

Discovery Ltd Annual Shareholder/Analyst Meeting

Company Participants

- Deon Marius Viljoen, Group CFO
- Thabane Vincent Maphai, Independent Non-Executive Director
- Unidentified Speaker, Unknown

Other Participants

- Tinyiko Mabunda, ESG Analyst

Presentation

Thabane Vincent Maphai {BIO 3049183 <GO>}

All right. I think we can start. Good morning, ladies and gentlemen. It is my pleasure to welcome you. Today is the 20th Annual General Meeting of the shareholders of Discovery Limited. I'm Vincent Maphai, an independent non-executive director of Discovery Limited. Unfortunately, our Chairman, Mr. Mark Tucker, is not able to be present with us at this AGM this morning.

The Board has proposed that I chair this AGM today. Are there any objections for me continuing to chair this meeting? Thank you. No objections.

For this representing 81.95% of the issued share capital of the company were received. And as more than 3 members are present, we have a quorum. The notice of the meeting was distributed to all members of the company within the stipulated time required. And I therefore declare this meeting open.

In terms of clause 25 of the Memorandum of Incorporation of the company, I rule that we conclude the 8 ordinary shares -- ordinary and 4 special proposed resolutions by poll.

May I inquire if everybody present has signed the attendance register and completed the poll sheet with our transfer secretaries at the back? If anyone has not, please do so as this will enable the transfer secretaries to complete their polls.

I need to point out that if you have already voted, you are free to change your vote after the resolution has come up for discussion. If, however, you do so, please alert me to the back in order for the transfer secretaries to amend their records accordingly.

For good order, I propose that you read out the results of the poll of the 8 ordinary and 4 special proposed resolutions at the end of the meeting.

We now come to the agenda.

I propose that the notice of the meeting be accepted as being read. Thank you.

Ordinary resolutions number 1, consideration of the annual financial statements.

We now get to point 1 of the agenda where the shareholders are asked to accept the annual audited financial statements, including the directors' report, audited report and the report by the Audit Committee of the company and all of its subsidiaries for the year ended 30 June 2019.

Are there any questions? I propose that the annual financial statements be accepted.

Resolution 2, reappointment of the external auditor. The company's Audit Committee has nominated that PricewaterhouseCoopers be reappointed as independent external auditor of the company until the conclusion of the next Annual General Meeting. Mr. Andrew Taylor is the individual registered auditor who will undertake the audit for the financial year ending 30 June 2020. I propose that PwC be reappointed as the external auditors.

3, election of the Independent Audit Committee. I propose that the following separate resolutions be considered.

3.1, Mr. Les Owen, who is an independent non-executive director of the company, be elected as a member and chairperson of the audit -- of the company's Audit Committee for the financial year ending 30 June 2020.

3.2, Ms. Sindi Zilwa, who is an independent non-executive director of the company, be elected as a member of the company's Audit Committee for the financial year ending 30 June 2020.

3.3, Ms. Sonja De Bruyn Sebotsa, who is an independent non-executive director of the company, be elected as a member of the company's Audit Committee for the financial year ending 30 June 2020.

Resolution 4, reelection of the appointment of directors. Mr. Richard Farber, Mr. Herman Bosman and Ms. Faith Khanyile all retire in accordance with the Article 41.3 of the company's MOI. And being eligible, offer themselves for reelection and are hereby nominated for election by the shareholders as directors of the company. Mr. Tucker was appointed as an independent non-executive director. And his appointment must be ratified by shareholders.

Resolutions 4.1 to 4.4, as aforementioned [ph] are as follows.

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4.1, it is proposed that Mr. Ricky Farber who retires in terms of clause 41.3 of the company's Memorandum of Incorporation and who, being eligible, offer himself for reelection, be reelected as a director of the company.

4.2, it is proposed that Mr. Herman Bosman, who retires in terms of clause 41.3 of the company's Memorandum of Incorporation and who, being eligible, offers himself for reelection, be elected as director of the company.

4.3, it is proposed that Ms. Faith Khanyile, who retires in terms of clause 41.3 of the company's Memorandum of Incorporation and who, being eligible, offers herself for reelection, be reelected as a director of the company.

