

Transcript of AGM debate at 2020 Nine Entertainment AGM

November 12, 2020

Peter Costello (chair): I'll now ask Rachel to say if there's any questions on this resolution.

Rachel Launders (moderator): We do, we've got a number of questions from Stephen Mayne. The first: "Is the Chairman intending to serve a full three-year term and is this likely to be the Chairman's final term given he will have served 10 years on the board at the end of that three-year period?"

Peter Costello: Yes, I do intend to serve a three-year term and what I do at the end of that term I'll decide and announce in 2023.

Rachel Launders: The next question from Mr Mayne: "Would you agree with the characterisation that you are a fairly hands-off Chairman leaving management of the business to the CEO and his management team? If so, well done. However, are we using your obvious Canberra connections when it comes to Federal Government lobbying on issues such as the ACCC's attacks on Google and Facebook? What role have you played in this campaign? I hope it is substantial as this is a business regulatory matter, not an editorial issue.

Peter Costello: I feel a bit embarrassed to receive congratulations from Stephen Mayne, but I'll take it for present purposes. Well, obviously, I know a lot about regulation and the ACCC having been a Responsible Minister for the ACCC for a long time. And obviously, as I said in my speech, I have strong views on the imbalance of bargaining power and I support the measures that the ACCC and the government have announced, and I hope that they're seen through to conclusion, to deal with it. Like any Chairman, you can imagine I've made our views well-known and I do think I have been able to make quite a contribution in the area.

Rachel Launders: There are no more questions on that resolution.

Nick Falloon (acting chair): Thank you. I'll now hand the chair back to Peter, for the next item on the agenda.

Peter Costello (chair): Thank you very much, Nick. Resolution three on the agenda is for approval to grant 292,118 performance rights to the CEO, Mr Hugh Marks, as described in the explanatory statement. Votes received on this item of business are shown on the screen. Mr Marks is the only director entitled to participate in the performance rights plan. This plan provides long-term incentives for some of Nine's key executives, Mr Marks and the other executives who hold performance rights only receive a benefit from those rights. If the company's performance for shareholders over the three-year period from grant of the rights had been at a high-level. Targets have been set by the board to be challenging. So if the company does not perform strongly over the performance period for shareholders, no rights will vest. This means Mr Mark's incentives are strongly aligned with the company's performance.

These performance rights will be tested over the three-year period to 30 June, 2022. They are partly a top-up of the rights granted to him last year, following shareholder approval, because in early 2020, the board resolved to increase Mr Mark's fixed remuneration for the first time, since November, 2015, and to grant him additional allocation of rights, to be tested

against a hurdle relating to transformation of the company's business, to having a more digital focus.

Vesting of 40,761 of these rights will be subject to Nine's total shareholder return compared with a group of comparable ASX listed companies, a further 40,760 will vest if earnings per share growth targets over the three-year performance period are satisfied. For the remaining 210,597 rights, the board will consider performance of the company against the number of measures to accelerate Nine's transformation as a digital business over the three years to 30 June, 2022. I'll now ask the Company Secretary, are there any resolution, any questions on this resolution?

Rachel Launders: We don't have any questions on that resolution, Peter.

Peter Costello: Thank you, Rachel. I'll now go to resolution four on the agenda, which is for approval to grant 1,156,026 performance rights to the CEO, Mr Hugh Marks, as described in the explanatory statement votes received on this item of business are shown on the screen. These rights will be tested over the three-year period to 30 June, 2023 against the targets, which have been set by the board vesting of 462,410 of these rights will be subject to Nine's total shareholder return compared with a group of comparable ASX listed companies. A further 461,411 rights will vest if earnings per share growth targets over the three-year performance period are satisfied. The remaining 231,205 rights will be tested against the number of measures to accelerate Nine's transformation as a digital business over the three years to 30 June, 2023. I have a question on this resolution from the Australian Shareholders Association, who have asked us to be more specific regarding the targets associated with this LTI.

This component of the LTI (long term incentive) is applicable only to Hugh. I think it is fair to say there is an extensive list of targets, which will make up the decision process, all of which relate to our digital growth. These include audience metrics like Unique Audience (UA) and hours per user, as well as revenue metrics across Nine Now, Stan and Metro Media. Of course, actual targets for these measures are commercial-in-confidence, so cannot be disclosed. Suffice it to say, if Hugh does reach the bulk of these targets and the long-term incentive, LTI, is paid, we would expect you as shareholders to have benefited as well as the company to have benefited through evolving to its digital future. I'll now ask the company, secretary Rachel launders, are there any further questions on this resolution?

Rachel Launders: There were no questions on that resolution.

