

Sky Corporate Responsibility Review 2005-06

British Sky Broadcasting Group plc



WHAT DO YOU WANT TO KNOW?

We're inviting you to find out more about Sky. This table shows you where to find the information you're interested in.

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IF YOU HAVE ANY FEEDBACK ON THIS REVIEW OR WANT TO GET IN TOUCH, PLEASE CONTACT US AT:

www.sky.com/responsibilities

THIS REVIEW IS FOR THE PERIOD 1 JULY 2005 – 30 JUNE 2006.
SKY'S PREVIOUS CORPORATE RESPONSIBILITY REVIEW 2004-05
WAS PUBLISHED IN SEPTEMBER 2005.

OUR COMMITMENT AND ACHIEVEMENTS ON CORPORATE RESPONSIBILITY HAVE BEEN RECOGNISED EXTERNALLY BY THE DOW JONES SUSTAINABILITY INDEXES, FTSE4GOOD AND BUSINESS IN THE COMMUNITY'S INDEX OF COMPANIES THAT COUNT. IN 2006, SKY BECAME THE ONLY BROADCAST COMPANY IN THE WORLD TO BE INCLUDED IN THE CORPORATE KNIGHTS AND INNOVEST GLOBAL 100 SUSTAINABLE CORPORATIONS INDEX.



Chief Executive Officer's welcome

Reaching the milestone of being in nearly one in three homes in the UK and Ireland last December gave us cause to reflect on the depth and breadth of the relationship we have with our customers. We realised how powerful the Sky brand has become and how great an opportunity we have to help families get the very best in entertainment and communications throughout their homes.

The concerns and aspirations of Sky customers and their families are important to us. Understanding what our customers care about is what creates real resonance between our brand and our customers. Tuning in is one of our core values, and our aim is to reflect what's important to our customers when we look at the impact we have. At the same time, leading the way on the long-term health of our business fits perfectly with Sky's reputation as a progressive, market-leading and forward-looking innovator.

This year, our technology has continued to deliver leading parental control services, allowing all members of the family to enjoy freedom of choice with high standards of control. We have also broadened our service offering with Sky by broadband delivering entertainment and communications to our customers on the move. With the ability to access content through the TV, internet or mobile phone, viewing is no longer restricted to the home.

These, along with our broadband offering, are new platforms for Sky, and we will be maintaining our standards across them all.

We believe that results from our actions are important and were delighted to announce in May 2006, that we were the first major media company and second member of the FTSE 100 to become carbon neutral. The actions behind this achievement show how our diverse business areas came together to focus on an issue that has huge impacts on our overall success by creating a closer link to our customers and the world at large. Looking to the broader agenda, Sky was the only broadcast company in the world to be included in the Global 100 Most Sustainable Corporations Index this year.

We know from the great product and technological innovations we're delivering to our customers that we're living in a rapidly changing time. Investing in ensuring that our customers and future customers have choice, flexibility and control over the content we provide to them is important. Equally important is making sure that our customers can find the entertainment they want, when they want it, so that they can get the best from their Sky subscriptions.

I invite you to join in and find out more about Sky, our people and how we choose to run our business.



“
LEADING THE WAY ON THE LONG-TERM
HEALTH OF OUR BUSINESS FITS
PERFECTLY WITH SKY'S REPUTATION
AS A PROGRESSIVE, MARKET-LEADING
AND FORWARD-LOOKING INNOVATOR.
”

James Murdoch
Chief Executive Officer

A stylized, handwritten signature in dark ink, appearing to read 'J Murdoch'.

sky movies

Bride & Prejudice
SHOWING THROUGHOUT
AUTUMN 2006



Welcome to Sky

Sit back, relax, and set your Sky+ !

Welcome to our fourth Corporate Responsibility Review. It’s been another big year at Sky, with new products and services, and in terms of our corporate responsibility achievements. Nearly one in three homes now choose Sky, and we’ve gone carbon neutral.

Turn the page to find out more about Sky, our achievements and our plans for the future.

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0%

CO₂ EMISSIONS AFTER
OFFSETTING



5,000

SECONDARY SCHOOLS AND
COLLEGES RECEIVED THE
VIRTUAL NEWSROOM CD-ROM



69%

RESPONSE RATE TO THE
SKY PEOPLE SURVEY



£5.1m

INVESTED IN THE COMMUNITY



A broader view

We've always been big on entertainment, but there's a broader view too: the world we live in.

Nearly one in three households now choose Sky. We are part of people's lives. This gives us a unique opportunity to understand and respond to what really matters to our customers and the issues that affect their lives in the world we live in today.

Responding to this requires some big achievements and we're using our attributes and brand to inspire our customers.

We've continued to provide our customers with better parental control technology on screen, we've invested over £5.1 million in the community and more than 500 Sky people have given their time to volunteer. We've also made a major commitment to the environment.

www.sky.com/responsibilities



THE BIGGER PICTURE IS ABOUT SHARING IDEAS THAT CAN HELP US TACKLE CLIMATE CHANGE TOGETHER AND OUR BIGGER PICTURE INTRANET SITE IS WHERE OUR PEOPLE CAN KEEP UP TO DATE WITH ALL THE LATEST NEWS, VIEWS AND STORIES – AND BE PART OF MAKING A DIFFERENCE TO THE ENVIRONMENT.

A major commitment

We've gone carbon neutral, the first major media company in the world to do so. It's a start, and we believe every step helps.

On top of that, as an entertainment company our platform enables us to get the message out – informing, educating and enabling people to understand what they can do to help address this global issue that requires individual action to make a difference to climate change.

We're looking to see what we can do to inspire real change. We see this involvement as a genuine investment in the future of our business, bringing us closer to our customers and future customers.

To find out more about what we're doing to limit our impact on the environment, the work we're doing with business partners to become more environmentally aware and how we're supporting other organisations and business leaders to take up the challenge of climate change, see Our environment on pages 16 to 19.

For more information on our strategy to involve our customers and our people see Tackling climate change – together, on pages 28 and 29 or visit our brand new environmental website.

www.jointhebiggerpicture.com

TO ACHIEVE CARBON NEUTRAL STATUS WE REDUCED OUR OVERALL ENERGY USAGE, INCREASED EFFICIENCY AND PURCHASED CARBON OFFSETS IN TWO RENEWABLE ENERGY PROJECTS. WE ALSO LAUNCHED THE BIGGER PICTURE INITIATIVE THAT HELPS COLLEAGUES, BUSINESS PARTNERS AND CUSTOMERS UNDERSTAND AND REDUCE THEIR OWN ENERGY IMPACTS.



BUSINESS OVERVIEW

Sky is a world leader in multi-channel digital television, operating in the UK and Ireland with over 8 million customers – that’s almost one in three homes.

Sky’s products include the Sky+ personal video recorder (PVR), Sky by broadband and Sky by mobile. In 2006, Sky launched its high definition television service and Sky Broadband, our new broadband internet access service for Sky customers.

There are over 500 channels on the Sky digital satellite platform; Sky owns 18 of these channels including Sky One, Sky News, Sky Sports, Sky Movies, Sky Travel and Artsworld.

Sky’s headquarters are located in Osterley, with two customer contact centres in Dunfermline and Livingston, a satellite centre in Chilworth, Hampshire and other offices in Central London and Harrogate. Sky employs 11,215 full time equivalent employees.

In 2005-06, Sky recorded an operating profit of £877 million against turnover of £4.1 billion.

For further information visit www.sky.com/corporate

8m+

SKY CUSTOMERS

£4.1b

TURNOVER

£877m

OPERATING PROFIT

11.1%

CUSTOMER CHURN RATE

SKY’S VALUES

Our values are tuned-in, irrepressible, inviting and fun. They could be no one else’s but Sky’s. They help define our products, services and the way we relate to each other and our customers. Our values drive us and our culture.

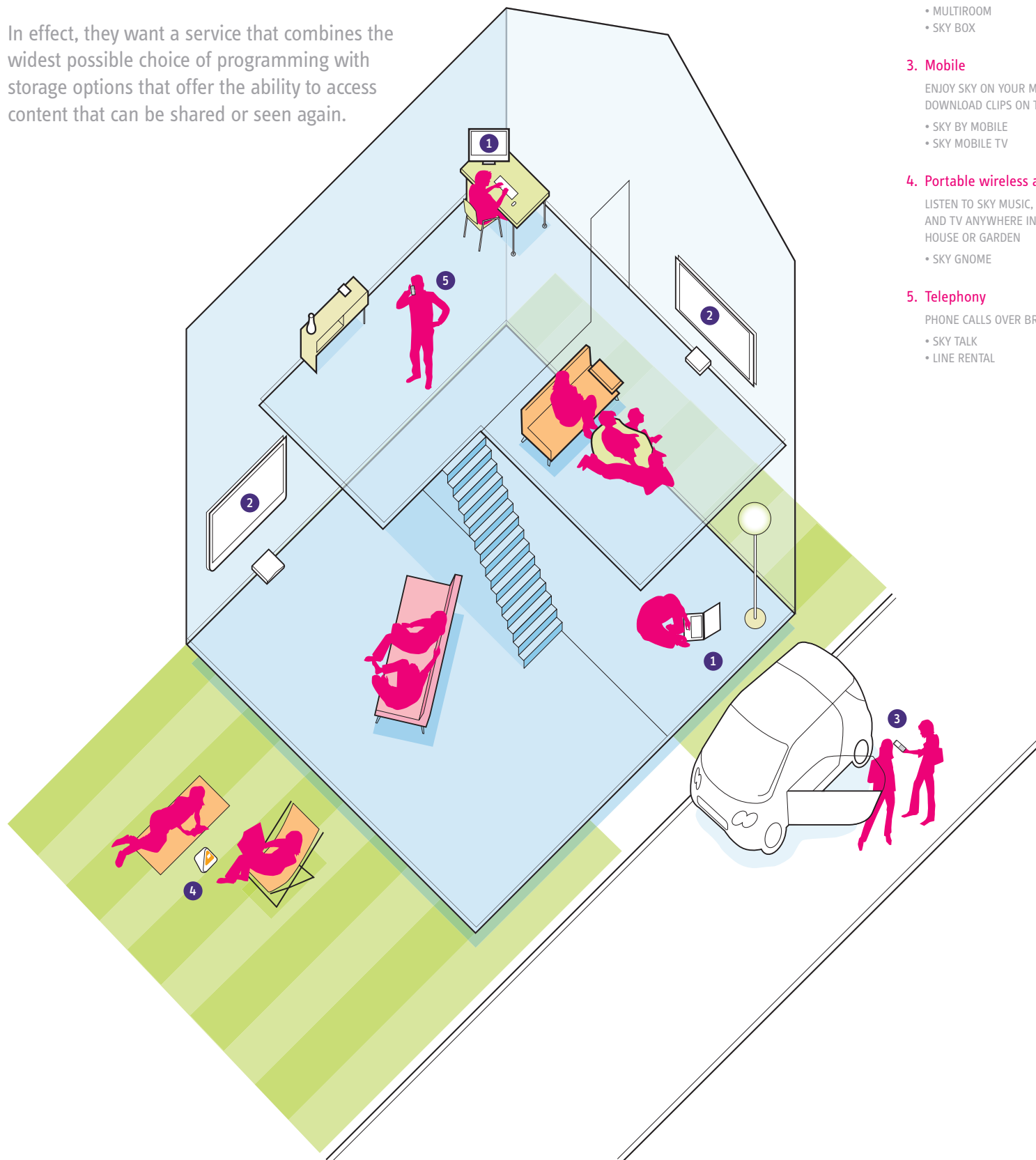
TUNED-IN:
IRREPRESSIBLE:
INVITING:
FUN:

We’re in tune with our customers, our people and society
Our energy and innovation is reflected in everything we do
We work together in an open way to engage customers and each other
We love what we do, and we think that shows through

COVERAGE FOR THE WHOLE HOME

We're making it possible to access Sky across the home. By keeping abreast of lifestyle trends, we've realised that people want more choice about what they watch and more flexibility about when and how they watch it.

In effect, they want a service that combines the widest possible choice of programming with storage options that offer the ability to access content that can be shared or seen again.



1. Broadband

SKY CONTENT ON YOUR COMPUTER

- SKY BROADBAND
- SKY BY BROADBAND
- INTERNET
- SECURITY AND PARENTAL CONTROL

2. TV and Sky box

THE BEST AND WIDEST CHOICE OF SKY TV ALL OVER THE HOUSE

- SKY HD
- SKY+
- MULTIROOM
- SKY BOX

3. Mobile

ENJOY SKY ON YOUR MOBILE AND DOWNLOAD CLIPS ON THE MOVE

- SKY BY MOBILE
- SKY MOBILE TV

4. Portable wireless audio

LISTEN TO SKY MUSIC, RADIO AND TV ANYWHERE IN THE HOUSE OR GARDEN

- SKY GNOME

5. Telephony

PHONE CALLS OVER BROADBAND

- SKY TALK
- LINE RENTAL

WHO WE SPOKE TO



Talking to our stakeholders

You've read a bit about Sky, but how do we find out what people think about us?

There are a number of groups who are key to our future success – people we stay in touch with regularly, and whose views will always matter to us. Customers and employees are obvious examples, but there are also less well-defined groups who have views about the role Sky plays and should play in society. Bringing such a variety of views and perspectives together helps us to plan more effectively and anticipate developments that could have an impact on our business.

Tuning-in

Every year our corporate responsibility activities are shaped by what we hear from people inside and outside the business. This year, we further identified and prioritised our stakeholders and their different perspectives of Sky, assessing their areas of specialist knowledge.

We used an independent company to undertake consultation sessions with stakeholders. These were a mixture of face-to-face interviews, focus groups and questionnaires. All the face-to-face sessions covered the key issues identified in Sky's 2004-05 Corporate Responsibility Review, and also explored Sky and its values, our impact on society and any other issues individuals wished to raise. The results from this process were then taken to two internal groups: the Sky Forum and the CR risk workshop. The inclusion of the Sky Forum for the first time was an important new development in our consultation process.

Our business units also hold their own consultations with a number of stakeholders. For example, in the last twelve months we have developed a new remote control for people with visual or mobility issues. To achieve this we worked with Help the Aged and Scope, amongst others, to get their input on how we can make our product easier to use. There's more on this on page 24.

Communicating with analysts

Like most major listed businesses we have regular contact with the City analysts covering our sector. This covers both general business briefings and discussions on specific corporate responsibility issues.

