



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

Dear 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 3 November 2016, commencing at 10:30 am in the M Rooms, Level 1, Crown Promenade Melbourne, 8 Whiteman Street (Queensbridge Street end of the Crown complex), Southbank, Victoria, 3006.**

Shareholders attending the AGM will be able to register from 10:00 am at the venue.

The AGM will be webcast live at <http://www.fairfaxmedia.com.au/Investors/webcasts>.

The resolutions on the agenda this year are for:

- the election and re-election of Directors;
- the approval of the allocation of Performance Shares and Performance Rights to the Chief Executive Officer & Managing Director, Mr Gregory Hywood, under the Fairfax Executive Incentive Plan; and
- adoption of the 2016 Remuneration Report.

Resolutions to be put to the meeting are discussed in the Explanatory Notes attached to this Notice of Meeting.

The Board recommends that shareholders vote in favour of each resolution.

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.

Yours faithfully

A handwritten signature in black ink, appearing to read "Nick Falloon".

**Nick Falloon**  
**Chairman**

# Notice of Annual General Meeting

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Fairfax Media Limited (ABN 15 008 663 161) (**Fairfax or the Company**) hereby gives notice that the Annual General Meeting (**AGM**) of shareholders will be held at 10:30 am (AEDT) on Thursday 3 November 2016 in the M Rooms, Level 1, Crown Promenade Melbourne, 8 Whiteman Street (Queensbridge Street end of the Crown complex), Southbank Victoria 3006.

## 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 – 3: Election and re-election of Directors**

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

1. 'That Mr Patrick Allaway be elected as a Non-executive Director of the Company.'
2. 'That Mrs Sandra McPhee be re-elected as a Non-executive Director of the Company.'
3. 'That Mrs Linda Nicholls be re-elected as a Non-executive Director of the Company.'

**The Board (other than the relevant Director for his/her own election/re-election) recommends that shareholders vote in favour of Resolutions 1-3.**

- E. Resolution 4: Grant of Performance Shares and Performance Rights to the Chief Executive Officer & Managing Director under the Fairfax Executive Incentive Plan for FY2017**

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

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

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

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

**The Board (Mr Hywood abstaining) recommends that shareholders vote in favour of Resolution 4.**

*Note: the voting exclusion set out below applies to Resolution 4.*

- F. Resolution 5: Adoption of Remuneration Report**

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

5. 'That the Company's Remuneration Report for the financial year ended 26 June 2016 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 5.**

*Note: the voting exclusion set out below applies to Resolution 5.*

## AGM ONLINE WEBCAST

Shareholders can view a live webcast of the AGM online at <http://www.fairfaxmedia.com.au/Investors/webcasts>

## ANNUAL REPORT

The 2016 Fairfax Media Annual Report is available on our investor website <http://www.fairfaxmedia.com.au/Investors/annual-reports>.

## VOTING

The Company will be using electronic voting hand held devices at the AGM again this year.

The Chairman intends to put all Resolutions set out on the agenda 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 4**

The Company will **disregard** any votes cast on Resolution 4:

- *by or on behalf of Mr Hywood 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 4, 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 4 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 Resolution 5**

The Company will **disregard** any votes cast on Resolution 5:

- *by or on behalf of a member of the KMP named in the Company's Remuneration Report or their closely related parties, regardless of the capacity in which the vote is cast; or*
- *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 Resolution 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 Resolution 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 the KMP).*

The Chairman of the meeting intends to vote any undirected proxies in favour of all resolutions.

## Voting and Proxy Instructions

### YOUR VOTE IS IMPORTANT

**You are entitled to vote at the AGM only if you are registered as a shareholder of the Company at 7:00 pm (AEDT) on 1 November 2016**

### Appointing a proxy

If you are unable to attend the meeting, you may appoint a proxy to attend and vote on your behalf. A proxy need not be a shareholder of the Company and may 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 the proportion or number of votes each proxy may exercise. If a shareholder appoints two proxies but does not specify the proportion or number of 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 registry, Link Market Services (Link), no later than 48 hours prior to the commencement of the meeting i.e. by **10:30 am (AEDT) on Tuesday 1 November 2016**. To lodge your proxy, you may:

- deliver it by hand to Link at Level 12, 680 George Street, Sydney 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138;
- mail it to Fairfax Media Limited, c/o Link Market Services Limited, Locked Bag A14, Sydney South, NSW, 1235;
- fax it to +61 2 9287 0309;
- lodge it from your mobile device as explained in the proxy form; or
- lodge it online at [www.linkmarketservices.com.au](http://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 in 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 of the meeting or another member of KMP (or their closely related parties) as your proxy in relation to Resolutions 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 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 4 and 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 4 and 5.

