

SUMMARY REPORT ON DIRECTORS' REMUNERATION

Remuneration policy overview

- The objective of our pay policy across the Company is to reward people fairly and competitively, in line with performance and in order to attract and retain the best people. For Executive Directors, remuneration is heavily geared to the achievement of challenging objectives and targets that directly align executive and shareholder interests.
- Currently the ratio of fixed pay to variable pay remains one of the lowest in the FTSE 100. Following the appointment of both the CEO and CFO on compensation lower than their respective predecessors, a commitment was given by the Committee to move their fixed pay closer to market norms for their positions over time.
- In light of the uncertain external environment that has prevailed over the last two years, and notwithstanding the Company's own very strong performance, the Committee has judged that the time is not right to award increases in fixed pay other than nominal increases.
- In reviewing remuneration levels in general, the Committee notes that the other major element of fixed pay, namely pension provision, remains significantly below market norms.
- As a direct consequence of weighting total remuneration heavily on variable pay and in alignment with shareholder return, shareholders should note that in circumstances in which there is significant share price outperformance, reported compensation in a single period may appear higher than market norms.

1. Membership of the Remuneration Committee

During the year ended 30 June 2010, the Remuneration Committee (the Committee) met four times and was comprised of the following Independent Non-Executive Directors:

- Nicholas Ferguson (Chairman)
- David Evans
- Jacques Nasser
- Daniel Rimer (joined the Committee on 27 January 2010)

2. Advisors

Hewitt New Bridge Street (HNBS) has been appointed by the Committee to act as its advisors. HNBS advises on all aspects of senior executive remuneration and has no other connection with the Company other than in the provision of advice on executive and employee remuneration. No executive was present when matters affecting his remuneration were considered.

The Chief Executive and the Director for People provide information to the Committee on remuneration but not in respect of their own remuneration. The Committee was supported by the Company Secretary, Finance and Human Resources functions. From time to time, the Company holds consultation meetings with a range of institutional investors, concerning aspects of the Committee's policy, and has taken their advice into account in arriving at remuneration decisions.

3. Remuneration Committee

Role of the Remuneration Committee and terms of reference

The Committee is responsible for recommendations to the Board regarding:

- the design and implementation of incentive compensation arrangements including share-based schemes;
- remuneration packages for Executive Directors of the Company including basic salary, performance-based bonus and long-term incentives, pensions and other benefits;
- the Company's policy on remuneration for Board Directors. It also reviews the proposals made by the CEO for other Senior Executives; and
- any payments or benefits offered to employees in excess of £250,000 which do not form part of an employee's expected remuneration or benefits require the approval of the Committee.

The full terms of reference for the Committee are available on the Company's corporate website.

SUMMARY REPORT ON DIRECTORS' REMUNERATION

continued

4. Elements of Executive Director and Senior Executive pay

4.1 Remuneration paid to the Executive Directors is made up as follows:

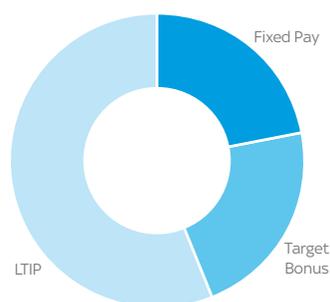
	Performance period	Conditions
Fixed Pay		
Basic salary (see section 4.2)	Salaries reviewed annually	Salaries reviewed against external benchmarks and against individual performance
Pension and other benefits (sections 4.3 and 4.4)	Not applicable	Not applicable
Variable Pay		
Annual bonus (section 4.5)	Payable against achievement of short-term objectives set during the year	1 year Targets set by the Committee for <ul style="list-style-type: none"> • Operating profit • Free cash flow • Customer growth
Long Term Incentive Plan (LTIP) award (section 4.6)	Payable against achievement of stretching long-term objectives	3 years 30% subject to TSR performance vs. the FTSE 100 over three years 70% subject to three-year targets <ul style="list-style-type: none"> • EPS • Operating cash flow • Revenue growth
Co-Investment LTIP award (section 4.6)	Only operates if employee invests own money to buy shares. Company matches shares with an LTIP award which vests after three years if performance conditions are met	3 years The number of invested shares is matched up to a maximum of 1.5 shares for every 1 invested, subject to a three-year EPS performance condition. The investment eligible to receive matching awards is limited to an amount equivalent to 50% of an individual's gross annual bonus

Remuneration mix

The charts below show the relative weight of the elements making up the remuneration mix.