Listening – and responding

The result of staying in touch with stakeholders is a far more rounded picture of the issues that affect us, the areas of most concern to our stakeholders, and the expectations they have of us. It provides us with a list of the subjects that we need to address in our business and report on. A summary of the topics our stakeholders commented on is provided in the table opposite.

The table on the inside front cover summarises the content of this Review to signpost you to where you can find information on the activities related to the topics raised by our stakeholders.

For information on our plans for next year turn to page 45.



THE CR WORKSHOP GAVE ME A BROADER UNDERSTANDING OF HOW THE COMPANY WORKS AS A WHOLE AND A DIFFERENT PERSPECTIVE ON WHAT OTHERS ARE DOING IN THE COMPANY. COMMUNICATION REALLY HAS IMPROVED OVER THE LAST 12-18 MONTHS. IT MAKES ME FEEL OPTIMISTIC.



Quote from
Sky Forum Member

ANOTHER PERSPECTIVE

Philippa Foster Back OBE
Director
Institute of Business Ethics

Any large company in today's environment has an obligation to act responsibly in how it undertakes its business. Sky firmly makes the link between corporate responsibility and business strategy. The four main areas in this review link to the Sky values but these links could be made more explicit to make them more powerful for employees and stakeholders.

A key aspect in giving corporate responsibility prominence in a company is to have a clear governance structure, with leadership and involvement from those at board level. Sky's explanation of 'putting it into practice' is an example of good practice.

In managing commitments made, Sky has sensibly limited them to focus the business on what it needs to deliver. This ensures that managers and employees do not see this as an add-on or a 'nice to have'. It is often an accusation made of business that corporate responsibility is really a PR effort to enhance the profile of a company. Where this sort of integration exists as demonstrated in Sky's approach, that accusation is inappropriate.

The section of the report detailing stakeholder engagement is comprehensive. The list of those consulted is wider than for many other companies. Sky comes across as a 'listening company' through the processes it has set up, the links it has forged with all stakeholders and its ongoing commitment to corporate responsibility supported at board level.

The key to Sky's success though will lie in embedding the company's values and creating the culture so that they are reflected in everyday behaviour. Only then can they be recognised by others as the basis on which Sky undertakes its business.

WHAT WE HEARD

THIS YEAR OUR STAKEHOLDERS HAVE TALKED TO US ABOUT THE FOLLOWING THEMES:

BUILDING ON OUR FOUNDATIONS	MAKING ENTERTAINMENT ACCESSIBLE	CONTRIBUTING MEANINGFULLY TO CUSTOMERS' LIVES	OUR PEOPLE
<ul style="list-style-type: none"> • Adult entertainment • Gambling • Environment 	<ul style="list-style-type: none"> • Technology and accessibility • Programme content, advertising and education • Diversity and inclusiveness 	<ul style="list-style-type: none"> • Environment • Community involvement 	<ul style="list-style-type: none"> • Diversity and inclusiveness • Environment • Local community involvement
SKY'S VALUES, IN PARTICULAR HOW THEY ARE REFLECTED IN EVERYDAY BEHAVIOUR, AND IN HOW WE OPERATE AS A BUSINESS.			

The contents table on the inside front cover shows where you can find our responses to these themes.

sky movies

The Pacifier
SHOWING THROUGHOUT
AUTUMN 2006



Building on our foundations

Whether you're choosing entertainment, envelopes or energy, you want to know that not only are you paying for something you want but that you're buying a product that's high quality, safe and right for you. But what does that mean for entertainment? How does responsibility work in entertainment, and what is Sky doing to promote it?

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WITH OUR NEW TECHNOLOGY PARENTS CAN NOW:

- Restrict access to channels completely, or between 8pm and 5.30am.
- Remove adult channels from Sky Guide.
- Control spending on Sky Box Office and online.
- Prevent the playback of recorded programmes without a PIN number, by using the lock option in the Sky+ planner.
- Prevent playback of rated programmes outside of the watershed.
- A PIN is required to play a 12+ programme before 8pm, and an 18+ programme before 9pm.

Choice and control

Sky provides a wide choice of entertainment and interactive services that cater for all. We match this choice with information that helps give our customers the ability to make informed choices about the entertainment they want to watch.

On-screen...

We provide the technology to help parents restrict access to some content for younger viewers. This includes clear on-screen programme information and advanced parental controls that can be accessed via our electronic programme guide, 'Sky Guide'.

Our stakeholders told us we're proactively helping them manage what children watch, but that we could do more to explain how to use parental control technology, so we've responded to this (see the box above for details).

The pace of change in technology is increasing all the time, but we're committed to making sure our parental control systems keep pace with new developments, and helping parents make sure their children only access programming that's appropriate for them.

...as well as online

This summer, we launched our new broadband offering. It's just one of many new offers from Sky and, as we expand our services, we're looking at parental control on all of them.

This year Easynet Group became part of Sky. Easynet is conscious of the safety issues associated with the internet, and works to make the web a secure and enjoyable experience for all its users, especially children. Every internet account comes with parental control software.

Easynet is a founder member of the Internet Watch Foundation, a charity that offers an internet 'hotline' for the public to report illegal content online. Easynet also supports the work of the Virtual Global Taskforce safety initiative, an alliance of international law enforcement agencies that are working together to protect children online, and the Child Exploitation and Online Protection Centre. The whole Sky Group is committed to helping make the internet a safer place and we are looking at this across all our platforms this year.

WE'RE ALWAYS LOOKING FOR NEW WAYS TO ADD VALUE TO THE SKY ENTERTAINMENT EXPERIENCE. SKY BROADBAND IS OUR NEW BROADBAND SERVICE THAT ENABLES EASY ACCESS TO THE INTERNET.





PARENTAL CONTROL IS AVAILABLE
ON-SCREEN, ONLINE AND ON THE PC.

“
WE DON'T KNOW WHAT
PARENTAL CONTROL CAN
DO, LET ALONE HOW TO
USE IT.
”

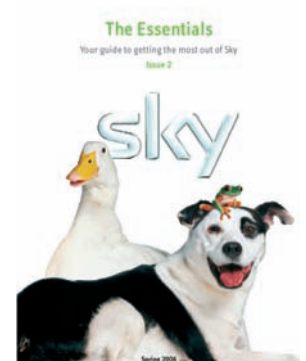
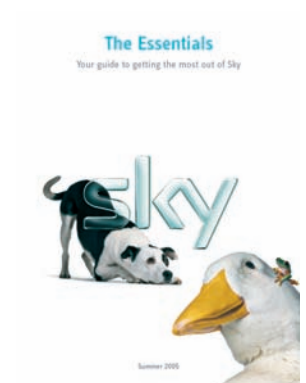
Quote from
stakeholder consultation

...and on the PC

Our new products give families even more flexibility and control over how and where they watch television. Sky by broadband is a new service for Sky premium package customers that allows them to download movies and sports clips onto their PCs at no extra cost. Parental control enables adults to control what their children watch. The person who holds the Sky digital account sets a PIN number, which can limit access to certain downloaded videos and determine whether 'offline' viewing is permitted.

Find out more

We run a dedicated screen and print advertising campaign focussing on what our parental controls offer, and how to get the most out of Sky products and services. This has been backed up by two new booklets called 'The Essentials', a special new section in the Sky customer magazine and on the www.sky.com website, which update customers on new developments, as well as our existing range of products.



THIS YEAR WE UPDATED OUR CUSTOMERS ON THE NEW PARENTAL CONTROLS AVAILABLE TO THEM, AND HOW THEY CAN GET THE MOST OUT OF SKY, IN TWO DEDICATED BOOKLETS CALLED 'THE ESSENTIALS'.



CUSTOMERS CAN ACCESS SKY BET'S GAMBLING AND GAMING PRODUCTS ONLINE AS WELL AS VIA INTERACTIVE TELEVISION. WWW.SKYBET.COM OFFERS INFORMATION AND TOOLS SUCH AS DEPOSIT LIMITS AND AGE VERIFICATION, TO HELP CUSTOMERS PLAY AND GAMBLE RESPONSIBLY.

In touch with the odds

Gambling is a source of entertainment but we recognise that we have a responsibility to our customers to ensure that they enjoy their experience of Sky Bet and that this extends, as far as possible, to making sure that our customers gamble responsibly. We have a long-standing commitment to responsible gambling and our stakeholders tell us that they recognise this. We aim to be at the forefront of developments designed to make gambling safer.

Standards and tools

Sky Bet provides customers with gambling and gaming services via interactive television, internet and phone. Sky Interactive's Code of Practice for Interactive Gambling was developed with GamCare in 2003, and has introduced responsible measures to all the gambling services offered on the Sky Interactive platform. Sky Bet also ensures that it complies with the Social Responsibility Code of the Remote Gambling Association. This covers areas such as age verification, customer spending limits, self-exclusion mechanisms, reality checks within game play, the offer of free play, advertising and promotional material, and player protection information. It also sets out guidance for customer service teams on social responsibility and problem gambling. Sky Bet complies with all the recommendations of this code, and we encourage third party gambling operators hosted on our platform to do the same.

Sky Bet customers can set a maximum deposit on their account before they play, and fix a limit on how much they can deposit in any 24 hour period. Once this limit is set, it cannot be changed for seven days. Customers can also elect to exclude themselves for either 24 hours or six months, and this exclusion cannot be reversed until the full exclusion period has expired. We undertake age verification procedures to make sure that Sky Bet customers are over 18 and those measures are being enhanced further. This year we have rolled out a new age and identity verification system.

Sky Bet's customer service teams are trained to direct customers to our responsible gambling tools, or to GamCare for advice and support, if directly or indirectly requested.

From May 2006, all www.skybet.com web pages now link to the Internet Content Rating Association website, which will allow customers to block all Sky betting websites from their PC if they want to.

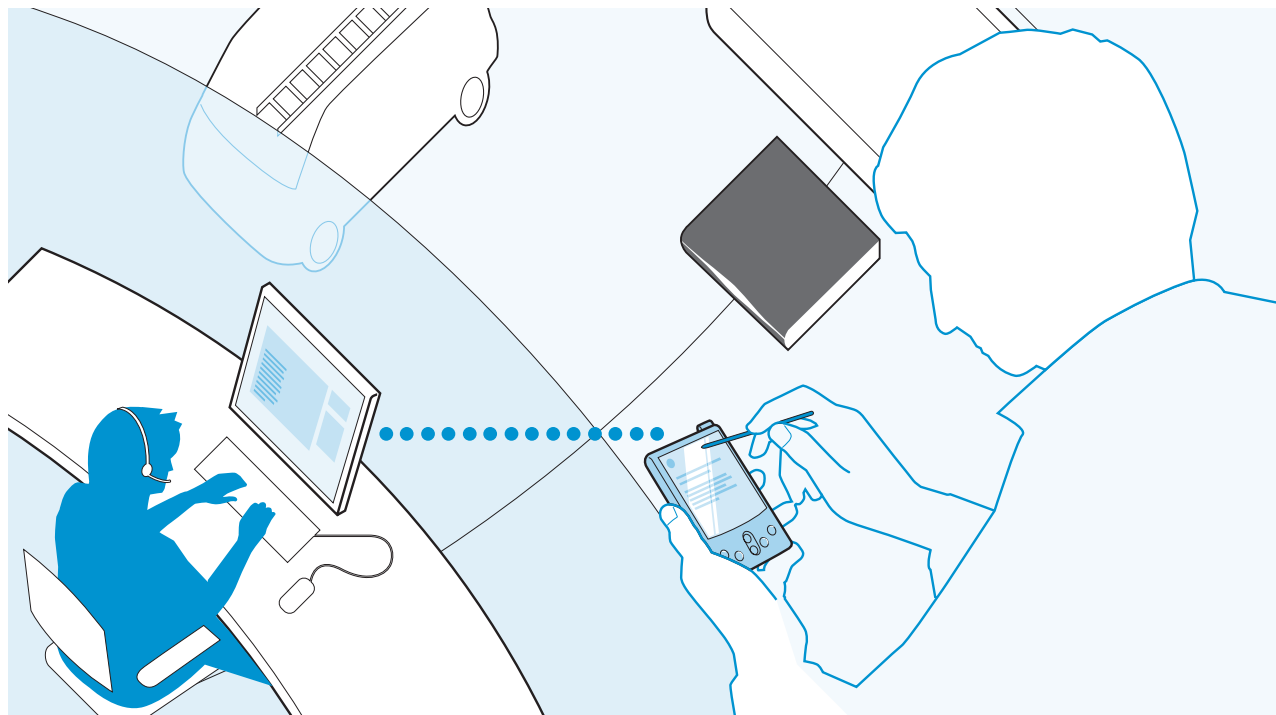
For more information visit:
www.skybet.com/help/responsibility

24hr

OPTIONAL DEPOSIT LIMIT OR
SELF EXCLUSION AVAILABLE
ON SKY BET

ALWAYS IN TOUCH

WE HAVE A FULLY-INTEGRATED SYSTEM THAT LINKS OUR TELEPHONE CONTACT CENTRES WITH OUR 3,500 FIELD ENGINEERS, WHO ARE CONNECTED VIA HAND-HELD PCS.



Customer service

Customer service is one of the foundations of our success – now and in the future. That's why our Chief Executive Officer and our other senior executives regularly set aside time to listen in at our contact centres, as well as joining our field engineers when they're making home visits. This is backed up by our ongoing monitoring tool, and regular focus groups that canvas the views of people who are already Sky customers, as well as those who aren't.

We handle over a million calls a week on a huge variety of different subjects, and we're continuing to invest in systems that improve the way we handle calls, installations, problems and queries. On average our customer satisfaction figures are 92% (the number saying our service was good or very good). Our approach allows our customer operations people to solve customers' issues themselves. We have a fully-integrated system that links our telephone contact centres with our 3,500 field engineers, who are connected via hand-held PCs. The result is that the customer gets a faster, more efficient and more synchronised service.

Our contact centre teams can give customers comprehensive advice: the more we know about each individual customer, the more help we can give them on the sort of packages that

will suit them best, and meet any special requirements they may have. Information is to hand that gives our people in-depth product details and support to help ensure customers get accurate and relevant answers to any questions they have. We're backing this up by giving our customer service advisors more scope to use their initiative when dealing with problems – if we haven't quite delivered the service we expect, our people can act to remedy the situation. It's all about doing more than just what's expected of us.

