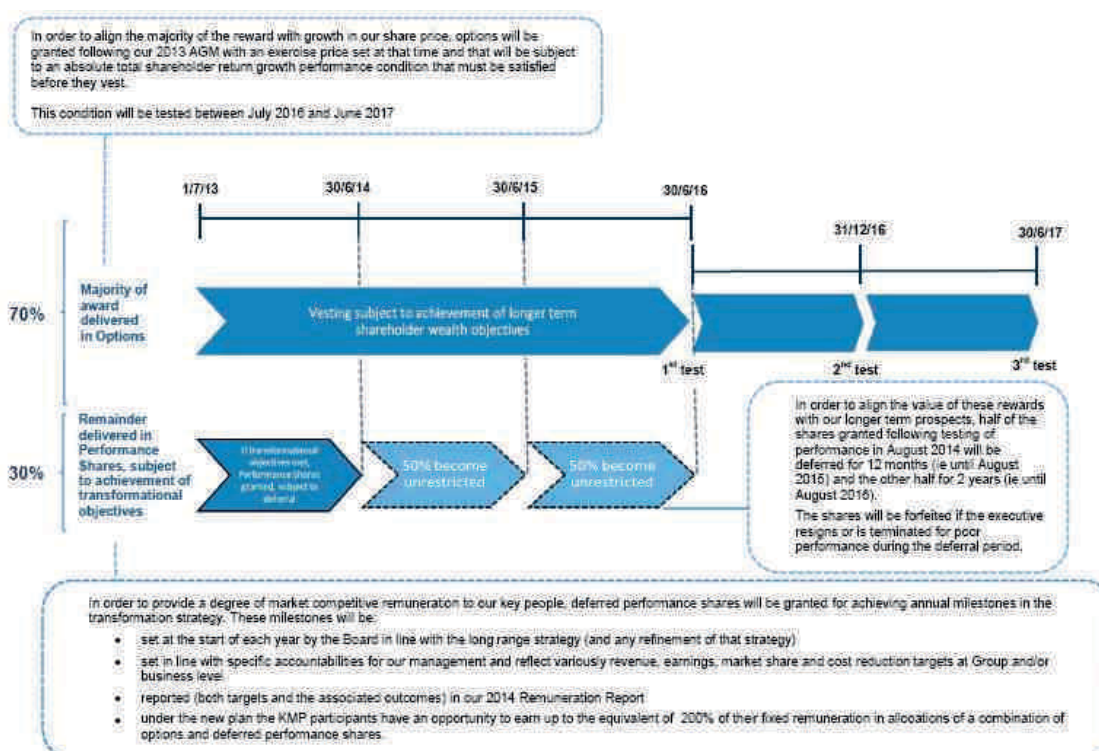
The new Transformation Incentive Plan

The TIP has 2 components:

1. 70% of the award constitutes a grant of share options in the Company at an exercise price determined over the 5 trading days following the AGM ('Options'); and
2. 30% of the award constitutes an allocation of deferred performance shares ('Performance Shares') granted following the end of the 2014 financial year for achieving milestones in the year.

If shareholders approve Mr Hywood's participation in the TIP for the 2014 financial year, then he will have the opportunity to earn an incentive of up to the equivalent of 200% of his Fixed Remuneration in the TIP (being a maximum of \$3.2 million) in place of his previous STI and LTI entitlements.

The following diagram shows how the TIP will operate for the 2014 grant and the objectives that it aims to achieve.



Grant of Options

In order to align the bulk of the incentive opportunity directly with growth in shareholder returns, 70% of Mr Hywood's incentive opportunity under the TIP in 2014 (\$2,240,000) will be by an allocation of Options, which vest after 3 years, subject to the achievement of the performance hurdle detailed below. Each Option entitles Mr Hywood to one ordinary share in the Company, subject to payment of the applicable exercise price. The exercise price of the Options will be set based on the volume weighted average price ('VWAP') of the Company's shares over the 5 trading days beginning on the day after the AGM. The value of each Option and therefore the number of Options allocated will be calculated by an independent expert adviser using a Black-Scholes based pricing model at the date of issue. At this stage, it is not possible to specify the maximum number of Options as it depends on information that can only be determined after the AGM.

An example calculation using the above formula as at 18 September: If Options were granted based on the VWAP over the 5 trading days up to and including 18 September 2013 (being \$0.57) and an independent adviser valued each Option at 25% of the value of a share, then 15,719,298 Options would be granted, with an exercise price of \$0.57 per Option.