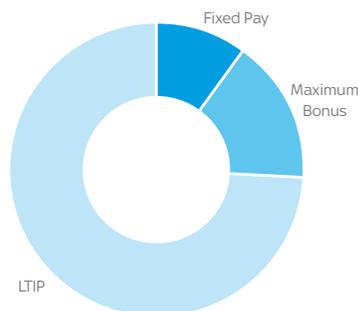
TARGET REMUNERATION

Average of Executive Directors



MAXIMUM REMUNERATION

Average of Executive Directors



Notes to chart:

- Target performance assumes target annual bonus and minimum level of vesting under the LTIP.
- Maximum performance assumes maximum annual bonus and maximum vesting under the LTIP.
- The LTIP assumes maximum investment into the co-investment element.
- The LTIP ignores share price growth.

Fixed pay

Fixed pay is at below market norms for Executive Directors. Following the salary increases awarded on 1 July 2010 the Executive Directors' fixed pay remains in the lower quartile of the comparator benchmark data.

4.2 Basic salary

Basic salaries for Executive Directors and Senior Executives are reviewed by the Committee by benchmarking data from external sources relative to industry sectors/companies of a similar size. The Company uses a subset of the FTSE 100 as its benchmark. It also takes into consideration the pay principles applied elsewhere in the Company.

Executive Directors' salaries remain at below market levels. The Committee has reviewed salary levels for 2010, and awarded Jeremy Darroch an increase of 2.5% to £888,000 and Andrew Griffith an increase of 4.0% to £546,000 from 1 July 2010.

4.3 Pensions

The Group provides pensions to eligible employees through a single pension plan, the BskyB Pension Plan (Pension Plan), which is a defined contribution plan. Executive Directors contribute 4% of pensionable salary (basic salary less the pension offset) into the Pension Plan each year and the Company matches this with a contribution of 8% of pensionable salary. For Executive Directors this contribution rate is well below market norms. There is no other additional top up arrangement and the Group has no legacy defined benefit plans.

The Plan has income protection of up to two-thirds salary, or £300,000 and insured death in service of up to one-third salary, which can be taken entirely as pension, 50% lump sum and 50% pension or entirely as a lump sum, subject to the lifetime allowance.

4.4 Other benefits

Executive Directors are entitled to the use of a company car and along with all employees, private medical insurance and life assurance cover equal to two times base salary, increased to four times base salary if they become members of the Pension Plan.

Variable pay

The Committee's intention is that performance-related elements of pay continue to represent a higher proportion of remuneration than market norms. This, combined with the fact that the Company's pension arrangements for Executive Directors are considerably less generous than those found at comparable companies, means that a large amount of pay is at risk. Pay is competitive only if the Company's stretching targets are delivered.

4.5 Annual bonus

For the CEO, the maximum bonus that may be awarded is 200% of salary, while for the CFO, the maximum bonus that may be awarded is 125% of salary, and for on-target performance he would receive 100% of salary.

Performance during the year ended 30 June 2010 was very strong across the board and exceeded each of the targets for adjusted operating profit (2009/10 achievement: £855m), adjusted free cash flow (2009/10 achievement: £626m) and DTH customer growth (2009/10 achievement: 418,000). The CEO and CFO were awarded the following bonus payments:

	Bonus amount £	As a % of salary
Jeremy Darroch	1,732,500	200%
Andrew Griffith	656,250	125%

For the year ending 30 June 2011 the operational measures that govern bonus payouts will continue to be: operating profit, free cash flow and DTH customer growth.

The Committee retains the discretion to adjust payouts either up or down as an exception, if they feel that an important aspect of performance has not been reflected.

