

CORPORATE GOVERNANCE

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 is set out below.

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.

Term of office

The Constitution of the Company 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 election by shareholders.

Composition and qualifications

The Board currently consists of 12 members: 11 non-executive Directors and one executive Director. During the reporting period two Directors retired from the Board and since the end of the reporting period one Director has joined the Board.

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 31 to 33 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 does not comply with the definition of independence applicable to Recommendations 2.1 and 2.2 due to some Directors, including the Chairman, having an association with the significant shareholder, Independent News & Media PLC.

The Board believes that the existence of this association in relation to certain Directors does not interfere with the independent judgment 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 judgment. 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
S Atkinson
KJ Luscombe
JH Maasland
PP Cody
WJ Whineray.

Sir Wilson Whineray retired as a Director on 6 May 2008.

In relation to the reporting period, the following Directors are affiliated with Independent News & Media PLC:

GK O'Reilly, Chairman
DJ Buggy
PM Cosgrove
LP Healy
AC O'Reilly
JJ Parkinson.

Mr Parkinson retired as a Director on 6 May 2008 and was succeeded by Mr Gavin O'Reilly as Chairman on 6 May 2008.

In relation to the Chief Executive, Mr Hopkins has been seconded by Independent News & Media PLC to the Company until 30 April 2012.

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.

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 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)
S Atkinson
KJ Luscombe
JH Maasland.

Mr Parkinson was succeeded by Mr Gavin O'Reilly as a member and Chairman of the Nomination Committee on 6 May 2008.

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 of the Company.

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)
LP Healy
JH Maasland.

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 on-going 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.

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 21 to 28 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.

Following his retirement Sir Wilson Whineray was succeeded by Mr Maasland as a member and Chairman of the Audit Committee on 6 May 2008.

The Charter of the Audit Committee was reviewed by the Audit Committee during the reporting period and an updated Audit Committee Charter was adopted by the Board on 11 August 2008. 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, other senior management and the external auditors, by invitation.

An on-going five year rotation policy applies to the engagement partner of the external auditor of the Company.

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 Audit Committee has reviewed proposals on the Company's internal audit and risk management framework and as a result of this review, the Board amended the Risk Management Policy and Audit Charter on 11 August 2008. A copy of the Risk Management Policy is available on the Company website. Implementation of enhancements to the Risk Management Policy and risk management framework endorsed by the Board are being pursued on an on-going basis. 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 that their statements to the Board 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 APN 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.

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;
 - implement effective and appropriate strategies and actions to address risk issues; and
- 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.

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 Stock Exchange (ASX) and New Zealand Exchange (NZX) Listing Rules regarding disclosure and to ensure accountability at a senior management level for compliance. A copy of the Market Disclosure Policy is available on the Company website.

The Company website, www.apn.com.au, 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 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 website. Shareholders also have the option to receive certain electronic communications from the Company.

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 and the preparation and content of the auditor's report.

As required by the NZX Listing Rules, the Company discloses the following:

- 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); and
- the Company has been granted a waiver from NZSX Listing Rule 7.12.1, and has relied on the waiver during the year in order to allow the Company to disclose the aggregate number of shares issued under the Company's Executive and Director Option Plan within a month of their issue (as permitted by the ASX Listing Rules), rather than having to make multiple disclosures of issues under that plan as would otherwise be required by NZSX Listing Rule 7.12.1 (subject to certain conditions being complied with).

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.

During the reporting period, the Board established a policy prohibiting 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. This policy was adopted on 9 December 2008 and incorporated into the Securities Trading Policy and Guidelines. A copy of the Securities Trading Policy and Guidelines is available on the Company website.

ETHICAL STANDARDS

The Group has developed a Code of Conduct embracing policies and other standards within which employees are expected to act. The Code of Conduct was considered and updated by the Board on 11 August 2008. A copy of the Code of Conduct is available on the Company website.

In summary, all Directors and employees are required to abide by laws and regulations, to respect confidentiality and the proper handling of information and 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.

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.