

PRIME MEDIA GROUP | CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement has been approved by the Board and summarises the Company's governance practices that were in place throughout the financial year ended 30 June 2015 (Financial Year).

The Board of Directors of the Company has adopted a corporate governance framework consistent with the 3rd edition of the ASX Corporate Governance Council Principles and Recommendations (ASX Recommendations).

For further information on corporate governance policies adopted by the Company which are referred to in this Corporate Governance Statement, refer to the Company's website www.primemedia.com.au and to the relevant sections of the Annual Report for the Financial Year as indicated.

BOARD OF DIRECTORS

BOARD COMPOSITION

The Board is structured to provide a mix of qualifications, skills, experience, expertise and diversity to enable it to effectively discharge its responsibilities and to be of a size that facilitates effective discussion and is conducive to efficient decision-making.

Board composition is determined by applying the following principles, which are overseen by the Remuneration and Nomination Committee:

- The number of Board members will be a minimum of 3 members and a maximum of 12 members;
- The Board consists primarily of non-executive directors and includes independent directors;
- The Chairman of the Board is a non-executive director; and
- The Directors possess a broad range of skills, qualifications and experience.

Details of the background, particular qualifications, expertise and period of service of each director are set out in the Directors' Report section of the Annual Report.

BOARD SKILLS

The directors as a group contribute skills and experience in:

- Executive and strategic leadership: Directorship and senior executive experience
- Governance: Prior directorships or experience participating in governance bodies
- Financial and risk management: Experience in financial accounting and reporting, risk and internal controls
- Remuneration: Experience in remuneration, including regarding incentive programs, or prior membership of a remuneration committee
- Industry: Experience in the media or advertising industries

BOARD INDEPENDENCE

The Company recognises the importance of its Board being made up of a majority of independent directors. The Board's Charter states that an independent director is considered to be a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board considers and concludes on the independence of its non-executive directors each year. Each non-executive director must provide the Board with all relevant information to enable the Board to make an assessment of that director's independence.

Directors must additionally declare potential conflicts of interest, interests in contracts, other directorships or offices held, potential related party transactions and the acquisition or disposal of Company shares.

Under the Board Charter, where a conflict of interest arises or a perceived conflict of interest exists, the director is required to declare the potential or perceived conflict of interest and is then excluded from all board discussions relating to the issue around which the conflict of interest has arisen.

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All non-executive directors are considered by the Board to be independent.

The Chair of the Board is a non-executive, independent director and the Chair's role and responsibilities are separate from those of the Chief Executive Officer. For more information on the role and responsibilities of the Chair, please refer to the Board's Charter (available on the Company website).

ROLE OF THE BOARD

The Board is committed to effectively representing and promoting the Company and adding long-term value to all security holders. The Board's Charter outlines the roles and responsibilities of the Board and its Committees, and those matters which are the responsibility of management.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Group, it makes use of three sub-committees (see further below).

APPOINTMENT OF DIRECTORS AND ROTATION

Before appointing a candidate as a Director, or putting forward a candidate to security holders for election as a Director, the Company undertakes checks of that person's appropriateness for election including checking the person's experience, education and character.

The notice of meeting at which an election or reappointment decision will be considered sets out information relevant to the decision to appoint or re-elect the candidate, including biographical information (including relevant qualifications and experience), details of other directorships held and details of any outside interest and a statement regarding the Board's assessment of the candidate's independence status. If a Director is standing for re-election, the notice of meeting states the term of office currently served by the Director. In all cases, the notice of meeting includes the recommendation of the rest of the Board on the appointment or re-election resolution.

One third of Directors (excluding the CEO and any Director appointed to fill a casual vacancy and rounded down to the nearest whole number) must retire at every Annual General Meeting but are able to stand for re-election.

Upon appointment, each Director is provided with a letter of appointment for countersigning, which sets out the terms of their appointment, including their term of office, their remuneration and reimbursement entitlements, duties, rights and responsibilities.

INDUCTION OF DIRECTORS AND PROFESSIONAL DEVELOPMENT

Once appointed, all new directors participate in a formal induction process, which includes provision of an induction pack and provision of Board and Committee Charter documents. Meetings with key members of management are arranged so that Directors acquaint themselves with the Company's business and administration.

The Company would, if requested, provide professional development opportunities for directors to develop and maintain any skills and knowledge needed to perform their role as directors.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

Any director who requires legal advice in relation to the performance of their duties as a director of the Company is permitted to seek advice, on approval of the Chair, and all costs reasonably incurred are reimbursable by the Company. If obtained and received, such legal advice is made available to the full Board.

BOARD COMMITTEES

REMUNERATION AND NOMINATION COMMITTEE

The composition of the Remuneration and Nomination Committee is set out in its Charter (which is available on the Company website). The make-up of the Remuneration and Nomination Committee during the Financial Year, including the meetings held and individual attendances at those meetings, is set out in the 'Directors Meetings' section of the Directors' Report (within the Annual Report).

