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a shared vision

British Sky Broadcasting Group plc
Corporate Responsibility Update

June 2002



sky

sky

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contents

- 01 introduction
- 02 Chief Executive's overview
- 04 focus
- 06 our customers
- 08 our employees
- 10 our community
- 12 young people
- 14 our suppliers
- 15 our environment
- 16 journey the future



introduction

Business is part of a wider constituency comprising all its stakeholders – customers, shareholders, employees, suppliers and the communities in which it operates. It must earn respect and trust by demonstrating it provides a high quality product or service with maximum social benefit and minimum environmental impact. Sky is developing an agenda for action that focuses on these issues, using carefully considered strategies to succeed in achieving a high standard of corporate responsibility.



In relation to corporate responsibility, Sky has embarked on a journey that is already starting to benefit its key stakeholder groups



Chief Executive's

Overview

We recognise that to be a world-class broadcaster and digital television platform, we must observe and practice the principles of good corporate citizenship.

Since its inception in 1989, Sky has become one of the UK's top 25 companies, employing up to 13,500 people. We are proud to provide a unique range of programming choice, value and interactivity to over 6 million customers.

In order to consolidate and strengthen our status as an organisation that makes a valuable contribution to society, we are building on the success of our community investment programme by developing a corporate responsibility agenda. We aim to ensure that our commercial ambitions

are aligned with the interests of our stakeholders, and that the company's growth will benefit society as a whole.

We are already pursuing a broad range of initiatives, and you will find further information about them in this brochure. I would like to draw particular attention to 'Reach For The Sky', our campaign to provide young people with a realisable vision of what they can achieve from their future.

Corporate responsibility is also about how we do business. We recognise that to achieve enduring shareholder value, we need to

address our wider responsibilities. For Sky, this is a journey on which we are only just beginning.

With this in mind, we would welcome your feedback as part of our learning process. We have included a response form that you can use to tell us what you think.

Doing business in a better way is better for business. It builds trust and loyalty with our customers, staff and all our other stakeholders.

Tony Ball
Chief Executive, BSkyB



Our customers: providing entertainment and information for people who are disadvantaged by disability, infirmity or age

Page 6



Our employees: helping our staff to improve their professional skills and to involve themselves in community-related projects

Page 8



Our community: supporting local and national initiatives that benefit our industry and the communities in which we work

Page 10



Young people: encouraging young people to realise their own potential as they prepare for their future

Page 12



Our suppliers: ensuring that we spend wisely and efficiently, securing good value for money from reputable suppliers

Page 14



Our environment: identifying ways to reduce our impact on the environment by conserving energy and minimising waste

Page 15

Our commitment to corporate responsibility is focused on responding to the needs of **six groups**: customers, employees, the community, young people, suppliers and the environment. Delivering our service in a responsible manner will create enduring value for our shareholders and customers alike.

This initiative is being led by the Corporate Responsibility Forum, a group of senior executives who meet to monitor progress towards our objectives and to develop new ideas to improve our performance.

focus





Subtitled movies...



Interactive news and services...



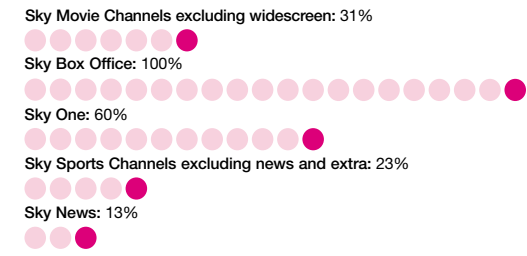
World-class sport...



Customer magazine...



...all part of our commitment to deliver choice and diversity to all our customers, including the elderly, the disabled and other minority groups



Subtitling on Sky digital (May 2002)

Sky is committed to expanding subtitled programming on its own channels

our customers: choice, diversity, availability



As a leading UK broadcaster, we recognise that we have an obligation to provide choice, innovation and a professional service to all our customers.

Sky provides over 6 million households with more than 360 different channels and a unique array of interactive services. To achieve this level of distribution, we have invested over £1 billion in creating our digital platform, which has included the free provision of digital receiving equipment and enhanced leading-edge technology. This goes towards helping to fulfil the Government's declared intention of switching the nation to digital TV.