4.4, it is proposed that the appointment of Mr. Mark Tucker as an independent non-executive director be ratified.

5, endorsement -- advisory endorsement of the remuneration policy. In terms of King IV, shareholders of the company are provided with an opportunity to pass non-binding advisory votes on their remuneration policy and the implementation report. The vote allows shareholders to express their views on the remuneration policies adopted and the implementation thereof. But will not be binding on the company. Furthermore, King IV recommends the remuneration policy should be -- the remuneration policy should record the measures that the Board commits to in the event that either the remuneration policy or the implementation report or both have been voted against by 25% or more of the voting rights exercised by the shareholders.

5.1, it is proposed to endorse, through a binding -- a non-binding advisory vote, the company's remuneration policy, as set out in the remuneration report contained in the integrated annual report.

5.2, it is proposed to endorse, through a non-binding advisory vote, excluding the remuneration of the non-executive directors for their services as directors and members of statutory committees, the company's implementation report as set out in the integrated annual report.

6, adoption of the Discovery Limited long-term incentive plan. I propose that, to allow the company to replace the existing cash-settled LTIP with an equity settled-LTIP, that the Discovery Limited long-term incentive plan be and is hereby ratified and approved. The resolution requires a 75% majority of the votes cast by shareholders present in person or by proxy at this meeting in terms of Schedule 14 of the JSE Listings Requirements.

7, authority to implement special and ordinary resolutions. I propose that any director of the company or the company's secretary be and is hereby authorized to do all such things, sign all such documents and take all such actions as may be necessary for incidental or incidental to the implementation of the ordinary and special resolutions to be proposed at the Annual General Meeting convened to consider these ordinary resolutions.

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8, in terms of clause 15.2.2 and 15.2.3 of the MOI, the Board requires the approval of the ordinary shareholders to issue and allot and grant options over the unissued redeemable no par value preference shares; the noncumulative, nonparticipating, nonconvertible voluntary redeemable no par value preference shares; and the perpetual no par value preference shares in the share capital of the company. As such, it is proposed that shareholders provide the requisite authority to the Board of Directors to issue up to 10 million A preference shares, 12 million B preference shares and 20 million C preference shares by passing the following ordinary resolution number 8.1, ordinary resolution number 8.2 and ordinary resolution number 8.3.

As required by and subject to the MOI and the provisions of the Companies Act and the JSE Listings Requirements, the Board of Directors are authorized, as they in their discretion deem fit, to allot, issue and grant options over and to undertake to allot, issue and grant options over 10 million A preference shares from the authorized but unissued A preference shares in the share capital of the company. Such authority shall be valid until the company's next AGM or for 15 months from the date of this resolution number 8.1, whichever period is shorter.

8.2, as required by and subject to the MOI and the provisions of the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, the Board of Directors are authorized, as they in their discretion deem fit, to allot, issue and grant options over and to undertake to allot, issue and grant options over 12 million B preference shares and the authorized but unissued [ph] B preference shares in the share capital of the company. Such authority shall endure until the company's next Annual General Meeting or for 15 months from the date of this ordinary resolution 8.2, whichever period is shorter.

8.3, as required by and subject to the MOI and the provisions of the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, the Board of Directors are authorized, as they in their discretion deem fit, to allot, issue and grant options over and to undertake to allot, issue and grant options over 20 million C preference shares from the authorized but unissued C preference shares in the share capital of the company. Such authority shall endure until the company's next Annual General Meeting or for 15 months from the date of this ordinary resolution number 8.3, whichever period is shorter.

We now come to special resolutions.

Approval of non-executive directors' remuneration. I propose that the payment of the fees as set out on Page seven of the Discovery Notice of Annual General Meeting for the year ended 30 June 2019 be approved as the basis for calculating the remuneration of the non-executive directors for their services as directors of the company for the financial year ending 30 June 2020.

2, general authority to repurchase shares. I propose that the Board is hereby authorized by a way of renewable general authority, in terms of the provisions of the JSE Listings Requirements and as permitted in the company's MOI, to approve the repurchase of its

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own ordinary shares by the company and the repurchase of ordinary shares in the company by any of its subsidiaries upon such terms and conditions and in such amounts as the Board may from time to time determine. But subject to the MOI of the company, the provisions of the Companies Act and the JSE Listings Requirements when applicable. The restrictions that the JSE prescribes have been included in the notice of the Annual General Meeting. And I will not repeat them.

