

OFFER BY 21ST CENTURY FOX, INC. FOR THE REMAINING SHARES IN SKY PLC

UNDERTAKINGS GIVEN BY 21ST CENTURY FOX, INC. PURSUANT TO PARAGRAPH 3 OF SCHEDULE 2 OF ENTERPRISE ACT (PROTECTION OF LEGITIMATE INTERESTS) ORDER 2003

WHEREAS:

- (a) 21CF proposes to acquire the entire issued and to be issued share capital of Sky that 21CF does not already own.
- (b) On 16 March 2017 the Secretary of State issued a European Intervention Notice under section 67(2) of the Act and the Order in connection with the Transaction.
- (c) On 20 June 2017, Ofcom provided its report to the Secretary of State on the media public interest considerations specified in the Secretary of State's European Intervention Notice pursuant to Article 4A of the Order and on 20 June 2017 the CMA provided its report to the Secretary of State on the creation of a European relevant merger situation pursuant to Article 4(4) of the Order.
- (d) The Secretary of State considers that the conditions under Article 5 of the Order for referring the Transaction to the chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 are met and, absent any offer of undertakings from 21CF, she would be minded to so refer the Transaction.
- (e) The Secretary of State has a discretion to accept undertakings in lieu of reference from 21CF under paragraph 3 of Schedule 2 of the Order:

“The Secretary of State may, instead of making such a reference and for the purpose of remedying, mitigating or preventing any of the effects adverse to the public interest which have or may have resulted, or which may be expected to result, from the creation of the European relevant merger situation concerned accept from such of the parties concerned as she considers appropriate undertakings to take such action as she considers appropriate.”

- (f) The Secretary of State considers that the undertakings given below by 21CF are appropriate to remedy, mitigate or prevent the effects adverse to the public interest which may be expected to result from the creation of the European relevant merger situation.

NOW THEREFORE 21CF hereby gives to the Secretary of State the following undertakings for the purpose of remedying, mitigating or preventing the effects adverse to the public interest which may be expected to result from the Transaction.

1. EFFECTIVE DATE OF THE UNDERTAKINGS

- 1.1 These undertakings shall take effect from the date that, having been signed by 21CF, they are accepted by the Secretary of State.

2. COMMITMENT TO MAINTAIN CURRENT SKY COMPLIANCE ARRANGEMENTS

- 2.1 As at the Closing Date, 21CF shall continue to maintain the current processes, arrangements and procedures that are in place as at the Effective Date, and to devote comparable resources as those devoted by Sky as at the Effective Date, to ensure that Sky complies with the standards objectives set out in section 319 of the Communications Act 2003, as described in **Annex 1** to these undertakings (the **Sky Compliance Arrangements**).

2.2 21CF shall not make any amendments to the Sky Compliance Arrangements without the prior approval of the Secretary of State.

3. COMMITMENT TO MAINTAIN A NEWS SERVICE

3.1 As at the Closing Date, for so long as 21CF owns more than 39.14% of the shares in Sky or a successor to Sky, 21CF shall continue to maintain a Sky-branded news service received primarily in the UK for at least 5 years from Closing Date.

3.2 21CF shall maintain the Operational Net Investment in its Sky-branded news service at a level not materially different (taking into account cost and revenue inflation) from Sky's level of Operational Net Investment in Sky News as set out in the Schedule attached under **Annex 2** for at least 5 years from Closing Date.

3.3 21CF shall procure that Sky UK Limited or any successor company that provides the Sky-branded news service will maintain financial records showing the annual Operational Net Investment in its Sky-branded news service (**Sky News Investment Report**) for at least 5 years from Closing Date. The Sky News Investment Report shall be certified by an independent auditor, with a copy provided to Ofcom.