We are proud to serve customers from a broad range of cultural backgrounds. We currently carry 13 non-English language channels, more than any other UK platform, and we are founder members of the government-backed Cultural Diversity Network, which seeks to champion the interests of minority groups within the broadcasting industry.

Our advanced technology platform provides access to a spectrum of national and local government and consumer services, from information on schools and universities to council tax.

Our technology makes life easier for people with special needs or disabilities. For example, Sky's interactive service makes it possible for people who are confined to their home to obtain entertainment, information and to buy a range of goods and services.

We operate a special needs helpline, serviced by a dedicated customer contact team. Customers can also use BT's Type Talk or use email to contact the team. For customers with impaired sight, we can provide customer contracts, statements and letters in Braille and large print formats. We are active

members of the Broadcasters Disability Network, which is committed to increasing the presence of the disabled on air and in our offices, and to improving the services we offer to people with disabilities.

Subtitling and audio description makes a major difference to people who are deaf and hard of hearing or who have a visual impairment. We have developed and implemented functionality on the digital satellite platform that allows visually impaired customers to select audio description for those programmes that broadcasters have chosen to audio describe. Audio description is available to

all of Sky's 6.1 million digital households. By contrast, this service is only accessible to a small percentage of households subscribing to other digital platforms.

We have already made good progress in the area of subtitling, as the chart (top right) demonstrates. Every single one of Sky's channels on digital terrestrial television exceed the current regulatory requirement of 2% audio description, and subtitling on Sky News will increase to 50% by 2003.

All these initiatives are part of our commitment to build a rapport with all our customers and offer an inclusive service.

Without the aid of public subsidy, we have built a thriving, vital business that delivers on its promises. We are now leading the way into the digital age, changing the way people watch television and improving the range of services that they can access through the medium.



£2 million spent on improving the work environment at our customer contact centres



Vision, Sky's internal magazine, keeps employees informed about business developments



The Learning at Work programme helps employees to develop relevant skills



Falklands veteran Simon Weston at a Sky customer contact centre in connection with the Sky Charity of the Year initiative



Sky is committed to maintaining open dialogue with employees through discussion forums and other internal communication channels

our employees: opportunity, dialogue, participation



We employ up to 13,500 people across the UK. We are focusing on improving the working environment for staff working in our customer contact centres and have invested some £2 million to bring the facilities into line with current state-of-the-art design.

In terms of employee benefits, we are one of only a few companies to provide private medical care for all part-time members of staff and their families; to make a confidential stress counselling

service available to all; and to provide enhanced life assurance cover to all of our employees. Every permanent member of staff is entitled to take part in our employee share save scheme, giving them the opportunity to share in our success.

Following years of rapid growth in employee numbers, we are now working on training and development initiatives to develop individual employee skills and provide them with the knowledge

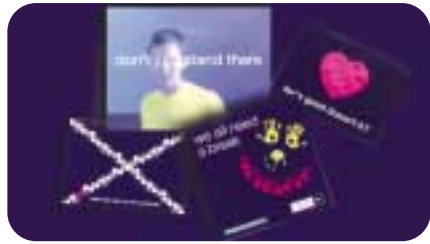
to advance their own career in line with the needs of the business.

We use regular staff surveys to monitor workplace perceptions about working for Sky. Operating outside the traditional management hierarchy, we have established 'Sky Speakers' – an employee-led initiative offering a platform for staff to air their views about benefits schemes, career development and training, performance management processes and the work environment as a whole.

We use a range of internal communication processes, including the intranet, video links, live broadcasts, and a staff magazine, to ensure we are keeping staff aware of developments in the business. Employee forums enable staff to speak directly with the Executive Team about issues that may concern them.

We support our employees in their charitable activities and have developed a number of schemes for them to benefit from. Through the Sky Employee

Volunteering scheme, we encourage employees to participate in voluntary work throughout the communities in which they live and work. If they organise or participate in a charity event, we will match the funds they raise. We also operate a 'payroll giving' scheme enabling employees to make monthly donations to a charity of their choice – and, as a company, we are mostly able to match donations pound for pound.



Sky employees are encouraged to get involved with local community initiatives



At Christmas, employees collect money and buy presents for children's homes in Scotland and England



Sky employees have volunteered to act as mentors at local schools



Sky is committed to making a positive difference to the communities where it operates, and within the broadcasting industry as a whole



Sky lends its support to local events such as this school music festival

our community: engaging, inspiring belonging



We operate within two types of community – the local areas surrounding our offices and customer contact centres, and the broadcasting industry in which we work and provide livelihoods. We choose to engage with both these communities in order to help shape a better future for us all.