If you intend to appoint the Chairman of the meeting as your proxy (or if he is appointed as your proxy by default), 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 completing and submitting 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 the Company's KMP.

The Chairman of the meeting intends to vote any undirected proxies in favour of Resolutions 4 and 5.

## Corporate representatives

A corporate shareholder, or body corporate appointed as a proxy, may appoint an individual as its representative to attend the meeting and vote on its behalf. Corporate shareholders or proxies 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](http://www.linkmarketservices.com.au/public/forms/general).

## Power of attorney

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 (AEDT) on Tuesday 1 November 2016 (unless it has been previously provided).

## Shareholder questions

If you wish to submit a question prior to the meeting, please complete the shareholder question form at the back of this Notice of Meeting. Questions must be received by Link by 5:00pm (AEDT) Thursday 27 October 2016. 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

**28 September 2016**

**Registered Office**  
**Fairfax Media Limited**  
1 Darling Island Road  
Pyrmont NSW 2009  
Ph: +61 2 9282 2833  
Fax: +61 2 9282 1633  
Web: [www.fairfaxmedia.com.au](http://www.fairfaxmedia.com.au)

All proxies to:  
Fairfax Share Registry

By hand:  
Link Market Services Limited, 1A Homebush Bay Drive, Rhodes, NSW, 2138  
or  
Link Market Services Limited, Level 12, 680 George Street, Sydney, NSW, 2000

By mail:  
Fairfax Media Limited, c/o Link Market Services Limited, Locked Bag A14, Sydney South, NSW, 1235

By fax:  
Facsimile: +61 2 9287 0309

By mobile device  
Online: [www.linkmarketservices.com.au](http://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 AGM. 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 Auditors' Report

The Financial Report, the Directors' Report and the Auditors' Report for the financial year ended 26 June 2016 will be tabled at the meeting.

The Financial Report, the Directors' Report and the Auditors' Report are contained in the 2016 Fairfax Annual Report ('Annual Report') which is available at [www.fairfaxmedia.com.au](http://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 Auditors' 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 election and re-election of the Directors

**Resolutions 1, 2 and 3 are supported by the Board**

##### Resolution 1

###### Mr Patrick Allaway

Non-executive Director

Independent

Appointed: 15 April 2016

Board Committees: Member of the Audit and Risk Committee

On 15 April 2016, the Board appointed Mr Patrick Allaway as a new Director. In accordance with Rule 6.1(e)(1) of the Company's Constitution, any Director appointed by the Board to fill a casual vacancy may only hold office until the annual general meeting following their appointment. Mr Allaway, being eligible, is standing for election at the Company's Annual General Meeting.

Mr Allaway has 30 years experience in the global finance industry across capital markets, corporate advisory, derivatives, risk management, mergers & acquisitions, corporate and project finance, private equity and funds management. Mr Allaway commenced his career in investment banking with Citibank in New York, Sydney and London and with Swiss Bank Corporation in Zurich and London. Since 2006 he has been Chairman and co-founder of Saltbush Capital Markets, a privately owned corporate advisory and funds management business. Mr Allaway is also presently a Non-Executive Director of Metcash Limited, Woolworths South Africa (WHL), David Jones and The Country Road Group. He has a Bachelor of Arts/Law from the University of Sydney. Mr Allaway is a former Non-Executive Director of Macquarie Goodman Group.

**The Board (Mr Allaway abstaining) unanimously recommends the election of Mr Allaway to the Board.**

## **Resolution 2**

### **Mrs Sandra McPhee, AM**

Non-executive Director

Independent

Appointed: 26 February 2010

Last elected: 7 November 2013

Board Committees: Chair of the People and Culture Committee

Mrs McPhee is retiring by rotation and standing for re-election in accordance with Rule 6.1(e) of the Company's Constitution and Listing Rule 14.4, and being eligible, offers herself for re-election.