3, financial assistance in terms of selection -- of Section 44 and 45 of the Companies Act. I propose that to the extent required by the Companies Act, the Board of Directors of the company may, subject to compliance with the requirements of the company's MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorize the company to provide direct or indirect financial assistance, as contemplated in Section 44 and/or Section 45 of the Companies Act. The detail of the authority has been included in the notice of this meeting. And I'm not going to repeat this here. The authority shall endure until the forthcoming Annual General Meeting of the company.

4, specific authority under the Companies Act and the MOI relating to an issue of shares to LTIP. I propose that subject to passing of ordinary resolution number 6, the company's authorized, pursuant to Section 41 of the Companies Act and the requirements of the MOI, to allot and issue. And representing cumulatively the maximum allotment over the multiple year duration of the LTIP, a maximum of 32,914,537 ordinary shares in the authorized share capital of the company, which represents 5% of the total issued share company of the -- issued share capital of the company at the date of this AGM notice, to the LTIP. In respect of which beneficiaries of the LTIP will acquire a vested rights, at the subscription price equal to the weighted average of the market value, at which such ordinary shares are traded on the JSE, as determined over the 30 business days immediately preceding the date of this issue of such ordinary shares by the company.

Approvals required for resolutions.

Ordinary resolutions numbers 1 to 4 and an ordinary resolutions numbers 7 and 8 contained in this notice of the Annual General Meeting require the approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the Annual General Meeting and further subject to provisions of the Companies Act, the company's MOI and the JSE Listings Requirements.

Special resolutions number 1 to 4 and ordinary resolutions number 5 and 6 contained in this notice of the Annual General Meeting require the approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the Annual General Meeting and further subject to the provisions of the Companies Act, the company's MOI and the JSE Listings Requirements.

Are there any questions in respect of the above resolutions?

If anyone has not yet recorded their votes to the transfer secretaries, please do so now.

I will now ask the transfer secretaries to provide me with the results of the poll.

Deon Marius Viljoen {BIO 15316870 <GO>}

There's a question on the line.

Thabane Vincent Maphai {BIO 3049183 <GO>}

Okay.

Questions And Answers

Q - Tinyiko Mabunda {BIO 20843642 <GO>}

You're speaking to Tinyiko from Aeon Investment Management. I just have a few questions with regards to ordinary resolution number 2, the reappointment of your external auditor. PricewaterhouseCoopers has been the special appointed auditor for Discovery since 2001, which equates to about 19 years. We are a little concerned about the lack of independence this results in.

The second question is with regards to ordinary resolution 3.1, 3.2 and 3.3, the election of independent audit -- of the independent Auditors Committee. So Mr. Les Own, if I'm not mistaken, has been on the Board for 12 years. And has been a member of the Audit Committee for 11 years. His audit quality tenure also brings into question the issue of independence. As well -- sorry, he's also Chairperson of the Audit Committee. He's a member of the Actuarial Committee, which we believe compromises the integrity of his independence as Chairman of the Audit Committee. 3.2, Ms. Sindi Zilwa has been a Board member for 17 years and a member of the Audit Committee for 16 years. Please correct me if I'm mistaken. This also then -- does this -- this also then brings into question her independence as a member of the Audit Committee, which would then contradict change for principles. And 3.3, Ms. Sonja De Bruyn, she has been a Board member since December 2005. Her Board tenure exceeds our company policy. However, I just needed to get some clarity with regards to Discovery's Board tenure policy.

A - Thabane Vincent Maphai {BIO 3049183 <GO>}

Thank you very much. Deon, would you like to say anything first?

A - Deon Marius Viljoen {BIO 15316870 <GO>}

Yes. Thank you, chief [ph]. It's Deon Viljoen here, group CFO. Just to address your first question in connection with PwC and their appointment, maybe just first off, to make the statement that we have absolutely no doubt in terms of PwC's independence. It is something that is formally reviewed by the Audit Committee and by PwC and their own internal processes on an annual basis. So there's absolutely no doubt in that regard. Also to point out that Mr. Andrew Taylor, who now takes over as the lead engagement partner, do so as a result of formal rotation requirements from both sides, both PwC and ourselves. So just to put that in context.