These Options will only vest if the absolute total shareholder return ('Absolute TSR') growth performance hurdle is satisfied. This condition will be initially tested on 1 July 2016. Details regarding the performance hurdle are set out below.

Performance hurdle for Options: Absolute TSR

Following consideration of the likely forms by which shareholder wealth may be generated by the Company over the next three years (comprising share price growth, 'ordinary' dividends and potentially 'special' distributions in the form of dividend or capital returns), the performance hurdle to apply to the vesting of the Options is Absolute TSR. TSR measures both share price growth as well as dividends to shareholders. Absolute TSR will measure growth in shareholder wealth over the applicable performance period, which commences on 1 July 2013, and is first tested on 30 June 2016, with two further re-testing opportunities on 31 December 2016 and 30 June 2017. In the case of any re-testing, the compound annual growth rate of Absolute TSR will be tested for the extended period up to the relevant test date.

The table below demonstrates the vesting levels of Options at the applicable compound annual growth rate hurdles for the Absolute TSR.

Performance	% exercisable	Absolute TSR
Threshold	25%	15% CAGR
Target	50%	20% CAGR
Stretch	100%	25% CAGR

Any Options remaining unvested after the final test on 30 June 2017 will lapse.

The Board has discretion to deem the performance hurdle not met if vesting would otherwise only occur as a result of extraneous factors (for example, the effect of sustained speculation regarding a takeover bid for the Company) on the Company's share price, which are not, in the reasonable opinion of the Board, reflective of the quality of the Company's performance.

Grant of Performance Shares

For the 2014 financial year, the remaining 30% (\$960,000) of Mr Hywood's incentive opportunity under the TIP will be in the form of Performance Shares, which will be deferred for a specified period. In order to align the value of the Performance Shares with the Company's longer term prospects, half (50%) of the Performance Shares granted following testing of performance for the 2014 financial year around August 2014 will be deferred for 12 months and the other half (50%) will be deferred for 2 years.

The actual number of Performance Shares will depend on the VWAP in the 5 days commencing on the day after the August 2014 results announcement, and will be determined by dividing the percentage of the award that vests by the relevant VWAP. At this stage, it is not possible to specify the maximum number of Performance Shares to be granted, as this can only be determined after the 2014 financial year results announcement.

An example calculation using the above formula: If Mr Hywood met all of the milestones set for the 2014 financial year and the VWAP in the 5 trading days commencing on the day after the August 2014 results announcement was \$0.57, the maximum value (of \$960,000) will be divided by \$0.57 and Mr Hywood would receive a maximum of 1,684,210 Performance Shares.

These shares will be granted for achieving annual milestones in the transformation strategy. These milestones will be set at the start of each year by the Board in line with the strategic plan. They reflect specific accountabilities for the CEO, including EBITDA, revenue, costs and other strategic goals. The specific targets for Mr Hywood for 2014 will still be strategically confidential at the date of the AGM. However, the Company will report on the targets and achievement against them in our 2014 Remuneration Report.

Performance hurdles for Performance Shares

The performance metrics chosen for the 2014 financial year are designed to drive financial growth for shareholders over time. As noted above, the specific targets for Mr Hywood's 2014 grant of Performance Shares will still be strategically confidential at the time of the AGM. However, the Company will report on the targets and achievement against them in our 2014 Remuneration Report.

By the end of the 2017 financial year, the Company should effectively be through most of the transformation work. Specifically the Company intends to have achieved a smaller and more variable cost base; significant transition to a predominantly digital future for major mastheads; a viable digital business in regional; established revenue adjacencies; Domain and Radio should be substantially larger businesses; and the Company should have optimised its portfolio of digital and transactional businesses. The specific performance metrics that will be set annually and then measured for each of the 2014, 2015 and 2016 years will be different and will have potentially different weighting between the years but the intention is that the delivery of each of the specific objectives in each year should deliver the overall transition by the 2017 financial year.

Appropriate metrics will be set at the start of each new financial year. As the transition strategy develops and goals are realised, there will be enough flexibility to respond along the way and moderate, change or introduce new measures to provide confidence that the TIP will operate effectively. All measures will be clearly defined and measurable.

Cessation of employment

Unvested Performance Shares and Options will generally be forfeited or lapse if the executive resigns or is terminated for poor performance. In other circumstances, the awards would typically remain on foot subject to any applicable performance conditions, unless the Board exercises its discretion to forfeit or lapse the relevant award. In exercising its discretion, the Board will give consideration to all of the relevant circumstances and the best interests of shareholders.

