

British Sky Broadcasting Group plc
The Bigger Picture Review 2007



sky

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Chief Executive Officer's letter

The Bigger Picture is about taking the opportunity to do business better and grasping opportunities to make a contribution. A business that can see the bigger picture of its role in society is a business that can benefit society and ultimately itself.

The Bigger Picture reflects the core values of Sky and what we stand for. It is part of our strategy of championing issues that our customers care about – it is a commitment to our customers to try to do something about our shared interests and to do it together.

Over the last twelve months we've embarked on a number of new initiatives and continued to build on our existing commitments. Of particular note has been the development of two new remote controls for customers with limited dexterity or visual impairments; the launch of Sky Learning – our online recommendations engine; our continued support for the arts in the UK; and our ongoing work in the area of climate change and energy efficiency.

Our commitment to tackling climate change has developed with a world first for our customers, the launch of auto standby for Sky+ and Sky HD boxes. This can result in an energy saving of up to 50% because the boxes switch to standby overnight instead of being left on.

Our journey doesn't stop here though. As we bring more innovations to the marketplace and as more customers join us, we'll continue to build on our commitment to The Bigger Picture. We're taking action and inspiring our customers with how they can play a part too, because we believe in doing business better.



A handwritten signature in black ink, appearing to read 'JM', followed by a long horizontal line.

James Murdoch
Chief Executive Officer



A row of blue and yellow beach huts on a pebbly shore under a clear blue sky.

The Bigger Picture

We've always been about making great things happen in entertainment. This is reflected in The Bigger Picture – opportunities to inspire new possibilities to make a better future for everyone and to do business better.

We're one of the UK's most visible media brands, and because we reach a third of all homes, it's up to us not only to act responsibly but to help others make a contribution. Even small actions multiplied 8.6 million times can make a big impact.

This year, Sky has fundamentally changed as a business. Today, we not only offer the best in entertainment but we're also a leading broadband and telephone company.

Sky TV

Your personal entertainment centre, with freedom to choose from 500 channels of top movies, sports, news, variety, style, knowledge, music and kids' shows – when you want it, where you want it.

Sky+

Your personal video recorder lets you record up to 40 hours of TV, including two programmes at once, and pause or rewind live TV.

Sky High Definition TV – HDTV

The ultimate viewing experience, with four times the picture detail. Sky offers 12 channels of HD content, and as many hours of HD programming as the UK's five terrestrial channels put together.

Remote Record

Use your mobile phone or the internet to set your Sky+ box to record. Sky was the first television platform to allow customers to do this.

Sky Multiroom

The whole family can watch Sky TV – same time, different rooms, different channels – with individual choice.

Sky Anytime

You can download movies, sports highlights and TV shows to watch on your PC, and news updates and video clips on your mobile phone.

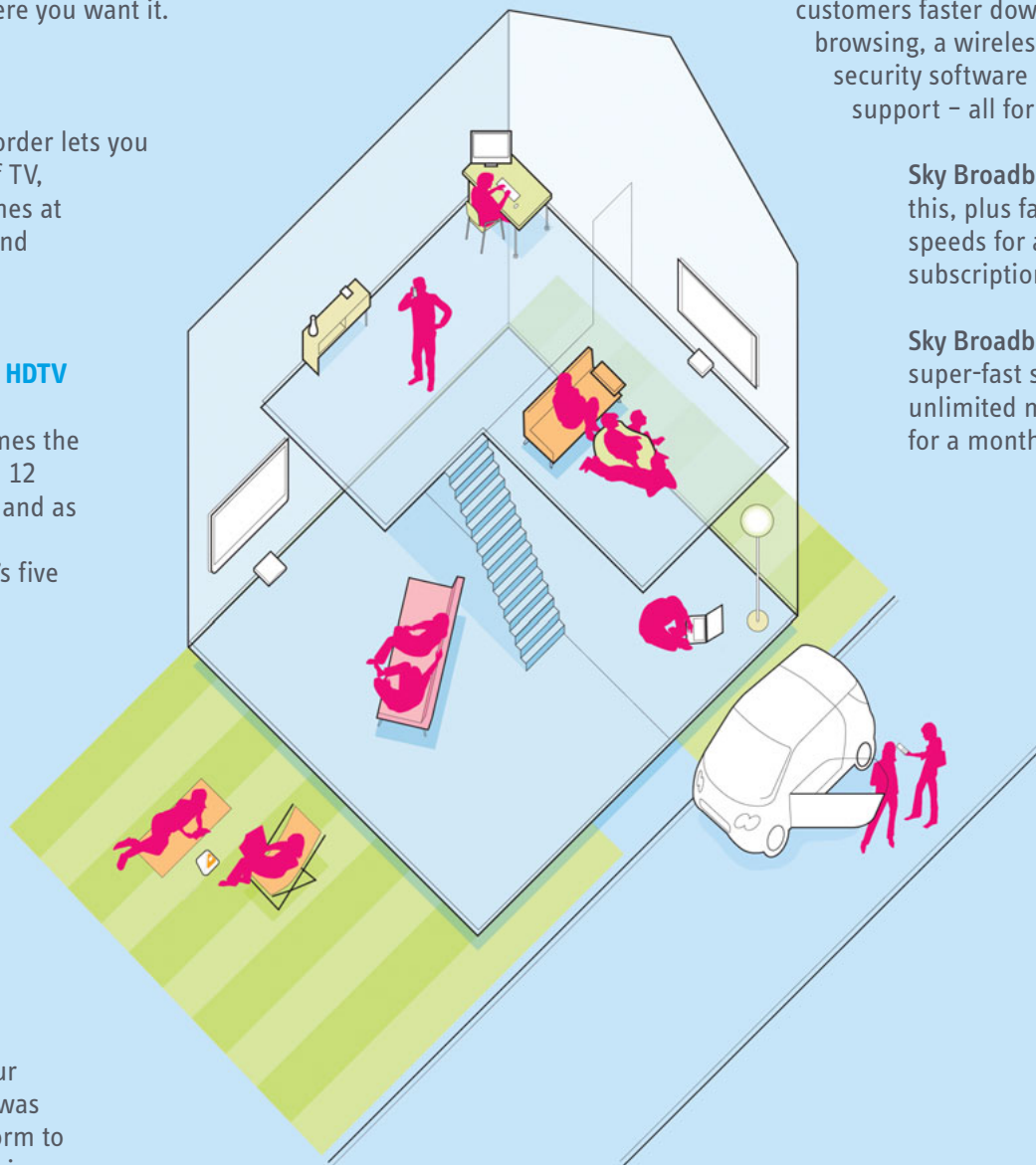
Sky Broadband

We can now reach 86% of cabled areas in the UK.

Sky Broadband Base offers Sky TV customers faster downloads, faster browsing, a wireless internet router, security software and 24/7 technical support – all for free.

Sky Broadband Mid offers all this, plus faster download speeds for a small monthly subscription.

Sky Broadband Max provides super-fast speeds and unlimited monthly usage, again for a monthly subscription.



Sky Talk

Our telephone service provides great value packages.

Sky Talk freetime

Sky customers can get free evening and weekend landline calls, without changing their BT number.

Sky Talk unlimited

Offers Sky customers a low, flat rate on unlimited calls to UK landlines and ten popular international destinations.

Business overview

British Sky Broadcasting is the operator of the UK's largest digital pay television platform, Sky digital. Sky owns and operates channels including Sky One, Sky News, Sky Arts, Sky Travel, the Sky Sports and Sky Movies channels. Sky also provides one of the UK's fastest growing broadband and telephony services.

The Sky television platform is an open platform. If a television channel has a licence to operate in the UK from Ofcom, the communications regulator, then Sky is required to offer that channel on the digital satellite platform and provide a listing in the electronic programme guide on a non-discriminatory basis.

Sky is now in nearly 8.6 million homes, with over 500 TV and radio channels.

Sky's headquarters are located in Osterley with customer contact centres in Scotland, a satellite centre in Hampshire and other offices in Central London and Harrogate, and Easynet headquarters in London. Sky employs 13,087 full time equivalent employees.

In 2006-07 Sky recorded an operating profit of £815m (£877m 2005-06) against turnover of £4.5bn (£4.1bn 2005-06).

For further information visit www.sky.com/corporate

A new approach

At Sky, we have moved on from the phrase corporate responsibility. Our approach to running a responsible business and maintaining a good reputation is encapsulated in our ongoing drive for better business.

Over the last 12 months, we have focused our approach on the six key areas where we have most impact on society as a business. We call these:

- Including everyone
- Sustaining environment
- Inspiring learning
- Building arts
- Developing people
- Doing better

This review shows how we have continued to engage people in this wider approach to business, to help us deliver it day after day.

8.5m+

Sky customers

£815m

Operating profit

£4.5bn

Turnover

10.8%

Customer churn rate

Sky's values are the foundation of our culture, defining our products and services and the way we relate to each other and our customers. They are:

TUNED-IN

We're in tune with our customers, our people and society

IRREPRESSIBLE

Our energy and innovation is reflected in everything we do

INVITING

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

What others say

This year, we again asked some of the leading experts on climate change, learning and responsible business to comment on The Bigger Picture and tell us how they think we're doing and to challenge us as we move forward.

Mark Goyder

Founder Director, Tomorrow's Company

Sky is moving forward fast and is taking a refreshingly holistic approach. For Sky there is not the separation between something called 'real business' and a backwater called 'social responsibility'. This is a good sign. Yesterday's community issue proves to be today's customer issue and that means that it is tomorrow's investor issue.

Sky has already set itself the target of reducing CO₂ emissions by 10% on its 2003 baseline, and set energy reduction targets.

It would be consistent with its value of being tuned in with its people and society to ask what in future its contribution might be to offset the increasingly economically and socially divided nature of the UK. Is there the potential to use its technology in particular ways in the most vulnerable communities?

Could Sky move beyond the excellent Sky Living For Sport and, with partners, begin to develop a much more ambitious programme that contributes to bridging the financial and resource gap between the professional and amateur levels in football and other sports? There is also a need to increase the tracking of indicators and commitments over a number of years and to provide additional comparative data on the effectiveness of initiatives in order to demonstrate their effectiveness.

This review has individuality and character; the values of the company come across well and the energy and innovation described in the values is reflected.

“

The company has been imaginative and proactive in reaching out where it sees need.

”

Mark Goyder

Marc Fox

Global Investment Research, Goldman Sachs

Sky has demonstrated that addressing environmental and social issues is at the heart of its business strategy of enhancing consumer relationships, reducing customer churn and sustaining competitive advantage.

It has introduced product initiatives addressing access, parental control, learning, human capital management and environmental initiatives that go beyond managing its direct environmental footprint to addressing energy efficiency and carbon emissions in consumers' homes.

Sky leads the European broadcasting sector in Goldman Sachs' SUSTAIN report on the sustainability of corporate performance. This is based on environment, social and governance management, technological leadership, presence in one in three UK homes, and sustained competitive advantage with consistently the highest cash returns in European media.

It reflects Sky's track record of environmental and social reporting, initiatives to ensure self-regulation of marketing communications and independence of content and the highest training hours per employee in the sector and high gender diversity of managers.

“

As the first global media company to go CarbonNeutral®, Sky is a clear leader on the environment based on use of renewable energy, greenhouse gas emissions and energy and water consumption intensity.

”

Marc Fox

Steve Howard

Chief Executive, The Climate Group

Sky's commitment to climate change mitigation is exemplary. Its innovative measures to reduce operational emissions and its engaging employee and consumer initiatives have made Sky the type of forward thinking company that will benefit from investment in the low carbon economy.

Having worked with Sky, it's clear that it has adopted the holistic stance required to reduce emissions. Climate change informs much of the way Sky operates and how it delivers its goods and services. The Climate Group often cites Sky as an example of successful corporate engagement on the issue.

Sky's progress in reducing its own emissions is becoming evident. The first media company to offset its unavoidable emissions, Sky adopts the highest standard of verification and its reporting transparency illustrates it considers climate change as a priority on every level.

