

CORPORATE GOVERNANCE

APN News & Media Limited and Controlled Entities

The Board of APN News & Media Limited endorses good corporate governance practices and oversees an organisation-wide commitment to high standards of legislative compliance and financial and ethical behaviour.

The Directors' overriding objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interests of all shareholders and ensures the Company is properly managed.

The Company has considered the best practice recommendations established by the ASX Corporate Governance Council "Corporate Governance Principles and Recommendations" (2nd edition) in effect during the reporting period (Recommendations) and, except to the extent indicated below, has complied with the Recommendations for the entire reporting period. In addition, a description of the Company's main corporate governance practices and policies are set out below. This report is available on the Company's website www.apn.com.au.

Board of Directors

Board responsibilities

The Board is responsible for overseeing the long-term profitable growth of the Company. This is achieved through a process of regular reviews of strategy, operations and areas of risk. The Board sets overall corporate policy and provides guidance for senior management, as well as oversight of policy execution.

The responsibilities of the Board are to:

- oversee the workings of the Company, including its control and accountability systems;
- appoint and remove the Chief Executive;
- appoint and remove the Chief Financial Officer (based on the recommendation of the Chief Executive);
- appoint and remove the Company Secretary;
- provide input into and approve corporate strategy;
- provide input into and approve the annual operating budget (including the capital expenditure budget);
- approve and monitor the progress of major capital expenditure, capital management and acquisitions/divestitures;
- monitor compliance with legal and regulatory obligations; and
- review and ratify systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies.

Responsibility for the day-to-day operations of the Company is conferred on the Chief Executive who reports to the Board and provides the Board with information in relation to the conduct of the business of the Company. The Chief Executive exercises this responsibility in accordance with Board-approved annual operating budgets and reports to the Board at regular Board meetings. The Company's senior executive team meet regularly (usually monthly) to examine the performance of the Company compared to Board-approved operating budgets and policies.

Term of office

The Constitution of the Company currently specifies that there shall be no fewer than three Directors and no more than 20.

The Constitution of the Company specifies that at every Annual General Meeting one-third of the Directors (other than any Managing Director and Directors appointed since the most recent Annual General Meeting), or if their number is not a multiple of three, then the number nearest to one-third, shall retire from office and be eligible for re-election.

The Directors to retire in every year shall be the Directors longest in office since last being elected or re-elected.

A Director appointed since the most recent Annual General Meeting shall hold office only until the next following Annual General Meeting and shall then be eligible for re-election by shareholders.

Composition and qualifications

The Board currently consists of nine members: eight non-executive Directors and one Managing Director. During the reporting period, two non-executive Directors retired from the Board and immediately after the reporting period one non-executive Director joined the Board. Mr Hopkins, who was the Chief Executive on secondment from Independent News & Media PLC (INM), retired from the position of Chief Executive during the reporting period. The Board appointed Mr Chenoweth as Managing Director and Chief Executive Officer effective 1 January 2011.

Details of the names, qualifications, tenure, skills, experience and Board Committee memberships of the current Directors and the meeting attendances of Directors during the reporting period appear on pages 20 to 23 and 25 of this Annual Report.

Board procedure

The Board meets formally on at least six occasions during the financial year. From time to time, meetings are held at the offices of divisional operations enabling Directors to obtain increased knowledge of individual Company operations.

Meeting agendas

Meeting agendas are settled by the Chairman of the Board with input from the Chief Executive to ensure adequate coverage of financial, strategic and major risk areas throughout the financial year. Directors add items to the agenda. From time to time, non-executive Directors discuss issues, on an as needs basis, without management present.

Independent advice

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, however, this will not be unreasonably withheld.

Independence of Directors

The Board has engaged in a program of Board renewal and the Company now complies with the definition of independence applicable to Recommendation 2.1. During the reporting period, prior to the implementation of the Company's program of Board renewal, the Company did not comply with Recommendations 2.1 and 2.2 due to some Directors, including the Chairman, having an association with the significant shareholder, INM.

The Board believes that the existence of this association in relation to certain Directors does not interfere with the independent judgement of any of the Directors or impedes the Directors' ability to act in the best interests of the Company.

In terms of assessing independence, Directors are considered to meet the threshold for independence if they are independent of management and free from any business or other relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. Rather than applying materiality thresholds, materiality is assessed on a case-by-case basis.

In relation to the reporting period, the following Directors are considered by the Board to be independent:

AE Harris, Deputy Chairman
KJ Luscombe
JH Maasland
PP Cody
PM Cosgrove.

The Board does not accept the fact that a Director was an executive of the Group within 3 years prior to his Board appointment should automatically be regarded as interfering with the Director's independence or ability to act in the best interests of the Company.