The Board has established a Remuneration and Nomination Committee which, in accordance with the Remuneration and Nomination Committee Charter available on the Company website, is responsible for reviewing and making recommendations to the Board in respect of:

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- executive remuneration and incentive policy;
- the Company's performance rights plan;
- remuneration of the Company's key management personnel and any other senior executive reporting to the Chief Executive Officer;
- recruitment, retention, performance measurement and termination policies and procedures for non-executive directors, the chief executive officer and key management personnel; and
- the disclosure of remuneration in the Company's public materials including ASX filings and the Annual Report.

Details of the number of meetings of the Remuneration and Nomination Committee held during the year and the attendees at those meetings are set out in the Directors' Report.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is responsible for assisting the Board in discharging its responsibilities to safeguard the integrity of the Company and the Group's financial reporting and system of internal control. The Audit and Risk Committee provides advice and recommendations to the Board to assist the Board to fulfil its corporate governance responsibilities. The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Audit and Risk Committee is comprised of three non-executive, independent directors, one of whom is elected annually by the members of the Committee to chair the Committee. The office of chair of the Committee cannot be occupied by the Chair of the Board. Each member of the Committee is financially literate and has sufficient knowledge of the industry in which the Company operates. Details of the qualifications and experience of the members of the Audit and Risk Committee is set out in the Directors' Report, as is the number of meetings and attendance at meetings of the Committee held during the Financial Year.

Details of the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings are set out in the Directors' Report.

STRATEGY COMMITTEE

The Strategy Committee is responsible for assisting the Board in considering strategic decisions for the Company.

Details of the number of meetings of the Strategy Committee held during the year and the attendees at those meetings are set out in the Directors' Report.

PERFORMANCE EVALUATION

BOARD EVALUATION

The Board undertakes an evaluation of its performance that involves each director completing a confidential questionnaire regarding the role, composition and dynamics of the Board annually. The results of the questionnaires are compiled and an analysis reported to the Board by the Company Secretary. The evaluation was undertaken in the Financial Year.

KEY EXECUTIVES EVALUATION

All senior executives enter into written agreements with the Company which set out the terms of their employment, including the term of their employment (if applicable), their remuneration, duties, rights and responsibilities.

The performance of key executives is reviewed annually against the key performance indicators that are set each year for that individual. The CEO undertakes performance evaluations with his direct reports and a performance evaluation for key executives was conducted during the 2015 financial year.

THE COMPANY SECRETARY

The Company Secretary is accountable directly to the Board through the Chair on all governance matters. Each director has full access to the Company Secretary and the right of access to all relevant Company information.

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REMUNERATION

Information regarding the remuneration of non-executive directors, the CEO and other senior executives is provided in the Remuneration Report. The remuneration of non-executive directors on the one hand, and executive directors and senior management on the other hand, is structured separately and described in the Remuneration Report.

ASX Corporate Governance Recommendation 8.3 is that a listed entity which has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. Participants granted performance rights under the Company's performance rights plan do not bear financial risk associated with participating in the plan, as no payment is required to be made by the participant on grant or on exercise of the rights. Therefore, the Company does not consider it necessary to have in place a policy like that recommended by ASX Corporate Governance Recommendation 8.3 and has not had such a policy in place during the Financial Year. In practice, performance rights are only granted by the Company to key management personnel; these people are additionally prohibited, pursuant to s206J of the *Corporations Act 2001* (Cth), from entering into an arrangement that would have the effect of limiting their exposure to risk relating to an element of their remuneration that has either not vested or has vested but remains subject to a holding lock.

RISK MANAGEMENT FRAMEWORK

The Audit and Risk Committee oversees risk and on an annual basis oversees the Company's risk management framework to satisfy itself that the risk management framework continues to be sound. This review has been undertaken for the Financial Year.

Part of the Audit and Risk Committee's mandate is to oversee the adequacy of the controls established by management to identify and manage areas of potential risk and to safeguard the assets of the Group. The Executive Risk Management team maintains a risk register and matrix and reports to the Committee on a quarterly basis, as well as keeping the Committee informed on an ad hoc basis if a material risk emerges.

The Committee's mandate also involves conducting regular reviews of the key strategic and emerging risks for the Group. The Audit and Risk Committee reviews, evaluates and reports on the procedures in place to ensure compliance with all laws and regulations (particularly those which have a major potential impact on the Group) and the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes.

Risk management focuses on strategic, financial, operational and legal/compliance risks. During the period, the Company sought to comply with AS/NZS ISO31000:2009 Risk Management to identify and manage risk. Certain specific risks are covered by insurance policies that the Group has in place.

The Audit and Risk Committee has access to adequate internal and external resources (including access to advice from external consultants or specialists) to carry out its activities and may obtain information from, and consult with, management. The Committee may also obtain independent professional advice to assist with the discharge of its duties and can access the Company's external auditors (without management present) to seek explanations and additional information from them.

The Company does not have an internal audit function as the Board believes that the size and nature of the Company's operations currently do not warrant a separate internal audit function.

