

20204 News Corp AGM

Hosts: K. Rupert Murdoch (Executive Chairman, News Corp)
Michael Bunder (Corporate Secretary, News Corp)

Speakers: Robert Thomson (Chief Executive, News Corp)
John Chevedden
Michael Florin (Head of Investor Relations, News Corp)

PARTIAL TRANSCRIPT AFTER RUPERT'S ADDRESS

Rupert Murdoch

I will now turn the program to our Chief Executive, Robert Thomson, who will share some remarks of his own.

Robert Thomson

Thank you, Rupert. The coronavirus has irrevocably changed businesses, expediting pre-existing digital trends, challenging established practises and prompting introspection about the workplace itself. There has been much agility and adaption at News Corp, with the vast majority of our employees quickly and successfully transitioned to working from home. The resilience and resonance of the company's culture has been the core component in that continuity. Our business's prudently constrained costs and painful but necessary decisions were taken to ensure long-term robustness.

Preserving cash was an imperative and as a consequence, our cash balance was over \$1.5 billion dollars as of June 30. We have made progress in our pledge to simplify the company and to make it more transparent. We sold non-core assets and we presented Dow Jones as a separate segment, highlighting the substantial value and potential of brands, including the Wall Street Journal, Market Watch and Barron's. In a difficult year for many media companies, Dow Jones reported a 13 per cent increase in segment EBITDA, fortified by the strength of its professional information business and the pre-eminence of the Wall Street Journal.

All of our executives understand that these times are stress-testing our business and many volunteered significant cuts to their cash bonuses, which form a large part of their compensation. The imperative of a stringent cost strategy means that we have launched a shared services program that will transform the company by re-appraising spending and technology, office space, administrative and other functions. One trend is already having an impact on our earnings, the changed terms of trade with the digital platforms.

For News Corp, which has been pursuing this issue passionately for over a decade, the auspicious outcome would not have been possible without the leadership of Rupert and Lachlan Murdoch and the support of a board which ardently backed our advocacy of equity, transparency and the principle of a premium for premium content. As for the fiscal 2020 financial results at the new Dow Jones segment, revenues expanded and EBITDA of \$236 million dollars was the highest since separation, as were its healthy margins. We saw strong circulation volume growth with digital only subscriptions increasing 23 per cent year over year for the Wall Street Journal in the fourth quarter.

In contrast to most COVID affected media sites, digital advertising at Dow Jones was 4 per cent higher for the year, representing 54 per cent of advertising revenues in the fourth quarter. In digital real estate services, REA's traffic and lead volume rebounded in the wake

of the shutdown in Australia. The COVID crisis prompted many families to consider their housing circumstances and record low interest rates have made a move more affordable. We noted similar trends in the US at Realtor.com and saw a significant improvement in profitability at Move. The news media segment had a challenging year and we sold News America Marketing and Unruly, and intensified our emphasis on digital. In Australia, we shifted the majority of our regional and community papers to digital only. Given the prominence of our company, this transformation was profound but also necessary to ensure that local and regional journalism has a viable future in Australia. In book publishing, at the outside of the pandemic, Harper Collins moved quickly to bolster distribution and emphasised e-books and online sales. These actions allowed us to make the most of changes in reading habits and distribution permutations and segment EBITDA improved in both the third and fourth quarters.

At Foxtel, our emphasis on streaming has brought a surge in new customers for both Kayo, the sports streaming service, and Binge, our new entertainment offering. Both services are fully monetising our existing rights without incurring extra content licensing expenses. We also benefitted from an unprecedented reset of sports prices which will have a positive long-term impact on Foxtel's profitability. The events of 2020 will continue to resonate economically and politically for years to come. Our journalists around the world have provided a necessary, a crucial service and many of our employees have empathetically contributed to their communities through personal philanthropy.

I am sincerely grateful to all our readers, our audiences, our advertisers and our investors for their support of our company, especially in these complex, challenging times. Thank you.

