



**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 5 November 2015, commencing at 10:30 am at The Westin Sydney, Heritage Ballroom, Level 6, No. 1 Martin Place, Sydney NSW 2000.**

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, including myself;
- the approval of the allocation of Performance Shares and share Options to the CEO/Managing Director, Mr Gregory Hywood, under the Fairfax Transformation Incentive Plan; and
- adoption of the 2015 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.

Sincerely

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 (Sydney time) on Thursday 5 November 2015 at The Westin Sydney, Heritage Ballroom, Level 6, No. 1 Martin Place, Sydney NSW 2000.

## 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 – 4: Election and re-election of Directors

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

1. 'That Mr Nick Falloon be elected as a Non-executive Director of the Company.'
2. 'That Mr Michael Anderson be re-elected as a Non-executive Director of the Company.'
3. 'That Mr Jack Cowin be re-elected as a Non-executive Director of the Company.'
4. 'That Mr James Millar be re-elected as a Non-executive Director of the Company.'

**The Board (other than the relevant Director for his own election/re-election) recommends that shareholders vote in favour of resolutions 1-4.**

### E. Resolution 5: Grant of Performance Shares and share Options to the Chief Executive Officer & Managing Director under the Fairfax Transformation Incentive Plan (TIP) for FY2016

5. 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) 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 5.**

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

### F. Resolution 6: Adoption of Remuneration Report

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

6. 'That the Company's Remuneration Report for the financial year ended 28 June 2015 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 6.**

*Note: the voting exclusion set out below applies to Resolution 6.*

## AGM ONLINE WEBCAST

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

## 2015 ANNUAL REPORT

The 2015 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 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 5**

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

- *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 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 a member of the Company's KMP).*

### **Voting Exclusion Statement for Resolution 6**

The Company will **disregard** any votes cast on Resolution 6:

- *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 6, 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 6 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 on 3 November 2015

### **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 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 (Sydney time) on Tuesday 3 November 2015**. 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 on 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 5 and 6**

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 5 and 6, 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 5 and 6.

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 5 and 6.

#### **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 (Sydney time) on Tuesday 3 November 2015 (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 10:30 am (Sydney time) Thursday 29 October 2015. 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**

**25 September 2015**

#### **Registered Office**

**Fairfax Media Limited**

1 Darling Island Road

Pymont 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 28 June 2015 will be tabled at the meeting.

The Financial Report, the Directors' Report and the Auditors' Report are contained in the 2015 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, 3 and 4 are supported by the Board**

##### Resolution 1

###### Mr Nick Falloon

Non-executive Director

Independent

Appointed: 1 May 2015

On 1 May 2015, the Board appointed Mr Nick Falloon 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 Falloon, being eligible, is standing for election at the Company's Annual General Meeting.

Mr Falloon succeeded Mr Corbett as Chairman on 1 September 2015. He brings deep media knowledge and skills to the Board.

Mr Falloon has 30 years' experience in the media industry. He served as Chief Executive Officer of Publishing and Broadcasting Limited (PBL) from 1998 to 2001 and before that as Chief Executive Officer of PBL Enterprises and Group Financial Director of PBL. The PBL experiences provided a strong background in television, pay TV, magazines, radio and digital industries. From 2002 Mr Falloon spent nine years as Executive Chairman and CEO of Ten Network Holdings.

Mr Falloon holds a Bachelor of Management Studies (BMS) from Waikato University in New Zealand.

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

##### Resolution 2

###### Mr Michael Anderson

Non-executive Director

Independent

Appointed: 2 September 2010

Last elected: 24 October 2012

Board Committees: Member of the People and Culture Committee

Mr Anderson 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 himself for re-election.

Mr Anderson has had a long career in the radio industry including as Chief Executive of Austereo Limited from 2003 until January 2010. During his time as Chief Executive he focused the company on building strong station brands and adapting the business to the changing media market, including building and maintaining market leadership and developing new strategic directions, focusing on target audiences and adapting to increased competition. He has been a leader in adapting to the digital era and is Director of OzTAM Pty Limited and Chairman of Ooh! Media Limited.

**The Board (Mr Anderson abstaining) unanimously recommends the re-election of Mr Anderson to the Board.**

### **Resolution 3**

#### **Mr Jack Cowin**

Non-executive Director

Independent

Appointed: 19 July 2012

Last elected: 24 October 2012

Board Committees: Member of the People and Culture Committee

Mr Cowin 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 himself for re-election.

