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12 July 2017

Charles Gurassa, Chairman
David Abraham, CEO
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DAME PATRICIA HODGSON
Chairman

SHARON WHITE
CEO

Dear Charles and David

Channel 4 Corporation's 2016/17 Statement of Media Content Policy

As part of the arrangements we have in place with regard to the production of Channel 4 Corporation's ('C4C') annual Statement of Media Content Policy ('Statement'), Ofcom recently met with members of the C4C Executive Team to discuss how C4C delivered the remit in 2016, and its plans for doing so in 2017.

Our commentary on the Statement is provided in the attached report. As you know, this year we also undertook two additional pieces of work to support our assessment: audience research to gauge opinions of how well C4C is delivering the remit; and financial sustainability analysis which considered how well placed C4C is to continue delivering the remit in the future.

Overall, our assessment of the Statement has shown that C4C performed strongly in 2016, and broadly delivered against the remit. Key achievements that we would note include a continued commitment to diversity both on and off-screen, particularly coverage of the Rio Paralympic games, and broadly maintaining the main channel's share of viewing, along with increasing consumption on All 4 and a rise in the number of registered users. In addition, C4C's news and current affairs output performed particularly well in 2016. On television, its viewing share among 16-34s and BAME audiences saw positive growth in peak time, and online its short-form videos gained traction and performed well relative to competitors, only just behind the BBC in terms of consumption. It is positive to see C4C having an impact on Facebook, which ought to counter some of the concerns around the existence of fake news, particularly on social networking platforms. This is something of significance, and given the limited revenue it returns, it is ideal territory for C4C as a not-for-profit public service broadcaster.

This is supported by Ofcom's qualitative and quantitative audience research which indicated that viewers believe that C4C is largely delivering against its requirements.

Our analysis also indicates that, within the bounds of the most likely trajectories for TV advertising spend and TV viewing, C4C can remain financially sustainable in its current form throughout its current licence period.

However, the rise of Netflix, Amazon and other global online video services has already disrupted the television industry significantly and could threaten C4C's sustainability in the future. These services compete directly with traditional broadcasters for viewers and there has been a marked decline in viewing of broadcast television over the last few years, especially among the younger audiences that are vital to C4C.

In the short-to-medium term (i.e. during its current licence period), the most significant threat to C4C's sustainability may be any severe or prolonged downturn in spend on TV advertising, driven by any potential wider weaknesses in the UK economy. However, C4C could survive even a severe downturn by using its cash reserves and cutting costs.

In the longer term (beyond its current licence period), a faster-than-expected shift to online and on-demand viewing, driven by Netflix, Amazon and others, may pose more significant structural risks to C4C. If the rate of growth in on-demand viewing accelerates significantly, advertisers may start to cut investment in broadcast television and the sector could enter a long-term structural decline. In addition, as younger audiences watch less broadcast television, C4C could eventually lose its high reach among this group to the extent that it is no longer able to charge a premium on its advertising.

Ofcom will continue to monitor these risks closely, along with the possibility of other shocks to C4C's business model. While the TV advertising market is currently going through a downturn, our conversations with agencies, analysts and broadcasters indicate a consensus that it will recover in the next few years. Investing more in content also remains critical to attracting audiences and advertisers in an increasingly competitive market and C4C has significantly increased investment in high-quality programmes. We also note the actions C4C has taken in the online world. Continuing to invest in the All 4 online platform is likely to prove critical to C4C's future sustainability as viewing continues to shift online.

Last year, we raised some concerns about C4C's provision of content that appeals to older children. We note that since then, C4C has committed to invest more in this area, and in discussions with us has explained its plans to feature more 10-14 year olds within the programmes it commissions for this audience, to ensure they are relevant and relatable to this age group. In addition, our online audience research among children aged 10-14, who were viewers of at least one C4C channel, indicated that they find C4C content of appeal. Although in spite of this, viewing data does indicate that there have been some declines in the main channel's audience share among this age group, and so we would encourage C4C to think about how it can limit the risk of any further declines going forward.

Our assessment of this year's performance has, however, identified that C4C's investment in educational content for 14-19 year olds is declining. We are disappointed by this, particularly given the important value that this type of content delivers, and that it contributes to C4C's wider educational remit delivery. As such, we would encourage C4C to consider increasing its investment in this area.

C4C is making positive progress towards its new out-of-England quota and has continued to develop talent and new relationships across the UK's creative industries. On the other hand, the main channel has experienced sizeable declines in its weekly reach in the North West of

England, Scotland and Northern Ireland, and our consumer research shows that it could be doing more to represent the different UK cultures and communities within its programmes. This raises some concerns, and as such, we would encourage the Corporation to think about how best it could address these issues. We note that the Government is currently consulting on how C4C's impact in the nations and regions could be increased.

Overall, we welcome the broadly successful delivery of C4C's remit and obligations in 2016. We would observe that C4C is currently going through a significant period of change and uncertainty. Changes in leadership, the Government consultation into its impact in the nations and regions, and the current downturn in the advertising market will all have an impact on C4C and its ability to continue delivering its remit. We will continue to engage with the Corporation on its plans to secure its continued delivery of the remit in the future, as well as how it plans to address the areas for improvement identified by our assessment or other issues that might arise.

We have copied this correspondence and the attached report to the Secretary of State and the Chairs of the Parliamentary Select Committees. We also intend to publish both documents, along with a standalone research report.

Yours sincerely

Dame Patricia Hodgson
Chairman

Sharon White
Chief Executive

cc. *The Rt Hon Karen Bradley MP, Secretary of State for Digital, Culture, Media and Sport*
Damian Collins MP, Chair of the Commons Select Committee for Culture, Media and Sport
The Rt Hon. Lord Henley, Chair of the Lords Select Committee for Communications

Response to Channel 4 Corporation's Statement of Media Content Policy 2016/17

About this review

Channel 4 Corporation ('C4C') is publicly-owned, but commercially-funded and operates a not-for-profit model. The main channel, Channel 4, is a public service broadcaster and was launched in 1982 with the aim of extending the choice available to viewers, appealing to tastes and interests not generally catered for by other broadcasters, and in doing so, encouraging innovation. Since then, C4C has launched a range of additional services such as digital portfolio channels (E4, More4, 4Seven, 4Music and Film4), and an on-demand service (All 4).

While the main channel has a unique public service remit and should also contribute to the overall objectives of public service broadcasting[1] ('PSB'), the Digital Economy Act 2010 ('DEA') extended C4C's obligations beyond the main channel by introducing media content duties which C4C can deliver across its full suite of services[2]. The DEA also introduced a requirement for C4C to produce an annual Statement of Media Content Policy ('Statement') setting out how it delivered its remit over the course of the previous year and how it plans to do so in the coming year. In preparing the Statement, C4C must have regard to guidance issued by Ofcom[3] and consult Ofcom.

As part of the consultation process, C4C has shared draft copies of its Statement and met with senior Ofcom executives and members of the Content Board to discuss its performance and strategies. This is an important mechanism in ensuring that C4C is effectively held to account for the delivery of its remit. In addition, C4C is required to lay its Annual Report and Accounts before Parliament.

This report comprises Ofcom's response to C4C's Statement for 2016/17, setting out our views on the delivery of its duties and its future strategies. To inform our analysis this year, we have also carried out an assessment of the financial sustainability of C4C, to assess its ability to continue delivering its remit in the future, and undertaken some qualitative and quantitative consumer research to ascertain audience perceptions of the extent to which C4C has delivered its remit. The findings from these pieces of work are covered throughout this report.

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[1] These objectives are set out in sections 264(4) and (6) of the Communications Act 2003 and include (among other things) the provision of relevant television services which secure that programmes dealing with a wide range of subject matters are made available for viewing, and that such services are provided in a manner which is likely to meet the needs and satisfy the interests of as many different audiences as practicable.

[2] An overview of C4C's remit and duties can be found in Annex 1.

[3] Guidance note for completion of C4C combined statement of programme and media content policy: https://www.ofcom.org.uk/__data/assets/pdf_file/0022/27265/c4c-guidance-note.pdf

Ofcom's assessment

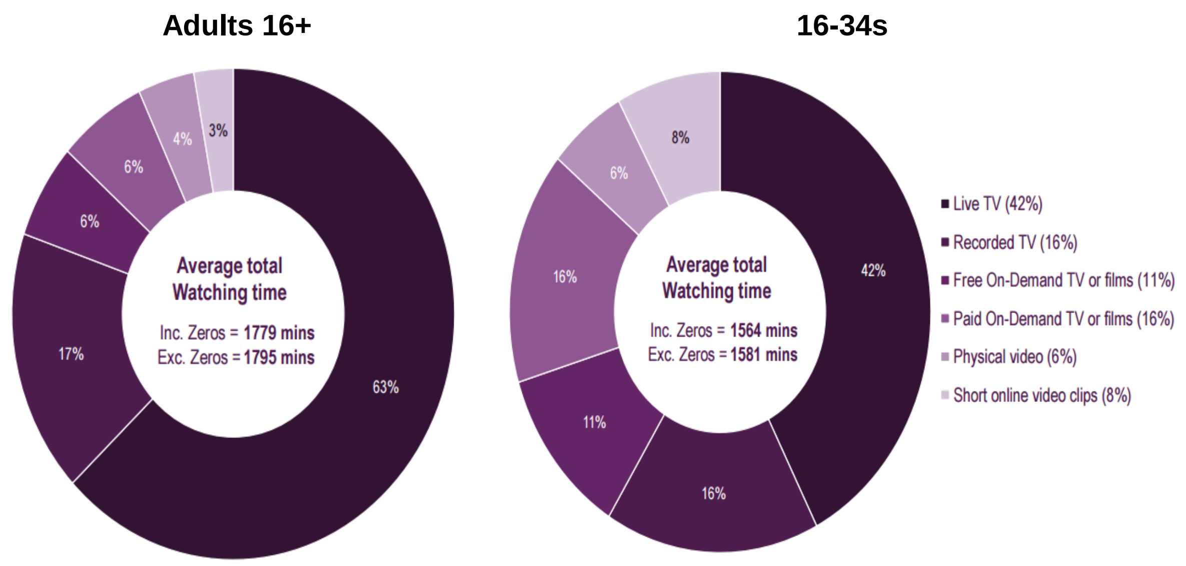
Linear television is still widely consumed, but the market continues to evolve

C4C's annual Statement covers a specific period of time: reporting back on its performance against the previous year's Statement, and setting out its proposals for the forthcoming year. However, we also need to consider the broader market context, and how this has changed over time, to fully understand C4C's place within the current media landscape.