4. SKY NEWS EDITORIAL BOARD

4.1 As soon as practicable following the Closing Date, 21CF will establish an editorial board (the **Sky News Editorial Board**), which will be part of Sky UK Limited or any successor company that holds the licence for the Sky News service (**Sky UK**), and which will:

- (i) comprise a majority of members who are Independent Board Members (including an Independent Board Member with senior editorial and/or journalistic experience) initially appointed by the Sky independent directors and subsequently selected by the Nominating and Corporate Governance Committee of the 21CF Board;
- (ii) be chaired by an Independent Board Member with senior editorial and/or journalistic experience;
- (iii) be entrusted with oversight of the compliance of the Sky News TV and radio services with the Sky News Editorial Guidelines, including provisions relating to editorial independence in news reporting and compliance with Ofcom's Broadcasting Code;
- (iv) operate under terms of reference which will stipulate that the Sky News Editorial Board will:
 - (A) be adequately resourced and have powers to review and investigate all areas within the remit of the Sky News Editorial Board;
 - (B) meet at least two times a year;
 - (C) consider any representations made by the Head of Sky News as to Sky News' compliance with the Sky News Editorial Guidelines as provided for under section 4.1(iii) above and report any such representations to the 21CF Board;
 - (D) advise the 21CF Board on any issues within its remit including the Sky News Editorial Board Approvals (as defined in section 4.3) below;

- (v) keep a written record of any matters escalated to it by the Head of Sky News as provided for in section 4.3(iii) below, and provide a copy of any such record to the 21CF Board and the Secretary of State certified as accurate by one Independent Board Member; and
- (vi) be quorate only if at least one Independent Board Member with senior editorial and/or journalistic expertise is present.

4.2 21CF shall ensure that a summary of any report provided under section 4.1(v) above shall be included in its annual report.

4.3 21CF shall ensure that the following matters at Sky UK take place only with the approval of a majority of Independent Board Members of the Sky News Editorial Board:

- (i) the appointment or removal of the Head of Sky News;
- (ii) any material changes to the authority or reporting relationship of the Head of Sky News; and
- (iii) any future changes to the Sky News Editorial Guidelines.

(together the **Sky News Editorial Board Approvals**).

4.4 21CF shall not make any subsequent amendments to the Sky News Editorial Board Approvals without the prior approval of the Secretary of State.

4.5 21CF shall ensure that, subject to general compliance procedures and oversight, no employee or officer of 21CF, or a member of the 21CF Board who is a trustee or beneficiary of the MFT, will influence or attempt to influence the editorial choices made by the Head of Sky News (including the selection of news stories or the political comment and opinion to be broadcast on the Sky News channel).

4.6 The undertakings set out at 4.1, 4.2, 4.3, 4.4 and 4.5 shall remain in place for so long as News Corp, or any entities over which News Corp has material influence, or any entities which have material influence over News Corp, hold more than 10% of the voting rights in 21CF.

5. COMMITMENT TO ENHANCE AND MAINTAIN SKY NEWS EDITORIAL GUIDELINES

5.1 As at the Closing Date, 21CF shall continue to maintain and observe the editorial guidelines that are in place in relation to Sky News as at the Effective Date, as modified according to section 4.2 below and as attached at **Annex 3** to these undertakings (the **Sky News Editorial Guidelines**).

5.2 As at the Closing Date, 21CF shall ensure that the Sky News Editorial Guidelines specify that:

- (i) the Head of Sky News retains editorial control over the selection of news stories and any political comment and opinion broadcast on the Sky News channel;
- (ii) subject to general compliance procedures and oversight, instructions to Sky News editorial staff including journalists shall be given only by the Head of Sky News or those to whom the Head of Sky News has delegated authority; and
- (iii) in the event that the Head of Sky News becomes aware of an attempt by any employee or officer of 21CF outside the Sky News editorial function to influence the selection of news stories or the political comment and opinion to be broadcast on

the Sky News channel, the Head of Sky News will escalate such matters to the Sky News Editorial Board.

- 5.3 21CF shall not make any subsequent amendments to the Sky News Editorial Guidelines without the prior approval of the Secretary of State.