SUMMARY REPORT ON DIRECTORS' REMUNERATION

continued

4.6 LTIP

The Company operates an LTIP for Executive Directors and Senior Executives. Awards are:

- subject to stretching performance and TSR measures;
- made to any employee or full-time Executive Director of the Group at the discretion of the Committee;
- normally made as a nil priced option;
- not transferable or pensionable;
- made over a number of shares in the Company, determined by the Committee; and
- usually satisfied using shares purchased by the Company in the market.

The Committee believes that conditional (performance) share awards continue to be the best long-term incentive vehicle for Executive Directors and Senior Executives. The Committee approved the facility to award matching shares through the LTIP (Co-Investment awards) in 2009. The Committee believes that the introduction of the Co-Investment facility will further align executives with shareholders by promoting the ownership of shares within the executive population. Awards were first granted following the payment of the 2008/09 annual bonus and it is intended to be operated annually thereafter.

Design of LTIP plan

(i) LTIP award

Grants are made every year and vesting occurs every two years. In the first year, an Executive may be granted an award of shares that vests at the end of the three-year performance cycle subject to performance conditions. In the second year a further discretionary award of up to normally no more than 100% of the year one award can be made. This award vests at the same time as the first award. The grant is made in terms of a number of shares as opposed to a monetary value and therefore values in relation to salary may vary with share price movements.

(ii) Co-Investment LTIP award

Executive Directors who participate in the plan by investing their own money in the Company's shares will be granted a conditional award of B SkyB shares based on the amount they have invested in the Group. These matching shares will vest three years later only if three year EPS targets are met, up to a maximum of 1.5 shares for every 1 invested on a pre-tax basis. The investment eligible to receive matching awards will be limited to an amount equivalent to 50% of the individual's gross annual bonus.

How the LTIP operates

Performance conditions for LTIP

The Committee reviews the performance conditions for the LTIP from time to time to ensure that they remain appropriate.

(i) Vesting of LTIP awards

The awards vest, in full or in part, dependent on points gained for satisfying performance targets measured over three years. Performance targets are calibrated to ensure the achievement of Sky's stretching long-term goals, and the cumulative total points achieved governs vesting.

Vesting of 70% of the award is dependent on operational measures, while 30% is governed by TSR performance. The specifics of the measures and targets are as follows:

In the event of a change of control the Committee has the discretion on how awards will vest under the plan.

i) 70% based on operational targets

For awards made in 2008 and 2009 (i.e. awards which will vest in 2011) and for awards to be made in 2010 (i.e. awards which will vest in 2013) the operational performance conditions should be subject to EPS, operating cash flow and revenue growth. EPS is generally defined as adjusted EPS, however, the Committee will review the measure and may amend the definition at its discretion. Measuring operating cash flow encourages the conversion of profit into cash flow and gives a better indication of the underlying health of the business than free cash flow per share (FCF). Revenue growth recognises the growth opportunity or the contribution existing customers make to the financial performance, through the number of different products now offered by the Company. Awards made prior to July 2008 were subject to EPS, FCF and DTH customer growth.

Points are awarded for performance on three operational measures as follows:

CONDITIONS FOR AWARDS VESTING IN 2011

Performance conditions					
EPS growth		Operating cash flow		Revenue growth	
Performance achieved	Points awarded	Performance achieved (% of target)	Points awarded	Performance achieved (% of target)	Points awarded
		105%		105%	
RPI + 8% pa	10	or more	10	or more	10
RPI +7% pa	8	100%	8	100%	8
RPI +6% pa	6	95%	6	95%	6
RPI +5% pa	4	90%	4	90%	4
RPI +4% pa	2	85%	2	85%	2
RPI +3% pa	1	75%	1	75%	1
Less than RPI + 3% pa	0	Less than 75%	0	Less than 75%	0