Sky is also ensuring that consumers are provided with the tools to reduce emissions. By providing these valuable, accessible resources and empowering action, Sky has brought climate change into the mainstream and demonstrated that it is an issue that is part of its central business ethos.

Going forward, Sky will need to combine the highest standards of action, monitoring and verification with innovation to retain its leadership position. With recent calls for carbon neutrality to be standardised Sky should play a part in shaping this debate.



The next challenge is to expand the limits of how a media company can engage its customer base and drive meaningful action on climate change.



Steve Howard

Sue Campbell

Chair, Youth Sport Trust

For some young people, staying in school can be a real challenge. Low self confidence, poor self esteem and other issues add up to a difficult time at a critical point of a young person's life when staying in school or not can be the turning point of their whole future. Opting out of school is too easily the path they take.

Sky Living For Sport, the initiative that the Youth Sport Trust runs with Sky, has helped mean this is no longer the case for thousands of young people across the country. By harnessing the power of sport, engaging in new and different activities, and providing athlete role model mentors, the hearts and minds of these young people are transformed. They are now staying in school, improving their behaviour and social skills, and showing real signs of engaging in learning again.

This has all been made possible by the ongoing commitment and investment Sky has made to the initiative over the past four years. At a time when the 'third sector' plays an increasingly key role in a range of public agendas, such action has never been so important.

Without doubt, the funding provided by Sky is making a real difference to young peoples' lives now, and by helping them to want to stay in school, it is increasing their life chances in the future. It is because of this commitment and passion for sport, and the difference it can make that Sky is a valued partner.




Many of the Sky Living For Sport 'graduates' are now being enabled to volunteer, putting their new-found confidence to good use in the communities where they live.



Sue Campbell





Including everyone

At Sky we believe in choice. It's what drives us. For our customers, that means not only providing the best and most choice we can, but also putting power in their hands to choose what they want to watch, where, when and how they watch it.

Choice is at the heart of what we do

Choice is important because the entertainment people want to watch is personal and different. Our programming offers something for everyone, not simply in entertainment, sport and arts, but in news, documentaries and foreign language programming. All types of channels are important to the people that want them.

Choice, quality, innovation, value

At Sky, we believe we make a fundamental contribution: we champion choice, quality, innovation and value. Not only can our customers choose from a vast range of content, but with the innovative products and tools available from Sky they can fit entertainment around their lifestyles, with their own personal TV planner and the ability to consume content online and via mobile.

An open platform

There are over 500 channels available on the Sky platform. Some are owned by Sky, such as Sky One and Sky Sports. Others are owned and managed by third parties. Any channel that meets the necessary legal and regulatory requirements can be included on the Sky platform. With so much on offer, we think it's important to provide the tools and technology to help our customers tailor Sky to their individual needs.

Flexible entertainment

The Sky+ personal video recorder enables customers to search for programmes, set series links and record onto Sky+, meaning they can 'time shift' programmes and watch them whenever they want. The favourites menu also means customers can select the channels they watch most and navigate to them more quickly.



Sky+ provides a comprehensive approach to control that offers choice of content in a way that is manageable for customers. Viewers can watch what they want, when they want, without the constraints of a TV schedule.



Putting power in customers' hands

We not only offer a choice of entertainment, we also offer tools to our customers to help them manage what they choose to watch.

Parental control and PIN protection

We can't give parents eyes in the back of their heads but we can help them to manage what their kids watch. Our parental control features include age rating filters to prevent the viewing of selected programmes. They also let customers restrict access to specific channels completely (or from 8pm) and fully remove the adult channels from the listings.

Parental control can also monitor spending on Sky Box Office and online. Parental control settings are based on British Board of Film Classification certificates (12, 15, 18).

New controls for daytime movies

This year, we made changes to parental control on Sky Movies. Customers told us they wanted more choice during the day, so we now offer a wider variety of films. Since this meant that some films shown during the day are classified, we provide PIN protection. For example, a PIN is required to play a 12+ programme before 8pm and a 15+ programme before 9pm.



This year, we ran on-screen information for customers to highlight the parental control features available from Sky.

Online protection

To help safeguard customers' online experience against viruses, spyware, spam and similar risks, we've teamed up with McAfee to provide an internet security suite on all Sky Broadband products, free for the first 12 months.

The technology helps:

- block, clean and remove viruses
- block spyware before it can install on a computer
- protect and conceal the computer from hackers for safer surfing
- keep children safe online with parental controls to filter content, pictures and websites
- secure customer identity against fraudsters
- prevent spam and email scams

We'll be looking at what more we can do in this complex area in the coming year.



PIN protection controls:

- restrict channels either completely or after 8pm
- prevent the playback of rated programmes outside the watershed
- prevent the playback of recorded programmes by using the lock option in the Sky+ planner
- remove channels from the on-screen Sky Guide
- control spending on Sky Box Office and online

Access is about innovation

Entertainment is for everyone and we continue to contribute to pioneering access for audiences, making Sky as accessible to as many people as possible and connecting with customers with disabilities.

A growing need for access

According to the Disability Rights Commission, around ten million people in the UK have a disability, and the RNIB estimates that one in four people have a visual impairment. With an ageing population, these figures could increase so it's important we help remove barriers.

Innovative remote controls

The first of their kind in the UK, this year we launched two new remote controls featuring larger, bolder graphics, contoured buttons and a hand strap. Developed in partnership with Scope and Age Concern, and endorsed by the RNIB, they assist customers with vision and mobility impairment.

The remote controls have been on display at several key events this year including Independent Living Scotland and Naidex exhibitions, where customers, healthcare workers and many other organisations commented on the user friendly design.

On-screen functionality

We have also improved accessibility in the Sky electronic programme guide, or EPG, and on the Sky accessibility website. We provide a varied selection of programmes across our channels which carry our access services: subtitling, audio description and signing. These are easily identified by choosing the highlight option in the EPG. Dedicated Sky Box Office channels offer signed movies and audio described films.

Listings for programmes with subtitling, audio description and signing are also available online at sky.com/accessibility. Programme listings are also available in large print, braille, on CD and via email.

“

Sky was the first broadcaster to transmit audio description, and now again Sky is the first to invest in making an inclusive remote control that is suitable for older and disabled people.

”

Lesley Anne Alexander, CEO, RNIB



Our accessible remote controls were launched this year for customers with vision and mobility impairments.



Sky was commended at the O2 Ability Awards for accessible customer service.

Channels and programming

Our customers tell us that they mainly use our subtitling and audio description services more than signed programming but we still offer these to the customers that do want them. Movies Channel 744 is dedicated to audio described films, with a new film added each week.

Sky Sports News is signed every Saturday and Sky News is signed every Friday from 8pm to 10pm and every Saturday from 1pm to 3pm.

Accessible customer support

Our dedicated Accessibility Service Team supports customers with disabilities. The service is available by telephone, text phone, fax and online. The team of 60 specially trained people received over 139,000 calls between July 2006 and May 2007, assisting with a wide range of enquiries including information on our access services, billing and technical enquiries. In June 2007 Sky received a commendation for accessible customer service at the O2 Ability Awards in Dublin.

Training our engineers

Over 1,500 Sky engineers have been trained in disability awareness to date. Our disability workbook continues to guide them on the considerations to take into account when visiting disabled customers' homes and keeps them up to date on accessibility services available to customers. The workbook is approved by the City and Guilds.

On screen

We continue to be a member of the Broadcasters and Creative Industries Disability Network that works to improve and increase the representation of disabled people on television.

139,000

calls to Accessibility Service Team this year

Accessibility Service Team:

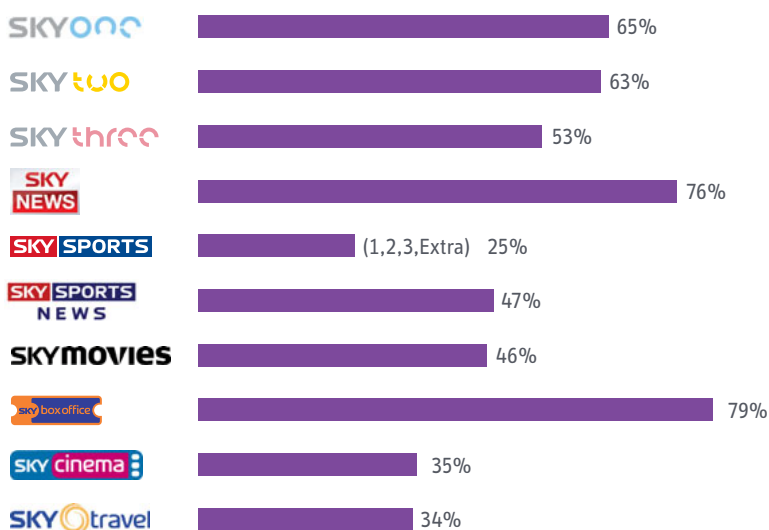
Phone **08705 66 33 33**

Text phone **08702 40 19 10**

Fax **01383 815 312**

Email **accessiblecustomerservice@bskyb.com**

Subtitling provision financial year 2006-07



Figures approximated as per data reported to Ofcom in Q3 and Q4 2006 and Q1 and Q2 2007. The subtitling target for these channels, as set by Ofcom, is 10%.

Sustaining environment

Our environment matters, and as a media company we can both act and inspire. We're making real changes as a company and playing a role in inspiring people to understand what action they can take to address some of the challenges.

eco-w

Warrior



National advertising has been used to inspire individuals to take action on climate change.

Our environment strategy

Our environment programme is focused on three areas: operational improvement, supply chain management and customer engagement. It's supported by our environment policy that forms the basis of our management system, along with a number of defined objectives and targets that direct our activities. Our performance data can be found on pages 48 and 49.

Cutting our greenhouse gas emissions

Our target is to reduce CO₂ emissions to 51,032 tonnes by 2010, which is a 10% reduction from our 2003 baseline. This target was recalculated this year to take into account our acquisition of Easynet.¹

Our total CO₂ emissions for 2006-07 were 45,555 tonnes. Our total CO₂ emissions, excluding Easynet, were 26,719 tonnes, which is a reduction of 8% from last year.²

Offsetting

In May 2006 Sky announced that it had become the world's first CarbonNeutral[®] media company. This reflected significant work across the business to measure and reduce our CO₂ emissions, and was the first public step in our long-term commitment to tackle climate change.

We remain CarbonNeutral[®] this year by continuing to make emission reductions and by offsetting the remaining, currently unavoidable, CO₂ emissions. We offset all our scope 1 and 2 emissions, emissions from air travel (a scope 3 emission), plus an additional 5%.³

Scope 3 emissions, or indirect emissions, are under the control of other companies and therefore not included. However we felt that our use of air travel is something we can take an active role in reducing and for this reason we have included it in our offsetting scope.

The voluntary offset projects invested in for 2006-07 are a Gold Standard wind power project in New Zealand⁴ and a VCS Standard micro-scale hydro-electricity scheme in Bulgaria.⁵

Our data is independently assured

The method we use to measure and monitor our environmental performance continues to develop, and for the second year we commissioned independent assurance of our data (see page 51).

Getting expert guidance

We recognise that this is a complex field, so we commissioned Trucost, an environmental research organisation, to review our environmental impacts and associated reporting. They assessed our impacts in terms of damage cost to the environment. This is a long-term indicator of environmental sustainability and exposure to future environmental regulation and liability. They concluded that our material direct impacts are greenhouse gases and waste, but that none of our impacts are financially material. We have acted on their advice and changed the way we report to clearly separate direct and indirect environmental impacts.

Engaging on future policy development

We're actively consulting with the government on their proposed carbon reduction commitment.



World's 1st CarbonNeutral[®] media company 2006

We're taking action on climate change by improving the energy efficiency of our operations, purchasing renewable energy and offsetting unavoidable emissions.

45,555

tonnes of CO₂ emissions for 2006-07



One of a series of national press adverts we ran on simple steps people can take to reduce carbon emissions.