Over the last six years, we have seen the average time spent watching linear TV falling. In 2010, on average each viewer spent 242 minutes per day watching TV on a TV set, whereas in 2016, the average viewer watched 212 minutes per day[4]. This decline is more marked among younger viewers aged 16-34, falling from 185 minutes per day in 2010 to 138 minutes in 2016.

However, the weekly reach of television has remained high. Ninety-one per cent of the TV population watched TV at least once in a typical week in 2016, on par with 2010 when the average weekly reach was 93%. Additionally, despite the increasing choice of content from new on-demand players, linear television continues to form a key part of consumers' total viewing activities. Our Digital Day 2016 study found that watching live TV was the most popular viewing activity among UK adults in 2016, accounting for 63% of their viewing time, compared to the 17% of their time spent watching recorded TV and 12% spent watching free and paid-for on-demand TV or films. While again younger viewers have different consumption habits, live television still accounts for the largest proportion of 16-34s' viewing time at 42%.

Figure 1: Proportion of time spent watching, All adults and 16-34s

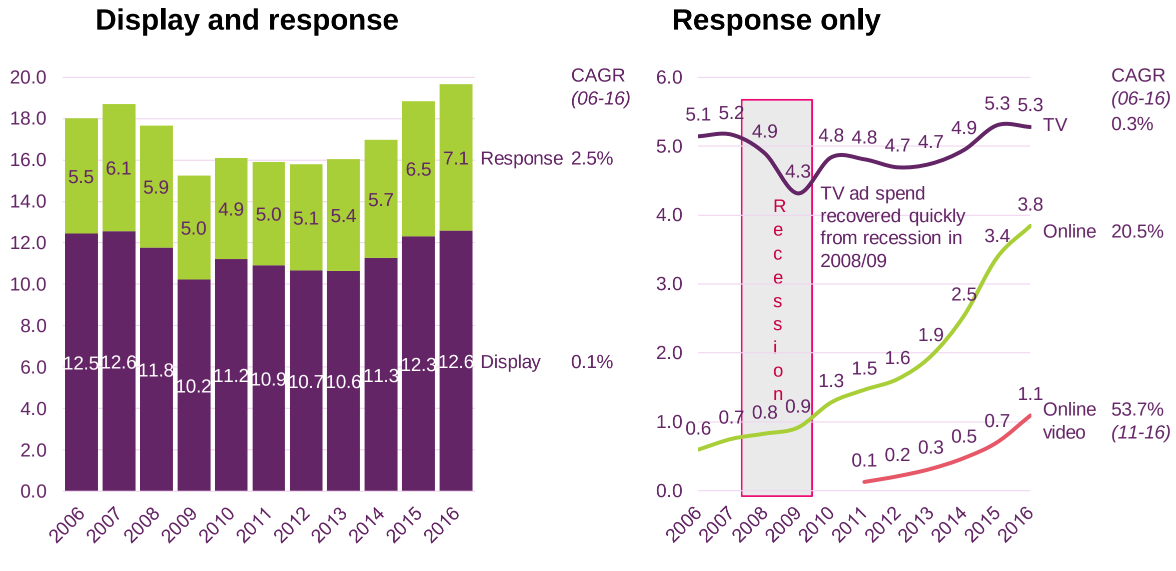


Source: Ofcom Digital Day 2016

[4] BARB, Network. Includes time-shifted and catch-up viewing on the television set up to seven days after live broadcast.

In the advertising market, the amount spent on display advertising[5] over the last decade has grown and television's share of the market has proved resilient, despite the growth of online display advertising. Overall, television advertising continues to account for approximately 40% of total display revenues, while online display has taken share from newspapers and magazines[6].

Figure 2: UK advertising revenues by type and medium (£m): 2006-2016, real terms, per cent



Source: AA/WARC

While broadcasters and agencies report that advertiser caution undermined spending in the second half of 2016 and into 2017, they generally expect confidence to recover in 2018 or 2019.

However, there are still risks to C4C's sustainability. Even with a recovery in advertiser confidence, overall TV advertising spend could potentially decline in real terms over the next decade, for example if online display starts to take share from television. There could also be a substantial shift in the balance of spending from display towards response advertising, for example to online search.

Viewing of Channel 4's television channels has declined over time, but consumption of its online content is growing

Within this changing media landscape, the consumption of C4C's services has also gone through a substantial period of change. In common with the other PSBs, C4C's average weekly reach has continued to decline over the last five years. In 2016, the average weekly reach of the main channel stood at 43%, down from 44.8% in 2015. While it is true that all of the main five PSB channels' weekly reach declined in 2016, Channel 4's fell by the greatest

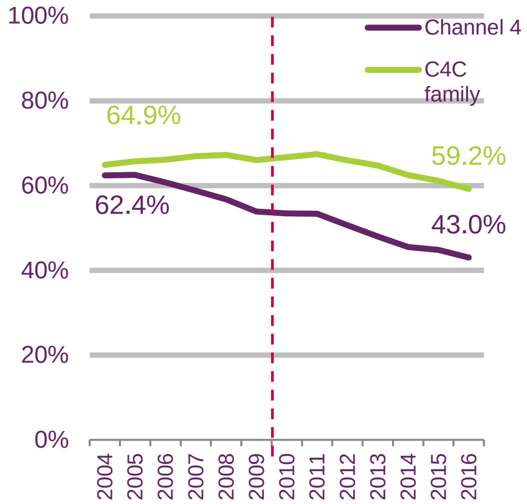
[5] Display advertising is marketing which incorporates logos, images or footage and is designed to build brand awareness. It is distinct from 'response' advertising, such as online search and classifieds.
[6] AA/WARC.

amount. The weekly reach of the C4C family of channels also declined in 2016, from 61.1% to 59.2%.

Over the last decade, we have also seen the main channel's share falling, largely as a result of the wider choice of channels consumers now have access to from a broad range of digital television platforms. C4C's digital channels have somewhat offset this decline in viewing to the main channel and have kept the overall C4C family's share of viewing between 10% and 11%. In line with C4C's stated objectives for 2016, it managed to broadly maintain viewing share last year. The main channel's share remained flat at 4.8%, and the C4C family's share was largely steady at 10.5% (from 10.6% in 2015).

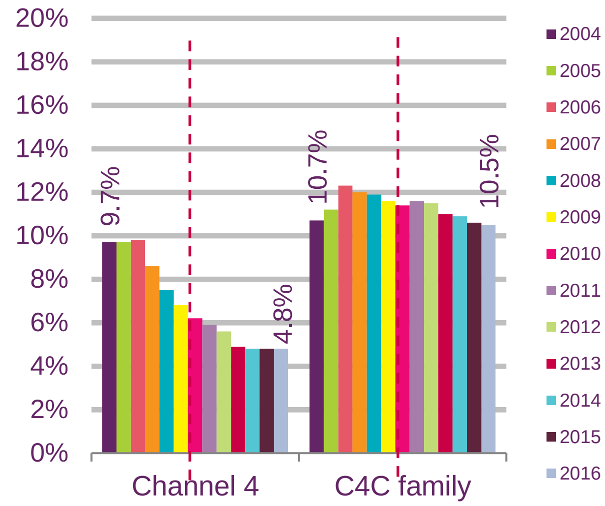
Figure 3: Average weekly reach to, and viewing share of, C4C's services: 2004-2016

Average weekly reach to C4C: 2004-2016, Individuals 4+



Source: BARB. All Individuals (4+), Network. Reach criteria: 15 consecutive minutes, full weeks used. Channel 4 excludes Channel 4+1 and includes S4C up to 2009 when S4C carried Channel 4 programming until DSO in Wales in 2010. Channels include viewing to their HD channel variants where applicable. Note: a new BARB panel was introduced in 2010, as a result, pre- and post-panel change data must be compared with caution (see dotted line).