Mr Cowin is the Founder and Executive Chairman of Competitive Foods Australia, a business that has grown from a single food service outlet to one that employs more than 16,000 staff throughout Australia. Mr Cowin moved to Australia from Canada to establish his business. In addition to operating 350 restaurants in Australia, the company operates five manufacturing facilities producing frozen value-added meat products as well as processing fresh vegetables. It exports to 29 countries. Mr Cowin is also a Director of the Network Ten television business, Chairman and largest shareholder of Domino's Pizza Enterprises Ltd, a listed public company, Director and the largest shareholder of BridgeClimb.

Mr Cowin's skills in growing businesses, and in sales, marketing and management as well as his media expertise are a valuable contribution to Board skills.

**The Board (Mr Cowin abstaining) unanimously supports the re-election of Mr Cowin to the Board.**

### **Resolution 4**

#### **Mr James Millar AM**

Non-executive Director

Independent

Appointed: 1 July 2012

Last elected: 24 October 2012

Board Committees: Member of the Audit and Risk Committee

Mr Millar 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 himself for re-election.

Mr Millar is the former Chief Executive Officer of Ernst & Young (EY) in the Oceania Region and was a Director on their Global Board. Mr Millar commenced his career in the Insolvency and Reconstruction practice at EY, conducting some of the largest corporate workouts of the early 1990's. He resigned from Ernst & Young in 2009. His skills and experience in financial reporting, corporate restructure and management make a valuable contribution to the Board.

Mr Millar is a Non-Executive Director of Mirvac Limited, Helloworld Limited and Macquarie Radio Network Limited. He is Chairman of the Export Finance and Insurance Corporation and Forestry Corporation of NSW. Mr Millar serves a number of charities including as Chairman of The Smith Family, and is a Trustee of the Australian Cancer Research Foundation and the Vincent Fairfax Family Foundation. He is a former Chairman of Fantastic Holdings Limited. He has qualifications in both business and accounting.



**The Board (Mr Millar abstaining) unanimously supports the re-election of Mr Millar 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 FY2016**

**Resolution 5 is supported by the Board**

#### **Resolution 5**

##### Background

The Transformation Incentive Plan (TIP) was introduced in the 2014 financial year following a comprehensive review of the Group's remuneration arrangements and a desire to align our incentives with the achievement of the group's Transformation Plan. The Transformation Plan addressed media industry wide structural changes and focused on transforming our business from traditional media to a more diversified media company over a three to five year period. The TIP is weighted heavily to the long term.

Shareholders have previously approved the grant to the CEO under the TIP for the 2014 and 2015 financial years.

Resolution 5 seeks shareholder approval for the grant of Options and Performance Shares to Mr Hywood under the TIP for FY2016 on the terms described below.

##### CEO Remuneration

The CEO receives 70% of his incentive opportunity in the form of share Options. The exercise price of the Options is determined by the volume weighted average price (VWAP) of Fairfax shares in the 5 days commencing on the day after the AGM. The Options are only valuable if Fairfax's share price increases above the exercise price and the Options achieve the vesting criteria. The performance hurdle to test the vesting of the Options is the compound annual growth rate (CAGR) of absolute total shareholder return (Absolute TSR) to Fairfax shareholders. Absolute TSR measures growth in shareholder wealth over the performance period by taking into account both share price growth and dividends paid to shareholders.

To help incentivise our management team to achieve the shorter term goals which the Board believes will lead to longer term growth, a small proportion, of the TIP opportunity (30%) is in the form of Performance Shares, which may be granted at the end of the 2016 financial year (FY2016) if milestones in our transformation are achieved. To emphasise the alignment of these Performance Shares with the company's longer term performance, access to half of any shares granted is deferred for 12 months post grant and the other half for 2 years. The purpose of the deferral is to link their value to future changes in the Fairfax share price.

The remuneration details for Mr Hywood are set out in the 2015 Remuneration Report.

The Company is seeking approval for these grants as a matter of good corporate governance and in accordance with ASX Listing Rule 10.14, 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 at the relevant time with the best interests of the Company's shareholders in mind.

##### The CEO's grant under the TIP

The CEO's grant for FY2016 has 2 components:

1. 70% of the opportunity constitutes an up-front grant of share Options in the Company at an exercise price determined over the 5 trading days following the AGM; and
2. 30% of the opportunity constitutes an allocation of deferred Performance Shares ('Performance Shares') granted following the end of FY2016 if milestones in the 2016 financial year are achieved. The number of Performance Shares granted depends on achievement of KPIs set by the Board at the beginning of 2016 financial year.



