

24 August 2021

# Questions submitted for the virtual annual general meeting



prosus

## 1. INTRODUCTION

In accordance with the notice of the annual general meeting, from the date of publication of the notice of the virtual annual general meeting until Saturday, 21 August 2021, at 14:00 CET, shareholders could submit written questions about the items on the agenda. We set out below the questions, and responses to the questions. For these questions and for general information please refer to the company by email on [investorrelations@prosus.com](mailto:investorrelations@prosus.com) or by phone: +31 (20) 299 9777.

## 2. Questions from the VEB

### 2.1. **Agenda item 1. To discuss the annual report:**

#### 2.1.1. **What are the strategic and financial consequences of the intensified regulatory pressure on the technology sector in China for Prosus's businesses?**

Increasing regulation of the internet is a global trend - especially given the size, economic & social importance of the industry. It's happening in the US, Europe and elsewhere, not just in China.

Chinese regulators are focused on industry behaviour and establishing a framework for compliance, social responsibility, and fair behaviour.

The Chinese government's goal is to foster the long-term sustainable development of the industry. The government recognises the importance of the economic & social contribution of the industry in China as well as the contribution to China's global competitiveness.

Tencent is embracing the Chinese government's regulatory efforts and has publicly stated its intent to be compliant in line with its long-standing operational philosophy. We are confident Tencent can navigate these changes.

Tencent's focus is and will remain on creating value for users, running platforms on an open basis to encourage individual enterprises, emphasising social responsibility and "tech for good".

For further information, please see the Tencent website at [www.tencent.com/en-us/](http://www.tencent.com/en-us/).

#### 2.1.2. **Could Prosus elaborate on the potential tax consequences of divestment of the entire Tencent stake?**

A gain on a disposal by Prosus of its entire stake in Tencent will not trigger Dutch tax at the Prosus level. Such gain will be exempt under the standard Dutch participation exemption rules. The same treatment applied to the trim of the Tencent stake that took place in early April 2021.

#### 2.1.3. **Mr. van Dijk called food delivery "probably the largest opportunity I've run into in my lifetime." Does Prosus continue to see enough opportunities to become the global food delivery leader?**

Yes – the group has been a long-term investor and operator in Food Delivery and knows the sector well. We have consistently innovated in the sector and delivered products and services which have enhanced the experience for consumers,

restaurants, and delivery partners. Today, the opportunity expands beyond pure food delivery to last mile logistics more broadly, including convenience and grocery delivery. The market size and opportunity has substantially increased, and the group is investing to grow that opportunity and its ability to take advantage of it.

2.1.4. **In March 2021, Prosus increased its stake in Delivery Hero to offset dilution related to the Woowa acquisition. Is it correct to assume Prosus has chosen Delivery Hero as its vehicle to lead the global food delivery consolidation?**

In March, the group increased its position in Delivery Hero to offset dilution related to the Woowa acquisition. The group is very supportive of the Delivery Hero team and our ambitions for the future of the sector are well aligned. We have a great footprint including Delivery Hero, our investments in iFood, Swiggy, Wolt and indirect exposure through our investments in Mail.ru and Tencent. There are no current plans to consolidate these assets.

2.1.5. **In 2019 Prosus tried to acquire Just Eat, but was outbid by Takeaway.com. Does Prosus still view Just Eat, while also including Takeaway assets, to be a quality business, with the ingredients to be a long-term sector winner, and interested in at the right valuation?**

In 2019, Prosus did make an offer to acquire Just Eat, believing that at the right price, it could generate a good return for its shareholders. At that time, we believed that capitalising on the full long-term potential of Just Eat's opportunity would require significant investment to enhance products, technology, and own delivery capabilities. Based on recent comments from the company, we were correct in that regard, and the company is now investing heavily in areas like 1P delivery and convenience. Takeaway acquired Just Eat in 2020 and we moved on. Commenting on the quality of the company or its valuation would be inappropriate.

2.1.6. **Is Prosus willing to publicly list fast-growing and highly profitable fully owned assets like Avito and OLX Poland to increase visibility on their performance and valuation?**

The group has a track record of listing assets when appropriate and believes that can be a good way of unlocking value for shareholders. We did this most recently in 2019 through the listing and unbundling of MultiChoice Group.

Core to any public listing decision is whether it is the right thing to do for the long-term of that business, its employees and for investors.

In Classifieds, we have made tremendous progress and the segment is profitable. Generally, the portfolio is still young, growing rapidly and has plenty of opportunity ahead. This past year has been one of great change for the segment with a new CEO, 3 mergers (letgo/OfferUp, OLX ME/EMPG and Grupo ZAP/OLX BR), and the integration of FCG – all done while effectively navigating the COVID-19 pandemic.

We are investing in integrating transaction capabilities across our Classifieds portfolio, building on top of FCG's foundations, and continuing to scale across all markets.

OLX Group absolutely has the potential to be a highly successful, independent publicly listed company at some point.

2.2. **Agenda item 2. To approve the directors' remuneration report (advisory vote):**

**How can the Board justify that the Prosus CEO is the highest-paid CEO among Dutch listed companies, whereas superior returns to shareholders have not been realised?**

Prosus operates and competes for digital talent on a global basis and remuneration should therefore be assessed objectively in a global context. We are a top ten global consumer internet group and remuneration is absolutely comparable with our peers in this context. Comparison to other AEX-listed businesses and non-internet businesses fails to provide appropriate context for shareholders. We are a global rather than a Dutch company, operating in a highly competitive international tech environment. Our remuneration philosophy and talent strategy is fully aligned to our competitive, global tech landscape which we believe is different from what is customary in a Dutch context. Moreover, the gross majority of the CEO's compensation is in LTI, the majority of which is performance based and all of which ties solely to value creation in the business.