Share of viewing to C4C channels: 2004-2016: Individuals 4+



Source: BARB. All Individuals (4+), Network. Channel 4 excludes Channel 4+1 and includes S4C up to 2009 when S4C carried Channel 4 programming until DSO in Wales in 2010. Channels include viewing to their HD channel variants where applicable. Note: a new BARB panel was introduced in 2010, as a result, pre- and post-panel change data must be compared with caution (see dotted lines).

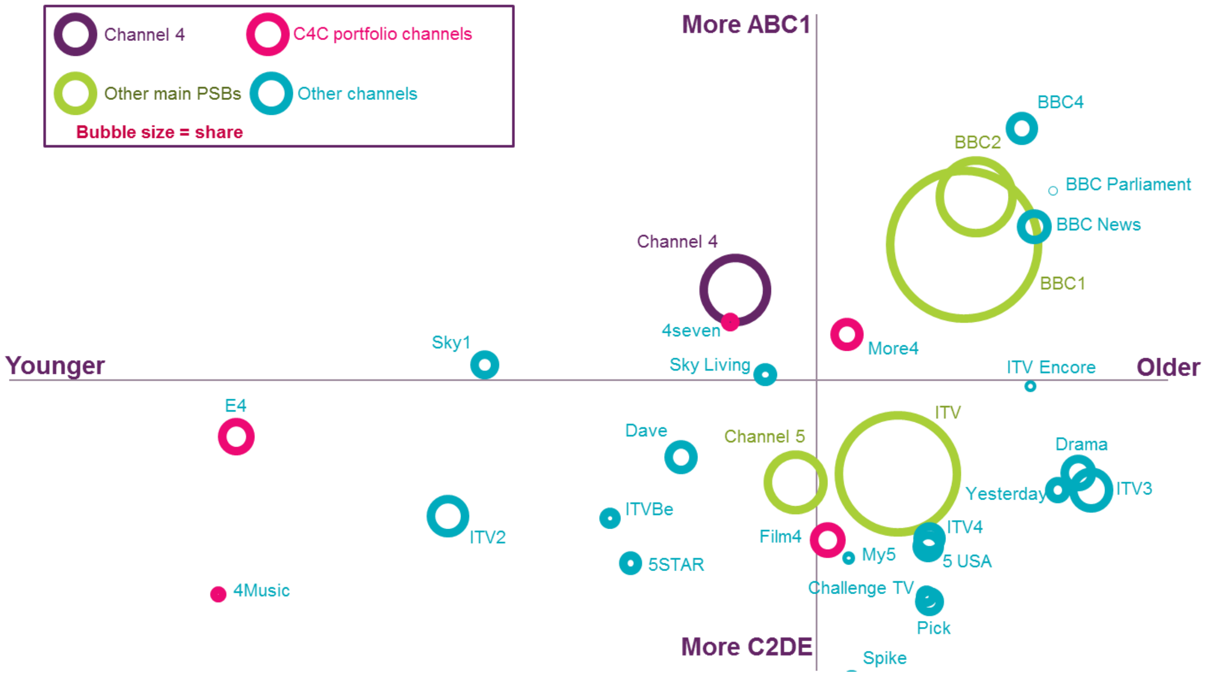
C4C's performance among 16-34 year olds and ABC1s[7] is also important, because these are core demographics for driving advertising revenues. Last year C4C stated that an ambition for the second phase of its Creative Renewal strategy was to maintain audience levels, particularly among 16-34s. In 2016, the main channel's share among 16-34s was broadly flat at 6.3% (from 6.5% in 2015), and the C4C family's share was also broadly stable (from 16.5% to 16.2%) over the same period. We also note that while E4 remains the most-watched digital channel among this audience[8], it is facing growing competition from ITV2, which saw its share increase by 0.9ppts last year (while E4's share was broadly flat). C4C

[7] See definition in Annex 2
[8] As reported by C4C with a share of 5% (including E4+1)

has stated its ambition for E4 to retain this position in 2017, which it will seek to achieve by increasing the channel's originated content budget in order to develop new home-grown hits, alongside acquiring new US content.

Among ABC1 adults, the main channel's share remained flat in 2016 at 5.4%, and the C4C family's share among this audience was broadly stable at 10.8% (from 11% in 2015). Overall, the main channel continues to skew towards younger and more up-market audiences, offering a unique proposition to advertisers. E4 and 4Music also have some of the youngest audience profiles.

Figure 4: Channel profiles based on age and socio-economic group of audiences: 2016



Source: BARB. Whole day 1/1/2016 – 31/12/2016. Adults 16+. Size of bubbles relate to adults 16+ share. Profile based on age: % 35+, socio-econoic group: % ABC1. Axes cross at the average age/social profile of total TV. Includes HD variants, excludes +1 variants.

Of course, in this digital era, television viewing now only tells us part of the story, particularly when thinking about younger audiences. Viewing of content on All 4 continued to grow in 2016, with C4C stating that there were 620 million initiated programme views on the platform, up from 512 million in 2015. C4C has also informed us that viewing on All 4 grew among all age groups in 2016. In comparison, the BBC received 2.95 billion television programme requests through the iPlayer in 2016[9]. While we note that the BBC spends significantly more on programming, approximately three times more[10], this equates to almost five times as

[9] BBC iPlayer Performance Pack, February 2017: http://downloads.bbc.co.uk/mediacentre/iplayer/iplayer-performance-feb17.pdf
[10] BBC *Annual Report 2015/16* reports television content spend of £2.2bn

many programming requests, suggesting there is scope for All 4 to increase its programme views even further.

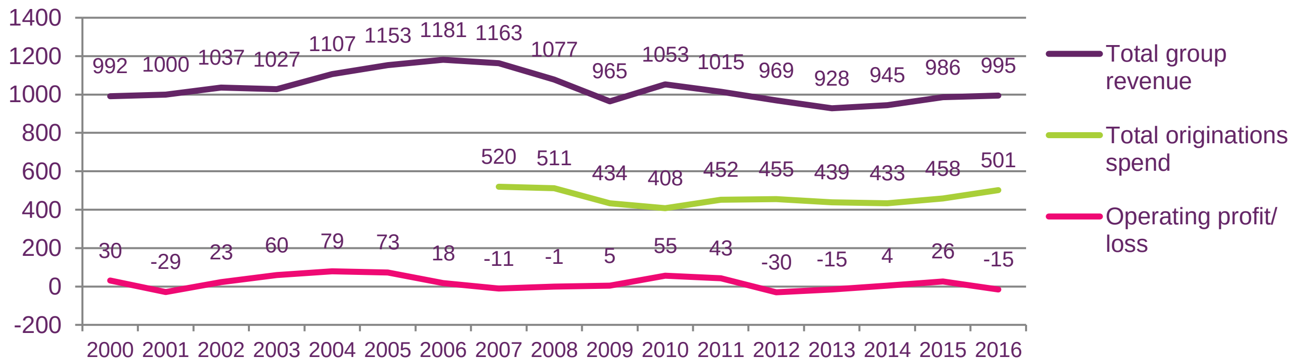
Research carried out by Decipher[11] indicates that in 2016 All 4 was reaching an average of 29% of the population each month, and that this had grown by 6ppts year on year. This level of reach is comparable to Sky's VoD service (27%), and Netflix (29%), although the average monthly reach of the BBC iPlayer and the ITV Hub is higher (at 54% and 35% respectively).

Obviously, reasonable levels of consumption are a necessary condition for the delivery of the C4C remit. While it is unfortunate to see the reach of the main channel falling by a greater amount than the other PSBs, C4C's share remained flat in 2016 and the consumption of its online content grew. As online consumption continues to grow in importance, we would encourage C4C to think about developing and reporting on more metrics in this area, to allow us to assess its performance better across all platforms.

C4C had a strong year financially in 2016, despite the slowdown in the advertising market towards the end of the year

In nominal terms, C4C has reported record revenues and content spend in 2016, with total revenues of £995m and total content spend across all services reaching £695m, of which £501m was spent on originations. When adjusting to take account of inflation, C4C's revenues still appear to have grown year on year since 2013, but remain below the peak levels achieved between 2005 and 2007[12]. Its originated content spend has increased year on year since 2014 in real terms, and is now almost level with investment in 2007 and 2008[13].

Figure 5: C4C group revenues and spend (£m): 2000-2016, real terms



Source: C4C Annual Reports. Figures have been adjusted into 2016 prices using the ONS Consumer Price Index.

While C4C is still heavily reliant on television advertising as its main source of income, its digital revenues have been steadily increasing over the last few years, helping to maintain

[11] Decipher Media Bug, Wave 9, September 2016
[12] However, CPI inflation was relatively high from 2008 to 2011 and this measure does not necessarily reflect changes in the costs of making television programming.
[13] Although we note that CPI inflation was low in 2015-2016.

overall revenues in real terms. In 2016 these revenues reached £102m, in line with C4C's stated target to deliver digital revenues of £100m. This growth was driven in part by C4C's data strategy, which has seen All 4 increase its base of registered users to 14.9 million. This enables C4C to offer demographic targeted advertising which it can sell at a premium price. Digital revenues will continue to grow in importance and significance as more viewers move to on-demand consumption, and so it is positive to see C4C's continued focus and commitment in this area.