¹ Following the Greenhouse Gas Protocol corporate accounting and reporting standard, we recalculated the baseline by adding the Easynet 2006-07 emissions to Sky's existing 2003 baseline. Our target remains a 10% reduction on the 2003 baseline. This covers all of our scope 1 and 2 emissions, but of our scope 3 emissions only emissions from air travel are included.

² We have reported data with Easynet operations excluded to enable comparison against the performance reported last year.

³ Scope 1 (Direct Greenhouse Gas Emissions) are emissions from sources a company owns or controls. Scope 2 (Indirect Greenhouse Gas Emissions) are emissions from the generation of purchased electricity that a company consumes in its equipment or operations it runs or controls. Scope 3 (Other Indirect Greenhouse Gas Emissions) are emissions from activities that are relevant to a company but not within its direct control, such as transport activities in vehicles not owned by the reporting entity and outsourced activities. (Source: World Resources Institute and World Business Council for Sustainable Development Greenhouse Gas Protocol.)

⁴ The Gold Standard is an independently audited and globally accepted best practice methodology for energy project development that ensures carbon credits are of high quality premium value.

⁵ The VCS is the Climate Group's verification protocol and criteria to ensure voluntary carbon credits are of high integrity. The Climate Group has confirmed the Bulgaria project meets this standard.

Turning down the power

Energy efficiency improvements in our products, our technology and in our buildings are making an impact and helping us to reduce our power consumption.

Auto standby

Sky set top boxes need to be either on, or in active standby, to ensure the programme schedule on the Sky Guide is up to date. The power consumption of our standard digibox has halved since its launch. Switching the box to standby, when it's not in use, can save up to 50% of the energy used by the box.

In March 2007 we launched the world's first auto standby feature for set top boxes. This automatically puts them into standby mode overnight if no use is detected. It is being rolled out to all our Sky HD and Sky+ boxes during 2007. We estimate this could reduce UK CO₂ emissions by 32,000 tonnes a year. We plan to roll out auto standby to all our set top boxes in the future.

Auto standby is just one step in our wider aim to reduce energy consumption associated with our set top boxes. With this in mind, we have set ourselves a target to reduce the electricity used by our set top boxes when in standby to a maximum of three watts by 2010.

Improving building efficiency

We've continued to make changes to our buildings to improve their energy performance. We made lighting improvements, adding presence detection control and more energy efficient lighting in three buildings. We upgraded our air conditioning equipment, including oil-less chillers or inverter drives in four buildings. In one building alone, oil-less chillers will save an estimated 900,000 kWh of energy, equivalent to approximately 0.5% of the Group's total electricity consumption in 2006-07. Inverter drives in another building should save a further 100,000 kWh of electricity over a year.

We improved hardware management in our data centres, migrating to more energy efficient servers and systems that store up to ten times as much data for the same power. Hot and cold aisles were installed in our new Amsterdam data centre which direct cold air only to where it's needed, making the air conditioning as efficient as possible. We're implementing timed turn-off on some equipment out of hours, and permanent signs throughout buildings to encourage people to turn off PCs, TVs and lights as part of our Switch Off! campaign.

Supporting renewable energy

Last year we secured 100% renewable electricity for the supply of our main sites in England. During 2006 this was extended to include our main sites in Scotland and most Easynet UK sites.

Site emissions

This year, our boundary of reporting has expanded to include our Easynet acquisitions. Correspondingly, our total site based energy consumption has increased. (See table on page 49). Our site emissions account for 24,896 tonnes of CO₂ (54.7% of total CO₂ emissions). A like for like comparison against last year's site based energy consumption (i.e. excluding Easynet operations) shows a 2.7% reduction in energy use.¹

Travel emissions

Our other main source of CO₂ emissions is travel, this year generating 20,659 tonnes (45.3%) of CO₂ emissions. Excluding Easynet operations, emissions from travel were 18,969 tonnes, an increase of 17.4%.¹ This was mainly due to increased fuel consumption in our engineer van fleet which aligns with growth in our customer base. We continue to implement a number of schemes to reduce emissions from travel, including video and tele-conferencing facilities, and locally based taxi services that use hybrid vehicles.

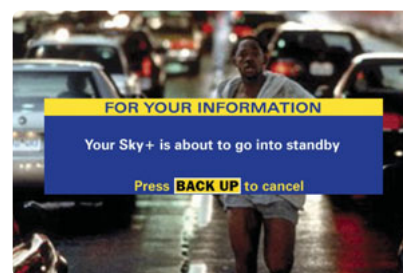
We are introducing the UK's first commercial trial of the Vauxhall Vivaro B30 bio-diesel van that should reduce the vans' carbon emissions by up to 20%. In addition, 140 field team managers are changing to hybrid vehicles and our first electric van is due to be delivered.

Scope 3 emissions

We understand that the carbon we are responsible for extends beyond the emissions generated directly by our operations. Much of our work is undertaken through third party suppliers, including some set top box installation, service calls and outside broadcasts. We've started to identify the key areas of these indirect emissions and aim to continue working with our suppliers and partners to identify, report and reduce these. This year we examined emissions from outside broadcast activities and outdoor advertising. These account for annual CO₂ emissions of approximately 971 tonnes and 2,323 tonnes respectively that are not included in Sky's footprint.

3 watts

of electricity in standby mode by 2010 is the aim of our R&D team for the systems they're developing for our set top boxes.



Our auto standby feature for set top boxes has the potential to save up to 32,000 tonnes a year of CO₂ emissions.

¹ We have reported data excluding Easynet operations to enable comparison against the performance reported last year.

Inspiring customers to take action

We aim to inspire our customers to take action on climate change. A survey commissioned by Sky¹ showed that 69% of people feel responsible for taking action on climate change. But 57% don't have enough information about how to reduce their impact, 44% don't know what a carbon footprint is, and 83% don't know how to calculate one.

Tools on Sky's website

We've launched www.jointhebiggerpicture.com that includes ideas on how to tackle climate change, providing tips, information and incentives to make it easier. In November 2006, we launched an online Carbon Calculator to give consumers a guide to their household carbon emissions in as little as two minutes. The calculator provides information to help customers and employees reduce the energy they use and cut their household bills.

On screen

In January 2007, Sky News broadcast a week of special reports called *Green Britain - The Big Picture*. These gave a comprehensive snapshot of climate change in the UK, with practical advice on how viewers can make a difference. Viewers were encouraged to join in by adding local, personal stories to a climate change map on the Sky News website.

Bringing light when visiting homes

During the year, a group of Sky field engineers piloted a scheme to give customers energy efficient light bulbs and tips on how to reduce energy in the home. The results were promising, with 90% of customers stating that they were using or planned to use the light bulbs and 71% saying they would like to hear more information on energy saving from Sky. We plan to roll this out to 25,000 more customers this year.

We're in this Together

In April 2007, James Murdoch and other business leaders joined Tony Blair to unveil We're in this Together, a campaign spearheaded by The Climate Group to unite business, communities, government and media in offering lower carbon products and services to customers to reduce CO₂ emissions. The Energy Saving Trust and other environmental groups endorsed the campaign.

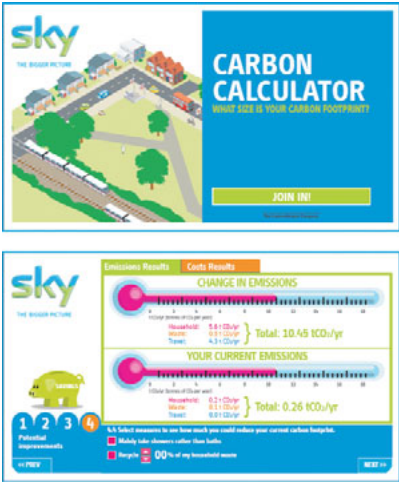
Sky's commitment to We're in this Together focuses on the efficiency of the Sky box and encouraging consumers to switch their set top boxes to standby (see page 17).

Inspiring customers through events

To further inspire consumers, Sky, the British Council of Shopping Centres, and Business in the Community developed a shopping centre exhibition to show consumers how they can reduce their impact on the environment. The exhibition was launched in March 2007 by HRH Prince of Wales and has a national tour programme that aims to reach 12 million people.

In January 2007, we held an event on lower carbon lifestyles at the Violin Factory in London, hosted by environmental lifestyle experts and attended by over 70 consumer journalists. The event gave them information on how their readers can make a difference to climate change.

At this year's Guardian Hay Festival, Sky, Arts & Business Cymru and Hay worked together to provide inspiration to visitors on living a lower carbon lifestyle, through lectures, debates and exhibitions, including the creation of a Lower Carbon Lifestyle Home.



To date over 11,000 people have used the calculator on www.jointhebiggerpicture.com to work out their carbon footprint.

1 Survey by YouGov, November 2006.

“

We fully support
We're in this Together.
The Government will
continue to give a lead in
tackling climate change
both at home and
internationally to reduce
emissions globally.

”

Tony Blair, former Prime Minister

Rough Guide to Saving Energy

A Rough Guide to Saving Energy and Reducing Your Carbon Footprint was produced in association with Sky. 100,000 free copies of the book were given away as part of a promotion with The Times. The guide is a useful handbook for anyone who wants to save money whilst making a difference to the environment.

To download a copy of the book visit
www.roughguides.com/savingenergy

National advertising

During the year, we ran a series of advertisements on-air and in print to encourage customers to take action on the environment.

The on-air promotion used a chameleon to remind Sky customers to 'go red, be greener' by setting their set top box to standby when it's not in use. The print advertisements covered a series of topics including recycling, travel and energy use in the home.

Thought leadership

We've taken a leadership role in the debate on climate change, with prominent Sky people, including James Murdoch, making key speeches on the topic. We've actively shared experiences with other companies, in an effort to help them on the path to tackle climate change, and are a member of the Corporate Leaders Group on Climate Change.



Sky News ran a week of special programmes on climate change in January.



Our on-screen message to encourage people to switch their Sky box to standby.



We sent energy-saving lightbulbs to customers as part of a pilot project to help them find ways to reduce energy use in the home.

Everyone plays a part

Sky people are key to the success of our environmental initiatives. So are our suppliers. In June 2006 we launched our environment intranet site and carbon credit card scheme. The site keeps Sky people up to date with news on climate change and sustainability tips on how to make a personal difference. Through the carbon credit card, Sky people earn credits for environmental activities that can then be redeemed for rewards.

Employee travel to work

Emissions from travel to work are not included in our carbon footprint, but we encourage employees to consider more environmentally friendly options. This year, with the London Borough of Hounslow, we developed a transport plan to cut the number of cars coming to our Osterley site by 600 cars by 2015. We have improved the shuttle buses to and from the train station, and have a lift sharing intranet site to encourage car pooling.

Bike to Work Week

As part of National Bike Week we ran Bike to Work Week, with additional showers and towels, extra cycle parking, free breakfasts and free massages provided for cyclists. Sky also donated £1 to our charity partner, Chickenshed, for every breakfast served.

During the week, 700 cycle trips were made, an increase of approximately 55% on a normal week.

Hybrid car incentive

We offer incentives to help employees reduce their carbon footprints. This includes a discount and £1,300 gross cash back on the purchase of a hybrid car.

Carbon offsetting by employees

Our benefits package offers a scheme for employees to offset all or part of their carbon footprint. The initiative, Choose The Bigger Picture, is run in partnership with the charity PURE. It offers offsets that have been generated from emissions reductions, regulated and verified to UK Government standards.

Influencing the supply chain

Environmental considerations have a growing place in our procurement process. We have begun evaluating and monitoring the environmental performance of key suppliers and encouraging them to improve their energy efficiency.

Spreading the message

During last year we organised events to share what we've learnt about tackling climate change with suppliers and business partners. This included preview screenings of *An Inconvenient Truth* across the UK. In London and Manchester we followed the screenings with panel debates on the role of business in tackling climate change. Since then, ten of Sky's key suppliers have become carbon neutral.

Supplier workshops

We've started a series of workshops aimed at helping our suppliers and business partners improve the environmental performance of the products and services they provide to Sky. These workshops are based on the BS8555 approach to implementing environmental management systems.