[For information on dedicated customer service for customers with disabilities, see page 24.](#)

How we sell Sky

Most of our customers come directly to Sky when they want to join, but they can also join Sky through independent retailers. We monitor both types of sales to check the standard of our product sales, and the quality of service received by customers. Sky's own customer sales teams are monitored to continually assess sales skills and practices, and make changes and improvements where necessary. We also undertake ongoing external monitoring, including mystery shopping.



OUR EXTENSIVE CUSTOMER SERVICE AND SUPPORT NETWORK IS CO-ORDINATED FROM OUR TWO CONTACT CENTRES IN LIVINGSTON AND DUNFERMLINE. THE AWARD WINNING ENVIRONMENTS AT OUR CUSTOMER CONTACT CENTRES PROMOTE A MORE APPEALING WORKPLACE THAT ENCOURAGE TEAMWORK AND HELP IMPROVE CUSTOMER SERVICE.

1,000,000

CUSTOMER CALLS HANDLED
EACH WEEK

3,500

FIELD INSTALLATION ENGINEERS

OUR STRATEGY AND ACTION

THIS YEAR OUR OPERATIONAL ACTIVITY HAS FOCUSED ON THREE AREAS – CARBON EMISSIONS (EFFICIENCY, REDUCTION AND OFFSETTING), ENERGY USE AND WASTE MANAGEMENT.

We recognise that to reduce our environmental impact we must incorporate environmental decision making into everything we do. This diagram shows how departments within the business are taking action on the environment.

HR & INTERNAL COMMUNICATIONS

Launch of a dedicated intranet site, carbon credit card, appointment of environment ambassadors and incentives for employees to purchase a hybrid car

MAINTENANCE & ENGINEERING

Investing in renewable energy and efficiency measures across our buildings

FLEET SERVICES

Reviewing the efficiency of our company car fleet to reduce CO₂ emissions

FIELD OPERATIONS

Upgrading our van fleet and improving driver training to reduce CO₂ emissions

PROCUREMENT

Working with businesses that can provide us with 'greener' products and services

FACILITIES MANAGEMENT

Waste reduction campaign to encourage employees to 'reduce, re-use and reconsider'

BRAND

Development of a unique environmental brand to promote awareness and action

MARKETING

Developing campaigns specifically for engaging our customers

CUSTOMER COMMUNICATION

Increasing the percentage of recycled paper in the Sky magazine

PRODUCT DEVELOPMENT

Investing in research and development to continuously improve the energy efficiency of our products

PROGRAMMING

Carbon Positive programming and encouraging more coverage of climate change issues

EXTERNAL COMMUNICATIONS

Providing information and engaging with interest groups and partners

Our environment

We aim to incorporate environmental management into all areas of our business, making environmental considerations an integral part of the way we operate.

Our environmental policy forms the basis of our management system and from this we've developed a number of objectives and targets to direct our activities. This section looks at what we're doing to improve our environmental performance, and make our technology more energy efficient. Later in this Review we'll talk about how we're helping our customers tackle some of the same issues in their own homes (see page 28 for more on this).

Measuring and monitoring

We've made a number of advances in the management, measurement and monitoring of our environmental performance as we recognise that reliable data is crucial for guiding our improvement activities and tracking how we're doing. We're continuing to improve our environmental data collection systems, and this year we commissioned an independent verification of our environmental data. A number of recommendations were made on how we can improve our data management processes. We've taken each of these recommendations on board and significantly improved the quality and comprehensiveness of our data. See page 46 for the verification statement.

During the year there were no incidents or fines for non-compliance with relevant environmental regulations in the UK and Ireland.

Carbon neutral

In May 2006, Sky became the world's first major media company to go carbon neutral, through measurement, reduction and offsetting our carbon dioxide emissions.

This milestone reflects efforts made across the business to increase energy efficiency, reduce energy use where possible and find more innovative ways to operate. As part of this process, we have worked with a number of organisations over the year for guidance and support including The CarbonNeutral Company and The Climate Group. For our remaining unavoidable CO₂ emissions, we have voluntarily purchased carbon credits in two renewable energy offset projects. These projects are a gold standard¹ wind power project in New Zealand and a micro-scale hydro-electricity scheme in Bulgaria.

Site emissions

We're already using 100% renewable energy at our sites in England and this will include Scotland and Easynet UK sites from October this year. In 2005–06 our total site-based energy consumption was 119,255,006 kWh, an increase of 16% from the previous year. This year we included electricity consumption estimations for two sites which were not previously included in our reporting and this estimate accounts for 12% of the percentage increase. The remainder of the increase is due to expansion of our operations.

Our use of renewable energy has meant that despite increasing our energy consumption we have still successfully reduced our CO₂ emissions. This year our total CO₂ emissions were 29,056 tonnes, against our target of 34,079 tonnes by 2010. This represents a reduction of 5% from last year.²

Our site emissions account for 12,899 tonnes of CO₂ equivalent (44% of total CO₂ emissions). This makes the range of initiatives we are taking to reduce emissions from our operations important. We are fitting more efficient



WE'VE INVESTED IN THE TE APITI WINDFARM, LOCATED NORTH OF THE MANAWATU GORGE ON THE NORTH ISLAND OF NEW ZEALAND. THE WINDFARM IS CAPABLE OF GENERATING ENOUGH POWER TO SUPPLY UP TO 45,000 AVERAGE HOMES.

¹The Gold Standard is an independently audited, globally applicable best practice methodology for project development that ensures carbon credits are of high quality premium value.

²At the beginning of 2006 Sky acquired Easynet. Easynet was included in the calculations undertaken with the Edinburgh Centre for Carbon Management (ECCM) as part of the process of becoming carbon neutral. However they have been excluded from this year's data reporting due to being acquired mid financial year and will be included in our 2006-07 review.

0%

EMISSIONS AFTER CARBON OFFSETTING

chilled beam technology air conditioning systems, implementing solar lighting and presence detection control on the lighting systems, using time controls for the car park lighting, and encouraging our people to turn off PCs, TVs, and lights. In addition, we have set stringent guidelines for the design of new buildings. This will ensure new Sky buildings are made as energy efficient as possible from the outset.

Travel

Sky's other main source of CO₂ emissions are those associated with travel. This year, 16,157 tonnes (56%) of CO₂ came from travel. This represents a 10% increase compared to the previous year. Increased travel completed by our fleet of field engineers was the main contributor to this. We've set up a number of schemes to reduce emission-producing travel, including the introduction and promotion of video conferencing facilities for meetings and the use of a locally based taxi service that uses hybrid cars, for business travel from our Osterley site. Sky has a fleet of over 1,300 vans used by our field engineers. We're currently reviewing our fleet and as part of the re-tender process, we are investigating the fuel types available to us in order to reduce CO₂ emissions associated with our fleet operations. The review will also include checks on the manufacturers' supply chains to assess their environmental record.

Transport

Sky is encouraging employees to reconsider their transport options. We have improved shuttle services to and from train stations to encourage the use of public transport and implemented a lift sharing intranet site to encourage car pooling. We offer discounts and a £1,300 (gross) cash back incentive scheme for employees who purchase a hybrid car.

Making our products greener

We're developing new technologies that will reduce the emissions produced by our products. The power consumption of our set top boxes has already been halved since we launched them, but we're continuing to work on improving their energy efficiency. This year, we developed a research and development road map aimed at ensuring these improvements continue to occur into the future. We're currently working on the world's first automatic standby facility for set top boxes. This will not only save our customers money, but also reduce their CO₂ emissions.

Sky is the only media company to have signed up to the voluntary EU Code of Conduct on Energy Efficiency in Digital TV Service Systems. All our products are below the emissions levels it recommends.

Waste

An independent waste management audit carried out in 2006 helped us to identify a number of opportunities to improve our waste management system. The most significant of these will be implemented this year, and involves streamlining our recycling system through the introduction of mixed recycling and improving the labelling of our bins. This will make the process for our people much simpler and should lead to a significant increase in the amount of material recycled.

We've recently signed a contract with one of our suppliers for the recycling and disposal of redundant PCs and office hardware, including printers and monitors. All recyclable components will be recovered or re-used, with no waste sent to landfill. Sky now has recycling facilities for metal and wood from the props in our studios, CDs and VHS



I APPLAUD SKY AND ITS EMPLOYEES ON THE ACTIONS IT HAS TAKEN TO UNDERSTAND AND BEGIN TO TACKLE ITS CARBON DIOXIDE EMISSIONS.



Ian Pearson MP
Minister for Environment
Food and Rural Affairs



OVER THE LAST YEAR WE HAVE INVOLVED OUR SUPPLIERS IN EXPLORING HOW TOGETHER WE CAN REDUCE OUR IMPACT ON THE ENVIRONMENT.



IN JUNE 2006 SKY JOINT HOSTED A PANEL DEBATE ON BUSINESS AND CLIMATE CHANGE, FOLLOWING A PRESENTATION BY AL GORE AT THE TATE BRITAIN. PANEL MEMBERS INCLUDED DAVID MILIBAND MP, ED MAYO, CEO OF THE NATIONAL CONSUMER COUNCIL AND MATTHEW ANDERSON, SKY'S DIRECTOR OF COMMUNICATIONS. THE DEBATE WAS CHAIRED BY ADAM BOULTON, SKY NEWS' POLITICAL EDITOR.

tapes, old broadcast equipment, mobile phones, batteries, PCs and office hardware and fluorescent tubes. This year we launched a new scheme to recycle printer cartridges, with a donation made to the Chicken Shed Theatre Company for every cartridge recycled (there's more about our work with Chicken Shed on page 30). Our biggest use of paper is for the Sky customer magazine that goes to the majority of our customers each month. The paper currently uses 20% recycled material and we will be increasing this.

Our total waste to landfill was 2,373 tonnes. This increase in our tonnage against previous reporting years relates to more comprehensive reporting from our waste contractors. As a result of the independent verification of our waste data we now have a more accurate baseline and will aim to use this to deliver a 100% increase in the amount of waste we recycle by 2007. Our current level of recycling/reuse is 393 tonnes which equates to 14% of waste being diverted from landfill. Additionally, this year we took back 687,423 set top boxes, which equates to 2,226 tonnes for refurbishment or recycling. We plan to make further improvement to the monitoring of waste types and will include hazardous waste in future reporting.

Water

We're not a big consumer of water but we're doing what we can to minimise its use. This year, our total water consumption was 129,796m³, that's 11.6m³ per employee. To drive improvement we have expanded the scope of our data capture to include all sites and improved our measurement techniques to ensure data for our sites is comprehensive. As a result of this exercise we now have a verified baseline from which we will set a revised target to reduce water use.

Supply chain

We've given corporate responsibility an increasingly important place in our procurement processes, so that all relevant tenders and contracts include a review of the suppliers' sourcing, manufacturing plants' environmental performance and people policies. We visit key suppliers' premises, both in the UK and internationally, to check and clarify the information they provide. We also ask our suppliers to source and supply greener products. For example, we're now using 100% recycled paper in our offices in Osterley and are expanding this to all our sites. On the IT side we're currently trialling multifunctional devices to replace our photocopiers. These machines use fewer toner cartridges, consume less energy and produce less waste.

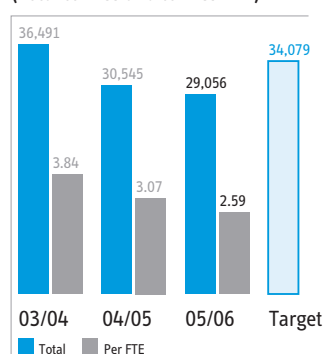
393

TONNES OF OFFICE WASTE
RECYCLED/REUSED

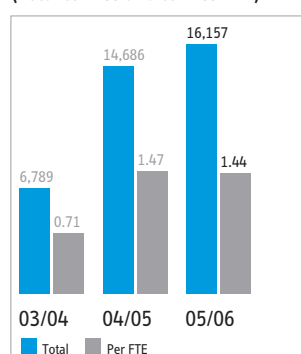
687,423

SET TOP BOXES REFURBISHED
OR RECYCLED

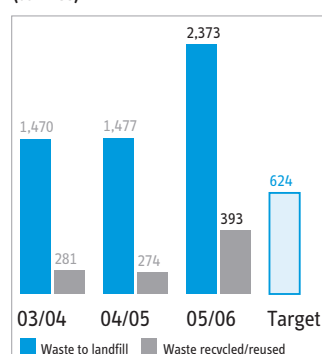
Total CO₂ emissions per year
(Total tonnes and tonnes/FTE)



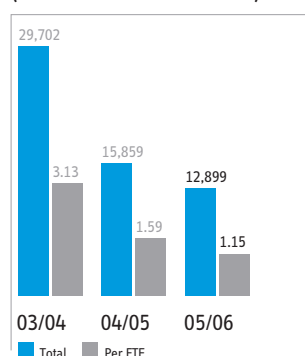
Total CO₂ emissions from transport
(Total tonnes and tonnes/FTE)



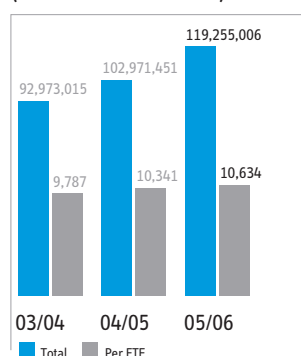
Total waste and recycling
(tonnes)



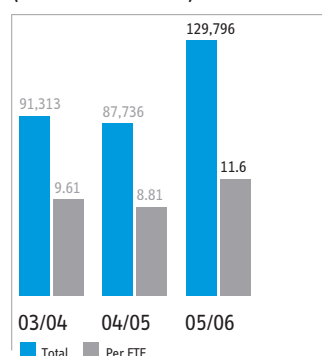
Total CO₂ emissions from sites per year
(Total tonnes and tonnes/FTE)



Energy consumption
(Total kWh and kWh/FTE)



Water usage
(Total m³ and m³/FTE)



FOOTNOTES

- All reporting is based on financial years (1 July – 30 June)
- Our CO₂ target is to reduce our CO₂ emissions by 10% from 2003 levels by 2010
- Our waste target is to increase the amount of waste recycled by 100% from 2005-06 levels by 2007
- FTE = Full Time Equivalent employees

Communications

During the year, we've organised a series of events to help bring business leaders up-to-speed with what we've learned so far about carbon neutrality and sustainability. In June 2006 Sky, in association with the All Party Parliamentary Group on Climate Change and The CarbonNeutral Company, hosted a presentation on climate change by former US Vice President Al Gore. The event was attended by the Secretary of State for Environment, Food and Rural Affairs, MPs, leading businesses, NGOs and Sky's key suppliers. After the presentation a panel debate was chaired by Adam Boulton, Sky News' Political Editor. Representatives from Sky, the National Consumer Council, Honda and The CarbonNeutral Company joined the Secretary of State on the panel with an audience of over 50 business representatives, including Sky's key suppliers and partners, to discuss the real business opportunity presented by climate change, and the significant environmental and economic benefits to be realised. We're continuing to work with our partners and suppliers to influence their attitudes toward energy efficiency, sustainability and the impact of their own business on the environment.