In 2017, C4C's Statement outlines its plans to broadly maintain its investment in content, despite the uncertainty in the advertising market. This investment will include continuing its second phase of programme innovation (the first of which took place between 2012 and 2013), which will focus on delivering strong public-service content, while also delivering commercially-sustainable titles. It also plans to increase originated content investment on All 4, with the aim of making the platform a destination in its own right, and will endeavour to make the service more personalised for users, with smart curation on the main homepage, and interactive advertising which will also help to boost its advertising proposition.

C4C is likely to remain commercially sustainable and able to deliver its remit throughout its licence period, but it faces some significant risks

In 2016 Ofcom stated that, as part of its response to C4C's next Statement, it would consider the future sustainability of C4C to provide additional context and further rigour to its analysis. We note that structural changes in the television industry have taken place since 2013, when we last carried out a review of C4C's sustainability. We also note changes in the performance of the TV advertising market in the second half of 2016 and industry's concerns that advertiser spending on TV may continue to fall in 2017. It is therefore appropriate for Ofcom to carefully consider whether C4C can continue to deliver its remit throughout the current licence period (until the end of 2024).

Overall, Ofcom's analysis suggests that, within the bounds of the most likely future trajectory for the market, C4C is likely to remain financially sustainable in its current form throughout its current licence period. Specifically, it is plausible that C4C will continue to generate sufficient revenues to 2025 to invest in a volume, range and quality of programmes similar to today's output. However, there are some short-to-medium-term and also potentially more severe longer-term threats to C4C.

In the short-to-medium term a severe or prolonged advertising recession could be the biggest threat to C4C

Our view is that it would require a significant and sustained decline in C4C's revenues for it to arrive at a financial position whereby its remit is fundamentally undeliverable. In 2008/09 C4C's cash reserves and cost-cutting measures enabled it to withstand the impact of recession and continue to deliver its remit[14].

As set out above, the TV advertising market is once again in recession, as happens from time to time, even when the wider economy is still growing. Any significant deepening of this

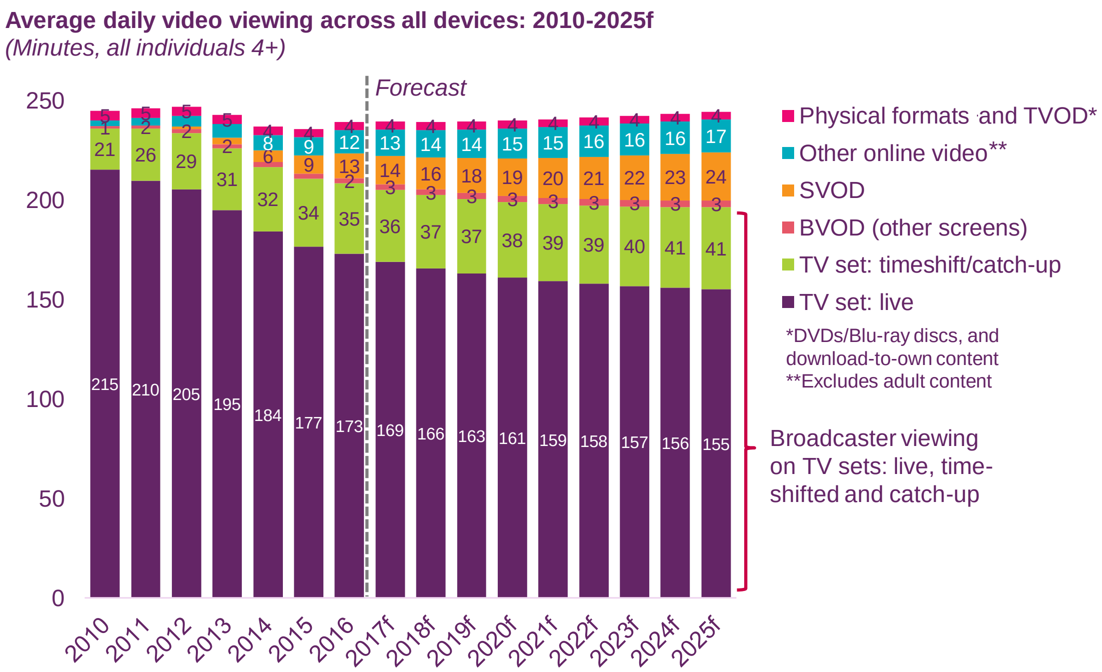
[14] We note that C4C's remit has expanded since 2010 when the Digital Economy Act introduced its media content duties

recession, or if it were to persist for several years, could mean that C4C would have to cut costs significantly and even cut its content budget to remain sustainable to the end of its current licence period. Industry consensus is generally that the current advertising downturn is likely to be relatively modest and that the market is likely to return to growth in 2018 or 2019, but a more significant downturn could prove to be the biggest risk to C4C over the period to the end of 2024.

Over the longer term the continued rise of Netflix and other global online video services could threaten C4C's sustainability

The rise of Netflix, Amazon and other new global online video services has already brought significant disruption to the television industry and could threaten C4C's sustainability in the future. These services compete with traditional broadcasters for viewers, and there has been a marked decline in broadcaster television viewing over the last few years, especially among the younger audiences that are vital to C4C. However, this decline has been relatively slow to date and key analysts forecast that, based on historic trends, live viewing of broadcast TV will continue to account for most video viewing, across all devices, in 2024.

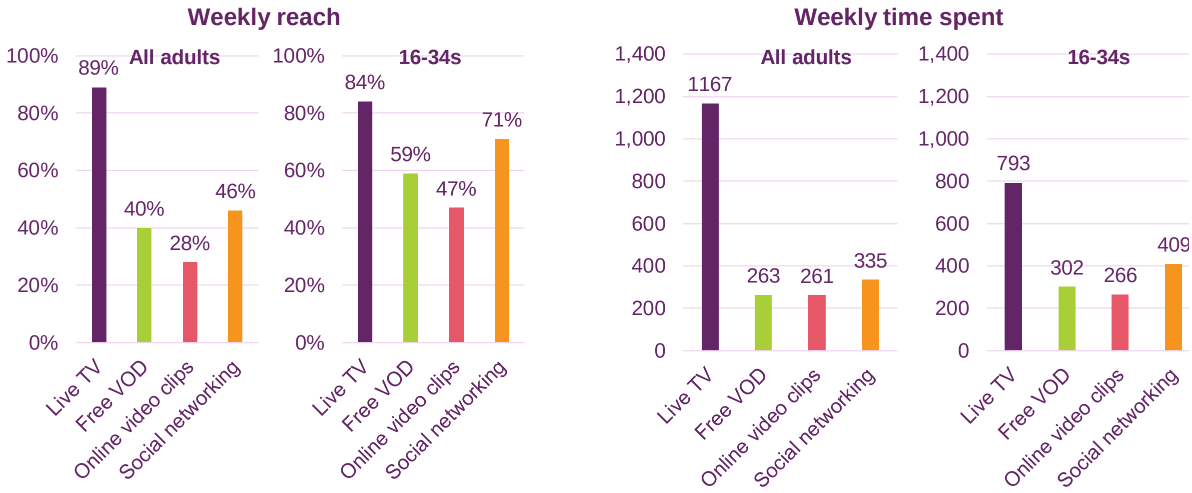
Figure 6: Forecast of average daily video viewing across all devices, minutes: 2010-2025f



Source: Enders Analysis.

Currently TV remains the most effective medium for advertisers to engage with mass audiences, including younger audiences, in terms of its weekly reach and the volume of time spent viewing.

Figure 7: Weekly reach and weekly time spent on selected ad-funded activities, per cent / minutes: 2016



Source: Ofcom Digital Day 2016

However, the pace of change in viewing habits could accelerate, threatening broadcasters' advertising revenues in the longer term. Towards the end of, or beyond, C4C's current licence period, an unexpected acceleration of current market trends in viewing and/or advertising could undermine C4C's sustainability.

If there were to be a much faster than expected shift of viewing away from linear TV to online (e.g. to subscription VoD services like Netflix and Amazon), particularly among younger people, C4C and other broadcasters could struggle to maintain their advantages over other competing media in terms of the reach and volume provided to advertisers. In these circumstances C4C may not be able to command the same advertising premium it receives today for delivering mass scale and reach with a younger audience skew. More broadly, the TV advertising market could even enter long-term structural decline if advertisers were to start to view TV as a less effective medium than they have traditionally done so.

It is also possible that a significant and sustained structural decline in TV advertising spending could occur in the absence of any significant acceleration in the growth of online viewing. Netflix and Amazon do not compete with broadcasters for advertising investment, but other major online global companies such as YouTube and Facebook do. However, thus far their advertising revenue growth has not come at the expense of traditional broadcasters. To date, new media has been successful in taking spend away from newspaper and magazine response-based advertising, but less successful at displacing television display advertising.

Advertiser confidence in fast-growing, competing online video display advertising providers, especially YouTube and Facebook, could improve to the extent that they start to attract spending away from broadcasters on a significant scale. Ofcom remains vigilant and continues to monitor developments closely; the potential threat that well-funded global players pose to UK broadcasters' audiences and revenues persists and will only grow more acute in the future.

Absent future structural changes in the market, C4C still faces the potential, more traditional, threat that competition from other commercial broadcasters could undermine its ability to charge a premium for advertising. However, although the commercial multichannel sector is slowly increasing its total investment in content over time, to date other channel groups have not replicated C4C's high reach and share of commercial impacts among younger or more upmarket audiences, which continues to drive its value to advertisers.