Mrs McPhee was appointed to the Board of Directors on 26 February 2010. She is a Director of Kathmandu Limited and The NSW Public Service Commission Advisory Board and Chairman of the St Vincent's Health Advisory Board. Her previous Directorships include AGL Energy Limited, Scentre Group (previously Westfield Retail Trust), Tourism Australia, Australia Post, Coles Group Limited, Perpetual Limited and South Australia Water. Prior to becoming a Non-Executive Director, Mrs McPhee held senior executive positions in a range of consumer oriented industries including retail, tourism and aviation, including 10 years with Qantas Airways Limited.

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

## **Resolution 3**

### **Mrs Linda Nicholls, AO**

Non-executive Director

Independent

Appointed: 26 February 2010

Last elected: 7 November 2013

Board Committees: Chair of the Audit and Risk Committee and member of the Nominations Committee

Mrs Nicholls is retiring by rotation and standing for re-election in accordance with Rule 6.1(e) of the Company's Constitution and Listing Rule 14.4, and being eligible, offers herself for re-election.

Mrs Nicholls has more than 30 years' experience as a senior executive and company director in Australia, New Zealand and the United States. She is currently the Chair of Japara Healthcare and a director of Medibank Private. Her previous Directorships include Sigma Pharmaceuticals Limited and Pacific Brands Limited. She holds a Bachelor of Arts in Economics from Cornell University and a Masters of Business Administration from Harvard Business School, where she was formerly Trustee and Vice President of The Harvard Business School Alumni Board.

**The Board (Mrs Nicholls abstaining) unanimously supports the re-election of Mrs Nicholls to the Board.**

## **AGENDA ITEM E**

### **Grant of Performance Shares and Performance Rights to Chief Executive Officer & Managing Director under the Fairfax Executive Incentive Plan for FY17**

**Resolution 4 is supported by the Board**

## **Resolution 4**

### **Background**

During the 2016 financial year, the Board conducted a comprehensive review of the executive remuneration arrangements including the Transformation Incentive Plan (TIP) that was introduced from FY14 and operated for FY14, FY15 and FY16. The TIP was devised at a time of considerable media market disruption. The TIP structure was, in the view of the Board, the most effective incentive plan to

drive the delivery of Company's transformation strategy over a three to four year period. Over the three years of the TIP the management team drove shareholder value by reducing the Company's dependence on print media, making new and material cost savings, expanding profitable digital products and successfully growing key businesses including Domain.

Following the review of the TIP, the Directors determined that it had achieved its goals and it was time for a new incentive plan. The new Fairfax Executive Incentive Plan (Plan) will replace the TIP from the 2017 financial year.

### **New Executive Incentive Plan**

The Plan includes a Short Term Incentive (STI) and a Long Term Incentive (LTI) opportunity. It is designed to drive the delivery of the next phase of the Company's strategy to continue to transform the publishing businesses, accelerate the growth in the existing businesses, and invest in new strategic opportunities for future growth.

The Plan continues to be heavily weighted toward achieving medium to long term growth, be based on objective measurable goals and to align with growth in shareholder value.

### **CEO's participation in the Plan for FY17**

Resolution 4 seeks shareholder approval for the CEO to participate in the Fairfax Executive Incentive Plan and for the grant of Performance Shares and Performance Rights to Mr Hywood under the Plan. The key terms of the Plan for FY17 are set out below.

The CEO's grant for FY17 has 2 components:

1. LTI: delivered in the form of Performance Rights following the 2016 AGM; and
2. STI: delivered in the form of Performance Shares following the end of FY17.

The Company is seeking approval for the equity grants under the Plan as a matter of good corporate governance and in accordance with ASX Listing Rule 10.14, to preserve flexibility for the Board to issue the Performance Shares or any shares in the Company allocated on vesting of Performance Rights under the Plan.

The Board will exercise its discretion in determining how to source any shares at the relevant time with the best interests of the Company's shareholders in mind.

The CEO's maximum incentive opportunity remains unchanged at 200% of his fixed remuneration (Plan Incentive). The CEO's fixed remuneration as at the date of this Notice is \$1.6 million per annum and will not increase in FY17.

Seventy percent of the CEO's Plan incentive opportunity will be delivered as LTI and the remaining 30% will be delivered as STI.

The performance hurdles for both the LTI and STI components of the Plan are heavily weighted to financial performance.

### Details of the CEO's FY17 LTI grant

The CEO's FY17 LTI will be granted as exercisable Performance Rights. A Performance Right is a right to receive an ordinary share in the Company at no cost, subject to the satisfaction of performance conditions. However, the Company retains discretion to pay a cash equivalent payment instead of allocating shares (for example, this will often be appropriate where Performance Rights vest after cessation of employment).

