

Discovery Communications, Inc.  
Form DEF 14A  
April 02, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

**(Amendment No.    )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**Discovery Communications, Inc.**

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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April 2, 2013

Dear Stockholders,

You are cordially invited to attend our annual meeting of stockholders at 10:00 a.m. on Tuesday, May 14, 2013 at our corporate headquarters at One Discovery Place, Silver Spring, Maryland 20910.

If you hold shares of Series A or Series B common stock or Series A convertible preferred stock, you will be asked to vote on a number of important matters, which are listed in the Notice of Annual Meeting of Stockholders (the "Notice"). The Board of Directors recommends a vote **FOR** the proposals listed as Items 1, 2 and 3 in the Notice.

***Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the Annual Meeting, please vote as soon as possible to make sure that your shares are represented.***

Thank you for your continued support and interest in our company and I look forward to seeing you at the Annual Meeting.

Sincerely,

John S. Hendricks

*Executive Chairman of the Board*

*Discovery Communications, Inc.*

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**DISCOVERY COMMUNICATIONS, INC.**

**a Delaware company**

**One Discovery Place**

**Silver Spring, Maryland 20910**

**(240) 662-2000**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

To Discovery Communications Stockholders:

You are cordially invited to attend, and notice is hereby given of, the 2013 Annual Meeting of Stockholders of Discovery Communications, Inc. to be held at our offices at One Discovery Place, Silver Spring, Maryland, on Tuesday, May 14, 2013 at 10:00 a.m., local time, for the following purposes:

1. To elect six directors, three of whom will be elected by the holders of shares of our Series A common stock and Series B common stock voting together as a single class, and three of whom will be elected by the holders of shares of our Series A convertible preferred stock, voting separately as a class.
2. To vote upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.
3. To approve the Discovery Communications, Inc. 2013 Stock Incentive Plan.

The stockholders will also act on any other business that may properly come before the Annual Meeting or any adjournments thereof.

The close of business on March 21, 2013 was the record date for determining the holders of shares of our Series A and Series B common stock and Series A convertible preferred stock entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. For a period of at least ten days prior to the Annual Meeting, a complete list of stockholders entitled to vote at the Annual Meeting will be open to the examination of any stockholder during ordinary business hours at our corporate headquarters located at One Discovery Place, Silver Spring, Maryland.

By Order of the Board of Directors,

Stephanie D. Marks

*Corporate Secretary*

April 2, 2013

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**2013 PROXY STATEMENT**  
**QUESTIONS AND ANSWERS ABOUT**  
**THE 2013 ANNUAL MEETING OF STOCKHOLDERS**

**Q: Who is soliciting my vote?**

A: The Discovery Communications, Inc. Board of Directors is soliciting your vote on proposals being submitted for consideration at our Annual Meeting of Stockholders to be held on May 14, 2013.

**Q: What is the Notice of Internet Availability of Proxy Materials?**

A: In accordance with the SEC's proxy delivery rules, we intend to commence distribution on or about April 2, 2013 of a notice (the "Notice of Internet Availability of Proxy Materials") indicating that this Notice of 2013 Annual Meeting of Stockholders and Proxy Statement, our Annual Report to Stockholders and our Annual Report on Form 10-K/A will be made available at [www.proxyvote.com](http://www.proxyvote.com). This website will also provide holders of our Series A and Series B common stock and Series A convertible preferred stock ("Series A preferred stock") with instructions on how to vote their shares. The Notice of Internet Availability of Proxy Materials also indicates how to request printed copies of these materials, including, for holders of Series A and Series B common stock and Series A preferred stock, the proxy card or voting instruction card.

**Q: What matters will be voted on at the Annual Meeting?**

A: The principal business of the meeting will be the following matters:

the election of three Class II directors by the holders of our Series A common stock and Series B common stock, voting together as a single class, and the election of three preferred stock directors by the holders of our Series A preferred stock, voting separately as a class;

the ratification of the appointment of PricewaterhouseCoopers LLP ("PwC") to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2013; and

the approval of the Discovery Communications, Inc. 2013 Stock Incentive Plan (the "2013 Stock Plan").

We will also transact such other business as may properly be presented at the Annual Meeting or at any postponements or adjournments thereof. However, we are not aware of any other matters to be acted upon at the Annual Meeting.

**Q: Who is entitled to vote at the Annual Meeting?**

A: The close of business on March 21, 2013 was the record date for determining the holders of our Series A and Series B common stock and Series A preferred stock entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof. The Notice of Internet Availability of Proxy Materials received by the holders of our Series A and Series B common stock and Series A preferred stock will explain how they may vote their shares. Holders of our non-voting Series C common stock and Series C convertible preferred stock ("Series C preferred stock") may access and receive this proxy statement and related materials but are not entitled to vote at the Annual Meeting or any adjournment thereof.

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**Q: How many shares can vote at the Annual Meeting?**

A: As of March 21, 2013, we had outstanding 145,716,363 shares of Series A common stock, with each of those shares being entitled to one vote, 6,546,897 shares of Series B common stock, with each of those shares being entitled to 10 votes and 93,580,324 shares of Series C common stock, which are not entitled to vote. We also had outstanding 71,107,312 shares of Series A preferred stock, with each of those shares being entitled to one vote and 48,924,821 shares of Series C preferred stock, which are not entitled to vote.

**Q: How many shares must be present or represented at the Annual Meeting to conduct business at the meeting?**

A: With respect to Proposal 1, the presence, in person or by properly executed proxy, of the holders of a majority of the total voting power of the outstanding shares of (a) the Series A common stock and Series B common stock, voting together as a single class, entitled to a separate vote on the election of three Class II directors at the Annual Meeting will constitute a quorum for purposes of this class vote and (b) the Series A preferred stock entitled to a separate class vote on three preferred stock directors at the Annual Meeting will constitute a quorum for purposes of this class vote. The presence, in person or by properly executed proxy, of the holders of a majority in voting power of the Series A common stock, Series B common stock and Series A preferred stock, with the preferred stock considered on an as-converted to common stock basis, voting together as a single class, will constitute a quorum for the combined class votes on Proposals 2 and 3.

If a quorum is not present, the meeting will be adjourned until a quorum is obtained. Abstentions and broker non-votes (where a broker or nominee does not exercise discretionary authority to vote on a proposal) will be treated as present for purposes of determining the presence of a quorum.

**Q: What vote is required to elect directors?**

A: With respect to Proposal 1, three directors are to be elected by the holders of our Series A common stock and Series B common stock, voting together as a single class, and three directors are to be elected by the holders of our Series A preferred stock, voting separately as a class. In each separate class vote, the directors will be elected if they receive a plurality of the votes cast by the holders of the outstanding shares of Series A common stock and Series B common stock, voting together, and the Series A preferred stock, as applicable, present in person or by proxy and entitled to vote.

If you submitted a proxy card on which you indicated that you abstain from voting, it will have no effect on the election of directors; and

Broker non-votes will not be counted as votes cast and therefore will have no effect on the election of directors.

**Q: What vote is required to ratify the appointment of the independent registered public accounting firm?**

A: The affirmative vote of a majority of the votes cast by the holders of the outstanding Series A common stock, Series B common stock and Series A preferred stock, voting as a single class, present in person or by proxy and entitled to vote, is required to ratify Proposal 2.

If you submit a proxy card on which you indicate that you abstain from voting, your abstention will not count as a vote FOR or AGAINST this proposal and will have no effect on the outcome of the ratification of the appointment of the independent registered public accounting firm; and

Broker non-votes will not be counted as votes cast and therefore will have no effect on the ratification proposal.



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### **Q: What vote is required to approve the 2013 Stock Plan?**

A: The affirmative vote of a majority of the votes cast by the holders of the outstanding Series A common stock, Series B common stock and Series A preferred stock, voting as a single class, present in person or by proxy and entitled to vote, and the affirmative vote of a majority of the votes cast by the holders of the outstanding Series A preferred stock, voting separately, is required to approve Proposal 3.

If you submit a proxy card on which you indicate that you abstain from voting, your abstention will not count as a vote FOR or AGAINST this proposal and will have no effect on the outcome of the approval of the 2013 Stock Plan; and

Broker non-votes will not be counted as votes cast and therefore will have no effect on the 2013 Stock Plan proposal.

### **Q: How can I vote my shares at the Annual Meeting?**

A: If you are a holder of Series A or Series B common stock or Series A preferred stock as of the record date, telephone and Internet voting is available 24 hours a day through 11:59 p.m. (Eastern Time) on May 13, 2013. If you are located in the United States or Canada and are a stockholder of record, you can vote your shares by calling toll-free 1-800-690-6903. Whether you are a stockholder of record or a beneficial owner, you can also vote your shares by Internet at [www.proxyvote.com](http://www.proxyvote.com).

Both the telephone and Internet voting systems have easy to follow instructions on how you may vote your shares and allow you to confirm that the system has properly recorded your vote. If you are voting your shares by telephone or Internet, you should have on hand when you call or access the website, as applicable, the Notice of Internet Availability of Proxy Materials, the proxy card or voting instruction card (for those holders who have received, by request, a hard copy of the proxy card or voting instruction card). If you vote by telephone or Internet, you do not need to return your proxy card to us.

If you have received, by request, a hard copy of the proxy card or voting instruction card, and wish to submit your proxy by mail, you must complete, sign and date the proxy card or voting instruction card and return it in the envelope provided so that it is received prior to the Annual Meeting.

Properly completed proxies will be voted as you direct. Properly executed proxies that do not contain voting instructions will be voted FOR Proposals 1, 2 and 3.

While we encourage holders of Series A and Series B common stock and Series A preferred stock to vote by proxy, you also have the option of voting your shares of Series A and Series B common stock and Series A preferred stock in person at the Annual Meeting. If your shares of Series A or Series B common stock or Series A preferred stock are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to such shares of stock and you have the right to attend the Annual Meeting and vote in person, subject to compliance with the procedures described below. If your shares of Series A or Series B common stock or Series A preferred stock are held in a brokerage account or by a bank or other nominee, you are the beneficial owner of such shares. As such, in order to vote in person, you must obtain and present at the time of admission a properly executed proxy from the stockholder of record (i.e., your broker, bank or other nominee) giving you the right to vote the shares of Series A or Series B common stock or Series A preferred stock.

### **Q: If my Discovery shares are held in street name by a broker, bank or other nominee, will the broker, bank or other nominee vote my shares on each of the annual business proposals?**

A: If you hold your shares in street name and do not provide voting instructions to your broker, bank or other nominee, your shares may, in the discretion of the broker, bank or other nominee, be voted on the ratification proposal. **If you hold your shares in street name and do not provide voting instructions to your broker, bank or other nominee, your shares will NOT be voted on the election of directors proposal or the 2013 Stock Plan proposal.**

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**Q: May I change or revoke my vote after returning a proxy card or voting by telephone or over the Internet?**

A: Yes. Before your proxy is voted at the Annual Meeting, you may change or revoke your vote on the proposals by telephone or over the Internet (if you originally voted by telephone or over the Internet), by voting in person at the Annual Meeting or by delivering a signed proxy revocation or a new signed proxy with a later date to: Discovery Communications, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

Any signed proxy revocation or new signed proxy must be received before the start of the Annual Meeting. Your attendance at the Annual Meeting will not, by itself, revoke your proxy.

If your shares are held in an account by a broker, bank or other nominee whom you previously contacted with voting instructions, you should contact your broker, bank or other nominee to change your vote.

**Q: How do I obtain admission to the Annual Meeting?**

A: Stockholders of record on the record date will be admitted to the Annual Meeting with photo identification and proof of stock ownership, such as the Notice of Internet Availability of Proxy Materials. If you hold Discovery stock in street name, you must bring a copy of an account statement reflecting your stock ownership as of the record date. If you plan to attend as the proxy of a stockholder, you must present valid proof of proxy. Cameras, recording devices and other electronic devices are not permitted at the Annual Meeting.

**Q: Who will bear the cost of soliciting votes for the Annual Meeting?**

A: We will pay the cost of solicitation of proxies, including the preparation, website posting, printing and delivery of the Notice of Internet Availability of Proxy Materials, proxy statement and related materials. We will furnish copies of these materials to banks, brokers, fiduciaries, custodians and other nominees that hold shares on behalf of beneficial owners so that they may forward the materials to beneficial owners.

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### **CORPORATE GOVERNANCE**

The corporate governance practices of Discovery Communications, Inc. ( us, we, the Company or Discovery ) are established and monitored by our Board of Directors. The Board regularly assesses Discovery s governance policies in light of legal requirements and governance best practices.

#### **Corporate Governance Guidelines**

Discovery s corporate governance practices are embodied in a formal document that has been approved by our Board of Directors. These corporate governance guidelines (the Guidelines ) are posted on our website at [www.discoverycommunications.com](http://www.discoverycommunications.com). These guidelines, which provide a framework for the conduct of the Board s business, provide that:

the Board s responsibility is to oversee the management of Discovery and to help ensure that the interests of the stockholders are served;

a majority of the members of the Board shall be independent directors;

the independent directors meet at least twice a year in executive session;

directors have unimpeded access to senior management and, as necessary and appropriate, independent advisors;

all directors are encouraged to participate in continuing director education on an ongoing basis; and

the Board and its committees will conduct self-evaluations to determine whether they are functioning effectively.

The Board periodically reviews the Guidelines and most recently updated them in March 2012. Printed copies of our Guidelines are available to any stockholder upon request to the Corporate Secretary, at the address specified below under Stockholder Communication with Directors.

#### **Director Independence**

It is our policy that a majority of the members of our Board of Directors be independent. For a director to be deemed independent, a director must be independent as determined under Rule 5605(a)(2) of the Nasdaq Marketplace Rules and, in the Board of Directors judgment, the director must not have a relationship with Discovery that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Nasdaq Marketplace Rules require that, subject to specified exceptions, each member of a listed company s audit, compensation and nominating and governance committees be independent and that audit committee members also satisfy independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act ). Discovery s Board of Directors has determined that S. Decker Anstrom, Robert R. Beck, Robert R. Bennett, Paul A. Gould, John C. Malone, Robert J. Miron, Steven A. Miron, M. LaVoy Robison and J. David Wargo are independent directors.

In order to be considered to be independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the Board of Directors, or any other board committee: (1) accept any consulting, advisory, or other compensatory fee from the listed company, other than for board service; or (2) be an affiliated person of the listed company. Discovery s Board of Directors has determined that S. Decker Anstrom, M. LaVoy Robison and J. David Wargo are independent for purposes of Rule 10A-3.



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### **Board Leadership Structure**

Discovery separates the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. The CEO is responsible for setting Discovery's strategic direction, providing leadership and driving the performance of the Company, while the Chairman of the Board provides guidance to the CEO, sets the agenda for Board meetings and presides over meetings of the full Board. As executed through the creative vision and innovative spirit of John Hendricks, our Executive Chairman, and the dynamic leadership of David Zaslav, our CEO, we feel that this structure is appropriate for Discovery.

### **Code of Ethics**

We have a Code of Ethics (the Code) that is applicable to all of our directors, officers and employees. The Board approved the original Code in September 2008 and adopted a revised Code on April 25, 2012. The Code is available, and any amendments or waivers that would be required to be disclosed are posted, on our website at [www.discoverycommunications.com](http://www.discoverycommunications.com). Printed copies of the Code are also available upon request to the Corporate Secretary at the address specified below, under Stockholder Communication with Directors.

### **Committees of the Board of Directors**

#### ***Audit Committee***

The Board of Directors has established an Audit Committee, whose members are Messrs. Robison (Chair), Anstrom and Wargo. The Board of Directors has determined that M. LaVoy Robison is an Audit Committee Financial Expert as defined under SEC rules. The Audit Committee reviews and monitors the corporate financial reporting and the internal and external audits of Discovery. The committee's functions include, among other things:

appointing or replacing our independent registered public accounting firm;

reviewing and approving in advance the scope of, and fees for, our annual audit and reviewing the results of our audits with our independent registered public accounting firm;

reviewing and approving in advance the scope of, and the fees for, non-audit services of our independent registered public accounting firm;

reviewing our audited financial statements with our management and independent registered public accounting firm and making recommendations regarding inclusion of such audited financial statements in certain of our public filings;

overseeing the performance of services by our independent registered public accounting firm, including holding quarterly meetings to review the quarterly reports of our independent registered public accounting firm; discussing with our independent registered public accounting firm issues regarding the ability of our independent registered public accounting firm to perform such services; obtaining, annually, a letter from our independent registered public accounting firm addressing internal control; reviewing with our independent registered public accounting firm any audit-related problems or difficulties and the response of our management; and addressing other general oversight issues;

reviewing compliance with, and the adequacy of, our existing major accounting and financial reporting policies;

overseeing the implementation and maintenance of an internal audit function; periodically reviewing the results and findings of the internal audit function and coordinating with management to ensure that the issues associated with such results and findings are

addressed;

reviewing and overseeing compliance with, and establishing procedures for, the treatment of alleged violations of the Code; and

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preparing the audit committee report required by SEC rules, which is included on page 20 of this proxy statement. The Board of Directors has adopted a written charter for the Audit Committee, which is available on our website at [www.discoverycommunications.com](http://www.discoverycommunications.com).

### ***Compensation Committee***

The Board of Directors has established a Compensation Committee, whose members are Messrs. R. Miron (Chair), Beck and Gould. The committee's functions include, among other things:

reviewing and approving corporate goals and objectives relevant to our CEO's compensation;

evaluating our CEO;

determining our CEO's compensation;

reviewing and approving the compensation of our other executive officers and certain other executives;

reviewing and making recommendations on stock compensation arrangements for all employees;

reviewing and making recommendations to the Board for compensation for non-employee directors for their service on the Board and its committees;

overseeing the structure of employee benefit programs and other compensation programs;

reviewing and discussing annually with management our Compensation Discussion and Analysis, which is included beginning on page 32 of this proxy statement; and

preparing the compensation committee report required by SEC rules, which is included on page 31 of this proxy statement. The Compensation Committee reviews all forms of compensation provided to our executive officers and has approved the same, with the exception of some equity awards and awards under the Discovery Communications, Inc. 2005 Incentive Plan (the 2005 Stock Plan), which were historically approved by the Equity Compensation Subcommittee (the Subcommittee), as discussed below.

In 2008, because Mr. R. Miron's son-in-law was one of our employees, Mr. R. Miron could not be deemed a non-employee director under the SEC's rules, which provide certain exemptions from Section 16 of the Exchange Act for equity awards approved by a committee composed entirely of non-employee directors. In order to have the equity-based compensation paid to our executive officers approved by a committee composed entirely of non-employee directors, the Compensation Committee established the Subcommittee. The Subcommittee was established for the purpose of administering equity and equity-related awards and its members were Messrs. Gould (Chair) and Beck.