Increased investment in high quality content, and reaching audiences online, will be key to C4C's long-term sustainability

Despite the potential risks set out above, which Ofcom will continue to monitor, C4C has further opportunities to exploit new revenue streams around its core business. These include further exploitation of viewer data and other innovations to help sell high-value advertising on All 4.

Increasing investment in high-quality original programmes will also be key in helping C4C to compete with both traditional broadcast competitors and aggressive new online services, by helping it to continue to attract mass audiences and protect its appeal to advertisers. Reaching younger audiences at scale online through its All 4 online service will also be key, and this will require continued investment, innovation and effective marketing. Such opportunities can further enable C4C to maintain its investment in remit-defining programmes over the reminder of its current licence (to the end of 2024) and potentially beyond.

C4C performed well in delivering its media content duties in 2016, building on strong performance in previous years

C4C performed strongly in 2016. Our assessment of its Statement, alongside our own supplementary analysis, has highlighted that it provided a range of high-quality content across key genres, which continued to inform UK audiences, while promoting alternative views and challenging perspectives. Our audience research also found that viewers believe that C4C is broadly delivering its remit, particularly in the areas of innovation and creativity, diversity, and its news and current affairs output. In addition, C4C has responded to our feedback on last year's Statement by assessing the impact of its strategies for older children and online news.

Given the extensive nature of C4C's remit, the remainder of this report does not comment on all aspects of its performance, but instead focuses on a number of key topics and findings.

Audience perceptions

C4C's annual reputation tracker research continues to show that the main channel performs strongly and outperforms the other PSBs in key remit areas. In 2016, there were record high scores for the statements "Caters for audiences other channels don't cater for", "Home for alternative voices", and "Challenges prejudice". C4C has also reported that Channel 4's lead over the other PSBs, averaged across the 12 research statements, was at its highest ever level.

We also commissioned our own bespoke audience research in 2017, to find out whether audiences consider C4C to be delivering its remit. The research was made up of qualitative workshops among 16-34 year olds, followed by a quantitative survey among two different audiences: a nationally representative sample aged 16 and above; and children aged 10-14.

In summary, the picture the research paints is of a Corporation with a strong and distinctive personality, largely driven by Channel 4 and E4, which is broadly delivering against its requirements. Qualitatively, C4C is seen as the service which, from its early days, has always taken up an alternative point of view, or represented perspectives within UK society that are not always represented by other PSBs. Quantitatively, C4C is performing in line with audience expectations throughout its media content duties, with the majority of viewers (around seven in ten) rating its performance to be in line with perceived importance. Across the research, news and current affairs, along with diversity, were also seen to perform particularly well. These and other specific findings from this research will be drawn out through the rest of the report in the relevant areas[15].

News and current affairs

The news landscape has undergone significant changes over the last decade and is continuing to evolve. The increasing take-up of broadband and mobile internet has given consumers access to a much wider range of news providers online and on mobile, and as such, the way in which people are finding and consuming news content has also changed.

As the consumption of online news is growing[16], the number of online news sources has also grown. However, we have seen this competitive landscape leading some news sources to compromise on truth, or even invent stories, in order to drive 'clicks' and 'shares'. The issue of 'fake news' has been subject to significant industry debate already this year, including on Channel 4.

Bearing these developments in the market in mind, C4C's provision of news plays an important role in delivering information to viewers and users, which is both of high quality, and available across the different platforms that consumers are using. C4C's news output has a strong investigative edge and seeks to report on a broad range of international matters. While this may not always deliver the large audiences that the more mainstream news bulletins do, we have discussed with C4C the important public value its news output provides, and we support its approach in this space.

On television, Channel 4's share of the total minutes viewed to all national and international news[17] among all individuals remained stable in 2016 at 2.7%. BBC One increased its share, while ITV, Channel 5 and Sky News' shares were largely stable. The BBC News channel's share fell from 10.3% to 8.6%. In peak time, Channel 4's share also remained broadly stable at 6.5% (from 6.4% in 2015). This improved performance comes after several years of decline in its share of viewing to this genre between 2010 and 2014.

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[15] The full research report can be found here: https://www.ofcom.org.uk/__data/assets/pdf_file/0018/104094/Channel-4-Corporation-Remit-Research-Report-2017.pdf

[16] Ofcom *News Consumption Report*, 2015

[17] A channel's share of viewing to national and international news is based on the total minutes viewed to the genre on that channel as a proportion of the all viewing to the genre N.B. The total minutes viewed to the genre excludes any channels that do not genre categorise their programming as such, including some dedicated news channels

Channel 4's television news output also performed well among 16-34s and BAME adults in 2016. Its share of the total minutes viewed to national and international news remained broadly steady among 16-34s, up 0.1ppts to 4.9%, and increased further in peak time from 10.8% in 2015 to 11.1% in 2016. Among BAME adults, Channel 4 again increased its share of the minutes viewed to national and international news, up by 0.3ppts to 5.7% all day, and up 0.4ppts to 13.2% in peak time.

Online, C4C's strategy has been to focus on delivering high quality news through short-form videos distributed on social platforms such as Facebook. These videos, like the main Channel 4 news bulletin, seek to cover serious political, international, and social topics. In 2016, C4C reported that there were almost 2 billion views to these videos[18], up approximately 220% from just over 600 million views in 2015. We commended the performance of these videos last year, but due to a lack of consistent industry metrics, found it difficult to benchmark C4C's performance against its competitors. As such, C4C commissioned external analysis[19] which found that in 2016 the consumption of C4C's news videos was one of the highest of all UK news broadcasters, behind only the BBC News' videos which received 2.4 billion views, while Sky News' videos received approximately 1.3 billion views and ITV News' received 550 million. This increased consumption and positive performance among competitors is encouraging.

Last year we also asked C4C to consider the impact that its online news strategy was having. In response, C4C commissioned consumer research[20] among 16-34s, which found that more than three-quarters of those who viewed its Facebook news videos felt more informed after watching them, and almost two-thirds said that it made them see the issue in a different light. It also found that eight in ten viewers of its Facebook news videos said they were likely to start watching Channel 4's television news.

C4C also has a duty to provide high-quality current affairs programming. Its strategy in 2016 was to focus mainly on issues within the UK, such as inequality, welfare reform, and the pressure on public services. However, it also sought to feature alternative stories from across the globe, for example, its coverage of the famine crisis in Yemen.

The Corporation has reported that it spent £28m on current affairs programming in 2016, up from £27m in 2015. This investment was mainly used to deliver C4C's two current affairs strands: *Dispatches* and *Unreported World*. Since 2013, these two programmes' viewing share has remained broadly flat, although *Unreported World* increased its share among 16-34s in 2016 after a slight fall in viewing share in 2015.

Last year, C4C stated its ambition to find new ways of engaging younger audiences with its current affairs content, beyond its traditional current affairs programming strands. It sought to do this through more mainstream television formats, such as talk shows like *The Last Leg*. It states that this programme was popular among 16-34s, particularly episodes which had a

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[18] Figures include viewing to videos on Facebook, YouTube and Channel 4's website
[19] Analysis carried out by Tubular Labs
[20] C4C commissioned research by Tapestry, 2016

political angle. It has also told us that it has looked for opportunities to increase the levels of news and current affairs output in the programme by embedding a journalist into the show.

Looking at C4C's news and current affairs output combined, our audience research suggests that viewers think it is broadly performing well in this area. Thirty-six per cent of all C4C viewers rated the Corporation highly[21] for its news and current affairs programmes helping them to understand what's going on in the world. This figure increases to more than half (54%) among Channel 4's core target group of 16-34 year olds who are regular viewers of the channel (on which the main news bulletin and the majority of its current affairs programming are broadcast). In the qualitative discussions among 16-34s, C4C's provision of news and current affairs was considered by viewers to be one of its strongest areas of performance. Channel 4's news, in particular, was considered to be impartial, covering stories from different angles than the other PSBs, and it was praised for not shying away from tackling controversial topics.

Overall, C4C's news and current affairs output performed well in 2016, and the Corporation has developed new metrics to measure the consumption and impact of this content. It is also positive to see C4C innovating and trying new formats in order to engage with younger audiences, and its ability to react quickly to try to tackle problems facing the news sector as they arise (e.g. its *Fake News Week*). In 2017, C4C states that it is planning to reflect the dramatic changes, both in the UK and the wider world, in its news and current affairs output, with more investigative journalism. It will also be building on its online success, considering new platforms, with the aim of becoming a global leader in digital mobile news videos.

Older children and young adults

While we know that children and young people are increasingly consuming a wide range of content beyond the TV screen, television and television-like content still account for a significant proportion of their media consumption. Our Digital Day research has found that 73% of children aged 11-15 still report that they watch linear television every week[22]. There has been a decline in new UK-commissioned children's programming over the last decade, and this is why as part of our proposals for the BBC's Operating Licence we are proposing to set first-run UK originations conditions on CBBC and CBeebies.

C4C already has a duty which relates to programming in this area, which is to provide content of appeal to older children and young adults. C4C defines these two audiences as 10-14 year olds and 14-19 year olds respectively.