Other Information

In accordance with the approval of shareholders at the 2012 AGM for Mr Hywood's LTI, Mr Hywood was granted 8,888,888 performance rights in the Company in respect of the 2013 financial year.

At present, Mr Hywood is the only Director entitled to participate in any of the Company's equity incentive schemes, including the TIP.

The Options and Performance Shares will be issued to Mr Hywood at no cost.

No loans will be made by the Company in relation to the acquisition of shares under the TIP.

It is intended that the grant of Options for which shareholder approval is being requested will be granted to Mr Hywood shortly after the AGM and Performance Shares would be allocated shortly after the August 2014 results announcement but, in any event, the grant of Options and allocation of Performance Shares will be no later than 12 months after the 2013 AGM.

The Board (Mr Hywood abstaining) unanimously recommends that shareholders approve Resolution 3.

AGENDA ITEM F

Adoption of Remuneration Report

The Remuneration Report, which forms part of the Fairfax Media 2013 Annual Report (available at www.fairfaxmedia.com.au), sets out the Company's remuneration policies and practices together with details of the remuneration arrangements for the Directors, Chief Executive Officer & Managing Director and Group executives.

A summary of our remuneration practices and incentive plans in place in the 2013 financial year and our plans for the 2014 financial year is set out below.

Remuneration in the 2013 financial year

Important highlights in relation to remuneration in the 2013 financial year were that:

- the majority of senior executive salaries were frozen as were fees paid to Non-executive Directors. The Chairman also fulfilled his commitment made at the last AGM and reduced his fees from \$432,730 per annum to \$396,760;
- there will be no annual bonuses paid to senior executives for 2013, unless there was a pre-existing contractual commitment; and
- the long term incentives, granted previously and tested at the end of the performance period this year, did not vest.

Remuneration in 2014 and beyond

The Board has reviewed the previous remuneration arrangements for senior management and with the assistance of independent expert advice has designed a 'fit for purpose' remuneration plan that better fits the journey of transformation of the Company in this period of consolidation and transformation to achieve a new Fairfax Media. The plan recognises that:

- the transformation journey the Company is on is not a short one, meaning that while the Company positions itself for the future, it may take a little while for the transformation to be reflected in significantly improved shareholder returns;
- the Company now has a smaller, highly dedicated and skilled team of the best people to lead Fairfax on this journey; and
- as the business evolves, the existing remuneration structures have become less relevant for the Fairfax of today and tomorrow.

In the 2014 financial year, as the Board and management continues the hard work required to deliver on the Company's strategy and to transform the Company:

- senior executives will not receive any increase in fixed remuneration;
- key management personnel have volunteered to sacrifice 10% of their fixed remuneration to purchase Company shares, which will be restricted for two years. Further details are set out in the Remuneration Report;
- Non-executive Directors have agreed to a reduction of 10% in their fees for the 2014 financial year; and
- existing STI and LTI plans have been reviewed and will be replaced with a single plan, the TIP.

The new scheme comprises two components for our most senior executives in the 2014 financial year - a proportion will be delivered in the form of long term Options granted subject to performance hurdles, and a smaller proportion will be delivered in the form of Performance Shares granted for achieving milestones in the financial year. Key features of the TIP are as follows:

- in order to align the majority of the incentive with growth in shareholder returns, Options will be granted following our 2013 AGM with an exercise price set at that time. These Options will only vest if the Absolute TSR performance hurdle is satisfied. This condition will be tested between 1 July 2016 and 30 June 2017;
- a smaller percentage of incentive opportunity will be in the form of Performance Shares. These shares will be granted for achieving annual milestones in the transformation strategy. These milestones will be set at the start of each year by the Board in line with the strategic plan. These milestones are set to reflect specific accountabilities for our management including variously revenue, earnings, market share and cost reduction targets at Group and/or business level. The specific targets are currently being finalised for 2014 and we will report on achievements against these targets and the associated outcomes in our 2014 Remuneration Report; and
- in order to align the value of these rewards with our longer term prospects, half of the Performance Shares granted following testing of performance in around August 2014 will be deferred for 12 months (i.e. until around August 2015) and the other half for 2 years (i.e. until around August 2016).

The Board is confident that this new remuneration structure better aligns executive rewards with our shareholders over the medium and longer term and provides an appropriate incentive to deliver our strategy.

