

Summary Directors' report – Governance

DIRECTORS' REPORT

A more detailed Directors' report is included in the Company's Annual Report which can be downloaded from the Company's corporate website at www.sky.com/corporate.

DIVIDENDS

The Directors recommend a final dividend for the year ended 30 June 2012 of 16.20 pence per ordinary share which, together with the interim dividend of 9.20 pence paid to shareholders on 24 April 2012, will make a total dividend for the year of 25.40 pence (2011: 23.28 pence). Subject to approval by shareholders at the Annual General Meeting (AGM), the final dividend will be paid on 16 November 2012 to shareholders appearing on the register at the close of business on 26 October 2012.

INTERESTS IN VOTING RIGHTS

Information provided to the Company pursuant to the UK Listing Authority's Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 25 July 2012, the Company had been notified under DTR5 of the following significant holdings of voting rights in its shares.

Identity of person or group	Amount owned	Percent of class
News UK Nominees Limited ⁽ⁱ⁾	654,974,065	39.14
Capital Research and Management Company ⁽ⁱⁱ⁾	90,751,601	5.18
BlackRock, Inc. ⁽ⁱⁱ⁾	88,682,765	5.06
The Capital Group Companies, Inc. ⁽ⁱⁱ⁾	55,977,854	3.10

(i) Direct holding which is subject to restrictions on its voting rights.
(ii) Indirect holding.

CHARITABLE CONTRIBUTIONS AND COMMUNITY AND ENVIRONMENTAL ACTIVITIES

The Summary Bigger Picture Report, which does not form part of the Annual Review, will be made available online, and will provide further information on the Group's commitment to corporate responsibility, including community and environmental activities (see www.sky.com/thebiggerpicture). An overview of the Group's Bigger Picture approach, including community and environmental activities is also provided on pages 22 to 27.

DIRECTORS

The names and biographical details of the Directors of the Company are given on pages 36 and 37. The changes to the Board of Directors during the financial year are listed in the Corporate Governance Section of this report.

At the Company's 2012 AGM all current Executive and Non-Executive Directors will retire. It is the intention that Jacques Nasser will not seek reappointment but all the other Executive Directors and Non-Executive Directors will offer themselves for reappointment in accordance with provision B.7.1 of the Code.

The Directors' interests in the ordinary shares and options of the Company are disclosed within the report on Directors' remuneration on pages 45 to 47.

ANNUAL GENERAL MEETING

The notice convening the AGM, to be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on 1 November 2012 at 11.00am, is available for download from the Company's corporate website at www.sky.com/corporate.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in its management of the Group and when accounting to shareholders. The Company values its dialogue with both institutional and private investors. For the benefit of private investors, the Company produces this short form Annual Review which contains the information believed to be of most interest to them.

A more detailed corporate governance report is included in the Company's Annual Report which is available for download from the Company's corporate website at www.sky.com/corporate.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code (the 'Code') provides the standard of good corporate governance in the UK. The Financial Services Authority requires listed companies to disclose whether they have complied with the provisions of the Code throughout the financial year.

The Board considers that the Company complied with the main principles of the Code for the whole of the year ended 30 June 2012 with the following exception. Provision C.3.1. of the Code states that the Audit Committee must be comprised of at least three Independent Non-Executive Directors. There was a period during the year between Allan Leighton's retirement from the Board and the Audit Committee on 29 November 2011 and Matthieu Pigasse's appointment as a member of the Audit Committee on 1 May 2012, that the Audit Committee's membership fell to two Independent Non-Executive Directors. The meeting of the Audit Committee held on 30 January 2012 was held prior to Mr Pigasse's appointment to the Committee. There were no other meetings held without three Independent Non-Executive Directors being present from 29 November 2011 to 1 May 2012.

We believe that at the close of the financial period the Company is wholly compliant with the provisions of the Code having addressed the unintentional departure from the Code as documented above.

LEADERSHIP

Role of the Board

The Board has collective responsibility for the management, direction and performance of the Group and provides leadership within a framework of prudent and effective controls which enables

risk to be appropriately assessed and managed. The Board sets the Company's strategic direction, ensuring that the necessary resources are in place for the Company to meet its objectives and deliver sustainable performance.