Rupert Murdoch

Thank you, Robert. I now call the meeting to order. We're joined today by the board of directors, our Co-Chairman, Lachlan Murdoch; Kelly Ayotte; Jose Maria Aznar; Natalie Bancroft; Independent Lead Director, Peter Barnes; Ana Paula Pessoa; and Masroor Siddiqui. I'd also like to acknowledge James Murdoch and Joel Klein who sat on the board this year, and thank them for their valued contributions to the company. Also joining us, our Chief Financial Officer, Susan Panuccio; General Counsel, David Pitofsky; Corporate Secretary, Michael Bunder; Head of Investor Relations, Michael Florin; Mini Krishnan and [Zak Dibbah] of Ernst & Young, the company's independent registered public accounting firm.

I will now ask our corporate secretary, Mr Bunder, to proceed with the formal portion of the meeting.

Michael Bunder

Thank you, Mr Chairman. This meeting is held pursuant to a notice of annual meeting of stockholders made available or mailed on or about October 5th, 2020, to each record holder of the company's common stock as of September 21st, 2020. The agenda and rules and procedures for conduct are accessible on the virtual meeting portal and outline how we would proceed with today's meeting. As stated in the rules and procedures, if you would like to submit a question, you may do so by following the instructions on the virtual meeting portal. A general Q&A session will follow later in the meeting. Thank you for your cooperation with these rules.

A list of stockholders of record entitled to vote at this meeting has been available for examination for the past 10 days and is also accessible during this meeting through the virtual meeting portal. In accordance with the company's by-laws, the board has appointed

Mr Jim Raitt from American Election Services as the Independent Inspector of Elections for this meeting. The Inspector of Elections has examined the proxies received and reports that holders of a majority in voting power of all of the outstanding shares of stock entitled to vote at the meeting are present in person or represented by proxy. Therefore, I hereby declare a quorum present at the meeting. We open the polls at the beginning of the meeting through the virtual meeting portal. Only class B common stockholders of record, as of the record date or their valid proxy holders, are eligible to vote during this meeting. If you voted or returned a proxy card before the meeting, it is not necessary to vote again. If you wish to cast your vote now, you may do so by collecting the vote here button on the virtual meeting portal. We have five items on today's agenda. Proposal one, is for the election of nine directors. The board has nominated the following nine individuals to serve as directors: Rupert Murdoch, Lachlan Murdoch, Robert Thomson, Kelly Ayotte, Jose Maria Aznar, Natalie Bancroft, Peter Barnes, Ana Paula Pessoa and Masroor Siddiqui. If elected, each of these director nominees will serve a one-year term, expiring at the 2021 annual meeting or until his or her successor is duly elected and qualified.

Proposal two, is for the ratification of the selection of Ernst & Young LLP as the company's independent registered public accounting firm for the fiscal year ending June 30th, 2021. Proposal three, is an advisory vote to approach executive compensation. Proposal four, is an advisory vote on the frequency of future advisory votes to approve executive compensation. We also have a stockholder proposal filed by Mr Kenneth Steiner to eliminate super majority voting provisions in the company's certification of incorporation and by-laws.

After I briefly summarise the board's position on the proposal, Mr Steiner's representative, Mr John Chevedden, will be invited to speak on the proposal. As stated in the proxy statement, the board has carefully considered Mr Steiner's proposal and unanimously recommends that stockholders vote against the proposal for the following reasons. A simple majority of votes cast is already our default voting standard for most matters submitted to company stockholders, including the election of directors in uncontested elections. The vote of a majority of shares outstanding is required to remove directors or to increase or decrease authorised capital stock.

A super majority vote, the vote of 65 per cent of stockholders entitled to vote, is required only to amend certain fundamental provisions of the company certificate of incorporation and to amend the by-laws. The board believes that retaining a super majority voting standard in these limited circumstances is necessary to protect the interest of all stockholders. These provisions provide a greater voice on corporate structure and governance matters to a broader mix of stockholders, by granting a minority group of stockholders the ability to defeat a proposed fundamental change.

Finally, the board believes the proposal is unnecessary in light of the company's sound corporate governance policies and practises which promote board accountability and reinforce the company's strong commitment to the creation of long-term sustainable value. Therefore, the board has concluded that the adoption of proposal number five is not in the best interest of the company's stockholders and recommends a vote against this proposal. Operator, would you please open Mr Chevedden's line so that he may speak on the proposal.

