

# Corporate Governance Statement 2016



# Corporate Governance Statement 2016

This statement provides an outline of the corporate governance framework for Nine Entertainment Co. Holdings Limited (**Nine** or the **Company**) for the year to 30 June 2016 (**Reporting Period**), demonstrating the extent to which Nine has complied with the ASX's Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition). This statement was approved by the Board on 25 August 2016.

## 1 Board and Management

### 1.1 Role of the Board

The role and responsibilities of Nine's Board, as set out in the Board Charter (a copy of which is available on Nine's website) include:

- i. approving Nine's strategies, budgets and business plans;
- ii. approving Nine's annual report including the financial statements, directors' report, remuneration report and this corporate governance statement;
- iii. approving major borrowing and debt arrangements, the acquisition, establishment, disposal or cessation of any significant business of the company, any significant capital expenditure and the issue of any shares, options, equity instruments or other securities in Nine;
- iv. assessing performance against strategies to monitor both the performance of the Chief Executive Officer and other executives as determined from time to time by the Nomination and Remuneration Committee;
- v. ensuring that Nine acts legally and responsibly on all matters and that the highest ethical standards are maintained;
- vi. maintaining a constructive and ongoing relationship with the Australian Securities Exchange and regulators, and approving policies regarding disclosure and communications with the market and Nine's shareholders; and
- vii. monitoring and approving changes to internal governance including delegated authorities, and monitoring resources available to senior management.

Further, with the guidance of the Board's Nomination and Remuneration Committee, the Board is responsible for:

- i. evaluating and approving the remuneration packages of the Chief Executive Officer and other members of senior management;
- ii. monitoring compliance with the Non-Executive Director remuneration pool and recommending any changes to the pool;
- iii. administering short- and long-term incentive plans and engaging external remuneration consultants, as appropriate;
- iv. appointing, evaluating or removing the Chief Executive Officer, and approving appointments or removal of all other members of senior management;
- v. regularly assessing the independence of all Directors;
- vi. reviewing succession planning for Directors and senior management; and
- vii. monitoring the mix of skills, experience, expertise and diversity on the Board and, when necessary, appointing new Directors, for approval by shareholders.

With the guidance of the Audit & Risk Committee, the Board is also ultimately responsible for:

- i. preparing and presenting Nine's financial statements and reports;
- ii. overseeing Nine's financial reporting, including reviewing the suitability of Nine's accounting policies and principles and how they are applied, and ensuring they are used in accordance with the statutory financial reporting framework;
- iii. assessing information from external auditors to ensure the quality of financial reports;
- iv. overseeing Nine's financial controls and systems;
- v. reviewing, monitoring and approving Nine's risk management policies, procedures and systems; and
- vi. managing audit arrangements and auditor independence.

### 1.2 Delegation to Management

The responsibility for the operation and administration of the Group is delegated, by the Board, to the Chief Executive Officer and senior management within levels of authority specified by the Board from time to time. The Board ensures that this team is appropriately qualified and experienced to discharge its responsibilities and has in place procedures to assess the performance of the senior management team.

The Chief Executive Officer's role includes:

- i. responsibility for the effective leadership of the management team;
- ii. the development of strategic objectives for the business; and
- iii. the day-to-day management of Nine's operations.

The Chief Executive Officer may delegate aspects of his authority and power but remains accountable to the Board for Nine's performance and is required to report regularly to the Board on the conduct and performance of Nine's business units.

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## 1.3 Board composition

The Board consisted of a majority of independent directors during the Reporting Period, except in the period from 9 November to 11 November 2015. During that period, the Board consisted of 4 non-independent directors and 3 independent directors.

At all times during the Reporting Period, the Chairman was an independent director and not the same person as the Chief Executive Officer.

