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**COMPETITION AND MARKETS AUTHORITY
Fox/Sky Merger Inquiry**

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**Notes of a Teleconference Call with Royal London Asset Management
held at Competition and Markets Authority,
Victoria House, Southampton Row, London WC1B 4AD
on 18 October 2017**

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PRESENT:

FOR THE COMPETITION AND MARKETS AUTHORITY

David Du Parc Braham - Assistant Project Director (Chair)
Steven Pantling - Remedies, Business and Financial Adviser
Sabrina Basran - Project Manager
Timothy Ker - Legal Advisor

FOR ROYAL LONDON ASSET MANAGEMENT

Ashley Hamilton Claxton - Corporate Governance Manager
Richard Marwood - Senior UK Growth Fund Manager

Digital Transcription by WordWave International Ltd trading as DTI
8th Floor 165 Fleet Street London EC4A 2DY
Tel No: 0207 404 1400 4043 Fax No: 0207 404 1424
Email: ukclient@dtiglobal.eu

1 (Introductions not all recorded)

2 THE CHAIRMAN: Could you please state your names and roles for the record?

3 A. (Ms Hamilton Claxton) I am Ashley Hamilton Claxton, I am the corporate
4 governance manager at Royal London Asset Management.

5 A. (Mr Marwood) I am Richard Marwood, one of the senior UK equity fund
6 managers.

7 THE CHAIRMAN: Thank you for agreeing to speak with us today. I am just going to
8 kick off with a bit of preamble before handing over to Steve who will have the
9 most questions.

10 A. (Mr Marwood) [✂]

11 Q. (Mr Ker) [✂]

12 A. (Mr Marwood) [✂]

13 THE CHAIRMAN: So this is just some standard preamble just to set the context for
14 this call. Obviously, this is in the context of our view of the Fox/Sky merger,
15 and we published our administrative timetable, which outlines the steps we
16 are taking in the Inquiry and our expected timeframe, and our Issues
17 Statement was published on 10 October. If you have not seen that, that sets
18 out the key areas for our investigation.

19 I think Sabrina has obviously sent to you information on our procedures at
20 hearings like this and the treatment of evidence. I would just like to say that if
21 you would like to add to or amend the evidence that you provide today or
22 anything that you say today, you are free to do so in writing following the
23 hearing. Similarly, if we ask a question and you cannot think of the answer,
24 you could follow that up afterwards in a written response, and if we have any
25 follow-up questions, we will do the same.

1 Going onto the point that you made, we are taking a recording of this hearing,
2 which will be summarised, and it is usual practice to publish summaries of the
3 hearings that we hold. However, we do not publish regardless. We will allow
4 you to have a look at what the summary says for any confidential information
5 that you wish to strike out from the published record. Obviously, the
6 information we have here will then obviously also go into our Provisional
7 Findings, and again we will liaise with you there before we disclose anything.

8 Q. (Mr Ker) [✂]

9 A. (Mr Marwood) Okay, that seems very fair.

10 Q. (Mr Braham): So, just before we kick off, I will remind you, as we remind
11 everyone who comes to a hearing with us, that it is a criminal offence under
12 section 117 of the Enterprise Act 2002 to provide false or misleading
13 information to the CMA at any time, including at this hearing.

14 Do you have any further questions before we kick off?

15 A. (Mr Marwood) I just wanted to clarify that point on market abuse and inside
16 information. Is anything we are likely to hear today likely to make us offside
17 for the purposes of those regulations?

18 Q. No.

19 A. (Mr Marwood) Okay, that is great.

20 Q. (Mr Ker) I mean, it may not be surprising for you to hear that we will not say
21 very much. Well, we will say, "Do you have any questions?" We might not
22 answer those questions very fully because we are conscious that some of the
23 things are very market-sensitive, but we expect this call to be mostly us
24 asking you fairly straightforward factual questions and us listening to your
25 answers.

