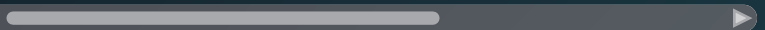
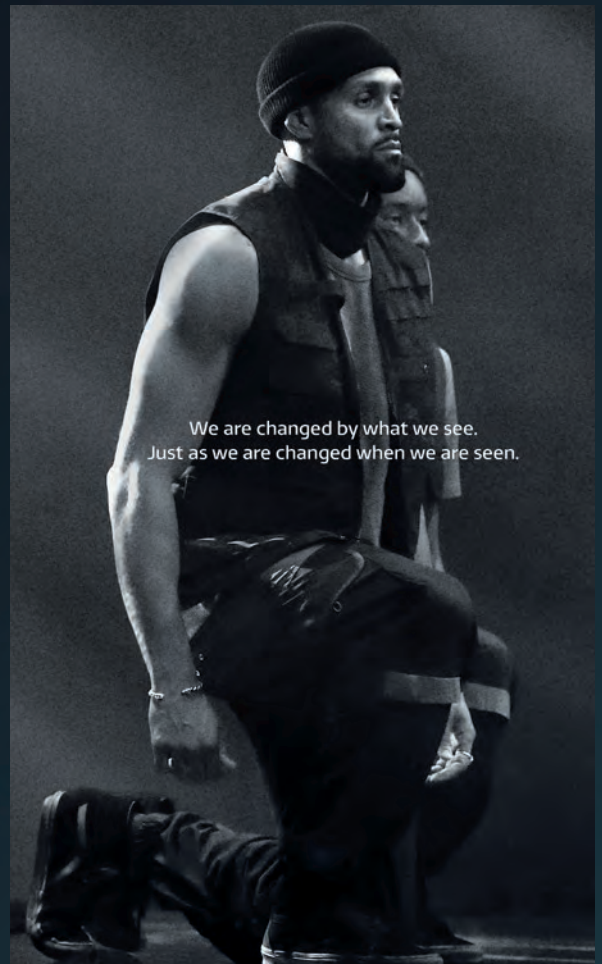




MORE THAN TV

ITV PLC ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2020



We are More than TV.

We connect with millions of people every day, make content they can't get enough of and reflect and shape the world we live in...

...and we do all this through the power of creativity.

Our strategic vision

We will be a **digitally led media and entertainment** company that **creates and brings** our brilliant content to audiences **wherever, whenever and however** they choose.

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Key financial highlights

Group external revenue¹

£2,781m

-16% (2019: £3,308m)

Non-advertising revenue²

£1,683m

-21% (2019: £2,117m)

Adjusted EBITA³

£573m

-21% (2019: £729m)

Statutory EBITA

£561m

-19% (2019: £693m)

Adjusted EPS

10.9p

-22% (2019: 13.9p)

Statutory EPS

7.1p

-40% (2019: 11.8p)

Reported net debt⁴

£545m

(2019 net debt: £893m)

Leverage⁴

0.9x

(2019: 1.2x)

Notes

Alternative Performance Measures (APMs)

We use both statutory and adjusted measures in our Strategic Report. The latter, in management's view, reflects the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured day-to-day. A full reconciliation between our reported and adjusted results is provided in our Alternative Performance Measures section on pages 54 and 55. Our KPIs are set out on pages 24 to 27.

1. The Strategic Report also refers to total revenue, which includes all ITV revenue, both internal and external.
2. Non-advertising revenue includes all ITV revenue (both internal and external), and excludes total advertising revenue.
3. EBITA before exceptional items has been adjusted to reflect the inclusion of production tax credits ('adjusted EBITA').
4. Reported net debt includes IFRS 16 lease liabilities. Leverage is reported net debt to adjusted EBITDA.

Strategic Report

The Strategic Report explains in detail how we have performed this year and sets out, amongst other things, a fair review of the business, a balanced and comprehensive analysis of our performance, the use of key performance indicators to explain the progress we have made, a description of the principal risks and uncertainties facing the Company, and an indication of potential future developments.

The Strategic Report is prepared in line with the relevant provisions of the Companies Act 2006 and the Company has had regard to the guidance issued by the Financial Reporting Council. It is intended to provide shareholders and other stakeholders with a better understanding of the Company, of its position in the markets within which it operates, and of its prospects. In setting out the Company's main risks and uncertainties, an indication of potential future developments, and in other content, this report and accounts contains statements that are based on knowledge and information available at the date of preparation of the Strategic Report, and what are believed to be reasonable judgements, and therefore cannot be considered as indications of likelihood or certainty.

A wide range of factors may cause the actual outcomes and results to differ materially from those contained within, or implied by, the various forward-looking statements in this Annual Report and Accounts. None of these statements should be construed as a profit forecast.

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Governance

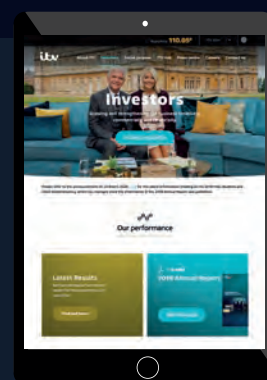
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Corporate website

We maintain a corporate website at www.itvplc.com containing our financial results and a wide range of information of interest to institutional and private investors.

2020 Highlights

56%

of ITV Studios total revenue was generated outside the UK

26%

of ITV Studios total revenue is scripted

+1%

increase in ITV total viewing

94%

of all commercial audiences over 5 million were on ITV

>2.6m

global subscriptions across all ITV's subscription video on demand (SVOD) services

Net Zero

Carbon emissions business by 2030



▲ **Gordon, Gino and Fred: Road Trip** was ITV's biggest factual show in 2020, with an average of 6.6 million viewers across the series.

▼ **Beat The Chasers** was the biggest new entertainment series launch since 2007. It averaged 6.4 million viewers across the series.



▶ **I'm A Celebrity...Get Me Out Of Here!** is a global format for ITV Studios, and is in over ten countries. In the UK, it was the most watched television series in 2020, including for 16-34s. It had an average of 11.5 million viewers across all devices.



MORE THAN TV



▲ **Coronation Street** celebrated its 60th anniversary in 2020, making it the world's longest running soap. It remains the UK's most watched soap with an average of 6.9 million viewers per episode in 2020.

▶ **Des** was the most watched new drama on any channel in 2020, and was ITV's biggest new drama series since 2013. It averaged 10.1 million viewers across all devices (including repeats).



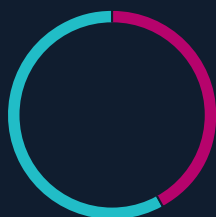
ITV at a Glance

ITV, as an integrated producer broadcaster (IPB), creates, owns and distributes high-quality content on multiple platforms globally. We also continue to diversify our business through the opportunities presented from consumers' willingness to pay for great content and to engage with ITV as a trusted brand.



ITV total revenue

ITV Studios
£1,370m
 (2019: £1,822m)



Broadcast
£1,890m
 (2019: £2,063m)

ITV adjusted EBITA*

ITV Studios
£152m
 (2019: £267m)



Broadcast
£421m
 (2019: £462m)

*A full reconciliation between our adjusted and statutory numbers is included in our APIMs on page 55.

ITV Studios



46,000+ hrs
 of content in our catalogue

50+ labels
 in 12 different countries
 supplying over 200 channels
 or platforms

14 Formats
 sold in 3 or more countries
 (2019: 14)

We have built significant scale globally in key creative markets and are now one of the largest independent producers in the world. We create, produce, and distribute a broad range of programmes, including drama, entertainment and factual. Our customer base is diverse, producing for international television broadcasters and over-the-top (OTT) platforms.

ITV Studios creates and produces content across 12 countries, while our global formats and distribution business sells, commercialises and distributes formats and finished programmes worldwide.

ITV Studios UK

ITV Studios UK is the largest commercial producer in the UK. We have nearly 30 labels and produce programming across a diverse range of genres, such as drama, entertainment and factual entertainment for ITV's channels, other UK public service broadcasters (PSBs), including the BBC, Channel 4, Channel 5, along with OTT platforms.

ITV Studios US

ITV Studios US is underpinned by the production of unscripted content (through ITV America). However, we have been growing our presence in the scripted content market (through ITV Studios America), using our strong cash flows to produce high-profile dramas with the potential to travel and build international appeal. We sell to all the major networks, cable channels and OTT platforms across the US.

ITV Studios International

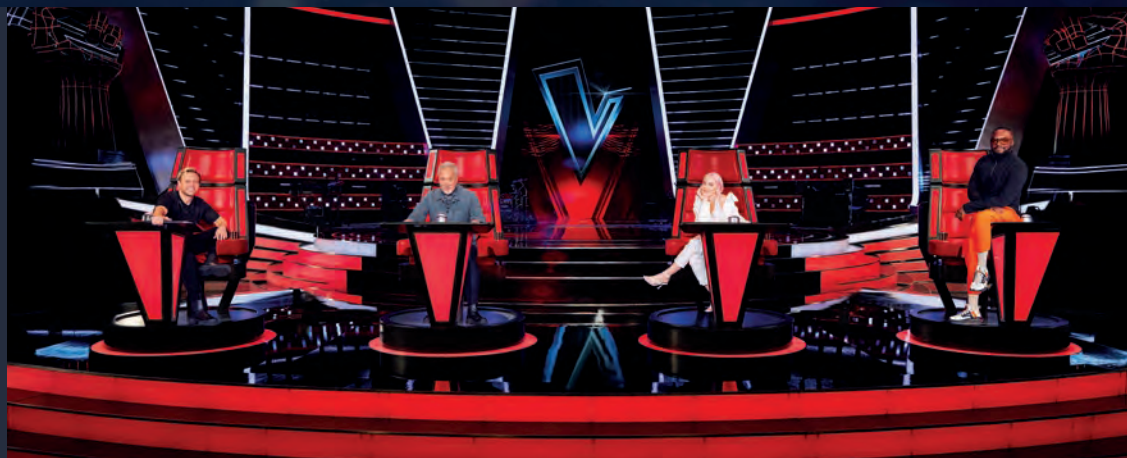
ITV Studios also operates in the Netherlands, Germany, France, Italy, the Nordics and Australia, producing entertainment, unscripted and scripted content for local broadcasters and OTT platforms. This is either locally created content, or formats that have been created elsewhere by ITV, primarily in the UK, the Netherlands and in Israel.

Global formats and distribution

Global formats focus on the sale and exploitation of unscripted formats around the world. The distribution business focuses on the international distribution of drama, third-party content and the finished tape versions of all other ITV Studios' shows to broadcasters and platforms internationally. Within this business, we also finance productions for ITV and third parties to acquire global distribution rights.