The CEO is eligible to receive a maximum of 2,583,919 Performance Rights as his FY17 LTI award. This number has been determined by dividing the CEO's LTI opportunity of \$2,240,000 by the volume weighted average price (VWAP) of Company shares traded on the ASX over the 60 trading days up to and including 30 June 2016 (\$0.8669). However, the Board may exercise its discretion to award a lower number of Performance Rights than the maximum if it believes it is appropriate due to market conditions. The Performance Rights do not have dividend or voting rights attached to them.

### *Performance hurdles for the LTI in FY17*

The Performance Rights will only vest if the performance hurdles are met. The hurdles are tested at the end of the three year performance period ending on 30 June 2019. There is no retest of the hurdles if they fail the 3 year test. Any Performance Rights that do not meet the vesting criteria at the test date will lapse. Any Performance Rights that vest will become exercisable (at no cost to the CEO) for a period of up to three years from the vesting date. Any Performance Rights that remain unexercised at the end of this period will lapse.



For FY17 there will be three (3) independent performance hurdles:

1. 35% of the allocation will have a Relative TSR performance hurdle with an S&P ASX 200 Index comparator group.
2. 35% of the allocation will have a Relative TSR performance hurdle with an S&P ASX300 Media Index comparator group.
3. 30% of the allocation will have a performance hurdle based on a strategic measure which for FY17 is based on the performance of the Domain business.

Due to the commercial sensitivity of the Domain measure, it will not be disclosed to the market at the current time, but will be disclosed after the test period has finished.

For each of the above Relative TSR hurdles, the percentage of Performance Rights that vest at the end of the performance period will be determined by reference to the following table:

<b>Fairfax's Relative TSR rank</b>	<b>Percentage of Rights That Vest</b>
Below 51st percentile	0%
At the 51st percentile	50%
Between the 51st - 75th percentile	Straight line pro rata vesting between 50% - 100%
At or above the 75th percentile	100%

The Board has chosen the two Relative TSR comparator groups as it believes these 2 measures together will be a reflection of the Company's performance against the market generally but also against its industry peers facing similar structural change. The Domain measure has been chosen as Domain growth is a key part of the Company's strategy.

The Board retains discretion to deem the performance hurdles not met if vesting would otherwise only occur as a result of extraneous factors that do not, in the reasonable opinion of the Board, reflect true Company performance.

#### Details of the CEO's FY17 STI grant

The CEO has an STI opportunity of \$960,000 and any STI award that the CEO becomes entitled to receive will be delivered in Performance Shares following the end of FY17 if annual targets based on Company strategy are met. The targets are set by the Board at the beginning of the financial year.

The FY17 targets are financially based to grow shareholder value over time. They reflect specific accountabilities for the CEO, including achieving the Group EBITDA target, identified revenue growth, effective management of costs and other strategic goals including the continued review of the Company's portfolio of businesses to maximise value for shareholders. The specific targets for Mr Hywood for FY17 are commercially sensitive at this time. However, the Company will report on the targets and achievement against them in its 2017 Remuneration Report.

Any Performance Shares earned will not be immediately available to the executive. Fifty percent of the earned shares will be deferred for 1 year and the other 50% for 2 years post grant. This further aligns the value to the CEO of the Performance Shares with the Company's share price over the longer term.

The number of Performance Shares granted (if any) will depend on the value of Fairfax shares after the August 2017 results announcement, and will be determined by dividing the CEO's STI outcome by the VWAP of Fairfax shares traded over the 5 trading days commencing on the day after the August 2017 results announcement (2017 VWAP).

Because the maximum number of Performance Shares that may be granted is based on the 2017 VWAP, it cannot be determined until after the FY17 results announcement. However, by way of example, if Mr Hywood met all of the set targets for FY17, \$960,000 would be deferred into equity. If the relevant VWAP over the 5 trading days commencing on the day after the August 2017 results announcement was \$1.00, Mr Hywood would receive 960,000 Performance Shares.

#### Cessation of employment

Unvested Performance Shares and Performance Rights will generally be forfeited or will lapse if Mr Hywood resigns or his employment is terminated for cause. In other circumstances, the unvested awards remain on foot subject to the original performance hurdles (in the case of the Performance

Rights) and the relevant deferral period (in the case of Performance Shares) and will be tested in the normal course.