For older children, C4C's strategy over the last few years has been to cater for this audience through programming in peak-time, pre-watershed slots on the main channel, which cover themes that will resonate with 10-14 year olds, but which will also appeal to a broader audience. This seeks to address the commercial challenges broadcasters often face when making bespoke children's programming. We assessed this strategy as part of the Statement process last year and in our response we highlighted some potential concerns about C4C's

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[21] Rating C4C between 7-10 on a 10-point scale.
[22] Ofcom *Children's Digital Day 2016*,
https://www.ofcom.org.uk/__data/assets/pdf_file/0017/94013/Childrens-Digital-Day-report-2016.pdf

performance. While the programmes it had identified performed well among this audience, we were unclear about the impact this strategy was having. We also asked the Corporation to consider whether it could play a greater role in this area.

In August 2016, C4C announced that it would be increasing its investment in programming of appeal to 10-14 year olds to £5m annually from 2018 (£4.8m in 2016 prices[23]), up from the £3m it spent in 2015 (real terms). As such, it is positive to note that C4C has already exceeded this commitment in 2016, spending £6m, which delivered 18 hours of content (up from 12 hours in 2015). However, our audience analysis data shows that C4C's viewing share among 10-14s on the main channel declined slightly by 0.3ppts to 4.3% in 2016. Share of viewing among 10-14s also declined on BBC One and BBC Two, while increasing on Channel 5 and ITV. C4C has indicated that the main channel's share of viewing did increase slightly in the 8-9pm slot, where it claims to have prioritised investment. The C4C family of channels' share of viewing among 10-14s increased by 0.8ppts to 12.9% in 2016, and was largely driven by E4's growth in viewing share from 2.4% in 2015 to 3.5% in 2016.

In order to assess the impact this strategy is having, C4C commissioned audience research among older children in 2016. As outlined within its Statement, it found that this audience enjoyed the programmes it has identified as of appeal to them due to the themes involved and because they often featured children of their age. Many of the children surveyed also said they had learnt something new from the programmes.

Our own audience research this year also sought to gauge audience opinions about C4C's delivery of this duty. Among adults, this was the main area where participants thought C4C was under-delivering. Only 19% of all C4C viewers rated it highly for appealing to older children. This increased to 27% among C4C viewers in households with children aged 10-14. However, ratings figures were significantly higher in households which watch C4C channels regularly, measuring 40% in these households with children aged 10-14 specifically. The qualitative research discussions, conducted among 16-34s (including those with children in the household), highlighted a general view that there is a lack of bespoke content for older children (aged 10-14) on C4C, and across the PSBs more broadly. While C4C's duty does not necessarily require it to make bespoke programming, this is perhaps a driving force behind the low perceptions of its delivery in this area among adult viewers. There was some recognition of C4C programmes which would appeal to older children, even if not directly targeted at them, such as family-appeal shows; although it was also noted that some C4C programmes which appeal to 10-14s might not always be appropriate for their age range.

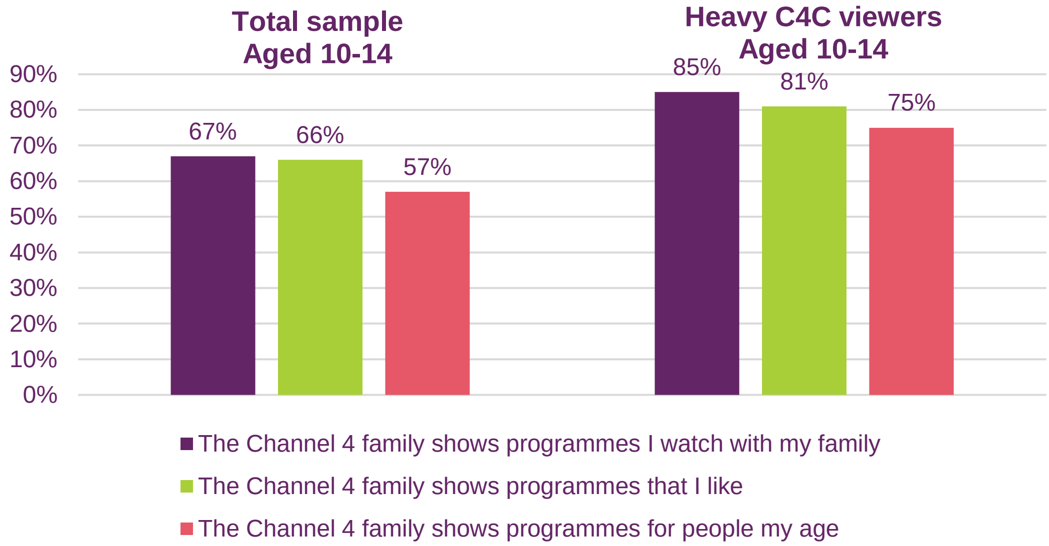
We also carried out an additional online survey among 10-14 year olds to get to the heart of what this audience group thinks about C4C and its programming. The favourability of the Channel 4 family, compared to other broadcaster families and services, among these participants varied. Forty-eight per cent of the 10-14s surveyed said that they liked or loved the Channel 4 family. This was lower than the proportion of participants who liked or loved the BBC family (58%) and the ITV family (55%), but higher than the favourability of the Channel 5 family (36%). YouTube was the most favourable service, with 88% of those surveyed claiming to like or love it.

We also asked the 10-14 year old participants to rate C4C's performance against a number of statements regarding its programming and the findings indicate that its content does

[23] Calculated using a forecast for the Consumer Price Index

appeal to them. A high proportion of those surveyed state that the Channel 4 family (which includes its television and online services) shows programmes that they like, and programmes for people their age, and this increases further among heavy viewers of C4C. It also performed strongly for showing programmes which older children say they watch with their family, reflecting C4C's strategy to reach this audience through broad-appeal programming. In addition, when prompted with the list of programmes C4C has identified as of appeal to this age group, around half of the 10-14s surveyed said that they watched them, and then went on to rate them broadly positively[24].

Figure 8: Older children's perceptions of the Channel 4 family



Source: Ofcom C4C Remit research, 2017. Based on the % of participants who agreed a lot or a bit with the statements in question. Base: Children aged 10-14 (511) and heavy viewers of C4C aged 10-14 years (220)

In discussion, C4C has told us that it expects to exceed its £5m commitment again in 2017, with new factual, drama, and entertainment commissions on the main channel and on E4. It also plans to feature more 10-14 year olds within the programmes it commissions for this audience, to ensure they are relevant and relatable to this age group.

For 14-19 year olds, C4C has continued its strategy of commissioning educational programmes that tackle life skills outside the core curriculum, such as relationships, sex, the digital landscape, and friendship. This strategy plays an important role in delivering C4C's wider educational remit. While in 2010 its efforts in this area were largely focused online, its strategy has now evolved to provide more television-based output that is also supported by online material.

C4C claims, within its Statement, to have increased its commitment across all platforms in 2016, and reached 1.5 million 14-19 year olds with its television educational content. However, we are concerned to see its spend on this content falling over time in real terms, down to £2m in 2016. C4C states that the fall between 2015 and 2016 was largely a

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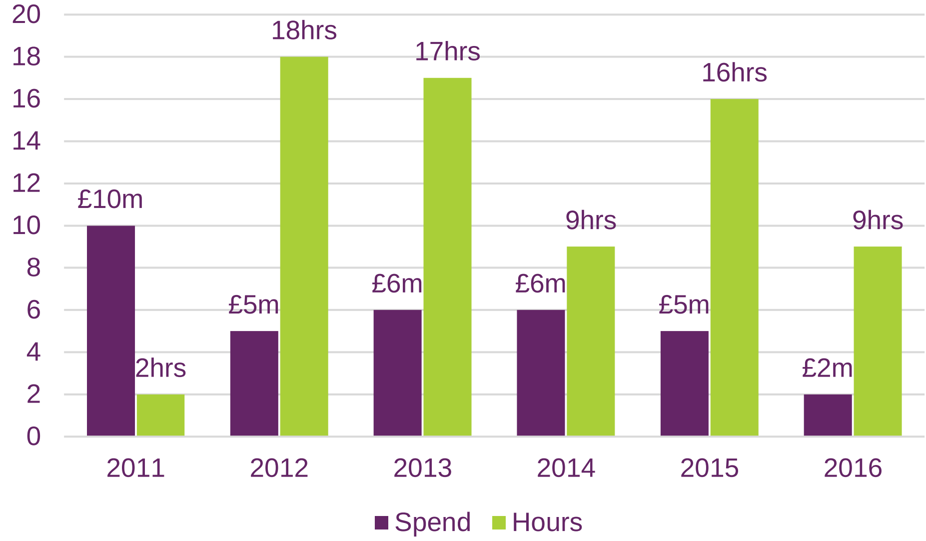
[24] For more information about the findings from this research, please see the separate report: https://www.ofcom.org.uk/__data/assets/pdf_file/0018/104094/Channel-4-Corporation-Remit-Research-Report-2017.pdf

consequence of an E4 drama not being re-commissioned. In 2017, C4C plans to focus on factual programming on the main channel for 14-19s, alongside online short-form content.