Peter Costello: Thank you very much, Rachel. I'll now go to resolution five on the agenda, which is for approval to amend the company's constitution to allow direct voting. This is a special resolution requiring at least 75% of votes cast to be in favour. Votes received on this item of business are shown on the screen. This is a common provision in company constitutions and facilitates shareholders voting directly rather than through a proxy. This allows more direct participation by shareholders who may not be able to attend meetings in person and may not want to appoint a proxy. We have been able to accept direct votes this year because of relief for all companies put in place by the Treasurer. This amendment to the constitution is proposed to ensure we can continue to do so in future years. I'll now ask the company secretary, Rachel launders, are there any questions on this resolution?

Rachel Launders: There aren't any questions on this resolution.

Peter Costello: Thank you very much, Rachel. Before I move into general business, I will summarise again, the proxies and direct votes that have been received for each resolution. These are shown on the screen. You can still lodge your vote by the online platform up until five minutes after the close of the meeting, once I've received the scrutineer's report on the

poll, the results will be announced by notice to the Australian Stock Exchange. Ladies and gentlemen, that completes the items on the agenda of the 2020 Annual General Meeting today. I will now allow an opportunity for questions or comments in relation to the management and or general business of the company. All of our board members are available to answer questions posed by our shareholders.

I have a question here from Ian Anderson, from the Australian Shareholders' Association, who asked about addressable advertising, which we have spoken about in the past, but particularly in the context of Nine Now. Nine has recently completed what we call our Data Unification Project, where data from Nine Now, Metro Publishing and Nine Digital was brought together. If we include Domain, we now have a first party database of more than 13 million unique user IDs. In terms of sharing data, we work closely with our data partners within the confines of rigorous contracts regarding the use of data and privacy. We also augment our data with third party data from groups like Equifax and Quantum. This database is unique to Nine and gives us enormous opportunity to better understand our customers and those of our advertisers and hence, more effectively target that advertising. I'll now ask our Company Secretary, Rachel Launders, whether there are any further questions submitted for general business?

Rachel Launders: There are, we have a question from Liz Rickman who is interested in Nine's policy on investing in fossil fuels.

Peter Costello: Well, Nine doesn't invest in external companies. It's not a fund manager, so it doesn't invest in companies with fossil fuels. It doesn't invest in any companies. It just doesn't engage in investing in any companies outside of its business.

Rachel Launders: We also have a question from Liam Day who is worried about the moral degradation of our society and asked whether the board would consider replacing shows like *Love Island* and *Naked Castaway* with programs that focus on academic or religious learning or programs that highlight individuals who use their talents to overcome challenging circumstances.

Peter Costello: Well, I think I'll give Hugh an opportunity to answer that question.

Hugh Marks: Thank you for that lovely flick pass in the context of our rugby discussion. Look, I think the program mix is something that we give a lot of thought to over time. Obviously, primarily focused on the operating performance of our business, which requires us to meet audience demand. We are in the business of understanding what audiences are currently wanting to consume, and trying to maximise those audiences, obviously from a revenue perspective. We do exercise balance in all this in accordance with obviously the regulations under which we as a business are quite tightly regulated by the ACMA and operate at all times within the context of that regulatory environment. And also, we do constantly assess the schedule from the perspective of suitability for the long-term brand value of the business. So these are things that are always subject to consideration.

Rachel Launders: Then the next question's been asked by Griffith Engineering about plans to innovate with Stan or to take it into international markets.

Peter Costello: Hugh, would you like to...?

Hugh Marks: Look, I think when it comes to Stan obviously it is a fairly domestically focused business. Rights on these matters are generally carved up by territory and obviously now with the extension into sport that will even more be the case. I think that just really gives us a very clear, as we sort of said in the presentation, we made clear ability to work across our assets in the most optimal way to build all of those businesses. And expansion outside

Australia, we would lose obviously that competitive advantage and it would significantly complicate the business where we still see there's substantial growth in Australia and of course, Stan Sport is part of that future substantial growth.

Rachel Launders: We have a number of questions from Stephen Mayne. His first question: "Why did we conspire with News Corp to try and kill off AAP when you knew News Corp was going to set up a competitor to AAP?"

Peter Costello: Well of course, there was no conspiracy and we would never conspire with a competitor and, you know, frankly, to allege that we would conspire with competitors to allege very serious corporate misconduct. News Corporation is a competitor of ours and I can assure you, we engage in very robust competition. The decision that was made regarding our investment in relation to AAP was made regarding the money that was invested, the services that we received and the overall benefit of the company and the decision that was taken was in the interest of the company. Rachel.

Rachel Launders: His (Stephen Mayne's) next question: "*The Sunday Telegraph* published a story last year, which seemed to suggest that our CEO was in a relationship with an employee of Nine. Is this correct? If so, how are the sensitivities of this situation managed internally? And is the Chairman comfortable with the situation?"

Peter Costello: Well, is this correct? It's correct, that it was published, yes. I obviously, saw the article as a result of what was published and my own inquiries, I don't believe that there is anything that's breached the company's policies or its Code and I don't believe it warrants any further engagement.