1 A. (Mr Marwood) Okay. I thought that was going to be the case but I just
2 wanted to clarify before we started so that we don't make any mistakes.

3 THE CHAIRMAN: No, that is fine. Okay, Steve.

4 Q. (Mr Pantling) Hi there. Well thanks for taking the time to talk to us today. I
5 have got a few questions which I would like to run through. One of the things
6 that we are exploring in relation to this transaction is how much control Fox
7 and the Murdoch's have over Sky currently, and how this will change if the
8 transaction went ahead. So, to that end, we are seeking your views on the
9 influence which they currently exert over Sky arising from Fox's shareholding
10 and from James Murdoch's position as Chairman. If I could just start by
11 checking something: can you confirm that last year, of 2016, you voted
12 against James Murdoch's appointment as Chairman of Sky?

13 A. (Ms Hamilton Claxton) Yes, that is correct.

14 Q. (Mr Pantling) Would you be able to outline your reasons for that, why it was
15 that you voted against James Murdoch's appointment?

16 A. (Ms Hamilton Claxton) Yes. This is a matter of public record and it is
17 available on our website, we also voted against him at the 2017 AGM which
18 has just happened on 12 October.

19 Q. (Mr Pantling) Okay.

20 A. (Ms Hamilton Claxton) The public comment we made is that we continue to
21 have concerns about Mr Murdoch's position as non-independent chairman of
22 Sky, while also serving as CEO of Fox, which is the controlling shareholder.
23 We felt this was of heightened concern at the time when Fox was bidding for
24 the remaining shares of Sky that it does not control. We believed that minority
25 shareholders would be better served by a truly independent chairman, and

1 that is how we felt last year as well. We also noted that Mr Murdoch had been
2 questioned by Ofcom as to his poor judgement and lack of operational
3 scrutiny that he displayed in his role at News Corp, which is now 21st Century
4 Fox, as part of the reason for our vote against.

5 May I just say that we have no view and no evidence as to whether and how
6 Mr Murdoch has actually behaved on the Board, because we are not inside
7 the Board Room. Our view is very much restricted to our view of the
8 governance of the company and what we felt was the best governance
9 structure.

10 Q. (Mr Pantling) Okay. How do you make these concerns that you just outlined
11 known to Sky and the Board? I know you published the letter - it is a matter of
12 public record - but did you do anything else?

13 A. (Ms Hamilton Claxton) Yes. As a matter of course for any of our actively held
14 companies, we will write to the company where we vote against or abstain. I
15 need to double-check our records, but I am pretty sure we wrote to the
16 company in 2016 to outline exactly the rationale for our vote, and we would
17 have done so as well this year, but let me just double-check the records.

18 Q. (Mr Pantling) In response to those letters, do you get a reply by the Board, by
19 the Investor Relations Team or any of the independent directors?

20 A. (Ms Hamilton Claxton) We do not always get responses to those letters.
21 There was some correspondence with the company last year, but I would
22 need to go back and check the records as to what that was regarding.

23 A. (Mr Marwood) I need to check this as well, but I believe we actually met with
24 one of the senior independent directors after the bid was launched, and part
25 of what they were doing then was talking about the governance structure

1 around the bid and the way that the non-independent non-executives actually
2 were standing down from the Board for the purposes of the bid.¹

3 Q. (Mr Pantling) So that was a recent discussion then within the last year?

4 A. (Mr Marwood) That would have been just after the bid was launched.

5 Q. (Mr Pantling) Did any of you attend that meeting?

6 A. (Mr Marwood) I did. I want to check what the date was.

7 A. (Ms Hamilton Claxton) I was not there, I was on maternity leave.

8 Q. (Mr Pantling) Okay, and that was in response to you raising concerns to
9 them, that they met with you to talk you through your concerns, is that right?

10 A. (Mr Marwood) Yes, that is my recollection of it.

11 Q. (Mr Pantling) Have you talked to other shareholders about your concerns
12 over the independence of the Chairman of Sky?