During the Reporting Period, the Board and its committees consisted of the following individuals:

Name	Tenure	Independent	Committee membership
Peter Costello	From 6 February 2013	Yes	Chair of the Audit & Risk Committee from 9 November 2015 to 1 March 2016 Member of the Nomination & Remuneration Committee since 1 March 2016
Hugh Marks	From 6 February 2013	No (since 10 November 2015)	Chair of the Audit & Risk Committee from 1 July 2015 to 9 November 2015
Elizabeth Gaines	From 1 March 2016	Yes	Chair of the Audit & Risk Committee from 1 March 2016
David Gyngell	From 25 November 2010	No (former Chief Executive Officer)	None
Holly Kramer	From 6 May 2015	Yes	Chair of the Nomination & Remuneration Committee Member of the Audit & Risk Committee since 1 March 2016
Catherine West	From 9 May 2016	Yes	Member of the Audit & Risk Committee since 9 May 2016
David Haslingden	From 6 February 2013 to 1 March 2016	Yes	Member of the Audit & Risk Committee and Nomination & Remuneration Committee from 1 July 2015 to 1 March 2016
Kevin Crowe Jr	6 February 2013 to 13 November 2015	Yes (from 11 November 2015)	Member of the Audit & Risk Committee from 1 July 2015 to 13 November 2015
Steve Martinez	6 February 2013 to 9 May 2016	Yes (from 11 November 2015)	Member of the Audit & Risk Committee from 13 November 2015 to 9 May 2016 Member of the Nomination & Remuneration Committee from 1 July 2015 to 9 May 2016

Details of directors' skills, experience and expertise and their attendances at Board and Committee meetings are contained in the Annual Report.

## 1.4 Company Secretary

The Board appoints and removes the Company Secretary. All Directors have direct access to the Company Secretary who supports the effectiveness of the Board by monitoring that Board policy and procedures are followed, and co-ordinates the completion and despatch of Board agendas and papers. The Company Secretary is accountable to the Board through the Chairman, on all corporate governance matters.

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## 2 Board appointment and reviews

### 2.1 Board appointment and induction

The process for nomination of new directors is managed by the Nomination & Remuneration Committee. Where a vacancy is to be filled, that Committee considers the skills and expertise which it would be beneficial to add to the Board, then identifies suitable candidates (using an external search adviser if necessary). A process involving interviews and thorough checks on the candidate's background, references and qualifications is then undertaken, before a candidate is proposed to the Board for approval.

When directors are proposed to shareholders for election or re-election, detailed information about the director, their professional background and areas of expertise are provided to shareholders, so that the shareholders have all material information relevant to a decision whether or not to elect or re-elect that director.

All Directors are issued with a letter of appointment that sets out the key terms of their appointment and the Company's expectations regarding involvement with the Company. The Company provides briefings to new Directors on the Company's business and strategy and their roles and responsibilities and access to previous board papers, as part of the induction. Directors may meet with the Company's auditors to receive a detailed briefing on the Company's financial reporting and audit issues. Directors also undertake site tours where possible, as a way of familiarising themselves with the Company's operations.

All directors are expected and encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their roles as directors. In addition, ongoing engagement with senior management across the business provides the Directors with development of their knowledge of industry issues.

Directors may obtain independent professional advice at Nine's expense on matters arising in the course of their Board and committee duties, after obtaining the Chairman's approval. The other Directors must be advised if the Chairman's approval is withheld.

### 2.2 Remuneration

The Remuneration Report, contained in Nine's Annual Report, sets out Nine's policies and practices regarding the remuneration of non-executive directors, executive directors and other senior management of the group. It also provides details of the remuneration paid to directors and certain other senior management of Nine in the Reporting Period.

Nine has a written employment agreement with each senior executive, setting out the terms on which she or he is engaged by the Company, including the components of fixed and variable or at risk remuneration payable to the senior executive.