In April 2010, Mr. R. Miron's son-in-law departed Discovery and as a result, as of May 2012, Mr. R. Miron could be considered a non-employee director under the SEC's rules. Accordingly, on June 26, 2012, the Board approved the elimination of the Subcommittee and from thenceforth, all activities carried out by the Subcommittee have been performed by the Compensation Committee.

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The Board of Directors has adopted a written charter for the Compensation Committee, which is available on Discovery's website at [www.discoverycommunications.com](http://www.discoverycommunications.com).

The processes and procedures followed by our Compensation Committee in considering and determining executive compensation, including the use of consultants and other outside advisors, are described below in Compensation Discussion and Analysis.



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### ***Compensation Committee Interlocks and Insider Participation***

No member of Discovery's Compensation Committee is a current or former officer or, during 2012 was an employee, of Discovery or any of its subsidiaries. None of Discovery's executive officers has served as a director or member of the compensation committee (or other committee serving an equivalent function) of any other entity whose executive officers served as one of our directors or a member of the Compensation Committee.

### ***Nominating and Corporate Governance Committee***

The Discovery Board of Directors has established a Nominating and Corporate Governance Committee, whose members are Messrs. Wargo (Chair), Gould, S. Miron and Robison. In considering whether to recommend any candidate for inclusion in the Board's slate of recommended director nominees, including candidates recommended by stockholders, the Nominating and Corporate Governance Committee will apply the criteria set forth in our Guidelines. These criteria include the candidate's integrity, business acumen, experience, commitment, diligence, conflicts of interest and the ability to act in the interests of all stockholders. Our Guidelines specify that the backgrounds and qualifications of the directors considered as a group should provide a significant breadth of experience, knowledge and abilities that will assist the Board in fulfilling its responsibilities. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity; however, the Board and the Nominating and Corporate Governance Committee believe that it is essential that the Board members represent diverse viewpoints.

The Nominating and Corporate Governance Committee's primary functions are:

to oversee corporate governance matters generally, including reviewing and recommending changes in our Guidelines, and the independence standards and qualifications for Board membership set forth in the Guidelines;

to oversee the annual evaluation of the performance of the Board and each of its other committees;

to identify individuals qualified to be members of the Board and to recommend Board nominees;

to review and make recommendations concerning the independence of Board members;

to review and approve related person transactions;

to review the membership qualifications of Board members under the Guidelines; and

to review and make recommendations concerning membership on Board committees and on committee structure and responsibilities.

Discovery's Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee, which is available on Discovery's website at [www.discoverycommunications.com](http://www.discoverycommunications.com).

### ***Executive Committee***

The primary function of the Executive Committee is to exercise powers of the Board on matters of an urgent nature that arise between regularly scheduled Board meetings, subject to certain limitations. For example, the Executive Committee may not exercise the Board's powers to approve matters that must be submitted to the stockholders for their approval, appoint directors or officers, amend our Certificate of Incorporation or Bylaws or approve offerings of our capital stock. The members of the Executive Committee are Messrs. Hendricks (Chair), Bennett, Malone, R. Miron and Zaslav.

*Other Committees*

The Board, by resolution, may from time to time establish certain other committees of the Board, consisting of one or more of the directors of Discovery. Any committee so established will have the powers delegated to it by resolution of the Board, subject to applicable law.

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### **Board Role in Risk Oversight**

The Board has an active role, as a whole and at the committee level, in overseeing management of Discovery's risks. The Board regularly reviews information regarding our credit, liquidity and operations, as well as the risks associated with each. The Company's Compensation Committee is responsible for overseeing the management of risks relating to our incentive compensation plans and arrangements. The Audit Committee oversees management of financial reporting risks. The Nominating and Corporate Governance Committee manages risks associated with the independence of the Board of Directors and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports and management presentations to the full Board about such risks.

### **Board Meetings**

During 2012, there were 11 meetings of Discovery's Board of Directors, 13 meetings of Discovery's Compensation Committee, six meetings of Discovery's Equity Compensation Subcommittee, six meetings of Discovery's Audit Committee, four meetings of Discovery's Nominating and Corporate Governance Committee and no meetings of Discovery's Executive Committee.

### **Director Attendance at Board and Annual Meetings**

Each director of Discovery attended at least 75% of the aggregate of the number of Board meetings and the number of meetings held by all committees on which he served. Discovery's Board of Directors encourages all members of the Board to attend each annual meeting of the Company's stockholders. Five directors attended Discovery's last annual meeting in May 2012, in person or by teleconference.

### **Director Nomination Process**

Under its charter, the Nominating and Corporate Governance Committee is responsible for recommending to the Board the slate of nominees to be proposed for election by the Series A and Series B common stockholders at our annual meeting and for reviewing proposals for nominations from stockholders that are submitted in accordance with the procedures summarized below.

The Nominating and Corporate Governance Committee has the authority to employ a variety of methods for identifying and evaluating potential Board nominees. Candidates for vacancies on the Board may come to the attention of the committee through several different means, including recommendations from Board members, senior management, professional search firms, stockholder nominations and other sources.

The Nominating and Corporate Governance Committee considers all nominations submitted by stockholders that meet the eligibility requirements outlined in our Bylaws. As required by our Bylaws, stockholder nominations of candidates for election as directors must be submitted in writing to the Corporate Secretary, Discovery Communications, Inc., One Discovery Place, Silver Spring, Maryland 20910, no later than the close of business on the 60th day nor earlier than the 90th day prior to the anniversary of the preceding year's annual meeting. The deadline for stockholder nominations of candidates for election as directors was March 16, 2013. We have not received any stockholder nominations of candidates for election as directors for the Annual Meeting. For information on what must be included in the written notice to nominate a candidate for election at the next annual meeting of stockholders, see "Stockholder Proposals" below.

In considering whether to recommend any particular candidate for inclusion in the Board's slate of director nominees, the Nominating and Corporate Governance Committee applies the criteria set forth in our Guidelines. Under these criteria, a candidate:

should have a reputation for integrity, honesty and adherence to high ethical standards;

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should have demonstrated business acumen, experience and ability to exercise sound judgment in matters that relate to the current and long-term objectives of the Company and should be willing and able to contribute positively to the decision-making process of the Company;

should have a commitment to understand the Company and its industry and to regularly attend and participate in meetings of the Board and its committees;

should have an understanding of the sometimes conflicting interests of the various constituencies of the Company, which include stockholders, employees, customers, governmental units, creditors and the general public, and should act in the interests of all stockholders; and

shall not have, nor appear to have, a conflict of interest that would impair the nominee's ability to represent the interests of all the Company's stockholders and to fulfill the responsibilities of a director.

The Guidelines also provide that directors shall be selected on the basis of talent and experience and that diversity of background, including diversity of gender, race, ethnic or geographic origin, age, and experience in business, government and education and in media, entertainment and other areas relevant to the Company's activities are factors in the selection process.

The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. In selecting candidates for election to the Board, the Board also considers a director's independence. These independence standards incorporate the independence standards set forth in the Corporate Governance Rules of Nasdaq. Stockholder nominees for election to the Board will be evaluated by the Nominating and Corporate Governance Committee based on the criteria specified above and using the same process as a nominee recommended by the Board or management.

**Stockholder Communication with Directors**

Discovery's stockholders may send communications to Discovery's Board of Directors or to individual directors by mail addressed to the Board of Directors or to an individual director c/o Discovery Communications, Inc., One Discovery Place, Silver Spring, Maryland 20910. All communications from stockholders will be forwarded to Discovery's directors on a timely basis.

**Table of Contents****BOARD COMPENSATION**

The Compensation Committee reviews compensation for our non-employee directors. The components of our non-employee director compensation are cash fees and equity awards. The Board believes that appropriate compensation levels help attract and retain superior candidates for Board service and that director compensation should be weighted toward equity-based compensation to enhance alignment with the interests of our stockholders.

We do not have any pension or retirement plans for our non-employee directors. Employee directors do not receive any compensation for their Board service.

The following tables show the cash and equity compensation levels that were in effect until May 14, 2012. The compensation levels shown in the second table have been in effect since May 15, 2012.

**Discovery Non-Employee Director Compensation Levels, January 1 to May 14, 2012**

<b>Board Service</b>	
Cash Compensation	
Annual Retainer	\$ 80,000
Initial and Annual Equity Compensation	
Restricted Stock Units	\$ 57,500
Stock Options	\$ 57,500
<b>Committee Service Annual Retainers (cash)</b>	
Audit and Compensation Committees	\$ 20,000
Nominating and Corporate Governance Committee	\$ 10,000
Equity Compensation Subcommittee	\$ 7,500
Audit and Compensation Committee Chairs	\$ 30,000
Nominating and Corporate Governance Committee Chair	\$ 15,000
Equity Compensation Subcommittee Chair	\$ 11,250

On June 26, 2012, the Board approved changes to our non-employee director compensation arrangements to reflect the elimination of the Subcommittee. These changes include the removal of the Subcommittee service and chair annual retainers and an increase to the Compensation Committee annual service retainers to account for the additional responsibilities added to the roles of our Compensation Committee members. The new arrangements, shown in the table below, were effective as of May 15, 2012.

**Discovery Non-Employee Director Compensation Levels, Effective as of May 15, 2012**

<b>Board Service</b>	
Cash Compensation	
Annual Retainer	\$ 80,000
Initial and Annual Equity Compensation	
Restricted Stock Units	\$ 57,500
Stock Options	\$ 57,500
<b>Committee Service Annual Retainers (cash)</b>	
Audit Committee	\$ 20,000
Compensation Committee	\$ 27,500
Nominating and Corporate Governance Committee	\$ 10,000
Audit Committee Chair	\$ 30,000
Compensation Committee Chair	\$ 37,500
Nominating and Corporate Governance Committee Chair	\$ 15,000

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**Cash Compensation.** Cash compensation for non-employee directors consists solely of the annual retainers described above. Annual retainers are paid in quarterly installments. For the purpose of calculating these retainers and fees, the annual period commences with the election of directors at the annual meeting. The retainer paid to non-employee directors who are elected or appointed after the most recent annual stockholders' meeting is prorated based on the quarter in which they join the Board.

**Equity Compensation.** Non-employee directors receive stock-based compensation under our 2005 Non-Employee Director Incentive Plan (the "Directors' Plan"). The Board determined for 2012 that the equity awards to directors should consist equally of stock options and restricted stock units (RSUs) of Series A common stock. Annual equity grants are made on the date of the annual meeting. Equity awards for directors who are elected or appointed after the most recent annual stockholders' meeting are prorated based on when they join the Board. The exercise price of options granted to our non-employee directors is equal to the fair market value of a share of our Series A common stock on the date of the grant. The number of Series A common stock options is calculated by dividing the dollar amount of the award by the Black-Scholes value of options for our Series A common stock on the day before the grant date. This may result in the Black-Scholes value of the grant being slightly different from the target value of the grants. The number of RSUs is calculated by dividing the dollar amount of the award by the fair market value of our Series A common stock on the grant date. Both stock options and RSUs will vest 100% on the one year anniversary of the grant date assuming continued service to such date. Neither the RSUs nor the stock options granted to our directors include the right to receive dividends.

**Board of Directors Stock Ownership Policy.** In January 2013, the Board adopted a director stock ownership policy that requires each director to hold a specified amount of our stock, calculated as a multiple of three times the director's then-current annual retainer for Board service, exclusive of any additional retainer with respect to committee service. Each director is expected to reach the stock holding target within five years from May 15, 2013, the effective date the guidelines were adopted. The Board determined that any shares of our stock beneficially owned by the director, as well as unvested awards of RSUs, would be counted for purposes of meeting the stock holding target. Once a director meets the target, the director is expected to maintain holdings at the target for as long as he or she remains a Board member. The Board may take any appropriate action to support the intent of the guidelines, including requiring a director to retain a percentage of shares pursuant to stock option exercises or vesting events in future years.

**Deferred Compensation.** Discovery has a deferred compensation program that allows non-employee directors to defer the settlement of their RSU grants until their departure from our Board. If a director elects to defer settlement of his RSU grant, he must make his irrevocable election before the end of the year prior to the year in which the grant is made, and must do so for the entire amount of his grant. For example, for the grants made in May 2012, directors made their deferral elections before the end of 2011. Directors do not receive dividends on deferred RSUs. Messrs. Beck, Gould, Kramer, R. Miron, Robison and Wargo elected to defer the settlement of their RSU grants made in 2012.

**Expense Reimbursement.** Non-employee directors are reimbursed for out-of-pocket costs for attending each meeting of the Board or any Board committee of which they are a member, including airfare, whether commercial aircraft or private planes.

**Director Education.** Under the Guidelines, Discovery encourages the participation of all directors in continuing education programs, at Discovery's expense, that are relevant to the business and affairs of Discovery and the fulfillment of the directors' responsibilities as members of the Board and any of its committees.

**Charitable Contribution Matching Program.** Discovery provides a charitable contribution matching program through which we match contributions made by our non-employee directors to eligible charitable organizations up to a maximum of \$20,000 for each director within a given fiscal year. The program is designed to match contributions to educational, arts and cultural institutions that have been approved by the Internal Revenue Service as tax-exempt institutions to which contributions are deductible for federal income tax purposes. Certain types of contributions and institutions would not be eligible for matching, such as tuition

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payments, contributions made to family foundations or other charitable foundations or organizations that are affiliated with a non-employee director, or membership or alumni association dues. In order to be matched, the contribution must be tax-deductible by Discovery Communications, Inc. Matching contributions under this program are included in the following 2012 Non-Employee Director Summary Compensation Table under the All Other Compensation column.

The following table summarizes the 2012 compensation provided to all persons who served as non-employee directors during 2012.

**2012 Non-Employee Director Summary Compensation Table**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Option Awards \$(1)	All Other Compensation \$(2)	Total (\$)
S.D. Anstrom <sup>(3)</sup>	8,334	28,787	28,585	0	65,706
R. Beck	107,500	57,540	57,745	9,000	231,785
R. Bennett	80,000	57,540	57,745	0	195,285
P. Gould	119,375	57,540	57,745	20,000	254,660
L. Kramer <sup>(4)</sup>	55,000	57,540	57,745	20,000	190,285
J. Malone	80,000	57,540	57,745	0	195,285
R. Miron	113,750	57,540	57,745	0	229,035
S. Miron	90,000	57,540	57,745	17,500	222,785
M. L. Robison	120,000	57,540	57,745	0	235,285
J. D. Wargo	115,000	57,540	57,745	0	230,285

- (1) The aggregate grant date fair value of the RSU awards made to all non-employee directors in 2012 was \$546,643, as calculated in accordance with FASB ASC Topic 718 and the grant date fair value of the stock option awards made to all non-employee directors in 2012 as calculated in accordance with FASB ASC Topic 718 was \$548,293. At December 31, 2012, the following directors held stock options and RSUs, which include options granted for service as an officer or director of Discovery Holding Company, our predecessor entity:

Name	Series A Common Stock Options	Series C Common Stock Options	Unvested and Deferred RSUs
S.D. Anstrom	1,963	0	468
R. Beck	20,808	0	4,444
R. Bennett	82,215	61,407	1,132
P. Gould	34,156	13,348	4,444
L. Kramer	6,959	0	0
J. Malone	20,808	0	3,132
R. Miron	20,808	0	5,509
S. Miron	20,808	0	3,132
M. L. Robison	34,817	14,009	5,509
J. D. Wargo	32,834	12,026	3,509

- (2) The amounts for Messrs. Beck, Gould, Kramer and S. Miron reflect matching charitable contributions made by Discovery on behalf of each of these directors.
- (3) These amounts have been prorated based on Mr. Anstrom's December 3, 2012 appointment to our Board.
- (4) The amount of fees reflects partial year compensation due to Mr. Kramer's resignation from our Board effective June 1, 2012.





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**PROPOSAL 1: ELECTION OF DIRECTORS**

**Nominees for Election**

Our Board of Directors consists of eight common stock directors, divided among three classes, and three preferred stock directors. Our Class I directors, who were reelected at the 2012 annual meeting for a term that will expire in 2015, are Robert R. Beck and J. David Wargo. Our Class II directors, whose terms will expire at the Annual Meeting and who are being nominated for reelection for a term that will expire in 2016, are Paul A. Gould, John S. Hendricks and M. LaVoy Robison. Our Class III directors, who were reelected at the 2011 annual meeting for a term that will expire in 2014, are Robert R. Bennett, John C. Malone and David M. Zaslav. At each annual meeting, the successors of that class of directors whose terms expire at that meeting shall be elected to hold office for a term expiring at the annual meeting of Discovery stockholders held in the third year following the year of their election. The directors of each class will hold office until their respective death, resignation or removal and until their respective successors are elected and qualified. Our Bylaws provide that the number of directors will be reduced by one upon the resignation, removal or disqualification of John Hendricks from our Board of Directors.

Our Board of Directors also includes three preferred stock directors, S. Decker Anstrom, Robert J. Miron and Steven A. Miron, whose terms will expire at the Annual Meeting. Mr. Anstrom was appointed to the Board by the holder of all of the outstanding shares of our Series A preferred stock, by its written consent, on December 3, 2012, filling the vacancy left by the resignation of preferred stock director Lawrence Kramer which was effective June 1, 2012. At each annual meeting of stockholders, the successors of the preferred stock directors will be elected to hold office for a term expiring at the following annual meeting of stockholders. The preferred stock directors will hold office until their respective death, resignation or removal and until their respective successors are elected and qualified.

Six directors will be elected at the meeting. Three of the directors will be voted upon and elected by the holders of shares of our Series A common stock and Series B common stock, voting together as a class. The remaining three directors will be voted upon and elected by the holders of shares of our Series A preferred stock voting separately as a class.

Unless otherwise instructed on the proxy card, the persons named as proxies will vote the shares represented by each properly executed proxy FOR the election as directors of the persons named in this proxy statement as nominees. Each of the nominees has consented to serve if elected. However, if any of the persons nominated by the Board of Directors fails to stand for election, or declines to accept election, proxies will be voted by the proxy holders for the election of such other person or persons as the Board of Directors may recommend.

The following tables present information, including age, term of office and business experience, for each person nominated for election as a Discovery director and for those directors whose terms of office will continue after the Annual Meeting. Each member of our Board of Directors and each director nominee possesses skills and experience which make them an important component of the Board as a whole. While consideration of the information presented below regarding each director and director nominee's specific experience, qualifications, attributes and skills led our Board to the conclusion that he should serve as a director, we also believe that all of our directors and director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to Discovery and our Board.