13 A. (Ms Hamilton Claxton) Not directly and not recently, no.

14 Q. (Mr Pantling) I believe that in the 2016 AGM you also voted against one of
15 the independent directors. Is that true, and can you outline the reasons for
16 that?

17 A. (Ms Hamilton Claxton) I have only got my 2017 vote ballot, so I would have to
18 come back to you on it. If I can speak to 2017?

19 Q. (Mr Pantling) That's fine.

20 A. (Ms Hamilton Claxton) We did vote against Tracy Clarke this year. She is
21 Chair of the Remuneration Committee, and that is usual policy that we have,
22 which is if we vote against remuneration for two years in a row, and we are
23 voting against this year, we will also vote against the Remuneration

¹ Clarification provided by Royal London after the call – “Our meeting with the Sky senior independent director, Andy Sukawaty, was held in our offices on 15th June 2016, long in advance of the bid being launched. One of the topics discussed in that meeting was corporate governance and what would happen in the event of 21CF launching a bid for the minority. Mr Sukawaty described the procedures that they had in place, whereby the non-independent directors would step back.”

1 Committee Chairman. I need to check from last year -- apologies, I didn't
2 bring that with me.

3 Q. (Mr Pantling) No that is fine. Did you vote against any other independent
4 directors at this year's AGM, whilst we are on it?

5 A. (Ms Hamilton-Claxton) No.

6 Q. (Mr Pantling) Okay. Just a quick question around that -- so you voted against
7 in 2016 and again this year against James Murdoch's position as Chairman,
8 but in any event you lost the vote. Given Fox's shareholding in Sky, was that
9 not inevitable? What is the benefit of you publicly voting against?

10 A. (Ms Hamilton Claxton) You are correct in that it is inevitable, so controlling
11 shareholders certainly can have the rest of the vote. Our point of voting
12 against is that it sends a signal and a message to the company about what
13 minority investors believe. It is also an opportunity to engage with the
14 company. So, like I said, they would have received a letter from us explaining
15 our rationale. We take voting very seriously, we think it is important even
16 though we know, in some cases, we are not going to win the vote, we still
17 think it is important to execute our stewardship rights over those votes.

18 Q. (Mr Pantling) And you think that that still has some sort of influence on the
19 Board and some sort of constraint against the Fox shareholding?

20 A. (Ms Hamilton Claxton) In general, from a governance perspective, yes. I
21 think, generally, if companies receive more than 20-25-30 per cent vote
22 against any resolution, they need to be thinking long and hard about why that
23 is. In a company that has got a controlling shareholder, they would need to
24 be looking at the independent shareholder vote and how many independent
25 shareholders are voting against. So, even though independent shareholders

1 do not get a 50 per cent plus 1 vote, certainly if we are getting 25 per cent
2 against a resolution that sends a very strong signal to the company, and any
3 company that did not pay attention to that we would have governance
4 concerns about.

5 Q. (Mr Pantling) Okay, thank you. Outside of the AGMs and your involvement
6 with them around the letters that you send, do you have any other
7 engagement with the company?

8 A. (Mr Marwood) From the point of view of an investor, yes, we would have
9 meetings with them to discuss results, and the last contact I had with them
10 prior to the bid would be I actually attended their Investor Day at their offices
11 in Brentford, which was an all-day event, so a very wide range of participants,
12 where they basically were just explaining the strategy for the business for the
13 benefit of investors.²

14 THE CHAIRMAN: Sorry, just picking up on a comment earlier, you said that any
15 company that did not pay attention to a significant no-vote, that you would
16 have some governance concerns. Is it your perception that Sky responded to
17 the no-vote in 2016, and did their response give you any governance
18 concerns?

19 A. (Ms Hamilton Claxton) I think that the company responded well, in the sense
20 that it was very clear with shareholders, as Richard described, of explaining
21 the process the Board was going to go through, to negotiate the bid
22 independent of anyone connected to Fox. I think that was positive, but overall
23 I do not think the company has been very responsive to independent
24 shareholders, simply because it is quite clear that Fox would like to take the

² Confirmation provided by Royal London after call: "I attended the Sky Capital Markets Day, at their offices in Brentford, on October 20th 2016."