Board delegation

The Board has delegated specific responsibilities to Board committees, notably the Audit, Remuneration, Corporate Governance & Nominations and The Bigger Picture committees. Each committee's terms of reference can be found on the Company's corporate website.

The Board has delegated authority for the day-to-day running of the organisation to the Executive Directors. A committee of senior management generally meets on a weekly basis to allow prompt discussion of relevant business issues. It is chaired by the CEO and comprises the CFO and other senior executives from within the Group.

EFFECTIVENESS

Board composition and independence

The Board currently comprises 14 Directors, made up of two Executive Directors and 12 Non-Executive Directors. At least half of the Board of Directors are determined to be independent by the Board in accordance with the provision B.1.2 of the code. Biographies of each of the Directors are set out on pages 36 and 37 and identify those Directors who are, in the view of the Board, independent within the meaning of the Code. On appointment the Chairman met the independence criteria set out in provision B.1.1 of the Code.

The Independent Non-Executive Directors bring a wide range of experience and expertise to the Group's affairs, and carry significant weight in the Board's decisions. The Independent Non-Executive Directors are encouraged to challenge management and help develop proposals on strategy. Time is regularly put aside at Board meetings to discuss the strategic direction of the Company.

Prior to appointment, and on an annual basis, each Board member receives and completes a questionnaire to determine factors that may affect independence according to best practice statements contained within the Code. The responses to the questionnaire assist the Board in ascertaining whether a Director is independent in character and judgment, and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgment.

Appointments to the Board and succession planning

The Corporate Governance & Nominations Committee keeps the Board's balance of skills, knowledge, experience and the length of service of individuals under constant review. In respect of succession planning and supplementing the skill set of the Board, there is an established procedure for the appointment of Directors. In brief, the Committee identifies the set of skills and experience required, and with the assistance of external search agencies selects individuals to take Board positions on review of their individual merits.

Board and committee changes during the year

On 18 October 2011 Andrew Higginson was appointed as a member of the Corporate Governance & Nominations Committee. At the Company's AGM on 29 November 2011, David Evans and Allan Leighton retired from the Board. On the same date, Martin Gilbert and Matthieu Pigasse were appointed to the Board as Independent Non-Executive Directors.

On 3 April 2012, the Company announced that James Murdoch had stepped down as Chairman and would continue to serve in his capacity as a Non-Executive Director of the Company. Nicholas Ferguson was appointed as Chairman, Thomas Mockridge was appointed as Deputy Chairman and Andrew Higginson was appointed as Senior Independent Non-Executive Director.

On 1 May 2012, Daniel Rimer replaced Nicholas Ferguson as Chairman of the Remuneration Committee. Nicholas Ferguson remains a member of the Remuneration Committee and Martin Gilbert was appointed as a member of the Committee. Matthieu Pigasse was appointed as a member of the Audit Committee. Also on 1 May 2012, Andrew Higginson replaced Lord Wilson as Chairman of the Corporate Governance & Nominations Committee. Lord Wilson remains a member of the Corporate Governance & Nominations Committee and Daniel Rimer was appointed as a member of this Committee. James Murdoch was appointed Chairman of The Bigger Picture Committee in place of Dame Gail Rebuck who stepped down as Chairman and as a member of the Committee.

On 11 June 2012 Martin Gilbert was appointed as a member of the Audit Committee. On 11 June 2012 Dame Gail Rebuck retired from the Board. On the same date, Tracy Clarke was appointed to the Board as an Independent Non-Executive Director and was also appointed as a member of the Remuneration and The Bigger Picture Committees.

RELATIONS WITH SHAREHOLDERS

Shareholder communications

Presentations and webcasts on the development of the business are available to all shareholders on the Company's corporate website. The Company also uses email alerts and actively promotes downloading of all reports enhancing speed and equality of shareholder communication. The Company has taken full advantage of the provisions within the Companies Act 2006 allowing the website to be used as the primary means of communication with shareholders where they have not requested hard copy documentation. The shareholder information section on page 56 contains further details on electronic shareholder communications together with more general information of interest to shareholders which is also included on the Company's corporate website.

By order of the Board,
Dave Gormley
Company Secretary
25 July 2012