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**The Discovery Board of Directors recommends a vote FOR the election of the nominated directors.**

**Director Nominees for Election by Holders of Shares of Series A Common Stock and Series B Common Stock as Class II Directors with Terms Expiring in 2016**

Paul A. Gould

Born September 27, 1945

A common stock director of Discovery since September 2008. Mr. Gould served as a director of Discovery Holding Company ( DHC ), our predecessor company, from May 2005 to September 2008. Mr. Gould has served at Allen & Company Incorporated, an investment banking services company, since 1972, including as a Managing Director and Executive Vice President for more than the last five years. Mr. Gould has served as a financial advisor to many Fortune 500 corporations and advised on a number of large media company acquisitions. Mr. Gould is a director of Ampco-Pittsburgh Corporation and Liberty Global, Inc. ( Liberty Global ). In 2010 Mr. Gould resigned as director of DIRECTV and declined to stand for reelection as director of Liberty Media, Inc. ( Liberty Media ), now Liberty Interactive Corporation ( Liberty Interactive ).

Mr. Gould brings to our Board a wealth of experience in matters relating to public company finance. Mr. Gould's knowledge of our Company and our industry, combined with his expertise in finance, makes him an important part of our Board.

John S. Hendricks

Born March 29, 1952

A common stock director of Discovery since September 2008. Mr. Hendricks is the Executive Chairman and has served as Chairman of Discovery since September 1982. Mr. Hendricks title was changed from Founder and Chairman to Executive Chairman in March 2013 in recognition of the ongoing contributions he makes to Discovery. Mr. Hendricks served as Chief Executive Officer of Discovery from September 1982 to June 2004; and Interim Chief Executive Officer of Discovery from December 2006 to January 2007.

As our Executive Chairman and the founder of our Company, Mr. Hendricks has guided Discovery since our formation and brings a unique perspective to discussions of our business.

M. LaVoy Robison

Born September 6, 1935

A common stock director of Discovery since September 2008. Mr. Robison served as a director of DHC from May 2005 to September 2008. Mr. Robison has been on the board of The Anschutz Foundation, a private foundation, since January 1998, and was their executive director from 1998 to November 2010. Mr. Robison was a director of Liberty Media and following Liberty Media's restructuring, is now a director of Liberty Interactive.

Mr. Robison has extensive knowledge of corporate accounting and audit procedure gained through over 35 years of service with the firm of Peat Marwick Mitchell (now KPMG), including over 25 years as a partner and several years as one of the firm's SEC reviewing partners. Mr. Robison's wealth of experience in corporate finance and financial accounting is an important resource for our Board.

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**Director Nominees for Election by Holders of Series A Preferred Stock**

S. Decker Anstrom

Born August 2, 1950

A preferred stock director of Discovery since December 2012. Mr. Anstrom has served as President of Landmark Communications and Chairman of The Weather Channel companies from 2002 until his retirement in 2008. From 2001 to September 2011, he served as a member of the Board of Directors and also served as a chair of the Governance Committee of Comcast Corporation.

Through his experience as a cable television executive, Mr. Anstrom has developed a deep understanding of this industry. Mr. Anstrom's expertise in the cable television industry makes him a valued presence on our Board.

Robert J. Miron

Born July 7, 1937

A preferred stock director of Discovery since September 2008. Mr. Miron served as Chairman of Advance/Newhouse Communications and Bright House Networks, LLC ( Bright House ) from July 2002, retiring in December 2010. Mr. Miron served as Chief Executive Officer of Advance/Newhouse Communications and Bright House from July 2002 to May 2008.

Mr. Miron has extensive knowledge of the cable television industry, as evidenced by his professional background. Our Board is benefitted by Mr. Miron's long experience in management roles within our industry.

Steven A. Miron

Born April 24, 1966

A preferred stock director of Discovery since September 2008. Mr. Miron has served as Chief Executive Officer of Advance/Newhouse Communications and Bright House since May 2008. He also served as President of Advance/Newhouse Communications and Bright House from July 2002 to May 2008.

Through his experience as a cable television executive, Mr. Miron has developed a deep understanding of this industry. Mr. Miron's expertise in the cable television industry makes him a valued presence on our Board.

**Common Stock Directors:**

**Class I Directors with Terms Expiring in 2015**

Robert R. Beck

Born July 2, 1940

A common stock director of Discovery since September 2008. Since 2001, Mr. Beck has served as an independent consultant, advising on complex financial and business matters. Prior to 2001, Mr. Beck served as a Managing Director of Putnam Investments.

Mr. Beck applies his expertise in the financial markets to the Board's deliberations. Mr. Beck's expertise in corporate finance is of great value to our Board.

J. David Wargo

A common stock director of Discovery since September 2008. Mr. Wargo served as a director of DHC from May 2005 to September 2008. Mr. Wargo has served as President of Wargo &

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Born October 1, 1953

Company, Inc., a private investment company specializing in the communications industry, since January 1993. Mr. Wargo is a director of Strayer Education, Inc. and Liberty Global. Mr. Wargo served on the board of Fun Technologies, Inc. from 2007 to 2008.

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Having an extensive career in public company finance, Mr. Wargo brings to the Board significant business development and financial experience related to the business and financial issues facing large corporations. Mr. Wargo's expertise in public company finance is the result of over 30 years as a securities analyst.

**Class III Directors with Terms Expiring in 2014**

Robert R. Bennett

Born April 19, 1958

A common stock director of Discovery since September 2008. Mr. Bennett served as President of DHC from March 2005 to September 2008 and a director of DHC from May 2005 until September 2008. Mr. Bennett has almost twenty years of executive management experience in the cable television industry, including various executive positions with Liberty Media since its inception in 1990. Mr. Bennett is a director of Liberty Media, Sprint Nextel Corporation and Demand Media, Inc.

Mr. Bennett brings both industry knowledge and financial acumen to his role as a member of our Board of Directors. Mr. Bennett has served on the board of directors of multiple public and private companies over the past decade, which, combined with his considerable involvement with media companies, contributes to the knowledge base and oversight of our Board.

John C. Malone

Born March 7, 1941

A common stock director of Discovery since September 2008. Mr. Malone served as Chief Executive Officer and Chairman of the Board of DHC from March 2005 to September 2008 and a director of DHC from May 2005 to September 2008. Over the last 40 years, Mr. Malone has played a central role in the cable television industry. Mr. Malone has served as Chairman of the Board and a director of Liberty Media since 1990. Mr. Malone is Chairman of the Boards of Liberty Global, Liberty Media, and Liberty Interactive, and a director of Ascent Capital Group, Inc., Expedia, Inc., and Sirius XM Radio Inc. Mr. Malone resigned from the boards of DIRECTV and IAC/InterActiveCorp in June 2010 and Live Nation Entertainment, Inc. in February 2011.

Mr. Malone has played a pivotal role in the cable television industry since its inception and is considered one of the preeminent figures in the media and telecommunications industry. Mr. Malone is well known for his sophisticated problem solving and risk assessment skills. His breadth of industry knowledge and unique perspective on our business make him an invaluable member of our Board.

David M. Zaslav

Born January 15, 1960

President, Chief Executive Officer and a common stock director of Discovery since September 2008. Mr. Zaslav has served as President and Chief Executive Officer of Discovery since January 2007. Mr. Zaslav is a member of the board of Univision Communications and was a member of the board of TiVo Inc. until he declined to stand for reelection in 2010.

As CEO, Mr. Zaslav sets our goals and strategies. His ability as director to add his views to the Board's deliberations is of significant benefit to the Board.

Except for Steven A. Miron being the son of Robert J. Miron, there is no family relationship among any of Discovery's executive officers or directors, by blood, marriage or adoption.



**Table of Contents****PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC****ACCOUNTING FIRM**

As provided in its charter, the Audit Committee appoints our independent registered public accounting firm, reviews the scope of the annual audit and pre-approves all audit and non-audit services permitted under applicable law to be performed by the independent registered public accounting firm. The Audit Committee has evaluated the performance of PwC and has appointed them as our independent registered public accounting firm for fiscal 2013. You are requested to ratify the Audit Committee's appointment of PwC. Representatives of PwC will be present at the Annual Meeting and will be given the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions from stockholders present at the meeting. Unless stockholders specify otherwise in their proxy, proxies solicited by the Board will be voted by the proxy holders at the Annual Meeting to ratify the appointment of PwC as our independent registered public accounting firm for fiscal 2013. A majority of the votes cast at the Annual Meeting on this proposal is required for ratification.

Even if the selection of PwC is ratified, the Audit Committee of Discovery's Board in its discretion may direct the appointment of a different independent accounting firm at any time during the year if Discovery's Audit Committee determines that a change would be in the best interests of Discovery and its stockholders. In the event Discovery stockholders fail to ratify the appointment of PwC, the Audit Committee will take this into consideration regarding the selection of another independent registered public accounting firm for the year ending December 31, 2013.

**The Discovery Board of Directors recommends a vote FOR the appointment of the selection of PwC as Discovery's independent registered public accounting firm for the year ending December 31, 2013.**

**Description of Fees**

	2012	2011
Audit fees(1)	\$ 3,524,690	\$ 3,509,075
Audit-Related fees(2)	992,040	171,023
Tax fees(3)	1,476,919	1,274,718
Other fees(4)	53,200	34,850
<b>Total fees</b>	<b>\$ 6,046,849</b>	<b>\$ 4,989,666</b>

- (1) Audit fees include fees for the audit of the consolidated financial statements of Discovery and statutory audits for certain of Discovery's foreign subsidiaries, as well as fees for services provided in connection with securities offerings.
- (2) Audit-related fees include due diligence related to mergers and acquisitions, attest services not required by statute or regulation, and consultations regarding financial accounting standards.
- (3) Tax fees consist of tax compliance and consultations regarding the tax implications of certain transactions. Tax compliance services relate to preparation of tax returns and claims for refunds. Tax consultation services relate to tax planning, as well as assistance with tax audits and tax advice related to acquisitions and structure.
- (4) Other fees consist of advisory support provided in connection with establishing Discovery's employee stock purchase plan and complying with certain regulatory requirements in foreign jurisdictions.

Discovery's Audit Committee has considered whether the provision of services by PwC to Discovery other than auditing is compatible with PwC maintaining its independence and believes that the provision of such other services is compatible with PwC maintaining its independence.





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**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm**

Discovery's Audit Committee has adopted a policy regarding the pre-approval of all audit and permissible non-audit services provided by Discovery's independent registered public accounting firm. Pursuant to this policy, Discovery's Audit Committee has approved the engagement of Discovery's independent registered public accounting firm to provide the following services (all of which are collectively referred to as pre-approved services):

audit services as specified in the policy, including (i) financial audits of Discovery and its subsidiaries and (ii) services associated with Discovery's periodic reports, registration statements and other documents filed or issued in connection with a securities offering (including comfort letters and consents);

audit-related services as specified in the policy, including (i) due diligence services, (ii) financial audits of employee benefit plans, (iii) attestation services not required by statute or regulation, (iv) certain audits incremental to the audit of Discovery's consolidated financial statements; (v) closing balance sheet audits related to dispositions; and (vi) consultations with management as to accounting or reporting of transactions; and

tax services as specified in the policy, including federal, state, local and international tax planning, compliance and review services and tax due diligence and advice regarding mergers and acquisitions.

Notwithstanding the foregoing general pre-approval, any individual project involving the provision of pre-approved services that is expected to result in fees in excess of \$50,000 requires the specific pre-approval of Discovery's Audit Committee. In addition, any engagement of Discovery's independent registered public accounting firm for services other than the pre-approved services requires the specific approval of Discovery's Audit Committee. Discovery's Audit Committee has delegated the authority for the foregoing approvals to the chairman of the Audit Committee, subject to his subsequent disclosure to the entire Audit Committee of the granting of any such approval. All audit and non-audit services provided by PwC in 2012 were approved by the Audit Committee.

Discovery's pre-approval policy prohibits the engagement of Discovery's independent registered public accounting firm to provide any services that are subject to the prohibition imposed by Section 201 of the Sarbanes-Oxley Act.

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**REPORT OF THE AUDIT COMMITTEE**

Each member of the Audit Committee is an independent director as determined by the Board of Directors of Discovery Communications, Inc., based on the rules of the Nasdaq Stock Market and the criteria of director independence adopted by the Board. Each member of the Audit Committee also satisfies the SEC's independence requirements for members of audit committees.

The Audit Committee reviews Discovery's financial reporting process on behalf of the Board of Directors. A description of the responsibilities of the Audit Committee is set forth above under the caption Corporate Governance-Audit Committee. PwC, Discovery's registered public accounting firm for 2012, is responsible for expressing opinions on the conformity of Discovery's audited consolidated financial statements with U.S. generally accepted accounting principles.

The Audit Committee has reviewed and discussed with management and PwC Discovery's most recent audited consolidated financial statements. The Audit Committee has also discussed with PwC various communications that the Company's registered public accounting firm is required to provide to the Audit Committee, including matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from PwC required by PCAOB Rule 3526 (Communications with Audit Committees Concerning Independence), and has discussed with PwC their independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors of Discovery that the audited financial statements be included in Discovery's Annual Report on Form 10-K/A for the year ended December 31, 2012, filed on February 19, 2013 with the SEC.

This report is respectfully submitted by the members of the Audit Committee of the Board.

*M. LaVoy Robison, Chairman*

*S. Decker Anstrom*

*J. David Wargo*

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**PROPOSAL 3: APPROVAL OF DISCOVERY COMMUNICATIONS, INC. 2013 INCENTIVE PLAN**

Our Board of Directors believes that we must offer a competitive equity incentive program if we are to continue to attract and retain the best possible employees and independent contractors. Accordingly, on January 30, 2013, our Board adopted, subject to stockholder approval, our 2013 Stock Plan.

As of January 30, 2013, the date our Board adopted the 2013 Stock Plan, we had 16,539,206 shares of our Series A common stock available for grant under the 2005 Stock Plan. We are asking for approval of 40,000,000 shares of Series A common stock, which number replaces the remaining pool of 16,539,206 shares in the 2005 Stock Plan. Although the 2013 Stock Plan's terms are not limited to granting Series A common stock, we expect to use it only for Series A.

As of March 4, 2013, we had 9,327,827 outstanding options to purchase shares of Series A common stock under the 2005 Stock Plan, the weighted average purchase price of all such options was \$27.96, and the weighted average remaining term was 5.45 years. As of March 4, 2013, there were no shares of restricted stock and 2,739,764 shares of restricted stock units outstanding under the 2005 Stock Plan with respect to Series A common stock. We also had outstanding 3,215,432 cash-settled stock appreciation rights, or SARs. In addition to these arrangements, as of March 4, 2013, we have our employee stock purchase plans, under which 4,898,080 shares of Series A common stock remain available, and the Directors' Plan, under which there were 276,176 outstanding options to purchase shares of Series A common stock and 29,279 restricted stock units outstanding with respect to Series A common stock, with a remaining pool of 4,951,501 shares of Series A common stock. We are not at this time seeking additional shares for the employee stock purchase plans or the Directors' Plan. On March 4, 2013, the last reported sales price of our Series A common stock on the NASDAQ Global Select Market was \$75.59.

We believe that the 2013 Stock Plan contains provisions consistent with current best compensation practices. If the stockholders approve the 2013 Stock Plan, we will not make new grants under the 2005 Stock Plan.

**Our Board of Directors believes that the 2013 Stock Plan is in the best interests of Discovery and its stockholders and recommends that you vote FOR the proposal to approve the 2013 Stock Incentive Plan.**

**Why You Should Vote for the 2013 Stock Plan**

***Equity Incentive Awards Are an Important Part of Our Compensation Philosophy***

Our Board of Directors believes that our success depends, in large part, upon our ability to maintain a competitive position in attracting, retaining and motivating key personnel and, as discussed in the Compensation Discussion and Analysis section of this proxy statement, our equity-based award program is the primary vehicle for offering long-term incentives to our executives.

As a media company, competing with many successful companies for a limited pool of talented people, we believe that we must continue our use of equity compensation to help retain our skilled employees and consultants and recruit new employees and consultants to continue to grow, develop new markets and services and deliver increased stockholder value.

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### ***We Believe the 2013 Stock Plan Combines Compensation and Governance Best Practices***

We believe the 2013 Stock Plan includes provisions that are designed to protect our stockholders' interests and to reflect compensation and governance best practices, including:

*Change in Control provisions have been narrowed.* We have increased the threshold in the 2013 Stock Plan for a Control Purchase (as defined below) from 20% to 30%, consistent with our granting practices, and have also provided that an Approved Transaction (as defined below) will not be treated as a change in control upon stockholder approval of the transaction but upon such transaction's closing.

*Repricing is not allowed without stockholder approval.* The 2013 Stock Plan prohibits the repricing or other exchange of underwater stock options and stock appreciation rights without prior stockholder approval.

*No discount stock options or stock appreciation rights.* All stock options and stock appreciation rights will have a purchase or base price equal to at least the fair market value of our Series A common stock on the date the stock option or stock appreciation right is granted, except in certain situations in which we are assuming or replacing options granted by another company that we are acquiring.

*Reasonable share counting provisions.* In general, when awards granted under the 2013 Stock Plan expire or are canceled without having been fully exercised, or are settled in cash, the shares reserved for those awards will be returned to the share reserve and be available for future awards. However, shares that are tendered by participants or withheld by us to pay the purchase price of an award or to satisfy tax withholding obligations will not be available for future awards. If a stock appreciation right is exercised for stock, we will subtract from the shares available under the 2013 Stock Plan the full number of shares subject to the stock appreciation right multiplied by the percentage of the stock appreciation right actually exercised, regardless of the number of shares actually used to settle the stock appreciation right upon exercise.

*No tax gross-ups.* The 2013 Stock Plan does not provide for any tax gross-ups and does not contain the provision from the 2005 Stock Plan that would have permitted the Company to gross up a participant for parachute taxes. The Company has not used the authority under the 2005 Stock Plan.

*Director Equity Compensation.* Directors receive their equity-based compensation through the 2005 Director Plan, which we have recently amended for certain best practices and to conform it more closely to the proposed 2013 Stock Plan but with respect to which we are not seeking additional shares. Directors would not, consequently, be interested parties with respect to the operation of the 2013 Stock Plan.