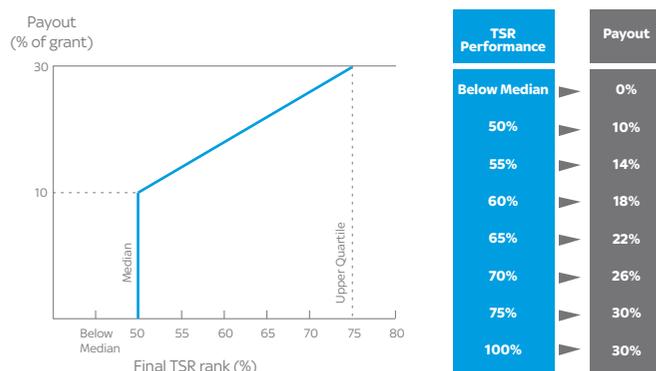
The total number of points awarded governs the extent of vesting of the operational portion, according to a straight-line vesting schedule:

Total points achieved	Resulting vesting	
	% of operational portion	% of overall award
Less than 1	0%	0%
1	10%	7%
1-21	10% - 100% on a straight-line basis	7% - 70% on a straight-line basis
21 or more	100%	70%

ii) 30% based on TSR performance

The Company's TSR performance is measured relative to the constituents of the FTSE 100. If the Company's TSR performance is below median, the TSR element of the award lapses with no vesting. For median performance, one-third of the TSR portion of the award vests. For performance in the upper quartile, the whole TSR portion of the award vests. For performance between median and upper quartile, vesting is on a straight-line basis, as shown in the chart below:

TSR VESTING CHART



TSR calculations are conducted independently by HNBS, employing a methodology which averages share prices over the three months prior to the start and the three months prior to the end of the three-year performance period.

CONDITIONS FOR AWARDS VESTING IN 2009

The TSR performance of the Company in relation to the awards that vested in 2009 came in at above median at 54% meaning that 13% of this element of the award vested.

Actual points awarded		
EPS growth	FCF	DTH customer growth
Actual points awarded	Actual points awarded	Actual points awarded
4.34	10.00	9.29

The number of points awarded exceeded 21; therefore, 100% of the operational portion of the LTIP vested.

As the 70% portion of the award relative to the operational performance conditions were met in full this meant that 83% of the total award vested.

The TSR performance targets will not be applicable to awards made in 2010.

(ii) Co-Investment LTIP award

Awards are subject to EPS growth targets. EPS is generally defined as adjusted EPS, however, the Committee will review the measure and may amend the definition at its discretion. For the awards made in 2009 EPS growth of RPI +3% p.a. is required for vesting at target (1 x match) with growth of RPI +6% for maximum (1½ x match), straight-line vesting will apply for achievement levels between 3% and 6%. The match is based on an investment of up to an amount equivalent to 50% of gross bonus.

The performance conditions for the co-investment LTIP awards reflect the fact that participants invest their own money in the Company's shares and are exposed to downside risk throughout the three year period.

SUMMARY REPORT ON DIRECTORS' REMUNERATION

continued

5. Other share plans

5.1 Management Long-Term Incentive Plan (Management LTIP)

The Company also operates a Management LTIP, which has replaced options granted under the Executive Share Option Scheme. Selected employees will participate in the Management LTIP, but this will not include any Executive Directors or Senior Executives who participate in the LTIP. Awards under this scheme are made at the discretion of the CEO. To date, the Management LTIP has mirrored the LTIP for Senior Executives and Executive Directors, with the same performance conditions.

5.2 Sharesave Scheme

The Sharesave Scheme is open to all UK and Irish employees. Options are normally exercisable after either three or five years from the date of grant. The price at which options are offered is not less than 80% of the middle-market price on the dealing day immediately preceding the date of invitation. It is the policy of the Group to make an invitation to employees to participate in the scheme following the announcement of the year-end results. Jeremy Darroch and Andrew Griffith each have options granted under the Sharesave Scheme.

5.3 20 Year Award Plan

A one-off grant was made to all employees in 2009 to celebrate the Company's 20th anniversary. These shares will be delivered after three years. They are not subject to any further performance condition other than continued employment. As permanent employees and Executive Directors of the Company, Jeremy Darroch and Andrew Griffith were each awarded an option over 100 shares under the plan.