2.2.1. **Statement on the 2020 remuneration report:**

***"With respect to the implementation of the policy as published in the remuneration report the VEB remarks there is room for ample improvement regarding the level of disclosure, specifically regarding the disclosure of the actual performance and the threshold levels for STI- and LTI-targets (preferably ex-ante but at least ex-post).***

***The VEB appreciates if the Board includes this information in next year's remuneration report. In our view, the remuneration policy in its current form is not in line with the requirements of the SRD II.***

***For the above-stated reasons, VEB votes against the remuneration report."***

It is the view of the group that our disclosures and reporting are in line with requirements.

The remuneration committee has taken shareholder feedback into consideration and has made substantial progress to improve the remuneration structure and transparency in the best interest of all shareholders over the past years. We disclose the STI goals and whether the goals have been achieved. STI goals are reflective of the annual business plan and many goals are representative of a multi-year effort, e.g. to win new markets or increase our customer base. We have always tried to achieve a balance between transparency and not revealing competitively sensitive information. As we move forward, in response to shareholder feedback, we will consider how to address this point in our next annual disclosure.

2.3. **Agenda item 8. To adopt the remuneration policy of the executive and non-executive directors:**

2.3.1. **The STI for 2022 includes the performance criterion 'take structural action to address the holding company discount to NAV.' Could the Board explain what specific aspects will be taken into account to assess how executives have delivered against this performance target?**

Executive STI in 2022 includes a criterion to “take structural action to address the holding company discount to NAV”. The voluntary share exchange offer was an action specifically designed to deliver a structural change to address one of the key drivers of the holding company discount – the size of Naspers on the JSE. It was also designed to significantly enhance the trading dynamics of Prosus on the AEX. Prosus shareholders voted in favour of the transaction on 9 July 2021. The exchange was completed on 16 August and was 1.4 times subscribed by Naspers shareholders wishing to tender their Naspers shares. Naspers’s size on the JSE was effectively reduced from some 20% to some 10% on completion of the exchange and the economic interest of the Prosus free float was increased to around 60%. Management continues to be committed and incentivised to reduce the discount to NAV.

2.3.2. **Executive remuneration is only to a (very) limited extent dependent on the performance of Tencent, Prosus' largest investment by far. Tencent's 'core headline earnings' have a weighting of just 15 percent in the STI.**

**Why hasn't the Board concluded that, given the importance of the Tencent holding for Prosus shareholders, Tencent's performance warrants a larger weight in the remuneration policy?**

Our incentives are designed to reward executive directors on disciplined capital allocation decisions, and the stake in Tencent is part of that responsibility.

We have engaged extensively with our shareholders over many years, and they have consistently expressed the desire for the weighting of executive compensation to be less dependent on Tencent’s performance. Listening to our shareholders, incentives are therefore weighted more towards the growth of the ex-Tencent portfolio where management spend the majority of their time.

2.3.3. **The outcome of the valuation of the Prosus ecommerce portfolio is a key determinant of the LTI grant. Deloitte has been engaged to perform the valuation, yet Prosus provides Deloitte with the 10-year business plan for each underlying business. How will Deloitte independently assess the data provided by Prosus?**

Independent from management, the valuer determines the company value and the scheme share value, using the appropriate application of reasonable valuation methods, including, without limitation, the use of comparable peer multiples, precedent transactions, and discounted cash flow (DCF) valuations. 10-year plans are judged by the valuer against management ability to deliver on these plans historically, the market opportunity and benchmarking against peers.

- 2.3.4. **In the remuneration report Prosus states that these valuations 'should not be viewed as an approximation of the market value of the portfolio'. If this is the case, how should investors then consider these valuations, and in what way do they benefit investors in terms of understanding the underlying businesses?**

The valuations are in line with current analyst estimates. The disclosed valuation of the non-Tencent and Mail.ru ecommerce portfolio is, however, not intended to be a proxy for the market value of our portfolio. As an example, where we have had significant exits (such as Allegro, MakeMyTrip and Flipkart) we generally note that those have been at values higher than the share-based incentive scheme valuation.

The share-based incentive scheme valuation exercise is primarily a DCF-driven exercise to assess progress and value creation and is quite different to how the market, at any given time, might value each of the assets in their own right. It serves as a critical component of a comprehensive compensation vehicle designed to align management performance and compensation with shareholder outcomes. Understanding this and how it drives ultimate executive compensation is something our investors have consistently asked us for and something we were happy to be able to provide this year.

- 2.3.5. **Statement on the proposed remuneration policy:**

***"The VEB concludes that the proposed remuneration policy is complex, aggressive, and does not adequately align executive remuneration and (free float) shareholder outcomes. Furthermore, we would have welcomed a better explanation of (the rationale of) the proposed amendments to the remuneration policy.***

***The VEB votes against the remuneration policy."***

The proposed change in remuneration policy is limited to allowing the Committee to, over time, rebalance the settlement of performance share units (PSU) and share options (SO) awards gradually between Prosus and Naspers shares, aligned with the free float ownership in Prosus and Naspers.

### 3. Question from A Wilmot

#### 3.1. **Agenda item 1: Discuss annual report**

##### 3.1.1. **How does Prosus being global translate for Food Delivery, which is very much a local service?**

Being local suits the Prosus DNA. Prosus knows how global needs to get executed locally from our experience in Classifieds and Fintech.

Food Delivery requires a city-by-city approach. Demands differ even on a neighbourhood level, which is where the local knowledge is extremely valuable.

With our global Food Delivery view, Prosus can facilitate sharing of best practices and new ideas as we have a direct view of a variety of geographies. For example, when iFood and Swiggy enhanced their logistics operations, the companies were able to gain valuable insights from each other.