▶ **This Morning and Loose Women** are a core part of the ITV daytime schedule. In 2020, both programmes saw their average daily audience increase year-on-year.

▶ **The Voice** celebrates its tenth anniversary in 2021. It remains one of the most successful global formats, being sold to over 70 countries.



Broadcast



22.2%

share of viewing for the ITV Family in 2020 (2019: 23.2%)

>2.6m

subscriptions globally across our SVOD services

33m

registered user accounts on the ITV Hub (2019: 31m)

The Broadcast division is home to the ITV family of channels – the largest family of free-to-air commercial channels in the UK, with programming delivered across multiple platforms, including linear television, on demand via the ITV Hub, ITV's OTT service, and through pay providers such as Sky and Virgin.

ITV's family of channels consists of ITV main channel, the largest commercial channel in the UK, ITV2, ITV3, ITV4, ITVBe, and CITV.

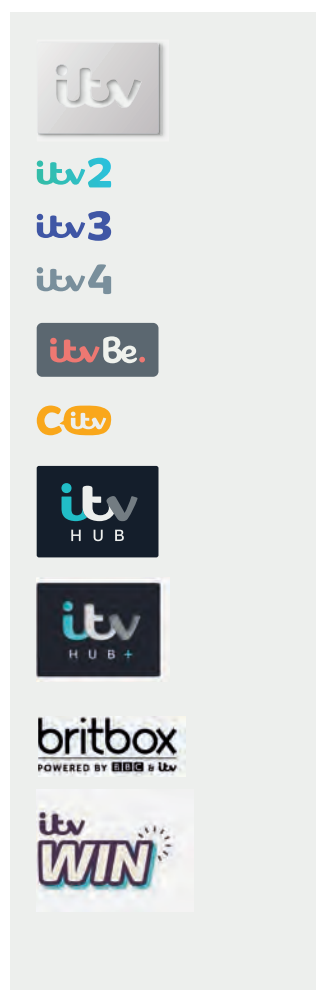
ITV's family of channels and ITV Hub are advertiser funded, the revenue from which enables investment in high-quality programming across a range of genres. ITV offers unique audience scale and simultaneous reach to television advertisers, as well as a more targeted advertising proposition on the ITV Hub.

ITV also generates revenue directly from consumers who are willing to pay to engage with ITV brands and content. This is through subscription video on demand (SVOD) services, in-programme competitions and voting.

ITV has several SVOD services, including BritBox UK, BritBox International which is available in the US, Canada and Australia, and ITV Hub+ (the ad-free version of the ITV Hub with download functionality).

BritBox UK has the largest collection of British box sets and is controlled and managed by ITV, with the BBC as a strategic and equity partner, Channel 4 and Channel 5 as content partners, and EE and BT as distribution partners.

The international BritBox SVOD service is a joint venture with the BBC and provides local audiences with an unrivalled collection of British box sets and original series all in one place.



As part of our More than TV strategy and to better reflect and serve changing viewing habits, the Broadcast business is being restructured, creating a new Media and Entertainment division effective from 1 April 2021 with two business streams – Broadcast and On-Demand.

The Broadcast business will remain the home of ITV main channel and will continue to deliver ITV's USP of mass simultaneous reach and unmissable content. ITV3 and ITV4 will also be included within Broadcast.

The On-Demand business will focus on digital product development and growth for ITV, providing new content that appeals to audiences who already do most or all of their viewing on demand, and will deliver it to them in whatever way they want to access it. It will include our advertiser funded channels of ITV Hub, ITV2, ITVBe and CITV and Direct to Consumer through SVOD on ITV Hub+ and BritBox. It will also include our Direct to Consumer interactive revenues and ITV Win.

Chairman's Statement

The impact of COVID-19 has made 2020 a year like no other. It forced us to stop the majority of our productions in the Spring and our advertising revenues fell rapidly. I am very proud of ITV's response, which clearly demonstrates what a resilient and responsible business ITV is.



Sir Peter Bazalgette, Chairman

We have a clear purpose: to connect with millions of people every day, to make content they can't get enough of and to reflect and shape the world we live in... and we do this through the power of our creativity. This, together with our More than TV strategy, is designed to deliver a positive impact for our stakeholders – our viewers, customers and partners, citizens, legislators and regulators, colleagues and suppliers along with our shareholders and debt investors. 2020 has delivered this positive impact, despite the disruption of COVID-19 and its impact on our financial performance.

Our Board is always mindful of the interests of our stakeholders and their perspective informs our decision-making. Board discussions and decisions consider implications for each of our relevant stakeholders: what's important to them; how we engage with them; how we deliver for them. Further detail is set out in the Corporate Governance section of the report, but here's how we have considered our stakeholders during this unprecedented year.

Viewers, subscribers, customers and partners

At the height of the pandemic's first wave, we knew we had a critical national role to perform: to produce our impartial and trusted news whatever the challenges, to keep our informative and morale-building daytime programming on air, and to maintain an interesting and varied schedule of soaps, drama and entertainment, which enriches the national conversation. This we achieved, despite our Studios business being severely impacted by COVID-19 restrictions. My thanks to our colleagues, who delivered for the business and for the country.

Of course, fantastic content is at the heart of everything we do. ITV Studios creates quality content for broadcasters and platform owners in the UK and internationally. This drives engagement and revenues on their respective platforms. ITV Studios' determination to restart productions safely and as quickly as possible has been highly valued by our customers globally. ITV's own channels and services are one example of this. Our Studios business and our investment in content beyond our own Studios business also plays an important part in strengthening the creative industries across the country, a key future sector.

With increased data insights and research, we now understand more about what our viewers want to watch and how they want to watch it and therefore provide a better experience for them. This includes an increasingly personalised offering through ITV Hub and delivering content to them through ITV Hub+ and BritBox, in the UK and internationally, as we build more relationships directly with consumers.

We're establishing deeper bonds with consumer brands across the UK, creating innovative and relevant marketing solutions for them. We now give them access to both mass audiences and more targeted opportunities online, all in a trusted and measurable environment. We also help brands with their broader marketing messages around social purpose, using our understanding of popular culture and our mass reach. And we work with the UK government to integrate public health messages into our broadcasting.

We're fostering durable links with our suppliers and partners to ensure we uphold ITV's standards throughout the supply chain, thereby optimising our strategy delivery. We've established enhanced governance processes for our suppliers. These increasingly include requirements related to climate change which align to our new environmental targets.

Citizens

With our creativity and scale, ITV can powerfully help shape culture for good. During 2020 we've further raised awareness of key social issues and inspired positive change through the massive reach of our programmes. We extended our mental health campaign Britain Get Talking which, during lockdown, widened to promote neighbourliness. Eat Them To Defeat Them (our healthy eating campaign) and our support of The Daily Mile (promoting exercise) both continued. And we launched the diversity campaign Black Voices. We recognise the importance of ITV reflecting and representing all our communities on and off-screen. To this end we launched our five-point Diversity Acceleration Plan. It will ensure ITV better represents contemporary life, both within our workforce and on-screen.

The significant impact of climate change and the potential risks to all businesses has become even clearer. In 2020 we set ambitious environmental targets, including our commitment to become a Net Zero carbon business, to be zero waste and to have a 100% sustainable supply chain by 2030. All staff will be trained on environmental matters and all programmes in the UK are certified from 2021. We're founding members of the Media Climate Pact. Where possible we also adhere to Task Force for Climate-related Financial Disclosures (TCFD).

Legislators and regulators

The Board takes ITV's responsibility as a public service broadcaster (PSB) very seriously. This has been at the core of our DNA long before the initials ESG became popular. We work closely with regulators, politicians and policymakers to ensure that we fulfil our obligations. ITV has engaged with Ofcom throughout 2020, particularly on its PSB review. And we're encouraged by its recognition of both the huge value that PSB brings to the UK and the disruptive challenges the PSB system faces. We've also engaged with government and regulators on a wide variety of other issues affecting ITV, including COVID-19 restrictions, the regulation of advertising on TV as well as Brexit-related trade issues.

Our intention is to ensure that ITV and all our colleagues operate the business in an ethical and responsible way – from paying the appropriate tax, to remunerating suppliers on time, to upholding high standards of business conduct and governance.

Colleagues, programme participants and everyone we work with

People are our first priority at ITV. This is reflected in our commitment to care for the physical and mental health and safety of colleagues, contractors, and everyone who participates in our programming, before, during and after productions. COVID-19 has presented many challenges for ITV. One of the most fundamental has been the protection of our colleagues via careful compliance with the applicable rules in ITV's territories of operation.

ITV's Duty of Care Charter sets out our commitment to protect all who work with and for ITV. It's underpinned by our operational risk process. Through this we identify duty of care related risks and put in place measures to manage them, reporting to our Duty of Care Board. We have guidelines in place for our own productions and external suppliers, which we constantly enhance with the assistance of third-party specialists. This includes support from our Consultant Clinical Psychologist and also Independent Medical Adviser. In addition, we have a Mental Health Advisory Group, comprising external experts, which provides guidance and support for ITV's holistic approach to mental health and wellbeing among its people, production teams and participants.

Our significant achievements in 2020 reflect the commitment and determination of our colleagues. I would like to record a heartfelt 'thank you' to them all. While many have worked remotely since early March, and some were furloughed for a period, ITV has remained connected with all of our colleagues through very regular vodcasts by Carolyn McCall, our CEO, and the wider leadership team, as well as providing advice, support, workshops and tools to help colleagues look after their own wellbeing. We've also undertaken a number of employee pulse surveys to help monitor the wellbeing of our colleagues and ensure we have the appropriate support in place.

In addition, Edward Bonham Carter, our Senior Independent Director and Workforce Engagement Director, continues to work closely with our Ambassador Network across all our offices. This creates an active two-way dialogue between colleagues and the Board, as Edward regularly provides feedback to the Board which informs our discussions and decision-making.

Attracting and retaining diverse creative and commercial talent is key to our success. This year we became the first FTSE 100 company to appoint an executive to ITV's Management Board specifically charged with our diversity and inclusion policy. To celebrate and encourage engagement

around our diversity and inclusion, we have five active networks open to all our colleagues. In addition, our senior leadership has been recognised for its diversity by the Hampton-Alexander report.

Shareholders and debt investors

It's fundamentally important that the Board clearly understands the views and concerns of our shareholders and debt investors.

Members of the Board have spent valuable time with representatives of some of our major shareholders in one-to-one meetings and we have again consulted on the Remuneration policy. This year, given the restrictions in place, our AGM was held virtually. However, we remained committed to ensuring proper engagement with our investors providing all of them with the opportunity to ask questions in advance of the meeting. We also posted an 'AGM vodcast' with key statements and responses after the event. Shareholder feedback is frequently discussed at the Board and informs our decision-making.