### **Description of the 2013 Stock Plan**

The following is a summary of the 2013 Stock Plan. This summary is qualified in its entirety by reference to the 2013 Stock Plan, a copy of which is attached as Annex A to this proxy statement. You may also obtain a copy of the 2013 Stock Plan by accessing the proxy statement as filed with the SEC on the Internet at [www.sec.gov](http://www.sec.gov), by accessing the Investor Relations section of our website at [www.discoverycommunications.com](http://www.discoverycommunications.com), or by contacting our Corporate Secretary.

### **Effectiveness; Number of Shares Available for Issuance**

The 2013 Stock Plan will become effective upon approval of the 2013 Stock Plan by our stockholders at the 2013 Annual Meeting of Stockholders.

## Edgar Filing: Discovery Communications, Inc. - Form DEF 14A

Upon effectiveness of the 2013 Stock Plan, the number of shares of Series A common stock reserved for issuance under the 2013 Stock Plan will be 40,000,000 shares, which number is subject to adjustment in the event of stock splits and other similar events. Shares issued under the 2013 Stock Plan may consist in whole or in part

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of authorized but unissued shares or may be issued shares that we have reacquired (provided that open market purchases of shares using the proceeds from the exercise of awards do not increase the number of shares available for future grants).

If an award granted under the 2013 Stock Plan (other than a Tandem SAR as defined below) expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of Series A common stock subject to such award being repurchased by us) or otherwise results in any Series A common stock not being issued (including as a result of a stock appreciation right that could have been settled either in cash or in stock actually being settled in cash), the unused Series A common stock covered by such award will become available for issuance pursuant to a new award under the 2013 Stock Plan. If we grant a SAR in tandem with an option for the same number of shares of common stock and provide that only one such award may be exercised, which we refer to as a Tandem SAR, only the shares covered by the option and not the Tandem SAR will be counted and the expiration of one in connection with the other's exercise will not restore shares to the 2013 Stock Plan. Shares that are tendered or withheld (including through net exercise) to pay the purchase price of an award or to satisfy tax withholding obligations will not be available for issuance pursuant to awards under the 2013 Stock Plan.

We would expect to use stock appreciation rights only in connection with satisfying contractual obligations related to Mr. Zaslav (as described below in Executive Compensation Executive Compensation Arrangements Zaslav Employment Agreement ), and in certain non-U.S. jurisdictions where cash-settled stock appreciation rights provide easier compliance with local law. The stock appreciation rights we have issued and expect to issue will be cash-settled. Under the 2013 Stock Plan, if we choose to issue stock-settled stock appreciation rights, all shares of Series A common stock covered by such stock appreciation rights will be counted against the number of shares available for the grant of awards under the 2013 Stock Plan. If a stock-settled stock appreciation right is exercised, we will subtract from the shares available under the 2013 Stock Plan the full number of shares subject to the stock appreciation right multiplied by the percentage of the stock appreciation right actually exercised, regardless of the number of shares actually used to settle such stock appreciation right upon exercise.

## **Types of Awards**

The 2013 Stock Plan provides for the grant of nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and cash-based awards, each of which is described below.

*Nonqualified stock options.* Optionees receive the right to purchase a specified number of shares of Series A common stock at a specified purchase price, subject to such other terms and conditions as are specified in connection with the option grant. Options must be granted at a purchase price that will not be less than 100% of the fair market value of the Series A common stock on the date of grant, except in connection with substitute awards relating to acquisitions. Options may not provide for the payment or accrual of dividends or dividend equivalents. The 2013 Stock Plan permits the following forms of payment of the purchase price of options, as determined by the Compensation Committee in connection with awards: (i) payment by cash, check or in connection with a cashless exercise through a broker, (ii) surrender to us of shares of Series A common stock or attestation of ownership of sufficient shares, (iii) net exercise in which a portion of the shares to be issued on exercise are withheld to pay the purchase price, (iv) any other lawful means, or (v) any combination of these forms of payment.

*Stock appreciation rights.* A stock appreciation right is an award entitling the holder, upon exercise, to receive an amount in Series A common stock or cash or a combination thereof determined by reference to appreciation, from and after the date of grant, in the fair market value of a share of Series A common stock on the date of grant or as determined, consistent with the 2013 Stock Plan, over an average of prices around the date of grant. No stock appreciation right granted under the 2013 Stock Plan may provide for the payment or accrual of dividends or dividend equivalents.

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*Restricted stock and restricted stock unit awards.* Restricted stock awards entitle recipients to acquire shares of Series A common stock, subject to our right to repurchase or cause the forfeiture of all or part of such shares from the recipient in the event that the conditions specified in the applicable award are not satisfied prior to the end of the applicable restriction period established for such award. Restricted stock unit awards entitle the recipient to receive shares of Series A common stock to be delivered at or after the time such shares vest pursuant to the terms and conditions of the awards, as established by our Compensation Committee, although our Compensation Committee may provide that these awards will be settled in cash. The Compensation Committee may also provide for a supplemental cash payment, subject to such restrictions as the Compensation Committee designates, to be paid in connection with or after vesting.

Our Compensation Committee will determine the terms and conditions of each restricted stock or restricted stock unit award, including the conditions for vesting and repurchase (or forfeiture) and the issue price, if any.

We have not historically granted restricted stock awards, but the 2005 Stock Plan and the 2013 Stock Plan permit such grants. Restricted stock will accrue ordinary cash dividends, but, unless otherwise provided in the applicable agreement, participants holding shares of restricted stock will only be entitled to such dividends if and after the restricted stock vests. Any dividend payment will be made no later than the later of the end of the calendar year in which the dividends are paid to stockholders of that series of stock or the 15th day of the third month following the date on which the restricted stock to which the dividends pertain vests, absent a further deferral permitted by the Compensation Committee that complies with Section 409A of the Code.

To the extent provided by our Compensation Committee, in its sole discretion, a grant of restricted stock units may provide participants with the right to receive dividend equivalents. Dividend equivalents may be settled in cash and/or shares of Series A common stock and will be subject to the same restrictions on transfer and forfeitability as the restricted stock units with respect to which paid, as determined by our Compensation Committee in its sole discretion, subject in each case to such terms and conditions as our Compensation Committee may establish, in each case to be set forth in the applicable award agreement.

*Other stock-based and cash-based awards.* Under the 2013 Stock Plan, our Compensation Committee or the Board has the right to grant other awards based upon our Series A common stock or other property having such terms and conditions as our Compensation Committee or the Board may determine, including the grant of shares based upon certain conditions, the grant of awards that are valued in whole or in part by reference to, or otherwise based on, shares of our Series A common stock, and the grant of awards entitling recipients to receive shares of our Series A common stock to be delivered in the future. We may also grant under the 2013 Stock Plan performance awards or other awards denominated in cash rather than shares of Series A common stock.

*Performance conditions.* Our Compensation Committee or the Board may determine, at the time of grant, that a restricted stock award, restricted stock unit award or other stock-based award will vest or otherwise be earned solely upon the achievement of specified performance criteria. Cash-based awards under the 2013 Stock Plan will always vest or otherwise be earned upon the achievement of specified performance criteria. For restricted stock awards, restricted stock unit awards or other stock-based awards designed to qualify for deduction under Section 162(m) of the U.S. Internal Revenue Code ( Section 162(m) ), only our Compensation Committee may determine the extent to which the award will vest or otherwise be earned upon the achievement of specified performance criteria. The performance criteria for each such award will be based on one or more of the following measures, as applied to the recipient, one or more of our business units, our divisions or subsidiaries or applicable sector, or of us as a whole, and if so desired by the Compensation Committee, by comparison with a peer group of companies: increased revenue; net income measures (including income after capital costs and income before or after taxes); stock price measures (including growth measures and total stockholder return); price per share of Series A common stock; market share; audience metrics (such as program ratings, web impressions, and subscribers); earnings per share (actual or targeted growth); earnings before interest, taxes, depreciation, and amortization (EBITDA); economic value added; market value added; debt to equity ratio; cash flow measures (including cash flow return on capital, cash flow return on tangible capital, net

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cash flow and net cash flow before financing activities); return measures (including return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity); operating measures (including operating income, adjusted operating income before depreciation and amortization, funds from operations, cash from operations, after-tax operating income; sales volumes, production volumes and production efficiency); expense measures (including overhead cost and general and administrative expense); margins; stockholder value; total stockholder return; proceeds from dispositions; total market value and corporate values measures (including ethics compliance, environmental and safety). Unless otherwise stated, such a performance measure need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria).

These performance measures may be adjusted to exclude any one or more of (i) extraordinary items, (ii) gains or losses on the dispositions of discontinued operations, (iii) the cumulative effects of changes in accounting principles, (iv) the write-down of any asset, (v) fluctuation in foreign currency exchange rates, and (vi) charges for restructuring and rationalization programs. Such performance measures: (x) may vary by participant and may be different for different awards; (y) may be particular to a participant or the department, branch, line of business, subsidiary or other unit in which the participant works and may cover such period as may be specified by our Compensation Committee; and (z) will be set by our Compensation Committee within the time period prescribed by, and will otherwise comply with the requirements of, Section 162(m).

Our Compensation Committee may adjust downwards, but not upwards, the cash or number of shares payable pursuant to performance-based awards designed to qualify for deduction under Section 162(m) of the Code.

Awards that are not intended to qualify as performance-based compensation may be based on these or such other performance measures as our Compensation Committee or the Board may determine.

## **Eligibility to Receive Awards**

Our employees, officers, consultants and advisors and those of our subsidiaries are eligible to be granted awards under the 2013 Stock Plan.

The maximum number of shares with respect to which awards may be granted to any participant under the 2013 Stock Plan may not exceed 6,000,000 shares per calendar year. For purposes of this limit, the combination of an option with a Tandem SAR is treated as a single award. No person may be awarded cash awards during any calendar year that are designed to pay out in excess of \$10,000,000 per calendar year covered by the cash award.

## **Administration**

The 2013 Stock Plan will be administered by our Compensation Committee. Our Compensation Committee has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2013 Stock Plan and to interpret the provisions of the 2013 Stock Plan. Subject to any applicable limitations contained in the 2013 Stock Plan, our Compensation Committee, or any other committee to whom our Board delegates authority, as the case may be, selects the recipients of awards and determines the terms of such awards. The 2013 Stock Plan provides limitations on liability with respect to persons acting on our behalf in connection with the Plan and also provides for indemnifying and holding harmless such persons.

Our Compensation Committee is required to make appropriate adjustments in connection with the 2013 Stock Plan and any outstanding awards to reflect stock splits, stock dividends, recapitalizations, spin-offs and other similar changes in capitalization. In addition, if all shares of any series of Common Stock are redeemed, then each outstanding Award under such series shall be adjusted to substitute for the shares of such series of Common Stock subject to the Award the kind and amount of cash, securities or other assets issued or paid in the



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redemption of the equivalent number of shares of such series of Common Stock, with the other terms of the Award remaining constant (including for this purpose the aggregate purchase price or aggregate base price, shall remain constant before and after the substitution (unless otherwise determined by the Compensation Committee). The Compensation Committee, in its sole discretion, may provide for a cash payment in connection with any of the foregoing adjustments.

### **Changes in Control**

The 2013 Stock Plan also contains provisions addressing the consequences of any mergers, certain changes in ownership, and certain changes in the composition of our Board of Directors. The description below is of the default rule under the 2013 Stock Plan, but the Compensation Committee also imposes double trigger requirements on substantially all Awards to executive officers, such that the occurrence of an event without a connected employment termination will not cause vesting unless the Awards are not being assumed or replaced. If an Approved Transaction, Board Change or Control Purchase (each as defined below) occurs, unless the applicable Agreement provides otherwise, any options or stock appreciation rights will immediately become exercisable in full in respect of the aggregate number of shares covered thereby and restricted stock and restricted stock units will vest, as will any unpaid dividends or dividend equivalents, while Cash Awards and Other Stock-Based Awards will have the treatment their Agreements provide, in each case effective upon the Board Change or Control Purchase or immediately prior to consummation of the Approved Transaction. Notwithstanding the foregoing, unless otherwise provided in the applicable Agreement, the Compensation Committee may, in its discretion, determine that any or all outstanding Awards of any or all types granted pursuant to the Plan will not vest or become exercisable on an accelerated basis in connection with an Approved Transaction if effective provision has been made for the taking of such action which, in the opinion of the Compensation Committee, is equitable and appropriate to substitute a new Award for such Award or to assume such Award and to make such new or assumed Award, as nearly as may be practicable, equivalent to the prior Award (before giving effect to any acceleration of the vesting or exercisability thereof), taking into account, to the extent applicable, the kind and amount of securities, cash or other assets into or for which the Series A common stock may be changed, converted or exchanged in connection with the Approved Transaction. Notwithstanding any provision of the 2013 Stock Plan to the contrary, in the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Compensation Committee shall be authorized, in its discretion, (i) to provide, prior to the transaction, for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the Award and, if the transaction is a cash merger, provide for the termination of any portion of the Award that remains unexercised at the time of such transaction, or (ii) to cancel any such Awards and to deliver to the participants cash in an amount that the Compensation Committee shall determine in its sole discretion is equal to the fair market value of such Awards on the date of such event, which in the case of options or stock appreciation rights will be the excess of the fair market value of the Series A common stock on such date over the purchase price of the options or the base price of the stock appreciation rights, as applicable.

Under the 2013 Stock Plan, Approved Transaction means any transaction in which the Board of Directors (or, if approval of the Board of Directors is not required as a matter of law, our stockholders) approves (i) any consolidation or merger of us, or binding share exchange, pursuant to which shares of our common stock would be changed or converted into or exchanged for cash, securities, or other property, other than any such transaction in which our common stockholders immediately prior to such transaction have the same proportionate ownership of the common stock of, and voting power with respect to, the surviving corporation immediately after such transaction, (ii) any merger, consolidation or binding share exchange to which the Company is a party as a result of which the persons who are our common stockholders immediately prior thereto have less than a majority of the combined voting power of our outstanding capital stock ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation or binding share exchange, (iii) the adoption of any plan or proposal for our liquidation or dissolution, or (iv) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of our assets, provided that the Approved Transaction will not occur under any of the foregoing until the closing of the described event. Board Change means, during any period of

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two consecutive years, individuals who at the beginning of such period constituted the entire Board of Directors cease for any reason to constitute a majority thereof unless the election, or the nomination for election, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period. **Control Purchase** means any transaction (or series of related transactions) in which any person (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1933), corporation or other entity (other than the Company, any of our subsidiaries or any employee benefit plan sponsored by us or any of our subsidiaries) shall purchase any of our common stock (or securities convertible into our common stock) for cash, securities or any other consideration pursuant to a tender offer or exchange offer, without the prior consent of the Board of Directors, or (ii) any person (as such term is so defined), corporation or other entity (other than the Company, any of our subsidiaries, any employee benefit plan sponsored by us or any of our subsidiaries or any exempt person (as defined in the Stock Plan)) or any **Exempt Person** (as defined below) shall become the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of our securities representing 30% or more of the combined voting power of our then outstanding securities ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company's securities), other than in a transaction (or series of related transactions) approved by the Board of Directors. For purposes of this definition, **Exempt Person** means each of (a) the Chairman of the Board, the President and each of the directors of Discovery Holding Company as of the date Discovery Holding Company ceased to be a wholly-owned subsidiary of Liberty Media Corporation, and (b) the respective family members, estates and heirs of each of the persons referred to in clause (a) above and any trust or other investment vehicle for the primary benefit of any of such persons or their respective family members or heirs. As used with respect to any person, the term **family member** means the spouse, siblings and lineal descendants of such person.

## **Substitute Awards**

In connection with a merger or consolidation of an entity with us or the acquisition by us of property or stock of an entity, our Board or the Compensation Committee may grant awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute awards may be granted on such terms as our Board or the Compensation Committee deems appropriate in the circumstances, notwithstanding any limitations on awards contained in the 2013 Stock Plan. Substitute awards will not count against the overall share limit of the 2013 Stock Plan.

## **Restrictions on Repricing**

Unless our stockholders approve such action (or it is appropriate under a change in capitalization), the 2013 Stock Plan provides that we may not (1) amend any outstanding option or stock appreciation right granted under the 2013 Stock Plan to provide a purchase price per share that is lower than the then-current purchase price or base price per share of such outstanding award, (2) cancel any outstanding option or stock appreciation right (whether or not granted under the 2013 Stock Plan) and grant in substitution therefor new awards under the 2013 Stock Plan (other than as substitute awards as described above) covering the same or a different number of shares of common stock and having a purchase price or base price per share lower than the then-current purchase price or base price per share of the cancelled award, (3) cancel in exchange for a cash payment any options or stock appreciation rights that have a purchase price per share above the then-current fair market value, or (4) take any other action that constitutes a repricing within the meaning of the rules of the NASDAQ Stock Market.

## **Withholding**

The Company's obligation to deliver shares of Series A common stock or pay cash in respect of any Award under the 2013 Stock Plan is subject to applicable federal, state and local tax withholding requirements. The Compensation Committee or the Board may permit participants to pay applicable withholding in shares of the Series A common stock already owned by the participant (either by delivery or attestation) or through the

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withholding of shares otherwise issuable to such participant. If the participant does not satisfy the tax withholding through one of those means, the Company may withhold from the same or other compensation.

### **Transferability of Awards**

In general, awards may not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an incentive stock option, pursuant to a qualified domestic relations order. During the life of the participant, awards are exercisable only by the participant. However, with our Compensation Committee's or the Board's consent, a participant can transfer an award without payment to an immediate family member, family trust, or certain other related entities (to the extent a Registration Statement on Form S-8 would cover the transferee).

### **Acceleration**

Our Compensation Committee may at any time provide that any award will become immediately exercisable in whole or in part, free of some or all restrictions or conditions, or otherwise realizable in whole or in part, as the case may be, subject to certain restrictions under Section 162(m).

### **Termination of Employment**

The Award agreements will provide rules with respect to the treatment of Awards when employment ends and may overrule the general principles in the 2013 Stock Plan. If a participant dies or has a Disability (as defined in the 2013 Stock Plan), unless the Award agreement provides otherwise, any options or stock appreciation rights will immediately become exercisable in full in respect of the aggregate number of shares covered thereby and will remain exercisable for a year after death or Disability termination (unless the Award expires earlier) and (ii) restricted stock and restricted stock units will vest, as will any unpaid dividends or dividend equivalents. On a termination for cause, as defined in the 2013 Stock Plan, and unless the Award agreement provides otherwise, all Awards will terminate immediately. In addition, the Compensation Committee may determine retroactively, within one year after employment ends, that the Company had cause at the time of termination and may forfeit any still outstanding Awards.