John Chevedden

Hello, this is John Chevedden, can you hear me okay?

Michael Bunder

Yes, John, go ahead, we can hear you find.

John Chevedden

This proposal five, simple majority vote, by Kenneth Steiner to those requests that the board take the steps necessary so that each voting requirement in their charter and by-laws that calls for a greater than simple majority vote, like 65 per cent, be eliminated and replaced by a requirement for the majority of the votes cast for and against such proposals. Shareholders are willing to pay a premium to shares of companies that have excellent corporate governance. Super majority vote requirements have been found to be one of six entrenching mechanisms that are negatively related to company performance according to, 'What Matters in Corporate Governance' by Lucian Bebchuk of the Harvard Law School. Super majority vote requirements are used to block initiatives supported by most shareholders but opposed by a status quo management.

This proposal topic one from 74 per cent to 88 per cent support at Weyerhaeuser, Alcoa Waste Management, Goldman Sachs and 1st Energy. These votes would have been higher than 74 per cent to 88 per cent if more shareholders had access to independent proxy voting advice. The proponents of these proposals included Raitt, Chevedden and William Steiner. This proposal topic also received overwhelming 99 per cent support at the 2019 Board of Annual Meeting and 93 per cent support at the 2020 Centene Corporation Annual Meeting.

Currently, a 2 per cent minority can frustrate the will of our 64 per cent shareholder majority in an election with 66 per cent of shares casting ballots. In other words, a 2 per cent minority could have the power to prevent shareholders from improving the corporate governance of the company. This can be particularly important during periods of management underperformance or economic downturn. Currently, the role of shareholders is downsized because management can simply ignore an overwhelming 64 per cent vote of shareholders.

Adoption of this proposal will make News Corp more competitive in its corporate governance. The timing is right because each News Corp director received negative votes of between 16 per cent and 33 per cent in 2019. Directors at a well managed company usually receive less than 5 per cent each in negative votes. As a result of this setback, management should disclose the preliminary percentage votes for each director before the end of this meeting so that shareholders can see if there is any improvement. The preliminary voting results will not vary much from the final results.

Apparently, management feels threatened by this proposal. They fail to give it a balanced presentation in the published meeting materials and printed a negative image next to it that even an illiterate person would understand. Management failed to explain that a 65 per cent vote barrier means that 73 per cent of shares that usually vote at the annual meeting would have to approve certain ballot topics. Management said that a 65 per cent vote barrier, which is in effect a 73 per cent vote barrier, is designed to protect stockholders, but fails to state that it would protect all stockholders, which is a telling admission as the 65 per cent/73 per cent vote barrier seems to protect only the inside shareholders.

This proposal is likely to obtain majority support from the non-insider shareholders. Please vote yes, simple majority vote, proposal five.

Michael Bunder

At this time we will address questions from common stock and CDI holders or their proxy holders or qualified representatives on the foregoing proposals only. A general Q&A

session will follow later in the meeting. I will now ask Michael Florin, Head of Investor Relations to please state any questions on the proposals received.

Michael Florin

There are no questions on the proposals.

Michael Bunder

Thank you, Mike. There will now be a brief pause to permit any stockholders who wish to cast their votes, to do so. As a reminder, if you have submitted your proxy card or voted by telephone or internet prior to this meeting, your vote has been received by the inspector of elections and no further action is needed at this time.

It is now 3:19 p.m. Eastern Standard Time on November 18th, 2020. The polls are now closed. A preliminary report of the Inspector of Elections reflects that more than a majority of the eligible votes cast have been voted for the election of each of the director nominees for the ratification of the selection of Ernst & Young, for the advisory approval of executive compensation to hold future advisory approvals of executive compensation every one year and against the stockholder proposal.

On behalf of the company and the board of directors, thank you for your continued support. The final results of this meeting will be filed with the SEC following the meeting. Mr Chairman, will you now call for the meeting to be adjourned?

Rupert Murdoch

The formal portion of the meeting is now adjourned.

