

# ANNEXURE F - NOTICE OF ANNUAL GENERAL MEETING



**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 **Monday 19 November 2018, commencing at 10:30 am (or as soon thereafter following the conclusion of the Scheme Meeting of the Company) on the Ground Floor, Domain, 55 Pyrmont Street, Pyrmont NSW 2009.**

Shareholders attending the AGM will be able to register from 9:30am (i.e. before the Scheme Meeting) 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 re-election of Directors;
- the approval of the allocation of Performance Shares and Performance Rights to the Chief Executive Officer & Managing Director of Fairfax (**CEO**), Mr Gregory Hywood, under the Fairfax Executive Incentive Plan; and
- adoption of the 2018 Remuneration Report.

Although shareholders are being asked to approve the CEO's incentive award, the award will only be made if the proposed merger with Nine does not proceed.

Details of the proposed resolutions 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", with a long horizontal stroke extending to the right.

**Nick Falloon**  
Chairman

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## 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) (or as soon thereafter following the conclusion of the Scheme Meeting of the Company) on Monday 19 November 2018 on the Ground Floor, Domain, 55 Pyrmont Street, Pyrmont NSW 2009.

### AGENDA

#### A. Chairman's address to shareholders

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

#### C. Discussion of the Financial Report, Directors' Report and Auditors' Report

To receive and consider the Financial Report, Directors' Report and Auditor's Report for the financial year ended 24 June 2018.

#### D. Resolutions 1 – 3: Re-election of Directors

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

1. 'That Mr Nick Falloon be re-elected as a Non-executive Director of the Company.'
2. 'That Mr Jack Cowin be re-elected as a Non-executive Director of the Company.'
3. '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 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 of Fairfax under the Fairfax Executive Incentive Plan for FY2019

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

4. 'That approval be given for all purposes, including ASX Listing Rule 10.14, 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 24 June 2018 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.*

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## AGM ONLINE WEBCAST

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

## ANNUAL REPORT

The 2018 Fairfax Media Annual Report is available on our investor website <http://www.fairfaxmedia.com.au/Investors/annual-reports>.

In line with our commitment to the environment and our focus on lowering costs, unless you elect otherwise, we will provide our Annual Report to you by making it available on our website. You will still have the option of receiving, free of charge, a printed copy of the Annual Report or alternatively receiving your shareholder communications by email. To arrange this, please update your details by contacting Link on 1300 888 062 (or from outside Australia, +61 2 8280 7670).

## VOTING EXCLUSION STATEMENTS

### **Voting Exclusion Statement for Resolution 4**

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

- *in favour of the resolution 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 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 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 Company's KMP).*

## 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 17 November 2018

### Voting procedure

The Company will be using electronic voting hand held devices at the AGM again this year. The Chairman of the meeting 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. The Chairman of the meeting intends to vote any undirected proxies in favour of all resolutions.

### 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.

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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 Saturday 17 November 2018**. To lodge your proxy, you may:

- mail it to Fairfax Media Limited, c/o Link Market Services Limited, Locked Bag A14, Sydney South, NSW, 1235;
- deliver it by hand to Link at Level 12, 680 George Street, Sydney 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138;
- fax it to +61 2 9287 0309; 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 or fax (02) 9282 1633. For additional proxy forms, contact Link on 1300 888 062. 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 or 5, unless you direct them how to vote on the relevant resolution. 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 appoint the Chairman of the meeting as your proxy (or the Chairman of the meeting is appointed as your proxy by default), you can direct the Chairman 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 the Chairman 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

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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 Saturday 17 November 2018 (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) Monday 12 November 2018. 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**

**12 October 2018**

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## 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 24 June 2018 will be tabled at the meeting.

The Financial Report, the Directors' Report and the Auditors' Report are contained in the 2018 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 re-election of the Directors

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

#### Resolution 1

##### Mr Nick Falloon

Independent Non-executive Director

Appointed: 26 March 2015

Last elected: 5 November 2015

Board Committees: Chair of Nominations Committee and Member of the Audit and Risk Committee and People and Culture Committee

Mr Falloon 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.

Mr Falloon was appointed Chairman of the Board in September 2015. In November 2017, Mr Falloon was appointed to the Board of Domain Holdings Australia (Domain) as Chairman and Non-Executive Director, and served as Executive Chairman of Domain between 22 January 2018 and 27 August 2018.

Mr Falloon has more than 30 years' experience in the media industry.

Mr Falloon 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 the internet. 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 re-election of Mr Falloon to the Board.**

#### Resolution 2

##### Mr Jack Cowin

Independent Non-executive Director

Appointed: 19 July 2012

Last re-elected: 5 November 2015

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.

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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 18,000 staff throughout Australia and New Zealand. Mr Cowin moved to Australia from Canada in 1969 to establish his business. In addition to operating 420 restaurants in Australia, the company operates five food manufacturing facilities producing frozen value-added meat products as well as processing fresh vegetables. It exports to 29 countries.