Mr Cody is considered by the Board to be independent despite being a former executive as he exercises independent judgement and his executive role with the Company ceased in August 2003.

In relation to the reporting period, the following Directors were affiliated with INM:

GK O'Reilly, Chairman
VC Crowley
AC O'Reilly (retired as a Director on 31 December 2010)
DJ Buggy (retired as a Director on 31 December 2010).

Mr Hopkins was the Chief Executive of the Company on secondment during the reporting period. Following the shortening of his secondment Mr Hopkins retired as a Director effective 31 December 2010.

Performance evaluation

From time to time, including during the reporting period, the operation of the Board, its Committees and individual Directors and their performance are discussed and, where appropriate, measures are taken to enhance their effectiveness. The Company uses various methods to evaluate performance including interviews with Directors. Outside advisers are also engaged to provide advice from time to time.

Board Committees

The Board has established a number of Committees to assist in the execution of its duties and to allow detailed consideration of various issues.

Current Committees of the Board include among others, the Nomination Committee, Remuneration Committee and Audit Committee which all consist entirely of non-executive Directors.

Each of these Committees has its own formal charter setting out the authority delegated to it by the Board. Copies of the charters are available on the Company's website.

All matters determined by these Committees are submitted to the full Board for ratification.

Nomination Committee

The Board established a Nomination Committee in 1997. During the reporting period, the Nomination Committee consisted of the following non-executive Directors:

- **GK O'Reilly (Chairman)**
- **JH Maasland**
- **PP Cody**
- **PM Cosgrove**
- AC O'Reilly (retired as a Director on 31 December 2010).

The main role of the Nomination Committee is to:

- review the composition of the Board to ensure it is comprised of members who provide the required breadth and depth of experience and knowledge to achieve the objectives of the Board;
- ensure the filling of any vacancies on the Board with the best possible candidate through the use of executive search firms and/or by direct approach; and
- consider the appointment of additional Directors to provide the expertise to achieve the strategic and economic goals of the Group.

Once a potential candidate for the Board is identified, the Nomination Committee conducts a review of the relevant candidate's experience and qualifications and the needs of the Company and the Board. Following the review, the Nomination Committee may recommend to the Board that the candidate be appointed a Director.

CORPORATE GOVERNANCE

APN News & Media Limited and Controlled Entities

Remuneration Committee

The Board established a Remuneration Committee in 1997. During the reporting period the Remuneration Committee consisted of the following non-executive Directors:

- **AE Harris (Chairman)**
- **KJ Luscombe**
- **GK O'Reilly**
- **VC Crowley.**

The main role of the Remuneration Committee is to:

- ensure that remuneration policies and practices are consistent with the strategic goals of the Group and are relevant to the achievement of those goals;
- review on an annual basis the remuneration of executive Directors, including establishing the overall benefits and incentives;
- review in consultation with the Chief Executive, remuneration packages of executives reporting directly to the Chief Executive;
- review non-executive Directors' remuneration and benefits;
- obtain independent advice, as necessary, on the appropriateness of remuneration; and
- be responsible for reviewing general incentive schemes and superannuation plans.

The performance of senior executives is evaluated on an ongoing basis by the Chief Executive who then makes recommendations to the Remuneration Committee in relation to the appropriate level of remuneration for the senior executives based on their performance against budgeted profitability targets (either Group or divisional as appropriate) and the achievement of individual business objectives. The Remuneration Committee reviewed the remuneration of the senior executives (including the Chief Executive) during the reporting period in accordance with this process.

Non-executive Directors may receive retirement benefits in accordance with the Company's constitution and the *Corporations Act 2001*.

Further details on remuneration policy and the structure of executive and non-executive Director remuneration and further details of the appraisal and performance evaluation applicable to senior executives appear on pages 27 to 39 of this Annual Report.

Audit Committee

The Board established an Audit Committee in 1993. During the reporting period, the Audit Committee consisted of the following non-executive Directors:

- **JH Maasland (Chairman)**
- **AE Harris**
- **KJ Luscombe**
- DJ Buggy (retired as a Director on 31 December 2010).