Figure 9: Spend on and hours of educational content for young adults on the main channel and portfolio channels (real terms)



Source: C4C Statements of Media Content Policy and additional data submitted by C4C as published in our Review of Channel 4 Corporation's delivery of its media content duties (2010-2013). Spend figures have been adjusted into 2016 prices using the ONS Consumer Price Index.

While C4C's reporting on how it has delivered this duty focuses on its educational output for teenagers, it is important to consider its performance among 14-19 year olds more broadly, since a much wider range of content will still be of appeal to this audience. Our analysis shows that viewing among this audience remained broadly steady in 2016. The main channel's share of viewing among 14-19s was fairly flat at 5.2% in 2016 (from 5.4%); although over the same period BBC One, BBC Two and ITV all increased their share. On the C4C family of channels, share of viewing among 14-19s was also steady at 17.2% (compared to 17.1% in 2015).

In our audience research, C4C was perceived as performing slightly better in providing programmes of appeal to young adults than it was for older children. Just over a quarter of all C4C viewers rated it highly for doing so, and this increased to 41% among regular C4C viewers. In the qualitative stage, participants thought it was of appeal to young adults, and this view was particularly driven by perceptions of E4, which they saw as heavily targeted towards younger viewers.

Overall, our audience research among 10-14s indicates that C4C is delivering content that is of appeal to older children. In addition, C4C has committed to experimenting with new titles which will more directly tackle the issues this audience group are likely to be facing. However, we note that Channel 4's share of viewing among this group has fallen slightly and would ask C4C to consider how it can reverse this trend.

We also believe that it is delivering its duty to appeal to young adults. However, we are concerned about C4C's reduced investment in educational output for this audience. Given the limited amount of educational content provided across the TV landscape for teenagers, C4C's role here is valuable. It is also an important component of its educational remit delivery, and so we would encourage C4C to consider increasing its investment in this type of content, as well as assessing and reporting on the impact it is having in this area.

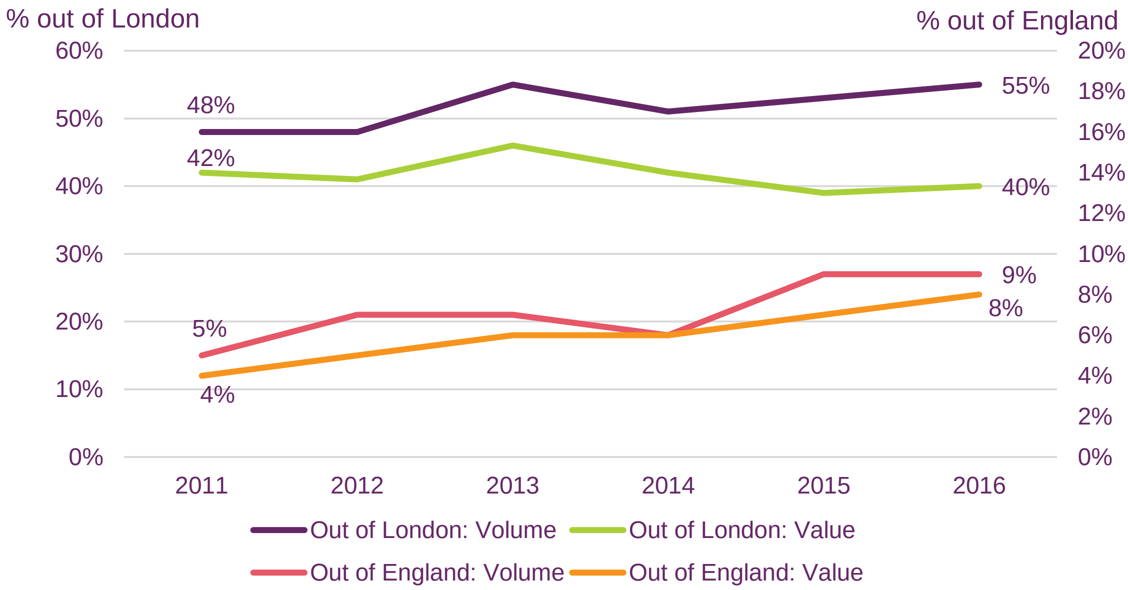
We will continue to monitor its performance in appealing to both of these important audience groups.

Nations and regions

The impact C4C has in the UK's nations and regions, particularly the creative economies, is subject to discussion within the industry and Westminster, with the Government currently consulting on this matter. Our assessment of its performance is limited to its current requirements, which include its licence conditions for productions made outside of London and outside of England on the main channel, as well as its duty to appeal to the tastes and interests of a culturally diverse society, which includes audiences in the nations and regions.

In 2016, the proportion of output and spend on productions made out of London increased year on year. On the main channel, 55% of qualifying hours and 40% of qualifying spend were classified as outside of London, up from 53% and 39% in 2015 respectively, and above the 35% quotas. However, the proportion of money spent outside of London has declined since 2011. In the nations specifically, C4C is continuing to make progress towards its 9% out-of-England hours and spend quotas which will come into force in 2020[25]. In 2016, 9% of its qualifying hours on the main channel came from the nations, level with its performance in 2015, and 8% of its qualifying spend, up from 7% in 2015.

Figure 10: Performance against out-of-London and out-of-England production quotas, 2011 - 2016



Source: Channel 4 Statements of Media Content Policy, 2011-2016. Note: Figures have been rounded.

Beyond levels of output and investment, we note that in 2016 C4C continued to engage with a range of nations' representatives, in line with the approach agreed during the relicensing process. This included the Ofcom Nations' Advisory Committees, as well as it hosting genre briefings for production companies across the UK in order to foster and develop new and

[25] Until 2020, these quotas remain at 3% of qualifying spend and hours

geographically-diverse relationships. It has also sought to develop talent across the UK through its partnerships with higher education institutions and through its production training scheme.

Considering viewing behaviour, with the weekly reach of the main channel falling across the UK as a whole in 2016, a trend of decline is also seen in most of the individual nations and regions. The largest declines in Channel 4's weekly reach were in the North West of England (down 3.5ppts), Scotland (down 3.2ppts) and Northern Ireland (down 3.2ppts); these were significantly higher than the channel's overall UK decline (down 1.8ppts). However, its share of viewing remained broadly stable in each of the locations over the same period, and grew in the South and South East of England (by 0.6ppts).

Fair portrayal of the UK's regions and nations on screen is also important, and is considered a key aspect of PSB delivery by UK viewers. Eighty-three per cent of respondents to our PSB Tracker[26] rated the statement "It portrays my region/Scotland/Northern Ireland/Wales fairly to the rest of the UK" as important for PSBs to deliver. However, against a PSB average of 63%, only 44% of Channel 4 viewers believe it is delivering against this statement.

Our C4C remit research also indicates that there is some room for improvement in this area, particularly within certain nations. The gap between importance and delivery, in relation to the statement: "reflects my culture fairly" was larger for viewers in Scotland and Northern Ireland, suggesting that C4C could better represent viewers in these nations. In addition, in the qualitative research there was a slight sense that C4C was urban-/London-focused, particularly among younger viewers in lower socio-economic groups in the nations.

In 2017, C4C has stated that it aims to target its investment on increasing the number of commissions from around the UK, with the aim of building a critical mass of higher-volume suppliers in each of the nations. It will also focus on reflecting the diversity of the English regions on screen.

Overall, C4C has performed broadly well, particularly in terms of its positive progress towards the new 9% out-of-England quotas and its commitment to developing talent and building new relationships in the creative industries across the UK. However, we have concerns on two fronts: it is evident from our consumer research that C4C could be doing more to represent the different UK cultures and communities within its programmes; and it has experienced sizeable declines in its average weekly reach in particular regions. We would encourage the Corporation to think about how best it could address these issues.

We will continue to monitor C4C's performance in the nations and regions. In addition, as announced in March 2017, we will begin a review of our guidance on out-of-London programme making this year, to ensure that the programmes Channel 4 and other PSBs identify as being made outside London make a genuine contribution to the nations' and regions' creative economies.

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[26] Ofcom *PSB Tracker 2016*: https://www.ofcom.org.uk/__data/assets/pdf_file/0038/97886/Ofcom-PSB-Tracker-2016-data-tables.pdf

Diversity

The UK is becoming increasingly diverse. As such, the diversity of the broadcasting industry has attracted much stakeholder debate in recent years, with there being wide recognition that broadcasters need to do a better job of appealing to a diverse range of audiences and that they need to increase diversity on and off-screen. As a result, work is going on across the media industry, such as the Creative Diversity Network's Diamond monitoring scheme, to drive improvements in these areas.

In addition, last year Ofcom launched a new annual Diversity in Broadcasting monitoring programme covering the broadcasters we regulate, including Channel 4. The aim is to publish the first annual report in late summer which will set out how the television industry is doing on equality and diversity overall, highlighting the diversity within individual broadcasters, and revealing where the industry is doing well and which groups lack representation. Furthermore, in our new role as the regulatory body for the BBC, we are proposing to introduce a number of conditions to require the BBC to improve its diversity, including annual reporting on the delivery of on-screen and on-air diversity, and a requirement for the BBC to agree with Ofcom a new diversity code of practice. We will assess the BBC's performance in this area through our performance measurement framework and annual reporting.