The broadcasting industry
Over the past 10 years, Sky has established itself as an active and engaged member of the UK broadcasting industry, by delivering programming choice, quality and interactivity.

We take our responsibilities to the industry seriously. We are the only platform to carry the Community Channel (owned by The Media Trust of which we are a member), which is the first dedicated charity television and Internet channel. In just over a year, over 1.5 million Sky customers have viewed the channel.

In addition, as part of our commitment to develop future talent in our industry, we provide core funding to the National Film and TV School, whilst supporting our wholly-owned channels in offering work placement schemes.

Local communities
Our community sponsorship efforts are mainly focused on supporting young people and we encourage initiatives in which all employees can participate, irrespective of individual skills or geographic location.

Our London site works closely with the local community. In Hounslow, for example, we support the Hounslow Youth and Community Service with a creative dance and music project. In Scotland, we have established staff-led Community Relations Forums, which are responsible

for managing Sky's local community activities and ensuring that we make positive contributions in areas that really matter to our employees and local people. A number of Sky employees have volunteered to be mentors to children at local schools.

Each year, following a staff consultation process, we establish a strategic partnership with a Charity of the Year and, throughout that year, we undertake a number of fundraising activities with staff and promotions to customers.

Over the course of any year, we receive a number of requests for charitable donations and support. We have established an application process through which such requests can be channelled. Details can be obtained by completing the reply card at the back of this publication.



Young people can try their hand at television skills during the 'Live' workshop



Sky has made a special commitment to young people, devising and supporting initiatives what will help them to achieve their aspirations



Young people taking part in an entertainment workshop, as part of the Reach For The Sky programme



Sky News presenter Natasha Kaplinsky working with young people during an 'On Tour' roadshow

young people: inspiring, aspiring, succeeding



Our customers include a growing number of families with children and, because we are a young company with a strong appeal to the youth market, we have chosen to focus our most important community initiative on young people, many of whom face significant challenges as they prepare for adult life.

Reach For The Sky (RFTS) is Sky's flagship initiative that aims to help young people aged from 11 to 21 to understand and realise their own potential.

The RFTS initiative currently has two strands: 'On Tour' and 'Live'.

On Tour

The 'On Tour' vehicle travels around the country, stopping in locations throughout the UK providing hundreds of young people with the opportunity to try their hand at activities based on journalism, entertainment and sport, Sky's main disciplines. In the process, they are brought face-to-face with issues such as deadlines, teamwork and decision-making. As well as providing young people with inspiration and stimulus, 'On Tour' tries to encourage them to recognise that they can build a successful future for themselves.

Sky has teamed up with the Learning and Skills Council (LSC) and Weston Spirit to deliver 'On Tour'. The LSC is a government body that aims to raise participation and achievement through education and training with a view to providing young people with the knowledge and skills to match the best in the world. Weston Spirit, co-founded by Falklands veteran Simon Weston, operates through a nationwide network of regional centres staffed by youth workers.

Live

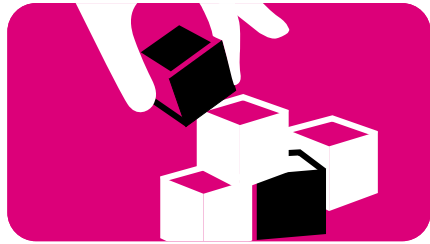
A series of two-day residential workshops which runs through the summer. Picking up where 'On Tour' left off, 'Live' is more career-focused, providing young people with advice and information at a time when they are making key decisions about their future.

In 2002, the 'Live' team worked with TVYP, the youth arm of The Guardian Edinburgh International Television Festival, to deliver a full programme to young people.

By the end of June 2002, 'On Tour' had visited 10 locations across the UK attracting over 3000 young people. A further 5000 young people have attended RFTS 'Live' workshops. The RFTS initiative is proving to be effective. Research from last year's programme revealed that 91% of teenagers showed improvements in self-confidence after the RFTS workshop and 77% have since found out more about their future.