1 company over, it is the controlling shareholder, it has lots of influence on the
2 Board, and minority shareholders may raise concerns, but ultimately we have
3 little influence or control.

4 A. (Mr Marwood) If I could just add one general point as well, I would say that
5 the way we have behaved on this is not unique to Sky. Any other company
6 where we thought the Chairman was non-independent, or where there was a
7 very substantial non-independent shareholding, we would behave in exactly
8 the same fashion.

9 A. (Ms Hamilton Claxton) Yes, so any company that had a 30 per cent plus
10 shareholder, and that shareholder had a representative as Chairman, we
11 would be voting against as a matter of course.

12 THE CHAIRMAN: You would respond in the same fashion, but has the response of
13 Sky been in accordance with what you would expect in those circumstances?

14 A. (Ms Hamilton Claxton) We get a variety of responses from companies, to be
15 honest, so I would not see it as out-of-step with any other company response.
16 I think the better governed companies tend to be more responsive, but
17 companies like Sky with a controlling shareholder generally are not as
18 responsive because they do not really have to be, because they have a
19 shareholder that will support management and the Board regardless of what
20 the independent shareholders say. So, I would not say they are out-of-step
21 with any other company of their kind with a controlling shareholder, but
22 probably their response maybe was not as forward thinking in terms of the
23 governance as we would like, but I am not particularly concerned about it,
24 because I know the reason for that, which is that they have a controlling
25 shareholder, and that is the kind of behaviour we would expect from such a

1 company.

2 THE CHAIRMAN: Okay, thank you.

3 Q. (Mr Pantling) So, as I mentioned at the start, we are interested around
4 whether or not this transaction increases Fox's control and the Murdoch's
5 control over Sky, so I am just going to put something to you to hopefully get
6 your views on afterwards. Some people have argued that to all intents and
7 purposes Fox already has complete control of Sky because of
8 James Murdoch's position as the Chairman, and they already have an
9 approximately 40 per cent stake, slightly lower share vote, whereas others
10 might have argued that, given that it is a 40 per cent stake, that is less than an
11 absolute majority, and the presence of independent directors and minority
12 shareholders constrains the influence of the Murdoch's and Fox over Sky. So,
13 I wondered what your view is. Do you think this transaction will increase the
14 control that Fox or the Murdoch's have over Sky?

15 A. (Mr Marwood) I think probably with the removal of independent directors, we
16 would probably say, yes it did. Clearly, from a strategy point of view, once
17 they own 100 per cent of the shares, from an accounting point of view they
18 have got full control of the cash flows of the business as well.

19 Q. (Mr Pantling) So, in that way, you believe the independent directors act as
20 some sort of constraint?

21 A. (Mr Marwood) I would believe so, yes.

22 Q. (Mr Pantling) Are there any other constraints that you would consider that
23 potentially reduce Fox's influence? For example, do you consider yourself
24 and other shareholders have a significant influence on decisions at Sky?

25 A. (Mr Marwood) I think that we would like to think that we had a voice, yes. As

1 we have already discussed, do we necessarily change things? No, but I think
2 we actually get issues out into the public and discuss, and the company
3 explains its position or it needs to explain its position to external shareholders.

4 A. (Ms Hamilton Claxton) Plus the independent shareholders provide an
5 additional layer of accountability, so it is an accountability mechanism rather
6 than potentially a direct influence mechanism.

7 Q. (Mr Pantling) Can you think of any examples where you think independent
8 directors or shareholders have acted as a constraint, where you have
9 influenced decisions at Sky?

10 A. (Mr Marwood) Without knowing the details of Board discussions, we cannot
11 really comment, to be honest.

12 A. (Ms Hamilton Claxton) We are so far removed from the operational
13 discussions of the business that it probably would not be appropriate to
14 comment on that.