Michael Bunder

Thank you, Mr Chairman. We will now address questions relating to the business and operations of the company in accordance with the rules and procedures which are accessible on the virtual meeting portal. Common stock and CDI holders for their proxy holders or qualified representatives were invited to submit questions in advance of this meeting and may also submit questions during this meeting through the virtual meeting portal. Questions submitted in accordance with the rules and procedures will generally be addressed in the order received. Answers to any questions we are not able to address during the annual meeting due to time constraints will be published following the meeting in the Investor Relations section of the company's website, at www.newscorp.com.

We will attempt to group substantially similar questions together and answer them one at a time. Mr Florin, would you please state the first question?

Michael Florin

Thank you, Mike. First question is – How many board meetings have there been in 2020 and how were they held?

Michael Bunder

In fiscal 2020, there were five meetings held in person through February, 2020.

Michael Florin

Thank you. Our second question – How many employees have contracted COVID-19?

Robert Thomson

Mike, I'll take that question, it's Robert Thomson speaking. There's no precise answer to that question given the prevalence of asymptomatic cases, but what I can say precisely is that our management team with oversight from the board has been absolutely focused on managing the company through COVID related disruptions, while prioritising the health and safety of our employees around the world. We swiftly moved over 90 per cent of our employees, some 25,000 people, into remote work environment. We've convened a COVID-19 taskforce which includes representatives from HR, communications, technology, security and other executives, and engaged a Chief Medical Officer to advise on health and safety for all employees. The COVID crisis is far from over, but it has already prompted much institution introspection. So I would like to thank our employees for their contributions, not only for the company, but also to their communities where many have engaged in philanthropy, financially and personally.

Michael Florin

Our next question – Can you discuss recent press reports that News Corp is bidding on Simon & Schuster?

Robert Thomson

Mike, I will also take that question. I'm not going to speculate on speculation and scuttlebutt. We are pleased with the performance at Harper Collins and the building of the direct consumer links, the expanding digital personality and our nonpareil front and backlist of orders. But I would make one observation about Simon & Schuster. It will clearly be a serious anti-trust issue if Bertelsmann acquired Simon & Schuster. However cute and clever the structure, if Bertelsmann is a beneficiary it will be a book behemoth and this will certainly be a profound anti-trust issue for the entire book industry and no doubt, for authors around the world.

Michael Florin

Our next question is – James Murdoch resigned from the News Corp board earlier this year over disagreements with certain editorial content. Could Rupert and Lachlan comment on why we did not accommodate some of James's views on climate change and Donald Trump, such that he didn't feel the need to completely walk away from the company?

Rupert Murdoch

I can answer that. Our board has had many discussions, but James did admittedly regret it, but he claimed that our papers had covered the bushfires [unclear 20:43.2] without discussing climate change. We do not deny climate change, we are not deniers and [unclear 20:53.9]. [unclear 21:01.6].

Michael Florin

Our next question is – News Corp stopped running more than a hundred regional and suburban titles earlier this year, costing the company an estimated USD\$111 million in revenue on an annualised basis. Can the company afford to bring back the print editions of some of these titles, ending the news deserts that have created across Australia?

Robert Thomson

Well, I would certainly contest the idea that there are news deserts in Australia. In fact, the decision taken – and it was a difficult decision taken given the prominence of the company, to shift our many and most of our regional local papers digital platforms was indeed to provide Australians with the best of journalism and I have no doubt that the best journalists in Australia work for News Corp. The imperative was that there be journalism and it be done on a cost efficient platform, and that platform in the contemporary age is definitely digital. So we are doing our very best to make journalism in Australia sustainable and our teams on the ground have done extraordinary work over the past 12 months reporting on the bushfires, on COVID crisis and on Australia in general.

Michael Florin

Our next question is from Phillip [Berman], portfolio manager and shareholder – In a year when just about everything went wrong, News Corp's most prized asset, the Wall Street Journal, continued to strive to new highs in terms of professional and creative reporting and ethical and editorial independence. I am confident that the combination of Executive Chairman and Co-Chairman working together will propel News Corp another round of increased strategic growth. We're all looking forward to News Corp moving past the pandemic and we all look forward to having our 2021 meeting back to our in-person format. Thank you.

We have no more questions to be addressed at this time. The Q&A portion of our meeting is now concluded. Thank you all very much for attending our annual meeting, stay safe, be well and God bless.

END OF TRANSCRIPT