

The Company is committed to high standards of corporate governance. The paragraphs below and in the Remuneration Report on pages 44 to 58 describe how the Board has applied the principles set out in the Combined Code ('the Code') issued by the Financial Services Authority in July 2003. The Code is part of the listing rules and applied to the Company throughout the year.

The Company has substantially complied with the provisions of the Code, except where the Board has determined that they are inappropriate to the particular circumstances of the Company, as explained below and in the Remuneration Report.

#### THE BOARD

The Company is headed by a Board which comprises a balance of seven executive Directors, including the Chairman and Chief Executive, and eight non-executive Directors. Biographical details of each of the Directors are set out on page 39. The Board has been progressively refreshed in recent years with several appointments, including four new independent Directors.

The Board meets regularly four times a year and at such other times as are necessary. It approves the Group's strategy which is proposed and executed by the executive Directors. Its specific responsibilities are set out in a schedule of matters reserved to the Board which is published on the Company's website at [www.dmgmt.co.uk/corporate-governance](http://www.dmgmt.co.uk/corporate-governance).

The Board met four times during the 2006/07 financial year, all of which were regular meetings, attended by all Directors, except that Mr Dunstone was unable to attend one of them and Mr Lowy was unable to attend two of them. Individual attendance by Directors is set out below:

	Number of meetings	Number of meetings attended
THE VISCOUNT ROTHERMERE	4	4
C J F SINCLAIR	4	4
J P WILLIAMS	4	4
D M M DUTTON	4	4
P M DACRE	4	4
P M FALLON	4	4
K J BEATTY	4	4
J G HEMINGWAY	4	4
S M GRAY	4	4
I G PARK	4	4
C W DUNSTONE	4	3
F P BALSEMÃO	4	4
T S GILLESPIE	4	4
D J VEREY	4	4
N W BERRY	2	2
F P LOWY	2	0

The Board has not, as required by the Code, identified a senior independent non-executive Director since it believes that to identify such an individual is potentially divisive to a unitary body, as this Board is, and disruptive to the role of the Chairman.

The division of responsibilities between the Executive Chairman and the Chief Executive is understood and works well, given the individuals' long-standing appointments, as set out on page 39. Hence it has not needed to be set out in writing, nor agreed by the Board.

The Board believes that four non-executive Directors may be considered to be independent under the Code, namely Messrs Dunstone, Balsemão, Verey and Berry. This represents less than the half of the Board recommended by the Code.

Messrs Hemingway, Gray and Gillespie are not regarded by the Board as independent under the Code because they have advised the Company over many years; nor is Mr Park due to his having been chairman of Northcliffe within the last five years. Nevertheless the Board believes that these non-executive Directors make an important contribution to its deliberations and have invaluable experience of the Company, its business and its staff.

#### INFORMATION AND PROFESSIONAL DEVELOPMENT

Procedures have been established to ensure that the Board receives timely and appropriate information both for its meetings and regularly between meetings. All Directors are offered such training as is considered necessary, both on appointment and at any subsequent time. There is an agreed procedure for Directors to take independent professional advice at the Company's expense, if necessary.

#### ELECTION AND RE-ELECTION

The Company's Articles of Association require that a Director appointed by the Board must stand for election at the next Annual General Meeting. Thereafter all Directors are subject to re-election every three years. The Board has chosen not to adopt the additional provision in the Code that non-executive Directors, who have served for more than nine years, should be subject to annual re-election since the existing practice, which complies with Company law and with the Articles, works well.

The terms and conditions of appointment of the non-executive Directors are available for inspection at the Registered Office of the Company during usual business hours.

#### BOARD EVALUATION

The Board has undertaken a formal and rigorous evaluation of its own performance and that of its individual Directors. It reviewed its performance by reference to the schedule of matters reserved for it. The evaluation process took the form of a questionnaire sent to each Director, seeking their views on such matters as involvement in strategy, the structure of Board meetings, the quality of communications, confidence in fellow Directors and balance of skills, and consideration of views. The Chairman reported the consensus view on performance to the Board at its meeting in September, enabling it to conclude that it had been effective in the year under review. No substantive changes to procedures were judged necessary.

The non-executive Directors did not meet as a group without the Chairman since his performance was assessed by the Remuneration Committee (without the Chairman being present).

#### BOARD COMMITTEES

The Board has established Nominations, Remuneration, Audit and Risk Committees with mandates to deal with specific aspects of its business. The remits of these committees are published on the Company's web site. Details of the membership of these committees are given on page 39. Each committee reports to the Board at every regular meeting. In September and November 2007, the Board carried out a review of the performance of its committees and concluded that they had been effective in the year.

#### COMPANY SECRETARY

The Company Secretary, Mr Jennings, is responsible for advising the Board through the Chairman on all governance issues. All Directors have access to the advice and services of the Secretary.