15 Q. (Mr Pantling) If the transaction did proceed, is there anything that Fox would
16 have the ability to do then that they do not have the ability to do now?

17 A. (Mr Marwood) I am not sure we are well placed to answer that, to be honest.

18 Q. (Mr Pantling) That's okay, these are difficult questions. If I could just move on
19 to incentives. Do you consider that if the transaction proceeded, that Fox
20 would have an increased incentive to influence decisions at Sky?

21 A. (Ms Hamilton Claxton) I don't know that we can answer that, again, without
22 knowing the details of the Board, but if you follow the logic, they would not
23 have bid for Sky if they did not want to have influence over it, so it is a bit of a
24 circular argument.

25 Q. (Mr Pantling) Okay. So, if I tackle it from a slightly different point of view, do

1 you consider that Sky's commercial incentives at the moment are aligned to
2 yours and its minority shareholders, which together make a majority, so its
3 financial incentives are closely aligned to you guys, and then after the
4 transaction, would you consider that that is a big change for Sky's commercial
5 incentives?

6 A. (Mr Marwood) I think I would probably come back to the point about the full
7 control of the cash flows actually. That might be why they want to take out the
8 minority. It might not be purely about influencing the strategic direction of the
9 business; it might just be that they want to take full control of the cash flows of
10 the business, which by owning 40 per cent they do not. It is clearly accounted
11 for in a different way, as an associate rather than a 100 per cent subsidiary.

12 Q. (Mr Pantling) You are a minority shareholder of Sky, and if the transaction
13 proceeds, Fox becomes the sole shareholder of Sky, but Fox itself has
14 minority shareholders like yourself, do you think the interests of those minority
15 shareholders would differ from yours, or would they have similar incentives
16 and oversight of Fox as you do with Sky?

17 A. (Ms Hamilton Claxton) Fox is a US listed company. The governance
18 structures in the US are quite different, and the way that boards interact with
19 shareholders is very different in the US, so for example, shareholders in the
20 UK can very easily meet with non-executive directors and have conversations
21 about governance and strategy. In the US that is very very difficult for an
22 independent shareholder to do, and therefore independent shareholders tend
23 to use other mechanisms like shareholders launch a proposal to get the
24 attention of the board management. So, to answer your question, I think if
25 Fox does acquire Sky, Sky becomes part of a US-listed company, the levels

1 of influence of independent shareholders in Fox are somewhat more limited
2 and certainly the governance around Fox is also of some concern for
3 shareholders, not just ourselves.

4 Q. (Mr Pantling) Thank you. That is really helpful. Just thinking to last week's
5 AGM and how it changed from last year, so last year a majority of minority
6 shareholders voted against James Murdoch appointment as chair, whereas
7 last week that changed slightly so that a majority of minority shareholders
8 approved his appointment. Can you explain why you think that might have
9 been, how that shift has come about?

10 A. (Ms Hamilton Claxton) Part of the reason -- and I believe this may be the
11 reason for our influence change -- is we actually sold out of our active
12 holdings, so whereas in 2016 we would have been voting in active position,
13 but in 2017 we had sold those active shares, so if other shareholders were
14 following our lead and decided to sell out their active positions following the
15 bid, you would have seen investors, active managers like ourselves and some
16 of our other colleagues, take quite strong positions on voting in governance,
17 having less voting influence. So, that is one explanation. The other
18 explanation - and this is complete speculation - is that the bid had happened,
19 shareholders may have just decided that it was essentially a done deal, and
20 therefore supported the board to get the bid finished and move on.

21 A. (Mr Marwood) I think one thing that it might be instructive to do -- I have not
22 done this exercise myself -- but if you compare the shareholder register, I
23 think you probably will have seen quite a bit of change between the two votes,
24 and maybe some of the people who are now holders are more sort of
25 corporate action arbitrage funds rather than active investors. So, that they

1 may be arb-ing the deal rather than having a view on the underlining
2 company, and they probably behave in a very different way in terms of voting.