The main role of the Audit Committee is to:

- review the scope and effectiveness of the internal and external audit functions, financial reporting and risk management;
- review and consider any reports or findings arising from any audit function either internally or externally;
- review the interim and annual financial statements;
- ensure that there are adequate disclosures and that the financial statements are consistent with previous statements and disclosures;
- assess the consistency of disclosures in the financial statements with other disclosures made by the Company to the financial markets and other public bodies;
- review the appointment, independence, performance and remuneration of external auditors and assess the ability of the external auditors to provide additional services which may be occasionally required;
- review and assess the adequacy of compliance with all regulatory requirements and generally accepted accounting principles;
- review and monitor internal financial controls to ensure they are adequate and effective to minimise financial and other major operating risks;
- review the integrity and prudence of procedures for management control;
- consider the adequacy of internal controls by reviewing management letters and the response of management;
- review and approve risk management policy and consider reports on risk management; and
- assess the effectiveness of risk management throughout the Company and the Group and report to the Board on risk management.

The Audit Committee has unlimited and unrestricted access to management and employees and regular meetings are held with the external auditors, providing an essential direct link between the auditors, management and the Board.

Audit Committee meetings are held at least twice a financial year to evaluate the financial information submitted to it and to review any procedures and policies that would affect the accuracy of that information.

Audit Committee meetings are regularly attended by the Chief Executive, Chief Financial Officer, Company Secretary, Internal Auditor Manager and the external auditors.

An ongoing five year rotation policy applies to the engagement partner of the external auditor of the Company.

CORPORATE GOVERNANCE

APN News & Media Limited and Controlled Entities

Environment

The Company supports best practice and is committed to complying with all relevant legislation in relation to both the production of its products and environmental issues generally. The Group regularly discusses new products and processes with its suppliers and environmental issues are considered as part of the decision-making process for such matters.

Risk management

In addition to the role of the Audit Committee in the area of risk oversight and management, the Board monitors the operational and financial performance of all business units through regular reports from the Chief Executive to enable the identification of the key business and financial risks which may prevent the Group from achieving its objectives.

This enables the Directors and executives to be fully informed of such risks to ensure that appropriate controls are in place to effectively manage those risks.

The Company maintains a Risk Management Policy to facilitate the oversight and management of material business risk. The approach of the Group to risk management is based on:

- ensuring that each of its business divisions and the Group as a whole:
 - identify actual and potential risks which would have a material impact on the Group;
 - assess their impact on business and financial objectives of the Group; and
 - implement effective and appropriate strategies and actions to address risk issues;
- clearly identifying responsibility and accountability for financial, operational and risk management issues; and
- the continued review and assessment of the Group's approach to risk management.

Where appropriate, external professional advice is obtained to evaluate, assess and/or rectify potential key business or financial risks within the Group.

Implementation of enhancements to the Risk Management Policy and risk management framework endorsed by the Board are pursued on an ongoing basis. For example, the Board has adopted a Fraud Policy to facilitate the development of controls which will aid in the detection and prevention of fraud. The Risk Management Policy and Fraud Policy are available on the Company's website. In addition, during the reporting period management further enhanced its risk management process by the development and implementation of the Group Risk Register. The Group Risk Register is used by management to ensure that the significant risks faced by the Company are identified, assessed and managed appropriately. The results are communicated to the Audit Committee periodically.

As part of the Company's risk management and internal compliance procedures, the Chief Executive and Chief Financial Officer are required to state to the Board in writing and in accordance with section 295A of the *Corporations Act 2001* that the Company's financial reports present a true and fair view of the Company's financial condition and operational results, and are in accordance with relevant accounting standards. The Chief Executive and Chief Financial Officer also confirm to the Board that their statements are based on a sound system of risk management and internal compliance and controls and that this system is operating effectively in all material respects, and all material Group risks are being managed effectively. Accordingly, through this statement, management reports to the Board as to the effectiveness of the Company's management of its material business risks.

Shareholder communication and continuous disclosure

As part of an overall policy of open disclosure, the Company ensures that all material communications regarding its operations are made available for all interested stakeholders in a timely fashion. The Company has a policy in place to ensure compliance with Australian Securities Exchange (ASX) and NZX Limited (NZX) Listing Rules regarding disclosure and to ensure accountability at a senior management level for compliance. The Market Disclosure Policy is designed to ensure that there is full and timely disclosure of the Company's activities to shareholders and the market, in accordance with the Company's legal and regulatory obligations. In summary, the Market Disclosure Policy provides for the following:

- the disclosure of price-sensitive information (unless there is an applicable exception);
- the Company's approach to market speculation;
- disclosure responsibilities and procedures; and
- how external communications are conducted.

A copy of the Market Disclosure Policy is available on the Company's website.

The Company's website lists announcements made to the market, press releases, presentations to industry analysts and investors, and information regarding annual and interim financial results. The details are posted to the website as soon as practicable after release to the ASX and NZX. Copies of recent past Company Annual Reports and details of the outcome of Annual General Meetings are also available from the website, or upon request directly from the Company.

