

To:  
Ms. Anne Lambert,  
Chair of the Inquiry Group  
Victoria House,  
37, Southampton Row,  
London WC1B 4AD

Copy to:  
Ms. Sharon White,  
Chief Executive, Ofcom  
Riverside House,  
2a, Southwark Bridge Road,  
London SE1 9HA

30 November 2017

Dear Ms. Lambert,

In our letter of 3/10/17, we informed you that Avaaz has a strong and longstanding interest on behalf of its 1.6 million UK members in the proposed Fox/Sky merger. We have already submitted significant evidence drawn from the UK, USA and Australia on a range of issues material to the current CMA Inquiry. We now wish to ensure that you are aware of new information which just came to light which is germane to your investigations into Fox News compliance with established standards of corporate governance and its “genuine commitment to broadcasting standards”.

Last week 21st Century Fox agreed to settle a lawsuit in Delaware USA brought by one of its shareholders, ‘*The City of Monroe Employees’ Retirement System*’, for the sum of US\$90 million and with an agreement to institute a new governance arrangement. This highly relevant lawsuit was initiated by a demand filed in July 2016, yet it is not clear from Fox’s published submissions that the company has mentioned it to the CMA. If the company did not, we submit that this is a further indication that it is not being sufficiently open with UK authorities scrutinising its bid for Sky.

The derivative complaint argued that a hostile work environment was created and facilitated by senior executives at Fox News and that:

“The Board and senior executives of the Company, while moving to enhance governance in 2012 as part of a settlement with the same lead counsel that has appeared in this case, did not take steps to address workplace issues such as sexual harassment and racial discrimination at the same time. They failed to implement controls sufficient to prevent the creation and maintenance of this hostile work environment.”

The terms of the \$90 million settlement agreement, available at [this link](#), show that the shareholders were sufficiently concerned about apparent egregious breaches of compliance policies, that they stipulated a condition that the “Company shall put in place governance and compliance enhancements,” as a term of the settlement. We do not at this stage know whether new governance arrangements have been put in place, or what they will achieve, but the Agreement highlights that the shareholders who brought this action believe that improvements are only likely to be made when the Murdochs are put under strong external pressure to do so.

Clearly the implication here is that it is not enough to accept promises or undertakings that Fox executives have given the DCMS, Ofcom and the CMA about their commitment to corporate governance, or about improvements they say they have made, or are prepared to make, to tighten their governance arrangements.

We would strongly urge the CMA to take note of this new development, and investigate why the company only agreed such compliance enhancements in November 2017 (over 16 months from the time the first lawsuit against Fox News CEO Roger Ailes was filed), under pressure from shareholders. To do so, it may be helpful to obtain the Plaintiff's original complaint and the company's response, to talk to the lead counsel who brought the case, and to look at why Fox only disclosed relevant documents to its own shareholders after the plaintiff invoked special legal provisions to obtain the necessary records.

Yours sincerely,

Alex Wilks  
Campaign Director  
Avaaz