ITV has made significant progress in delivering its strategic priorities in 2020 and addressing the interests of its stakeholders. However, its financial performance has been severely impacted by COVID-19. Total external revenue was down 16 % and adjusted earnings per share decreased 22%. The Board and Management Board has had to make a number of decisions this year to retain adequate liquidity, ensuring ongoing resilience and the ability to invest in the delivery of our strategy. These include significant cost savings; cancelling the Company-wide annual bonus; reducing the base pay and fees for all Directors; and not paying a dividend for 2020. The Board recognises the importance of the dividend to our shareholders and intends to restore future dividend payments as soon as circumstances permit.

We are committed to creating substantial value for our shareholders and other stakeholders, and I look forward to reporting on our progress. In the meantime, thank you all for your continued support.

Finally, I'm really pleased to welcome Sharmila Nebhrajani to the Board. She joined in December and will further strengthen the Board's mix of expertise and experience. I'd also like to thank Roger Faxon, who stepped down in December after eight diligent years, for his significant contribution and wise counsel.

My thanks to all my colleagues for negotiating such a difficult year.

Sir Peter Bazalgette
Chairman

Chief Executive's Report

ITV took swift action from the very beginning of the pandemic and worked with real determination to successfully manage and mitigate the impact of COVID-19 while continuing to invest in our future. Our overriding priority was the physical safety and mental wellbeing of our colleagues, while they were working from home or on furlough, or while they were producing programmes. (See Response to COVID-19 section for further details)



ITV Studios has been very innovative and agile in restarting productions and our commercial teams have worked closely with advertisers to produce creative marketing solutions and attract new advertisers to TV. Throughout the pandemic, ITV has been on air informing and entertaining the nation.

Despite the disruption, and our focus on conserving cash, we have protected our strategic investment and are making good progress in executing our strategy. ITV Studios is continuing to strengthen its creative pipeline and diversify its customer base; we are implementing the Hub Acceleration plan which is delivering improvements in the user experience and content; Planet V has been successfully rolled out to the majority of major agencies, to a very positive response; BritBox UK is ahead of its plan hitting 500,000 subscriptions in January 2021; and BritBox US increased its subscriptions by 50% over the year.

We are well placed to continue to deliver our strategy despite the current uncertainty. As a world class global production business, ITV Studios is well positioned to take advantage of strong growth in demand for quality content. The restructure of the Broadcast business creating Media and Entertainment (M&E) enables us to better respond to changing viewer habits and we will continue to manage our costs tightly. We have identified further permanent overhead cost savings across the business which will be delivered in 2021 and 2022. These will more than fund additional investment opportunities we have identified to further accelerate the delivery of the strategy.



Carolyn McCall, Chief Executive



▶ **Isolation Stories** was a short four-part drama written, filmed and edited during the UK lockdown.

▶ **Robert Moore** is ITV News' Washington correspondent. He was the only reporter in the world to make it into the US Capitol Building as rioters stormed Congress. His coverage has had over 11 million views on Twitter.

▶ **Balthazar** is a French crime drama produced by Tetra Media (part of ITV Studios International) for TF1. It had its third season in 2020 and has recently been renewed for a fourth.



Despite the disruption, and our focus on conserving cash, we have protected our investment and are making good progress in executing our strategy.

2020 Financial highlights

ITV's operational and financial performance in 2020, as expected, was materially impacted by the COVID-19 pandemic. Government imposed lockdowns and containment measures in the UK and internationally caused us to stop productions for a period of time and COVID-19 protocols have increased production costs as we have returned to production. It has also resulted in a significant decline in the demand for advertising.

Total external revenue was down 16%, with total advertising revenue (TAR) down 11% in spite of online video on demand (VOD) advertising revenue being up 17% in the year. ITV Studios revenue was down 25%.

Adjusted EBITA declined 21% to £573 million, in spite of the benefit of £116 million of cost savings. ITV Studios adjusted EBITA declined by 43% and Broadcast adjusted EBITA declined by 9%. The margins of both businesses have been significantly impacted by the decline in revenue, ongoing fixed costs and our essential investments to support the delivery of our strategic priorities. Adjusted EPS declined 22% to 10.9p. Statutory EBITA was down 19% to £561 million and statutory EPS decreased by 40% to 7.1p.

Despite the decline in profits, we were highly cash generative in 2020, with profit to cash conversion of 138%. At 31 December 2020 our reported net debt (including IFRS 16 liabilities) was £545 million (31 December 2019: £893 million) which benefited from the deferred VAT payments and is before earnout payments that we anticipate paying in 2021. Our reported net debt (including IFRS 16 liabilities) to adjusted EBITDA was 0.9x (31 December 2019: 1.2x).

We remain committed to investing in our key priorities and value drivers to deliver organic growth in line with our strategy. We will balance this investment with returns to shareholders, with our commitment to maintain investment grade metrics over the medium term and the ongoing uncertainty with COVID-19. The Board recognises the

importance of the dividend to our shareholders and intends to restore dividend payments as soon as circumstances permit.

ITV purpose

Our purpose and our culture defines ITV. Our purpose is to be More than TV. We connect millions of people every day, make content they can't get enough of and we reflect and shape the world we live in... and we do all this through the power of creativity.

Our colleagues are always our priority – we are also focused on all our stakeholders: our viewers, subscribers, customers and partners; citizens; legislators and regulators; programme participants and others we work with; and our shareholders and debt investors.

The pandemic has amplified the enduring value of ITV as a Public Service Broadcaster. We contribute to our culture and society, creating shared national moments, highlighting difficult issues, and running programmes and campaigns for mental and physical wellbeing. We make programmes by us, for us and about us across the whole of the UK, available for free to everyone. We contribute to the health of democracy, providing trusted, impartial and high quality local and national news. And we play an important part in economic growth, investing in regional creative economies and the independent production sector.

Our strategic vision

In 2020 we undertook a review of our strategy in light of the challenges created by COVID-19. The conclusion was that COVID-19 was accelerating some of the trends already identified. For example, increasing viewership of streaming, and increased demand for content. This has meant the key change in the strategy is in the pace of execution particularly in transforming the business digitally, in order to be able to continue to manage the challenges and take advantage of opportunities.

Our goal is to be a digitally led media and entertainment company that creates and brings our brilliant content to audiences wherever, whenever and however they choose.

Our strategy will continue to evolve but we remain focused on three priorities:

- Growing our UK and global production business
- Transforming our Broadcast business, now called Media and Entertainment, and
- Expanding and strengthening our now established Direct to Consumer (DTC) relationships

These are supported by embedding data, analytics and tech across the business; ensuring we own and manage rights efficiently; continuing to build upon our strong partnerships in the UK and internationally; and delivering our social purpose strategy.

Being an integrated producer broadcaster gives us a competitive advantage. It provides Studios with a bedrock of core commissions and a formidable promotional engine for its content; it enables cross promotion and 360 degree monetisation of Studios content across our business models; secures access to great content for ITV's channels, advertiser funded video on demand (AVOD) and SVOD businesses; and all this helps attract and retain the best creative talent in the industry.

We are making strong progress in delivering our strategy and we continue to focus on the speed of delivery in each of the four pillars of the business that drive value.

Firstly, ITV Studios is a world class international production company. It is the largest commercial producer in the UK, one of the largest producers in the Europe and one of the largest unscripted producers in the US. Therefore, it is in a strong position to benefit from the growing demand for quality content internationally. We expect the global content market to continue to grow 3 to 5% per annum – predominantly driven by OTT platforms.

Secondly, our linear channels. They have a unique ability to drive live mass audiences which continue to be an important part of marketing campaigns and TV remains the media delivering the highest return on advertising investment.

Thirdly, in the rapidly growing AVOD market, the ITV Hub is capturing the shift to online viewing and strong demand for online advertising. The rollout of Planet V provides advertisers with targeted advertising in a brand safe environment.

And finally, DTC. BritBox UK enables ITV to monetise our Best of British content in the UK in collaboration with other PSBs. And internationally with the BBC we are able to take advantage of high growth markets for British content. We now have over 2.6 million SVOD subscriptions globally across our services. In addition, we are able to drive revenues from our IP ownership and ITV Win, as consumers are increasingly willing to pay to engage with a trusted brand and its content.

Social purpose is an integral part of delivering our strategy

It is increasingly clear that companies with a strong and clear purpose drive increased value. Our ESG strategy is an integral part of delivering our purpose and our business goals. ITV does much more than entertain – it makes a difference to British culture in a way that global competitors can not.

We have a unique ability to drive meaningful change, raising awareness and inspiring positive change through the massive reach of our platforms. Our social purpose strategy is built around four areas: Better Health, Diversity & Inclusion, Climate Action and Giving Back. 2020 highlights include:

Better Health: physical and mental health

- Our healthy eating campaign, Eat Them to Defeat Them, encourages children to eat vegetables; we have supported the Daily Mile since 2019; and we have been working with Public Health England and the government on encouraging healthy behaviours during the pandemic
- We relaunched our mental health campaign Britain Get Talking during the COVID-19 pandemic, encouraging people to stay connected; 6.4 million people started a conversation as a result

Diversity & Inclusion:

- Our focus for 2020 was particularly on improving opportunities for people from Black, Asian and Minority Ethnic backgrounds and to increase representation for those with a disability, where our target has increased by 50%



▲ **Queer Eye** is an award-winning unscripted production by ITV America and in its six season for Netflix.

▼ **Britain Get Talking** is ITV's Mental Wellness campaign and encouraged people to stay connected during the UK lockdown.



- We have appointed a Group Diversity Director and launched our Diversity Acceleration Plan across ITV on and off screen. This sets out steps ITV will take to deliver measurable change. We will report on progress annually.

Climate Action:

- We have set an ambitious target to be net zero carbon emissions by 2030. We will do this by reducing the emissions we control by 46% and reducing emissions we influence, such as business travel and the products and services we use, by 28%. In addition we are one of the founding signatories of the Media Climate Pact and among the first to join The Climate Pledge and Ad Net Zero. We are working with our commercial partners to help them deliver their environmental strategies and we have increasingly used our programmes to raise awareness, inform and inspire sustainable habits.

Giving Back:

- During the pandemic we have helped raise over £3.6 million for NHS Charities Together and raised £9.3 million for UNICEF on Soccer Aid 2020. And we continue to encourage our colleagues to use their three paid days a year for volunteering and have put in place online volunteering opportunities.

Strategic progress in 2020

We have made good progress in delivering our strategic priorities in 2020 but as expected our performance has been significantly impacted by COVID-19.