Our carbon credit card rewards Sky people for reducing their own footprint.

Turn on. Tune in. SWITCH OFF!

WE HAVE THE POWER TO MAKE THINGS BETTER. LET'S TACKLE CLIMATE CHANGE TOGETHER. SWITCH OFF PCs, TVs, LIGHTS, TAPS AND ENGINES. JOIN IN



As part of our Switch Off! campaign we installed permanent signs throughout our main buildings to encourage people to reduce energy and water use.

Preventing waste and minimising resource use

Last year we set ourselves a target of doubling the amount of material we recycle. Excluding the efforts of our recently acquired Easynet operations, we exceeded our target; recycling more than three and a half times the amount we recycled last year. Including Easynet operations, we increased the amount by almost five times.

Waste

During the year, we simplified the recycling process at our main sites. We recycle redundant PCs and office hardware, including printers and monitors, and have recycling facilities for metal and wood from the props in our studios, CDs and VHS tapes, mobile phones, batteries and fluorescent tubes. In total, across the Group, we recycled 1,898 tonnes of material. Across the Group, total waste disposed for 2006-07 was 2,496 tonnes.¹

As part of our continuous improvement in monitoring our environmental impacts we have included hazardous waste in our reporting. Hazardous waste at Sky includes batteries, fluorescent tubes and some chemicals and paints (used in activities such as cleaning, studio set preparation and maintenance activities). The recycling figure above includes 86 tonnes of hazardous material and the waste figure includes 0.6 tonnes.

Paper

Across all communications we now either use recycled paper, paper from mills that make paper certified by the Forest Stewardship Council (FSC) or from sustainable forests (PEFC). Sky is a significant user of paper products, using close to 35,000 tonnes per annum with activity such as the customer magazine, direct mail, media inserts, door drops and transactional mail. We have been using paper from sustainable sources for over five years, and recycled papers for 18 months.

WEEE – the Waste Electrical and Electronic Equipment Regulations

This year the Waste Electronic and Electrical Equipment Regulations (WEEE) came into force in the UK. These aim to increase re-use and recycling and reduce the amount of electronic and electrical waste going to landfill.

We already had systems in place to collect Sky set top boxes from our customers which we then repair, refurbish or recycle. These systems have been extended to include collection of our other electrical and electronic products.

We now offer our customers the option to hand old equipment to our engineers during home visits, send it back to us by freepost, or take it to their local collection facility.

For information on how to recycle your products visit www.jointhebiggerpicture.com

Water

We're not a big consumer of water but we do what we can to minimise its use. This year our total water consumption was 150,663m³, or 11.5m³ per employee (full time equivalent).

Last year we said that we would set a revised target to reduce water use during the year. We do not use significant amounts of water for any operational processes. In fact, our use of water is mainly in our canteens, kitchens and toilets. Therefore we decided to concentrate on our other more material impacts of energy use, waste and other climate change related improvement opportunities.

However we recognise that water is a resource which could potentially become increasingly scarce as a result of climate change and we may need to introduce a target in the future. We will keep an eye on this.

838,130

set top boxes were taken back by us this year, equal to approximately 1,840 tonnes of refurbishment or recycling.

LOOK OUT FOR THESE RECYCLING POINTS AROUND YOUR WORKPLACE

Help make things better, JOIN IN

Did you know that we also recycle computers, mobile phones, furniture, scrap metal and a whole lot more?

For more information on what we recycle and how you can help, visit our waste directory at jointhebiggerpicture.com or call the facilities helpdesk on 3333

We've simplified the recycling process at our main sites to make it easier for employees to join in.

¹ We have included data with Easynet operations excluded to enable comparison against the performance reported last year.

SKYmovies

Ride to Freedom: The Rosa Parks Story

teac



Inspiring learning

We want to inspire people by unlocking the learning potential in our content, and give learners the means to develop their interests.

Our core assets in news and sport also enable us to make a meaningful contribution in the nation's schools and playing fields as well as on screen.

teacher



A national campaign has raised awareness of the learning potential of programmes on the Sky platform.

Unlocking the learning potential of Sky

We've made a commitment to use our platform to enhance learning outside the classroom, unlocking the wealth of potential in our content to deliver learning resources direct to users.

Online recommendations engine

The Sky Learning recommendations engine is a new initiative, guiding learners of all ages to the educational and inspirational content that Sky delivers.

Launched in April 2007, sky.com/learning searches across hundreds of channels on our digital TV platform, recommending programmes that are linked to GCSE English, History, Geography and Science.

Students, parents, and teachers can select specific topics, subject areas and examining boards and then search across Sky to produce a list of relevant

programmes that will be on screen in the next seven days. The site searches free to air and appropriate subscription channels to recommend programmes.

Expanding horizons

We plan to expand the free search engine to include other GCSE and A-Level subjects later this year, as well as adding a host of programme and topic specific content.

We'll also use our entertainment platforms to make personalised learning recommendations, adding interactive learning functionality to television content, and creating Sky Learning communities and events that will help to make learning accessible and engaging for all.



June Sarpong launched the Sky Learning recommendations engine in April 2007.

“This is great news for students. Sky Learning is a real asset and an important supplement to traditional classroom tools.

”
Deryn Harvey, Director,
DCFS Innovation Unit



Helping young people uncover news

We provide several routes to help develop young peoples' understanding of the news making process, and give them opportunities to get involved.

Sky Young Journalist Awards

The Sky Young Journalist Awards took place for a second year, with entries up on 2006. The awards aim to increase young peoples' understanding of the media, and to give them a voice on issues that matter to them.

For students interested in a career in journalism and media, it provides an opportunity to sharpen their news writing skills and put examples of their work before Sky News executives and media professionals.

Over 200 young people aged 14 to 19 from across the UK submitted ideas for TV, radio and print stories. Sky's own talent pitched in to promote the competition, as Sky News presenters Kay Burley and Eamonn Holmes gave national and regional radio and print interviews. Sky also reached out through its relationships with local business and education groups to get local schools involved.

A first in Second Life

In May 2007, Sky News became the first 24-hour TV news channel to take a permanent presence in Second Life, the 3D virtual world.

The launch at the Guardian Hay Festival featured the first live TV broadcast to include questions from virtual world residents.

We're also developing special virtual rooms that will allow residents to step in and engage with news stories and events in an innovative way. By recreating scenarios such as courtroom cases, crime scenes and natural disasters in a 3D space, Sky News will provide a richer experience and deeper understanding. Sky's editors and correspondents will also provide exclusive talks to Second Lifers on major news stories.



Winner of a BITC Big Tick for Raising Achievement in Young People

“

I was so shocked to hear I'd won my section, and then to hear I was the overall winner was just amazing. I still can't believe it!

”

Reuben Steenson, 14 years, overall winner of the Sky Young Journalist Awards



Our Virtual Newsroom at sky.com/virtualnewsroom is a groundbreaking interactive version of the Sky News studio. It looks behind the scenes of the news making process, and is our way of giving young people access to Sky News regardless of location, age or academic achievement.

Engaging young people through sport

Sport is a great way to bring people together, to develop their skills and help them achieve their potential.

Sky Living For Sport

Our school-based Sky Living For Sport initiative has gone from strength to strength with some significant results. Launched in 2003 in partnership with the Youth Sport Trust, it targets young people aged 11 to 16 who are at risk of opting out of education.

Sky Living For Sport has reached over 500 schools and has benefited over 14,000 young people across the UK. It supports the government's strategy to re-engage young people in education, by inspiring them to take part in activities from angling and archery to martial arts and street dance.

The track record

We've seen real changes in many of the young people who've taken part, and the Institute of Youth Sport has completed a three year independent evaluation study (see below). Participants' social skills and behaviour have improved, along with attendance and punctuality levels and these have been sustained 12 months on.

Improving performance

Sky Living For Sport offers a range of resources and training, 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 gets a development grant, entry to a national awards scheme, and support from a mentor. The mentors are Olympic and other sporting champions who act as role models to help inspire and motivate young people.

Raising the game

We're now looking to reach the remaining 3,000 secondary schools in the UK by giving them access to a Continuing Professional Development package that will enable teachers to run the initiative in their school. We are also developing a new strand of Sky Living For Sport for parents so they can be involved too.

“

Sky Living For Sport gives young people the opportunity to try many different kinds of sport, improving their confidence and self worth, qualities which are then taken into other areas of their lives.

”

Dame Kelly Holmes



We celebrated Sky Living For Sport reaching 500 schools in March 2007.

Sustainability of improvements in Sky Living For Sport participants

90.1%

of pupils maintained improvements in behaviour for approximately 12 months

93.5%

of pupils maintained improvements in social skills for approximately 12 months

90.9%

of pupils maintained improvements in attendance and punctuality for approximately 12 months

Source: Institute of Youth Sport
Years 1-3 Combined Report



Commitment to youth volunteering in sport

Sky has teamed up with V, the youth volunteering charity, as a partner to develop a national campaign aimed at inspiring a new generation of volunteers.

Sky is one of V's founding partners, and is providing £500,000 over three years of in-kind air time for the national campaign to promote youth volunteering through sport, which has the potential to reach an audience of over 11 million young people. Matched funding from V and Sky will enable the Youth Sports Trust to provide volunteering opportunities for 250 hard to reach young people aged 16 to 25 through our Sky Living For Sport initiative.

We are also developing a graduates programme for Sky Living For Sport. Young people who have graduated from three years of Sky Living For Sport will be encouraged to take part in sports volunteering opportunities developed by the Youth Sport Trust.

Sky Sports cricket coach programme

This year, Sky Sports and the English Cricket Board (ECB) teamed up for 12 months to provide a structured coaching programme for cricket coaches. The scheme aims to qualify 3,000 new coaches a year at grassroots level.

Sky has committed to raising the profile of club coaches through DVDs, posters and regular website coverage. There are 300 Sky sponsored tutors developing the new coaches, and we're also providing training equipment to help.

By 2009, with Sky's support, the ECB aims to have a Level 2¹ coach or above in all 1,450 focus clubs, reaching over 1.25 million young people.

¹ The ECB Level 2 coaching course helps coaches prepare, deliver and review cricket coaching sessions.

“

Sky's sponsorship of the coaching programme will allow ECB to service the 42% increase in participation that cricket has enjoyed.

”

David Collier, Chief Executive, ECB

“

By teaming up with Sky, V will be able to harness the strength and reach of its brand to inspire a new generation of young people to volunteer through their passion for sport.

”

Terry Ryall, Chief Executive, V





Building arts

Sky is well placed to make the arts accessible to audiences not only through our dedicated Sky Arts channel, but through our partnerships with leading arts organisations that play an important role off screen.

Bringing arts to new audiences

As an entertainment company, we contribute to the arts and culture landscape in the UK and bring arts to more audiences in new and engaging ways, both on and off screen and stage.

Sky Arts

In March, the Artsworld channels became Sky Arts and Sky Arts HD, the UK's only television channels dedicated to all areas of the arts.

Sky Arts broadcasts only arts programming for 18 hours each day and is committed to showing a varied schedule of the best of arts television from around the world, and making the arts accessible to all.

The channel broadcasts an eclectic and entertaining mix of programming, from high definition opera to freestyle music, classic film to modern art. What's important is that all programming is not just entertaining, but inclusive, intelligent and contemporary.



National Trust: National Treasures



Ballet Rocks

The Guardian Hay Festival and Hay on Sky

2007 was the first year of Sky Arts' broadcast sponsorship of The Guardian Hay Festival, which was attended by 140,000 people over ten days. The Hay Festival is one of the world's most influential gatherings on literature, art and music. Sky Arts' support helped bring the festival to a wider audience and helped people at Hay to see our contribution to the arts.

The Sky Arts studio broadcast ten one hour *Hay on Sky* shows in high definition across all days of the festival on Sky Arts, with a repeat transmission on Sky Three, our free to air channel.

Sky also provided a Lower Carbon Lifestyle Home at the festival, giving people tips on how to reduce their carbon footprint in the home. Sky News and Sky Movies also contributed to the festival.