We're also involving our shareholders in our efforts to save paper by encouraging them to receive their communications from us electronically. For every shareholder that took up the offer this year, a tree was planted in the Northumberland National Park by The CarbonNeutral Company.

Our people

We're actively working to engage our own people with environmental opportunities. We've launched an intranet website and carbon credit card that encourages our employees to 'join in'. The website keeps our employees informed about the various initiatives at Sky and provides tips on how they can be more environmentally friendly both at work and home. The carbon credit card acts as a reward scheme, giving points for various activities such as using lift-sharing or other emission reducing travel options, demonstrating environmental commitment through the way they work and submitting ideas on ways Sky can improve its environmental performance. Each carbon credit is an entry into a prize draw.

[Want to know how we got on with the commitments we made last year? Turn to page 48.](#)



ANOTHER PERSPECTIVE

Philipp Mettler CFA
Sustainable Asset Management (SAM)

The experience and feelings you have when you buy a product are essential for staying with that product. As BSKyB has very well stated, the product has to be right for the customer; additionally, it has to be safe and of a high quality.

In my opinion, BSKyB focuses on the most important aspects of product responsibility: a transparent product offering and first-class customer service. BSKyB also pays particular attention to the protection of children which is very relevant to the nature of its product and sector, and is critical to reputation.

However, responsibility should not end with BSKyB's own products, but should be extended to its whole offering, including BSKyB's platforms. That includes the content on television channels, internet and content and services delivered by mobile phone. This is especially true for gambling activities.

sky movies

Charlie and the Chocolate Factory
SHOWING THROUGHOUT
AUTUMN 2006

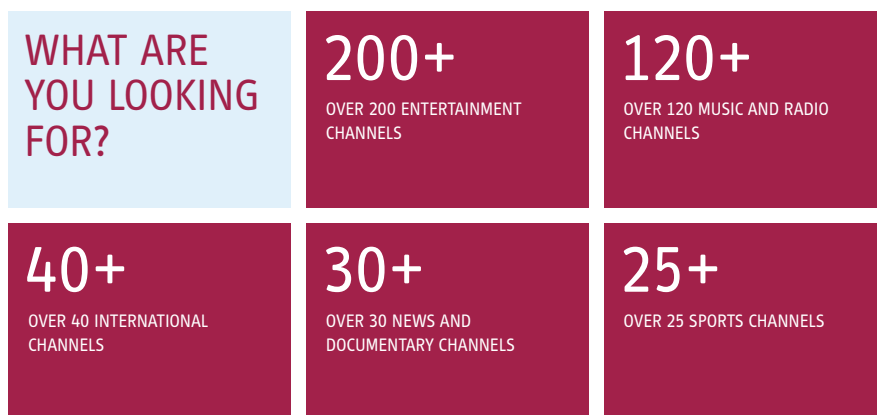


Making entertainment accessible

Communications technology is putting the world at our feet. More and more of us can now watch, search, play, learn, create, communicate and interact, whether on TV, on the internet, or on our mobile phone. Sky is part of that, and we think we have a special part to play in making communications accessible, enjoyable and easy to use for everyone.

In this section

What do you want to watch?.....	22
Access for everyone	24
The Virtual Newsroom	25



What do you want to watch?

There are now over 500 channels available on the Sky digital satellite platform, some of them are our own (like Sky News and Sky Sports), but many of them are owned and managed by third parties. Any channel that meets the necessary legal and regulatory standards can make a request to be listed in Sky Guide. With so much on offer, we want our customers to feel comfortable finding their way around and making the right choices for their family's viewing.

What's on...

So much choice poses its own challenges, and we're continually improving our on-screen 'Sky Guide' to help people navigate through what's on offer. For example, we recently introduced more channel genres to the list. We also make available functionality to flag up features such as multi-play, widescreen, high definition, interactive programmes, Dolby Digital and surround sound, when they are available. As the number of channels expands, the Sky Guide has to take more and more listings, but it should always remain easy and intuitive to use.

...and what's it about

There are two main ways that viewers can make decisions about what is appropriate to watch. The first is the watershed which operates between 9pm and 5.30am, which all broadcasters are required to abide by, unless there is a satisfactory protection system (a mandatory PIN or equivalent) in place. The second is by using parental control options. For further information on this please see page 12.

Sky goes further than the requirements of the Broadcasting Code by having a 15+ rating, which means that films that could go out at 8pm are not shown before 9pm on Sky Movies unless they're being screened on a Sky Movies

PIN protected channel. Whether it's movies or other programmes on Sky-owned channels, our advanced parental controls mean that adults can be confident that their children aren't watching or re-playing any inappropriate content – there's more on this on page 12. Customers can also get more information about both movies and other programmes by using the 'i' button on their remote control and reading a synopsis. All programmes on channels owned by Sky are automatically checked to assess what type of information is required in the Sky Guide, and whether advice about content is necessary. In some cases a verbal announcement is also given before the programme starts.

As for content, Sky Movies make cuts or changes if there is something they feel is unsuitable but which is not specifically prescribed by the British Board of Film Classification or Ofcom. This may reflect, for example, particular concerns arising from a current news story.

Broadcast advertising

Most commercial broadcasters show adverts on their channels. Regardless of the product, service or charity being promoted, all ads shown on Sky or any other UK channel have to meet Ofcom rules on the amount, scheduling and presentation of advertising. They must also meet standards for the content of television advertising, enforced by the Advertising Standards Authority and must conform to the standard of 'legal, decent, honest and truthful'.

It is down to every individual advertiser to ensure that its material conforms to the Television Advertising Standards Code. All ads transmitted on Sky-owned channels are cleared through the Broadcast Advertising Clearance Centre, or BACC, before they are made, to ensure they are suitable to be shown. Sky will not accept any advertising for



235,000+

NUMBER OF CUSTOMERS WHO HAVE SIGNED UP TO SPORTS AND MOVIES BY BROADBAND

broadcast that does not have BACC approval. Our Media Sales Department manages the BACC process for our own and our joint venture channels. In addition to contacting us directly, any viewer can make a complaint to the Advertising Standards Authority if they believe an advert fails to meet appropriate standards and if the complaint is upheld the advert may have to be withdrawn, amended or broadcast at a later time of the day.

Watch Sky where you want

There's so much people can discover on Sky, and we want to make sure that everyone gets as much as they can out of their Sky TV subscription, when they want to and now, where they want to. In January 2006, we launched new services that enable customers to access a whole range of Sky content on their mobile, or on their PC. We want our customers to understand the technologies that we're making available to them so that they can make decisions about how they might work in their day to day lives.

Sky by broadband

Sky by broadband gives our customers the convenience of accessing over 500 movies and 1,000 different sports clips via their PC or laptop. There have been over one million free downloads of movies from the Sky site already, and sports fans can get results and up-to-the-minute news to supplement the full matches and events screened on their TV. So far over 110,000 customers have signed up to the sports service by broadband and over 125,000 to movies. The service will be further expanded in 2006.

Sky on your mobile phone

The ability to access Sky entertainment on the move has arrived. Over 8,000 customers have registered to get news, sports and entertainment, headlines and videos on their mobile phone. Customers can now also programme their Sky+ box to record remotely from their mobile phone.

The other mobile service we're offering is Sky Mobile TV – a specially-tailored version of Sky that we've launched in partnership with Vodafone. We offer around 20 different channels by 3G phone – some are live, like news and sports news, while others are customised for watching by phone, like clips and interviews from Sky Movies. In the first two weeks after launch, Vodafone customers used Sky TV on their mobile over one million times and demand peaked with our coverage of the whale stranded in the River Thames.

Looking forward

The acquisition of Easynet was a significant step in evolving our services to customers. With its high-quality UK-wide infrastructure we are setting new standards for home entertainment by combining digital satellite, and the storage capacity of Sky+, with a broadband service. Crucially for us, the quality of this network also means that we're already in a position to integrate video, TV and telephony, giving us the basis of a service that brings together the strengths of satellite with the best of broadband.

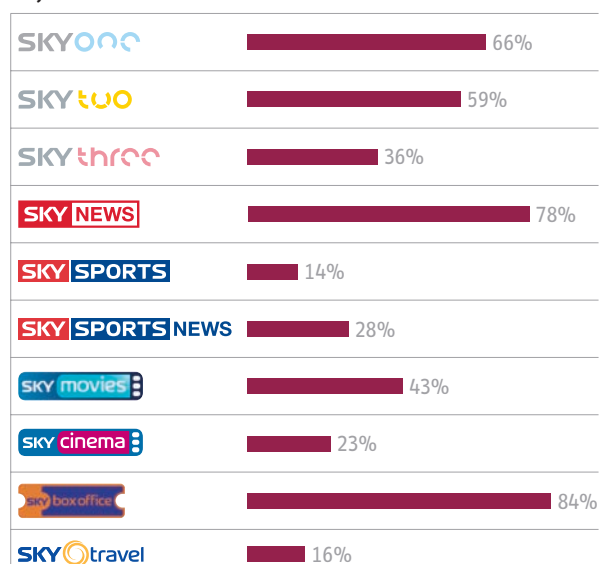


DOES A NEW
TECHNOLOGY
DO SOMETHING I
NEED TO DO, AND
DO IT EASILY?



Quote from stakeholder
consultation

Subtitling provision July 2005 – June 2006



Figures approximated based on average (cumulative) quarterly percentage of subtitled programming, as reported to Ofcom. The subtitling targets for these channels, as set by Ofcom, is 10%.

ABNORMALLY FUNNY PEOPLE IS A SHOW BY A GROUP OF GIFTED DISABLED STAND-UP COMEDIANS. THE WHOLE PROCESS OF MAKING THE SHOW WAS FILMED BY THE MEDIA TRUST AND SCREENED ON SKY THREE AND THE COMMUNITY CHANNEL.



70,000+
CALLS TO THE ACCESSIBILITY
SERVICE TEAM

Access for everyone

Sky is for everyone. That's why our wide range of choice also has to be delivered in a way that's usable and accessible.

During the last year we've developed two new remote controls for people who may need an easier to use remote. We worked with Scope and Age Concern amongst others to understand how to modify our remote control unit to make it easier to use for people with either limited vision or mobility impairment. The research told us that the design and layout of the existing device should remain, but could be improved through enlarging the print to make button identification easier, increasing the contrast in colour between the buttons and the central feature, changing the contours of the number keys for ease of finger location, and introducing a hand-strap version to help customers with dexterity problems. This product will be available from July 2006.

For some time we've offered an audio version of the Sky monthly magazine to customers who find reading small print difficult and this is now available online. Both the online and CD version are easy to use and simple to navigate.

Audio description, sign language and subtitles

The Electronic Programme Guide (EPG) has a new feature which when activated, highlights the access services on the EPG so that viewers can see immediately whether a programme has audio description, sign language or subtitles.

Our website also has a dedicated page for information about programming with subtitles, narrative or sign language (www.sky.com/accessibility). A recent redesign has made this clearer and more streamlined, with three

new sections offering background information on each of the services, plus details on how to use them. Examples are provided in the 'Access all areas' box.

A dedicated service

Sky has a dedicated Accessibility Service Team to make sure that disabled callers can access our helpline in the way that works best for them.

The team stays in touch with the needs and expectations of disabled customers through focus groups, which include both Sky customers and people not currently using the service. Feedback is also collected from the www.sky.com/accessibility website.

Callers can phone 08705 66 33 33

Textphone 08702 40 19 10

Email accessiblecustomerservice@bskyb.com

Seeing is believing

A good example of Sky's work in this area was the show 'Abnormally Funny People'. This was one of the success stories of the 2005 Edinburgh Fringe, bringing together a number of stand-up comedians who also have disabilities. After the festival, Sky screened a documentary on Sky Three and the Community Channel, taking a behind-the-scenes look at how the show was put together, and following the progress made by the cast from the day they first began writing material for the show, to the opening night and the press reviews. Over 100,000 people watched it on-screen.

Sky is a member of the Broadcasters and Creative Industries Disability Network which works to improve and increase the representation of disabled people on television.

INCLUSIVE PROGRAMMING

WEEKLY WORLD CINEMA, SKY CINEMA 1, EVERY WEDNESDAY FROM 8PM WE SHARE OUR LOVE OF WORLD CINEMA; AWARD-WINNING, CRITICALLY ACCLAIMED, BRILLIANTLY MADE MOVIES FROM ALL OVER THE GLOBE.

WEEKLY MADE IN BRITAIN, SKY MOVIES – SHOWCASING THE BEST OF BRITISH FILM MAKERS, DIRECTORS AND ACTORS.

MARCH 2006 FEMALE DIRECTORS, SKY MOVIES 1&2 – A WEEK OF FILMS FROM FEMALE DIRECTORS.

MAY 2006 DEAF AWARENESS WEEK, SKY MOVIES 5 – A SERIES OF SIGNED FILMS.

ACCESS ALL AREAS

SKY BOX OFFICE CHANNEL 738 IS DEDICATED TO SIGNED MOVIES AND 739 IS DEDICATED TO NARRATIVE FILMS.

ON THE FIRST SUNDAY OF EVERY MONTH CUSTOMERS CAN SEE TWO PEAK-TIME MOVIES WITH SIGN LANGUAGE ON SKY MOVIES 9.

SIGNED SKY SPORTS NEWS ON CHANNEL 408 ON SATURDAY MORNINGS.

SIGNED SKY NEWS CHANNEL 501 ON SUNDAY MORNINGS.

CUSTOMERS CAN ACCESS THE SIGNED SERVICE ANYTIME BY PRESSING THE RED ACTIVE BUTTON AND SELECTING SKY NEWS ACTIVE.



THE ONLINE SKY VIRTUAL NEWSROOM GIVES YOUNG PEOPLE ACCESS TO SKY NEWS, WHERE THEY CAN FOLLOW A BREAKING NEWS STORY FROM THE FIRST CALL TO FINAL BROADCAST. IT'S SUPPORTED BY AN INTERACTIVE CD-ROM FOR SCHOOLS THAT FEATURES A RANGE OF LESSON PLANS.