6. REVIEW OF UNDERTAKINGS

- 6.1 In the event of a material change of circumstances, the Secretary of State may, in response to a request from 21CF, waive, modify or substitute one or more of these undertakings. The request shall not have the effect of suspending the application of the undertaking and, in particular, of suspending the expiry of any time period in which the undertaking has to be complied with.

7. COMPLIANCE

- 7.1 21CF shall comply promptly with such written directions as the Secretary of State may from time to time give:

- (i) to take such steps as may be specified or described in the directions for the purpose of carrying out or securing compliance with these undertakings; or
- (ii) to do or refrain from doing anything so specified or described which it might be required by these undertakings to do or to refrain from doing.

- 7.2 21CF shall procure that any member of the same Group of Interconnected Bodies Corporate as 21CF complies with these undertakings as if it had given them and actions and omissions of the members of the same Group of Interconnected Bodies Corporate as 21CF shall be attributed to 21CF for the purposes of these undertakings.

- 7.3 Where any Affiliate of 21CF is not a member of the same Group of Interconnected Bodies Corporate as 21CF, 21CF shall use its best endeavours to procure that any such Affiliate will comply with these undertakings as if it had given them. Until the Closing Date, Sky shall not be treated as an Affiliate of 21CF for the purposes of this section 7.3.

8. PROVISION OF INFORMATION

- 8.1 21CF shall furnish promptly to the Secretary of State or the CMA such information as the Secretary of State or the CMA considers necessary in relation to or in connection with the implementation and/or enforcement of and/or the compliance with these undertakings, including for the avoidance of doubt, any confidential information.

9. INTERPRETATION

- 9.1 The Interpretation Act 1978 shall apply to these undertakings as it does to Acts of Parliament.
- 9.2 References in these undertakings to any English law term for any legal status, interest, concept or thing shall in respect of any jurisdiction other than England and Wales be deemed to include what most nearly approximates in that jurisdiction to the English law term.
- 9.3 In these undertakings the word “including” shall mean including without limitation or prejudice to the generality of any description, definition, term or phrase preceding that word and the word “include” and its derivatives shall be construed accordingly.
- 9.4 For the purposes of these undertakings:

“**21CF**” means 21st Century Fox, Inc.;

“**21CF Board**” means the board of directors of 21CF;

“**Act**” means the Enterprise Act 2002;

“**Affiliate**” of a person is another person who satisfies the following condition, namely that any enterprise (which, in this context, has the meaning given in section 129(1) of the Act) that the first person carries on and any enterprise that the second person carries on from time to time would be regarded as being under common control for the purposes of section 26 of the Act;

“**business**” has the meaning given by section 129(1) and (3) of the Act;

“**Closing Date**” means the date on which 21CF acquires all or a majority of the share capital of Sky or, if the Transaction is effected by a scheme of arrangement, the date on which the scheme of arrangement becomes effective;

“**CMA**” means the Competition and Markets Authority;

“**Effective Date**” means the date that, having been signed by 21CF, these undertakings are accepted by the Secretary of State, as described at 1.1 above;

“**Group of Interconnected Bodies Corporate**” has the meaning given in section 129(2) of the Act; references to a Group of Interconnected Bodies Corporate shall be to the Group of Interconnected Bodies Corporate as constituted from time to time;

“**Independent Board Member**” means a member of the Sky News Editorial Board who:

- has not been an employee of 21CF, News Corp or any member of the same Group of Interconnected Bodies Corporate as 21CF or News Corp within the last five years;
- does not have, and has not had within the last three years of the date of their first appointment to the Sky News Editorial Board, a material business relationship with 21CF or News Corp either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship;
- has not received and does not receive remuneration from 21CF or News Corp (other than a fee paid by 21CF for their service as a member of the Sky News Editorial Board), does not participate in 21CF's or News Corp's share option or performance-related pay scheme, and is not a member of 21CF's or News Corp's pension scheme;
- does not have close family ties with any of 21CF's or News Corp's advisers, directors or senior employees;
- does not have significant links with directors of 21CF or News Corp through involvement in other companies or bodies;
- does not represent a significant 21CF or News Corp shareholder; and
- has not served on the board of 21CF or News Corp within nine years from the date of their first appointment