Philip Glass

“

National Trust: National Treasures, the first HD series from the excellent Sky Arts ... enthusiasts can look to Sky for high quality arts and documentaries.

”

Victor Lewis Smith, Evening Standard



Mariella Frostrup hosted daily Sky Arts programming at The Guardian Hay Festival.

18 hours

of arts programming broadcast every day by Sky Arts

Support through arts sponsorships

Sky supports and contributes to high quality, accessible cultural entertainment in the UK through long-term and in-depth sustained support. Our integrated sponsorships make use of both our platform and our investment.

English National Opera

Sky Arts continues to be the season sponsor of English National Opera (ENO). Our investment is worth over £5 million from 2003 to 2009.

As part of our sponsorship of ENO, we're keen to nurture productions that are inventive, contemporary and reach new audiences. This year, we worked on Sky Focus, an initiative in which Sky Arts helped make a new ENO production possible. This was a critically acclaimed new production of *Satyagraha* by Philip Glass. Sky Arts celebrated the occasion with a behind the scenes documentary and an evening of programmes on Philip Glass.

Sky Arts also increased its commitment to making the arts more accessible with the Sky Seats initiative at English National Opera. Sky Seats offers 12,000 reduced price tickets to selected performances at the London Coliseum, the home of ENO.

English National Ballet

Sky has sponsored English National Ballet since January 2004, and with Sky Arts as their National Tour Sponsor, this leading ballet company was able to tour the country again this year.

In September, Sky Arts showed in high definition the specially commissioned short dance film *Ballet Rocks* – a new piece commissioned by Sky, choreographed by English National Ballet with music by Brit band Bloc Party and costumes by award winning UK designer Giles Deacon.

National Trust

Sky was the National Trust's Family Programme Sponsor again this year as part of a £1 million, two year deal for 2006 and 2007.

Sky Arts celebrated the partnership by creating two new HD series *National Trust: National Treasures* and *National Trust: Garden Treasures* which brought the glories of the National Trust to a nationwide audience.



Sky brought entertainment to visitor sites by supporting family theatre, Easter egg hunts and Halloween trails at National Trust properties.



© Catherine Ashmore

ENO's new production of *Satyagraha* by Philip Glass was made possible with the help of Sky Arts.

Inclusive theatre

Chickenshed was selected to be our charity partner in 2004 after a national campaign in which our customers and staff helped to choose the winner.

A growing partnership

Chickenshed is a pioneering, inclusive theatre company where everyone is welcome and valued. Sky was keen to select a charity partner that would gain the maximum from what we have to offer – from staff volunteering, to TV and wider communication platforms, to interaction with our customers.

Sky is committed to bringing entertainment to as wide an audience as possible. Together, Sky and Chickenshed have given more people across the UK the opportunity to share in the power of performance, including many people who never thought it possible.

Meeting key objectives

To help us make sure we could thoroughly evaluate the partnership, we set up a steering group, facilitated by the Corporate Citizenship Company. We also commissioned research company EdComs to create a model by which Chickenshed can effectively evaluate the impact of its work both during the partnership and as a tool for the future.

To generate income for Chickenshed

Since launch, our three year partnership (ending in October 2007) has generated over £1.8 million for the charity, including in-kind and cash donations. A new brand identity was also developed for Chickenshed and launched in November 2006. We'll continue to support Chickenshed by broadcasting their next two productions on Sky Arts.

£1.8m

generated for Chickenshed over three years

12%

Sky people involved with Chickenshed

1,300+

employee hours donated to Chickenshed



Chickenshed's production of Peter Pan.

“

The partnership has really enabled us to strengthen as a business, develop as an artistic force and engage many more young people in beautiful, pioneering, inclusive theatre.

”

Mary Ward MBE,
Artistic Director and Co-Founder,
Chickenshed



To strengthen Chickenshed and its sustainability

A business development team has been recruited to develop new funding streams and areas of business growth.

To improve evidence of Chickenshed's impacts

Findings from the first phase of the research have been positive and contribute towards the business case for supporting the charity. The final phase of the work will generate strong tangible results and a working model to ensure that Chickenshed can monitor impact and effectiveness.

To generate employee involvement and engagement

Over three years, Sky people have raised £125,000 for the charity, and just over 12% of staff have been involved in fundraising, volunteering or experiencing the work of Chickenshed.

To bring inclusive theatre to a wider UK audience

Chickenshed has been warmly received on Sky One, Sky Three and Sky Arts. Our customer magazine and a series of billboard campaigns have also helped Chickenshed reach new audiences. We established Chickenshed's nineteenth permanent outreach project in Scotland, a theatre called Fifeshed.

CHICKENSHED
PIONEERING, INCLUSIVE, BEAUTIFUL THEATRE



As the Mother of a Brown Boy, shown on Sky Arts.



The search for our next charity partner is now underway, and again we will be involving our customers and our staff in the selection.


We want to find a partner who can get the most out of us and our resources: from funds we can donate and invest; to the expertise our people can provide; to reaching our customers and of course making a lasting difference within our communities.

We've asked charities to look at the whole of The Bigger Picture, and if they share our way of thinking, to apply by presenting their stories in a short film or video about themselves and the projects they're involved in.

We'll shortlist five charities and turn their ideas into a short film about each to be shown on Sky. Viewers will then be able to vote for their favourite entry.

A judging panel of experts will select Sky's partner on the basis of the most popular people selection and other criteria.

The selected charity will be offered a three year partnership worth over £1 million.



Developing people

Sky is a place where people make a difference and help shape the future. We aim to inspire and develop people to reach their potential. Our values are the foundation of our culture and embedded through performance development plans, training programmes and recognition schemes.

We encourage Sky people to focus on their health and well-being by providing relevant and targeted programmes that educate and actively involve people.



Encouraging talent

At Sky we create and deliver some of the widest choice of content and products in entertainment, and believe that our people should reflect the innovation of our products. We are committed to providing opportunity for all people.

Finding the best

Our recruitment team strives to identify talent from an array of sources. Last year we attracted over 65,000 candidates, using channels from national job boards to targeted publications and specialist interest groups.

Modern apprenticeships

Our modern apprenticeship scheme, based in Scotland, offers formal training to 16-17 year old school leavers in customer operations. Over the past year 63 young people started their modern apprenticeship with Sky.

The scheme finished runner-up in the large employer category of the Scottish Modern Apprenticeship Awards in October 2006, for the second year running, and we've been shortlisted again for the 2007 awards.

Graduate recruitment

Our graduate scheme resulted in over 100 hires this year, bringing new talent into the business across Finance, News, IT and Marketing.

In January, we launched a graduate scheme in Customer Operations. Eight graduates are currently involved in the programme which encompasses five business areas. We also set up a Sky graduate community to bring together all the people involved in graduate and student placement schemes at Sky.

2007-08 will see the launch of a company wide integrated graduate programme, aiming to position Sky as a leading destination for graduate and future talent.

Summer placements

We launched the first Sky Sports News summer placement scheme for would-be sports journalists in July 2006.

Working with the Shaw Trust

Sky hosts regular open days for the Shaw Trust, a national charity that provides training and work opportunities for people who are disadvantaged in the labour market due to disability, ill health or social circumstances.

The open days allow people to be shown around our customer operations centre, to talk to current staff, and watch them at work.

This year Sky won The Shaw Trust's Regional Employer Award and was nominated for the National Award.

63

school leavers placed on our modern apprenticeship scheme

100+

new graduates hired



Training and development

We nurture talent by supporting and enabling our people to take ownership of their development. We aim to have the right people in place with the right skills and knowledge to deliver our strategy today and in the future. This means knowing where our talent lies and continuing to retain and develop the best people.

Developing people

Our Sky Development Community enables everyone to share ideas and opportunities, and to review the effectiveness of how development is delivered.

Choose to Inspire leadership programme

This Sky programme aims to develop our leaders at all levels, to meet business challenges by inspiring their people to deliver great customer service whether they are in direct customer contact or not. The programme builds employee engagement to enhance our customers' experience.

360 degree feedback is the key feature of the programme and over 5,000 feedback questionnaires have been completed so far. This has enabled people to understand their impact on others, their strengths and where to develop.

This programme has already been rolled out to over 700 Sky leaders.

Senior Leadership Development Programme

This programme aims to grow individual business leadership skills as well as build a community of leaders across Sky. The programme includes coaching, mentoring, core and tailored modules, links with external businesses and 360 degree feedback.

Managers' Essentials programme

Managers' Essentials is our core suite of management skills and knowledge training designed specifically for Sky managers to meet the needs of our people and our business. It includes modules on managing people, talent resourcing, performance, diversity and well-being. Over 1,250 Managers' Essentials courses have been taken this year.

E-learning

E-learning is an important tool and we develop our own innovative e-learning solutions. In the past year 24,000 e-learning courses have been completed by Sky people.

High Definition television training

Sky is at the forefront of developing HDTV for the UK and is a leader in high definition production and delivery. We designed from scratch the training and development programme for our technical, engineering, operational, creative and support staff. Our HDTV training programme has been put forward for a National Training Award.

78,029

total training days this year

Choose to
Inspire

helps managers inspire their teams to connect with customers.

MANAGERS'
essentials

is our ongoing people management training initiative.

Listening to our people

Sky people make our business work better and we involve our people in discussion both on current business initiatives and to help shape our future.

Sky Forum

Sky Forum is an elected group of 70 employees representing all areas of the business, and it plays a key role in communication. Forum members help us to hear the views of our people through involvement in various interest groups, and health and safety.

A wide range of topics are discussed at the Forum including day to day matters and new business plans. Business owners across Sky play an active role in responding to the topics raised, and the Chief Executive Officer, other senior executives and relevant managers regularly attend Forum meetings to talk about Sky's strategic priorities.

People Survey 2006

The Sky People Survey is the key way we collect the views and opinions of all Sky people. Executives and management teams look at the results and take action to improve Sky as a place to work for everyone.

Over the past two years improvements have happened as a direct result of the survey feedback. We've introduced performance appraisals, recognition programmes, training, better communications, and improved working space. Individual departments and teams have also taken action to further the conversation among their people and to address specific issues which make the business more productive.

HR services for Sky People

Our HR People Portal provides information and enables Sky people to process the majority of their HR transactions online, simply and quickly. Over the last year, the People Portal had 1.2 million hits. Our HR Service Centre, branded HR2020, sits behind the People Portal for times when the personal touch is needed. The People Portal won the 2006 Personnel Today Award for HR Excellence through Technology.

Reward and recognition

Our benefits package includes a pension plan, life cover, a Sharesave scheme, healthcare plan and free Sky+ for all employees. The Sky Choices programme allows employees to make tax-efficient choices in areas such as childcare and mobile phones, as well as savings on a bicycle for travel to work, and on Sky products and services.

Our annual Team Sky awards allow employees to nominate colleagues who demonstrate our values of being tuned in, irrepressible, inviting and fun, with the winners receiving significant rewards. Over 1,000 nominations were made in 2006 with 50 winners.

69%

response rate to the Sky People Survey



The Sky Forum meets regularly to represent the views of Sky people to the executive team.

Male employees	58.0%
Female employees	42.0%
Female managers	45.65%
Ethnic background ¹	9.95%
Disabled employees ²	1.3%

¹ Based on information from the 64% of our employees who have chosen to declare their ethnicity to us, and have categorised themselves as non-white British.

² This figure represents employees who consider themselves disabled.

Community involvement

We support our people to get involved in our local communities in a number of ways, giving time, resources and money to a wide variety of organisations.

Make a Difference

Our Make a Difference (MAD) initiative has been running for just over two years. All permanent Sky people can claim up to 16 hours of paid leave for volunteering and receive matched funding for payroll giving and any money they raise for charity.

Increasing our involvement

1,086 people have volunteered since MAD was launched. This year many of those same people volunteered again, from Finance, Sky Networks, Corporate Communications and HR. In addition, we nearly doubled the number of volunteers, involving 505 new people for the first time.

78% of Sky people involved in Make a Difference feel more motivated and 71% more committed to Sky as a result of their participation.

