

9 February 2011

Jeff Palker
General Counsel Europe & Asia
News Corporation
3 Thomas More Square
London
E9B 1EX

STEVE UNGER
Partner: Strategy, Chief Economist
and Technology

Direct line: [REDACTED]
Direct fax: [REDACTED]

Dear Jeff,

News Corporation/BSkyB merger UILs

I am now writing to you with a number of issues which we consider to be central to our advice as requested by the Secretary of State on the extent to which we think the UILs address the potential impact on media plurality identified in our report.

In that context, we have considered News Corporation's various responses to the information requests from the OFT and Ofcom, including the latest response to the OFT's questions dated 7 February 2011.

Having carefully considered the proposed UILs and your responses, we remain concerned about the extent to which the proposed UILs address the impact on media plurality as identified in our report.

In meeting those concerns, it is our view that the proposed UILs need to include:

1. The board of Newco to consist of a majority of independent directors. "Independent directors" being directors which have no other News Corporation or News Corporation associated interest;
2. We would expect the board of Newco, including the independent non executive directors, to have a combination of both senior editorial and business experience/expertise;
3. The Chairman of Newco be an independent non executive;
4. The creation of a sub-committee of the board of Newco to deal with editorial matters ("the Board Editorial Committee");
 - i) Members of the Board Editorial Committee to contain a majority of independent non executive board members, one of whom is the Chair of the Board Editorial

Committee. We would expect the Chair to have senior editorial experience and expertise.

- ii) We would expect the terms of reference for the Board Editorial Committee to include:
- the editorial independence and integrity of Sky News
 - the hiring, firing or replacement of the Sky News Editor and all key editorial appointments (including any material changes in terms and conditions which could give rise to constructive dismissal)
 - any changes to the authority, reporting relationship and consultation rights of the Sky News Editor

Please note that in the context of assisting the OFT with its advice to the Secretary of State there are a number of other issues which we consider to be significant which we understand the OFT are intending to address with you and this letter does not therefore cover any of these issues.

As you know the Secretary of State has requested our advice by Friday 11 February. We therefore need a response from you by midday tomorrow. We would be happy to meet to discuss these matters at any time if that would be useful.

Yours sincerely

A rectangular area of the document has been redacted with a thick, dark purple/black marker, obscuring the signature of Steve Unger.

Steve Unger

CC: *Andrea Appella, News Corporation*
Antonio Bavasso, Allen & Overy
Sheldon Mills, Office of Fair Trading