“**MFT**” means the Murdoch Family Trust;

“**News Corp**” means News Corporation;

“**Ofcom**” means the Office of Communications as established by the Office of Communications Act 2002, or, where relevant, the Director General of Telecommunications as appointed under section 1 of the Telecommunications Act 1984;

“**Operational Net Investment**” means the revenue attributable to the relevant business minus direct and indirect costs attributable to the relevant business (excluding capital expenditure);

“**Order**” means the Enterprise Act 2002 (Protection of Legitimate Interests) Order 2003, as amended by the Enterprise Act 2002 (Protection of Legitimate Interests)(Amendment) Order 2014;

“**Secretary of State**” means Secretary of State for Culture, Media and Sport;

“**Sky**” means Sky plc;

“**Sky News**” means the business of news gathering and production, and creating and offering (whether on a free to air or subscription basis) the broadcast news channels currently branded “Sky News” and “Sky News HD” provided by Sky UK and received primarily in the United Kingdom and the Republic of Ireland and related services under the Sky News brand and/or news services provided to third parties, including the wholesale provision of news input to third party media enterprises. For the avoidance of doubt, “Sky Sports News” is a separate business;

“**Sky Compliance Arrangements**” has the meaning given to it in section 2.1 above;

“**Sky News Editorial Guidelines**” has the meaning given to it in section 5.1 above;

“**Sky News Editorial Board**” has the meaning given to it in section 4.1 above;

“**Sky News Editorial Board Approvals**” has the meaning given to it in section 4.2 above;

“**Sky UK**” has the meaning given to it in section 4.1 above; and

“**Transaction**” means the proposed acquisition by 21CF of the entire issued and to be issued share capital of Sky that 21CF does not already own.

ANNEX 1

SKY COMPLIANCE ARRANGEMENTS AS AT EFFECTIVE DATE

21CF shall maintain the following arrangements that are in place within Sky as at the Effective Date designed to ensure compliance with the standards objectives set out in section 319 of the Communications Act 2003 (“**the Standards**”):

1. Dedicated Editorial Policy and Compliance staff with primary responsibility for ensuring editorial output complies with the Standards.
2. Editorial Policy and Compliance staff comprising sufficient persons to ensure day-to-day compliance with the Standards and appropriately structured for the discharge of the following key responsibilities:
 - (a) acting as the main point of contact with respect to any content compliance matters across all Sky channels (including staff specifically focusing on Sky News and Sky Sports News compliance) and the main point of contact with Ofcom on all matters relating to the Standards;
 - (b) serving as points of escalation for day-to-day compliance and operational issues relating to the Standards; and
 - (c) reviewing content to ensure compliance with the Standards.
3. The provision of effective training to the Editorial Policy and Compliance staff to ensure they are adequately versed in the requirements of the Standards to discharge their compliance responsibilities.
4. The provision of effective training to other relevant staff outside of the Editorial Policy and Compliance staff involved in the production and broadcast of the Sky channels.

ANNEX 2

SKY NEWS OPERATIONAL NET INVESTMENT SCHEDULE

	FY 2016/17 £m	Further details
Revenues ¹	[REDACTED]	Includes: wholesale of Sky News channel [REDACTED]; international distribution agreements; spot advertising; sponsorship and online revenue; and syndication / distribution / radio revenue.
Direct costs	[REDACTED]	Includes: headcount costs; coverage/ newsgathering costs; production, studio & archive costs; Sky News International, digital, radio, and channel management.
Indirect Costs ²	[REDACTED]	Includes: satellite / freeview capacity; music licence fees & creative services; corporate & functional / facilities; and capex depreciation.
Operational Net Investment	[REDACTED]	

¹ Does not include: Sky Media [REDACTED]% sales commission for provision of ad sales.

² Does not include: property costs and facilities (rates and rent); marketing costs (advertising costs); equipment support costs or broadcast operations.

ANNEX 3
UPDATED SKY NEWS EDITORIAL GUIDELINES