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But also, just an acknowledgment of your points, there have been auditors for a good many years. And as you may know, we are soon to implement a compulsory audit firm rotation in South Africa. That requirement comes up in around 2023 for us. And this is an item that's been actively managed by the Audit Committee and the Board to determine the most opportune time to introduce that rotation. The reality is that the timing of that and the intention is to do that well ahead of the compulsory audit rotation base. But there are a number of factors that we are considering in making sure that we find the optimal timing for that, in particular, to make sure that we have as many of the firms that are capable and accredited to do the audits are able to propose for the audits at that time. And so that is what we are managing. There are also certain other regulatory requirements that may play out over that time period, which we also need to take cognizance of, such as the potential requirement for joint audits, et cetera. But that we'll have to see how the regulations play out. So this is now and actively being managed to make sure that we appoint the best one to take over from PwC. But in the meantime, just to give you the comfort that we have absolutely no concern with PwC's independence.

Maybe just on the others. And we also have the Chairman of the Audit Committee present if he would like to add to that. But just to a similar point you make on the independence of the members appointed to the Audit Committee. Similarly, on an annual basis, we assess their independence and whether there are any conflicts of interest or loss of independence of those directors who serve on the Board for a longer period of time. We are very much aware. And we've had engagement with many shareholders around this issue that, as a default, in around the 10 or 12 years, some shareholders have expressed concern to ensure that those directors are independent. We do that as, again, as a formal review. And I guess similar to the point I made on the external audits, if there's any indications that any of those members have lost their independence, we would immediately react to that.

However, given the phase of growth where the group is currently, as you know, we are undertaking a number of strategic expansions, both in South Africa and globally, a fairly complex -- a strategic positioning. But very unique opportunity for us globally. And it is very useful to have directors on the Board that had a number of years of experience, particularly around the complex areas of introducing shared value into the strategy. And making sure that we don't meet any unintended consequences from that. And so what we have found is the contribution of those members who have seen the strategic development of the group are exceptional at the Board. And you would want to make sure that you retain that.

Having said that, we also recognize that we need to respond to that general perception issue. And we manage our succession on a continuous basis. And this is an item that is managed through the Board to make sure that we can introduce that succession in a controlled fashion and in a way that we -- first, we capitalize on the experience. But also that the newer members that we bring on to the Board can contribute in the areas that we require.

Adrian, I don't know if you also want to answer that. I hope that's answered.

A - Thabane Vincent Maphai {BIO 3049183 <GO>}

Thank you. Any further questions? Thank you.

We will now move to the results.

Number 1, the first ordinary resolution and the consideration of annual financial statements, we have 100% vote in favor.

Resolution 2, on the reappointment of external auditors, we have 86.75% in favor.

Resolution 3.1, on the election of Mr. Les Owen, we have 93.13% in favor.

3.2, on the election of Ms. Sindi Zilwa, we have 80.69% in favor.

3.3, on the election of Ms. Sonja De Bruyn, we have 79.35% in favor.

4.1, on the election of Mr. Richard Farber, we have 92.92%.

4.2, on the reelection of Mr. Herman Bosman, we have 92.23% in favor.

4.3, on the reelection of Ms. Faith Khanyile, we have 99.67% in favor.

4.4, on the reelection of Mr. Mark Tucker, we have 99.78% in favor.

5.1, on the non-binding advisory vote on the remuneration policy, we have 85.79% in favor.

5.2, on the non-binding advisory vote on the implementation of the remuneration policy, we have 84.24% in favor.

Adoption of the limited long-term incentive plan, we have 88.66% in favor.

Directors' authority to take all such actions necessary to implement the aforesaid ordinary resolutions and special resolutions mentioned below, we have 99.99% in favor.

8.1, on the general authority to issue preference shares, we have 98.51% in favor.

8.2, on the general authority to issue preference shares, we have 98.47% in favor.

8.3, on the general authority to issue preference shares, we have 98.51% in favor.