“ I CAN SAY ALREADY THAT YOUR WEB RESOURCE IS ESPECIALLY USEFUL FOR VOCATIONAL MEDIA STUDENTS.

”
Teacher

160

APPLICANTS TO THE YOUNG JOURNALIST 2006 COMPETITION

5,000+

SECONDARY SCHOOLS AND COLLEGES RECEIVED THE VIRTUAL NEWSROOM CD-ROM

ANOTHER PERSPECTIVE

Dr Lyn Pemberton
Interactive Technologies
Research Group
University of Brighton

Digital media is increasingly becoming central to the public's entertainment and information needs and it's vital that everyone, young and old, able-bodied and disabled, should have the information available to understand how to use these services to suit their lifestyles.

Television can be a great shared experience and a blockbuster programme can be a hot topic of conversation and debate for days. That's one reason it's so important that people don't find themselves excluded from enjoying television because of physical or cognitive disabilities.

Sky is doing some excellent work supporting people's viewing with subtitles, audio description and signing, making it easier for people with disabilities to share in the media culture of their colleagues, friends and family. Importantly Sky's designers have thought through the whole experience so that these facilities are also clearly signalled on the website and in the on-screen programme guide. People who need extra support can now easily find out what's available and when. Let's hope these services are available for even more programmes in the future.

And as more channels and interactive services become available, an easy to use handset becomes even more important. It will be interesting to track the take up of the redesigned easy grip Sky remote control. Like so many objects originally designed for disabled use, it stands a good chance of becoming a big success with the rest of the viewing public too.

The Virtual Newsroom

In October 2005 we launched the Virtual Newsroom – a groundbreaking interactive version of the Sky News studio. Sky News receives a huge number of requests for work experience every day, and the Virtual Newsroom is our way of giving young people access to Sky News regardless of location, age or academic achievement.

Visitors to www.sky.com/virtualnewsroom can follow a dramatic news story breaking, from the first call to the news-desk to the final broadcast. As the story progresses the roles of news editors, correspondents, cameramen, sound recordists, graphic designers, producers, studio directors and presenters are all explored, giving a genuine insight into exactly how a news bulletin is brought to air. There are also interactive games allowing young people to either direct or present the news. This can be linked up to a webcam to show the user's face on the screen.

The topics featured include

- the role of Ofcom in newsgathering
- changing values in the news and society
- careers in a media environment
- moral dilemmas in the news and in society
- writing a script following research on a social issue
- developing scriptwriting
- comparison with real news items
- breaking news and changing priorities in the newsroom.

Lesson packs for teachers

The Virtual Newsroom is supported by an interactive CD-ROM for teachers featuring a range of lesson plans to complement the National Curriculum specifications for Media Studies, English, and Personal and Social Education. We chose Heston Community School near our main site in Osterley to launch this new teaching resource, which has now been sent to all secondary schools and colleges in the UK – over 5,000 in total.

Sky Young Journalist competition

The Virtual Newsroom includes a nationwide competition to find the best young journalistic talent in the UK, run in partnership with some of the UK's biggest local radio stations and daily newspapers. Reach for the Sky Young Journalist 2006 was open to all young people and aimed to increase their understanding of the media, and give a voice to them on issues that matter to them. 160 young people applied to the competition.

Want to know how we got on with the commitments we made last year? Turn to page 48.

sky movies

Shrek 2
SHOWING THROUGHOUT
AUTUMN 2006



Contributing meaningfully to customers' lives

How many other brands are given such a privileged place at the heart of people's homes? We know we have a responsibility to use Sky's unique position in a positive way. Success depends on being in tune with what our customers care about, and helping them to take action.

In this section	
Tackling climate change – together.....	28
Sports, arts and education.....	30
Involvement in the community.....	32

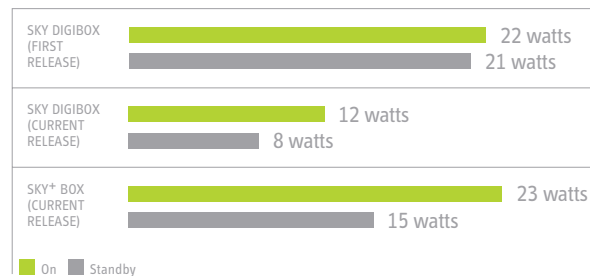
“

”

WE WANT TO HELP FAMILIES FIND VICTORIES IN HOW THEY USE ENERGY; NEARLY ONE IN THREE FAMILIES ARE NOW CHOOSING SKY AND WE'D LIKE THEM TO FEEL THAT EVEN SMALL ACTIONS, MULTIPLIED MANY TIMES, ADD UP.

James Murdoch
Chief Executive Officer

Set top box power consumption



Tackling climate change – together

We know that our customers care about the environment, and that climate change is becoming an increasingly important area of concern. Climate change isn't something that people are going to solve on their own; it needs action from everyone, including business and consumers.

Our environmental improvement strategy is one that focuses on operational action, engagement with our people, and customer communication. Pages 16 to 19 of this Review explain what we've been doing in regards to the first two parts of this strategy. In this section you can read about how we are trying to go beyond our own operations and involving our customers.

Our approach

As an entertainment business in nearly one in three homes in the UK, we know we've got a platform to help people understand environmental issues and bring what can seem like an enormous problem down to a human level. We want to use our unique position to inspire people to get involved, and give help and advice about smart, practical things they can do to make a difference.

We are working on a number of projects, using a variety of channels, to engage our customers on environmental issues.

On screen

We're encouraging more climate change programming on screen and developing exciting new programming to further the cause, like 'Final Chance to Save' on Sky One and 'Death of the Pacific Islands' on Sky Travel. 'Final Chance to Save' was the first ever carbon positive TV series – Sky and Tiger Aspect Productions invested in carbon offsetting projects that saved twice the amount of CO₂ emissions that were associated with the production of the series.

Our coverage of environmental issues on Sky News is continually increasing, with a 41% growth in original stories specifically on climate change (including causes, effects and political items) and more than a 110% increase in stories on broader environmental issues (e.g. pollution, recycling, deforestation and rainforests) this year, compared to last year.

We have also appointed an Environmental Correspondent. In June 2006, Robert Nisbet took on this role which will be keeping our viewers informed of environmental issues and initiatives taking place around the world, illustrating our commitment to the environment which is fast becoming a major world issue.



'FINAL CHANCE TO SAVE' ON SKY ONE AND 'DEATH OF THE PACIFIC ISLANDS' ON SKY TRAVEL.



SKY NEWS' ENVIRONMENT CORRESPONDENT, ROBERT NISBET.



58%

REDUCTION IN ENERGY FROM SET TOP BOXES ACHIEVED BY PRODUCT DEVELOPMENT

41%

INCREASE IN COVERAGE OF ENVIRONMENTAL ISSUES ON SKY NEWS

In the home

We're also looking at other ways we can inspire customers. For example, when our customers move home, they let us know because they need to take their Sky equipment with them and get it re-installed. So we're going to use this opportunity to send our customers a home-movers pack full of helpful environment tips. Our field engineers will also be encouraging customers to think smarter about how they use energy, including explaining the importance of switching their set top box to standby when it's not in use. Future plans include a carbon calculator for our customers and our people to calculate their CO₂ emissions at home.

Standby

Experts estimate that set top boxes account for 0.5%¹ of energy use in relevant homes and approximately 1.5% of home electricity use. Sky set top boxes currently need to be either on or in 'active' standby to ensure the programme schedule on the Sky Guide is up to date and the programmes customers want to watch are available when they want to watch them. Switching the box to standby, when it is not in use, can save between 30-50% of the amount of energy used by the box.

But we're going to take this further and have launched an R&D programme to find ways to allow set top boxes to be switched off. See page 17 for details of how we'll do this. We'll keep working on this challenge and continue to take a lead within the industry to reduce power use from set top boxes.

Brand

As part of our carbon neutral strategy, we've created an environmental brand, called The Bigger Picture. This brand promotes awareness and encourages action amongst our customers and our people. Keep an eye on our new environmental website, www.jointhebiggerpicture.com for information on what we're doing and how you can join in.

“

FULL MARKS TO SKY FOR STEPPING AHEAD ON THIS ISSUE. NOBODY WANTS TO BE AN ACCOMPLICE IN CLIMATE CHANGE AND WHAT HOUSEHOLD NAME COMPANIES CAN DO TO HELP WILL BE WELCOME TO THEIR CUSTOMERS. ALL COMPANIES SHOULD CONSIDER GOING THIS ROUTE. FOR SKY, THE INTRIGUING COMMITMENT IS THAT THEY WILL ENGAGE WITH CONSUMERS TO HELP THEM TAKE ACTION. THE ENVIRONMENT IS OBLIVIOUS TO WHERE COMPANIES STOP AND CUSTOMERS START, SO CLIMATE-FRIENDLY ACTION WILL HAVE TO START TO ENCOMPASS NOT JUST WHAT COMPANIES SELL, BUT WHAT CONSUMERS DO WITH THE SERVICES THEY BUY.

”

Ed Mayo
Chief Executive
National Consumer Council

¹ 'Lower Carbon Future, The 40% House Project', University of Oxford Environmental Change Institute, 2005

£5.1 million+

VALUE OF INVESTMENT IN THE COMMUNITY



THE CHICKEN SHED THEATRE COMPANY, AND SUPPORT FOR DAME KELLY HOLMES' ROLE AS NATIONAL SCHOOLS SPORTS CHAMPION, ARE TWO EXAMPLES OF OUR COMMUNITY INVOLVEMENT.

Sport, arts and education

As an entertainment company, we're well placed to harness our resources and platform to support sport, arts and education and bring them into people's lives as well as their living rooms.

Living for Sport

No-one loves sport more than us, and it's a great way to engage young people to develop their skills and achieve their potential. In the last year we've put more investment into our school-based Living for Sport project, with some great results.

Launched in 2003 and run in conjunction with the Youth Sport Trust, Living For Sport targets young people aged 11 to 16 who are at risk of dropping out of education. It supports the government's strategy to re-engage young people through sport by inspiring them to take part in new and varied physical activities – everything from martial arts, to sailing, to archery, to street dance and sports.

Living for Sport now reaches over 300 schools and 4,500 young people across the UK. It's open to all secondary schools and over 500 of them are expected to get involved by the end of 2006.

Real changes have been seen in many of the young people who've taken part. Their social skills and behaviour have improved, as has their attitude to school and to their teachers and fellow pupils, attendance and punctuality levels have increased, and they display much more self-confidence and higher self-esteem. You can see the results in the tables on page 31.

We fund a range of related tools, resources, and training for people and students, including a one-day teachers' workshop, a practical toolkit, a planning guide and a

CD-ROM for young people to help them set goals and measure their progress. Each project also gets a development grant, entry to a national awards scheme, as well as ongoing support from a mentor. The mentors are well-known and successful athletes who give their time to inspire and motivate the young people.

Sky has also part-funded Dame Kelly Holmes to be the first National Schools Sport Champion. She'll help raise the profile of Living for Sport, and will be visiting a number of schools this year.

On screen – U Can Do It

'U Can Do It' was a series of short programmes from Sky Sports designed to get more people actively involved in sport. Forty different sports were covered, with top sports people promoting their game, from rugby to rowing, football, fencing, boxing and badminton. Every programme encouraged people to take part, whatever their age or ability. The programmes have now been given to each sport's governing body, so that they can be used again to encourage participation.

Chicken Shed Theatre Company

In 2004 our nationwide search for a charity with the ambition to 'Make it Big' resulted in a relationship with the Chicken Shed Theatre Company. We committed to invest £1 million over three years. Chicken Shed enables people of all abilities to develop their confidence and talent through theatre.

We're helping Chicken Shed to develop a national presence and build for the future. Chicken Shed's work has also given us the chance to get our own people involved – nearly 600 of them have already done so. In April 2006, we celebrated the mid point of the three year relationship. Chicken Shed had received over £865,000 so far, and worked with over

“ I'M BOTH PROUD AND DELIGHTED TO HAVE BEEN ASKED TO GET MORE CHILDREN ACTIVE AND HEALTHY THROUGH SPORT. I BELIEVE I CAN HELP TO ENCOURAGE YOUNG PEOPLE TO GET MORE INVOLVED AND ALSO MAKE THIS A GREATER PRIORITY FOR EVERYONE. ”

Dame Kelly Holmes



IN 2006, SKY'S LIVING FOR SPORT INITIATIVE WON A BUSINESS IN THE COMMUNITY BIG TICK INVESTING IN YOUNG PEOPLE AWARD FOR THE LONDON AND SOUTH EAST REGION.

“SKY NEEDS TO FIND WAYS OF COMMUNICATING EDUCATIONALLY WITH CHILDREN WHILE THEY ARE ENJOYING THEMSELVES.”

Quote from stakeholder consultation

767 young people with our support. We funded the recruitment of a Business Development Director and a Brand Manager for Chicken Shed and helped them establish a presence in Scotland through the Fife Shed Inclusive Theatre Workshop.

We've also helped Chicken Shed reach new audiences by broadcasting their production of Alice's Adventures in Wonderland on Artsworld and Sky Three. The campaign reached our customers through features in the Sky magazine, on air promotions and a billboard campaign in north London.

Sky customers also raised money for Chicken Shed on The Match, the pro-celebrity charity football match shown on Sky One. This raised £62,500 for Chicken Shed this year.

Artsworld

Artsworld offers the world's finest live performances together with documentaries and film, from opera, dance, classical music, jazz, design, the visual arts, architecture, cinema, literature and theatre.

Artsworld broadcasts from 8am to 2am every day, on subjects ranging from Bizet to Brit Art, Monet to Margot Fonteyn, The Nutcracker to Norman Foster and Surrealism to Salsa. Great performers are showcased alongside lesser-known artists from across the arts spectrum. We're building the Artsworld brand through a number of arts partnerships.

English National Opera (ENO)

We've extended our sponsorship of the ENO to the tune of £3 million over the next three years. In May 2006, Sky and Artsworld launched 'Sky Seats' which has made 12,000 reduced price seats available this year in the Sky and Artsworld Season at the ENO.

See page 25 for information on our online Virtual Newsroom.

Sky supports the ENO Baylis project in local schools to run workshops developing drama and performance skills as part of the Opera in Focus initiative.