▲ **Alison Hammond: Back to School** was a one-off documentary specially commissioned by ITV as part of Black History Month in the UK.

Growing UK and Global Productions

We paused our productions systematically in March to enable them to resume quickly and to minimise the costs of disruption. With the innovation and dedication of the ITV Studios team we continued to produce our daytime schedule and News and started to resume productions from the summer. ITV worked closely with the UK government and the industry to develop a set of protocols to minimise health and safety risks during production. There remain operational challenges with producing content particularly large entertainment programmes and multi-location dramas. However we are working hard on overcoming these and have delivered large scale entertainment programmes such as Love Island in the US, I'm A Celebrity in the UK and dramas such as The Bay in the UK and Paris Police 1900 in France. The majority of programmes are now back in production.

We have further strengthened our talent, which remains absolutely key to building a successful Studios business. Most recently, Nicola Shindler, the multi-award winning producer has launched a scripted label within ITV Studios UK, and we have increased our shareholding in Danish Producer, Apple Tree Productions, to a controlling interest.

Despite the pandemic, we have maintained our development budget and focused on further building the creative pipeline. We continue to build our portfolio of scripted programmes which we have targeted as an area of growth. We saw real success in the US with Snowpiercer for TNT which has been recommissioned for a third series; Good Witch for Hallmark has been renewed for a seventh season; The Pembrokeshire Murders for ITV which launched with 12.5 million viewers; and The Serpent on BBC which has had 31 million streams on the iPlayer. In Europe we are continuing to produce for OTT platforms and local broadcasters with programmes such as Suburra and Balthazar.

In 2020, we reorganised our international distribution and commercial business to strengthen our position as a creator, producer and distributor of world-leading formats. We have a portfolio of world-class brands which we continue to strengthen and protect. Love Island has now been sold in 20 countries, up from 13 in 2019. The Chase formats continue to travel internationally, most recently commissioned in the US by ABC and is now in 16 countries. We have a number of new formats that have been developed, including Rat In The Kitchen and Let Love Rule.

We have further diversified our customer base as we have strengthened our

relationships with OTT platforms, particularly in the US, where we have development projects with all the main OTT platforms for scripted and unscripted content. We produced a number of programmes for them in 2020, including the fifth season of Queer Eye, The Big Flower Fight, and Suburra for Netflix, Love Island France for Amazon and Becoming for Disney+. We have also sold international rights to a number of significant dramas, including Snowpiercer and The Serpent. Since 2017 we have tripled our distribution revenues from OTT platforms.

Transforming Broadcast (Media and Entertainment)

Our priority at the start of the pandemic was to keep ITV on air and the ITV Hub and BritBox fully operational. While our schedule was impacted by production stoppages we continued to broadcast 10 hours of live Daytime and News programming each weekday. This played a key part in providing viewers with accurate and trustworthy information, and a broad schedule of entertainment and drama to provide an escape from it. Total ITV viewing was up during the year, although our online viewing was down, impacted by no summer Love Island, fewer episodes of the soaps and no major sporting event. Excluding the impact of Love Island and the soaps, online viewing was up over 5%.

While the viewing landscape changed during the pandemic, with people streaming more content than ever before, ITV's extensive offering of linear television channels, the ITV Hub and BritBox, gave viewers the choice in how, where and when they consume content, while continuing to provide advertisers with mass simultaneous reach, alongside a more targeted advertising proposition.

We have restructured Broadcast to create the Media and Entertainment division, with two business units – Broadcast and On-Demand. Broadcast is focused on delivering live mass audiences and On-Demand is focused on driving digital viewing through our digital products – both advertiser funded on ITV Hub, ITV2, ITVBe and CITV, and DTC through SVOD, as well as our interactive business. This new structure will enable us to: better serve changing viewer habits; be more agile and flexible; drive mass audiences and digital viewing; ensure we have the appropriate allocation of resources between broadcast and AVOD; further develop our digital capabilities; and streamline the ways we are working to improve productivity and reduce cost.

ITV is the home of mass quality reach which is recognised by the industry. As viewing and advertising becomes more fragmented, the scale and reach of advertising that

television, and particularly ITV, delivers becomes increasingly valuable. We provide a safe, trusted, measured and transparent environment in which to advertise. In 2020 we delivered 94% of all commercial audiences over 5 million.

Advertising demand has been significantly impacted by the crisis, but our Commercial team continues to deepen its relationship with our advertisers and agencies to create innovative and relevant marketing opportunities which started before COVID-19. We use the breadth of our experience, creativity and our unique platform, to bring new campaigns and brands to television. Throughout the COVID-19 pandemic we provided frequent webinars and teach-ins to over 3,000 customers; marketing support and digital content; consumer insight to help advertisers stay close to their customers; and made booking with ITV more flexible.

We have created a number of specific initiatives to help advertisers, which include ITV AdVentures for digitally native brands; ITV Backing Business, our B to B initiative, supporting businesses; and ITV Home Planet – an initiative for sustainable brands to tell their environmental stories and encourage viewers to reduce their carbon footprint.

We have further improved the ITV Hub, which now has 33 million registered users, up 6% year-on-year, as we deliver the Hub acceleration plan. Our investment has been focused on redesigning the interface to improve the overall user experience; further personalisation; increased distribution; and strengthening the content available, including the extended catch-up window, full series drops and short form.

We are continuing to successfully roll out Planet V to the majority of large agencies, to a very positive response. With our tech partnership with InfoSum, advertisers are also able to add their own first party data to campaigns in a secure and compliant way. And we have confirmed that Samsung TV Plus will be our first third party publisher partner.

Expanding Direct to Consumer

Our DTC business has seen a positive uplift from COVID-19. We have delivered good growth in our interactive revenue as we have improved the ITV Win platform and extended our competitions. We have however had to temporarily close all our live events and tours.

We have also seen strong growth in our SVOD products. BritBox UK is ahead of plan hitting 500,000 subscriptions in January 2021 and conversion and churn rates are tracking in line with our expectations. We have strengthened its content with the

successful launch of the first original 'Spitting Image' and Film4 content and extended its distribution, with the roll out of the EE/BT deal. The service is now available on around 20 million devices and its brand awareness is over 90%. This presents a real opportunity for us to grow our subscriber base as we further improve our content offering.

Subscriptions for BritBox US have continued to grow strongly, up 50% in the year and the service is profitable. We successfully launched BritBox in Australia in Q4. Hub+ continues to perform well with around 410,000 subscriptions.

Priorities for 2021 and beyond

We have clear priorities for this year and beyond as we continue to execute our strategy.

In Studios, key in the short term is to continue to produce safely and at scale. At the same time we are focused on further building and monetising our strong pipeline of programmes internationally; growing scripted; creating global formats that travel and return; and diversifying our customer base as we create more programmes for streaming platforms. In 2021 we expect to double our revenues from OTT platforms. We will continue to look at opportunities to further grow our creative talent.

We expect ITV Studios to perform well in 2021 but it will continue to be impacted by national lockdowns, social distancing and other COVID-19 measures.

Across M&E we need to achieve the right balance between delivering mass live audiences and growing our digital viewers. Therefore we will be testing and trialling our content windowing strategy and the appropriate allocation of the programme budget between our linear channels and AVOD. We have a strong schedule lined up for 2021 including the Euros, Finding Alice, The Bay, Unforgotten, The Masked Singer, Saturday Night Takeaway, and Love Island. Some of these programmes have already aired and performed very well driving mass audiences and light viewers.

We are continuing to deepen our strategic and creative relationships with advertisers and are also exploring linear addressable opportunities.

In addition, we are launching a Media for Equity fund, where we will take minority stakes within early stage digital and direct-to-consumer businesses, in return for advertising inventory. The scheme will serve as an innovative opportunity for entrepreneurial companies to accelerate their growth and establish their brands by accessing ITV's unique reach and scale.



▲ **The Beast Must Die** is the first original scripted commission for BritBox UK. It is expected launch on the service in the first half of 2021.

▲ **Unforgotten** is a British crime drama produced by Mainstreet Pictures (part of ITV Studios UK). The fourth series started on ITV in February 2021, launching with its biggest overnight audience yet of 5.1 million viewers.

▼ **Dancing on Ice** had its 12th series in the UK in 2020, with an average of 5.2 million viewers per episode. The 13th series started in January 2021 on ITV.



To drive On-Demand viewing and increase engagement with light viewers, we will further strengthen the Hub to make it a destination and not just a catch up service; focusing on its continuous redesign; leveraging our data capabilities; and trialling a new content strategy to further strengthen it with more originals and exclusive programming.

We will also continue to roll out Planet V in self-serve and build further third party partnerships.

In DTC we are further growing BritBox UK – strengthening the content offering and exploring opportunities to expand its distribution, with the confirmed launch on Amazon in 2021. We have an exciting slate of originals in 2021, which include *The Beast Must Die* and *The Secrets of the Krays* in H1.

We are working through the planning for a phased roll out of BritBox internationally, with South Africa due to launch in 2021 and more markets following thereafter.

Digital transformation

Digital transformation is key to unlocking success in many areas of our strategy and therefore to accelerate our strategy we need to fast forward our digital transformation.

This is not only the digital transformation of our products to respond to changing viewing habits, including the Hub, Planet V, SVOD, but also how we work. Transforming our internal systems, processes and behaviours to support a digital business, be more agile and efficient and ensure our colleagues have the digital tools to drive the most effective ways of working. Our culture is key – having the right mindset and capabilities will enable us to achieve this more quickly.

We are transforming our core systems, digitising end to end processes more widely and adopting digital ways of working. We are making good progress with new systems and processes in place, such as Talent Pay and FreeCon; Smart Working, an initiative started before COVID-19 has been accelerated with good results.

Investments and cost savings

Throughout the pandemic we have continued to invest behind our strategic initiatives in the ITV Hub, Planet V, BritBox, data and technology.

In 2018, we set out our £60 million essential investment plan over three years to 2021, which is on track with cumulative investments to date of £48 million. In 2021, in addition to the original planned investments of £12 million, we have highlighted a further £13 million of investments to accelerate the

delivery of our strategy, which will be funded by further cost savings.

In 2020, we delivered £116 million of cost savings, well ahead of our planned £60 million for the year. Of this, £21 million were permanent as we have challenged the cost base line by line and in particular relate to contract renegotiation and headcount savings from reorganisational changes. The temporary savings were in relation to steps taken to mitigate the impact of COVID-19 including: a reduction in executive and non-executive director pay of 20%; a suspension of performance-related cash bonuses; the furlough of colleagues during the height of the pandemic; and the natural decrease in non-essential spend, such as travel and entertainment.