Then approval on non-executive director resolutions, we have 85.84%.

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On the general authority to repurchase shares, we have 99.38%.

Resolution 3, on the authority to provide financial assistance in terms of Section 44 and 45 of the Companies Act, we have 93.10%.

And finally, specific authority -- resolution for specific authority under the Companies Act relating to the issue of shares to the LTIP, we have 99.13%.

And that brings us to the end of the results.

Is there anything that anybody wishes to raise now?

Q - Tinyiko Mabunda {BIO 20843642 <GO>}

Sir, one more question, please.

A - Thabane Vincent Maphai {BIO 3049183 <GO>}

Yes, please go ahead.

Q - Tinyiko Mabunda {BIO 20843642 <GO>}

Okay, so we noticed this year, in the notice, the approval of non-executive director's remuneration for 2019, 2020, the fees that were proposed were not split between the base -- a base fee and a meeting attendance fee. Is it possible maybe in the future to split the fees to a base fee and an attendance fee, thus, striking a balance between accounting for ongoing work and interaction by both members?

A - Deon Marius Viljoen {BIO 15316870 <GO>}

So it's Deon here again. If I understood the question, it's about restructuring the non-executive fees from a base plus as well a meeting fee to all inclusive retention. Is that correct?

Q - Tinyiko Mabunda {BIO 20843642 <GO>}

Yes.

A - Deon Marius Viljoen {BIO 15316870 <GO>}

The reasoning behind that is really that it is an embedded practice at the moment, just in the benchmarks that we've done. And we've received some advice from our independent remuneration adviser through the Remuneration Committee to have rather an all-inclusive fee. We often have additional meetings. We do have probably a few more meetings that - in a cycle than most groups would have. And it was better and more manageable to have an all-inclusive fee. I guess the counterargument to that is that the per meeting fee with the sure attendance of directors at the meeting. And I can give you the absolute assurance that, particularly in Discovery, that is not an issue. The directors all attend the meetings with great -- with way minimal exception. And therefore, at the pace we move,

certainly, we don't extend the meeting. Those directors would also make sure that they absolutely are familiar and provide their inputs. And so that is not really an issue. It's more around getting a manageable and a proper base fee because it becomes very difficult to manage otherwise. So that was the advice we received from an independent remuneration sector.

Q - Tinyiko Mabunda {BIO 20843642 <GO>}

Okay and just, sorry, last question. Sorry, last question.

A - Thabane Vincent Maphai {BIO 3049183 <GO>}

Yes, please continue.

Q - Tinyiko Mabunda {BIO 20843642 <GO>}

With regards to your remuneration policy, in the future, is it possible to maybe disclose your actual FTI targets and outcomes that were achieved by the -- by the CEO, the CFO and the prescribed officers? So when -- you would have your metrics that you use to determine the FTIs and the LTIs. But could we also get the actual outcome that was achieved by the CFO, the CEO and the prescribed officers?

A - Deon Marius Viljoen {BIO 15316870 <GO>}

We'll certainly take that recommendation forward and see what further disclosure we could make. Maybe just to point out that, obviously, for all the other prescribed officers, the business performance is felt up in quite a lot of detail in the operational reviews. And most of their scorecards -- or a large part of their individual scorecards would be linked to those key performance measures of those individual operating units. We then provide more detail around the CEO and the CFO. But we will certainly take that point forward, benchmark those factors and include their disclosures that's required.

Q - Tinyiko Mabunda {BIO 20843642 <GO>}

Yes and the constituents of the benchmarks would also be -- I really appreciate if you would disclose those as well.

A - Deon Marius Viljoen {BIO 15316870 <GO>}

Thank you.

A - Thabane Vincent Maphai {BIO 3049183 <GO>}

Any further questions? Thank you.

All right. Well this brings us almost to the end. I would like to take this opportunity to thank the executive directors, management and all staff under the leadership of Mr. Adrian Gore for all the successes that they have achieved during the past financial year. By any standards, the results have been quite outstanding. Thank you very much, Adrian. And your team. I also wish to thank all of you for your attendance. And wish you a well -- and rest in the coming holiday.

And now I declare the meeting closed, thank you.

A - Unidentified Speaker

Thank you.

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