### **Provisions for Foreign Participants**

Our Board may establish sub-plans for purposes of satisfying applicable securities, tax or other laws of various jurisdictions, by adopting supplements to the 2013 Stock Plan that cover only a particular jurisdiction and contain such limitations or exercises of discretion as are not otherwise inconsistent with the 2013 Stock Plan.

### **Amendment or Termination**

No award may be made under the 2013 Stock Plan after May 14, 2023 but awards previously granted may extend beyond that date. Our Compensation Committee may at any time amend, suspend or terminate the 2013 Stock Plan, provided that such actions may not materially adversely affect a recipient with respect to a previously granted Award without his or her consent, except as required for compliance with Section 409A of the Code.

If our stockholders do not approve the adoption of the 2013 Stock Plan, the 2013 Stock Plan will not go into effect, we will not grant any awards under the 2013 Stock Plan and we will continue to grant awards under the 2005 Stock Plan.

### **Certain Material U.S. Federal Income Tax Consequences**

The following is a summary of certain material United States federal income tax consequences that generally will arise with respect to awards granted under the 2013 Stock Plan. This summary is based on the

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federal tax laws in effect as of the date of this proxy statement. In addition, this summary assumes that all awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation. Changes to these laws could alter the tax consequences described below.

### ***Nonqualified Stock Options***

A participant will not have income upon the grant of a nonqualified stock option. A participant will have compensation income upon the exercise of a nonqualified stock option equal to the value of the stock on the day the participant exercised the option less the purchase price. Upon sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

### ***Stock Appreciation Rights***

A participant will not have income upon the grant of a stock appreciation right. A participant generally will recognize compensation income upon the exercise of a stock appreciation right equal to the amount of the cash and the fair market value of any stock received. Upon the sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the stock appreciation right was exercised. This capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

### ***Restricted Stock Awards***

A participant will not have income upon the grant of restricted stock unless an election under Section 83(b) of the Code is made within 30 days of the date of grant. If a timely Section 83(b) election is made, then a participant will have compensation income equal to the value of the stock less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the date of grant. If the participant does not make a Section 83(b) election, then when the stock vests the participant will have compensation income equal to the value of the stock on the vesting date less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

### ***Restricted Stock Units***

A participant will not have income upon the grant of a restricted stock unit. A participant is not permitted to make a Section 83(b) election with respect to a restricted stock unit award. When the stock is distributed with respect to restricted stock unit, the participant will have income in an amount equal to the fair market value of the stock less the purchase price, if any. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock previously taxed. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

### ***Other Stock-Based Awards***

The tax consequences associated with any other stock-based award granted under the 2013 Stock Plan will vary depending on the specific terms of such award. Among the relevant factors are whether or not the award has a readily ascertainable fair market value, whether or not the award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the award and the participant's holding period and tax basis for the award or underlying Series A common stock.

**Table of Contents****Tax Consequences to Us**

There will be no tax consequences to us for any awards made under the 2013 Stock Plan, except that we will be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

**New Plan Benefits**

As of March 4, 2013, approximately 4,600 persons were eligible to receive awards under the 2013 Stock Plan, including our five named executive officers. The granting of awards under the 2013 Stock Plan is discretionary, except we are obligated to grant Mr. Zaslav 1,938,907 cash-settled SARs in 2014 under the terms of Mr. Zaslav's employment agreement with us and Mr. Zaslav will be entitled to receive additional cash-settled SARs if his employment with us is extended beyond February 1, 2015. If our stockholders do not approve the 2013 Stock Plan at our 2013 Annual Meeting of Stockholders, the 2005 Stock Plan will remain in place and Mr. Zaslav would receive the cash-settled SARs to which he is entitled under his employment agreement under the 2005 Stock Plan.

Except for these grants to Mr. Zaslav, which are summarized in the table below, we cannot now determine the number or type of awards to be granted in the future to any particular person or group.

**Discovery Communications, Inc. 2013 Incentive Plan**

<b>Name and Position</b>	<b>Dollar Value\$(a)</b>	<b>Number of Cash-Settled SARs</b>
David M. Zaslav <i>President and Chief Executive Officer</i>		1,938,907 <sup>(b)</sup>
Andrew Warren <i>Senior Executive Vice President and</i>		(a)
<i>Chief Financial Officer</i>		
Mark G. Hollinger <i>President and Chief Executive Officer of Discovery Networks</i>		(a)
<i>International</i>		
Bruce L. Campbell <i>Senior Executive Vice President, Chief Development Officer</i>		(a)
<i>and General Counsel</i>		
John S. Hendricks <i>Executive Chairman</i>		(a)
Executive Group		1,938,907 <sup>(a)(b)</sup>
Non-Executive Director Group		(a)
Non-Executive Officer Employee Group		(a)

(a) Amount is indeterminable.

(b) Represents cash-settled SARs that Mr. Zaslav is entitled to receive under his employment agreement in 2014. Excludes (1) cash-settled SARs that Mr. Zaslav will be entitled to receive under his employment agreement if his employment with us is extended beyond February 1, 2015 and (2) any discretionary awards that Mr. Zaslav may be awarded under the 2013 Stock Plan.

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**REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussion, has recommended that the Compensation Discussion and Analysis be included in this proxy statement.

This report is respectfully submitted by the members of the Compensation Committee of the Board.

*Robert J. Miron, Chairman*

*Robert R. Beck*

*Paul A. Gould*

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**COMPENSATION DISCUSSION AND ANALYSIS**

This section analyzes and discusses our compensation programs and provides information about the compensation paid by Discovery to our Named Executive Officers, or NEOs :

David Zaslav, President and Chief Executive Officer;

Andrew Warren, Senior Executive Vice President and Chief Financial Officer (since March 2012);

John Hendricks, Executive Chairman;

Mark Hollinger, President and Chief Executive Officer, Discovery Networks International;

Bruce Campbell, Senior Executive Vice President, Chief Development Officer and General Counsel; and

Bradley Singer, former Senior Executive Vice President and Chief Financial Officer (until March 2012).

**Highlights**

***Discovery had strong operating performance in 2012.***

Discovery is a leading global media and entertainment company, with operations that support our mission to empower people to explore their world and satisfy their curiosity. Our Company had a strong year in 2012, reporting increases in revenue and Adjusted Operating Income Before Depreciation and Amortization ( Adjusted OIBDA ):

Revenues increased 8% to \$4.487 billion; and

Adjusted OIBDA increased 9% to \$2.095 billion.

We repurchased 1.99 million shares of Series A common stock and 26.54 million shares of Series C common stock for an aggregate purchase price of \$1.38 billion, showed ratings growth in our U.S. networks, achieved substantial growth internationally, both organically and through new channel launches, and made a number of strategic acquisitions.

***We continue to pay for performance through executive compensation plan design.***

We believe that our executive compensation program plays a key role in the Company's operating and financial success. We place great importance on our ability to attract, retain, motivate and reward talented executives who can continue to grow our business and engage audiences around the world. Our NEOs received significant short- and long-term awards as a result of the Company's 2012 financial and operational performance and their individual achievements during the year. These awards reflect the direct link between financial and operational success and compensation. Our short- and long-term incentive compensation programs are structured to:

pay for performance by aligning and measurably varying the size of performance-based awards directly with key operational outcomes, as well as the executive's individual performance;

align the interests of management with those of our stockholders through equity and equity-type incentive awards and stock ownership guidelines; and

inspire dynamic leadership while not encouraging excessive risk taking.

In general, we seek to design compensation packages for individual executives based on the scope of the executive's responsibilities, the executive's proven performance, and a determination of what is competitive compensation in the market for similar roles, if such data is available. We continue to refine our compensation programs to strengthen the link between executive and stockholder interests.



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### **Role of the Compensation Committee**

Our Compensation Committee (referred to in this Compensation Discussion and Analysis as the Committee) operates pursuant to a written charter, a copy of which is posted on the Investor Relations section of our website, [www.discoverycommunications.com](http://www.discoverycommunications.com). The Committee is responsible for developing, implementing, and regularly reviewing adherence to our compensation philosophy. In the course of fulfilling these responsibilities, the Committee:

regularly reviews best practices and market trends in executive compensation and modifies our programs to support Discovery's business goals and strategies;

conducts annual risk assessments of our compensation programs;

aligns compensation decisions with our executive compensation objectives and principles;

reviews and approves the amounts and elements of compensation for our NEOs, other executive officers and certain other key employees; and

approves the annual quantitative and qualitative goals relevant to the compensation of our NEOs and other executive officers.

The Committee regularly consults with the Board regarding compensation decisions for the CEO and the Executive Chairman.

In 2008, the Committee created the Subcommittee, comprised of two directors who are non-employee directors within the meaning of Rule 16b-3 under the Exchange Act and outside directors for purposes of Section 162(m). The Committee delegated to the Subcommittee the authority to make and modify awards under the 2005 Stock Plan and to determine and confirm performance-based compensation for our executive officers. In June 2012, the Board eliminated the Subcommittee after concluding that all three of the current members of the Committee met the standard for non-employee director and outside director. In 2012, some of the decisions discussed in this section were made by the Subcommittee and some by the Committee; the discussion of each decision identifies the decision-maker.

### **Role of the CEO in Compensation Decisions**

The CEO plays a significant role in the decisions for the NEOs other than himself and the Executive Chairman. The CEO makes annual recommendations to the Committee (and, when applicable, the Subcommittee) regarding base salary, annual cash bonus, and long-term incentive awards for each of his direct reports, including the other NEOs. His recommendations are based on:

his assessment of qualitative and quantitative factors, generally including the executive's annual and long-term performance;

the performance of Discovery, as well as the department or group that the executive leads;

the executive's compensation relative to that of our other executives (internal equity);

the executive's compensation relative to that of executives in similar roles in the companies in our peer group (external competitiveness);

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our overall approach to compensation for employees for the year; and

contractual obligations under any applicable employment agreement.

The CEO also recommends to the Committee proposed terms for new, extended, or amended employment agreements with our NEOs. The CEO works closely with our Senior Executive Vice President of Human Resources in these compensation recommendations.

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The CEO also provides the Committee with proposed goals to be used in his annual bonus and the goals for the annual bonus for the CFO, as further described below, and the Committee considers those proposed goals in approving these final annual goals. The CEO does not participate in the Committee's deliberations or decisions relating to his compensation.

### **Relationship with and Role of the Compensation Consultant**

The Committee has retained an independent compensation consultant, The Croner Company (Croner), to advise it on compensation matters generally and specifically on compensation decisions for our executive officers. Croner is retained directly by, and reports to, the Committee. Croner attended 11 of the 13 Committee meetings held in 2012. Croner assisted the Committee by, among other services:

assisting in peer group selection and competitive benchmarking for executive officers and other senior executives used in the annual salary review, bonus and long-term incentive decisions;

advising the Committee on competitive practices, including executive compensation trends, performance measures, and annual cash bonus and long-term incentive plan designs;

advising on employee equity grants, executive employment agreements and other executive compensation matters;

assisting the Committee with the periodic review of its charter;

reviewing the Compensation Discussion and Analysis; and

benchmarking compensation for members of the Board.

Prior to being engaged by the Committee, Croner historically had provided compensation survey data to the Company and performed custom surveys on industry compensation practices. In 2011, the Committee adopted a Compensation Consultant Independence Policy to address the ongoing need for this survey work and to determine the process under which work by Croner for the Company would be permitted. The Committee authorized Croner to provide survey services to management of up to \$60,000 per year. Non-survey work, or survey work that exceeds \$60,000 in the aggregate in a single year, requires pre-approval by the Committee. In 2012, the only services provided by Croner to management were the pre-authorized survey services. Total fees paid to Croner by Discovery in 2012 (other than fees for Croner's services to the Committee) were less than \$11,000.

In early 2013, the Committee reviewed its relationship with Croner as an independent compensation consultant and, after considering the factors set forth in the applicable securities regulations, concluded that Croner did not have a conflict of interest in its services to the Committee. The Committee conclusion was based on the following:

Croner reports solely to the Committee. Discovery's management is not involved in the negotiation of fees charged by Croner or in the determination of the scope of work performed by Croner. The Committee has the sole authority to hire and terminate the independent compensation consultant;

there are no business or personal relationships between Croner and any member of the Committee or any executive officer of the Company;

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the Committee has a Compensation Consultant Independence Policy to address limited survey work performed by Croner for the Company, and any other non-survey services that are proposed to be performed by Croner for the Company;

the survey work in 2012 was very limited, and no non-survey work was performed (other than Croner's services for the Committee);

according to data provided by Croner, revenue from Discovery (other than fees for Croner's services to the Committee) represented less than 1% of Croner's total revenue for fiscal 2012;

Croner disclosed its conflicts of interest policy to the Committee. The Committee believes that this policy provides reasonable assurance that conflicts of interest with Croner will not arise; and

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Croner has represented to the Committee that, per its conflicts of interest policy, neither Croner nor any Croner employee is a stockholder of Discovery.

**Compensation Philosophy**

Discovery’s compensation philosophy is to deliver above-median total direct compensation when our executives deliver above-median performance both against internally set objectives and when evaluated against the peer group companies.

In 2012, each of our NEOs, with the exception of Mr. Hollinger, was subject to a multi-year employment agreement with provisions that govern the compensation paid to the executive. Mr. Hollinger entered into a multi-year employment agreement with the Company in March 2013. Mr. Singer’s employment agreement expired in March 2012, when he left the Company. We believe that it is in our stockholders’ interest to provide stability in our senior executive team and that it is consistent with industry practice to enter into these employment agreements. Consequently, a number of the compensation decisions discussed below are required by the terms of these employment agreements, as further described in Executive Compensation Executive Compensation Arrangements, below.

**Target Pay Positioning**

The Committee generally targets executive compensation to be between the median and 75<sup>th</sup> percentile of the compensation paid by our peer group companies, which are identified below under Peer Group Analysis. The Committee uses the peer group benchmark and survey data as a reference rather than as a strict guide for compensation decisions and retains flexibility in setting individual target total direct compensation.

At the time that the Committee set target total direct compensation for 2012, the comparison to our peer group was as follows:

Mr. Zaslav	Above the 75 <sup>th</sup> percentile
Mr. Hollinger	Above the 75 <sup>th</sup> percentile
Mr. Campbell	Between the median and the 75 <sup>th</sup> percentile

The Committee used the peer group data as a reference point in adjusting Mr. Campbell’s salary in March 2012, and in determining the size of the long-term incentive awards for Messrs. Hollinger and Campbell. After the base salary and long-term incentive awards were made in 2012, and including the target annual bonus percentage for each NEO, total direct compensation remained consistent with that of our peer group.

The Committee also used the peer group data to determine the compensation terms of the employment agreement for Mr. Warren. The target total direct compensation for Mr. Warren under his employment agreement was slightly above the median of the peer group.

With respect to the CEO, CFO, and General Counsel, the Committee compared each executive’s compensation to that of the corresponding position in the peer group, with an adjustment to the General Counsel analysis to reflect Mr. Campbell’s expanded role as Chief Development Officer. The Committee compared Mr. Hollinger’s compensation to that of peer company executives classified as Division Presidents, although the Committee determined this was not an exact match because of the broad scope of Mr. Hollinger’s international responsibilities.

In 2012, the Committee did not benchmark Mr. Hendricks’ compensation against the peer companies. In 2013, the Committee identified a small group of non-CEO Chairman roles within the peer group against which it would be appropriate to compare Mr. Hendricks’ compensation. Beginning in 2013, the Committee used the role of Executive Chairman in benchmarking Mr. Hendricks’ compensation, as further described below.

In 2012, the Committee did not address Mr. Singer’s compensation due to his impending departure.

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**Performance-Based Pay**

The Committee seeks to deliver the majority of target total direct compensation for each NEO in performance-based pay, with the balance between the annual cash bonus and long-term incentive awards determined by the Committee as appropriate for each role. In 2012, because the Committee did not award any equity compensation to our Executive Chairman, the majority of Mr. Hendricks' total direct compensation was in the form of base salary, plus an annual bonus opportunity. In early 2013, the Committee determined that it was appropriate to consider Mr. Hendricks for annual equity awards in accordance with the general practices for other senior executives at our Company, which altered the mix of Mr. Hendricks' compensation so that the majority of his compensation is again in what the Committee considers performance-based pay.

We believe the mix of compensation for our NEOs is both competitive with the compensation practices specific to our industry and appropriately balanced to benefit the Company in both the short- and long-term without taking undue risks. Annual cash bonus awards are more fully described in 2012 Compensation Decisions-Annual Cash Bonus Awards, below, and our long-term incentive compensation programs are more fully described in 2012 Compensation Decisions Long-Term Incentive Compensation, below.

**Elements of Compensation**

There are three basic components of compensation for our executives, which make up the total direct compensation for each NEO:

<b>Element of Compensation</b>	<b>Key Features</b>	<b>Purpose</b>
Base Salary	Fixed annual cash amount, generally reviewed annually.	Provide base salaries that are competitive to attract and retain high-performing executive talent. A competitive base salary is an important component of compensation providing a degree of financial stability for executives. Base salaries also form the basis for calculating other compensation opportunities, including, for example, calculating the target amount of each NEO's annual cash bonus as a percentage of base salary.
Annual Cash Bonus	Each NEO has a target bonus opportunity, set as a percentage of base salary. Actual amount for each year varies based on Company and individual performance.	Deliver a substantial portion of total direct compensation in annual cash bonus awards that are aligned with Company and individual performance to focus our executives on our operational goals. Ensures that our compensation mix remains competitive with our labor market.
Long-Term Incentive Awards	Annual equity and equity-type awards, in the form of non-qualified stock options, performance-based restricted stock units ( PRSUs ) and cash-settled stock appreciation rights ( CS-SARs ). Each type of award instrument vests in tranches over multiple years.	Deliver a substantial portion of an executive's total direct compensation in equity or equity-type awards to align our executives' interests with those of our stockholders.

PRSUs incent our NEOs to achieve longer-term financial goals that are expected to lead to increased stockholder value. The multi-year service requirements also serve as a retention tool. Both the financial metrics and the longer-term vesting schedules are designed to discourage excessive risk-taking.

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### **Compensation Decisions Framework**

The Committee (and in 2012, the Subcommittee) generally make decisions in the first 90 days of the calendar year regarding annual adjustments to base salary, annual cash bonus awards with respect to the immediately preceding year, and annual long-term incentive awards for our executive officers. This annual process includes review of the following factors, designed to align the compensation actions with our compensation principles and objectives:

market data from the Company's peer group;

relevant employment contract requirements;

self-evaluation of each NEO's annual performance;

CEO's evaluation of each NEO's annual performance (other than the CEO and the Executive Chairman);

achievement of annual quantitative goals for the Incentive Compensation Plan (ICP), the annual cash bonus program that applies to Messrs. Hollinger, Campbell and other employees;

achievement of quantitative and qualitative goals that are set by the Committee each year for the annual bonus for Messrs. Zaslav, Hendricks, and Warren; and

Discovery's Total Shareholder Return (TSR) as compared to the peer companies.