If shareholders approve Mr Hywood's participation in the TIP for FY2016, then he will have the opportunity to earn an incentive of up to the equivalent of 200% of his Fixed Remuneration of \$1.6 million in the TIP if the maximum level of performance is achieved over the next three to four years. In addition, the Absolute TSR growth targets applicable to the Options the performance targets applicable to the Performance Shares are very heavily weighted to financial performance.

#### Grant of Options

As set out above 70% (\$2,240,000) of Mr Hywood's incentive opportunity under the FY2016 TIP will be delivered by an allocation of Options, which vest after 3 years, if the performance hurdle detailed below is achieved.

Each Option entitles Mr Hywood to one ordinary share in the Company, subject to payment of the exercise price. The exercise price of the Options is set based on the VWAP of the Company's shares over the 5 trading days beginning on the day after the AGM.

As an indication of the Option valuation process, the Board has commissioned an independent fair value calculation of the Options (using a Monte Carlo simulation model) as at 8 September 2015. This valuation calculated that at that date the fair value of the Options was \$0.16. This calculation will be recalculated at the date of grant. The Board however has the discretion to place a higher value on the Options (and therefore grant fewer Options than the Monte Carlo formula would calculate) if it believes that this is appropriate because the Board takes a more conservative approach in relation to a number of the assumptions underlying the fair value calculation.

If the valuation at grant date were, for example, \$0.16 per Option, Mr Hywood would be granted 14,000,000 Options (or such lesser number as results from the Directors' valuation) with an exercise price based on the five day VWAP of the Company's shares commencing on the day after the AGM.

These Options will only vest if the Absolute TSR growth performance hurdle is satisfied. This condition will be initially tested on 1 July 2018. Details regarding the performance hurdle are set out below.

#### Performance hurdle for Options: Absolute TSR

The Board adopted the compound annual growth rate of Absolute TSR as the performance condition for the Options as it considers share price growth and other distributions to shareholders to be a key indicator of Fairfax's success over the coming years. The Board believes that the level of growth required in order for the Options to vest would result in a good rate of return to shareholders. The Board also considers absolute return targets to be appropriate during the current rebuilding phase, rather than a relative measure against a variety of companies that are not facing the issues Fairfax currently faces. Put simply, the Board does not believe that there is presently an appropriate comparator group available for the Company at this time.

Absolute TSR will measure growth in shareholder wealth over a minimum three year performance period. The performance period commences on 1 July 2015, and is first tested on 30 June 2018, with two further re-testing opportunities on 31 December 2018 and 30 June 2019. 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. The Absolute TSR targets have been adjusted for the FY2016 grant. The Board considers that the revised Absolute TSR targets for the FY2016 grant represent challenging targets for management and will deliver significant growth in shareholder value if achieved over the performance period.

Performance	% exercisable	Absolute TSR	Estimate increase in Market Capitalisation
Threshold	25%	12.5% CAGR	\$573 million
Target	50%	16% CAGR	\$835 million
Stretch	100%	20% CAGR	\$1,155 million

Any Options remaining unvested after the final test on 30 June 2019 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 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 (for example, the effect of sustained speculation regarding a takeover bid for the Company).

### Grant of Performance Shares

For FY2016, the remaining 30% incentive opportunity (\$960,000) of Mr Hywood's TIP incentive will be in the form of Performance Shares. Any Performance Shares earned will be deferred (50% for 1 year and the other 50% for 2 years post grant), in order to align the value of the Performance Shares with the Company's share price over the longer term.

The actual number of Performance Shares granted (if any) will depend on the value of Fairfax shares after the August 2016 results announcement, and will be determined by dividing the percentage of the award that vests by the VWAP over the 5 trading days commencing on the day after the August 2016 results announcement. 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 FY2016 results announcement.

**An example calculation using the above formula:** If Mr Hywood met all of the milestones set for FY2016 and the relevant VWAP over the 5 trading days commencing on the day after the August 2016 results announcement was \$0.97, the maximum value (of \$960,000) will be divided by \$0.97 and Mr Hywood would receive a maximum of 989,690 Performance Shares.