5.4 Executive Share Option Schemes (Executive Schemes)

The Company has in place Approved and Unapproved Executive Share Option Schemes under Her Majesty's Revenue & Customs (HMRC) guidelines. Executive Directors and Senior Executives who participate in the LTIP do not participate in the Executive Schemes. No options have been granted since 2004. Andrew Griffith was granted awards under the Executive Schemes prior to his appointment as an Executive Director.

6. Service agreements

Policy

The Committee's stated policy is that Executive Directors' service agreements will contain a maximum notice period of one year. The Committee will also consider, where appropriate to do so, reducing remuneration to a departing Director. However, the Committee will consider such issues on a case-by-case basis and will consider the terms of employment of a departing Director. A large proportion of each Executive Director's total direct remuneration is linked to performance and therefore will not be payable to the extent that the relevant targets are not met.

The Company recognises that Executive Directors may be invited to become non-executive directors of other companies. Executive Directors are not allowed to take on the Chairmanship of a FTSE 100 company, but are allowed to take up one external non-executive FTSE 100 appointment and retain any fees in respect of such appointments.

Jeremy Darroch is a Non-Executive Director of Marks & Spencer Group plc and retained fees for this appointment of £73,000 for the year ended 30 June 2010.

7. Non-Executive Directors

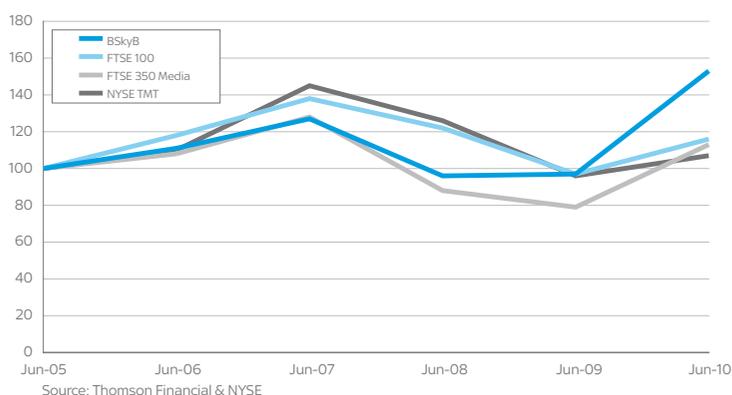
There has been a 2.5% increase in the basic fees payable to the Non-Executive Directors and the Chairman set by the Board of Directors for the financial year ending 30 June 2011; basic fees are £53,800 (2010: £52,500). Furthermore, the Non-Executive Directors will be paid an additional £10,000 (2010: £10,000) per annum each for membership of the Audit Committee, the Remuneration Committee, the Corporate Governance and Nominations Committee and The Bigger Picture Committee. The Chairman and the Chairmen of the Audit Committee, the Remuneration Committee, the Corporate Governance and Nominations Committee and The Bigger Picture Committee each receives an additional £25,000 per annum (2010: £25,000). The Senior Independent Director will receive an additional fee of £20,000 per annum (2010: £20,000). Each Non-Executive Director is engaged by the Company for an initial term of three years. Reappointment for a further term is not automatic, but may be mutually agreed.

Following the proposal received from News Corporation, the Board established an offer Committee of the Board comprising the Independent Non-Executive and Executive Directors of the Board. It has been agreed that the Non-Executive Directors be paid additional fees of £10,000 per annum for membership of the Committee, plus £25,000 per annum for the Chairman of the Committee inclusive of the role of Deputy Chairman. These fees will be paid for the duration of the proposal.

8. Performance graph

The following graph shows the Company's performance measured by TSR in the five years to 30 June 2010. This graph shows the growth in the value of a hypothetical £100 holding in the Company's ordinary shares over five years, relative to three indices, which are considered to be the most relevant broad equity market indices for this purpose. The graph is included to meet a legislative requirement and is not directly relevant to the performance criteria approved by shareholders for the Company's long-term incentive plans.