National Trust

In 2006, Sky announced a new sponsorship of the National Trust worth £1 million over two years. It will fund family and education programmes at over 100 National Trust properties each year. Artsworld commissioned a new ten-part series 'National Trust: National Treasures', which will profile some of the National Trust's most celebrated properties. We're also supporting the National Trust's arts partnership with schools.

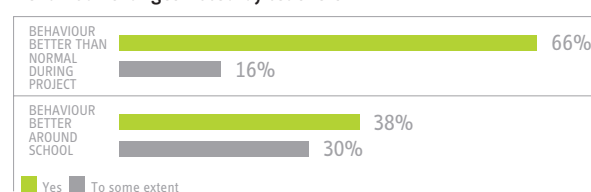
Supporting schools, students and parents

We know how powerful TV can be, and we're harnessing this to help pupils, teachers and parents. There are a number of work experience and education projects at Sky, ranging from training schemes and local job opportunities to schools outreach programmes.

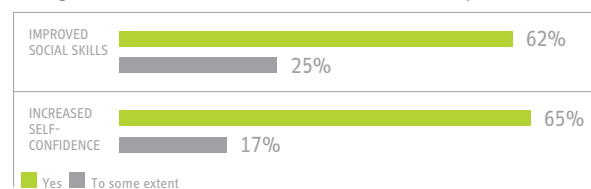
We focus a lot of our effort on initiatives designed to help young people understand the media, and the careers it offers. Our initiatives include teachers' days and work placements, and our own people are encouraged to get involved.

Sky News runs a twice weekly one-day TV news workshop for 15 to 18 year-olds. This includes tours of the studio to watch live news going on air, and a practical session on making news for TV. It also runs a three week work placement scheme open to young people aged 18 or over who are seriously committed to journalism.

Living for Sport Behaviour changes noted by teachers



Changes to social skills and self-confidence noted by teachers



75%

OF PARENTS SAID THEIR CHILD WAS MORE POSITIVE ABOUT THEIR FUTURE

30

STUDIO OPERATIONS SCHOLARSHIPS FOR STUDENTS ACROSS THE UK

“

THE PROJECT WAS EXCELLENT – THE PUPILS LOVED IT, AND FELT A SENSE OF ACHIEVEMENT AT THE END. WE WOULD LIKE TO BE INVOLVED WITH THIS PROJECT AGAIN.

”

Hounslow Teacher

“

IN ECONOMIC DEVELOPMENT TERMS, SKY'S ONE OF THE MOST IMPORTANT COMPANIES WE HAVE IN THE AREA.

”

Quote from stakeholder consultation

“THE TEAM GOT A REAL BUZZ FROM WORKING TOGETHER TO ACHIEVE SOMETHING A LITTLE OUT OF THE ORDINARY. WE HAD A LOT OF FUN AND I’M SURE WE’LL BE AN EVEN MORE EFFECTIVE TEAM BACK AT THE OFFICE AS A RESULT OF THE DAY.”

Jeremy Darroch
Chief Financial Officer



THE SKY FINANCE DEPARTMENT TEAM
CHALLENGE AT LOCAL SCHOOLS IN HOUNSLOW.

Involvement in the community

Through our assets and our skills we’re using our time and money to make a difference. Our community involvement activities happen nationally and locally.

Making a Difference

In 2005, we launched a new employee volunteering and community involvement scheme, Make a Difference (MAD). All permanent Sky employees can claim up to 16 hours of paid leave for volunteering and receive matched funding for payroll giving and any money they’ve raised for charity. When we launched MAD we aimed to have 498 employees take up the offer of time-off for volunteering. Since launch, 581 Sky people have volunteered.

Making a Difference (MAD)	2005/06	SINCE LAUNCH	TARGET
EMPLOYEES TAKING PART IN MAD INITIATIVES	958	1547	996
EMPLOYEES VOLUNTEERING	498 (5%)	581 (6%)	498(5%)
EMPLOYEES FUNDRAISING	190	281	-
EMPLOYEES REGULARLY PAYROLL GIVING	650(7%)	-	828 (8.3%)

Recognising impact

By encouraging our people to get active in the community, we not only make a difference by helping to build stronger communities, but people outside Sky get to see the kind of business Sky is. People from Sky Travel, Artsworld, Finance and HR have all been involved in a variety of team challenges this year.

In June 2006, James Murdoch presented the first Make a Difference Awards. The winners were nominated by their colleagues in recognition of their commitment to their community. Alongside this we commissioned The Media Trust to make seven short films about some of our employees who are active in the community. Extracts from all seven of the films were shown at the Awards, and on the Community Channel.

Support for volunteering

In December 2005, Sky became a founding partner of the Russell Commission Implementation Body, (now formally a charity known as ‘V’) a group that’s committed to achieving a real increase in youth volunteering. Sky will play its part by giving young people an experience of industry, providing mentors as positive role models, and using our platform to reach more young people who are at risk of dropping out of education. Our flagship initiative, Living For Sport, and our website for young people, Reach for the Sky, will play an important role here. Now we’ve launched the world’s first interactive volunteering service with the Media Trust, we’ll be raising the profile of the campaign and making it easy for young people to get involved simply by pressing the red button on their remote control.

“IT’S IMPORTANT TO KNOW THAT YOU CAN DIRECTLY AFFECT YOUR LOCAL COMMUNITY IN A POSITIVE WAY AND THAT YOUR EMPLOYER IS SUPPORTIVE OF THAT.”

Sky employee participant

“SKY WAS RESPONSIVE AND QUICK EACH TIME THERE WAS A DISASTER IN 2005, WHETHER IT WAS THE FOOD CRISIS IN NIGER, THE EARTHQUAKE IN PAKISTAN, THE LONDON BOMBINGS OR HURRICANE KATRINA.”

Mark Astarita
Head of Fundraising
British Red Cross



ONE OF OUR TEAM CHALLENGE VOLUNTEERING DAYS WITH CHICKEN SHED AT A SCHOOL IN HOUNSLOW.

“THE COMMUNITY DAY WAS JUST A BRILLIANT EXPERIENCE FOR US ALL. I WOULD HIGHLY RECOMMEND THIS METHOD OF INTERACTING WITH THE LOCAL COMMUNITY.”

Sophie Turner-Laing
Deputy Managing Director
Sky Networks

The Sky Youth Action Fund

The Sky Youth Action Fund is administered by a panel of 32 Sky Make a Difference champions and students from four local schools, who together allocate money to community organisations based near Sky sites in London, Harrogate, Dunfermline and Livingston. More than £100,000 has been donated to projects for young people between 11 and 21 this year, with a particular emphasis on enhancing creativity and communication.

Community Channel

We're continuing to give free transponder capacity on the satellite to the Community Channel, and they use our interactive technology to run the UK's only year-round red-button TV donation service.

Responding to disasters

As the home of breaking news, Sky News is always there whenever there is a natural or man-made disaster. In 2005, we worked with the British Red Cross, the Disasters Emergency Committee and the Community Channel to come up with a new approach to encouraging public donations for disaster appeals. The charities explained how we could best help them, not just in broadcasting their appeals, but avoiding donor fatigue, and giving them extra support in these high-pressure situations. The result was our new Disaster Response Protocol.

Reach for the Sky

The Reach for the Sky website is designed to give 14 to 19 year olds the support and inspiration to achieve their potential. www.sky.com/reach helps young people get a taste of what it's like to work in the media, with expert careers advice, fact sheets, interviews and interactive tools, including a CV builder, contact lists and a database of work experience and training opportunities. Young reporters can also gain practical experience and feedback by submitting their own features, reviews and blog entries to a series of weekly online columns written and edited entirely by young people. It came about as a direct response to the changing nature of news and the emergence of 'citizen journalism' and blogging. New entertainment, media and sport pieces are published every week, and visitors to the Reach for the Sky website can respond with their own thoughts and comments. If their work is exceptional, young contributors are offered the chance to be column editors, which gives them the opportunity of real work experience with Sky and support from professional journalists. Reach for the Sky works with a number of partners including Children's Express, the only news agency in the UK run by young people.

This year saw the launch of Reach for the Sky's Virtual Newsroom and Young Journalist 2006 competition. There's more on this on page 25.

Want to know how we got on with the commitments we made last year? Turn to page 48.

£2.3m

TOTAL VALUE CONTRIBUTED TO YOUNG PEOPLE AND EDUCATION

40,000

UNIQUE USERS AND 120,000 HITS PER MONTH ON REACH FOR THE SKY



REACH FOR THE SKY, OUR WEBSITE FOR 14 TO 19 YEAR OLDS.

ANOTHER PERSPECTIVE

Colin Tweedy LVO OBE
CEO, Arts & Business

Sky's relationship with its 8 million viewers is blossoming into something of a love affair – it's reaching out and inspiring them to connect with a broader world view, one which inevitably includes their cultural environment. The launch of products like Artsworld and the Community Channel are just some of the ways that Sky is helping its viewers and employees engage but there's work going on behind the scenes too.

Sky's work with Chicken Shed and the English National Opera proves it to be tuned in, inviting and fun and I am delighted to see a trusted brand like Sky putting the value of the arts at the top of its corporate agenda, both in terms of their product and corporate culture. It is now important that Sky continues to foster and grow these fledgling relationships with the arts until they are established. Only then will we see the real value to the customer in terms of their engagement with the arts.

For 30 years, Arts & Business has been making sustainable and mutually beneficial relationships between the arts and businesses a reality. The imaginative and sustainable partnerships Sky creates and delivers with the arts – prove once again that together great art and good business make for a richer society.

sky movies

Beyond the Sea
SHOWING THROUGHOUT
AUTUMN 2006



Our people

The TV and entertainment industry is one of the country’s fastest moving and most challenging sectors to work in. Our ambition is to create the best quality and most innovative entertainment content, products and services for customers, and to anticipate and shape the future. That means we have to be the kind of place that attracts passionate people who want to make a difference, and stretch, reward and recognise them once they’re on board.

In this section	
Defining our culture	36
Developing our talent	37
Communicating with our people	39
Health, safety and well-being	40



OUR NEW COMPLEX AT OUR HEADQUARTERS IN OSTERLEY PROVIDES A MODERN WORKING ENVIRONMENT FOR OUR PEOPLE.

Defining our culture

Together, we're building an organisation where talent, ambition, drive and vision are recognised and rewarded. This is a place where personal and professional growth happens every day. Above all, it's a place where our people can achieve their full potential.

Our values

To allow our people to move fast and continuously improve and innovate, we believe it's important to support them and provide some reference points with a clear set of values. Values that could only be Sky's, that work as a compass in all of our relationships; with people inside the business and with people and organisations outside of our business, including our customers.

SKY'S VALUES ARE:

TUNED-IN:

TO OUR CUSTOMERS, OUR PEOPLE AND SOCIETY

IRREPRESSIBLE:

IN OUR SPIRIT OF ENERGY AND INNOVATION

INVITING:

IN THE WAY WE WORK TOGETHER IN AN OPEN WAY TO ENGAGE CUSTOMERS AND EACH OTHER

FUN:

WE LOVE WHAT WE DO AND WE THINK THAT SHOWS THROUGH

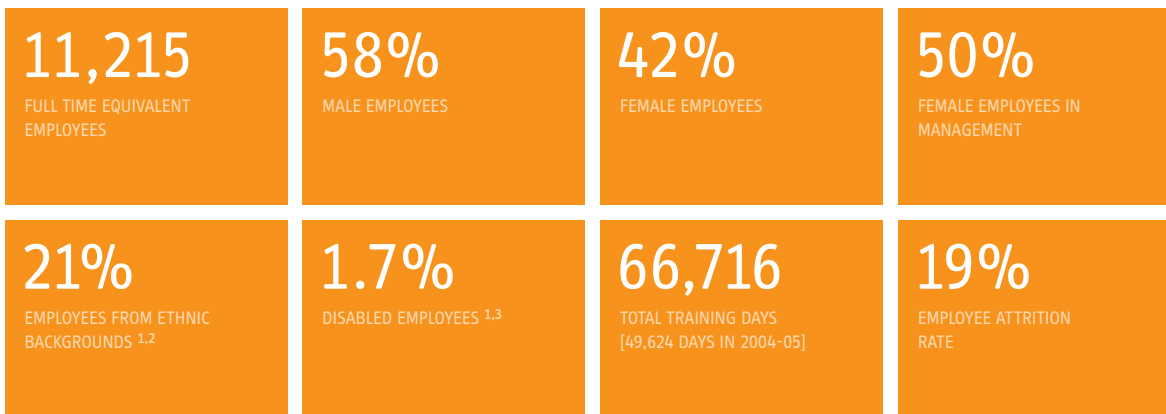
Over the past year we have continued to work with people right across the business to explore why these values are critical to Sky's success; and how they would look as behaviours and commitments within each department. As different areas of the business have put local context and meaning to the values, these have been embedded into appraisal systems, training and development, and communications.

We want to recognise people who demonstrate the values in what they do each day, so in September 2005 we launched the Team Sky recognition awards. Sky people nominated colleagues they felt had really lived the Sky values. There were over 600 nominations from all parts of the business, and everyone put forward received a Team Sky desk award. The 21 winners enjoyed prizes ranging from trips to Universal Studios in Los Angeles, to balloon flights and high definition televisions.



WE'VE CREATED A 'TEAM SKY' PROGRAMME TO RECOGNISE PEOPLE WHO ARE PARTICULARLY GOOD ROLE MODELS FOR OUR VALUES.





¹ Data from Diversity Survey 2005 based on a return of 7,351 surveys from a population of 13,675.

² Based on information from the 54% of our employees who have chosen to declare their ethnicity to us and who have categorised themselves as non-white British.

³ Disability only includes employees that consider themselves disabled from returned surveys.

Developing our talent

Seeking talent

Our audience is made up of the whole community – people of all ages, backgrounds and beliefs, so our workforce should be made up of an equally wide mix of individuals.

Research has proved that the more diverse a company is, the more creative it can be, and we've become one of the most creative companies in the country by drawing on the rich mix of ideas, views and outlooks our people bring to us. Our diversity, and our ability to be open and inviting and to work together to get things done, make us what we are. To find out more about how we attract the best people through recruitment, visit our website at www.sky.com/jobs.

We want Sky to be accessible for all our people and continue to implement the disability awareness programmes that were introduced in 2003. We're a member of the Employers Forum on Disability, and work with the broadcasting industry and disability awareness organisations to address disability in the workplace in our sector. We are also members of the Cultural Diversity Network. This is supported by our own internal procedures that ensure fair employment opportunities for everyone.

