



# Discovery Limited

## Evaluation of Directors Policy





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# 1. Introduction

## 1.1 PURPOSE

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The Board of Directors of Discovery Limited (Board) acknowledges the need for an Evaluation of Directors' Policy, as recommended by the Johannesburg Stock Exchange Debt Listings Requirements (JSE DLR).

All applicant issuers must have a policy on the evaluation of the performance of the Board of the applicant issuer and that of its committees, its Chairperson and its individual directors, pursuant to the provisions of the King IV Report on Corporate Governance for South Africa 2016 (King IV). The applicant issuer must confirm this by reporting to holders of debt securities in its annual financial statements that the Board of directors has executed this responsibility.

Performance evaluations produce insights into the effectiveness of the Board. There are a number of factors that the Board must consider in order to ensure that the process adds value and contributes to improve its performance. These factors include:

- All Board members should support the evaluation process. Board members need to give the evaluation process due regard and attention to ensure that it effective. This includes applying their minds to the evaluation questions and answering these honestly, complying with agreed timelines and making time for interviews (if held).
- The evaluation process should ensure anonymity of responses in order to illicit honest and frank input from members.
- The Company Secretary or nominee will take responsibility of the process to ensure it is carried out effectively.
- The Board meeting following an evaluation should provide sufficient time on the agenda for a presentation and discussion of the evaluation results. An action plan should be created to address the results.

## 1.2 SCOPE

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This policy is applicable to Discovery Limited and includes:

- The Board
- Board Committees
- Individual members of the Board of Directors, and
- The Company Secretary.

# 2. Policy principles

## 2.1 REASONS FOR AND BENEFITS OF PERFORMANCE EVALUATIONS

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The Board is the custodian of corporate governance of Discovery Limited and its subsidiaries (the "Discovery Group"). There is a direct correlation between the performance of the Board and the performance of the Discovery Group. Board culture influences the organisational culture, and it is thus important to assess and develop the culture that is required at all levels.

The King IV Code, under Principle 9, provides that the Board should ensure that the evaluation of its own performance and that of its committees, its Chairperson and its individual members, support continued improvement in its performance and effectiveness.



Continuous performance assessments provide the Board with an opportunity to review and improve its performance. A rigorous performance evaluation allows the Board to reflect on its roles and responsibilities, its culture and relationship with management.

Performance evaluations are a useful diagnostic tool which aims to help identify where the Board is performing well and which areas require development. Some of the benefits that arise from performing regular performance evaluations include:

- Identifying key development areas
- Identifying director development programmes to improve competency of Board members
- Improving Board composition through identifying skills needed on the Board
- Using the results to inform the nomination and election processes of new Board members
- Managing performance of Board members and the Company Secretary, and
- Identifying changes needed to company and Board governance documents/processes.

## 2.2 RESPONSIBILITY

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The Chairperson, with the support of the Company Secretary, is responsible for leading the performance evaluation of the Board or relevant committee.

Where the Board does not have a lead independent member, the Board should appoint an independent non-executive member to lead the performance assessment of the Chairperson.

The Chairperson should relay the results of the evaluation to the members of the Board or relevant committee and afford the members an opportunity to discuss the results openly.

Where individual peer evaluations are conducted, the Chairperson should have one-on-one consultations with each member to review the results and manage any performance issues which have been identified. Individual peer evaluation results should be kept confidential and should be treated with appropriate sensitivity. These results should not be shared with the rest of the members of the Board or relevant committee in order to avoid causing a negative and/or disruptive impact on the morale of individual members and overall Board dynamics.

## 2.3 WHAT IS EVALUATED AND HOW OFTEN

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The performance evaluation should examine the roles and responsibilities of the Board, the effectiveness of its committees, its relationship with key governance players and overall, assess the key areas which impact its effectiveness.

The assessment should not be conducted by way of a tick box approach, but should probe thought and application of mind to assess the performance for the previous period.

The Board assesses its overall performance and identifies its developmental areas. The committee evaluations allow the Board to evaluate the committee's contribution and effectiveness in fulfilling its mandate. Individual evaluations provide insights into the competency and engagement levels of each member of the Board. These also include specific evaluations of the Chairperson and Company Secretary. Individual peer evaluations should be used when determining whether to nominate a member for re-election.

The Board will conduct a formal performance evaluation every year. An independent assessment will be conducted from time to time bearing in mind that best practice guidelines suggests that an independent assessment should be conducted every third year.



## 2.4 METHODS

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### **Quantitative and/or qualitative methods**

Quantitative methods aim to obtain specific, numerical and measurable data through surveys or questionnaires. The results are aggregated and reported back to the Board and committees.

Qualitative methods are utilised to reveal trends in thought and opinions of Board members and this can take the form of one-on-one interviews, observation of Board meetings and review of applicable documentation. King IV is not prescriptive on the format of performance evaluations and the decision ultimately depends on the needs of the organisation.

The decision on what method should be used must be based on Discovery Limited's size, nature and industry.

### **Internal vs external facilitated evaluations**

Internally facilitated performance evaluations are conducted by the Chairperson, lead independent director or Company Secretary. Externally facilitated evaluations are conducted by an independent third party.

Irrespective of which method is elected, the facilitator should aim to illicit honest and frank inputs from the board members

Conducting an externally facilitated evaluation means that the process by which Board members' views and scores are obtained is independently facilitated. It is still a self-evaluation and thus the evaluation report provided is still a reflection of what the Board, as a whole, feels. An externally facilitated performance evaluation affords the process a level of objectivity and candour.

Whichever method is used the evaluation should not cause disruption or cause tension on the Board. Responses received should be private and confidential and results should be handled with requisite sensitivity as needed.

## 2.5 RESULTS OF EVALUATIONS

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Effective boards are committed to continuous development. It is crucial that the outcomes of performance evaluations and the identified action items are implemented and imbedded into the practices of the Board.

Communicating and understanding the results of the performance evaluation is a crucial part of the process.

- **Step 1:** Discuss the results of the evaluation with the entire Board and its committees (if previous evaluations were conducted, compare the results)
- **Step 2:** Create an action plan to address the outcomes of the evaluation. The action plan developed should adequately identify developmental areas, proposed interventions, and timelines and allocate resources to monitor the implementation of the action plan. Action plan items should be incorporated into the Board and its committee's annual work plans
- **Step 3:** Regularly assess progress against the action plan created
- **Step 4:** In the next evaluation, ensure to check or include a question to assess whether the previous concerns were adequately addressed.

Although conducting performance evaluations is instrumental in ensuring continuous development of the Board and its committees, performance evaluations can only add value when recommendations are implemented.



### 3. Compliance with this Policy

Discovery views any non-compliance to this policy and its obligations in terms of legislation in a serious light.

Compliance with this policy will be monitored. Any breach of, or non-compliance with this policy must be communicated to the policy owner as soon as reasonably practical. The policy owner, with input from the Chairperson of the Board of Directors of Discovery Limited, will consider the appropriate action(s) required. If agreement on the appropriate action(s) cannot be reached, the matter will be escalated to the Chairperson of the Board of Directors of Discovery Limited. The Chairperson will then decide whether the breach or non-compliance is sufficiently material to be escalated further, and if so, it will be escalated to the Board.

All instances of non-compliance with this policy will be included within the regular risk reporting process.