BREAKDOWN OF SHAREHOLDER RETURN FROM 1 JULY 2005 TO 30 JUNE 2010



9. Share interests

The Company encourages the Non-Executive Directors to build up a holding in the Company's shares and has introduced a facility whereby Non-Executive Directors can elect to receive a portion of their fees in Sky shares. Shares are purchased on a monthly basis in the market.

The Directors who are deemed to be affiliated with News Corporation (James Murdoch, David DeVoe, Thomas Mockridge and Arthur Siskind) are not allowed to participate in the facility due to the fact that under Rule 9 of the Takeover Code they would be deemed to be acting in concert with News Corporation if they were to purchase shares in the Company and this would place News Corporation under an obligation to make a mandatory offer for all of the issued share capital of the Company.

The interests of the Directors in the ordinary share capital of the Company during the year and as at 28 July 2010 were:

Name of Director	At 28 July 2010	At 30 June 2010	At 30 June 2009
Jeremy Darroch	170,379	170,379	60,000
David Evans	17,770 ⁽ⁱ⁾	17,651 ⁽ⁱ⁾	16,000 ⁽ⁱ⁾
Nicholas Ferguson	11,313	11,224	10,000
Andrew Griffith	34,492	34,492	5,000
Andrew Higginson	3,520	3,447	2,248
Allan Leighton	4,972	4,673	-
Jacques Nasser	1,716	1,607	-
Dame Gail Rebuck	1,307	1,234	-
Daniel Rimer	4,657	4,359	-
Lord Wilson of Dinton	1,820	1,730	486

This table is audited.

(i) 16,000 ordinary shares held in the form of 4,000 ADSs, one ADS is equivalent to four ordinary shares.

Except as disclosed in this report, no other Director held any interest in the share capital, including options, of the Company, or of any subsidiary of the Company, during the year. All interests at the date shown are beneficial.

During the year ended 30 June 2010, the share price traded within the range of 454.8 to 705.0p per share. The middle-market closing price on 25 June 2010, the last trading day of the financial year, was 701.0p.

SUMMARY REPORT ON DIRECTORS' REMUNERATION

continued

10. Directors' remuneration

The emoluments of the Directors for the year are shown below:

	Salary and fees £	Bonus scheme £	Benefits £	Total emoluments before pension 2010 £	Employers pensions £	Total emoluments including pension 2010 £	Total emoluments including pension 2009 £
Executive							
Jeremy Darroch	866,250	1,732,500	11,090	2,609,840	68,904	2,678,744	2,336,570
Andrew Griffith	525,000	656,250	13,055	1,194,305	41,604	1,235,909	1,058,035
Non-Executive							
James Murdoch	87,500	-	-	87,500	-	87,500	75,000
David DeVoe	52,500	-	-	52,500	-	52,500	50,000
David Evans	62,500	-	-	62,500	-	62,500	60,000
Nicholas Ferguson	117,500	-	-	117,500	-	117,500	110,000
Andrew Higginson	87,500	-	-	87,500	-	87,500	60,000
Allan Leighton	87,500	-	-	87,500	-	87,500	85,000
Thomas Mockridge ⁽ⁱ⁾	52,500	-	-	52,500	-	52,500	21,875
Jacques Nasser	62,500	-	-	62,500	-	62,500	60,000
Gail Reback	97,500	-	-	97,500	-	97,500	60,000
Daniel Rimer	56,782	-	-	56,782	-	56,782	50,000
Arthur Siskind	62,500	-	-	62,500	-	62,500	60,000
Lord Wilson of Dinton	97,500	-	-	97,500	-	97,500	85,000
Former Directors							
Chase Carey ⁽ⁱⁱ⁾	-	-	-	-	-	-	30,512
Lord Rothschild ⁽ⁱⁱⁱ⁾	-	-	-	-	-	-	17,500
Total emoluments	2,315,532	2,388,750	24,145	4,728,427	110,508	4,838,935	4,219,492

This table is audited.