These Performance Shares will be granted for achieving annual milestones in the transformation strategy. These milestones are set at the beginning of the financial year by the Board in line with the strategic plan. Milestone targets selected for the FY2016 are designed to drive financial growth for shareholders over time. They reflect specific accountabilities for the CEO, including achieving the Group EBITDA target, identified revenue growth opportunities, ensuring prudent management of costs and other strategic goals including the continued review of our portfolio to maximise value for shareholders. The specific targets for Mr Hywood for FY2016 are commercially sensitive at this time. However, the Company will report on the targets and achievement against them in our 2016 Remuneration Report.

### 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

Under ASX Listing Rule 7.1, a listed entity has the ability to issue 15% of its issued capital without security holder approval in a 12 month period. When an entity issues or agrees to issue securities under ASX Listing Rule 7.1 without security holder approval, that issue or agreement to issue uses up part of the 15% available under that rule. However, 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 Options 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 entitled to participate in any of the Company's equity incentive schemes, including the TIP. In accordance with the approval of shareholders at the 2014 AGM for Mr Hywood's FY2015 grant under TIP, Mr Hywood was granted 4,666,666 Options at no cost (but with an exercise price of \$0.82000). He was not allocated any Performance Shares.

The Options and Performance Shares the subject of this approval will be issued to Mr Hywood at no cost to him.

No loans will be made by the Company in relation to the acquisition of securities 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 2016 results announcement but, in any event, the grant of Options and allocation of Performance Shares will be no later than 12 months after the 2015 AGM.

**The Board (Mr Hywood abstaining) unanimously recommends that shareholders approve Resolution 5.**

## AGENDA ITEM F

### Resolution 6 - Adoption of Remuneration Report

#### Resolution 6 is supported by the Board

The Remuneration Report, which forms part of the Fairfax 2015 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 and 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 the 2015 financial year is set out below.

#### Executive Remuneration in FY2015

Important highlights in relation to executive remuneration in FY2015 were that:

- the majority of senior executive salaries remained unchanged;
- the KMP continued to salary sacrifice 10% of their annual fixed remuneration into Fairfax shares; and
- two allocations under the previous long term incentive schemes were eligible to vest at the end of 2015. The 2012 allocation did not meet the performance hurdles and was forfeited in full. The performance rights in the 2013 allocation partially vested. The vesting of these rights is reflective of strong shareholder growth over the performance period. There were no deferred Performance Shares issued to executive KMP under the TIP as the annual targets were not achieved, and no Options were eligible to vest in 2015. Further details on the TIP are provided below.

Transformation Incentive Plan:

Shareholders at the 2014 Annual General Meeting approved the Remuneration Report which included a description of the Company's Transformation Incentive Plan, which continued in 2015. Incentives continue to be heavily weighted toward achieving long-term growth, with a smaller portion toward delivering short-term objectives.

The TIP strongly aligns executive rewards with shareholder interests since any incentive award for KMP is made entirely in equity, through a combination of long term Options and annual deferred Performance Shares, which are subject to achievement of performance hurdles.

There were two changes made to the TIP which were consistent with the approval by shareholders of the Chief Executive Officer & Managing Director's grants at the 2014 AGM and were implemented for 2015:

- for the deferred Performance Shares component, executives can now only earn 20% of their opportunity for "on-budget" performance rather than 50% in previous years; and
- the Options granted in FY2015 will be tested based on performance over an initial period of 4 years, commencing 1 July 2013, rather than 3 years. This is the same commencement date as the performance period for the FY2014 grant because 1 July 2013 was the beginning of Fairfax's Transformation Plan.

Annual Component: In 2015 the Board reduced the amount of incentive available to KMP for achieving budgeted outcomes. KMP were assessed against two annual metrics, Group EBITDA and Group Revenue. Management recognised that there was a strategic imperative to continue to focus on long term growth, as well as short term earnings, and made certain decisions to invest to support the long term growth of the Group. As a result, KMP narrowly missed achieving the budget targets and no annual component was paid in 2015.

Options: None of the allocations under the TIP were eligible to vest in 2015. However, both the 2014 and 2015 allocations are currently tracking to satisfy performance hurdles which if achieved will deliver strong value to shareholders.

The Board remains confident that the TIP structure aligns executive rewards with our shareholders over the medium and longer term and provides an appropriate incentive to deliver our strategy.

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

***The Voting Exclusion Statements for Resolutions 5 and Resolution 6 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 10:30 am (Sydney time) on Thursday 29 October 2015. 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"/> <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**

GPO 506  
Sydney NSW 2001

1 Darling Island Road  
Pyrmont NSW 2009

Telephone: 02 9282 2833

**[www.fairfaxmedia.com.au](http://www.fairfaxmedia.com.au)**