Rachel Launders: (Stephen Mayne again) "Why did it take so long to finally get rid of Alan Jones from 2GB? How much did we pay him and how much did the advertising boycotts and defamation actions cost shareholders?"

Peter Costello: Well, I'll comment on the defamation and then maybe Hugh, you can take the one on talent. Look, defamation is part of being involved in the media. I want to make this clear we have high standards and we don't want to publish anything that is untrue. It is possible sometimes to publish things that might be true, or that can't be proven to be true, that are defamatory. And in those circumstances, you do run into defamation cases. Where we have wrongly defamed somebody, my view is we should try and correct it as soon as possible. Where it can't be corrected or where we maintain our position, we will defend the journalism involved. Some cases can be expensive. But the nature of those cases, the duration when they are actually paid out, if in fact you lose them, or even if you win them, when you pay your own costs, we make provision for that in our accounts. These are not significant in the overall returns that we announce. Hugh, would you like to speak on talent?

Hugh Marks: Yeah, thanks Peter. Obviously when we completed our acquisition of the minorities in Macquarie Media, one of the things that we gave consideration to was a bit like we have with the rest of our businesses, what is the next 50 years of that radio business? That consideration required an understanding both the existing mix of talent that was on the network and potential future options, as well as what we felt were likely to be the revenue outcomes of all of those changes. Now that required quite a bit of consideration, obviously discussions with a number of people, including those talent and the implementation of that plan. I think the work that was done by Tom Malone and his team, to reset the schedule of the radio networks was incredibly successful for what was a very delicate exercise and if you look at the most recent radio surveys, obviously hugely successful in terms of audience outcomes. And we anticipate that that success in audience outcome will translate to improved revenue over the future years. So I think it's been a major achievement from Tom and his team in that radio business over this year.

Rachel Launders: The next question (from Stephen Mayne): “Is it deliberate that Seven and Nine are having their AGMs on the same day for the second straight year? Can you undertake to avoid such a clash next year and also publish a transcript of today's discussion on your website? Crown Resorts and Woolworths have agreed to do this as it makes the AGM debate more accessible for shareholders.”

Peter Costello: Who was the asker of that question? How many questions does he ask now?

Rachel Launders: Stephen Mayne.

Peter Costello: How many questions has he asked now?

Rachel Launders: About nine.

Peter Costello: Okay. As I say, it's more than one for every share that he holds is it? Look, you know, it's fantasy world that, you know, somehow, we would sit down and try and time our Annual General Meeting with Seven. Seven is a competitor of ours. We go about our business, they go about their business. And you know, I can see that whatever conspiracy you might try and read into this, it doesn't seem to have stopped Mr Mayne from asking quite a number of questions and from having his say. As to the publication of transcript, well, I'll look at that. But the truth of the matter is it's all here. It's all open, it's all public, nothing being hidden. I'll have a look at it and I'll have a think about it and I'll let you know before next year's AGM.

Rachel Launders: His (Stephen Mayne's) last question: “Well done for supporting your journalists in various defamation actions, such as the Ben Roberts Smith action. Can you provide a summary on how much we are spending on defamation actions and whether we are insured for some of these expenses?”

Peter Costello: Well, as I said earlier, we do make provision for what we consider to be potential verdicts and for what costs. And obviously we don't disclose that because when you go into these cases, you expect to win and you only go into them, if you believe you have strong grounds to win. So we don't publish amounts that we might be a holding and the company itself makes provision for that. There is, in some of the accounts, some discussion about provisions that we make in relation to potential defamation. Are there any other questions, Rachel?

Rachel Launders: The last question is from Catherine Wood, who asks about our plans to increase the number of women in leadership positions.

Peter Costello: Hugh, do you want to speak to that?

Hugh Marks: Sure. Look, I think, you know, we're very proud of as a company of what we've been able to do to encourage the development of women, both at a senior level and across the organisation. Obviously, in terms of the board members, other than myself, we're a 50-50 male/female board. In terms of my direct reports we're almost as many females as we are males and across the business, it's an organisation that has a number of successful women across various, many levels of management and something that we continue to seek to foster as we go forward. There are a number of programs in place at Nine to encourage that and I think this is something that we've achieved great results from, and great benefit from. So I'm very pleased with where we are at this point in time.

Rachel Launders: There are no more questions.

Peter Costello: No more questions. Thank you. As there are no more questions, I declare the meeting now closed. You now have five more minutes to lodge your votes via the online system. You will see a red bar along the top of the online platform with a countdown timer on how long you have remaining to cast your vote.

The results of the poll will be announced to the Australian Stock Exchange as soon as they are available. Thank you for your participation in our AGM today. I apologise, we will not be able to have tea and biscuits with you afterwards because we're here virtually. But please help yourself at home to a cup of tea and a biscuit. Thank you very much.

END OF TRANSCRIPT