

Resolved:

Shareholders request that the Board of Directors of Discovery, Inc. adopt formalized nominating committee procedures for identifying new board candidates. We request that this include a policy to address board diversity which requires that the initial list of candidates from which new management supported director nominees are chosen include (but need not be limited to) qualified women and minority candidates and that any third-party consultant assisting in the identification of potential nominees be asked to include such candidates.

Supporting Statement:

As investors, we are concerned that our company has not shared its process to identify new board nominees and has not formalized a process for identifying new directors, including those that represent diverse views and experiences. This is particularly worrying given that our current board members do not reflect diverse backgrounds and appear to have a tangled dependency, both familial and professional.

As of August 2018, Discovery did not appear to have any people of color on its board. With one female board member, representing 8.3% of the board, Discovery is below the average of its peers. PwC research released in February 2017 found that the average Entertainment and Media Board is 22% female (<https://www.pwc.com/us/boardcomp>).

According to PwC's 2017 Annual Corporate Directors Survey, over 92% of directors say that gender/racial diversity has brought unique perspectives to the board room. Over 79% say that it has enhanced board performance. More than half believe it has enhanced company performance. (<https://www.pwc.com/us/en/governance-insights-center/annual-corporate-directors-survey/assets/pwc-2017-annual-corporate--directors--survey.pdf>)

Empirical research indicates a significant positive correlation between gender and racial diversity on boards and both return on assets and return on investment (<http://ssrn.com/abstract=416337>) as well as a positive and significant relationship between racial diversity and innovation, reputation and firm performance (<http://ssrn.com/abstract=1410337>). In addition, a January 2018 McKinsey study found that companies in the top quartile for gender diversity were 21% more likely to outperform on profitability and 27% more likely to have superior value creation. Companies with the most culturally/ethnically diverse boards were 43% more likely to experience higher profits.

(https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/delivering%20through%20diversity/delivering-through-diversity_full-report.ashx)

In its 2016 Principles of Corporate Governance, the Business Roundtable called on boards to "develop a framework for identifying appropriately diverse candidates that allows the nominating/corporate governance committee to consider women, people of color and others with diverse backgrounds as candidates for each open board seat." (<https://businessroundtable.org/sites/default/files/Principles-of-Corporate-Governance-2016.pdf>) A 2012 report by the National Association of Corporate Directors recommended that no less than one-third of candidates for new board seats should match the board's definition of diverse.

([https://www.nacdonline.org/files/PDF/NACD_BRC_BoardDiversity%20\(Watermark\).pdf](https://www.nacdonline.org/files/PDF/NACD_BRC_BoardDiversity%20(Watermark).pdf))

Policies like the one advanced in this proposal have been adopted by other media and communications companies, such as Naspers and SKY PLC, as well as companies like Amazon, Costco, Home Depot and Microsoft. While corporate boards may face differing circumstances, it is difficult to ignore the positive impact of diversity.

We urge the Board to join other leading companies and adopt this important governance reform.