

Corporate governance

The Board is committed to high standards of corporate governance and believes that it is in the interest of all its stakeholders to detail how the principles of corporate governance are applied within the Group.

Corporate governance code

Although as an unlisted plc there was no requirement for it to do so, during financial years prior to 1 April 2012 the Company voluntarily complied with the UK Corporate Governance Code. Subsequently the Company has adopted its own corporate governance code (GMG Code). To a large extent the GMG Code reflects the structure and content of the UK Corporate Governance Code as published in September 2012. However, the GMG Code reflects the fact that the Company is unquoted and that 100% of its share capital is held by The Scott Trust Limited (STL). The GMG Code can be viewed here: <http://www.gmgplc.co.uk/wp-content/uploads/2013/07/GMG-code.pdf>

The Board

GMG's Board currently comprises a chair, three executive directors and seven independent directors. The Board is headed by a chair whose role is distinct and separate from that of the chief executive. The division of responsibilities between the chair and the chief executive has been clearly established, set out in writing and agreed by the Board.

Neil Berkett was appointed chair in September 2013 on the retirement of Amelia Fawcett. Nick Backhouse has been the senior independent director since January 2011.

All of the non-executive directors meet the independence criteria set out in the GMG Code. The chair, on appointment, met the independence criteria, but thereafter the test of independence is not appropriate by virtue of his position as chair.

Two STL directors are also directors of GMG, and the chair of the STL attends all Board meetings and is a member of the nominations committee. There is a reciprocal arrangement whereby the chair of the Board is invited to attend all the STL meetings. All STL directors receive copies of financial reports and Board approved minutes on a regular basis. This results in a close relationship between the GMG Board and STL as its shareholder.

The directors and the company secretary have a wide range of business and other relevant experience and their details can be viewed here: <http://www.gmgplc.co.uk/gmg/gmg-board/>

Non-executive directors are appointed for terms of three years which can be renewed. Under GMG's articles of association directors are subject to election by STL (as sole shareholder) at the first annual general meeting following their appointment. GMG's articles of association also require that the number of directors closest to, but not exceeding, one-third is subject to re-election at each annual general meeting.

A monthly financial report is provided to the directors. Board papers, which include regular and ad hoc reports, are circulated to the directors by the company secretary in advance of Board meetings to ensure Board members are supplied, in a timely manner, with the information they need. There is a written schedule of specific matters reserved for Board consideration which includes setting and monitoring Group strategy, reviewing trading performance and the approval of significant contracts, capital expenditure, acquisitions and disposals. The Board delegates to management the detailed planning and implementation of Group strategic objectives in accordance with appropriate risk parameters. Board meetings are minuted and the minutes circulated to all Board members.

Led by the chair, the independent directors meet formally at intervals during each year without the executive directors being present. Nick Backhouse, as senior independent director, holds a meeting of independent directors, without the chair present, to review the chair's performance. The views of executive directors were taken into account at that meeting.

On appointment to the Board, directors receive appropriate briefings on the Group and its activities and follow a tailored induction programme. They visit the Group's operations and meet local management. It is expected that directors will continually update their skills and the knowledge and familiarity with the

Company required to fulfil their role both on the Board and on Board committees and the Company provides the necessary resources for developing and updating its directors' knowledge and capabilities.

The Board undertakes, normally at intervals not exceeding two years, a formal evaluation of its own performance and that of its committees and individual directors. Evaluation may be self-evaluation questionnaire, or external evaluation or such other means as the Board determines to be appropriate. The last evaluation exercise was undertaken in June 2012 and an external evaluation is due to be undertaken in the second half of 2014. The chair reviews and agrees with each director their training and development needs.

All directors have access to the company secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. A procedure exists for directors to take independent professional advice, at the Group's expense, if necessary, in the furtherance of their duties.

The Company maintains an appropriate level of directors' and officers' insurance which was in force throughout the financial year and at the date of approval of the financial statements. In accordance with the Company's articles of association, the directors and officers of the Company are all indemnified out of the assets of the Company, to the extent permitted by law, in respect of liabilities incurred as a result of their office. In addition to this general indemnity, the Company has also put in place a specific deed of indemnity setting out in greater detail the terms and conditions of the Company's indemnity. Neither the Company's indemnities nor directors' and officers' insurance provide cover in the event that a director or officer has acted fraudulently.

The Scott Trust Limited (STL)

In October 2008 STL acquired all the ordinary share capital of GMG from The Scott Trust, which was subsequently wound up. All of the then trustees of The Scott Trust became directors of STL. The shares in STL are held in equal numbers by five of the STL directors. The terms of the articles of association of STL ensure that its shareholders can receive no personal economic benefit from their shareholdings.

STL chooses to ensure that only a minority of its members are executive directors of GMG. At present two STL directors, Andrew Miller and Alan Rusbridger, fall into that category.

One place on the STL Board is reserved for a Guardian journalist, at present Heather Stewart, who is chosen by the other STL directors in consultation with the body of Guardian journalists.