These factors are considered as a whole, with no specific weight given to a particular factor or factors.

Additional detail about the factors considered in our compensation decisions is below.

### **Peer Group Analysis**

The Committee annually reviews data from a group of eight publicly-traded peer companies to support compensation decisions for the NEOs. The peer companies are chosen to best match our Company's scope of business in terms of revenues, free cash flow, market capitalization and enterprise value, complexity of operations and global scope, and proximity to the sectors of the media and entertainment industry in which we operate. The peer group also represents meaningful competition for us in the executive labor market. The Committee reassesses this list annually and considers the inclusion of new, relevant peers.

The 2012 peer group remained unchanged from 2011 and consisted of:

Cablevision Systems Corporation

CBS Corporation

DIRECTV

DISH Network Corporation

Liberty Media Corporation

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Scripps Networks Interactive, Inc.

Time Warner Cable, Inc.

Viacom Inc.

### ***Total Shareholder Return***

In 2012 and again in early 2013, the Committee reviewed TSR for the Company as compared to the peer group. For this analysis, TSR is calculated as follows, using a 10-day average for stock price:

$$\text{TSR} = (\text{Stock Price at End Date} - \text{Stock Price at Start Date} + (\text{Dividends/Share}))/\text{Stock Price at Start Date}$$



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The Committee reviewed our TSR and the TSR of each of the peer companies, using the measure as a reference point when considering grants of long-term incentive awards. The Committee looked at TSR for both the one-year measure (2011) and the three-year period of 2009 – 2011.

Company	1 Year TSR (2011)	3 Year TSR (2009-11)
Cablevision Systems Corporation	11%	166%
CBS Corporation	41%	273%
DIRECTV	7%	96%
DISH Network Corporation	68%	193%
Liberty Media, Inc.	24%	*
Scripps Networks Interactive, Inc.	-17%	112%
Time Warner Cable, Inc.	1%	64%
Viacom, Inc.	14%	180%
Discovery Communications, Inc.	-4%	194%
Median (including Discovery)	11%	173%
Median (excluding Discovery)	13%	166%

\* Three-year TSR not comparable due to anomalous effect on Liberty Media's stock price as a result of its September 2011 spin-off of Liberty Interactive.

**Tally Sheets**

The Committee annually reviews tally sheets prepared for each of the NEOs to allow consideration of both current and historical compensation. The tally sheets allow the Committee to review an integrated snapshot of the individual and aggregated elements of each NEO's compensation.

**Tax Deductibility of Executive Compensation**

We consider the tax deductibility of compensation to be paid to the NEOs. Section 162(m) generally limits the tax deductibility of compensation paid by a public company to its CEO and certain other highly compensated executive officers to \$1 million in the year the compensation becomes taxable to the executive. There is an exception to this limit on deductibility for qualifying performance-based compensation.

Although we do not require all compensation paid to executives to be deductible, the Committee does consider the impact of deductibility under Section 162(m) when making decisions about the amount and forms of executive compensation. In 2012, this contributed to decisions to maintain the base salaries for Messrs. Hendricks and Hollinger at \$1 million. These considerations were also a factor in determining the general long-term incentive program for our senior executives and the use of PRSU awards for our senior executives.

**NEO Responsibilities and Accomplishments**

Company performance and/or individual achievements play a strong role in many of the compensation decisions for our NEOs, as further described below. The Committee considered Discovery's overall strong results as well as each of the NEOs' responsibilities and 2012 accomplishments in making compensation decisions. We have summarized each NEO's overall performance and accomplishments below. Mr. Singer's 2012 performance was not a factor in the compensation paid to him in 2012.

*Mr. Zaslav:* Mr. Zaslav serves as CEO and reports directly to the Board. In 2012, Mr. Zaslav led the Company in achieving our overall strong performance. In addition to operating performance, other significant accomplishments included driving international investment and expansion, supporting financial and creative growth at our Discovery Channel, TLC, Animal Planet and Investigation Discovery networks, building a strong senior management team and growing our emerging networks.

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*Mr. Hendricks:* Mr. Hendricks is our Executive Chairman and reports directly to the Board. Mr. Hendricks helped support our strong business results and provided leadership in creating content that supports our brands and is consistent with our mission to satisfy curiosity, to inspire and to enlighten.

*Mr. Warren:* Mr. Warren joined our Company as CFO in March 2012 and reports to the CEO. Mr. Warren made significant contributions in 2012, including driving financial discipline, increasing the business analytics for internal and Board reporting and successfully completing a \$1 billion debt offering.

*Mr. Hollinger:* Mr. Hollinger is CEO and President of Discovery Networks International and reports to the CEO. Mr. Hollinger drove strong financial results for our international division through both organic growth and significant international acquisitions, successfully launched the Investigation Discovery network in several international locations and increased the amount of shared content between the U.S. division and our international division.

*Mr. Campbell:* Mr. Campbell is our Senior Executive Vice President, Chief Development Officer and General Counsel and reports to the CEO. Mr. Campbell successfully led a number of significant international acquisitions and growth-oriented U.S. investments in 2012. Mr. Campbell also assumed responsibility for our Business Legal Affairs and Production Management departments and integrated these teams with our Legal and Corporate Development functions.

**2012 Compensation Decisions**

The following chart summarizes the compensation decisions for 2012 with respect to each NEO's base salary, annual cash bonus and long-term incentive awards. Detailed discussion of the decisions made with respect to each element is contained in the discussions immediately below the chart. Mr. Singer left the Company in March 2012 at the end of the term of his employment agreement. Mr. Singer's 2012 compensation was based on the terms of his agreement and his voluntary resignation at the end of the term; the Committee did not make any decisions with respect to his compensation in 2012.

**Element of Compensation**

**2012 Compensation Decisions**

Base Salary	Maintained base salary for Messrs. Zaslav, Hendricks, and Hollinger.
	Increased Mr. Campbell's base salary per his employment agreement.
Annual Cash Bonus	Paid annual bonuses to each of the NEOs under a program intended to exempt the bonus from the deduction limits of Section 162(m). The bonus payouts reflected strong Company performance in 2012, as well as the assessment of each NEO's individual performance.
Long-Term Incentive Awards	Made awards of PRSUs and CS-SARs to Mr. Zaslav, in amounts as required by his employment agreement.
	Made awards of stock options and PRSUs to Messrs. Hollinger and Campbell. The target value for each award was determined based on market data and individual performance.
	Made awards of stock options and RSUs to Mr. Warren as required by the new-hire equity provisions of his employment agreement.

***Base Salary***

*Mr. Zaslav:* Mr. Zaslav is employed pursuant to a multi-year employment agreement that entitled him to an annual base salary of \$3 million for 2012. This agreement is further described in Executive Compensation-Executive Compensation Arrangements, below.

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*Mr. Hendricks:* Mr. Hendricks is employed pursuant to a letter agreement entered into in July 2008 (the "Hendricks Letter"). The Hendricks Letter sets Mr. Hendricks' annual base salary at \$1 million. The Committee did not adjust Mr. Hendricks' base salary in 2012. This aligned with the Committee's aim to preserve greater deductibility of executive compensation. For more information about the Hendricks Letter, please see Executive Compensation-Executive Compensation Arrangements, below.

*Mr. Warren:* Mr. Warren's base salary was set at \$900,000 under the terms of the multi-year employment agreement entered into as part of Mr. Warren's hire as our CFO in 2012. This agreement is further described in Executive Compensation-Executive Compensation Arrangements, below. Mr. Warren's base salary was set based on market data and a determination of the compensation needed to entice him to leave another employer and accept employment with the Company.

*Mr. Hollinger:* Mr. Hollinger's base salary was reviewed in February 2012 under our standard processes applied to all executives. The Committee elected not to adjust it, in accordance with the aim to preserve greater deductibility of executive compensation.

*Mr. Campbell:* Mr. Campbell is employed pursuant to a multi-year employment agreement that entitles him to annual base salary increases of at least the amount of the Company's overall merit increase for U.S.-based employees. In 2012, the Committee increased Mr. Campbell's base salary by 3.5%, slightly more than the U.S. merit increase amount, in recognition of Mr. Campbell's outstanding performance in 2011. The agreement is further described in Executive Compensation-Executive Compensation Arrangements, below.

**Annual Cash Bonus Awards**

We made annual cash bonus awards to each of the NEOs with respect to 2012. The following chart summarizes the bonus design and payout for each NEO, with detailed discussion in the section that follows the chart:

NEO	2012 Target Amount	2012 Metrics	2012 Bonus Award
David Zaslav, CEO	\$5.5 million	50% qualitative goals	\$5.33 million, based on achievement of 99.9% of the quantitative goals and 94% of the qualitative goals (aggregate payout amount of 97% of target)
	183% of base salary	50% quantitative goals	
John Hendricks, Executive Chairman	\$600,000	50% qualitative goals	\$569,247, based on achievement of 99.9% of the quantitative goals and 90% of the qualitative goals (aggregate payout amount of 95% of target)
	60% of base salary	50% quantitative goals	
Andrew Warren, CFO	\$690,984	50% qualitative goals	\$903,691, based on 100% achievement of both the qualitative and quantitative goals. Includes application of individual multiplier, allocation of the performance pool, and additional discretionary upside applied by the Committee of 3.5% on the quantitative goals. The aggregate payout amount was 131% of target, reflecting Mr. Warren's strong individual performance in 2012.
	100% of base salary (reflects proration based on March start date)	50% quantitative goals  Individual performance factored into ICP calculation with individual multiplier and allocation of performance pool	



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NEO	2012 Target Amount	2012 Metrics	2012 Bonus Award
Mark Hollinger, President and CEO, Discovery Networks International	\$1.2 million  120% of base salary	100% ICP calculation  80% of ICP assigned to achievement of international division financial metrics and 20% to Company-wide financial metrics  Individual performance factored into ICP calculation with individual multiplier and allocation of performance pool	\$1.94 million, based on calculation of the ICP payout. ICP calculation based on Company and international division performance, individual multiplier, and allocation of the performance pool. The aggregate payout amount was 162% of target, reflecting the international division's strong performance and Mr. Hollinger's outstanding individual performance in 2012.
Bruce Campbell,  Senior Executive Vice President, Chief Development Officer and General Counsel	\$931,500  90% of base salary	100% ICP calculation  100% of ICP assigned to achievement of Company-wide financial metrics  Individual performance factored into ICP calculation with individual multiplier and allocation of performance pool	\$1.55 million, based on calculation of the ICP payout. ICP calculation based on Company performance and an individual multiplier at target. The aggregate payout amount was 166% of target, reflecting Mr. Campbell's strong individual performance in 2012.

Annual bonus compensation for the NEOs is paid under the 2005 Stock Plan and intended to qualify as performance-based compensation under Section 162(m). At the beginning of 2012, the Subcommittee set a Company performance criterion and a maximum annual bonus amount for each NEO and certain other senior executives as the initial step in structuring the bonus awards as performance-based under Section 162(m). If the performance criterion for the year is met, the actual bonus award for each NEO is subject to the Subcommittee's negative discretion (downward discretion). Mr. Zaslav's annual bonus opportunity was capped at a maximum of 300% of base salary, and each of the remaining NEOs' annual bonus opportunity was capped at a maximum of 250% of base salary (using base salary determined as of the first day of the year).

The Subcommittee (and now Committee) exercises its downward discretion based on each executive's individual performance and Company performance, calculated against target bonus amounts for each executive that are expressed as a percentage of salary. With respect to Messrs. Zaslav, Hendricks, and Warren, the Subcommittee considered each executive's achievement of quantitative and qualitative goals set by the Committee. For Messrs. Hollinger and Campbell, the Subcommittee considered the amount each executive would have received had the bonus been calculated under the ICP.

For 2012, the Subcommittee set the performance threshold at \$1,045 million in Adjusted OIBDA for purposes of determining eligibility to receive payouts of the annual cash bonus opportunity.

The Committee determined that both of these performance thresholds were met for 2012 and exercised its downward discretion to determine each NEO's specific bonus payment amount as discussed below.

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***Annual Cash Bonus Awards for Messrs. Zaslav, Hendricks and Warren***

Messrs. Zaslav, Hendricks and Warren are each eligible for an annual cash bonus award based on achievement of Company financial and individual qualitative goals. The Committee approved the goals for Messrs. Zaslav and Hendricks in March 2012, and for Mr. Warren in mid-2012 (after he joined the Company in March), with goals based 50% on quantitative financial goals and 50% on qualitative goals related to individual accomplishments.

Each executive's target bonus amount was based on the terms of the applicable employment agreement. The Committee determined the target value for Mr. Warren in the course of negotiating his agreement, with the amount based on market data, internal equity, and an amount aimed at enticing Mr. Warren to accept employment with the Company. For more information regarding these agreements, see Executive Compensation-Executive Compensation Arrangements, below.

The quantitative goals for each of the three executives were the same and based on:

Net Revenue;

Adjusted Free Cash Flow; and

Further Adjusted OIBDA.

Net Revenue and Adjusted Free Cash Flow were the same quantitative measures used in the ICP, the annual cash bonus plan that applies to employees generally, but the quantitative metrics for Messrs. Zaslav, Hendricks, and Warren also include a third measure, Further Adjusted OIBDA. The Committee determined that including the Further Adjusted OIBDA measure was appropriate for the CEO, the Executive Chairman, and the CFO given the scope of their responsibilities and direct impact on resource allocation decisions.

The principle applied in deriving the adjustments resulting in Further Adjusted OIBDA and Adjusted Free Cash Flow is to ensure that the calculation reflects the impact of operational decisions taken by management, excludes the impact of events over which management has little or no influence, and excludes the impact of items that were not considered at the time the targets were set. Adjustments for currency fluctuations are made to ensure that the results are currency-neutral. The Committee reviewed its approach to bonus metric adjustments in 2012 to further refine these principles. The Committee decided to group adjustments into three categories:

unplanned acquisitions (and related expenses);

unplanned programming or new business investments; and

corporate transactions (including corporate debt transactions and accounting or legal changes that resulted in unforeseen changes).

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<b>Financial Metric</b>	<b>Definition</b>	<b>2012 Adjustments</b>
Net Revenue	Revenue from ordinary business operations.	Adjustments in each of the three areas: unplanned acquisitions (and related expenses), based on international and domestic acquisitions in 2012, unplanned programming or new business investments, including additional programming investment in the U.S. networks and incremental investment in free-to-air channels internationally, and corporate transactions (including corporate debt transactions and accounting or legal changes that resulted in unforeseen changes), based on a revenue adjustment resulting from a change in the schedule of title deliveries under a licensing deal.
Adjusted Free Cash Flow	Cash provided by operations less acquisitions of property and equipment, adjusted for long-term incentive payments.	Adjustments on the same bases described above, as well as to address incremental investment in a new strategy team (categorized as new business investment) and interest on incremental debt (categorized as an adjustment based on corporate transactions).
Further Adjusted OIBDA	Revenues less costs of revenues and selling, general and administrative expenses excluding: (i) mark-to-market share-based compensation, (ii) depreciation and amortization, (iii) amortization of deferred launch incentives, (iv) exit and restructuring charges, (v) impairment charges and (vi) gains (losses) on business and asset dispositions.	Adjustments on the same bases described in the Net Revenue and Adjusted Free Cash Flow descriptions above.

The quantitative goals were weighted to reflect equal emphasis on the three measures. The Committee initially approved the targets in early 2012, and adjusted them to remove the amounts that were budgeted for a U.S. subsidiary that the Company divested in the middle of 2012. For 2012, the quantitative targets, weighting and results were:

	<b>Weighting</b>	<b>Threshold</b>	<b>Target</b>	<b>Actual Achievement</b>
<i>Net Revenue (millions)</i>	33.3%	\$ 3,567	\$ 4,453	\$ 4,447.5
<i>Adjusted Free Cash Flow (millions)</i>	33.3%	\$ 859	\$ 1,072	\$ 1,149.0
<i>Further Adjusted OIBDA (millions)</i>	33.3%	\$ 1,675	\$ 2,091	\$ 2,104.0

The Committee set individual qualitative goals for Messrs. Zaslav, Hendricks, and Warren related to areas of strategic priority for the Company. Mr. Zaslav's goals, with weighting, were to:

drive international growth, including the effective use of capital to build a strong content presence in the local markets (15%);



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actively manage the allocation of assets to grow emerging networks and joint ventures, continuing to develop strong leadership (15%);

manage and support growth at Discovery Channel, TLC, and Animal Planet, emphasizing brand-defining content and enduring series (15%);

innovate to secure advertisers for cable and digital platforms in domestic and international markets; grow advertising revenue to outperform peers (15%);

evaluate opportunities to put content anywhere, anytime, and anyplace (10%);

manage global business development for strategic growth (5%);

further build and develop a robust, aggressive senior management team, and continue to retain and reward exceptional creative talent (10%);

execute strategic oversight of domestic and international financial resources with focus on long-term growth (10%); and

demonstrate increased differentiation in self-evaluation and evaluation of direct reports (5%).

The weighting was based on the Committee's determination of the relative priority of each of these goals.

Mr. Hendricks' goals, with weighting, included:

progress in global content sharing (20%);

stimulus of content for emerging networks (20%);

leadership in science content development (20%);

support of content that defines our mission to empower people to satisfy curiosity, to inspire, and to enlighten (20%); and

operating within the Company's mission (20%).

The weighting was based on the Committee's determination that each of these goals was of equivalent relative priority.

Mr. Warren's goals, with weighting, were:

successful tax planning (50%);

implementing a strategic capital structure (40%); and

enhancing investor relations (10%).

The weighting was based on the Committee's determination of the relative priority of each of these goals, and was consistent with the CEO's recommendation.

In early 2013, the Committee reviewed the achievement of the goals, considering each executive's assessment and, with respect to Mr. Zaslav, the input of the Board. The Committee determined that the Company met or exceeded the Adjusted Free Cash Flow and Further Adjusted OIBDA goal, and achieved 99.9% of the Net Revenue measure. With respect to the qualitative goals, the Committee, in consultation with the Board, determined that Mr. Zaslav had achieved his qualitative goals at the 94% level, that Mr. Hendricks had achieved his qualitative goals at the 90% level, and that Mr. Warren had achieved his goals at the 100% level. With respect to Mr. Warren, the Committee also considered the individual multiplier recommended by Mr. Zaslav, Mr. Zaslav's recommendation of 3.5% in discretionary upside on the quantitative goals, and allocation of a discretionary performance pool amount, using the same methodology described with respect to Messrs. Hollinger and Campbell bonus calculations, below.