We are now targeting £100 million of annualised permanent overhead cost savings by 2022 (from 2019), compared to our previous target of £55 million to £60 million over that period. We expect to deliver around £30 million of these savings in 2021 with savings coming from our new operating model, the increased use of technology and data, digitising end to end processes and increased smart working.

The venture loss of BritBox UK was £59 million in line with our guidance of £55 million to £60 million.

Colleagues

Our colleagues are key to the success of ITV and delivering our strategy. I am incredibly proud of the way our colleagues have responded to the crisis and worked with such determination and a real sense of purpose.

We want ITV to have an inclusive culture, where everybody can perform at their best, realise their full potential and thrive. The ITV Way provides all our colleagues with the guiding principles of how we like to work in order to achieve this and to deliver our strategy. We have five active colleague networks and in 2020 we launched the Diversity Acceleration Plan to increase the pace of progress in this area.

Regulation

In late 2020, Ofcom published its review of public service broadcasting, ahead of making recommendations to government by the summer as to how the system might be maintained and strengthened. It has concluded that there is now an urgent need for a new framework to support an effective transition to public service media (PSM), straddling online and broadcast TV. We are fully engaged with Ofcom and government as part of this process, particularly in relation to the need for reform of the rules governing prominence, inclusion and fair value for PSB on all major platforms.

In 2020, the government announced it would introduce a 9pm watershed ban on TV advertising of High Fat Salt and Sugar (HFSS) products and similar protection for children viewing adverts online. It also announced it would bring in equivalent restrictions for online advertising, in parallel, by the end of 2022. Whilst we remain fully engaged with this process – and continue to believe that there is a strong, evidence-based case for alternatives to the pre 9pm ban – we nonetheless face significant loss in relation to HFSS advertising revenue. The government has also issued a call for evidence in relation to gambling, ahead of the launch of a full review of the Gambling Act 2005, expected later this year. The call for evidence was very broad encompassing the industry as a whole, though advertising may well be part of the review.

Outlook

We have taken difficult decisions to deal with the crisis, but they have enabled us to continue to invest in and successfully execute our strategy. There is much we have learnt in the crisis including how to work very effectively remotely – from presenting news to remote editing – and we will continue to learn and iterate as we digitally transform the business. Certain parts of our business such as DTC have seen a positive uplift from COVID-19 which we will further build upon.

We are encouraged by the roadmap out of lockdown and are seeing more positive trends. The majority of ITV Studios programmes in the UK and internationally are back in production, although with the prevalence of the virus there may be some further disruption. The lockdown in Q1 has impacted the demand for advertising, with TAR expected to be down around 6% in Q1. However, March is expected to be up around 8% and April is expected to be up between 60% and 75%, with January to April up between 5% and 7%. This assumes there is no change in the current planned restrictions.

We monitor our performance very carefully and the risks associated with COVID-19 and are very focused on tightly managing our costs and cash.

Delivering the More than TV strategy puts ITV in a good position to respond to changing viewing habits and to take advantage of the continued strong demand for quality content internationally. We have strong foundations across our four pillars of the business and are clear about what we need to do to ensure we emerge as an even more resilient, digital and future facing media and entertainment business.

Carolyn McCall
Chief Executive

Response to COVID-19

We address the impacts posed by the pandemic through our COVID-19 response governance structure, coordinated by a crisis project management office reporting to the

Management Board. This addresses the unprecedented challenges, operational uncertainty and risks created by the pandemic. Reporting to the crisis project management office, we have

working parties focused on the significant areas of concern. The health and safety of our colleagues and individuals involved in our productions is our overriding priority.

COVID-19 governance structure

This structure and approach remains in place today as we continue to address the challenges created by the pandemic.

The Board: Oversight and regular updates (weekly in the height of the crisis)

Management Board: Oversight and weekly updates (daily at height of crisis)

Crisis PMO & Strategy: Co-ordinating response across the business and reporting to the Management Board

Working groups focused on the following areas:

Situation analysis

Regular conversations with government and external advisers to understand how the crisis is playing out medically, politically and economically.

Cash and Costs

Modelling our financial position across a range of scenarios (informed by situational analysis), developing costs mitigation and cash management.

Revenue

Developing and implementing plans to continue identifying opportunities and mitigate against negative sales impacts.

Tech and Ops

Invoking existing business continuity plans to ensure critical operations can continue through the crisis.

People and Comms

Putting in place processes and responses that protect our people and support the wider community.

The severity of COVID-19 and the ongoing uncertainty it posed meant that we needed to take a series of measures to increase our resilience, manage the business for the long term and protect the interest of all our stakeholders. These included:

Situational analysis

As the situation with COVID-19 evolved we have continued to keep an open dialogue with the Government and Department for Digital, Culture, Media and Sport to understand the risks associated with the crisis and also put forward our views on measures which could support the industry. This has included successful engagement on issues, such as financial support for the freelancer population, work restriction exemptions for key production and operational staff and production pandemic insurance.

We constantly review the medical situation to understand further measures we can introduce to keep our colleagues safe. We have engaged medical advisers to support us in developing these measures.

Cash and Costs

In response to the uncertainty and challenges to our revenue streams presented by COVID-19, ITV took swift action to preserve cash, reduce costs and manage working capital in the business.

These actions included:

- Reducing Executive Directors and Management Board salaries along with the fees of the Board from April to the end of October
- Recruitment and pay freezes across the business, except in the case of critical roles
- Cancelling the 2020 bonus for the entire Company
- Furloughing colleagues as appropriate
- Restricting non-essential travel and other expenses
- A commitment to reduce the Broadcast programme budget by at least £100 million
- Agreements with ITV pension trustees and tax authorities to delay at least £150 million of payments out of the first half of 2020 and into the second half of 2020 and 2021
- Withdrawal of the 2019 final dividend and the intention to pay 8p for the full year 2020 was withdrawn

We will continue to track our financial performance against a range of scenarios and internal and external analysis.

Revenue

See section on 'Strategic progress in 2020' for details on actions taken to mitigate against the impact of the pandemic and identify opportunities.

Technology and Operations

By rapidly flexing to home working in early March, our critical technology and operations have remained uninterrupted. Our Technology team has worked closely with the business to ensure all colleagues have access to the


necessary technology and support to allow them to continue performing their roles as normal.

People and Communications

Protecting the health, safety and wellbeing of our colleagues and individuals involved in our productions continues to be our overriding priority.

The majority of our colleagues continue to work from home, benefiting from the investment we have made in technology and systems. Those colleagues who are working on site – in our offices, our studios and on location are protected by robust safety protocols. We currently have no staff who are on furlough.

To enable our colleagues to remain feeling connected to and engaged with the wider business, purpose and aims, we have held fortnightly CEO led vodcasts (weekly for 12 weeks in the height of the crisis) covering a range of topics and involving management from across the business. We have leveraged our existing tools to further support the mental wellbeing of our colleagues during this time, and also launched new ones, such as Big White Wall, a mental health peer-to-peer platform accessible to all staff. We regularly review our support programmes with colleagues to ensure we are providing practical, useful and easily accessible support.

 See 'Social Purpose' section for the actions we undertook to support our communities.

Investor Proposition

ITV has a clear strategy and is making significant progress in building a digitally led media and entertainment company.

A strong platform for delivery

ITV is a global and diversified business, with more than half of its total revenue generated from non-advertising and over half of ITV Studios revenues coming from outside the UK.

The market continues to evolve and we have a vision and strategy to build on ITV's unique and winning combination of creativity and commercial strength. We have clear priorities and initiatives which we believe will strengthen the sustainability of ITV. This will ensure that ITV is well positioned to address the opportunities

and challenges of a competitive media landscape across our four pillars of the business that drive value: ITV Studios; linear Broadcast; AVOD and Direct to Consumer – in particular SVOD.

Our operational and financial performance has been significantly impacted by COVID-19, but throughout the pandemic we have continued to invest in our strategic priorities and therefore we are well placed to create a robust and sustainable, future facing digital business.

52%

of total revenue is from non-advertising revenue streams (2019: 54%)

56%

of total Studios revenues is from outside the UK (2019: 58%)

Unique market position

As an integrated producer broadcaster, ITV is in a unique position to create and own world-class content, broadcast it on one of the biggest and most trusted marketing platforms in the UK either at scale or targeted, distribute it globally through its international network and use it to build valuable relationships directly with consumers.

ITV Studios is a strong, diversified and scaled international production business, creating, owning and managing rights. We will continue to grow in key creative markets with our increasing portfolio of scripted and unscripted programmes, driving value from the strong demand for

quality content from new and established distribution platforms.

Our Broadcast business (Media and Entertainment) continues to provide creative and relevant marketing solutions for advertisers as it delivers unrivalled audience scale and reach as well as addressable advertising on ITV Hub.

ITV is well positioned to create value through direct relationships with consumers around its significant content ownership in SVOD, as well as with its trusted and engaging brands through competitions and experiences.

Good cash generation

We believe that if we successfully execute our strategy we will continue to deliver good cash generation over the medium term and our disciplined approach to cash, costs and capital will enable us to continue to invest across the business in line with our strategic priorities.

138%

profit to cash conversion* (2019: 87%)

*Refer to page 61 for detail on our 2021 profit to cash conversion.

Attractive investment opportunities

We are investing in a number of areas to strengthen and grow the business. Areas of focus for this investment are; BritBox in the UK and internationally; in the ITV Hub; in Planet V; and in data, analytics and technology, which we are embedding right across the organisation as we drive our digital transformation. These investments will partly be funded by our significant cost savings as we become a leaner and more agile business.

Shareholder returns

The Board recognises the importance of the dividend to our shareholders and intends to restore dividend payments as soon as circumstances permit. The Board will balance shareholder returns with our commitment to maintain investment grade metrics over the medium term, to continue to invest behind the strategy and the ongoing uncertainty with COVID-19.

Market Review

The markets in which we operate are dynamic, increasingly competitive and rapidly changing. We are seeing increasing global demand for content driven by the proliferation of channels and platforms, which combined with changes in the way viewers consume media, brings both challenges and exciting opportunities to ITV.

COVID-19

The COVID-19 pandemic has accelerated some of the trends we were previously seeing with increasing viewership towards OTT content, particularly for younger audiences, and changes in the advertising market fuelled by increased competition and demand for online advertising. Our strategy is designed to mitigate some of the longer-term impacts, and we are increasing the pace of implementation of our strategic initiatives.