Sky Networks won a Cares Team of the Year Award from BITC in December for their team challenge in which 50 of their people spent a day at a local school teaching 60 children how to produce, edit, script and present three minute adverts.

New team challenges

Our Broadcast Operations team of 750 people committed to a one year project supporting local secondary schools in Hounslow achieve Eco-School status. Working with BITC's London Cares, Hounslow Education Business Partnership, the London Borough of Hounslow and local secondary schools, they're helping schools raise awareness of environmental issues.

In partnership with The Media Trust and BTCV, and jointly funded with the V Foundation, we started a new project in May 2007 to enable 75 Year 12 and 13 pupils in Hounslow's five media specialist schools to volunteer their time to create films for young people.

The films explore issues and themes linked with the environment, and show how young people can make a difference by volunteering for community projects. Skilled mentors from Sky have been matched with the schools to provide additional support, and each film has a strong call to action to encourage young people to volunteer. The films will be packaged into a half-hour programme for broadcast, to promote volunteering to an even wider audience.

Make a Difference Awards

This year's Make a Difference Awards took place in May, attended by representatives from across the business and hosted by Sky News weather presenter Denise Nurse. Over 100 nominations were put forward by colleagues, and a team of judges including Sky people and representatives from Volunteering England, V and Charities Aid Foundation chose the winners. Our CEO was on hand to present the awards.

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's main sites in London, Harrogate, Dunfermline and Livingston.

More than £100,000 has been donated this year to projects that support young people aged between 11 and 21, with a focus on building confidence, preparing them for the world of work, developing creativity and enhancing their communication skills.

Looking beyond our own community

We have continued to find ways to help our people and our customers to make a contribution to global communities. This year, we again worked with the Disaster Emergency Committee and the British Red Cross to help the public and our people donate to international and national appeals, such as the Sky News Darfur Crisis Appeal in 2007.

£900,000

given to charity by our people since Make a Difference launched in January 2005.



The award-winning team from Sky Networks inspired young people to make short ads as part of their team challenge.

Well-being

We continue to focus on developing our peoples' knowledge of health and well-being and ensuring that they have healthy and safe working lives.

Feel Karma

Feel Karma is a programme offering our people the tools and information to lead a healthy lifestyle, build resilience and use our health services and benefits appropriately.

The intranet provides a constant reference point on topics such as stress, physical activity and nutrition, with a dedicated guide to help our people who work shifts to balance shift work within their lifestyle.

Feel Fitness Karma

Our Feel Fitness Karma programme at our Scottish sites included a free health assessment and advice on nutrition, exercise and stopping smoking. Nearly a thousand employees joined in activities such as sponsored exercise classes, a collaborative promotion of Jog Scotland, and regular demonstrations by our chefs of easy to prepare healthy meals.

Feel in Control Karma

The Feel in Control Karma programme focused on psychological well-being, with workshops on building confidence and managing life issues, as well as therapies such as Indian head massage and Reiki.

A Feel in Control passport was distributed to attendees, with contact information on Sky employee support services, as well as local charities and advice groups. This also helped to re-launch our employee assistance programme and Sky's finance and debt advisory service.

Keeping Karma

There have also been a number of smaller Keeping Karma events such as Food Choices, Quit Smoking, Think Back (for spinal health) and Diabetes Awareness Week. Our Sky Scotland versus England football match, and a summer sports tournament in Osterley, also promoted a healthy lifestyle through exercise.

Monitoring health and well-being

A new system to collect occupational health data has helped us better direct resources such as physiotherapists and counsellors on our three main sites. We have improved our counselling service on site and have developed an e-learning programme that's accessible to all Sky people.

Work is also underway to collaborate where appropriate with local GPs to ensure a quick referral to a specialist and prompt management of disease. We have introduced a telephone consultation system so that individuals can quickly get access to occupational health assistance.



Feel Karma is our ongoing programme that provides tools and information on health and well-being.

“

... as for health tests, 99% took it and I think they'll be acting on their results.

”

Team Manager,
Customer Operations

Health and safety

Health and safety is about managing all our activities to avoid causing any unnecessary or unacceptable risks to the health, safety and well-being of our people.

Our approach

We ensure that our managers and contractors take all reasonable steps to reduce risks through good management practice and relevant control measures. Our goal is to ensure continuous improvement by embedding improvements in our policies and the way we work.

Understanding the issues

We take into account a variety of health and safety issues, relating to television production in our studios, to safety in our customers' homes when installing Sky services, and to making sure our TV crews are safe when they're out on the road. To help us achieve this, we have a team of specialists in health and safety responsible for different aspects of the business.

A model for management

The reinvigorated management system and governance model for health and safety we introduced three years ago is now embedded across the company. This secures practical solutions for operational hazards and risks, seeking to ensure the welfare of our employees, compliance with all applicable statutory requirements, and the removal of health and safety blocks to business achievement, growth and development.

Governance

Our health and safety governance structure includes not only our operational teams and the Sky Forum, but also a Health and Safety Steering Committee that reports to the Audit Committee, the CEO and the Board.

This year Easynet has been fully integrated into Sky's health and safety governance structure and risk management process.

Training and communicating

All our people are required to undertake our e-learning course on health and safety that includes training on fire safety. Since many of our people routinely drive for work, we provide driver safety training and assess any risks from this across the business.

We also deliver a range of dedicated programmes for specific parts of the business from news gathering safety for Sky News, in line with our news Code of Practice, to installation training for our team of engineers on issues such as working at height. These programmes include information on how to undertake risk assessments and the provision of support in case anything does go wrong.

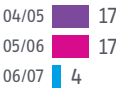
Health and safety consultation

Sky's elected representatives of employee safety continue to be keenly involved in the development of health and safety. All corporate policies and procedures relating to health and safety are passed through a consultation process involving Sky Forum members, to ensure that Sky people have a say before new safe systems of work, and revisions to safe working practices are introduced.

Accidents (BSkyB)



Major accidents



Fatal accidents



Accidents (Group)¹



¹ Includes BSkyB, Sky In-Home Service, and Sky Subscriber Services Limited.

Doing better

Our success depends upon doing business better. It involves the development and improvement of strategy and of an enhanced dialogue with people with a stake in our business. In short, everything that brings a business long-term success and durability and benefits its customers and people.



Listening to our customers and our people

The Bigger Picture is informed by what people say they expect of us. We've been having bigger conversations with more people, both inside and outside the business, and getting closer to their attitudes to Sky.

Expanding business decision making

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 challenges and opportunities.

The Bigger Conversation with customers

The Bigger Conversation brought together 191 members of the public (114 customers and 77 prospective customers) to gauge reaction to The Bigger Picture and Sky's commitments, and to identify practical ideas and suggestions for Sky to consider.

Participants developed varied and inventive ideas that were then pitched to an expert panel, chaired by James Murdoch. Many reflected areas of work that Sky is already looking at, and helped to confirm the direction of Sky's Bigger Picture work. The panel's choice and the day's winning idea was The Bigger Picture Card - a loyalty card for which the rewards are discounts on environmental products, as well as on arts, sports and learning activities. We're now looking at how to bring this to life.

Views on The Bigger Picture

The Bigger Conversation with customers and prospects told us that our customers wanted to know more about our environment and learning activities, so we're implementing communications to address this. Notably, it was thought that compared to other companies, Sky is well placed to make a difference in the areas of Environment (71% said 'well or very well placed') and Learning (80% said 'well or very well placed').

In general, Sky customers and prospective customers considered customer care to be paramount in their relationship with a business or service, and integral to whether or not it is viewed as a 'responsible business'. We continue to focus on this.

Training our people

Last year we introduced the Kaizen approach in our customer contact centres to enable our people to solve problems and improve the ways things are done. With over one million customer calls each week, this helps us provide a better service and respond to the customer first time.

Our teams have comprehensive information to advise on our products and services, to help ensure customers get the package that is right for them.

Time-banded visits

We're piloting a new system that gives customers a choice between a morning or afternoon slot. That means they have shorter wait times for a visit and a faster response to queries.

Taking action

The issue of quiz channels has been in the news this year. Prior to this, we had decided last year that we would not operate any of our own quiz channels because long-term relationships with our customers are important to us.

Sky Forum

The Sky Forum plays an important role in Sky, bringing people closer to our executives and giving all employees a voice. Sky Forum members are updated on business information and planning, to share with their constituencies. This puts them in a unique position in terms of understanding what is going on across the business and a more in-depth appreciation of how our business runs.

This year, we again ran a session at the National Forum on The Bigger Picture, updating people on the achievements of the year and future plans and giving them the opportunity to give us their feedback.

Assessing risks

The Executive Team nominated representatives to take part in a Reputational Risk Workshop programme during June 2007. The attendees were those people in the business who are involved in decision making. The potential risks identified were fed into the corporate risk register that is reviewed by the Risk Committee.

“

Sky is a company that has a tradition of understanding not just broadcast audiences but individual customers to whom they owe an individual responsibility. It has put the focus of participation television on the enhancement of the viewer experience rather than being a money-making enterprise in its own right. We commend this approach.

”

Ed Richards, Chief Executive, Ofcom

“

Sky is in one in three homes – it has an impact on how we are informed and therefore a responsibility.

”

Sky customer

Tackling a key responsibility

We want our customers to enjoy using Sky Bet's sports betting, poker and games on TV, online, by mobile and by phone. Sky Bet aims to be the industry leader in encouraging responsible gambling.

Setting your own limits

A range of customer-led controls enable our customers to manage their gambling. Daily deposit limits can be set during registration and when logged in to our services. We're also introducing the option to set weekly and monthly limits, and session limits are available on some higher-speed games.

Taking a break

Customers can self-exclude from Sky Bet for six months at any time and we're expanding the options to include one to five year periods, and to require a customer opt-in to return to betting. We also offer a 24 hour cooling off tool for customers who want to log off for a while.

GB Group is helping us to develop a self-exclusion database to allow customers to exclude themselves from all participating betting companies.

All Sky Bet web pages link to the Internet Content Rating Association (ICRA) website, enabling customers to block Sky Bet and other betting sites from their PC.

Age verification

We use the URU verification tool provided by GB Group, a leading product in the industry, to verify the age of customers using cards available to those under 18. We are now expanding this to verify the age of all our customers using our services.

Restricting overseas access

Measures are in place to prevent access by players from the USA or other jurisdictions where there are legal restrictions on online gambling.

365 Media integration

In January we purchased 365 Media, that included betting and gaming businesses. We've integrated their online customers into Sky Bet's customer database so they can benefit from the self-help tools and information available on our online and TV services.

Working with the experts

Our gambling and gaming products are operated in line with the Sky Bet Code of Practice for Interactive Gaming. This was developed in 2003 with GamCare, a leading authority for information, advice and practical help on responsible gambling.

Enhancing our customers awareness

In November, Sky Bet took part in the Remote Gambling Association's Responsible Gambling Awareness Day. Sky Bet updated customers on the self-help tools and information available, and provided details on GamCare for anyone seeking advice. We also sought input from customers on any measures they would like to help them manage their gambling.

Enhancing our own awareness

We continue to improve staff awareness, and workshops on responsible gambling are under way to expand the training that staff already receive from GamCare. We're also developing a method to identify changes in the way customers use Sky Bet that could suggest problem gambling. GamCare believes this is the first of its kind.

Flying the GamCare kite mark

In 2006 Sky Bet was awarded the GamCare kite mark for high standards in social responsibility and player protection. Only a handful of operators have this certification.

This involved a full audit of our player protection policies and practices, age verification and customer-led controls, and the full training of our customer care team.

Maintaining high standards

Sky Bet reflects the Social Responsibility Code of the Remote Gambling Association. The code sets minimum standards on age verification, advice on responsible gambling, and the advertising and promotion of these products. It also gives guidance for customer service teams on social responsibility and problem gambling.

For more information visit www.skybet.com/help

Tools to help you

- Deposit limits
- Session limits
- 24 hour cooling off period
- Self exclusion and opt-in
- Secure PIN access to Sky Bet
- ICRA filter tool

Sky Bet's online services include a range of tools for users to manage their gambling.