#### NOMINATIONS COMMITTEE

The Nominations Committee, which was established as a separate committee in 2003, comprises three Directors: the Viscount Rothermere (its chairman), Mr Hemingway and Mr Balsemão. Only Mr Balsemão is an independent non-executive Director, whereas the Code recommends that a majority of members of the Committee should be independent. Nevertheless the Board believes that the Committee operates well. The Deputy Finance Director, Mr Perry, is secretary to the Committee. The Chief Executive attends most meetings at the invitation of the Committee.

The Committee met four times during the year and all meetings were attended by all serving members.

The Committee reviews the structure, size and composition of the Board and makes recommendations to the Board on any changes. During the year it nominated Mr Berry as an independent non-executive Director. Neither external advice nor advertising was required in this instance.

The Committee continued to review succession planning for both executive and non-executive Directors. It has also assessed the most appropriate method of evaluating Directors' performance.

#### RELATIONS WITH SHAREHOLDERS

The Company maintains a regular programme of contact with its institutional shareholders. In the past year, this has included meetings in London, Scotland, Canada and the US.

Non-executive Directors are kept informed of the views of institutional shareholders by the regular distribution of analysts' reports and feedback is provided from institutional meetings.

All shareholders are welcome to attend the Annual General Meeting, of which 20 working days' notice is given, where they have the opportunity to speak to Directors.

In the interests of transparency and to assist private shareholders, the Company posts all announcements and general presentations given to analysts and institutions on its corporate website. Shareholders and others interested in the Group are encouraged to use the site and to email questions which they might have to [investor.relations@dmgmt.co.uk](mailto:investor.relations@dmgmt.co.uk). Questions to particular Directors should be addressed through the Secretary.

#### INTERNAL CONTROLS AND MANAGEMENT OF RISK

The Group adopts a prudent risk strategy, weighing opportunities for potential gain against threats to overall business objectives and profitability. Senior management addresses the opportunities and uncertainties relating to the business activities of the Group. The risk management process consists of the identification, evaluation and control of risks, which could threaten the achievement of the Group's strategic, operational and financial objectives, as well as the active management of opportunities.

The Group operates on a divisional basis with each of the divisions described at the front of the Annual Report having considerable autonomy as regards its operation and establishment of control systems. Overseeing the divisional structure is a central management responsible to the Board. Certain functions are undertaken centrally, notably newsprint buying, insurance, treasury, tax, pensions, and risk and assurance (including internal audit).

The Board has overall responsibility for the Group's system of internal control. This system is designed to provide reasonable assurance of the safeguarding of assets and shareholders' investment and the reliability of financial information. Any such system can, however, provide only reasonable, and not absolute, assurance of these matters. The Directors confirm that they have reviewed the effectiveness of the Group's system of internal

control for the period up to the date of the approval of the Accounts. The Board has not identified any significant failings or weaknesses during this review.

In reviewing the effectiveness of the system of internal control the Board has considered material controls (including those undertaken through its committees), including financial, operational and compliance controls and risk management systems as follows:

The Audit Committee, on behalf of the Board, has responsibility for the review of financial risk management and of internal financial controls. A description of the operation and activities of the Audit Committee and of the central Risk and Assurance department is given below.

The Risk Committee gives the Board assurance on risk management issues and processes. The process for the management of significant risks is undertaken by the Risk Committee and it accords with the Turnbull Guidance on internal control, appended to the Code. Over the course of the past year the Risk Committee have considered the key risks pertaining to all divisions and head office functions within the business as well as the key risks which affect the Group, including fraud risk. A more detailed description of the operation and activities of the Risk Committee is given below.

Operating businesses within the Group are required to confirm annually their compliance with Group accounting policies and financial reporting guidelines.

Divisional and executive Boards regularly review relevant and timely financial information that is produced from the management information systems operated across the Group. This is supported by a framework of budgets that are approved at a divisional level by the Finance Committee. Variance analysis of actual results versus budget and forecast is undertaken regularly throughout the year.

The evaluation of the benefits and risks of investment opportunities and financing proposals is undertaken by the Finance Committee. Above certain defined levels, however, the Board must approve programmes relating to acquisition and divestment proposals and capital expenditure.

#### RISK COMMITTEE

The Risk Committee, which was established in 2000, comprises Mr Sinclair, the Chief Executive, (its chairman), the Viscount Rothermere, Messrs Williams, Gray and Dutton, and Messrs Kass, and Cohen, the legal director and Chief Information Officer of the Group's largest subsidiary respectively. Mr Gray provides a non-executive perspective to the review of risk management processes within the Group, as well as providing a direct link to the Audit Committee. The Committee met four times during the year. The head of the Group's risk function, Mr Page, is Secretary to the Committee.