Mr Cowin is also a Chairman and the largest shareholder of Domino's Pizza Enterprises Ltd, a listed public company and the largest shareholder and a Director of BridgeClimb.

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

## Resolution 3

### Mr James Millar

Independent Non-executive Director

Appointed: 1 July 2012

Last re-elected: 5 November 2015

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.

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 has qualifications in both business and accounting. Mr Millar is a Non-Executive Director of Mirvac Limited and Macquarie Media Limited. He is Chairman of both the Export Finance and Insurance Corporation and Forestry Corporation of NSW. Mr Millar serves a number of charities where he is Chairman of the Vincent Fairfax Family Foundation. He is a former Chairman of Fantastic Holdings Limited and Director of Helloworld Limited and Slater and Gordon Limited and a former Chairman of The Smith Family.

**The Board (Mr Millar abstaining) unanimously recommends the re-election of Mr Millar 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 FY19**

**Resolution 4 is supported by the Board**

## Resolution 4

**Please note that if the proposed merger with Nine Entertainment Co. Holdings Limited (Nine) is approved by shareholders and proceeds, it is intended that the award of Performance Shares and Performance Rights under Resolution 4 will not be made to the CEO (even if it is approved by shareholders at the AGM).**

**Shareholders should review the Notice of Meeting with this background in mind.**

## Background

### The Executive Incentive Plan

The Company's Executive Incentive Plan (Plan) is designed to reward senior executives if they achieve the strategic short term and long term goals for the Company over a three year period.

Similar to last year, the Plan is heavily weighted toward achieving medium to long term growth and financial performance, based on objective measurable goals, and to align with growth in shareholder value.

### CEO's participation in the Plan for FY19

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Resolution 4 seeks shareholder approval for the CEO to participate in the Plan and for the grant of Performance Shares and Performance Rights to Mr Hywood under the Plan if the merger with Nine does not proceed.

The CEO's grant for FY19 has 2 components:

1. Long Term Incentive (**LTI**): delivered in the form of Performance Rights following the 2018 AGM; and
2. Short Term Incentive (**STI**): if STI performance targets are met, any award will be delivered 60% in Performance Shares and 40% in cash following the end of FY19.

The key terms of Mr Hywood's participation in the Plan for FY19 are set out below.

## **Why is shareholder approval being sought?**

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.

## **Incentive opportunity under the Plan**

The CEO's maximum incentive opportunity remains unchanged at 200% of his fixed remuneration (**Plan Incentive**). Seventy percent of the CEO's Plan Incentive opportunity is LTI and the remaining 30% is STI.

The CEO's fixed remuneration as at the date of this Notice is \$1.6 million per annum, and will not increase in FY19.

## **Details of the CEO's FY19 LTI grant**

If the merger with Nine does not proceed, the CEO's FY19 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 Performance Rights do not have dividend or voting rights attached to them.

### *Quantum & number of Performance Rights*

The CEO's maximum LTI opportunity for FY19 is \$2,240,000 and the CEO will be awarded a maximum of 3,096,488 Performance Rights.

This number of Performance Rights has been determined by dividing the maximum opportunity by the volume weighted average price (VWAP) of Company shares traded on the ASX over the 60 trading up to and including the 30 June 2018 (\$0.7234). 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.

### *Performance hurdles for the FY19 LTI award*

The Performance Rights will only vest if the performance hurdles are met at the end of a three year performance period, ending on 30 June 2021. There is no retest of the hurdles if they fail the 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.

The three (3) independent performance hurdles remain unchanged from FY18 for FY19:

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 ASX 300 Media Index comparator group.



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3. 30% of the allocation will have a performance hurdle based on a strategic measure.

Due to the commercial sensitivity of the strategic 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:

Fairfax's Relative TSR rank	Percentage of Rights That Vest
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 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 FY19 STI grant

### *STI opportunity & performance targets*

The CEO has the opportunity to receive an STI award with a maximum of 30% of the Plan Incentive (which equates to \$960,000).

If the merger with Nine does not proceed, any STI award that the CEO becomes entitled to receive will be delivered by a combination of 40% in cash and 60% in Performance Shares following the end of FY19 if annual targets based on Company strategy are met. The targets are set by the Board at the beginning of the financial year.

The FY19 targets are financially based to grow shareholder value over time. They reflect specific accountabilities for the CEO, including achieving the EBITDA targets, identified revenue growth, effective management of costs and other strategic goals to maximise value for shareholders. The specific targets for Mr Hywood for FY19 are commercially sensitive at this time. However, the Company will report on the targets and achievement against them in its 2019 Remuneration Report.

### *Performance Share deferral periods*

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.

### *Number of Performance Shares*

The number of Performance Shares granted (if any) will depend on the value of Fairfax shares after the August 2019 results announcement, and will be determined by dividing 60% of the CEO's STI outcome by the VWAP of Fairfax shares traded over the 5 trading days commencing on the day after the August 2019 results announcement (2019 VWAP).