Doing business better

The Bigger Picture is about taking opportunities to do business better. It reflects our core values and is part of a business strategy of listening to our customers and understanding what matters to them.

Our areas of focus

We look at all the issues that can affect the success of our business, but the focus of our actions is on six specific areas: Including everyone, Sustaining environment, Inspiring learning, Building arts, Developing people, and Doing better.

We understand that our reputation is key for building closer relationships with customers, attracting talent and appealing to a broad base of investors.

Putting it into practice

At a Board and executive level, the Corporate Responsibility Steering Group (CRSG) provides direction and is chaired by one of our non-executive directors, Gail Rebuck.

The CRSG is supported by a virtual taskforce of senior operational managers to integrate The Bigger Picture into our business practices.

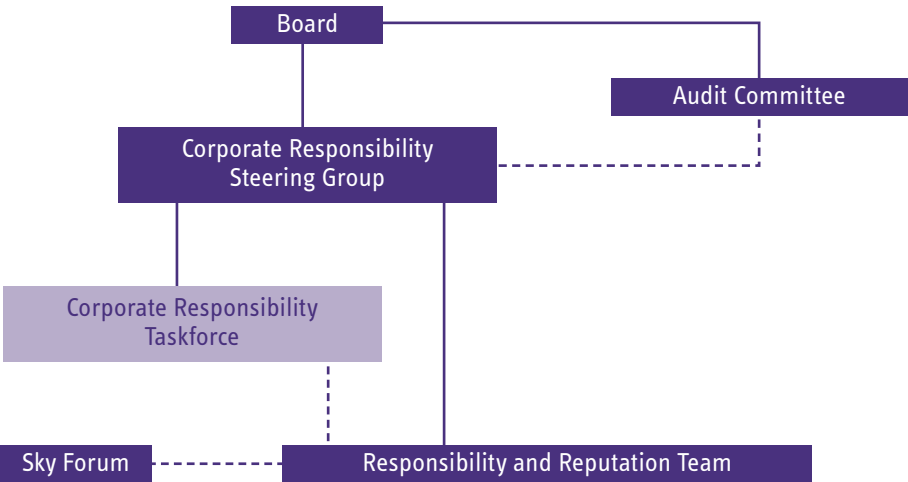
A number of committees are responsible for various aspects of the business, including the Corporate Governance and Nominations Committee, the Audit Committee, the Risk Committee and the Remuneration Committee. Further details of these committees and their membership can be found in Sky's Annual Report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

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 including protection of under-eighteens, the impartiality and accuracy of news programming, fairness, privacy, the avoidance of harm and offence, and restrictions on the quantity and content of advertising and sponsorship.

What are we focusing on next year?

Our commitments continue to respond to what we hear from consultation and internal assessments. These show how we'll focus on the issues relevant to Sky. Feedback on our progress against this year's commitments can be found on page 47, along with our new commitments.



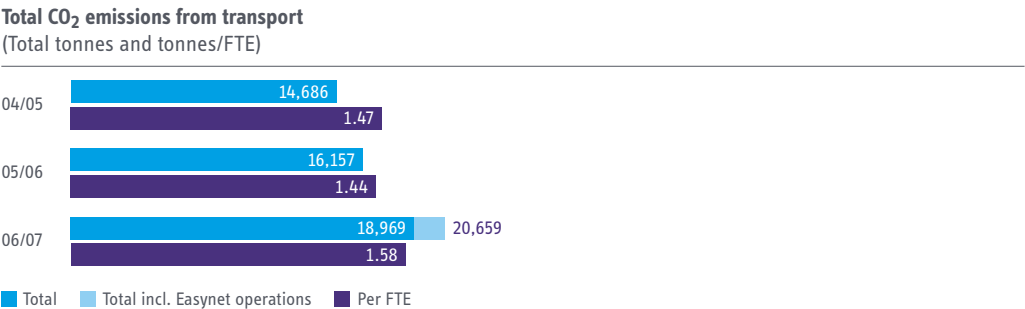
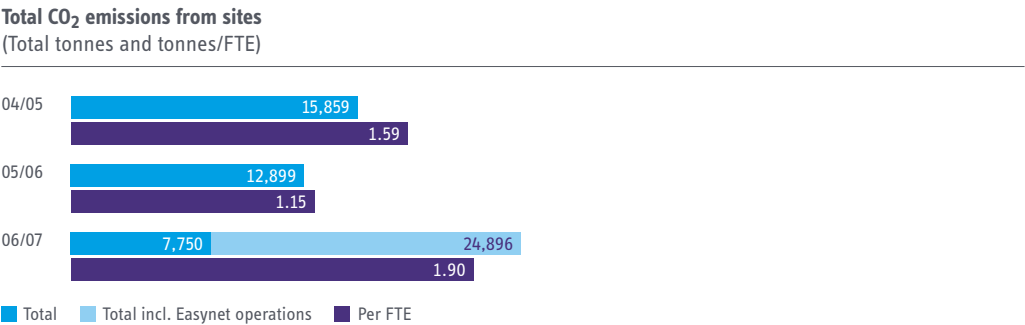
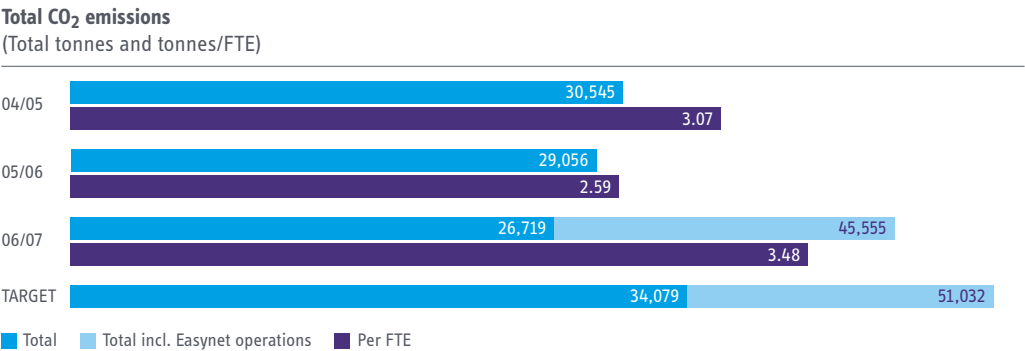
The Bigger Picture is overseen by several groups across Sky.

Our commitments

Commitments 2006-07		Commitments 2007-08	
Making the most of choice and control		Including everyone	
We'll enhance our communications with customers on how to get the best from Sky, increasing the regularity and the number of messaging routes.	✓ See page 10	We'll continue to create and promote choice and control as our product and service range increases, informing our customers of the tools we offer to put power in their hands.	
Parental control		Sustaining environment	
We'll continue to be at the forefront with our parental control standards on all Sky services.	✓ See page 11	We'll continue to reduce our CO ₂ emissions by 10% of our 2003 baseline by 2010, offset unavoidable CO ₂ emissions and find ways to reduce the emissions from our products where possible. We'll also inspire our customers to take one million actions on environment over the next five years.	
Customer experience		Inspiring learning	
We'll continue to provide our customers with market-leading service. We'll 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.	✓ See page 44	We'll use our entertainment and technology know-how to pioneer a new approach to learning for all, both children and adults.	
Education		Building arts	
We'll create an educational search facility linking relevant programme content to learning at school and home.	✓ See page 24	We'll continue our deep and wide ranging support of the arts through Sky Arts, our dedicated arts channel, and wide ranging arts sponsorships.	
Communicating and contributing		Developing people	
We'll 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.	✓ See page 18	We'll identify talent across the organisation and align and integrate personalised development plans to grow the quality of skills and leadership at Sky. We'll extend our reach into the community, developing awareness of Sky as an employer for all and educating a wider audience about Sky as a place to work.	
People		Doing better	
We'll reinforce our management development programmes focusing on our values and developing new courses on people management, motivation and feedback skills.	✓ See page 37	We'll introduce new ways to demonstrate our commitment to our customers, recognising their loyalty and further deepening our relationships. We'll use The Bigger Picture to further inform and engage our customers, our people and opinion formers on the full scope of our activities.	
We'll deliver a dynamic approach to improving the health of our workforce. This will centre on encouraging exercise, improving nutrition and overall health.	✓ See page 40		

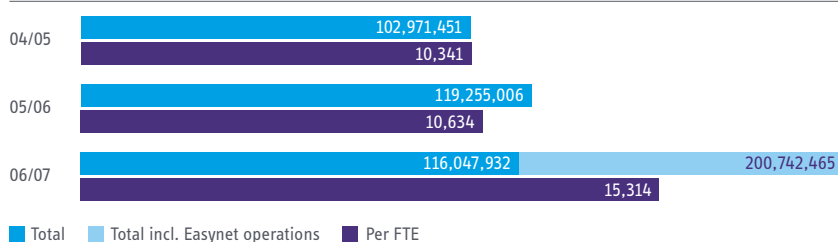
For more information on the actions we took on the commitments we made last year see the pages indicated in the table above.

Our environmental performance

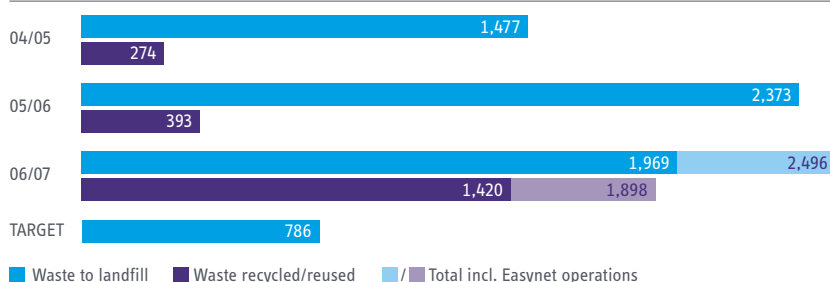


- We have reported data excluding Easynet operations to enable comparison against the performance reported last year.
- All reporting is based on financial years (1 July – 30 June).
- FTE = Full Time Equivalent employees.
- During the year there were no incidents or fines for non-compliance with relevant environmental regulations in the UK and Ireland.
- Our CO₂ target is to reduce our CO₂ emissions by 10% from 2003 levels by 2010. This year we recalculated our baseline by adding the Easynet 2006-07 emissions to Sky's existing 2003 baseline.
- Total CO₂ emissions covers Scope 1 and 2 emissions and emissions from air travel.
- Site emissions include all Scope 1 and Scope 2 site emissions.
- Emissions from refrigerants are not currently included in emissions reporting. We will endeavour to include these next year.
- Transport includes emissions from Scope 1 travel and air travel.
- Emissions from air travel not booked through the corporate travel booking company are not included. It is expected that this would account for an insignificant amount of additional travel.

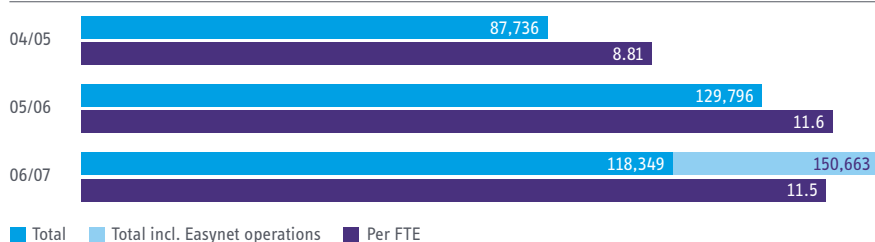
Total site energy consumption (Total kWh and kWh/FTE)



Total waste and recycling (Tonnes)



Water usage (Total m³ and m³/FTE)



- Approximately 20% of building operation energy consumption data has been estimated. This is generally for small sites where energy use is included in rent. Estimations have been based on known energy use at similar sites, apportioned based on the size of the buildings.
- Waste generated during refurbishment activities at Easynet sites is not included in the waste figures. We will endeavour to include this next year.
- Our waste target was to increase the amount of waste recycled by 100% from 2005-06 levels by 2007.
- Approximately 20% of waste and recycling data has been estimated. This is generally for small sites where waste data is not recorded. Estimations have been based on waste generation per FTE at known sites.
- This year's increase in recycling includes 75 tonnes from a recycling stream that was not identified in last year's data.
- Approximately 25% of water consumption data has been estimated. This is generally for small sites where water use is included in rent. Estimations have been based on water consumption per FTE at known sites.