Increasing global demand for content

Trend	How we are responding
<p>The demand for quality content from broadcasters and platform owners remains strong and we expect that post the COVID-19 pandemic, global content spend will continue to grow at around 3% to 5% per annum over the medium term, driven by OTT platforms. While many free-to-air broadcasters (FTA) have been challenged by COVID-19 and some have reduced their underlying broadcast budgets, they are continuing to invest in their schedules. SVOD platforms have been less financially impacted and are expected to grow their budgets significantly, making up around 25% of the overall market by 2024 (Source: Ampere Analysis. Includes all spend on content including sports rights). All are demanding exclusive, brand-defining original content, including local language content to meet the increased expectations of new and existing subscribers. AVOD platforms are also demanding content, with new entrants in the market such as Tubi and Pluto, alongside established names, Google and Facebook.</p>	<p>ITV Studios is a leading global creator, producer and distributor of content and due to its scale and presence, is well-positioned to capture this growing demand for content. We produce content in the genres highly demanded and have production bases or production partnerships in all the key creative markets around the world, being a top-three indie in these markets (based on internal estimates).</p>
<p>The demand for high-quality scripted content, in particular, has increased</p>	<p>A key part of our ITV Studios strategy is to grow scale in scripted content in English and local languages, along with increasing our relationships with OTT platforms. Our US business has successfully pivoted to SVOD customers in both scripted and unscripted content, and we are starting to leverage these relationships and harness the strength and position of the ITV Studios group to benefit our wider production business.</p>
<p>significantly with the global SVOD platforms investing heavily to attract subscribers, and use as a tool for differentiation and prominence in an increasingly competitive global environment. This has significantly increased competition in the market, particularly for talent, reducing the margin for scripted content, which is generally lower than other genres.</p>	<p>We have strength in unscripted content which is around 70% of our overall ITV Studios production revenues, and it remains important to us. We have built a healthy pipeline of returning formats and programmes, which we will continue to nurture and develop as well as focusing on the development of new global unscripted and large entertainment formats.</p>
<p>Demand for unscripted content remains strong as platforms and channels continue to require lower-cost, high-volume popular series to fill the gaps around more expensive scripted titles, to attract mass simultaneous viewing, appeal to new audiences, or supplement the viewing of existing subscribers.</p>	<p>◀ Snowpiercer is produced by ITV Studios America for TNT in the US and Netflix globally. It is currently in its second season and has recently been renewed for a third, which is expected at the end of 2021.</p>
<p>The UK remains the dominant producer and exporter of unique unscripted formats. The US dominates scripted and is the largest content market in the world. Other key attractive creative markets include France, Nordics, Italy, Germany, Australia, and Spain which has access to Latin American markets.</p>	





▶ **Alone** is an unscripted programme produced by ITV America and is in its seventh season on the History channel. The catalogue has been sold to a number of OTT platforms, with season six now available on Netflix.

▶ **BritBox** is ITV's SVOD proposition, providing an unrivalled collection of the best of British content all in one place. It is available in the UK, US and Canada, Australia and will be launching in South Africa in the second half of 2021.



The rise of digital platforms

Trend

How we are responding

At the start of 2020, the international distribution and commercial exploitation business of ITV Studios was reorganised. This created a new centre of excellence to boost creativity across unscripted format labels in ITV Studios to increase the potential of developing global hit shows.

We have also strengthened creative talent across ITV Studios in 2020 and will continue to develop, retain and attract new talent in 2021, to further drive our creativity and ownership of content.

Where possible, we maximise the value of our IP across primary and secondary windows of our content, driving growth from optimal windowing strategies with FTA, SVOD and AVOD clients. This has allowed us to maintain a higher overall margin relative to our industry peers.

As an integrated producer broadcaster, ITV Studios also benefits from demand for its content from ITV's FTA linear, AVOD and SVOD channels, providing Broadcast with a strong and secure content supply.

See the [Operating and Performance Review](#) for further detail on these areas.

There has been a rapid growth in the number of global SVOD platforms available over the last ten years, with the largest, Netflix having over 200 million global subscribers at the end of 2020. This is followed by Amazon, Disney+ and Apple TV as the three other leading global streaming platforms. Many countries have also launched local SVOD services to take advantage of this market growth and complement existing revenues streams. This includes BritBox from ITV and the BBC, Salto from M6 and TF1, Joyn from ProSieben and Discovery, and Viaplay from NENT, with several new entrants expected over the next few years.

The UK is a developed market for SVOD with 60% of households having an SVOD service in Q3 2020, with Netflix in over 80% of SVOD homes. In the UK, the growth of SVOD has been complementary to pay-TV with SVOD being in 50% of pay homes, and those without an SVOD service being predominantly FTA homes (Source: BARB). In other countries like the US, the growth of SVOD has been at the detriment of pay-TV, which has suffered significant 'cord-cutting' of pay-TV subscriptions in the last few years.

The COVID-19 pandemic has helped boost the number of subscribers for the global SVOD platforms, with Netflix nearly doubling new subscribers in Q1 2020 compared to Q4 2019, and Amazon and Disney+ also seeing significant growth.

Alongside the growth in SVOD has been a proliferation of AVOD services including PlutoTV, Tubi, Roku TV and Vudu who offer free, ad-supported content, many of which are rolling out internationally.

In November 2019, ITV launched our SVOD proposition with the BBC, BritBox UK, aimed at being a complementary service to the global streaming platforms and to provide UK audiences with an unrivalled collection of British box sets and original series all in one place. While BritBox UK is relatively new to the market and small compared to its competitors, it is a unique proposition and fills the gap in the SVOD market for high-quality, British content.

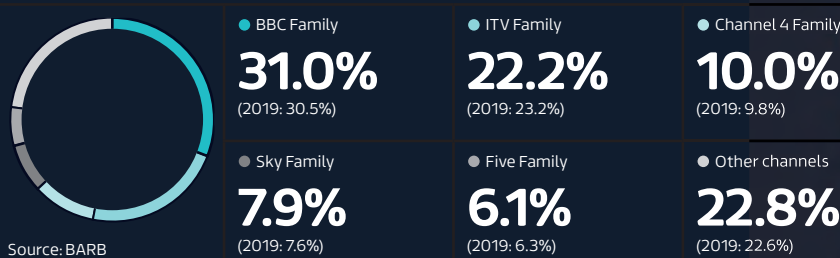
We also have our successful BritBox international SVOD service in the US, Canada and Australia. It will shortly launch in South Africa with more countries to follow as we look to roll it out to up to 25 countries, and demonstrates our ability and ambition to compete in this market internationally. We also have our smaller offering Cirkus in the Nordics, Germany, Austria and Switzerland. See the Operating and Performance Review for further detail.

Our AVOD service, the ITV Hub also provides a destination for viewers to watch live simulcast content from our linear channels, exclusive and catch up content providing viewers with the opportunity to watch however and whenever they want. We are investing in the ITV Hub to accelerate growth in this area. See the following page for further detail.

► **Family Guy** remains a popular series for 16-34s on ITV2 and the ITV Hub.



Share of viewing by broadcaster



Source: BARB

Changing viewing habits

Trend

How we are responding

The number of ways for viewers to engage with content is expanding, offering increased choice and flexibility, which is impacting viewing habits globally. 2020 saw an acceleration of digital trends across many sectors and television was no exception with several notable new online video platform launches. There has been a significant increase in VOD viewing on TVs (particularly connected TVs) and non-TV devices (such as smartphones, tablets and computers). This evolution is not uniform across demographics, with younger viewers spending proportionally more time consuming video content, while older demographics spend comparatively more time engaging with linear television.

In the UK, linear viewing remains popular and reaches around 90% of the population each week, with live viewing being 84% of all broadcast viewing in 2020 (Source: BARB – C7 viewing via a TV set, within seven days of original transmission, recorded or VOD), and over 65% of total viewing (Source: BARB/ Thinkbox). Viewing to public service broadcasters (PSB) has remained more resilient than linear channels in other markets and is helped by the strength and investment in original content made by the PSBs, particularly the BBC and ITV.

The stay-at-home restrictions brought about by the COVID-19 pandemic boosted total broadcast TV viewing in the UK, which increased by 6% in 2020. Total TV set viewing which includes unmatched viewing (content that cannot be matched to broadcast TV content such as SVOD, YouTube, games consoles), increased by 15% in 2020, with the average number of daily minutes watched per person, increasing by 14% to 277 minutes (2019: 243 minutes). Within this, unmatched viewing increased by nearly 50% with the growth attributed predominantly to SVOD viewing. For 16-34s, the number of unmatched minutes watched per day is a much greater proportion than the rest of the population, spending much more time online, and away from broadcast TV compared to older demographics.

We recognise that the viewing landscape has become increasingly competitive and our strategy is designed to mitigate the long-term impact of changing viewing patterns. We announced the restructure of our Broadcast business to better reflect and serve changing viewing habits, creating two divisions to focus on our mass live audiences, and to grow our digital capabilities.

We invest c£1.1 billion annually in broadcasting high-quality, trusted content across a wide range of genres, including large family entertainment shows, sport, drama, factual and news to give our viewers choice. Our main channel remains the only commercial channel to consistently deliver mass audiences. Our digital products, ITV Hub, ITV Hub+ and BritBox are all aimed at strengthening

our offering to viewers and to capture them in however they choose to watch and we have been investing to enhance the content, experience and distribution of these platforms as part of our strategy.

For younger viewers, we have unmissable content, such as I'm A Celebrity...Get Me Out Of Here! Love Island, The Cabins, The Only Way is Essex and the Real Housewives series, which all drove significant 16-34s audiences in the year both on linear and online, proving that with the right content, younger audiences will watch FTA channels.

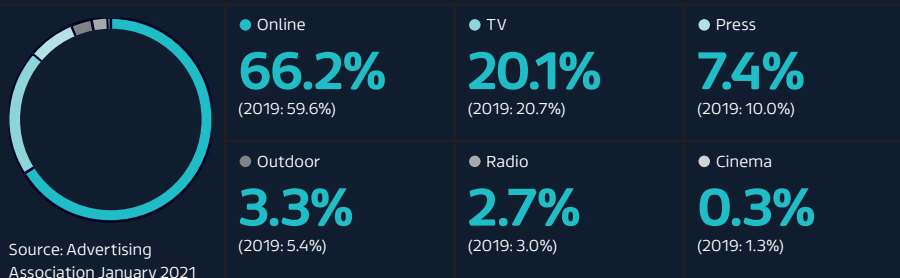
See the [Operating and Performance Review](#), and [Strategy sections](#) for further detail.



► **Britain's Got Talent** had its 14th series in 2020 and filming was split across the year due to COVID-19. It had an average of 7.6 million viewers.

► **The Masked Singer** launched on ITV in 2020 averaging 6.3 million viewers. Series two concluded in February 2021, and average viewing increased to 7.7 million.