Resolution 4 - Adoption of Remuneration Report

Resolution 4 is supported by the Board

At the meeting, shareholders will be given a reasonable opportunity to ask questions about or make comments on the Remuneration Report.

Under the Corporations Act, this vote is advisory only and does not bind the Directors or the Company. However, as explained below, the outcome of the vote could have consequences for the Board.

At last year's AGM, more than 25% of the votes cast on the resolution to adopt the 2012 Remuneration Report were voted 'against' the resolution. Accordingly, Fairfax received a 'first strike' under the new executive remuneration laws.

If the votes 'against' the 2013 Remuneration Report again exceed 25% of the votes cast, Fairfax will receive a 'second strike' and Resolution 5 will be put to the meeting. If Resolution 5 is put to the meeting and passed, then it will be necessary for the Board to convene a further general meeting ('Spill Meeting') of the Company within 90 days of the AGM in order to consider the composition of the Board.

The Board unanimously recommends that shareholders approve the adoption of the Remuneration Report.

Resolution 5 – Board Spill Meeting

Resolution is not supported by the Board

This resolution will only be put to the meeting if 25% of the votes cast on the resolution to adopt the Remuneration Report (Resolution 4) are cast 'against' the adoption of the report.

If less than 25% of the votes on Resolution 4 are cast 'against' the adoption of the Remuneration Report at the 2013 AGM, then there will be no 'second strike' and this Resolution 5 will not be put to the meeting.

If this resolution is put to the meeting and passed, then it will be necessary for the Board to convene a further general meeting ('Spill Meeting') of the Company within 90 days of the AGM in order to consider the composition of the Board.

Section 250V of the Corporations Act, sets out the statutory requirements of a Spill Meeting resolution. Pursuant to section 250V, all of the Non-executive Directors in office when the Board passed its resolution to make the Directors' Report for the 2013 financial year. Consequently, if a Spill Meeting is held, the following Directors will automatically vacate office at the conclusion of the meeting unless they are willing to stand for re-election and are re-elected at that meeting:

Michael Anderson, Roger Corbett, Jack Cowin, Sandra McPhee, James Millar, Sam Morgan, Linda Nicholls and Peter Young

Even if Ms McPhee and Ms Nicholls are re-elected at this year's AGM, they will still need to be re-elected at the Spill Meeting to remain in office after the Spill Meeting.

Board recommendation

If Resolution 5 is put to the meeting, the Board unanimously recommends that shareholders vote against Resolution 5 on the basis that it would be extremely disruptive to the Company and in the Board's view, it would be inappropriate to remove all the Non-executive Directors in the circumstances. However, the Board recognises that shareholders can remove a director by a majority shareholder vote at any time and for any reason.

The Voting Exclusion Statements for Resolutions 3, 4 and Resolution 5 are set out in the Notice of Meeting.

SHAREHOLDER QUESTION FORM

YOU MAY SUBMIT QUESTIONS TO THE AGM BEFORE THE MEETING DATE

Your questions regarding the Company that are relevant to the Annual General Meeting are important to us. We invite you to use this form to submit any questions that you may have on the:

- ⇒ financial statements or the business, operations or management of the Company;
- ⇒ conduct of the audit;
- ⇒ preparation and content of the audit report;
- ⇒ accounting policies adopted by the Company for the preparation of the financial statements;
- ⇒ independence of the Auditor in relation to the conduct of the audit; or
- ⇒ other agenda items.

You may return this form in the reply paid envelope provided, or fax it to +61 2 9287 0309 or you can submit your questions online if you got to www.linkmarketservices.com.au, click on 'AGM Questions' and follow the prompts. All questions must be received by 10:30 am on Thursday 31 October 2013. We will attempt to respond to as many of the frequently asked questions as possible at the AGM.

The Chairman will also permit the Auditor to answer written questions submitted to the Auditor.

Shareholder's name <input type="text"/>
Shareholder's address <input type="text"/>
Shareholder's email address <input type="text"/>
Shareholder Reference Number or Holder Identification Number <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Please tick the relevant box: My question/s is/are for the: <input type="checkbox"/> Chairman <input type="checkbox"/> Auditor
Question/s <input type="text"/>

Fairfax Media Limited collects this information in order to confirm that you are a shareholder. The information is also provided to Link Market Services who holds Fairfax's share registry. You may access the information about you by contacting Link whose contact details are set out above. If you do not provide the information we will be unable to submit your question to the Chairman or Auditor.



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