Because the maximum number of Performance Shares that may be granted is based on the 2019 VWAP, it cannot be determined until after the FY19 results announcement. However, by way of example, if Mr Hywood met all of the set targets for FY19, a maximum of \$576,000 (60% of \$960,000) would be deferred into equity. If the relevant VWAP over the 5 trading days commencing on the day after the August 2019 results announcement was \$1.00, Mr Hywood would receive 576,000 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.

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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 Company's 15% placement capacity available under ASX Listing Rule 7.1.

- Mr Hywood is the only Director (or associate of a Director) entitled to participate the Plan.
- In accordance with the approval of shareholders at the 2017 AGM of Mr Hywood's FY18 grant under the Plan, he was granted 3,140,773 Performance Rights under the LTI at no cost.
- In relation to Mr Hywood's short term incentive award for FY18, Mr Hywood is eligible to receive a total STI award of \$663,880. Due to the proposed merger with Nine, no Performance Shares have been allocated to Mr Hywood to date.

If the merger with Nine proceeds, no Performance Shares will be granted to Mr Hywood. Instead the amount that would ordinarily have been delivered to Mr Hywood by granting Performance Shares will be paid in cash upon Scheme Implementation.

If the merger does not proceed, Performance Shares will be granted to Mr Hywood at a time to be determined in the future. This may be following the Fairfax Media Half Year Results Announcement in February 2019 using a VWAP of the Fairfax share price in the 5 days commencing on the day after the Half Year Results Announcement to determine the number of Performance Shares that will be granted.

- Any Performance Rights and Performance Shares issued to Mr Hywood under the Plan with shareholder approval are issued at no cost to him as they form part of his remuneration.
- No loans will be made by the Company in relation to the acquisition of securities under the Plan.
- As noted above, it is intended that the Performance Rights and Performance Shares described above will only be awarded to Mr Hywood if the Nine merger does not proceed.

If the merger does not proceed, it is intended that the Performance Rights will be granted to Mr Hywood shortly after the Fairfax Media Half Year Results Announcement and Performance Shares (if earned) would be allocated shortly after the August 2019 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 2018 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 2018 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 Executive KMP.

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 FY18 is set out below.

Following the end of FY18, Fairfax announced a proposed merger with Nine. Both companies have entered into a Scheme Implementation Agreement with the proposed merger expected to be completed by the end of the 2018 calendar year. The FY18 Remuneration Report relates to FY18 and should be viewed in this manner.

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## Executives and Board Remuneration in FY18

Key remuneration highlights in FY18 are as follows:

- No Executive KMP received an increase in base pay in FY18
- Executive KMP continued to voluntarily invest 10% of their annual fixed remuneration into the purchase of Company shares.
- Director base pay and Committee fees remained unchanged in FY18.
- During the reporting period the Chairman received additional fees which are reported in the statutory remuneration tables and includes:
  - Additional fees relating to work during the private equity process and separation of Domain.
  - Director fees paid by Domain for his role as Chairman of Domain.
  - Fees paid by Domain for his role as Executive Chairman at Domain following the resignation of its Chief Executive Officer effective from 22 January 2018.

## Executive Incentive Plan:

The FY18 Executive Incentive Plan (EIP) remained largely unchanged from FY17. It continued to be heavily weighted towards achieving long-term growth, with a small portion based on the delivery of shorter term objectives. All incentives for Executive KMP were delivered entirely through equity.

The EIP includes Short Term Incentive (STI) and Long Term Incentive (LTI) designed to reward senior executives if they achieve the strategic short term and long term goals for the Company.

To ensure alignment with shareholders, both the STI and LTI in FY18 are awarded in equity using a face value methodology to make the equity allocations. The LTI is normally measured over a three-year period with no re-test. Any STI earned is deferred for a period of 1 - 2 years.

The EIP is heavily weighted towards achieving medium to long term growth, is based on objective measurable goals, and aligns with growth in shareholder value.

**Short term incentives:** In FY18 for Executive KMP the incentive was focused on the achievement of Group EBITDA targets and successful Domain separation. Short term incentive payments to Executive KMP reflect strong EBITDA performance and the achievement of metrics related to the Separation of Domain.

**Long term incentives:** Due to the Domain separation, the value of the FY16 Transformation Incentive Options (TIP) Options and FY17 EIP Performance Rights was crystallised and partial vesting occurred. As approved by shareholders at the Scheme meeting on 2 November 2017, 17% of the FY16 Options and 23% of the FY17 Rights vested with the obligation cash settled and paid over 3 equal tranches (post Domain Separation, September 2018 and [September] 2019) subject to continuing employment at the relevant payment dates. The remainder of each grant, 83% of the FY16 Options and 77% of the FY17 Rights, was forfeited.

The FY18 LTI allocation remains in the testing window and none of these Rights were available to vest during the financial year.

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

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

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## 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;
- ⇒ content of the Auditor's Report; 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 Monday 12 November 2018. 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
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Shareholder's email address
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Shareholder Reference Number or Holder Identification Number
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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.