### 2.3 Board skills matrix

The Board has adopted a skills matrix which is used, together with a consideration of the diversity present among the Board, in assessing the composition of the Board from time to time. The skills identified are:

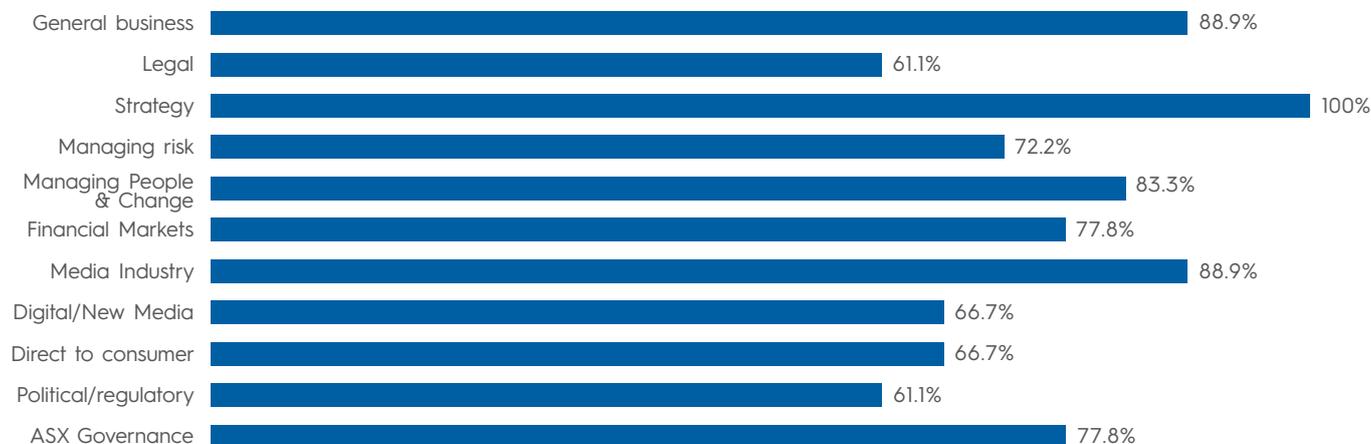
General business expertise	Gained in a substantial business, as a senior executive or director
Legal	Experience practising as a lawyer in a relevant field or exposure to legal issues relevant to Nine's business
Strategy	Developing and implementing the strategic direction of an organisation
Managing Risk	Developing, implementing and overseeing risk management policies and procedures for a substantial organisation
Managing People & Change	Expertise in human resource management, particularly through periods of change in a business or industry
Financial Markets	Expertise in debt and capital markets
Media Industry	Working in or with the media industry in a significant capacity
Digital/New Media	Working in or with digital/online businesses and emerging forms of media and technology
Direct to consumer	Working in or with businesses that are consumer facing
Political/regulatory	Managing and influencing the political and regulatory environment
ASX Governance	Knowledge of the corporate governance and regulatory framework that applies to an ASX listed company

The Board considers that the current members, taken as a whole, satisfy the mix of skills identified in the skills matrix, as a majority of directors have a high level of expertise across each of the skills identified in the skills matrix. The Board also demonstrates diversity in terms of gender and international work experience.

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The chart below shows the degree to which Board members, considered as a group, demonstrate a high level of the skills which form part of Nine's skills matrix (with a score of 100% indicating that all directors have the skill to a high degree).

## Assessment against the Board Skills Matrix



## 2.4 Review processes

The Nomination & Remuneration Committee carries out a review of the performance of the Board and directors and each committee reviews its performance. During the Reporting Period, the Nomination & Remuneration Committee conducted a review by a survey completed by directors about performance of the board. The results of the survey were then discussed by the Nomination & Remuneration Committee and the Board.

Nine has an employee performance review process which operates throughout the company. In addition, the Nomination & Remuneration Committee reviews performance of the Chief Executive Officer and other senior management, in the context of determining incentives and remuneration.