C4C launched its 360° Diversity Charter in 2015, which aims to address diversity at every level of the organisation, from its own internal workforce through to production companies' workforces and on-screen talent. In 2016, C4C reported that it had made progress against all 30 of its Charter initiatives[27]. It also made 2016 its Year of Disability, and committed to double the number of disabled people in 20 of its top programmes and to progress the careers of 20 disabled people within its biggest indie partners, which it successfully delivered.

While C4C has made it clear to us in the past that it aims to reflect the diversity of the UK across all of C4C's programming (rather than solely through programmes specifically about diversity), it does report on the hours of programming on the main channel which cover diversity issues[28] within its Statement each year. In 2016, C4C stated that it broadcast 358 hours of originated diversity programming on the main channel, up by 78% since 2015. This large increase was mainly driven by its coverage of the 2016 Paralympic Games.

We particularly commend C4C's coverage of the 2016 Games, which aimed to tackle disability from every angle. Its marketing and promotions were particularly successful, with its 'Yes I Can' campaign winning Campaign Magazine's Campaign of the Year Award, and it also claimed to have delivered the most accessible advertising break in history which was completely signed for deaf and hard-of-hearing viewers. C4C also wanted to use the coverage as an opportunity to develop disabled talent. As such, it ran a training scheme to give people with disabilities opportunities to start careers in the television or digital media industries, many of whom went on to work at the Rio Games.

[27] It reported that 28 of its initiatives progressed and were on track, and two were progressed but delayed or amended.
[28] Diversity issues are defined as multiculturalism, disability, religion or sexuality.

C4C claims that its coverage of the Games reached 27.2 million people in total, and despite the time difference, viewing among 16-34s was almost level with the London 2012 Paralympic games. It was also positively received; C4C's audience research showed that 73% of respondents felt that Channel 4's coverage of the Paralympics improved society's perceptions of disabled people, and 77% felt that it talked about disabilities in the right tone.

In terms of consumption more broadly, C4C maintained its share of viewing to the main channel among BAME audiences in 2016, at 3.9%. The C4C family of channels maintained its share of viewing among BAME audiences at 10.2% (from 10.1% in 2015). The C4C family of channels' audience profile is also the most representative of the total TV viewing population in terms of the proportion of BAME viewers which make-up its audience. Nine per cent of the family's total audience was accounted for by BAME viewers in 2016, level with the proportion of BAME viewers among the total TV audience. This was also higher than the other PSB channel families; 7% of the BBC family's audience, 6% of the ITV family's audience, and 8% of the Channel 5 family's audience comprised BAME viewers in 2016.

Our audience research also indicates that in general, audiences in the UK think that C4C performs well in this area. The PSB Tracker found that Channel 4 performs just above the PSB average for showing different kinds of cultures within the UK in its programmes (71% vs. 68%), and this is only slightly below viewers' perception of its importance (74%). The C4C remit research, which focused on C4C viewers and had slightly different question wording, found that 35% of all viewers rated C4C highly for celebrating the diversity of the UK, and that this rating was slightly higher for all C4C viewers of minority ethnic background (38%), and similar for all C4C viewers with a disability (36%). In the qualitative discussions, Channel 4 was considered to perform better than other channels in capturing and exploring different ways of life, and it was seen as a trailblazer in challenging mainstream ideas about different cultures.

Overall, we believe that C4C continues to perform well in this area. Given its unique funding model and remit, we would expect to see the Corporation continuing to drive change, both internally and across the wider industry. In 2017, we note that C4C has committed to delivering four new diversity initiatives: focusing on the progression of BAME employees at Channel 4, increasing opportunities for creative directors from under-represented groups, improving the diversity of its advertising, and launching a social mobility strategy.

<u>Additional areas covered by this review</u>

The detail of this report has focused on a selection of key topics. We also note the following additional points:

- **Film:** In February 2016, C4C announced a change to its film strategy, with it aiming to invest more in commercial projects with a view to maximising profit share, which it can then use to support any losses it makes on its more risk-taking films. It also announced that it would increase Film4's funding from £15m per year to £25m. By the end of 2016, it had spent a total of £22.4m, up from the £10.8m it spent in 2015 (real terms). In our quantitative audience research, 44% of all C4C viewers strongly agreed that Film4 productions makes high quality films. Film4 Productions has also continued to support British talent, and became the first UK organisation outside of the BFI to adopt the BFI's new diversity standards[29].

- **International programming:** C4C has a duty to support and stimulate well-informed debate on a wide range of issues, including by providing information and views from around the world. In 2016, the number of first-run hours on the main channel covering international matters increased by 26% to 77 hours[30]. C4C also launched *Walter Presents* in 2016, which has delivered a wealth of foreign-language drama on All 4. It broadcast one of these dramas on the main channel in a peak-time slot, which is a risk other commercial broadcasters might not have been willing to take.

- **Structure of the Statement:** C4C has changed the structure of its Statement this year and now focuses on the different areas of its remit, rather than on different programming genres. We believe that this is a positive change and allows for a better articulation of how it has delivered its duties. In addition, as part of the consultation process, the Corporation took on board our feedback to present more information and detail about its future plans and strategies in each of the remit areas.

[29] The standards focus on disability, gender, race, age and sexual orientation where there continues to be significant under-representation in films. They also seek to ensure that people from lower socio-economic groups are better represented.
[30] This figure excludes news, but does include hours of the *True Stories* strand broadcast across the C4C family of channels.

Annex 1: C4C's remit and duties

<u>PSB remit (section 265(3) of the Communications Act 2003)</u>
This applies to the main channel

The public service remit for Channel 4 is the provision of a broad range of high quality and diverse programming which, in particular:

a) demonstrates innovation, experiment and creativity in the form and content of programmes;
b) appeals to the tastes and interests of a culturally diverse society;
c) makes a significant contribution to meeting the need for the licensed public service channels to include programmes of an educational nature and other programmes of educative value; and
d) exhibits a distinctive character.

<u>Media content duties (section 198A of the Communications Act 2003)</u>
Can be delivered across C4C's range of services

C4C must participate in:

a) the making of a broad range of relevant media content of high quality that, taken as a whole, appeals to the tastes and interests of a culturally diverse society;

b) the making of high quality films intended to be shown to the general public at the cinema in the United Kingdom; and

c) the broadcasting and distribution of such content and films.

2. C4C must, in particular, participate in:

   a) the making of relevant media content that consists of news and current affairs;

   b) the making of relevant content that appeals to the tastes and interests of older children and young adults;

   c) the broadcasting or distribution by means of electronic communications networks of feature films that reflect cultural activity in the United Kingdom (including third party films); and

   d) the broadcasting or distribution of relevant media content by means of a range of different types of electronic communications networks.

3. In performing their duties under 1) and 2) C4C must:

   a) promote measures intended to secure that people are well-informed and motivated to participate in society in a variety of ways; and

   b) contribute towards the fulfilment of the public service objectives (as defined in section 264A of the Communications Act 2003).

4. In performing their duties under 1) to 3) C4C must:
    a) support the development of people with creative talent, in particular:
        i. people at the beginning of their careers in relevant media content or films; and
        ii. people involved in the making of innovative content and films;
    b) support and stimulate well-informed debate on a wide range of issues, including by providing access to information and views from around the world and by challenging established views;
    c) promote alternative views and new perspectives, and
    d) provide access to material that is intended to inspire people to make changes in their lives.
5. In performing those duties C4C must have regard to the desirability of:
    a) working with cultural organisations;
    b) encouraging innovation in the means by which relevant media content is broadcast or distributed; and
    c) promoting access to and awareness of services provided in digital form.

Annex 2: Glossary of terms

Main channel: The public service channel, Channel 4

C4C portfolio channels: C4C's suite of digital channels (including its +1 and HD variants): Channel 4+1, E4, More4, 4Seven, Film4, 4Music

C4C family of channels: The main channel and its portfolio channels combined

Average weekly reach: The proportion of the TV population who watched a channel or group of channels at least once in an average week (for at least 15 consecutive minutes)

Share: The percentage of the total TV audience watching a specific channel or group of channels, expressed as an average over a given period of time. For example, a 65% share for a channel means that of all the viewers watching television at the time, 65% were watching the given channel (and the remaining 35% were watching other channels)

TV population: All those who have at least one TV in the household that can receive television programmes

ABC1 adults: Based on the Market Research Society occupational groupings (MRS, 1991). The full range of groups are defined as follows:

> **A.** Professionals such as doctors, solicitors or dentists, chartered people like architects; fully qualified people with a large degree of responsibility such as senior civil servants, senior business executives and high ranking grades within the armed forces. Retired people, previously grade A, and their widows.
>
> **B.** People with very senior jobs such as university lecturers, heads of local government departments, middle management in business organisations, bank managers, police inspectors, and upper grades in the armed forces.
>
> **C1.** All others doing non-manual jobs, including nurses, technicians, pharmacists, salesmen, publicans, clerical workers, police sergeants and middle ranks of the armed forces.
>
> **C2.** Skilled manual workers, foremen, manual workers with special qualifications such as lorry drivers, security officers and lower grades of the armed forces.
>
> **D.** Semi-skilled and unskilled manual workers, including labourers and those serving apprenticeships. Machine minders, farm labourers, lab assistants and postmen.
>
> **E.** Those on the lowest levels of subsistence including all those dependent upon the state long-term. Casual workers and those without a regular income.