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Based on these assessments, the Committee certified achievement of the performance criteria and exercised its downward discretion from the maximum bonus to determine that bonus payments of \$5.33 million to Mr. Zaslav (97% of the target amount), \$569,247 to Mr. Hendricks (95% of the target amount), and \$903,691 to Mr. Warren (131% of the target amount) were appropriate.

**Annual Cash Bonus Payments for Messrs. Hollinger and Campbell**

Messrs. Hollinger and Campbell are each eligible for an annual cash bonus award of a percentage of base salary. The financial metrics that applied to Mr. Campbell under the ICP were based on Discovery's results as a whole. The financial metrics that applied to Mr. Hollinger were based 80% on the results of the Discovery Networks International line of business, and 20% on Company results as a whole. This is consistent with the general ICP program, in which employees are assigned metrics based on the employee's role and organizational assignment.

The aggregate amount payable to an individual under the ICP is calculated by:

first, determining the target bonus of each employee (the pre-established percentage of the employee's base salary);

second, establishing the amount payable due to the achievement of Discovery as a whole and any applicable line of business performance measures, as applied to the target bonus amount;

third, multiplying that amount by an individual multiplier (ranging from 0 to 1.5) that reflects individual performance; and

fourth, adding to the total payout amount a specific dollar amount that is an allocation of the performance pool. The performance pool is a total amount of money that is available to allocate to high performers if the applicable financial metrics are achieved at a level higher than 100% of target.

The calculation of the amount of the ICP award for each of the participating NEOs was as follows:

(Target bonus) X (percentage based on achievement of Company performance metrics/percentage based on applicable line of business results) X (individual performance multiplier) + (allocation of any available performance pool based on individual performance)

**2012 ICP, Paid in March 2013**

In the first quarter of 2012, the Committee established threshold (25% payout), target (100% payout) and maximum (150% payout) amounts for each of the ICP financial metrics, a ceiling beyond which higher payments would only be made relating to such metric at the Company's discretion and a scale that determined the amount payable for achievement of results in between the minimum and the over-achievement amounts.

The 2012 ICP performance targets for the Company as a whole are set forth in the following table (as adjusted for the same divestiture of a U.S. subsidiary that applied to the quantitative metrics for Messrs. Zaslav, Hendricks and Warren):

	Weighting	Threshold	Target	Over Achievement	Actual Achievement
<i>Discovery Communications</i>					
<i>Net Revenue (millions)</i>	45%	\$ 4,007	\$ 4,452.6	\$ 4,897.9	\$ 4,447.5
<i>Adjusted Free Cash Flow (millions)</i>	55%	\$ 791.5	\$ 1,072.0	\$ 1,352.5	\$ 1,149.0

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The 2012 ICP performance targets for Discovery Networks International are set forth in the following table:

<i>Discovery Networks International</i>	<b>Weighting</b>	<b>Threshold</b>	<b>Target</b>	<b>Over Achievement</b>	<b>Actual Achievement</b>
<i>Net Revenue (millions)</i>	45%	\$ 1,469.7	\$ 1,633.0	\$ 1,796.3	\$ 1,656.5
<i>Further Adjusted OIBDA (millions)</i>	55%	\$ 581.7	\$ 728.7	\$ 875.7	\$ 752.4

The Net Revenue and Adjusted Free Cash Flow measures for the Company-wide metrics are the same measures used with respect to the annual cash bonus for Messrs. Zaslav, Hendricks and Warren, and were subject to the same adjustments discussed above.

The determination as to whether the 2012 financial performance measures were met was made during the first quarter of 2013 following the review of the full-year 2012 audited financial statements. Both the international division and overall Company financial metrics exceeded 100% of target so a performance pool was available for allocation for the NEOs covered by the ICP. In the cases of Messrs. Warren, Hollinger and Campbell, Mr. Zaslav recommended an individual multiplier to be applied to the ICP calculation (and, with respect to Mr. Warren, the overall calculation of his annual bonus). Mr. Zaslav also recommended allocation of the performance pool to Messrs. Hollinger, Campbell, and Warren, based on their strong 2012 performance. The Committee reviewed this recommendation, each of these NEOs' self-assessment of individual performance for 2012, and Mr. Zaslav's review of their 2012 performance that supported his recommendation of the individual multiplier. The Committee certified achievement of the Section 162(m) performance criterion and exercised its downward discretion from the maximum bonus to determine a bonus payment of \$1.94 million for Mr. Hollinger (162% of the target amount) and \$1.55 million for Mr. Campbell (166% of the target amount).

Please refer to the Estimated Future Payouts Under Non-Equity Incentive Plan Awards column of the Grants of Plan Based Awards Table for more information regarding the range of 2012 payouts available to these NEOs and the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table for the actual amounts paid to them with respect to their 2012 awards.

**Long-Term Incentive Compensation**

We believe that delivering a substantial portion of an executive's total direct compensation in equity or equity-type awards helps to align our executives' interests with those of our stockholders. In 2012, we made long-term equity or equity-type awards to four of the NEOs, which we believe serves to focus their attention on increasing the Company's value over time. We did not make an equity award to Mr. Singer, who left the Company at the end of his employment agreement term in March 2012. In addition, we did not make an award to Mr. Hendricks because the Equity Stake Transition Agreement between us and Mr. Hendricks (described in Executive Compensation Executive Compensation Arrangements, below) no longer required equity awards to Mr. Hendricks after 2011. Nevertheless, in early 2013, the Committee determined to begin considering Mr. Hendricks for annual equity awards in accordance with the general process for equity awards to senior executives. The Committee considered our TSR and the TSR of each of our peer companies as a reference point when considering grants of long-term incentive awards, and determined that it was appropriate to make long-term incentive awards in 2012.

With respect to Messrs. Hollinger and Campbell, the Committee determined a target amount for the 2012 long-term incentive (LTI) awards, which was then converted into a number of stock options and PRSUs (50% of the target value in stock options, 50% in PRSUs, as described under Stock Plan, below). The awards for Mr. Zaslav were based on the provisions of his employment agreement, which required a number of units rather than a dollar-value target amount. The awards for Mr. Warren were the new hire awards required by the terms of his employment agreement and were expressed in the agreement as target values that were then converted into a number of stock options and RSUs (50% of the target value in stock options, 50% in RSUs, as described under Stock Plan, below).

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The following chart summarizes the equity award design for each NEO. Because the awards for Messrs. Zaslav and Hendricks were based on a number of units rather than an overall target value, we have included the fair market value as of the date of grant for their awards in the column that specifies the 2012 target amount for the other NEOs.

NEO	2012 Target		Design
	Amount or FMV	2012 LTI Awards	
David Zaslav, CEO	\$15,843,215 (fair market value at time of grant)	1,718,353 CS-SARs	An award of a specified number of CS-SARs each year. The CS-SARs mature and pay out in four equal tranches, 25% each year, as of the first four anniversaries of the date of grant. The amount of the payout, if any, is based on the appreciation in our stock price over the price at grant.
	\$25,326,916 (fair market value at time of grant)	529,077 PRSUs	PRSUs vest in 2015 if the Company achieves targets for revenue, Adjusted OIBDA, and Adjusted Free Cash Flow over a three-year performance period (FY 2012-2014).
Andrew Warren, CFO	\$2 million	57,775 stock options	Both awards were required by Mr. Zaslav's employment agreement, as further described below. Stock options vest 25% each year on the first four anniversaries of the date of grant and expire on the seventh anniversary of the date of grant.
		19,720 RSUs	RSUs vest in tranches of 33%, 33%, and 34% on the second, third, and fourth anniversaries of the date of grant.
Mark Hollinger, President and CEO, Discovery Networks International	\$3 million	94,385 stock options	Both awards were required by Mr. Warren's employment agreement, as further described below. Stock options vest 25% each year on the first four anniversaries of the date of grant and expire on the seventh anniversary of the date of grant.
		31,309 PRSUs	PRSUs vest 50% in 2015 if the Company achieves targets for revenue, Adjusted OIBDA, and Adjusted Free Cash Flow over a three-year performance period (FY 2012-2014), and 50% in 2016 based on the executive's continued service to the Company.

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	2012 Target		
NEO	Amount or FMV	2012 LTI Awards	Design
Bruce Campbell,  Senior Executive Vice President, Chief Development Officer and General Counsel	\$1 million	31,462 stock options	Stock option and PRSU awards were made with the same design as the awards to Mr. Hollinger.

10,437 PRSUs

The Committee's intent is to make equity awards annually in March, with new hire and promotion grants made throughout the year in the Committee's regular meetings, generally on or about the 15th of each month. In 2012, this resulted in the practice of holding regularly-scheduled Subcommittee or Committee meetings on or about the 15th day of each month and making awards at each meeting, with the exercise price equal to the closing price of our Series A common stock as of the date of grant. On occasion for administrative convenience, we may make a grant with a future effective date, with the grant price set on the future effective date. This occurred with respect to Mr. Zaslav's award of CS-SARs, which was required to be made as of January 2, 2012, under the terms of his employment agreement. The Subcommittee approved the award on December 21, 2011, to be effective on January 2, 2012, and with a grant price equal to the Fair Market Value on January 2, 2012 as defined under his employment agreement.

In 2013, the Committee determined to review the annual equity awards in early March rather than on or about March 15, to allow supervisors to notify employees of the approved awards at the same time they review the annual bonus payouts. The Committee intends to review annual equity awards on or about March 1 of each year, and to continue reviewing new hire and promotion grants on or about the 15th of each month.

Our practice of setting fixed equity award grant dates is designed to avoid the possibility that the Company could grant stock awards prior to the release of material, nonpublic information which is likely to result in an increase in its stock price, or to delay the grant of stock awards until after the release of material, non-public information that is likely to result in a decrease in the Company's stock price. The exercise price of stock option awards and measurement price of CS-SARs were set at the closing price per share of the Company's Series A common stock on the Nasdaq on the date the awards were granted, or for grants made with future effective dates, as of the effective date of the award.

**Stock Plan**

*Generally.* The 2005 Stock Plan is an equity-based long-term incentive plan and the primary vehicle for long-term incentive compensation for Company employees after we became a public company. The Committee delegated the authority to make awards under the 2005 Stock Plan to the Subcommittee. The Committee began approving awards under the 2005 Stock Plan after the Subcommittee was eliminated in June 2012.

The Committee has adopted a general design under which we make equity awards to our senior executives, which applied to the awards made to Messrs. Hollinger and Campbell. This involves setting a target value for the equity award that is converted into a number of stock options (based on the Black-Scholes value of the stock option) and PRSUs (based on the closing price of Discovery Series A common stock on the Nasdaq Global Select Market). In 2012, it was the practice of the Committee and the Subcommittee to use the Black-Scholes valuation of the stock options as of the last trading day of the month prior to the date of grant and the closing price of the PRSUs as of the trading day before the date of grant with respect to these calculations. This administrative practice allows more efficient processing of equity grants and, with respect to stock options, the ability of the Committee to review the actual number of units at the time the grant is made.

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*Stock Options.* The stock option awards have a four-year vesting schedule, become exercisable in equal tranches of 25% on the first four anniversaries of the date of grant, expire on the seventh anniversary of the date of grant, assuming continued employment, and are otherwise consistent with the terms of the 2005 Stock Plan and award agreement.

*PRsUs.* The PRsU awards also have a four-year vesting schedule, but vest in two equal tranches, the first 50% on the third anniversary of the date of grant and the remaining 50% on the fourth anniversary, assuming continued employment and otherwise consistent with the terms of the 2005 Stock Plan and award agreement. Vesting of the PRsU awards is contingent on meeting Company financial performance metrics for revenue, Adjusted OIBDA, and Adjusted Free Cash Flow, for a three-year performance period. The Committee adopted this design after reviewing market trends and best practices and concluding that a balance of stock options and PRsUs would:

provide appropriate incentives;

link the interests of our senior executives to our stockholders, focusing our senior executives on longer-term Company financial goals;

serve as a retention tool; and

allow for tax deductibility of the equity awards as performance-based.

The PRsU awards are intended to qualify as performance-based compensation under Section 162(m) and follow a similar structure to that of the annual bonus design. At the beginning of each year, the Subcommittee (and now the Committee) sets a Company performance criterion and a maximum number of PRsUs for each NEO and certain other senior executives as the initial step in structuring the awards as performance-based under Section 162(m). If the performance criterion for the three-year performance period is met, the actual number of PRsUs distributed to each NEO is subject to the Committee's negative discretion (downward discretion). The maximum amount of the PRsU award is the target amount. There is no upside for over-performance, which the Committee determined was appropriate to discourage excessive risk-taking by our senior executives.

Once the Committee determines the performance criterion is met, the Committee exercises its downward discretion based on Company performance against the revenue, Adjusted OIBDA, and Adjusted Free Cash Flow targets. As part of the Committee's downward discretion, the awards also provided that the Committee may determine, based on the Company's performance relative to peers, to (i) reduce the number of vesting shares by up to 25% of the proportionate number amount or (ii) increase the number of vesting shares by up to 25% of such proportionate amount (but not beyond 100%).

For the 2012 PRsU awards made to NEOs, the Subcommittee set the performance threshold at \$3.3 billion in Adjusted OIBDA over the three-year performance period. The performance metrics to be used by the Committee, following the dissolution of the Subcommittee, in its exercise of downward discretion are based on revenue, Adjusted OIBDA, and Adjusted Free Cash Flow. Over-performance on the Adjusted OIBDA or Adjusted Free Cash Flow measures may offset under-performance by any of the other two metrics, but over-performance on the revenue metric cannot offset under-performance on the other two metrics. The metrics and weighting are as follows:

	Weight	Performance Against Target								
		120%	110%	105%	100%	95%	90%	85%	81%	80%
Revenue (millions)	20%	17,034	15,615	14,905	14,195	13,485	12,775	12,066	11,427	11,356
Adjusted OIBDA (millions)	40%	7,942	7,280	6,949	6,618	6,287	5,956	5,625	5,327	5,294
Adjusted Free Cash Flow (millions)	40%	4,312	3,952	3,773	3,593	3,413	3,234	3,054	2,892	2,874
Maximum Vesting		100%	100%	100%	100%	95%	90%	75%	50%	0%





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*RSUs.* The awards of RSUs have a four-year vesting schedule, vesting in three tranches of 33%, 33%, and 34% on the second, third and fourth anniversaries of the date of grant, assuming continued employment, and are otherwise consistent with the terms of the 2005 Stock Plan and award agreement.

*CS-SARs.* The Subcommittee also made an award of CS-SARs to Mr. Zaslav, with special terms as provided in his employment agreement. CS-SAR awards consist of a number of units that represent an equivalent number of shares of Discovery Series A common stock. For the award to Mr. Zaslav, the base price is determined based on the average of the closing stock prices of the Series A common stock on the Nasdaq Global Select Market over the 10 trading days immediately preceding and including the grant date and the 10 trading days immediately following the grant date. Each award vests as to 25% of the units on each of the four anniversaries of the date of grant, assuming continued employment. With respect to the CS-SAR award granted to Mr. Zaslav in 2012, as required by his employment agreement, on each vesting date, if Mr. Zaslav is employed by Discovery or any of its subsidiaries, he will be entitled to receive a cash payment equal to the product of (x) the number of units that vested on that date, multiplied by (y) the difference between the base price and the average stock price on the vesting date, calculated as described above.

***LTI Awards for Messrs. Warren, Hollinger and Campbell***

*Mr. Warren:* In April 2012, the Subcommittee approved an equity award for Mr. Warren in the target amount of \$2 million. Pursuant to the terms of Mr. Warren's employment agreement, this award was in the form of stock options and RSUs. The target value was based on the market data with respect to the size of long-term incentive awards for CFOs within our peer group and was a negotiated amount to entice Mr. Warren to leave employment with another company and accept employment with us. In the negotiation of the agreement, Mr. Warren requested that half of the award be in the form of RSUs. The Committee agreed to this structure as a negotiated term. In addition, the Committee considered that the RSU award was not performance based but that Mr. Warren's compensation was not subject to the deductibility limits of Section 162(m) related to performance-based pay, because the limits generally do not apply to chief financial officers. Including the equity award, Mr. Warren's total direct compensation was slightly above the median for CFOs in our peer group.

*Mr. Hollinger:* In March 2012, the Subcommittee approved an equity award for Mr. Hollinger in the target amount of \$3 million. Pursuant to the design approved by the Committee, this award was in the form of stock options and PRSUs. The target value recognized Mr. Hollinger's strong performance and also considered the market data with respect to the size of long-term incentive awards for the peer group companies. After the equity award, Mr. Hollinger's total direct compensation was above the 75<sup>th</sup> percentile for Division Presidents in the peer group.

*Mr. Campbell:* In March 2012, the Subcommittee approved an equity award for Mr. Campbell in the target amount of \$1 million. Pursuant to the design approved by the Committee, this award was in the form of stock options and PRSUs. The target value recognized Mr. Campbell's strong performance and also considered the market data with respect to the size of long-term incentive awards for the peer group companies. After the equity award, Mr. Campbell's total direct compensation was between the median and the 75<sup>th</sup> percentile for the market matches.

***Awards Under the Stock Plan to Mr. Zaslav***

*Mr. Zaslav:* Mr. Zaslav's employment agreement required that we make an award of PRSUs in 2012, with a number of units calculated in accordance with the formula specified in that agreement and described in Executive Compensation-Executive Compensation Arrangements, below. In March 2012, the Subcommittee awarded Mr. Zaslav 529,077 PRSUs. Under the employment agreement, this award vests in 2015 if the Company meets financial metrics for cumulative three-year performance in 2012-2014. The performance threshold and three-year performance metrics are the same as those applied to the PRSU awards for the other NEOs (and as specified above), but the payout scale is different. As with the awards made to other NEOs, over-performance on

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the Adjusted OIBDA or Free Cash Flow measures may offset under-performance by any of the other two metrics, but over-performance on the revenue metric cannot offset under-performance on the other two metrics. The metrics and weighting are as follows:

	Weight	Performance Against Target								
		120%	110%	105%	100%	95%	90%	85%	81%	80%
Revenue ( <i>millions</i> )	20%	17,034	15,615	14,905	14,195	13,485	12,775	12,066	11,427	11,356
Adjusted OIBDA ( <i>millions</i> )	40%	7,942	7,280	6,949	6,618	6,287	5,956	5,625	5,327	5,294
Adjusted Free Cash Flow ( <i>millions</i> )	40%	4,312	3,952	3,773	3,593	3,413	3,234	3,054	2,892	2,874
Maximum Vesting		100%	100%	100%	100%	100%	100%	90%	80%	0%

*Payouts under PRSU Awards for Measurement Period 2010-2012*

In February 2013, the Committee reviewed achievement of the performance thresholds for the measurement period that ran from January 1, 2010 through December 31, 2012, with respect to the awards made in 2010 to Messrs. Zaslav, Hollinger, and Campbell. For the 2010 PRSU awards, the Subcommittee had set the performance threshold at \$2.4 billion in Adjusted OIBDA over the three-year performance period. Mr. Campbell also had received a special PRSU award in August 2010, in connection with a new employment agreement under which he added the General Counsel responsibilities and the performance threshold for that award was \$1.58 billion in Adjusted OIBDA, measured from July 1, 2010 through December 31, 2012. The Committee determined that the Company had met or exceeded the performance thresholds for each of the awards.