Our efforts have been recognised by:



BITC Example of Excellence for International Climate Change

The Sustainable City Awards



Sustainable City Awards
Climate Change Category Winner

Sky was ranked in the top 10 greenest companies in Britain in a survey by The Independent and Ethical Investment Research Services (EIRIS).



Sky was named the National Champion at the National Energy Efficiency Awards 2006.

Emissions data

Greenhouse gases source	Definition	Data source	Quantity energy use (kWh or Litres)			Quantity absolute tonnes CO ₂		
			2004-05	2005-06	2006-07	2004-05	2005-06	2006-07
Scope 1 - Direct impacts (Operational)								
Building operations ¹	Gas used in utility boilers	Fuel bills	23,828,075	27,625,258	25,127,849	4,528	5,249	4,774
Building operations ¹	Diesel used in standby generators	Fuel bills or generator meters	2,006,214	973,331	1,875,998	478	243	469
Vehicle fuel	Company car use, Sky engineer fleet and employee business travel	Fuel card reports and employee expense claims				9,073	11,149	14,178
Total Scope 1 CO ₂ emissions						14,079	16,641	19,421
Scope 2 - Indirect impacts (Operational)								
Building operations ¹	Purchased electricity	Fuel bills	77,090,031	90,656,417	173,738,618	10,854	7,407	19,653
Total Scope 2 CO ₂ emissions						10,854	7,407	19,653
Scope 3 - Indirect impacts (Supply Chain) ⁴								
Air travel ²	Business travel in commercial planes	Corporate travel company reports	37,619,709	36,493,787	48,690,262	5,612	4,830	6,481
Sky News helicopter	Business travel in non-company owned helicopter	Number of flying hours used	-	70,500	62,800	-	178	158
Outside broadcast operations	Outside broadcast operations contracted to 3rd party suppliers	Sample of outside broadcast companies - site energy and fuel used on Sky related jobs	-	-	-	-	- 971	
Outdoor advertising	Outdoor advertising procured from 3rd party suppliers	Size and number of billboards used	-	-	5,402,302	-	-	2,323
Total Scope 3 CO ₂ emissions						5,612	5,008	9,933
Total CO ₂ emissions ⁵						30,545	29,056	45,555
CO ₂ emissions target ³						34,079	34,079	51,032

Notes:

All energy data was converted to CO₂ using Defra's Guidelines for Company Reporting on Greenhouse Gas Emissions (July 2005), except for the European electricity consumption figures which were converted to CO₂ using the WRI/WBCSD GHG Protocol Initiative Indirect CO₂ Emissions from the Consumption of Purchased Electricity, Heat, and/ or Steam Calculation Tool.

During 2006-07 Sky purchased a number of additional companies, including Media 365 and YouMeTV, that have not been included in this year's reporting. We will endeavour to include these next year.

Emissions from refrigerants are not currently included in emissions reporting. We will endeavour to include these next year.

¹ Approximately 20% of building operation energy consumption data has been estimated. This is generally for small sites where energy use is included in rent. Estimations have been based on known energy use at similar sites, apportioned based on the size of the buildings.

² Emissions from air travel not booked through the corporate travel booking company are not included. It is expected that this would account for an insignificant amount of additional travel.

³ The CO₂ emissions target has been recalculated in 2006-07 to take into account the addition of Easynet. The process for recalculation involved adding 2006-07 Easynet CO₂ emissions to the 2003 baseline figure and then subtracting 10%.

⁴ Scope 3 emissions, other than air travel, have not been externally assured.

⁵ Total CO₂ emissions covers Scope 1 and 2 emissions and emissions from air travel.



Environment assurance statement

Independent Assurance Report to BSKyB Limited

Environmental Resources Management (ERM) is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. Over the past four years we have worked with over half of the world's 500 largest companies, in addition to numerous governments, international organisations and NGOs.

British Sky Broadcasting Limited (BSkyB) appointed ERM to provide independent assurance on selected environmental performance data presented in The Bigger Picture Review 2007.

Scope of our work

We were asked to provide assurance on selected environmental performance data and related underlying systems, as follows:

- Energy consumption (total kWh)
- Greenhouse gas emissions (total tonnes of CO₂)
- Water usage (total m³)
- Generated waste (total tonnes to landfill and recycled/reused)

Our engagement was designed to allow us to conclude as to whether the above CR assurance topics were appropriately reported. The scope of our engagement was to undertake assurance work at corporate level and at selected operations in the UK and in the Netherlands. If the engagement had required a more in-depth assessment of BSKyB's environmental data systems and processes, issues might have come to our attention which might have led us to conclude differently.

Reporting criteria and assurance standards

BSkyB applies its own internal approach to managing and reporting the environmental assurance topics outlined above. These are described in the Sustaining environment section on pages 16 to 21.

We performed our work in accordance with ERM's assurance methodology which is based on the following international assurance standards: ISAE 3000, AA1000 AS and ISO 19011.

Respective responsibilities and ERM's independence

BSkyB's management is responsible for preparing The Bigger Picture Review and is responsible for the collection and presentation of information in it. ERM's responsibility is to express our assurance conclusions on the selected scope of work agreed with BSKyB. During 2006-07 ERM has worked with BSKyB on other consulting engagements. However, we operate strict conflict checks to ensure the independence of the company and individuals involved in our assurance activities is not compromised. This includes ensuring that no team member has worked on a consulting engagement with BSKyB that conflicts with the scope of our assurance work for a minimum of two years prior to the commencement of the assurance engagement. In addition ERM has not been involved in the design or compilation of the Review or discussions regarding its content (except by way of this assurance engagement). As a result, we have confirmed to BSKyB that we have maintained our independence and objectivity throughout the year for the purpose of giving assurance on The Bigger Picture Review 2007.

Our team and assurance activities

A multi-disciplinary team of environmental, corporate responsibility and assurance specialists performed the engagement. We conducted the following assurance activities:

- Face-to-face interviews at corporate level to understand the processes in place for reporting environmental data and underlying data management system. This was followed-up with relevant documentation review;
- Site visits to the main UK operations (Osterley, Livingston, Slough, Chancellor House and Brick Lane), involving eleven face-to-face interviews and one telephone interview with environmental data owners; tested on a sample basis the measurement, collection, aggregation and reporting processes in place and the related internal control processes; and reviewed relevant supporting documents;
- Telephone interview with the environmental data owner for sites in the Netherlands;
- Reported our assurance findings to management as they arose to provide them with the opportunity to correct them prior to finalisation of our work; and
- Reviewed the presentation of information relevant to the scope of our work in The Bigger Picture Review to ensure consistency with our findings.

Our conclusions

Based on the work undertaken, and in consideration of the limitations of our assurance engagement presented above, we conclude that, in all material respects, the above selected environmental data for the 2006-07 financial year set out on pages 48 to 50 are appropriately reported.

Our key observations and recommendations

Based on our assurance activities set out above, and without affecting our assurance conclusions, we provide the following observations and recommendations for improvements:

Improvements made since 2005-06:

Good progress has been made over the last year to implement a new environmental data management system, which has improved the collection, collation, reporting and internal verification of environmental performance data for BSKyB operations across the UK. This data system formally communicates standard definitions and criteria to all staff responsible for collecting and reporting environmental data, and introduces formal and corporate level verification procedures to identify any data anomalies.

Furthermore, the data management system has been clearly communicated to the majority of site-level personnel involved in data collection activities. The Easynet operations have less well established environmental data management systems in place, however improvements are anticipated with the roll-out of the Corporate data management system from July 07.

Areas to consider for future improvement:

- Environmental Data Management System: Continue to strengthen environmental data collection processes by fully implementing the corporate data management system across Easynet and other operations as they are acquired.
- Environmental Reporting of Contractor Performance: Consider reporting more fully in future Bigger Picture reviews on BSKyB main contractors' environmental practices and performance.

**Environmental Resources Management Limited
London, UK
17 August 2007**

Community investment assurance

LBG Assurance Statement

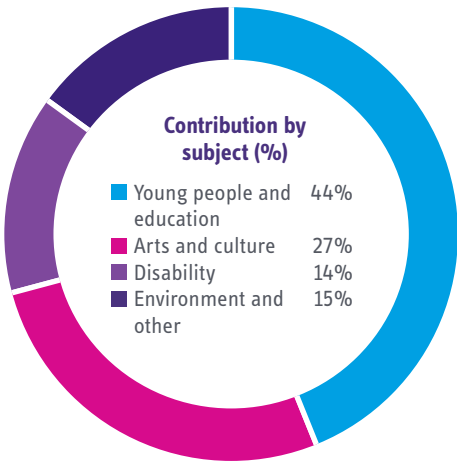
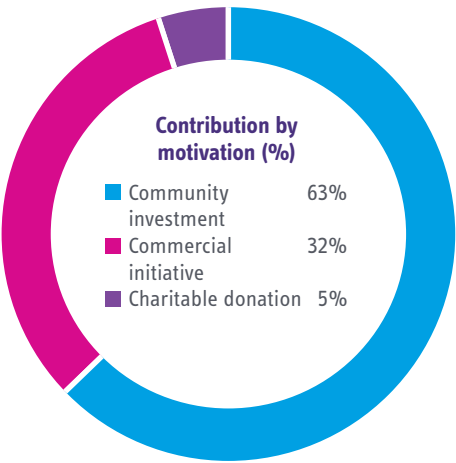
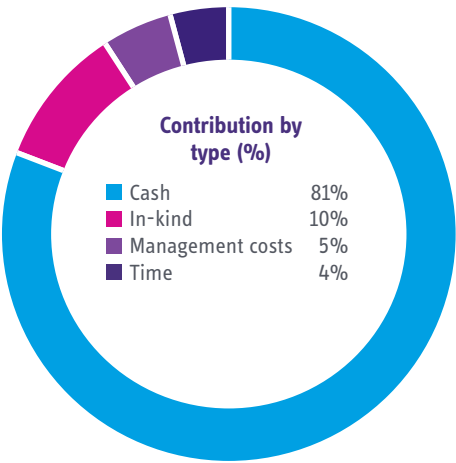
BSkyB is an active member of the LBG (London Benchmarking Group). The LBG model helps businesses to improve the management, measurement and reporting of their corporate community involvement progress. It moves beyond charitable donations to include the full range of contributions (in time, in kind and 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
July 2007



We use the LBG reporting model to calculate our contributions to charities and community organisations. The LBG model provides a standardised way of managing and measuring a company's community involvement.



Total £4,848,795 including cash, time, in-kind donations and management costs.

GRI indicators

The Global Reporting Initiative (GRI) guidelines are a framework for voluntary reporting on an organisation's corporate responsibility performance. The table below shows where we have reported against these guidelines. For further information on the Global Reporting Initiative go to www.globalreporting.org.

SECTION	GRI INDICATOR
Inside front cover / Contents	2.1, 2.10, 3.1, 3.3, 3.4
Letter from the CEO	1.1
The Bigger Picture	2.2, 2.4, 2.7, 2.8, EC1
Including everyone	PR3
Sustaining environment	2.9, 3.7, 3.8, 3.9, 3.10, 3.11, EC2, EN3, EN4, EN5, EN6, EN7, EN8, EN16, EN17, EN18, EN22, EN26, EN27, EN28, EN29
Inspiring learning	
Building arts	
Developing people	LA1, LA2, LA6, LA7, LA10, LA13
Doing better	3.5, 3.13, 4.1, 4.9, 4.16, EC1, PR5
Back cover	2.6

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Registered In England No. 2247735

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CarbonNeutral[®] company



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BSkyB has offset all CO₂ emissions generated by the production, paper and distribution of this Review.