## 3 Committees

### 3.1 Nomination & Remuneration Committee

The Nomination & Remuneration Committee Charter (available on the Nine website) sets out the terms of reference for the Nomination & Remuneration Committee. The Committee's key responsibilities and functions are to assist the Board in discharging its responsibilities in connection with:

- i. Remuneration policies (including approving remuneration arrangements for the Chief Executive Officer, directors and senior management);
- ii. Short- and long-term incentive plans;
- iii. Board composition and performance;
- iv. Succession plans for the board; and
- v. Succession and development plans for the Chief Executive Officer and senior management

At all times during the Reporting Period, the Nomination & Remuneration Committee comprised a majority of independent directors and was chaired by Holly Kramer, who is an independent director.

From 9 May 2016, the Nomination & Remuneration Committee was comprised of two members only. An additional member was appointed to the Nomination & Remuneration Committee on 10 August 2016.

### 3.2 Audit & Risk Committee

The Audit & Risk Committee Charter (available on the Nine website) sets out the terms of reference for the Audit & Risk Committee. The Committee's key responsibilities and functions are to assist the Board in discharging its responsibilities:

- i. to prepare and present Nine's financial statements and reports;
- ii. in relation to Nine's financial reporting, including reviewing accounting policies and principles, assessing significant estimates and judgements in financial reports and assessing information from internal and external auditors to ensure the quality of financial reports;
- iii. in relation to the entry into, approval, or disclosure, of related party transactions (if any);
- iv. in overseeing Nine's financial controls and systems;
- v. to review, monitor and approve Nine's risk management policies, procedures and systems; and
- vi. to manage audit arrangements and auditor independence.

At all times during the Reporting Period, the Audit & Risk Committee comprised a majority of independent directors and was chaired by an independent director. It has had three members throughout the Reporting Period.

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## 4 Reporting and Risk

### 4.1 Risk management

The Audit & Risk Committee oversees the effectiveness of Nine's financial controls and systems and the risk management function and evaluates the structure and adequacy of the Group's insurance coverage periodically.

Responsibility for risk management is shared across the organisation:

- i. The Board is responsible for overseeing the establishment of, and approving, the risk management strategy and policies of the Company.
- ii. The Board has delegated to the Audit & Risk Committee responsibility for:
  - a. identifying major risk areas;
  - b. reviewing, monitoring and approving Nine's risk management policies, procedures and systems (at least annually) to provide assurance that major business risks are identified, consistently assessed and appropriately addressed;
  - c. ensuring that risk considerations are incorporated into strategic and business planning;
  - d. providing risk management updates to the Board and any supplementary information required to provide the Board with confidence that key risks are being appropriately managed;
  - e. reviewing reports from management concerning compliance with key laws, regulations, licences and standards which Nine is required to satisfy in order to operate;
  - f. overseeing tax compliance and tax risk management; and
  - g. reviewing any significant findings of any examinations by regulatory agencies.
- iii. Nine management is responsible for establishing operational processes and policies to support Nine's risk management framework, including identifying major risk areas and effectively identifying, monitoring, reporting on and managing key business risks.
- iv. Each employee and contractor is expected to understand and manage the risks within their responsibility and boundaries of authority, as set out in Nine's internal policies, when making decisions and undertaking day-to-day activities.

The risk management framework was reviewed during the Reporting Period, and adjustments were made to reflect changes in Nine's circumstances since it was last reviewed.

Nine has processes in place to identify and assess major risks, whether at an enterprise level or a project level, and to manage those risks.

Nine's internal processes include establishing operating plans and budgets, periodic reforecasting and monitoring of progress against the approved plans and budgets. There are controls in place in relation to matters such as approval of payments, which are designed to ensure that levels of delegated authority are adhered to. Staff and business units have both financial and non-financial KPIs, which are monitored.

Nine has a thorough system for managing workplace safety, including regular reviews of policies and standard operating procedures, training for staff, consultation with staff through WHS committees at each site and regular site inspections to identify any changes in risks.