Disability access at all our sites is a fundamental consideration, and is incorporated into all new building developments and refurbishments. The 'Access to Sky' workbook gives our people the information they need about access at work.

Developing talent

As a creative and innovative business, attracting and retaining the most talented people is a key part of our success. That's why training and development is so important to us. We believe first and foremost in a culture of opportunity, where people need to own their development and seek opportunities to learn and grow.

We also offer a broad range of learning content, and flexible ways to access it, using methods that suit different learning styles and lifestyles.

This is delivered by a dedicated team who help develop skills and knowledge at work using a number of resources including training programmes, an online learning zone, personal and team development advice, and consultancy services to support business change. 4,000 employees have joined the online Learning Zone in the past year and borrowed more than 11,000 items ranging from books and CD-ROMs on customer services to personal growth.

At management level, the 'Managers' Essentials' development programme is made up of a series of complementary modules which combine to create a suite of 'everything you need to know' to be a good manager at Sky, and how to support teams to achieve their best. All our managers are invited to attend a series of workshops, that have been designed to encourage a new way of thinking about management. Each of these sessions concentrates on a different aspect of the role of manager. Trained facilitators bring the Sky values to life in these sessions, and use discussion, case studies and group interaction to give attendees skills, knowledge and know-how to use what they have learnt back in the workplace.



THE MANAGERS' ESSENTIALS
DEVELOPMENT PROGRAMME.

12th

SKY CAME 12TH IN THE LIST OF COMPANIES HUMANITIES STUDENTS MOST WANT TO WORK AT (UP FROM 140TH)

SOURCE: UNIVERSUM. APRIL 2006

We can also help people to develop by giving them more scope and autonomy in their jobs. The Kaizen approach in our customer service departments encourages people to use their own initiative to solve problems or improve the way things are done or what is being produced. As our head of Technical Training says, 'Kaizen gets people together, it empowers them, and it's going to change Sky for the better, not only in terms of the customer experience we provide, but in the culture and values of the company itself.' There's more on our approach to customer service on page 15.

We also give employees up to 16 hours paid leave per year to volunteer for charity work in the community, which enables them to stretch and grow on a personal level with skills ranging from communication, to leadership, to project management and mentoring. Nearly 500 Sky people took part in this last year, and over 800 took part in fundraising or payroll giving. See page 32 for more information.

Finding unseen talent

We value the creativity and talent we have at Sky, and in 2006 we once again ran the Sky Talent competition for our own people to win the chance to become a TV presenter. We also offered them the opportunity to pitch a programme idea. The response to the last competition was overwhelming, and the finalists are currently going through the closing stages of their auditions. One of last year's winners, Denise Nurse, is now a full time weather presenter and can be seen on your screen on Sky News.

We've been working with various educational organisations to offer students the opportunity to work with Sky on particular projects and on new technology. For example, we challenged a group of Masters students from around the world to develop a new service for Sky interactive, giving

them the opportunity to work with Sky people and gain work experience.

Reward and recognition

We aim to make Sky a great place to work and support our people in succeeding now and preparing for their future. Offering an attractive and competitive reward and benefits package is a key part of this. Our package includes free Sky+ and a free Sky digital TV subscription, a pension plan, Sharesave plan, healthcare and other benefits.

On a day to day basis the Sky Choices scheme offers our people access to deals on childcare vouchers, bicycles and retail vouchers. Over 3,000 people have taken up one or more options.

The entertainment experience

Last year we launched a programme called Culture Connection, in partnership with the English National Opera (ENO) and English National Ballet (ENB). This gives our people the opportunity to learn more about the arts, while the ENO and ENB receive sponsorship and we can showcase some of our arts-based entertainment content in a week of dance, theatre and music skills workshops and special events. Culture Connection was short listed in the Arts and Business Employees Award 2006. There's more about our sponsorships of the arts on page 31.



DENISE NURSE, ONE OF LAST YEAR'S SKY TALENT WINNERS.



'WHAT'S NEXT' 2006 OUTLINED SKY'S FUTURE DIRECTION AND GOALS.

Communicating with our people

Sharing and developing our business plans

In March 2006, we hosted our second 'What's Next' event for 500 Sky leaders at the ENO's auditorium in London. The executive team were all there to share Sky's future direction and goals for future growth – a strategy based on putting the customer at the heart of everything we do.

Day to day, it's the Sky Forum that captures the views of our people and discusses issues with the Executive team. In November 2005, 67 new Forum members were elected by their colleagues for a two-year period.

Members of the executive team come to every national Forum, and there are local Forum meetings too, which focus on specific issues for particular locations, such as parking and transport. The Forum uses a voting system to prioritise the issues for discussion at national and local meetings. Issues addressed so far have included improvements to canteen facilities for shift and night workers, better communication between employees, senior management and executives, a car-share scheme and free Sky TV for retired employees based on their length of service.

Listening and learning

We ran our people survey again this year, to see how our people feel about working at Sky. 69% of our people took part, compared to the 45% who took part in 2005. Employee engagement has increased and the results will be published during the summer. There will also be specific action plans to address any major issues that are raised. This now means we have an even better picture of what's important to our people, and can take action in areas that matter to them most.

Putting it into action

We're making Sky's HR services more efficient and easier for employees to use by putting them online. The new 'People Portal' offers self-service to both employees and managers, a range of automated HR processes, and an HR service centre that ensures that new service standards are met. The personal touch is still available through an internal hotline 'HR2020' but the portal enables speed and improved reporting and tracking.

69%

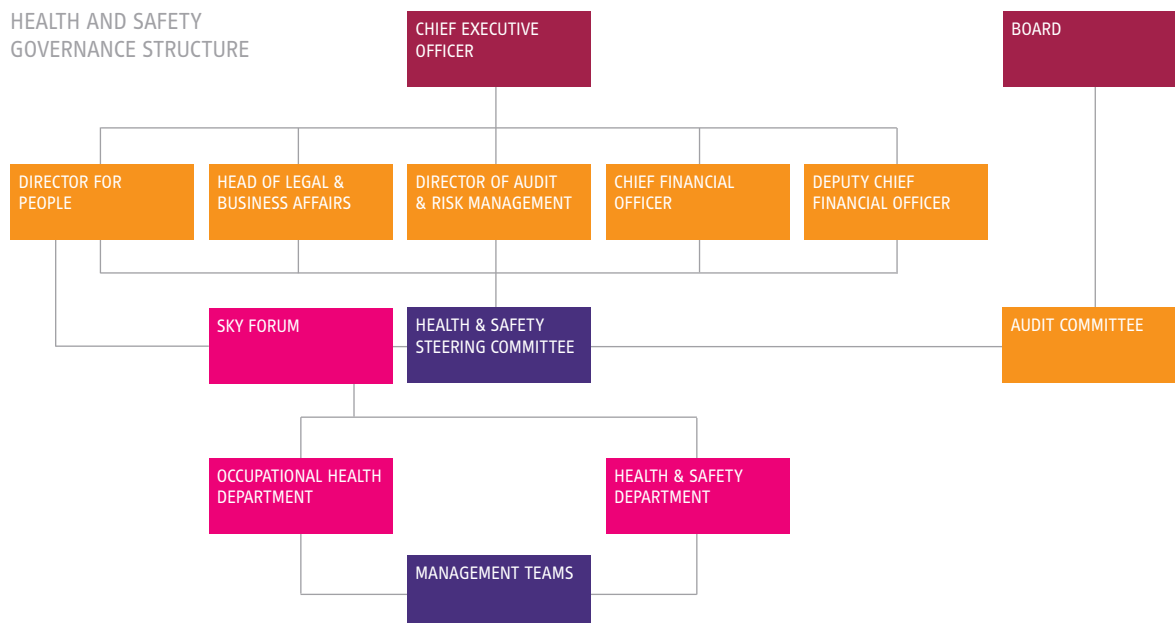
OF SKY PEOPLE TOOK PART
IN THE EMPLOYEE SURVEY
(45% IN 2004-05)

67

SKY FORUM MEMBERS



HR2020 IS OUR EMAIL AND
TELEPHONE INFORMATION POINT
FOR ALL SKY PEOPLE.



Health, safety and well-being

We're committed to making Sky a safe and healthy work environment that is free from accidents and complies with all our legal responsibilities. Every manager in Sky is given the training they need for their own particular area, and every employee is asked to play their part.

Managing the health and safety of our people

We completed our first two-year health and safety improvement programme in October 2005, and we've now moved onto the next phase. As a result we've made some changes to our health and safety governance processes: the executive governance group for health and safety has been widened to include Audit and Risk Management, and the Health and Safety Steering Committee reports to the Audit Committee through the Board and the Chief Executive Officer.

The Health and Safety Executive (HSE) provided the report on their audit of Sky in November 2005. They made recommendations that were very much in line with those required of other broadcasting companies. The HSE commented that 'the active measuring of health and safety performance should be improved' and that 'the objectives of departmental plans should be aligned with the objectives of the Corporate Health and Safety Plan'.

Consulting our people

Health and safety is routinely in the top agenda items for the Sky Forum. Using the Forum in this way has created greater awareness about health and safety issues, and helped develop better ways of working. Forum members have come up with almost a hundred new ways to create a safer and healthier workplace. These have included improvements to the safety of entrances and exits in Dunfermline, the revision of fire safety procedures in Osterley, and new roof-working procedures for our field engineers.

The Sky Forum is now included on the Health and Safety Executive's website, as a case study into successfully involving employees in health and safety consultation.

Health and safety training for diverse needs

Every new Sky employee goes through our award-winning PC-based introductory health and safety training course. A new module focussing on fire safety is also currently being developed at our Osterley headquarters.

All our installation engineers undergo thorough and comprehensive training on health and safety issues including working at heights, manual handling, the safe use of all equipment and risk assessment, this is backed up by a programme of physical and occupational health checks for engineers.

Training for journalists

Sky News reporters and news crews can often be required to work in dangerous environments, and we take particular care to give them as much protection as we can. Our Newsgathering Safety Code of Practice covers the significant risks often associated with newsgathering, the risk assessment, accident reporting and the individual's own responsibilities. In addition, all news crews attend a five day residential training course, which covers working in hostile environments including first aid, dealing with civil disturbance, and post-traumatic stress disorder. We also provide specialist counselling support.

Driver safety

Sky's risk management programme for company cars was launched in November 2004 and we've been able to deliver clear results to show its benefit. The programme includes a clear policy, risk assessments, practical and online driver



THE QUALITY OF HEALTH AND SAFETY MANAGEMENT AT SKY HAS IMPROVED DRAMATICALLY OVER THE LAST TWO YEARS AND HEALTH AND SAFETY IS SEEN AS INTEGRAL TO THE BUSINESS.



Health and Safety Executive (HSE)



TAILORED HEALTH AND SAFETY TRAINING PROGRAMMES FOR OUR INSTALLATION ENGINEERS AND NEWS CREWS.



Health and safety data

RATE/
10,000 FTE

ACCIDENTS	120	114
	103	103
MAJOR ACCIDENTS	17	15
	17	17
FATAL ACCIDENTS	0	0
	0	0

2005-06 2004-05

2005-06 based on 11,215 FTE employees.

2004-05 based on 9,958 FTE employees.

training for those who routinely drive for Sky as part of their work, and post accident interviews, supported by Health & Safety Risk Co-ordinators and our HR department. In addition, our Fleet Team liaise with the Risk Co-ordinators across the business to identify any potential upcoming issues and agree action plans for individual drivers and departments.

Measuring our performance

Like any other company, we're required to report significant accidents to the Health and Safety Executive. See the table above for our last two years' data.

Key performance indicators relating to health and safety have been agreed within Sky and will be implemented at the start of the next financial year. This will give us annual performance targets, challenging new goals, and a baseline against which to assess future performance.

Occupational health and well-being

Sky's success relies on the talent and efforts of its people, and we make every effort to protect and promote health and well-being at work. Our Occupational Health team works with Health and Safety, and Human Resources, to proactively manage employee health, prevent ill health or injury, and raise awareness of health at work and healthy living. This includes monitoring the health of the workforce, implementing measures that will help people manage their health, supporting employees back to work after sickness or injury, and advising on various matters including work and disability.

Prevention is better than cure

In November 2005, Sky held its annual 'Feel Karma' week to promote health and well-being at work. Over 3,000 people attended the sessions on offer, which were

designed to encourage Sky people to be more proactive about their own health and work-life balance. This is backed up by our 'Keeping Karma' website, which covers topics like nutrition, weight, stress, physical activity and sleep – the latter is particularly important for a business that is on air 24 hours a day, 7 days a week, as a large number of our people work in shifts. All our shift workers received a booklet 'Shiftworking – How to Make It Work for You' that gives a quick guide to health for shiftworkers.

On a day to day basis, we offer reduced rates for gym membership, and often bring qualified therapists specialising in massage and reflexology to run sessions at our sites in England and Scotland. Smoking clinics support people who want to give up, and we also offer cholesterol and blood pressure checks.

Seeking support

Sky's health and well-being focus also includes a proactive approach to tackling the pressures of life and work. We've developed a stress awareness guide that provides information on triggers, symptoms and possible solutions. This is supported by a manager's guide to identifying and managing pressures in their teams. These will be rolled out more extensively across Sky in the coming year.

Our targeted occupational health services include physiotherapy and professional counselling on site, a confidential helpline available 24 hours a day, and easily accessible health information.



FEEL KARMA – OUR WELL-BEING AWARENESS CAMPAIGN.



SKY STUDIOS, A UNIQUE WORKING ENVIRONMENT.

ANOTHER PERSPECTIVE

Philipp Mettler CFA Sustainable Asset Management (SAM)

People are the most important asset for media companies because the products they create have to be continuously developed to attract and retain customers. So workplace issues need to be well managed. This Review demonstrates that BSKyB is fully aware of this and is responding well.

Material aspects are covered in this section, particularly communication and developing talent. It is commendable to see that BSKyB considers 'well-being' in a broader sense than many companies.

Communication appears to work well in two directions between management and employees, and the link to BSKyB's business strategy is clearly visible.

Key performance indicators, targets and trends are all important and can help BSKyB assess how well they are managing issues in the workplace. There is the opportunity to provide more details of these whilst focussing on the ones that matter.

sky movies

Wedding Crashers
SHOWING THROUGHOUT
AUTUMN 2006



Managing our responsibilities

We believe that action and results drive real change in practices and attitudes, internally and externally. This section details how we manage corporate responsibility at Sky and how we put it into practice. It also shows progress against our commitments and our plans for 2006–07.