Each of the awards included performance metrics to be used by the Committee in its exercise of downward discretion, based on revenue, Adjusted OIBDA, and Free Cash Flow. The awards to Messrs. Hollinger and Campbell also included the Committee discretion to reduce or increase the number of shares based on the Company's performance relative to peers. As an initial matter, the Committee reviewed the Company's performance relative to the peer group during the 3-year performance and determined that the Company's performance had been strong relative to its peers. Accordingly, the Committee decided not to exercise discretion to reduce the number of shares for these awards.

The Committee then reviewed the performance against the three financial metrics for the awards to Messrs. Zaslav, Hollinger, and Campbell and concluded that the Company had met or exceeded each of the three metrics during the performance period. In accordance with Mr. Zaslav's employment agreement, 100% of the 2010 award vested in 2012 and the Company distributed 60% of the shares (40% will be distributed in future years, in accordance with the terms of the agreement). With respect to the awards to Messrs. Hollinger and Campbell, 50% of the shares vested and were distributed, and 50% will be distributed in 2014 based on each executive's continued employment and the other terms and conditions of the award. The performance against each of the three metrics was as follows:

	Target Weighting	Targets				Performance				Performance against Target	Payout Schedule	
		2010	2011	2012	Cumulative	2010	2011	2012	Cumulative		CEO	Executives
Revenue ( <i>millions</i> )	20%	3,681	3,812	3,995	11,488	3,773	4,235	4,487	12,495	108.8%	100%	100%
Adjusted OIBDA ( <i>millions</i> )	40%	1,614	1,693	1,769	5,076	1,699	1,914	2,095	5,708	112.5%	100%	100%
Adjusted Free Cash Flow ( <i>millions</i> )	40%	869	981	1,039	2,889	777	1,168	1,066	3,010	104.2%	100%	100%

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### **Retirement Benefits**

The NEOs generally participate in the same benefit plans and on the same terms as are offered to other U.S.-based full-time employees. We offer a 401(k) defined contribution plan as well as a non-qualified Supplemental Deferred Compensation Plan (the SRP) that is available to U.S.-based senior employees, including all of the NEOs. The NEOs participate in these plans on the same terms and conditions as other eligible employees.

To encourage participation in the 401(k) plan, the Company makes a matching contribution of (i) 100% of the employee's first 3% of salary contributions to the defined contribution plans and (ii) 50% of the employee's next 3% of salary contributions, up to a maximum amount of 4.5% of eligible base salary in the form of Company matching contributions, subject to certain limits under applicable tax regulations. We also make a supplemental contribution into the SRP for those employees whose base salary exceeds the IRS compensation limit under the 401(k) regulations. This Company contribution uses the same formula applied for the 401(k) match (4.5%) and is applied to the base salary in excess of the IRS limit (for 2012, this was \$250,000), up to a maximum of \$1 million in base salary. In addition to base salary deferrals, participants in the SRP are also permitted to defer portions of payouts under the Discovery Appreciation Plan (DAP) and ICP awards into their SRP accounts. These amounts are not included in the calculation of the supplemental Company contribution into the SRP. The 401(k) and SRP accounts offer the same investment options, with the amounts actually invested for the 401(k) plan and with earnings measured hypothetically for the SRP.

We believe the SRP is necessary to allow employees who would otherwise be limited by IRS restrictions on the amount of compensation that may be considered in participation in the Company's 401(k) plan to:

save a proportionate amount for retirement;

provide the same Company contribution amount to these employees that they would have received absent the IRS compensation limits in the 401(k) plan; and

support the goals of providing competitive compensation packages to our employees.

For more information about the SRP, please refer to the Non-Qualified Deferred Compensation Table below.

### **Health, Welfare and Other Personal Benefits**

The NEOs are eligible to participate in the health, welfare and fringe benefits generally made available by the Company to its U.S.-based regular full-time employees, such as basic and supplemental life insurance, short and long-term disability, commuter reimbursement, fitness reimbursement and access to legal resources. Employees at the level of vice president and above, including the NEOs, are also eligible to participate in executive-level long-term disability and long-term care plans.

In addition, we provide the following perquisites and other personal benefits to our NEOs:

*Relocation Expenses; Related Gross-Up.* Consistent with our objective to attract and retain a high-performing executive management team, we actively recruit top-notch candidates from all over the country to fill executive level openings and will reimburse the newly hired executive for relocation costs and pay the executive an amount equal to the tax resulting from the reimbursement (a gross-up). Mr. Warren was hired in 2012 and his employment agreement provides for relocation benefits in 2012, to be used within 24 months after June 1, 2012, in accordance with and subject to the limitations of our relocation policy. We also provide transition benefits to Mr. Warren to defray the cost of an apartment near our Maryland headquarters for the time period prior to relocating his primary residence. We also provide him with a monthly car allowance for this transition period and reimburse him for travel between his home in Connecticut and our Maryland offices for the time period before he moves his primary residence. The relocation and transition expenses, and related gross-ups, incurred with respect to 2012 are reflected in the Summary Compensation Table.

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*Aircraft Usage; Related Gross-Up.* We have an agreement with NetJets Inc. pursuant to which we lease the right to a specified amount of travel each calendar year on NetJets aircraft. We allow Messrs. Zaslav and Hendricks to use a portion of our allotted travel time on NetJets aircraft for personal use. Personal use of the aircraft by each of these two NEOs is limited to \$157,000 of aggregate incremental cost per calendar year, inclusive of all incremental costs associated with any personal guests that may accompany him on flights. Excluded from this limitation on personal flight time is personal use of the aircraft where we request that family members or guests accompany Messrs. Zaslav or Hendricks on a business trip. Mr. Zaslav is also permitted to use the NetJets aircraft for some trips that are considered commuting for tax purposes but that we consider to be consistent with Company business requirements, as further explained below.

In general, we do not permit Mr. Zaslav to use the NetJets aircraft for commuting, which we view as flights between New York and Maryland that occur at the beginning or end of the work week. In some circumstances, however, we allow Mr. Zaslav to use the NetJets aircraft for travel between New York and Maryland if we determine that it supports our business needs. This situation generally arises because Mr. Zaslav is in Maryland at the beginning of the work week and is required to return to New York for a mid-week business commitment, or stays in New York for the beginning of the work week for a business commitment. In some cases, this type of travel may be reported as a perquisite in our Summary Compensation Table and may be considered commuting for tax purposes. To allow Mr. Zaslav to attend to the regular Company business commitments that he has in New York without limiting his travel options, we allow him to use NetJets aircraft for this type of travel. We also gross up any imputed income associated with travel that is approved for this treatment.

Family members may accompany Messrs. Zaslav and Hendricks on authorized NetJets business flights at no aggregate incremental cost to the Company. For 2012, we provided a gross-up to Messrs. Zaslav and Hendricks to cover taxes for imputed income arising when a family member accompanied the executive on business travel at the request of the Company (e.g., when Mr. Zaslav's spouse accompanied him to a business event in which attendance by a spouse is customary and serves our business interests). In addition, we provided Mr. Zaslav a gross-up to cover taxes arising from his mid-week travel that we treated as commuting.

*Mobile Access.* We reimburse Messrs. Zaslav and Hendricks for limited home office expenses, including monthly satellite, cable and related television charges and Internet access.

*Car Allowance.* We provide Mr. Zaslav with a monthly car allowance as provided in his employment agreement.

*Split Dollar Life Insurance.* The Company historically has maintained a split dollar life insurance policy for Mr. Hendricks. The premium cost for this policy is reflected in the All Other Compensation column of the Summary Compensation table.

For more information regarding the perquisites provided in 2012 to each NEO, please refer to the All Other Compensation column of the Summary Compensation Table.

**Table of Contents****Executive Stock Ownership Policy**

In 2012, the Committee adopted an executive stock ownership policy that applies to the NEOs and certain other senior executives. The policy requires each covered executive to hold a specified amount of our stock, calculated as a multiple of the executive's base salary, as described in the table below.

Title	Requirement (multiple of base salary)	Timeframe to reach (from later of effective date or becoming covered by policy)
CEO and Executive Chairman	5X	5 years
Covered executive with LTI target grant value >1X of base salary	2X	5 years
Covered executive with LTI target grant value <1X of base salary	1X	6 years

The Committee determined that any shares of our stock beneficially owned by the covered executive, as well as unvested awards of PRSUs and RSUs, would be counted for purposes of meeting the stock holding target. Once an executive meets the target, the executive is expected to maintain holdings at the target for as long as he or she remains in a role that is identified as a covered executive under the policy.

The Committee may consider failure to meet the requirements of the policy in making compensation decisions for a covered executive, and may take any other action appropriate to support the intent of the policy, including requiring an executive to retain a percentage of shares pursuant to stock option exercises or vesting events in future years.

**Clawback Policy**

All employees are subject to a clawback policy, adopted by the Committee in 2010. Under this policy, in addition to any other remedies available to the Company (but subject to applicable law), if the Board, or the Committee, determines that any employee has engaged in fraud or misconduct that resulted in a financial restatement, the Company may recover, in whole or in part, any bonus or other incentive-based or equity-based compensation, received by the employee from the Company in the 12 months after the filing of the financial statement that was found to be non-compliant. The Committee determined that it was appropriate to adopt the policy to provide a further deterrent to fraudulent activity.

**Say on Pay and Say When on Pay**

At the Company's Annual Meeting of Stockholders held on May 17, 2011, we held an advisory vote on executive compensation and an advisory vote on the frequency of future executive compensation advisory votes. A majority of stockholders voted in favor of the Company's executive compensation and in favor of providing stockholders with an advisory vote on future executive compensation every three years. In light of the voting results and other factors, the Board determined to provide stockholders with an advisory vote on future executive compensation every three years. Accordingly, the next advisory vote on executive compensation will occur at the Annual Meeting of Stockholders to be held in 2014. The Committee reviewed the results of the advisory vote on executive compensation in 2012 and did not make any changes to our compensation programs based on the results of the vote.

**Table of Contents****EXECUTIVE COMPENSATION**

The following tables set forth compensation information for our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers (computed in accordance with the SEC's rules) who were serving as executive officers as of December 31, 2012 and our former Chief Financial Officer, who resigned from Discovery effective March 31, 2012.

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Stock Awards \$(1)	Option Awards \$(2)	Non-Equity Incentive		Total (\$)
					Plan Compensation \$(3)	All Other Compensation \$(4)	
<b>David M. Zaslav</b> <i>President and Chief Executive Officer</i>	2012	3,000,000	25,326,916	15,843,215	5,329,750	432,986 <sup>(5)</sup>	49,932,867
	2011	2,961,539	20,301,093	23,873,389	4,837,719	430,379	52,404,119
	2010	2,000,000	20,333,632	15,412,996	4,410,000	432,668	42,589,296
<b>Andrew C. Warren</b> <i>Senior Executive Vice President and Chief Financial Officer</i>	2012*	657,692	1,011,439	1,019,729	903,691	186,484 <sup>(6)</sup>	3,779,035
<b>Mark G. Hollinger</b> <i>President and CEO, Discovery Networks International</i>	2012	1,000,000	1,498,762	1,585,668	1,943,375	65,206 <sup>(7)</sup>	6,093,011
	2011	1,000,000	1,463,384	1,379,353	1,622,368	54,255	5,519,360
	2010	1,000,000	1,500,013	1,500,001	1,551,208	51,495	5,602,717
<b>Bruce L. Campbell</b> <i>Senior Executive Vice President, Chief Development Officer and General Counsel</i>	2012	1,028,269	499,619	528,562	1,549,960	58,533 <sup>(7)</sup>	3,664,943
	2011	1,000,000	487,795	459,789	1,061,860	49,730	3,059,175
	2010	959,615	887,515	487,504	1,003,281	45,843	3,383,759
<b>John S. Hendricks</b> <i>Executive Chairman</i>	2012	1,000,000			569,247	263,332 <sup>(8)</sup>	1,832,579
	2011	1,000,000		6,899,345	581,276	411,462	8,892,083
	2010	1,000,000		7,697,561	588,000	260,864	9,546,425
<b>Bradley E. Singer</b> <i>Former Senior Executive Vice President and Chief Financial Officer</i>	2012*	315,015 <sup>(9)</sup>				13,764	328,779
	2011	1,018,034	975,589	919,564	1,235,575	50,125	4,198,887
	2010	988,383	850,011	850,003	1,342,206	49,292	4,079,895

\* Partial year.

(1) The dollar amounts in this column represent the grant date fair value compensation expense, computed in accordance with FASB ASC Topic 718, of PRSU awards. For each of the PRSU awards, the grant date fair value is calculated using the closing price of our Series A common stock on the grant date as if these awards were fully vested and issued on the grant date. There can be no assurance that these grant date fair values will ever be realized by the NEOs. See the Grants of Plan-Based Awards in 2012 table below for information on PRSU awards made in 2012.

(2) The dollar amounts in this column reflect the grant date fair value computed in accordance with FASB ASC Topic 718 with respect to the DAP awards, cash-settled stock appreciation rights and option awards granted to our NEOs for each of the applicable fiscal years. See Note 13 to our Annual Report on Form 10-K/A for information regarding the assumptions used in determining the value of the option awards. For the DAP awards and cash-settled stock appreciation rights, we also calculate the grant date fair value using the Black-Scholes

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model, using the assumptions described in Note 13 to our Annual Report on Form 10-K/A. These amounts do not reflect actual payments made to our NEOs. There can be no assurance that the full grant date fair value will ever be realized by any NEO.

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- (3) These amounts reflect the cash performance awards earned by the applicable NEO under Discovery's 2005 Incentive Plan, which is more fully described under Compensation Discussion and Analysis-Compensation Decisions 2012 ICP, Paid Out in March 2013 above. The 2012 award amounts were determined and paid out during the first quarter of 2013, the 2011 award amounts were determined and paid out during the first quarter of 2012 and the 2010 awards were determined and paid out during the first quarter of 2011.
- (4) We offer executives basic life insurance as well as executive level disability and long-term care coverage. We also offer matching contributions to an executive's 401(k) plan and contributions to the supplemental retirement plan, subject to certain limitations. Below are the payments made on behalf of the NEOs to the foregoing plans in 2012:

	Basic Life (\$)	Disability/Long	Matching	
		Term	401(k) (\$)	SRP (\$)
		Care (\$)		
<b>Mr. Zaslav</b>	1,020	4,981	11,250	33,750
<b>Mr. Warren</b>	636	0	7,281	18,346
<b>Mr. Hollinger</b>	1,020	4,907	11,250	33,750
<b>Mr. Campbell</b>	1,020	3,710	11,250	33,750
<b>Mr. Hendricks</b>	1,020	0	11,250	33,750
<b>Mr. Singer</b>	275	909	11,250	1,331

For more information regarding these benefits, please see Compensation Discussion and Analysis-Retirement Benefits and Health, Welfare and Other Personal Benefits above.

- (5) This amount includes \$164,353 for personal use of aircraft (including family travel and flights deemed commuting for which Mr. Zaslav is not provided a tax gross-up), \$126,015 for travel that is treated for tax purposes as commuting but that we consider business travel and \$17,625 for related tax gross-ups for the commuting travel. See Compensation Discussion and Analysis Health, Welfare and Other Personal Benefits-Aircraft Usage; Related Gross-Up above for more information regarding our policies for Mr. Zaslav's use of our allotted travel on our corporate aircraft. Also includes \$12,331 for non-flight travel and other commuting expenses and \$10,534 for related tax gross-ups. The table also includes \$16,800 for a car allowance, \$11,083 in respect of home office expenses and \$23,245 for personal security services provided to Mr. Zaslav for business overseas travel that we provided after consulting with an independent security company.
- (6) This amount includes \$76,452 in transition and relocation expenses and \$61,866 in associated tax gross-ups, as provided pursuant to Mr. Warren's employment agreement. Also includes a \$15,000 relocation miscellaneous expense allowance, \$1,206 in relocation benefits for which Mr. Warren was eligible under the Company's relocation policy and \$667 for related tax gross-ups for the relocation benefits. See Executive Compensation Arrangements Warren Employment Agreement below for more information on the relocation benefits provided to Mr. Warren.
- (7) Includes amounts with respect to family travel at our request for business purposes and associated tax gross-ups.
- (8) This amount includes \$156,016 for personal use of aircraft for which Mr. Hendricks is not provided a tax gross-up, \$5,055 for family travel at our request for business purposes and \$4,203 for related tax gross-ups for the family and business associate travel. See Compensation Discussion and Analysis Health, Welfare and Other Personal Benefits-Aircraft Usage; Related Gross-Up above for more information regarding our policies regarding Mr. Hendricks' use of our allotted travel on our corporate aircraft. Also included in the table is \$1,889 in respect of home office expenses and \$50,149 for a split-dollar life insurance policy consisting of premium payments. See Compensation Discussion and Analysis-Health, Welfare and Other Personal Benefits Split Dollar Life Insurance above for more information on Mr. Hendricks' life insurance policy.
- (9) Includes an amount for accrued but unused vacation days.





**Table of Contents****Grants of Plan-Based Awards in 2012**

Name	Grant Date	Committee Action Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards		Estimated Possible Payouts Equity Incentive Plan Awards		All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards(\$)
			Target (\$)	Maximum (\$)	Threshold (#)	Target (#)			
David M. Zaslav	(1) 1/2/2012 3/15/2012	12/21/2011	5,500,000	9,000,000			1,718,353 <sup>(3)</sup>	41.30	15,843,215
Andrew C. Warren	(1)		690,984						25,326,916