The Company does not have an internal audit function. The Company employs the processes outlined above, to evaluate and improve the effectiveness of its risk management and internal control processes.

### 4.2 Reporting by CEO and CFO

The Chief Executive Officer and Chief Financial Officer are each responsible for reporting to the Audit & Risk Committee any proposed changes to the risk management framework. Any exposures or breaches of key policies or incidence of risks, where significant, must be reported to the Audit & Risk Committee and the Board.

The Chief Executive Officer and Chief Financial Officer are required to provide to the Board declarations in accordance with section 295A of the Corporations Act which confirm:

- that the financial records of Nine have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of Nine's financial position and performance;
- their view that the Company's financial reporting is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

These declarations were provided before the half year accounts to 31 December 2015 and the full year accounts to 30 June 2016 were approved by the Board.

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## 4.3 Material exposure to risks

The Company has exposure to risks that could impact on the Company's ability to meet its financial goals, including:

- Loss of key programming rights;
- Changes in the competitive landscape for media businesses;
- Technology changes; and
- Changes in the regulatory environment.

The key risks affecting Nine's business and the way in which Nine manages those risks are outlined in the Operating and Financial Review in the Company's Annual Report.

The Company does not have any material exposure to environmental sustainability risks, given the nature of its business and operations.

The Company does not have any material exposure to social sustainability risks. However, the Company takes its role as a community participant seriously, and undertakes a number of initiatives to demonstrate and enhance its standing in the community, including:

- providing free airtime to community service organisations and charities for community service announcements;
- actively supporting a number of charities including the Sydney Children's Hospital Gold Telethon; and
- compliance with the Broadcasting Services Act 1992 (Cth), Commercial Television Code of Practice, the Press Council's Statement of General Principles and other regulatory obligations which affect the material which Nine can publish, and the manner in which it conducts its operations.

## 5 Diversity

### 5.1 Diversity Policy

The Company has adopted a Diversity Policy, to recognise the value of creating a workplace that is inclusive and respectful of diversity. The Company acknowledges the positive outcomes that can be achieved from a diverse workforce, and recognises the contribution of diverse skills and talent from its Directors and employees. In the context of the policy, diversity includes gender, age, ethnicity, cultural background, religion, sexual orientation, disability and mental impairment.

The Diversity Policy requires the Board to set and monitor on an annual basis the company's performance against measurable objectives in relation to gender diversity, and other aspects of diversity.

The Diversity Policy is available on the Company's website.

### 5.2 Female representation

As at 30 June 2016, the proportion of men and women employed by the Company was as follows:

	Women	Men
Board of directors	50%	50%
Senior Executives	33%	67%
Total Nine workforce	41%	59%

For this purpose, "Senior Executives" are the Chief Executive Officer, Key Management Personnel and other managers with primary responsibility for the equivalent of a department or business unit or with responsibility for defined outcomes (which may be a balance of strategic and operational functions).

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## 5.3 Objectives for FY16

The Company's performance against the objectives for achieving gender diversity which were adopted for the Reporting Period is as follows:

Objective	Performance
Recruitment process for all senior management appointments will include a senior female on the interview panel	Recruiting processes for senior management appointments which occurred in the Reporting Period were for the Chief Executive Officer and Chief Financial Officer. In both cases, given the significance of the role, the Board and, in particular, the chair of the Nomination & Remuneration Committee (Holly Kramer) was involved in the recruitment process.
Continue to undertake a gender pay equity review as part of the annual remuneration review process	A key focus area during FY16 was to align remuneration policies and practices across the Company. The aim of alignment is to ensure that all remuneration decisions for employees are considered in a consistent way and at the same time each year. This alignment will help Nine to complete more effective gender pay reviews in the future.
Implement an action plan to address any significant issues identified during the gender pay equity review	There were no significant issues identified from the gender pay equity reviews which have been conducted to date.
Annual succession planning for key management executives will include consideration of diversity initiatives	Given the turnover in key management executives during the Reporting Period, formal succession planning was not undertaken during the Reporting Period.
Report on initiatives that facilitate diversity for Nine	Activities of Nine and its subsidiaries which support a fair and inclusive workplace include: <ul style="list-style-type: none"><li>• Flexible work options to assist employees to balance their work, family and other commitments;</li><li>• Ensuring employees have access to opportunities within Nine based on merit;</li><li>• Updating performance review tools and objectives to support a diverse workforce;</li><li>• Implementing policies that create a culture free from discrimination, harassment and bullying, and rolling out training across Nine in relation to these issues; and</li><li>• Continuing to assist Indigenous Australians to access employment opportunities within our business through our partnership with Media RING. Further, the Nine Technology team is participating in a program to support indigenous graduate recruitment. Successful candidates will work within the Technology team for a fixed period of time on specific projects with the aim of securing permanent employment.</li></ul>