Announcements, press releases and financial data for the past three years are available on the Company's website. Shareholders also have the option to receive certain electronic communications from the Company.

CORPORATE GOVERNANCE

APN News & Media Limited and Controlled Entities

In relation to shareholder participation at Annual General Meetings shareholders are encouraged to attend either in person or by proxy or corporate representative (if applicable). The Company has in recent years provided a facility for the electronic lodgement of proxies. The Company has also provided a live webcast of its Annual General Meeting through the Company's website. Shareholders attending the Annual General Meeting are able to ask questions of the external auditor, who is requested by the Company to attend each Annual General Meeting to respond to queries about the conduct of the audit, the preparation and content of the Independent Audit Report, the accounting policies adopted by the Company and the independence of the auditor.

Since the end of the reporting period the Market Disclosure Policy has been amended to provide that:

- where possible the Company will arrange for advance notification of significant briefings (including but not limited to, results announcements) and make them widely accessible, including through the use of web-casting or any other mass communication mechanism as may be practical; and
- for shareholders who wish to attend General Meetings by proxy, to the extent considered practicable, the Company will provide for the electronic lodgement of proxy forms.

As required by the NZX Listing Rules, the Company discloses that the rules set out in Appendix 17 of the NZX Listing Rules do not apply to the Company as it is a "Dual Listed Issuer" (as defined in the NZX Listing Rules).

Securities trading

Directors and executives are made aware that the law prohibits insider trading. The Directors are aware that the *Corporations Act 2001* and the ASX Listing Rules require disclosure of any trading undertaken by Directors or their related entities in Company securities. Executives are also aware that the NZX Listing Rules impose certain disclosure obligations on some executives.

In addition to these requirements and obligations, the Company has also adopted a Securities Trading Policy and Guidelines. The Securities Trading Policy and Guidelines in force during the reporting period contained trading restrictions on Directors, executives (which includes all key management personnel) and optionholders both where trading is not permitted by law and also during Company designated closed periods prior to the release of half and full year results. This Policy also prohibits the entering into of any hedging or other arrangements by which the economic risk associated with any unvested options held pursuant to the Company's Executive and Director Option Plan are limited. The Policy states that breaches of the Securities Trading Policy and Guidelines will be subject to disciplinary action, which may include termination of employment. A copy of the Securities Trading Policy and Guidelines is available on the Company's website.

To ensure on-going compliance with recent changes to the ASX Listing Rules an updated Securities Trading Policy and Guidelines was adopted by the Company effective 1 January 2011.

Ethical standards

The Group has developed a Code of Conduct embracing policies and other standards within which employees are expected to act. A copy of the Code of Conduct is available on the Company's website.

Under the Code of Conduct, the practices necessary to maintain confidence in the Company's integrity, legal obligations and the reasonable expectations of stakeholders are summarised as follows:

- all Directors and employees are required to abide by laws and regulations and the requirements of the Code of Conduct and to respect confidentiality and the proper handling of information;
- all Directors and employees are required to act with the highest standards of honesty, integrity, objectivity and ethics in all dealings with each other, the Group, customers, suppliers and the community;
- Directors or employees giving and receiving gifts in connection with the operation of the Company and its subsidiaries are covered by the Code of Conduct, as are political contributions which must not be made directly or indirectly on behalf of the Company (or its subsidiaries) without Board approval;
- bribes or similar illegal payments must not be made to government officials, customers, suppliers or any other person in connection with obtaining orders or favourable treatment; and
- full co-operation with internal and external auditors, proper record keeping and the avoidance of conflicts of interest are all required.

It is a term of standard Group employment contracts that employees must comply with Company policy (which includes the Code of Conduct) and failure to do so is considered serious and may have consequences depending on the facts in each case, including termination of employment. Reporting of instances of breaches of the Code of Conduct is encouraged and during the reporting period the Company adopted a Whistleblower Policy to assist in the identification and reporting of breaches of Company policy and similar matters. A copy of the Whistleblower Policy is available on the Company's website. In the event a concern is submitted under the Whistleblower Policy, decisions as to the appropriate action to take in order to investigate and validate any allegations are taken jointly by the Internal Audit Manager, Group General Counsel and Chairman of the Audit Committee.

The Group is committed to compliance with all relevant laws and regulations and continually assesses its operations to ensure the health and safety of its employees and the protection of the environment and the community. The Group employs individuals from a variety of backgrounds and has a workforce with diverse skills, values and experience. This diversity strengthens the Group and is considered an important asset that directly contributes to workforce performance, effectiveness and retention. The Company also sees its encouragement of diversity as a means of increasing the pool of management talent and addressing shortages in available appropriately trained and skilled employees, especially in APN's regional markets.