For more information on these initiatives, please visit the following websites:

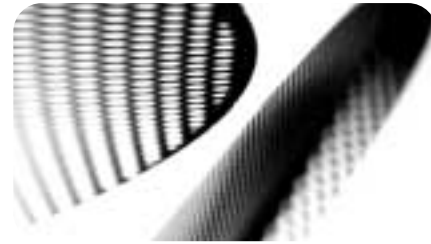
- RFTS: www.sky.com/rfts
- Learning and Skills Council: www.lsc.gov.uk
- Weston Spirit: www.westonspirit.org.uk
- TVYP: <http://www.geitf.co.uk/tvyp/>



Sky is committed to spending its budgets wisely and efficiently, aiming to secure value for money from reputable suppliers



To ensure a high level of broadcasting reliability, Sky invests in high quality equipment, such as this digital suite in Isleworth



Customers benefit from our adherence to high standards when it comes to receiving equipment



You can read or download our environmental report at www.sky.com/environment

our suppliers: quality, value

Sky has an annual spend of almost £1 billion, excluding payments to third parties from whom we acquire the rights to programmes, movies and major events. If we are to deliver value to the society in which we operate, and to our shareholders and broader stakeholders, it is essential that we spend this money wisely and efficiently.

To help achieve this objective, we have established a new procurement team to provide a consistent and continuous improvement in our spending. Our

philosophy is to buy efficiently, obtaining maximum value for money, from the best suppliers, by the most ethical means.

By doing this, we will increase Sky's long-term growth potential, and hence provide a significant economic contribution to our suppliers and, indirectly, to their staff and the communities in which they operate.

As a matter of policy, we always try to build long-term relationships with key suppliers and to be transparent and fair in all transactions.

our environment: improving, implementing

By comparison with many other industries, broadcasting has an intrinsically low environmental impact. At Sky however, we are keen to drive forward a range of measures that will demonstrate our commitment to reduce our impact and make a quantifiable difference to our environmental standing.

We have an established environmental policy and produced our first Environmental Report in 2002. We have looked at all aspects of our business

and identified several areas where improvements can be made. For example, videoconferencing can reduce the need for business travel, and there is scope to introduce paper recycling schemes and use of energy-efficient IT equipment.

While these are relatively small 'quick-fix' measures, we are currently investigating more deep-seated parts of our business, such as the manufacture of our equipment. These will take longer

to implement, but demonstrate that, as specified in our Environmental Policy, we are committed to take action wherever we believe it will reduce our impact.



Sky has a particular affinity with young people. They are not only the customers of tomorrow, but also the employees, suppliers and shareholders of the future

journey

We have only recently started out on our journey in relation to corporate responsibility. Staff have become involved in local community groups, the Reach For The Sky scheme has been very well received by young people around the country, and staff are benefiting from improved training and development programmes.

We are proud of what we have achieved in a short time. We have laid the foundations for success in the future and, as we continue on our journey, we are confident that our stakeholders will feel the benefits of our approach to business.

the future: share in our vision

Sky is a young company with huge potential for the future. If that potential is to be realised and sustained, we must demonstrate clearly to society at large that we take our corporate responsibilities seriously, and that this attitude is reflected in our decisions and actions.

We will continue to expand the quality and scope of our programming with a view to providing choice for all our customers right across the audience spectrum.

The career prospects of our employees will benefit from our use of their potential. Local initiatives will help to put us at the heart of the communities in which we work.

Our business partners and suppliers will enjoy the spin-off success that comes from working with a dynamic organisation with a mission to fulfil.

Our efforts on behalf of young people are particularly important to us. Because, just as we are a young company building its own future in broadcasting, we want them to have the opportunity to realise their own potential and build a better society.

your voice

Listening

We hope that this Corporate Responsibility Update has given you a clear demonstration of Sky's commitment to corporate responsibility and of the measures we are taking to address issues that have an impact on our stakeholders. Our efforts so far represent just the start of a core initiative during which we will focus on areas for improvement.

Further information

We are very keen to receive your feedback, thoughts and ideas. Please tell us what you think by using the reply-paid card attached or contacting us at corp.affairs@bskyb.com. You can also use the card to get further information about applying for charity support, or about the Reach For The Sky initiative.

Your comments

First name

Surname

Address

Postcode

Telephone

e-mail

Please tick the appropriate box if you would like more information on:

Guidelines & criteria for support

Reach For The Sky

Environment

I would like to receive regular updates

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a shared vision

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