3 A. (Ms Hamilton Claxton) Or they may not vote at all.

4 A. (Mr Marwood) Possible, yes, and actually, if they had taken a holding, they
5 would definitely be voting in a fashion that would try and get the deal done as
6 quickly as possible.

7 Q. (Mr Pantling) Okay, thank you. I have only actually got one more question.
8 What are your views of the proposed transaction and the offer?

9 A. (Mr Marwood) We went on record at the time about the offer, and I think the
10 main concern we had was that the bid was possibly timed at a very interesting
11 point; people were quite worried about the operational issues at Sky; they
12 worried that maybe they were going to struggle to grow their UK subscriber
13 base any more; there were concerns about the content cost, having to spend
14 ever more on sports rights and content, and the shares had been quite
15 depressed. Now, when the bid came, it probably came at a time when the
16 market sentiment was quite negative on the company - and certainly I talked
17 about that Investor Day that I went to - my perception was then that actually
18 sentiment was quite negative and people were very concerned about the
19 prospects for the company, but when the bid came, you could argue that it
20 was pitched at a level that if you went back to longer history it did not look that
21 high a premium, but it was a reasonably high premium to the share price at
22 that point because of those concerns in the market, and I think, as outside
23 investors, we didn't have as much visibility about some of those strategic
24 issues and the prospects for them turning round as 21st Century Fox would
25 do, particularly given the visibility that James Murdoch would have of what

1 was going on in Sky due to his position as Chairman, so we felt that they were
2 information-advantaged relative to other shareholders in terms of pitching the
3 level of that bid. That was our main concern.

4 Q. (Mr Pantling) Thank you. That is all the questions we have for you. Is there
5 anything you would like to ask us?

6 A. (Ms Hamilton Claxton) I don't think so. It would just be useful if you could
7 follow up by email in terms of timelines for publishing transcripts and things
8 like that, that would be helpful.

9 Q. (Ms Basran) We hope to get you a transcript next week to have a look at, and
10 then we will be publishing summaries of the transcripts involved in batches,
11 but I can let you know when we have got a date in mind closer to the time.

12 A. (Ms Hamilton-Claxton) Okay.

13 A. (Mr Marwood) Just in terms of further information that you require from us,
14 were there any follow-up points that you specifically wanted?

15 Q. (Mr Pantling) No, I do not think there is anything I need you to follow up on
16 after that. I think that's fine.

17 A. (Ms Hamilton Claxton) Do you want us to confirm whether or not we sent
18 letters and when those went to the company, et cetera?

19 Q. (Mr Pantling) No, I think I have already seen, I've had access to those letters.

20 A. (Ms Hamilton Claxton) Okay.

21 A. (Mr Marwood) And likewise, the meeting we had after the bid was launched
22 when we said we spoke to the non-exec. Do you want me to confirm that and
23 get a date for that?

24 Q. (Mr Pantling) Yes, I would like to know if it happened; I would be interested to
25 know if you could tell me any more about what was discussed at the meeting.

1 | A. (Mr Marwood) There is nothing documented, but I could confirm the date.

2 | Q. (Mr Pantling) That might be helpful, yes, thank you.

3 | THE CHAIRMAN: So that is everything then, thank you very much again for
4 | speaking with us this afternoon.

5 |

Key to punctuation used in transcript

--	Double dashes are used at the end of a line to indicate that the person's speech was cut off by someone else speaking
...	Ellipsis is used at the end of a line to indicate that the person tailed off their speech and didn't finish the sentence.
- xx xx xx -	A pair of single dashes are used to separate strong interruptions from the rest of the sentence e.g. An honest politician – if such a creature exists – would never agree to such a plan. These are unlike commas, which only separate off a weak interruption.
-	Single dashes are used when the strong interruption comes at the end of the sentence, e.g. There was no other way – or was there?