The journalist-director normally serves for seven years. The normal tenure of other non-family STL directors, except those in executive positions, is limited to ten years, with the possibility of extension for another five years by unanimous vote of the STL Board.

Committees

The Board has a number of committees consisting of independent directors and with executive directors and senior executives in attendance.

The committees include the Investment Committee which was established in November 2013. The chief executive and chief financial officer are members of the Investment Committee with independent directors.

Composition of the committees as at 30 March 2014 and frequency of meetings is set out in the table below.

| Director | Audit committee | Remuneration committee | Nominations committee | Investment committee |
|--|------------------------|-------------------------------|------------------------------|-----------------------------|
| Neil Berkett | | | Chair | Chair |
| Andrew Miller | | | | Member |
| Darren Singer | | | | Member |
| Nick Backhouse | Member | | Member | Member |
| Ronan Dunne | Chair | | Member | Member |
| Judy Gibbons | | Chair | Member | |
| Brent Hoberman | | Member | Member | |
| Nigel Morris | | | Member | |
| John Paton | Member | | Member | Member |
| Frequency of meetings per financial year | 3 | 3 | 2 | 3 |

Notes:

1. *Jennifer Duvalier was appointed to the Board following the year end. She is a member of the Remuneration Committee.*
2. *On his appointment as chair Neil Berkett ceased to be a member of the Audit Committee but normally attends meetings of that Committee.*
3. *The Audit Committee was chaired by Nick Backhouse prior to the appointment of Ronan Dunne as a Director in May 2013. On appointment to the Board, Ronan Dunne was appointed a member and has served as chair of the Audit Committee from August 2013.*
4. *John Paton was appointed a member of the Audit Committee in January 2014.*
5. *The Investment Committee was established by resolution of the Board passed in November 2013.*

The number of meetings of the Board and committees held in the financial year ended 30 March 2014, with details of individual attendance by directors is set out in the table below.

| Director | Board meetings | Audit committee meetings | Remuneration committee meetings | Nominations committee meetings |
|--|-----------------------|---------------------------------|--|---------------------------------------|
| Amelia Fawcett (resigned 24 September 2013) | 3 | 1 | 1 | 1 |
| Neil Berkett | 8 | 1 plus 2* | | 2 |
| Andrew Miller | 8 | 3* | 2* | 2* |
| Alan Rusbridger | 8 | | | |
| Darren Singer | 8 | 3* | | |
| Nick Backhouse | 8 | 3 | | 2 |
| Ronan Dunne (appointed 14 May 2013) | 7 | 2 | | 1 |
| Judy Gibbons | 7 | | 2 | 2 |
| Brent Hoberman | 6 | | 1 | 1 |
| Nigel Morris | 7 | | | 2 |
| John Paton (appointed 14 May 2013) | 8 | - | | 2 |
| <i>Number of meetings held</i> | 8 | 3 | 2 | 2 |

* In attendance

Note: Jennifer Duvalier was appointed following the year end.

Details of the purposes of the committees is set out below. With the exception of the Investment Committee, all the committees have written terms of reference, which are subject to annual review and which are available on request from the company secretary and can be accessed here: <http://www.gmgplc.co.uk/gmg/responsibility/>.

The Investment Committee is a new committee and its role and responsibilities are evolving. In consequence, terms of reference for the Investment Committee have not yet been formally approved. Once terms of reference have been approved they will be made available to review on the Company's website.

Audit committee

As at 30 March 2014 the audit committee consisted of three independent non-executive directors and was chaired by Ronan Dunne. Neil Berkett ceased to be a member of the committee on his appointment as chair, but normally attends the committee's meetings. In addition, the chief executive, chief financial officer, company secretary, group financial controller and senior representatives of the external auditors normally attend meetings. More than one member of the committee has recent and relevant finance experience. At least once a year, the committee meets with the external auditors and separately with the outsourced internal audit function, without executive members of the Board present. The committee makes recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors and agrees their scope of work and fees prior to the commencement of the annual audit. The committee has a written policy on the engagement of the external auditor to supply non-audit services, which clearly sets out areas where the external auditor cannot provide non-audit services, for example accounting or managing internal audit work, as it could impact on their objectivity and independence. Note 3 to the financial statements (Services provided by the Group's auditors) contains details of the fees payable to the external auditors for audit services, audit-related services and other non-audit services.

The committee considers issues arising from the external audit and reviews the annual financial statements and written reports from the external auditors; it monitors internal financial control procedures and reviews the operation and output of the outsourced internal audit function. The committee reviews arrangements by which Group employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The committee has an agreed annual calendar of activities.

The committee's proceedings are minuted and circulated to all Board members by the company secretary. The audit committee chair formally reports on the outcome of audit committee meetings to the Board.