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Corporate responsibility at Sky.....	44
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GRI indicators.....	49

“HOW CENTRAL IS CORPORATE RESPONSIBILITY TO SKY?”

Quote from stakeholder consultation

Corporate responsibility at Sky

Corporate responsibility is an important part of our strategy to grow the business and it doesn't just happen on its own. It takes leadership and vision throughout the business to achieve this. Our corporate responsibility management framework brings together our external listening and learning with our internal decision making.

Our business strategy is to expand the number of our subscribers, maintain the quality of that subscriber base, invest in programming and infrastructure, increase the popularity of our channels, and continue to innovate in the products, packages and services we provide. Inside and outside the business we sum this up in four words: brand, innovation, content and service.

Corporate responsibility underpins all of these activities: it enhances our standing in a closely-monitored industry, builds relationships with customers and stakeholders, helps us attract and retain the best people, and creates value for investors.

Putting it into practice

On a day-to-day basis responsible business practice is owned and managed by the relevant parts of the business. Our corporate governance structure provides proper oversight, and there's ongoing involvement of our audit and risk management team. All this ensures that there is a constant drive for improvement and open-mindedness about how we achieve it.

At a board and executive level, the Corporate Responsibility Steering Group or CRSG takes the lead. This group includes the Executive team and two non-executive board directors.

It meets quarterly and is chaired by one of our non-executive directors, Gail Rebeck. The CRSG is supported by a Taskforce of senior operational managers to integrate responsible business practices. The Taskforce was first set up in 2004 and functions virtually with direct relationships between the members and the CR Department. This has enabled it to grow from its 12 initial members to over 50. This way of working has also proved to be the most effective in making genuine and lasting changes to decision-making within the business.

The Taskforce sets and provides quarterly updates to the CRSG against the public commitments we make as a business. Keeping these simple helps to focus the business on what it needs to deliver.

Looking at corporate governance we operate a number of committees responsible for various aspects of the business, including the Corporate Governance and Nominations Committee, the Audit Committee, the Risk Committee and the Remuneration Committee. Further details of these committees and their membership can be found in Sky's Annual Report available at www.sky.com/corporate.

Identifying key issues

We constantly monitor the views and expectations that internal and external audiences have of us, and use this to develop our approach to the management of social and environmental issues. Maintaining this 'forward radar' means we can plan for emerging issues and opportunities.

This year we consulted the Sky Forum and ran our annual CR risk workshop which contributes to our risk assessment process. Sessions were held with Taskforce members and

OUR FOCUS FOR 2006–07

HERE ARE THE AREAS THAT WE WILL BE FOCUSING ON IN 2006-07 TO DELIVER RESULTS AGAINST OUR BUSINESS OBJECTIVES THAT ARE IN LINE WITH OUR STAKEHOLDERS EXPECTATIONS OF US AS A BUSINESS. OUR VALUES WILL PLAY THEIR PART IN HOW WE DELIVER THESE.

BUILDING ON OUR FOUNDATIONS		MAKING ENTERTAINMENT ACCESSIBLE	CONTRIBUTING MEANINGFULLY TO CUSTOMERS' LIVES		OUR PEOPLE	
1 PARENTAL CONTROL	2 CUSTOMER EXPERIENCE	3 MAKING THE MOST OF CHOICE AND CONTROL	4 EDUCATION	5 COMMUNICATING AND CONTRIBUTING	6 PEOPLE	7 HEALTH AND WELL-BEING
We will continue to be at the forefront with our parental control standards on all Sky services.	We will continue to provide our customers with market-leading service. We will reduce telephone and email response times, enhance services available via the web and Sky Interactive and shorten lead times and visit windows for engineer call-outs.	We will enhance our communications with customers on how to get the best from Sky, increasing the regularity and the number of messaging routes.	We will create an educational search facility linking relevant programme content to learning at school and home.	We will engage with our customers on practical and inspiring ways to become better informed and more progressive about energy use in the home, through a variety of channels including face to face, online and through programming.	We will reinforce our management development programmes focussing on our values and developing new courses on people management, motivation and feedback skills.	We will deliver a dynamic approach to improving the health of our workforce. This will centre on encouraging exercise, improving nutrition and overall health.

other managers from a range of operational areas of Sky. Potential risks identified were captured and those relevant fed into the corporate risk register. The corporate risk register is reviewed by the Risk Management Committee quarterly. The Committee is constituted of members of the Sky Executive Team.

For more information on how we talk to our stakeholders see page 8.

Data measurement

We have continued to improve the way we collect and measure the data we use to report our performance against key indicators. This year's review has increased data reporting and includes reference to the GRI indicators where applicable (see summary on the inside back cover). Our environmental data has been independently verified (see page 46) and our community investment data has been assured using the LBG model (see page 47).

The role of the regulator

Sky is regulated in the UK by Ofcom, the regulator for the UK communications industry. We operate in line with relevant industry regulations.

All our channels are licensed by Ofcom, and must comply with its codes and directions. The areas covered by these codes include protection of under-eighteens, the impartiality and accuracy of news programming, fairness, privacy, the avoidance of harm and offence, restrictions on the quantity and content of advertising and sponsorship, electronic programme guides, and requirements relating to subtitling, signing and audio description.

The media sector

We're an active member of the Media CSR Forum, a group of around 20 media companies including broadcast, print and online businesses. This group shares experience and information about issues specific to our sector and develops collaborative projects on key issues. For further information go to www.agora.culture.gov.uk.

What are we focussing on next year?

As in our previous reviews, our commitments respond to the stakeholder consultation and internal assessments. These show how we will be focussing on the important issues facing our business and the close relationship between these areas and our business objectives. This year, we have seven exciting areas to make a difference in to deliver big results. See table above to find out more.

Feedback on our progress against this year's commitments can be found on page 48.



INVESTORS WANT TO KNOW THAT [CR] ISSUES ARE GIVEN PROPER CONSIDERATION AND ARE MANAGED PROPERLY.



Quote from stakeholder consultation

ENVIRONMENTAL VERIFICATION STATEMENT

THE SCOPE OF OUR WORK

British Sky Broadcasting Limited (BSkyB) engaged Environmental Resources Management Limited (ERM) to review the accuracy and completeness of environmental data in its 'Corporate Responsibility Review 2005-06' (CRR). The assessment covered the following key performance indicators (KPIs) for the period July 2005 to June 2006: energy consumption and CO₂ emissions, water consumption, and solid waste (including recycling). ERM did not verify third party providers of environmental data.

ASSURANCE ACTIVITIES

Between March and June 2006, ERM conducted:

- Interviews at Corporate level to check robustness of data management processes;
- Site visits to the main BSkyB operations involving: interviews with staff responsible for collection, collation and reporting of data from all UK sites; review of interpretation of corporate reporting requirements; review of data management, monitoring and reporting processes; review of consistency and appropriateness of conversion factors and discussion of underlying causes of data trends;
- A sense check of the complete set of 2006 KPI data;
- Verification of consolidated data to confirm they have been correctly transposed to the CRR from underlying databases; and
- Review of text describing the aggregated data within the CRR.

OPINION

Errors and omissions identified during our assessment were addressed by BSkyB prior to finalising the 2006 environmental data. As a result, we believe that the data in the CRR gives a fair representation of BSkyB's performance. However, reporting processes and internal data verification mechanisms should be strengthened to identify errors and omissions in future years.

James Stacey
Partner
Environmental Resources Management Limited
25 July 2006

BSkyB management has prepared its CRR and is responsible for the collection and presentation of the information in it. Our responsibility in performing our work is to BSkyB management in accordance with the terms agreed. We do not, therefore, accept or assume any responsibility for any other purpose or to any other person or organisation.

ERM is an independent, global environmental, social and corporate responsibility consultancy. We have experience in the design, development and assurance of sustainability/corporate responsibility reports in a wide range of industry sectors, and operate strict conflict checks to ensure independence of our assurance activities.

KEY FINDINGS

ERM identified the following strengths:

- Regional strengths (namely Scotland) in collection, internal review and reporting of utilities data; and
- Strengthened year end corporate procedures which have improved the accuracy and completeness of reported data.

During ERM's assessment, the following weaknesses were identified:

- Corporate reporting definitions and criteria were not clearly defined or communicated to sites, resulting in inconsistent approaches to data management;
- Gaps in awareness of the purpose of the data collection processes, resulting in limited controls at some sites to ensure accuracy and completeness of data; and
- No formal periodic internal verification processes to identify and resolve data errors/anomalies resulting in several data gaps being observed. These data gaps were resolved as part of the year end verification process.

OVERALL RECOMMENDATIONS

ERM's review highlighted the importance of further strengthening internal data reporting procedures. Some suggestions for improvement for consideration by BSkyB include:

- Development and formal communication of standard definitions and criteria to all staff responsible for collecting and reporting environmental data; and
- Implementation of formal site and corporate level verification procedures to identify any data anomalies.



LBG ASSURANCE STATEMENT – BSKYB

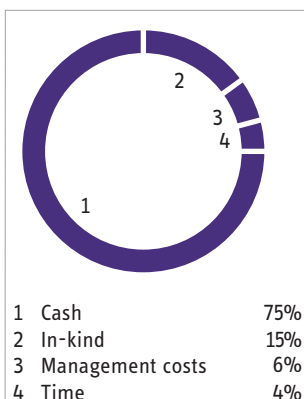
BSkyB is an active member of the LBG (London Benchmarking Group). The LBG model helps businesses to improve the management, measurement and reporting of their corporate community involvement progress. It moves beyond charitable donations to include the full range of contributions (in time, in kind and in cash) made to community causes, and assesses the actual results for the community and for the business. (See www.lbg-online.net for more information).

As managers of the Group, we have worked with BSKyB to ensure that it understands the LBG model and applies its principles to the measurement of community involvement programmes. Having conducted an assessment, we are satisfied that this has been achieved. Our work has not extended to an independent audit of the data.

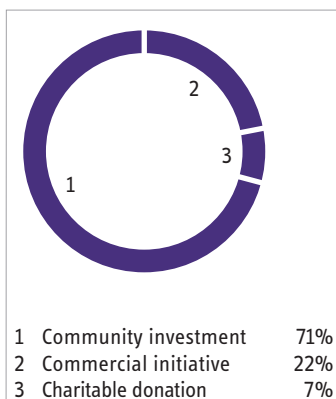
The Corporate Citizenship Company
www.corporate-citizenship.co.uk
 August 2006

TOTAL £5,101,350 INCLUDING CASH, TIME, IN-KIND DONATIONS AND MANAGEMENT COSTS

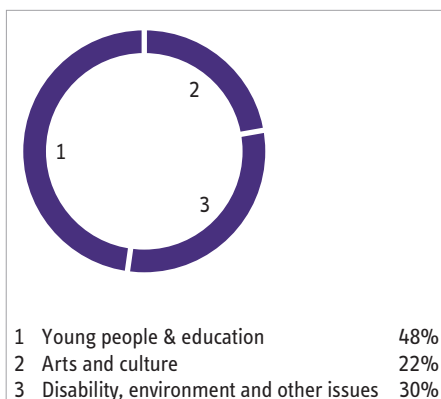
Contribution by type (%)



Contribution by motivation (%)



Contribution by subject (%)



WE USE THE LBG REPORTING MODEL TO CALCULATE OUR CONTRIBUTIONS TO GOOD CAUSES. THE LBG MODEL PROVIDES A STANDARDISED WAY OF MANAGING AND MEASURING A COMPANY'S COMMUNITY INVOLVEMENT. THE ASSURANCE STATEMENT FROM LBG CAN BE FOUND ONLINE AT WWW.SKY.COM/RESPONSIBILITIES.

UPDATE ON COMMITMENTS 2005–06

HERE'S AN UPDATE ON OUR 2005–06 COMMITMENTS

COMMITMENT	STATUS	SEE PAGE
• We'll continue to develop ways to identify key social and environmental risks and opportunities	►	8–9 44–45
• We'll evolve the Corporate Responsibility Steering Group and Corporate Responsibility Taskforce to further develop our commitment to responsible business practice	►	44
• We'll further align our corporate responsibility data reporting with the issues that are identified as key	►	Throughout
• We'll continue to refine our learning on corporate responsibility in the media sector	►	8–9 44–45
• We'll keep providing the technology to give our customers control over choice and accessibility	►	12–14 22–24
• We'll continue to take account of financial, social and environmental issues when growing our supplier partnerships	►	18
• We'll work with our people to put in place Sky's values, which define our culture and relationships	►	36
• We'll continue to support and develop the Sky Forum and communicate Sky People Survey results	►	39
• We'll develop communication and support methods to enable our people to integrate health, safety and well-being into their daily activities	►	40–41
• We'll support Sky's position as the UK's No 1 entertainment choice through our community portfolio, maximising Sky's potential to influence young people into positive action through youth initiatives	►	30–31 33
• We'll support our staff in community related activities, seeking to generate increased awareness and involvement. We'll encourage staff to leverage Sky's commitment and investment	►	32
• We'll broaden our measurement of the ways in which Sky initiatives benefit individuals and society – considering socially orientated initiatives that form part of our business offering	►	30–33
• We'll evolve our waste management activities to keep us on track to deliver a 50% reduction of waste to landfill against 2003 figures by 2007	►	17–18
• We'll keep communicating with and educating Sky people on our activities and what they can do	►	17–19
• We'll continue to reduce our CO ₂ emissions in line with our 2010 target of a 10% reduction from 2003 levels	►►	16–17

KEY: ► achieved ►► ongoing

GRI INDICATORS

THE GLOBAL REPORTING INITIATIVE (GRI) GUIDELINES IS A FRAMEWORK FOR VOLUNTARY REPORTING ON AN ORGANISATION'S CORPORATE RESPONSIBILITY PERFORMANCE. THE FOLLOWING TABLE SHOWS WHERE WE HAVE REPORTED AGAINST THESE GUIDELINES.

SECTION	SEE PAGE	GRI INDICATORS
INSIDE FRONT COVER/CONTENTS		2.10, 2.11, 2.12, 2.22, S04
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BACK COVER		2.1, 2.6

FOR FURTHER INFORMATION ON THE GLOBAL REPORTING INITIATIVE (GRI) GO TO:

www.globalreporting.org

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