



Group Tax Strategy

Overview

Sky is Europe's leading entertainment company, serving 23 million customers across seven countries - UK, Ireland, Germany, Austria, Italy, Spain and Switzerland.

At the heart of Sky is a relentless focus on delivering three things - the best and broadest range of content, world-leading product innovation and excellent customer value and service. Sky aims to create sustainable value for its shareholders by pursuing broad growth opportunities across its markets, achieving competitive advantage both through our core strengths and through the way in which it does business.

Sky is committed to acting responsibly in all that it does. That's because we know that to build a successful business over the long term, how we do business is as important as what we do. We also focus on making a positive impact on society. We call this seeing the Bigger Picture and more details can be found on our website at: <https://www.skygroup.sky/corporate/bigger-picture>.

Our approach to tax is no different. Our international business activities incur a substantial amount and variety of taxes, including corporate income taxes, capital taxes, business taxes and employment taxes. In addition, we collect and pay employee taxes and indirect taxes such as VAT. Our tax strategy is aligned with the business strategy; we are committed to acting responsibly and professionally to manage all taxes and risks that arise across the Group.

Tax Governance

Across Sky's business, there are codes of practice which underpin our responsible business commitments and we always aim to follow the codes of the relevant regulators in each of the territories in which we operate.

In relation to tax, we have in place processes and controls to ensure compliance with tax laws and regulations in the territories in which we do business and to ensure we pay the right amount of tax, in the right place at the right time, and any tax risks are identified and mitigated.

We report to the Audit Committee on at least an annual basis, where we provide updates on tax reporting, ongoing issues and changes in tax legislation that may impact the Group. Any key tax risks and issues are also monitored as part of their inclusion in a broader Group risk register, for which the Audit Committee has review and oversight.

There is a comprehensive system of internal tax controls developed to meet the requirements of the Senior Accounting Officer regime in the UK which are monitored for effectiveness on an ongoing basis, and subject to regular testing by the Group Audit, Risk Management and Compliance team.

Responsibility for the tax strategy, the supporting governance framework and management of tax risks ultimately sits with the Board. Executive management of the tax affairs of the Group is delegated to the Group CFO, and day-to-day responsibility for these areas sits with the Group Tax Director, supported by a team of tax professionals holding the appropriate range of tax and accounting qualifications and experience commensurate to their roles.

Management of Tax Risks

The Group manages its tax risk by ensuring that risks are identified and understood at an early stage and that effective compliance and reporting processes are in place.

Group Tax is involved in all significant business developments and commercial transactions. We proactively engage with the business, to ensure the tax consequence of any proposed business transactions, and any tax compliance or administrative complexities arising from business proposals, are fully understood and evaluated.

Tax legislation is complex and subject to interpretation, and may result in differing opinions as to the correct analysis. The international and dynamic nature of our business together with the complex tax environment within which we operate can result in a level of tax uncertainty and risk. Where possible, we assess the technical position using the judgement of our own internal tax resource, but, where necessary or appropriate, we will seek external professional advice or advance clearance from the relevant tax authority to get assurance regarding the position taken.

Attitude to Tax Planning

Any tax planning undertaken by the Group is aligned with the commercial strategy and activities of the business. To this end, we will work with the business in assessing the tax implications of alternative ways of structuring a commercial transaction, and will seek to structure transactions in the most tax efficient manner in compliance with relevant laws and regulations. We will not engage in tax planning which is artificial, abusive or does not have a business purpose. We will claim tax reliefs and incentives made available by the government, where applicable and appropriate, for example the UK patent box regime and R&D tax credits, such that a lower amount of tax is legitimately due.

Sky aims to pay the appropriate amount of tax in each of the jurisdictions in which it operates, in accordance with where value is created. The pricing for transactions between entities in the Group is determined in accordance with OECD transfer pricing guidelines and other national legislation.

Working with HMRC

We maintain an open, honest and constructive relationship with all relevant tax authorities, including HMRC. We aim to deal proactively with taxation issues as they arise in order to avoid unnecessary challenge and disputes and achieve certainty wherever possible. Sky engages in regular communication with HMRC, discussing significant business developments and tax issues in real-time where possible.

As part of our engagement with tax authorities we seek to play an active role in shaping tax policy and development in tax legislation relevant to Sky, through committee membership of organisations, contribution to consultation documents and membership of industry and tax authority working groups.

Review and approval

The strategy provides transparency regarding the Group's approach to taxation and provides compliance with the UK legislative requirements under paragraph 16(2) of Schedule 19 of the Finance Act 2016 in relation to the publication of the tax strategy.

This strategy has been reviewed and approved by the Audit Committee.