UK advertising market



▲ **Planet V** is ITV's programmatic addressable advertising platform for VOD advertising on the ITV Hub. It has been rolled out to most of the major agencies to plan and book campaigns around ITV's premium inventory.

The UK advertising market

Trend

In the UK, online advertising is the largest category of advertising spend followed by TV advertising (including spot, broadcaster VOD, sponsorship and other television revenues), together making up over 85% of the advertising market in 2020 (2019: 80%). Outdoor, press and cinema advertising were adversely all impacted by COVID-19 restrictions.

Over the last four years the advertising market in the UK, and in particular television spot advertising (NAR), has been impacted by political and economic uncertainty, particularly related to Brexit, which has negatively impacted the demand from advertisers. Many advertisers have also faced their own challenges and structural pressures during this time. COVID-19 further accelerated the decline in

television advertising in 2020, disproportionately affecting categories such as travel and non-essential retail. It is too early to determine whether this decline will be permanent or whether it will recover with the economy.

Online advertising has remained more resilient during this period and has grown rapidly, with spend almost doubling over the last five years. Within online advertising, search is the largest, dominated by Google, followed by Display and Online Video, both dominated by Google and Facebook.

Advertisers are seen to reduce spend on television to manage margins during challenging times, using online advertising to gain short-term impact and benefit from low production costs.

How we are responding

Television advertising revenue is ITV's largest revenue stream and as an integrated producer broadcaster, helps to fund the broadcast of our content in the UK and content creation globally.

ITV's linear television channels continue to offer unique scale and reach of all the key demographics advertisers target, and it remains the most cost-efficient way of advertising and an important part of marketing campaigns. We have focused on developing deep strategic partnerships with our advertisers and agencies to demonstrate the power of television, and have successfully brought new advertisers to television during the pandemic. We have also encouraged existing brands to increase their spend in innovative ways such as advertiser-funded

content, brand partnerships and sponsorship, as well as helping many brands to create their adverts in a low cost and efficient way using our in-house creative team.

The ITV Hub allows ITV to capture online advertising revenues in a brand-safe, trusted and measured environment, and this has remained strong in 2020.

We have also launched Planet V, which is our programmatic addressable advertising platform, allowing advertisers and agencies to plan and book their campaigns 24/7 using ITV's data, which can also be blended with advertisers' own first party data. While our proposition is small relative to Google and Facebook, it allows advertisers to access targeted advertising at scale around our premium VOD inventory. We are also exploring opportunities for linear addressable advertising.

See the Operating and Performance Review for further detail.



Our Strategy

We are making good progress in executing our strategy, to create a stronger, more diversified and structurally sound business. In 2020 we undertook a review of our strategy in light of the challenges created by the COVID-19 pandemic, to identify if there were changes that needed to be made. We concluded that our strategy remains the right one although we will increase the pace of execution. Our strategy, when executed effectively, will ensure that we are well placed to take advantage of the rapidly changing viewing, content production and advertising environments.

ITV purpose and strategy

Our purpose is to be More than TV. We connect millions of people every day, make content they can't get enough of and reflect and shape the world we live in... and we do all this through the power of creativity. This is aligned to our strategic vision, to be a digitally led media and entertainment company that creates and brings our brilliant content to audiences wherever, whenever and however they choose.

Our initiatives to drive growth and future value are clear, building upon ITV's unique and winning combination of creativity and commercial strength.

Delivering on our strategy will be achieved by focusing on three critical priorities:

Grow UK and global production

Transform Media and Entertainment (Broadcast)

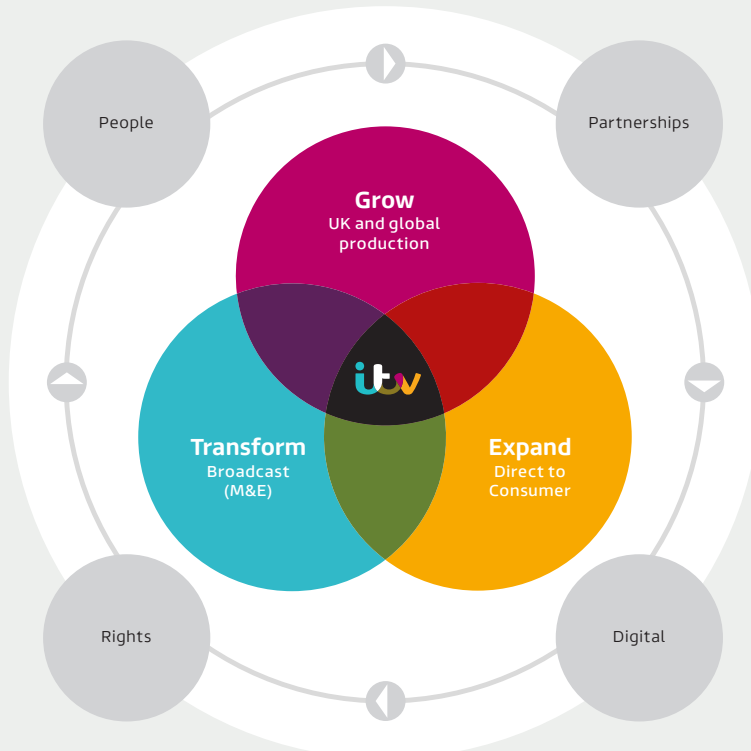
Expand Direct to Consumer

These are not independent. They work together – reinforcing each other, creating synergies and delivering value.

Successful delivery of our strategic vision is dependent on four enablers:

Continue to strengthen both our creative and commercial teams. Ensure we have the right skillsets and culture to deliver our evolving strategic vision, particularly in respect of technology and data functions

Ensure we own and manage our rights efficiently and effectively. Maximise the value of these rights across our linear and VOD advertising, Studios and Direct to Consumer (DTC) business models



Create strong partnerships with broadcasters, platforms and technology companies both in the UK and globally. Work with these partners to ensure our content is prominent and we can monetise it wherever it is consumed

Deliver digital transformation across our whole business. This includes our external consumer-facing products, as well as internal transformation, including our core central functions and ways of working

See Social Purpose from page 42

Grow UK and global production

Our aim is to be a leading creative force in global content production. The core drivers of this business are creative talent, creating and effectively monetising hits and being disciplined and efficient.

We are very focused on:

- Developing new hits
- Attracting and retaining leading talent, and nurturing the right creative and commercial environment to do this
- Growing our scripted business

- Globalising and maximising the value of our key formats and brands
- Nurturing existing relationships and continuing to diversify our customer base, serving new fast growing OTT customers
- Continuing to collaborate across our network of production bases to benefit from ITV's scale and diversity

We also consider selective value creating acquisitions and talent deals in both scripted and unscripted to obtain creative talent and IP.

Transform Media and Entertainment (Broadcast)

We have restructured the Broadcast business to create the Media and Entertainment division with two business units – Broadcast and On-Demand – to better reflect and serve changes in viewer habits. Broadcast is focused on our linear channels, while On-Demand is focused on our AVOD and SVOD businesses, and our interactive DTC business (see below). This will ensure that we can better address the opportunities and challenges of structural change and provide a strong, branded and data rich relationship with our viewers and advertisers.

The key components of our Media and Entertainment strategy are to:

- Continue to drive mass audiences on our linear channels, which remain highly valuable to our advertisers

- Drive on-demand viewing by accelerating the ITV Hub development and content that targets on-demand audiences
- Grow our addressable advertising capabilities, including strengthening our data, analytics and digital capabilities. Our addressable advertising is currently available on catch up on ITV Hub. We are also exploring opportunities for linear addressable advertising.
- Build more strategic and creative partnerships with our advertisers

We will deliver on these areas whilst maximising the total value of our Studios and third party content, across both linear and our digital products.


Expand Direct to Consumer

We are very focused on driving our SVOD services in the UK and internationally with the successful launch of BritBox UK in 2019, the continued strong growth in BritBox US subscriptions and the launch of BritBox Australia in Q4 2020. We are now looking to further roll out BritBox internationally and to continue to drive Hub+ subscribers.

We are also growing our interactive revenues through ITV Win, our competitions portal, and focusing

on driving growth in our DTC products and engagement around our key programme brands.

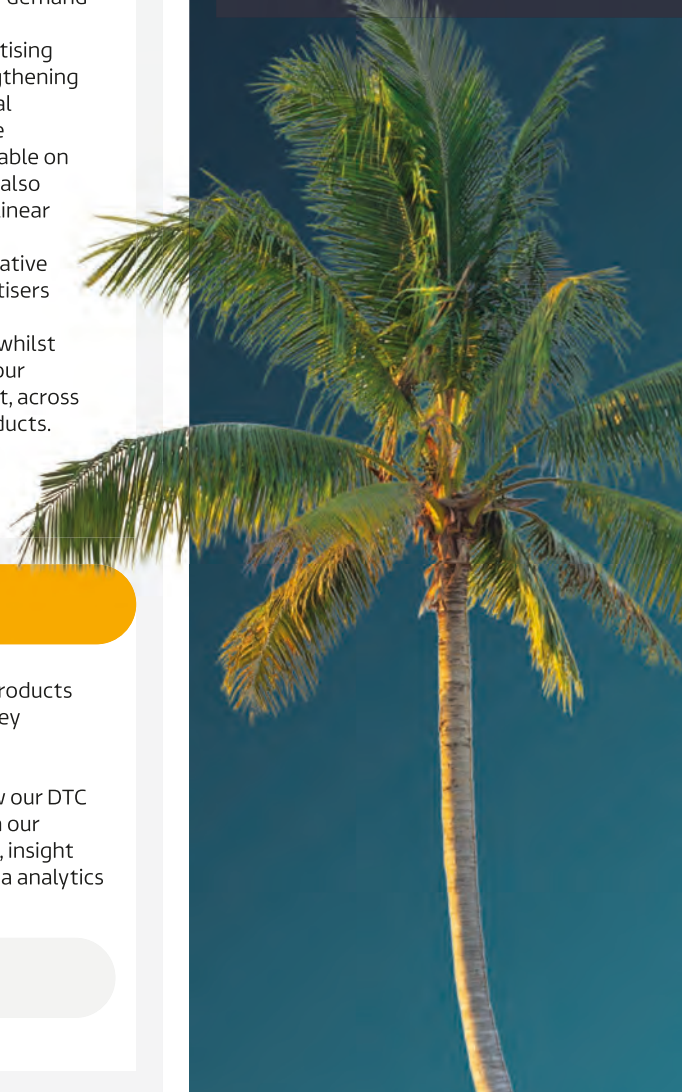
We are well positioned to grow our DTC relationships and revenue with our significant reach, engagement, insight into viewers and enhanced data analytics capabilities.

 See KPIs from page 24



▲ **Emmerdale** remains the UK's second biggest soap with an average of 5.9 million viewers per episode across the year.