Notes:

- (i) Thomas Mockridge was appointed as a Director of the Company on 10 February 2009.
- (ii) Chase Carey resigned as a Director of the Company on 10 February 2009.
- (iii) Lord Rothschild resigned as a Director of the Company on 26 September 2008.

11. Long-Term Incentive Plan

Details of all outstanding awards held under the LTIP are shown below:

Name of Director	Number of shares under award				At 30 June 2010	Exercise price	Market price at date of exercise	Date of award	Date from which exercisable	Expiry date
	At 30 June 2009	Granted during the year	Exercised during the year	Lapsed during the year						
James Murdoch	550,000	-	-	550,000 ⁽ⁱⁱ⁾	-	n/a	n/a	03.08.06	n/a	n/a
	550,000	-	-	550,000 ⁽ⁱⁱ⁾	-	n/a	n/a	30.07.07	n/a	n/a
Jeremy Darroch	290,000	-	240,700 ⁽ⁱⁱⁱ⁾	49,300	-	n/a	£5.33	03.08.06	n/a	n/a
	290,000	-	240,700 ⁽ⁱⁱⁱ⁾	49,300	-	n/a	£5.33	30.07.07	n/a	n/a
	295,000	-	244,850 ⁽ⁱⁱⁱ⁾	50,150	-	n/a	£5.33	06.02.08	n/a	n/a
	600,000	-	-	-	600,000	n/a	n/a	31.07.08	31.07.11	31.07.12
	-	600,000 ^(vi)	-	-	600,000	n/a	n/a	26.08.09	31.07.11	31.07.12
Andrew Griffith	100,000 ^(iv)	-	83,000	17,000	-	n/a	£5.33	03.08.06	n/a	n/a
	50,000 ^(iv)	-	41,500	8,500	-	n/a	£5.33	30.05.07	n/a	n/a
	125,000	-	103,750	21,250	-	n/a	£5.33	30.07.07	n/a	n/a
	125,000	-	103,750	21,250	-	n/a	£5.33	30.04.08	n/a	n/a
	320,000	-	-	-	320,000	n/a	n/a	31.07.08	31.07.11	31.07.12
	-	320,000 ^(vi)	-	-	320,000	n/a	n/a	26.08.09	31.07.11	31.07.12

This table is audited.

Notes:

- (i) The aggregate value received by the Directors on exercise of the LTIP before tax was £10,506,763 (2009: nil).
- (ii) Under the terms of James Murdoch's service agreement as CEO of the Company, the Company elected to pay him in cash an amount equal to the then market value of the 913,000 shares that vested.
The market price of the shares at the time of the payment was 533p. James Murdoch was paid an amount of £4,866,290. Furthermore, upon the payment made to James Murdoch, the awards lapsed.
- (iii) Jeremy Darroch exercised in total 726,250 shares of which 700,000 were sold and 26,250 shares were retained as a personal interest.
- (iv) These awards were made under the Company's Management LTIP plan, prior to Andrew Griffith's appointment as a Director of the Company on 7 April 2008.
- (v) See performance conditions for LTIP on page 42.
- (vi) The market price of the shares at the time the shares were awarded was 546.5p.

12. Co-Investment Plan

Details of all outstanding awards held under the Co-Investment Plan are shown below:

Name of Director	Number of shares under award				At 30 June 2010	Exercise price	Market price at date of exercise	Date of award	Date from which exercisable	Expiry date
	At 30 June 2009	Granted during the year	Exercised during the year	Lapsed during the year						
Jeremy Darroch	-	204,425 ⁽ⁱ⁾	-	-	204,425	n/a	n/a	27.08.09	27.08.12	27.08.13
Andrew Griffith	-	75,506 ⁽ⁱ⁾	-	-	75,506	n/a	n/a	27.08.09	27.08.12	27.08.13

This table is audited.

Notes:

- (i) See performance conditions for the Co-Investment Plan on page 42.
- (ii) Jeremy Darroch holds 79,848 shares as a match under the plan.
- (iii) Andrew Griffith holds 29,492 shares as a match under the plan.

Signed on behalf of the Board

Nicholas Ferguson

Remuneration Committee Chairman

28 July 2010