## 5.4 Objectives for FY17

The Board has adopted the following measurable objectives for FY17 for achieving gender diversity:

- Recruitment processes for all senior management appointments will include a senior female on the interview panel
- Continue to undertake a gender pay equity review as part of the annual remuneration review process
- Implement an action plan to address any significant issues identified during the gender pay equity review
- Report on initiatives that facilitate gender diversity for Nine.

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## 6 Corporate Governance Policies

### 6.1 Code of Conduct

The Company has a Code of Conduct which applies to all directors and employees of Nine and its subsidiaries. The Code of Conduct was reviewed and updated during the Reporting Period. The Code of Conduct:

- sets the ethical standards required in relation to conduct of Nine's business;
- provides clear guidance on the Company's values and expectations of staff, in relation to matters such as protecting confidential Information, receipt of gifts, compliance with laws, protecting Company assets and outside interests of employees; and
- offers guidance to shareholders and other stakeholders on our values, standards and expectations and what it means to work for or with Nine.

The Code of Conduct is available on the Company's website.

### 6.2 Securities Trading Policy

The Company's Securities Trading Policy has been developed to educate the Board and employees of the Company about their obligations under the Corporations Act in relation to trading in securities. The policy sets black out periods in which shares cannot be traded by directors and employees to whom the policy applies. It requires those individuals to obtain consent before any trading outside a black out period is undertaken.

The Securities Trading Policy prohibits employees from entering derivative or other transactions which limit economic risk in respect of any Nine securities which are unvested or subject to a holding lock.

The Securities Trading Policy is available on the Company's website.

### 6.3 Disclosure Policy

The Company has a Disclosure Policy which sets out the processes which are followed by the Company to ensure that it complies with the ASX Listing Rules in relation to continuous disclosure. The Company has a Disclosure Committee which is tasked with determining whether announcements on potentially price sensitive matters are required, the content of announcements and ensuring that announcements are made within the time frame required by the ASX Listing Rules.

The Disclosure Policy is available on the Company's website.

### 6.4 Shareholder Communications

The Company has a Shareholder Communications Policy which promotes effective communications with shareholders and other stakeholders and encourages effective participation at Nine's general meetings. The Company's website ([www.nineentertainment.com.au](http://www.nineentertainment.com.au)) provides ready access for shareholders to key corporate governance documents, ASX releases, financial reports and other information of relevance to shareholders. The website is updated as soon as possible after documents are released to the ASX under the Company's continuous disclosure obligations.

The Company and its share registry encourage shareholders to receive communications from the Company and its share registry electronically. The websites of the Company and its share registry both provide contact points for shareholders to communicate with the Company and the registry electronically.

Shareholders are invited to submit questions ahead of the Annual General Meeting, so that any issues raised by shareholders in advance can be responded to. There is also an opportunity for shareholders to ask questions or comment on matters relevant to the Company at the Annual General Meeting. The Company's auditor is always present at Annual General Meetings to answer questions about the conduct of the audit and the audit report.

The Shareholder Communications Policy is available on the Company's website.