The Risk Committee considers risk registers prepared, by each of the divisions of the Group and by central functions, on a rotational basis, reviewing a division and central function at each meeting. These reports identify inherent business risks and describe the controls in place to manage those risks. The Committee considers the Group risk register (a consolidation of divisional and central function risk registers with Group-wide risks overlaid) annually. In addition, the Committee reviews specific risk management issues and topics for consideration across the Group. This year the Committee has focused on the following risks: Information security and the payment card industry data security standard; fraud risk; risk from acquisitions and disposals made by the Group (the latter through a Risk Committee sponsored workshop for senior management); pandemic risk; climate change; and

again on business continuity and disaster recovery planning. The Committee also monitors developments in relevant legislation and regulations to consider the impact these might have on the Group and on its system of internal control.

Members of the Risk Committee also maintain direct links with each of the main divisions through attendance at divisional board meetings as directors of these boards. The Committee reports to the Board at each of its meetings on the results of these processes, to enable the Board to determine the overall effectiveness of the system of internal control and risk management more widely.

#### AUDIT COMMITTEE

The Audit Committee, which has been in existence since 1989, comprises four non-executive Directors: Messrs Gray (its chairman), Hemingway, Park, Verey and Berry. Mr Berry was appointed in February and Mr Park stood down from the Committee in May. The Code recommends that an audit committee should comprise at least three members, all of whom should be independent non-executive Directors. Only Messrs Verey and Berry are considered to be independent under the Code. Nevertheless the Board believes that the Committee operates independently. Members' qualifications are set out in their biographies on page 39. The Board is satisfied that Mr Gray, formerly senior partner of a firm of chartered accountants, has recent and relevant financial experience. The Secretary, Mr Jennings, also a Chartered Accountant, is secretary to the Committee.

The Audit Committee met four times during the year and all meetings were attended by all serving members, except that Mr Hemingway was unable to attend one of them.

The Committee has implemented the procedures set out in the Smith Guidance to the Code which are within its control. It reviews the Group's policy on whistle blowing. Procedures exist to monitor the independence of the external auditors and include a policy on employment of former audit principals. There is also a policy on the provision of non-audit services with which the Group's head office and each division complies. The choice of firm is normally determined on the basis of professional expertise and competitiveness. The Group may engage the external auditors to perform audit-related work, accountancy advice and corporate tax services. Non-audit services in other areas are decided on their merits and are put out to tender where the amounts in question are significant. The external auditors are excluded from the following areas: where they are auditing their own work; where a mutuality of interest is created; or where the external auditor would be put in the role of advocate for the Company.

Non-audit fees payable to Deloitte & Touche LLP ('Deloitte') in 2007 amounted to £2.9 million, compared to £7.6 million the previous year, reflecting the continuing extent of corporate tax advice given and Deloitte's continued involvement as lead consultant on Northcliffe Media's cost reduction project. In the prior year, it also undertook due diligence work as part of the strategic review of that business.

In October 2007, the Audit Committee carried out an annual review of its terms of reference and of its effectiveness and concluded that it did not need to recommend to the Board any changes to its remit or operations. In November 2007, the Board conducted its own review of the Committee's performance and agreed that the Committee had been effective in the year under review.

The Audit Committee, on behalf of the Board, has responsibility for the review of financial risk management and of internal financial controls during the year, as these directly relate to the quality of financial reporting. In addition, the Committee reviews a summary of letters to management prepared by the Group's external auditors following their audit procedures, considers significant

financial reporting issues and approves any changes to Group accounting policies, which are set centrally. During the year, the Committee received reports on developments in international financial reporting standards, Business Review regulations and on the requirements of the Transparency Directive including interim management statements. Apart from these specific responsibilities, the Committee is mandated to review all announcements of results issued by the Group and to consider the appointment of external auditors and to review their remuneration.

The central risk and assurance function carries out internal audit activities across the Group. It operates under an internal audit charter which covers: the purposes and objectives of the Group's internal audit function; its authority and scope; independence issues; standards of professional practice, performance monitoring, planning and reporting. The department also coordinates with a number of the divisions who undertake control reviews on companies within their divisions. Following each review, a formal report is issued to divisional management with the audit findings and management's response. At each Audit Committee meeting, the Head of Assurance, Mr Ashby, reports on the internal audit activity across the Group, including progress against completion of the annual assurance plan, a summary of the findings of assurance reviews undertaken and a description of the activities and operation of the Risk Committee.

In October 2007, the Committee monitored and reviewed the resources and performance of the internal audit function, together with its plan for the forthcoming year. It approved the plan and confirmed that the internal audit function had been effective in the year under review.

The Group does not maintain common detailed accounting or operations manuals because of the diverse operations carried out by its divisions. Where applicable, divisions maintain their own manuals. A number of the divisions also undertake regular control review work as part of their control process.

Euromoney Institutional Investor plc is subject to the requirements of the Code in its own right. As disclosed in its latest annual report, it has in place its own system of internal control and risk management processes which forms part of the Group's overall framework of control. The joint ventures and associates of the Group are not included in the Group's system of internal control described above.

On behalf of the Board

**N D JENNINGS, FCA**

Secretary

20th November, 2007