During the financial year ended 30 March 2014, the activities of the audit committee included:

- monitoring the integrity of the Group's financial statements and reviewing the significant and financial reporting judgements they contained
- oversight of the external audit strategy and review of the report by the external auditors
- oversight of the internal audit and tax functions
- receipt and review of periodic reports from the outsourced internal audit function
- consideration of internal and external audit issues
- oversight of risk management function and consideration of risk management issues
- consideration of physical security processes
- consideration of issues relating to digital development
- consideration of project governance processes.

Remuneration committee

The remuneration committee, which currently consists of two independent non-executive directors and the chair, is chaired by Judy Gibbons. On matters other than those concerning themselves, the chief executive and group HR & pensions director normally attend the committee's meetings.

The committee is responsible to the Board for the Group's compensation framework and for determining the remuneration packages of the executive directors and key senior managers. It retains

the right to scrutinise and, if necessary, veto proposals for individuals outside this group. It advises on executive remuneration policy issues. The committee has access to professional advice where necessary. PricewaterhouseCoopers LLP, who are also the Group auditors, and Towers Watson have provided remuneration advice to the committee.

The committee's proceedings are minuted by the group reward & HR policy director and circulated to all independent directors. The remuneration committee chair verbally updates the Board on the outcome of remuneration committee meetings.

Details of Directors' remuneration are set out in the Directors' Remuneration Report which may be viewed here: http://www.gmgplc.co.uk/wp-content/uploads/2014/07/GMG_DRR_2014.pdf

Nominations committee

The committee consists of all the non-executive directors and is chaired either by Neil Berkett (as chair of the Board) or by an independent non-executive director.

The committee deals with the selection of and makes recommendations to the Board on the appointment of Board members, where necessary obtaining advice and assistance from internal or external legal, accounting, or other advisors and with authority to appoint external search consultants. The committee ensures that plans are in place for an orderly succession for appointments to the Board and to senior Group management and monitors senior leadership development.

STL approval is required for the appointment of the chair of the Board and group chief executive, and STL has sole responsibility for the appointment of the editor-in-chief of the Guardian.

External search consultants assist in the appointment of executive and non-executive directors where necessary.

Amelia Fawcett retired as GMG Chair in September 2013 after more than four years in the role. Her wish to retire coincided with Neil Berkett becoming available following the sale of Virgin Media (of which he had been chief executive officer). He had served as a non-executive director of GMG since 2009 and therefore had a ready understanding of the role of GMG Chair and the time commitment which would be involved, and his qualities were well known both to the Board and to STL. A formal job specification and assessment of the expected time commitment was therefore not prepared. His other significant commitments were disclosed before the appointment was made.

The committee's proceedings are minuted by the group HR & pensions director or the committee's nominee and the outcome of the meetings is formally reported to the Board by the chair of the nominations committee.

Investment committee

An investment committee was created in November to oversee the Group's investment fund, Treasury policy, wholly-owned assets and investments, and joint venture investments. Its functions include defining the financial objectives of the investment fund, approval of changes to asset allocation and of certain additions or withdrawals from the fund. The committee makes recommendations to the Board on the level of funding and risk allocation and on the advisers to the investment fund and appoints/dismisses managers in respect of each asset class selected. The committee reports to the Board on the performance of the investment fund and other assets and on other investment-related matters.

The committee consists of the GMG chair, who chairs meetings of the committee, three independent directors, the chief executive, the chief financial officer and the chief investment officer. The committee meets at periodic intervals as required, with an expectation that it will meet at least three times per year. The investment fund advisers, Cambridge Associates, provide quarterly reports on the performance of the investment fund and attend the committee's meetings at appropriate intervals. The investment fund advisers also attend GMG Board meetings, on invitation, to report on the investment fund performance.

Internal control

The Board is responsible for the Group's system of internal control. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the system of internal control during the year.

The key features of the internal control system are:

- a clear organisation structure with defined levels of responsibility delegated to operational management
- maintenance of risk registers at both operational and Group level, which identify and evaluate risks and document control procedures and monitoring arrangements. Regular review and update of risk registers is embedded in operational reporting procedures including Board review
- certain key Group functions including taxation, treasury, insurance and day-to-day administration of the investment fund are handled centrally with regular reports to the Board through the chief financial officer. The treasury function operates within Board-approved limits
- a structured process for approval of capital projects and significant contracts which includes appropriate authorisation levels
- all significant acquisitions or investments are subject to detailed internal appraisal involving both Group and operating personnel and due diligence procedures, prior to being presented to the Board for approval
- comprehensive business planning procedures which include a rigorous annual budget process, culminating in the budget for the year ahead and plans for subsequent years being approved by the Board. Forecasts are updated quarterly and presented to the Board for review and comment
- monthly management accounts which report on trading performance by operation against budget and previous year, including relevant key performance indicators and latest year-end forecasts, are provided to local and divisional management and the Board
- the outsourced internal audit function delivers independent review and assurance on the management of key business risks and on the effective operation of governance processes and systems of internal control at divisional and Group-wide levels
- regular review of business operations throughout the Group by operating and executive management.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.