In addition to the Operating and Review section of the Directors' Report, the Company has exposure to the following risks due to the industry environment within which it operates:

- fluctuations in consumer demand that impact advertising revenues, which the Company manages by ensuring it continues to maintain a strong advertising sales team and strong relationships with advertisers and agencies;
- change to the operating, market or regulatory environment as a result of changes in government media policy, which the Company seeks to manage by engaging with policy-makers and stakeholders to ensure that the interests of the Company and its security holders are represented; and
- impact of new media technologies, which the Company monitors to assess and manage its risk.

DECLARATIONS FROM THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Before the Board approves the Company's financial statements for a financial period, the Chief Executive Officer and the Chief Financial Officer provide to the Board a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and

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fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

EXTERNAL AUDITOR

The Company's external auditor attends the Annual General Meeting of the Company and is available to answer questions in relation to the audit. On an annual basis, the Audit and Risk Committee assesses the external auditor's independence by reviewing factors, such as the auditor's relationship with any Group entity, that may impair (or be perceived to impair) the external auditor's judgement or independence.

CODE OF CONDUCT

The Company strives to act with honesty and integrity and to be a respected and valued broadcaster in the media sector and the communities in which it operates. The Board and the Company's commitment to ethical and responsible decision making is reflected in the internal policies, guidelines and procedures.

The Company promotes ethical and responsible behaviours for its directors, senior executives and employees through a Code of Conduct specifically applicable to Directors, and a Code of Conduct applicable to employees and senior management, as well as Directors, and a range of supporting internal policies and guidelines that apply to all companies within the Group. The Codes of Conduct are available on the Company website.

The Company also requires all employees to undertake regular online training covering topics that promote their understanding of ethical and safe work practices and conduct.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

The Company is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and Corporations Act and to ensuring that security holders are kept informed of all major developments affecting the Company's state of affairs.

The Board has established policies and procedures to ensure that the disclosure obligations under of the ASX Listing Rule 3.1 and the *Corporations Act* are adhered to. These policies are outlined in the Continuous Disclosure Policy published on the Company website.

The Company has an established process for considering and releasing potentially price sensitive information to the market. Processes have been established to manage all disclosures relating to the release to the market of potentially price sensitive information.

The Company respects its security holders and is committed to providing clear communications and information channels for all security holders to allow them to effectively exercise their rights and remain informed about the Company and its operations. The Board aims to ensure that the security holders are informed of all major developments affecting the Group's state of affairs. Communication of information to security holders includes the following:

- The annual report and half year report is available to all security holders on the Company's website, as are the Company's corporate governance policies including its Board and Committee Charters, Codes of Conduct, Securities Trading Policy, the Continuous Disclosure Policy and Diversity Policy;
- All price sensitive information disclosed to the ASX in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules is published on the corporate website in a timely manner after the release to the ASX has been confirmed;
- Notices of all general meetings are sent to all security holders and a copy is published on the Company's website;
- The Company has a Company website with an investor email inquiry facility to ensure timely responses by the Company Secretary or Chief Financial Officer to all investor questions;
- The Company holds annual and half year briefings for analysts, with opportunity for engagement with questions from analysts; and
- The Board encourages full participation by security holders at the Annual General Meeting and allows adequate time and opportunity for questions and discussion.

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The Company recognises that many security holders appreciate the ease of electronic communications and gives security holders the option to receive communications from, and send communications to, the Company and its security registry electronically.

In addition to communications with security holders, the Company engages with other relevant stakeholders in meaningful ways. This involves responding to feedback and complaints received from viewers, engaging with local communities to provide news coverage that is relevant to them, engaging in industry-wide stakeholder meetings and discussions, and engaging with policy-makers on issues of relevance and importance to the business of the Company.

SECURITIES TRADING POLICY

In accordance with the ASX Listing Rule 12.9, the Company has a Securities Trading Policy, available on the Company's website, which outlines the key terms including "Closed Periods" during which Restricted Persons and their associates are not permitted to trade in Company securities. As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

DIVERSITY

The Company recognises the benefits arising from workplace diversity and is committed to promoting a workplace that recognises and embraces the skills, perspectives and experiences that people bring to the Company group through, among other things, their gender, age, origin, ethnicity, religion, culture, disability, education, life experience, work experience, personality, area of residence, marital status, carer responsibilities and sexual orientation.

The Company's Diversity Policy is available on the Company website. The Board, in consultation with the Remuneration and Nomination Committee and management (where appropriate), is responsible for overseeing the implementation and monitoring of the Diversity Policy. The Diversity Policy is assessed annually, and if considered necessary or desirable, the Diversity Policy may be amended.

In the Financial Year, the Board did not put in place measurable objectives for achieving gender diversity (and therefore did not meet ASX Corporate Governance Recommendation 1.5(c)), however the Remuneration and Nomination Committee is in the process of setting appropriate measurable objectives which will apply in respect of the next reporting period.

The Company's average workforce gender demographics for the year ended 30 June 2015 are:

Proportion of women in the Company	52%
Proportion of women who are Non-executive Directors on the Board	14%
Proportion of women who are Key Management Personnel	20%
Proportion of women in Senior Executive positions	20%

The Company's "Gender Equality Indicators", as defined in the *Workplace Gender Equality Act 2012* (Cth) for the Financial Year are accessible on the Company's website.