However, the Board has the discretion to lapse or forfeit all or any of the unvested Performance Rights and Performance Shares.

Vested but unexercised Performance Rights will be forfeited if Mr Hywood's employment is terminated for cause, or will remain on foot in other circumstances of cessation of employment. Any vested Performance Rights that remain on foot will be exercisable up to the 1<sup>st</sup> anniversary of the date of cessation.

#### Other information provided under ASX Listing Rule 10.15

- If approval is given under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1. This means that the Performance Rights and Performance Shares granted to Mr Hywood and any shares issued pursuant to this approval will not use up part of the 15% available under ASX Listing Rule 7.1.
- Mr Hywood is the only Director (or associate of a Director) entitled to participate the Plan.
- This is the first time that Mr Hywood is being granted securities under the new Plan. In accordance with the approval of shareholders at the 2015 AGM for Mr Hywood's FY16 grant under the TIP, Mr Hywood was granted 4,666,666 Options. Under the TIP the Options were issued at nil cost to the executive and have an exercise price of \$0.88. Mr Hywood was not allocated any Performance Shares in 2016.
- Any Performance Rights and Performance Shares issued to Mr Hywood under the Plan with shareholder approval are issued at no cost to him.
- No loans will be made by the Company in relation to the acquisition of securities under the Plan.
- It is intended that the grant of Performance Rights for which shareholder approval is being requested will be granted to Mr Hywood shortly after the 2016 AGM and Performance Shares (if earned) would be allocated shortly after the August 2017 results announcement. In any event, the grant of Performance Rights and allocation of any earned Performance Shares will be no later than 12 months after the 2016 AGM.

**The Board (Mr Hywood abstaining) unanimously recommends that shareholders approve Resolution 4.**

## **AGENDA ITEM F**

### **Resolution 5 - Adoption of Remuneration Report**

#### **Resolution 5 is supported by the Board**

The Remuneration Report, which forms part of the Fairfax 2016 Annual Report (available at [www.fairfaxmedia.com.au](http://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, Executive KMP and other senior Group executives.

At the AGM, 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.

A summary of our remuneration practices and incentive plans in place in FY16 is set out below.

#### **Executives and Board Remuneration in FY16**

The areas of note in FY16 were:

- Executive KMP fixed remuneration remained unchanged from FY15.
- Executive KMP continued to voluntarily invest 10% of their annual fixed remuneration into the purchase of Company shares.
- A market review of Directors fees was conducted during the year and the Board resolved to increase fees on 1 October 2015. This followed a period of 4 years since the last increase, and a reduction in base fees from 1 July 2013.

#### Transformation Incentive Plan:

FY16 was the third and final year of the Transformation Incentive Plan (TIP). The TIP was implemented following shareholder approval at the 2013 Annual General Meeting (AGM), and further approvals at the 2014 and 2015 AGMs. Incentives in the TIP were heavily weighted towards achieving long-term growth, with a smaller portion based on the delivery of short-term objectives.

The TIP strongly aligned executive rewards with shareholder interests and any incentive awards for Executive KMP were made entirely in equity through a combination of long term Options and annual deferred Performance Shares, subject to the achievement of performance hurdles.

**Short term incentives:** In FY16, the short term performance targets for Executive KMP were based on the achievement of the Group EBITDA target set at the beginning of the year. The ambitious target was narrowly missed because the Company continued to make substantial investments in long term growth opportunities at the expense of short term EBITDA and so no annual incentive was paid in FY16.

**Long term incentives:** The 2014 allocation under the TIP vested following the end of the performance period at 30 June 2016. The performance hurdle for this allocation was absolute total shareholder return (Absolute TSR). The compound annual growth rate (CAGR) for Absolute TSR over the three year period from 1 July 2013 to 30 June 2016 was 26.9%. This exceeded the growth targets and full vesting occurred following Board determination early in FY17.

Over the three year period from 1 July 2013 to 30 June 2016, the Company's market capitalisation increased by 84% and full vesting of the 2014 Options reflected management's achievements in this regard.

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

***The Voting Exclusion Statements for Resolutions 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](http://www.linkmarketservices.com.au), click on 'AGM Questions' and follow the prompts. All questions must be received by 5:00pm (AEDT) on Thursday 27 October 2016. 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"/>
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.









## **FAIRFAX MEDIA LIMITED**

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1 Darling Island Road  
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**[www.fairfaxmedia.com.au](http://www.fairfaxmedia.com.au)**