▼ **Love Island USA** had its second successful season in 2020 on CBS, being filmed in a Las Vegas hotel under strict health and safety protocol. It has since been renewed for a third season.



Our Business Model

Our strategic vision to be a digitally led media and entertainment company that creates and brings our brilliant content to audiences wherever, whenever and however they choose is aligned to our purpose to be **More than TV**. We connect millions of people every day, make content they can't get enough of and reflect and shape the world we live in... and we do all this through the power of creativity.

We will continue to grow the UK and global content business, transform our Broadcast (Media and Entertainment) business, and expand our Direct to Consumer business.

We are confident that our vision and strategy is the right long-term plan for ITV in a dynamic market environment.

The successful execution of our strategy will strengthen and diversify ITV, creating a robust, and sustainable, future-facing digital business.



▲ **The Chase** is a growing global format for ITV Studios. It has been sold to over 15 countries, with the original UK version now in its 14th series.

Our competitive advantage



World-class content

At the core of ITV is our focus on creativity and content, whether selling our unique content around the world or investing in third-party content to broadcast across multiple platforms. Internationally we have built production and distribution scale in key global creative markets through organic growth, selective acquisitions and talent deals.

Global formats and distribution

ITV has built relationships and a diverse customer base globally with major networks, platform owners and local broadcasters, to whom we sell our world-class content.

Intellectual property

ITV has developed, acquired and owns the rights to a diverse portfolio of shows, particularly drama and entertainment, that are hugely popular. Owning this intellectual property allows us to monetise it internationally through programme and format sales and also commercially in the development of interactive experiences and consumer products.

Delivering unrivalled commercial audiences

The scale of our channels and the significant investment we make in quality content give ITV unique scale and reach across the key demographics on our main channel and more targeted audiences on our family of channels and the ITV Hub. It also gives us insight into viewer and advertiser behaviour which helps us build deeper and more strategic relationships with advertisers and agencies.

Integrated producer broadcaster

Being an integrated producer broadcaster enables us to drive maximum value from our intellectual property. We also have a significant promotional engine and have the ability to cross promote across our business models.

Our strategic assets



Our strategic assets underpin ITV's competitive advantage

Creating and owning the rights to quality content and intellectual property

Our strong, trusted brand, products and culture

Our talented commercial and creative people

90%
Our channels reach around 90% of the UK population each week

33m
We have 33 million registered users on the ITV Hub in the UK

c£1bn
We invest c.£1 billion annually in content for our UK family of channels and the ITV Hub

46,000+
hours of television and film content in the Global Entertainment catalogue

Risk Management Framework

ITV operates in an increasingly complex business environment and there are risks to the delivery of our strategic goals and the sustainability of our business model. Our risk

Our diversified revenue streams



A diversified business

By developing, owning and managing the rights to content, ITV is able to maximise the value of its programme brands across four pillars of value: ITV Studios; Linear Broadcast; AVOD and Direct to Consumer (in particular subscription video on demand (SVOD)). This ensures ITV is a more diversified business and enables it to drive value from different revenue models.

Original production

We produce original content commissions for broadcasters and platform owners (in the UK and internationally) from our production bases in the UK, the US, the Netherlands, Germany, France, Italy, Australia and the Nordics.

Distribution

We own the rights to a significant catalogue of programmes and formats that we sell and license to broadcasters and platform owners internationally. The strong global demand for content provides a significant opportunity for us.

Advertising

Our family of channels and the ITV Hub drive significant advertising revenues from the ability to deliver mass audiences and more targeted demographics on linear television and addressable advertising on the ITV Hub. This funds our investment in the programme budget.

Commercial partnerships

We work with advertisers and advertising agencies to provide unique and innovative commercial and creative partnerships and sponsorship opportunities that extend beyond pure spot advertising.

Direct to Consumer

We monetise our consumer interactions through SVOD, competitions, live events and merchandising. In the UK, we currently generate SVOD revenue through the ITV Hub+ and BritBox UK following its successful launch in 2019. Internationally, we deliver SVOD revenues through our joint venture with the BBC, with BritBox in the US, Canada and Australia, and Cirkus in the Nordics, Germany, Austria and Switzerland. We will further roll out BritBox internationally and in 2021 will launch in South Africa.

Pay

We earn pay revenue from platforms in the UK by licensing our HD channels and our online VOD services.

Creating value for...



Advertisers

Through delivering unique scale and breadth of demographics as well as targeted advertising opportunities and new innovative ways of engaging with consumers around quality programme brands.



Audiences

Through a varied, high-quality programming schedule, which they can watch and engage with on a variety of platforms.



Broadcasters and platform owners

Through delivering quality programming that they can then monetise through their own business models.



Customers

Through our Direct to Consumer business we drive engagement and interaction with our much loved brands.



Our colleagues, programme participants and everyone we work with

Through protecting, investing in and developing our talent and creating a culture that nurtures them to be productive, commercial and creative. People, and their physical and mental health and safety, are our first priority at ITV.



Citizens

With our creativity and scale, ITV can powerfully help shape culture for good. Our offering of free and universally available high quality and trusted news services, helps to inform UK citizens and underpin democratic debate.



Legislators and regulators

ITV takes its responsibilities and obligations as a public service broadcaster (PSB) seriously.



Shareholders

Through a track record of creating shareholder value and delivering significant shareholder returns.



Debt investors

Through a track record of delivering strong profit to cash conversion.

management framework provides the business with the tools to identify, manage and continually review our risks and regular reporting provides the Board with

the required insight to monitor the overall risk landscape. This also allows management and the Board to adapt the strategy to ensure that we are striking the right balance

between risk-taking and risk-mitigation and that any underlying risks in the strategy are being appropriately managed, therefore enabling delivery of the strategy.

We have identified the principal risks through our risk management framework and we have considered them as part of our viability assessment.

Key Performance Indicators (KPIs)

We define our KPIs to align our performance and accountability to our strategic priorities. As we continue to evolve our strategy, our KPIs may be redefined to ensure they remain appropriate to our business and our priorities. In 2018, we set targets or strategic ambitions for our KPIs for three years to 2021 (where appropriate to do so).

ITV Group

Adjusted EPS ¹	Total non-advertising revenues	Cost savings	Profit to cash conversion ¹																							
<p>Definition Adjusted EPS represents the adjusted profit for the year attributable to equity shareholders. Adjusted profit is defined as profit for the year attributable to equity shareholders after adding back exceptional items and including high-end production tax credits. Further adjustments include amortisation and impairment of assets acquired through business combinations, net financing costs and the tax effects relating to these items. It reflects the business performance of the Group in a consistent manner and in line with how the business is managed and measured on a day-to-day basis.</p> <p>Performance Adjusted EPS decreased by 22% from 13.9p to 10.9p. This was predominantly due to the decline in total advertising revenue (TAR), and Studios revenues and margin as a result of the impact of COVID-19.</p>	<p>Definition Total non-advertising revenue is total ITV revenue (including internal revenue) excluding advertising revenue (being net advertising revenue (NAR), VOD and sponsorship). This is an important measure as we continue to rebalance the business away from our reliance on advertising.</p> <p>Performance Non-advertising revenue decreased by 21% in 2020 to £1,683 million, driven almost entirely by the decline in ITV Studios total revenue by 25% to £1,370 million due to productions pausing in March as a result of the pandemic. Offsetting this were increases in Direct to Consumer revenue of 4% to £87 million, SDN revenue of 6% to £73 million, and other Broadcast revenue (which includes BritBox UK) of 8% to £153 million.</p>	<p>Definition Cost savings are permanent savings to the business. In 2020, this also includes temporary savings as a result of the COVID-19 pandemic. Managing our cost base is key as we aim to run our business as efficiently as possible and fund investments in line with our strategic priorities.</p> <p>Performance We delivered £116 million of cost savings in 2020 which was ahead of the target of £60 million for the year. Of the cost savings achieved £21 million are permanent and £95 million are temporary savings.</p> <p>Since 2019, we have delivered a cumulative £46 million of permanent cost savings. In 2021, we will deliver around £30 million of permanent cost savings, with total cumulative cost savings of around £100 million by 2022. This is £40 million – £45 million more than our original guidance of £55 million to £60 million over this period.</p>	<p>Definition This is our measure of our effectiveness of cash generation used for working capital management. It is calculated as our adjusted cash flow as a proportion of adjusted EBITA (see definition within Studios adjusted EBITA margin). Adjusted cash flow, which reflects the cash generation of our underlying business, is calculated on our statutory cash generated from operations and adjusted for exceptional items, net of capex on property, plant and equipment and intangible assets, and including the cash impact of high-end production tax credits.</p> <p>Performance Profit to cash conversion was 138% in the year, driven by a large working capital inflow arising from a reduction in programme stock (where we delivered programmes but were unable to continue producing) and the timing of VAT payments which have been deferred. This is expected to unwind in 2021.</p>																							
<p>2020 10.9p</p> <p>22% decline in 2020</p> <table border="1"> <tr><td>2017</td><td>16.0</td></tr> <tr><td>2018</td><td>15.4</td></tr> <tr><td>2019</td><td>13.9</td></tr> <tr><td>2020</td><td>10.9</td></tr> </table>	2017	16.0	2018	15.4	2019	13.9	2020	10.9	<p>2020 £1,683m</p> <p>21% decline in 2020</p> <table border="1"> <tr><td>2017</td><td>1,874</td></tr> <tr><td>2018</td><td>1,971</td></tr> <tr><td>2019</td><td>2,117</td></tr> <tr><td>2020</td><td>1,683</td></tr> </table>	2017	1,874	2018	1,971	2019	2,117	2020	1,683	<p>2020 138%</p> <table border="1"> <tr><td>2017</td><td>91</td></tr> <tr><td>2018</td><td>88</td></tr> <tr><td>2019</td><td>87</td></tr> <tr><td>2020</td><td>138</td></tr> </table>	2017	91	2018	88	2019	87	2020	138
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	<p>Target 3 years to 2021 Grow by at least 5% CAGR</p>	<p>Target 4 years to 2022 Deliver £55–£60 million run-rate of savings by 2022</p>	<p>Target 3 years to 2021 Maintain at around 85%</p>																							

1. A full reconciliation between our adjusted and statutory results is provided in the APMs on page 55.



In 2020, the performance of all our KPIs and the delivery of corresponding targets has been impacted by the COVID-19 pandemic. Further detail is included in the following tables and within our Operating and Performance Review.

Grow

UK and global production

Total Studios revenue growth	Studios adjusted EBITA margin ²	Total production hours
<p>Definition Total Studios revenue measures the scale and success of our global studios business. It includes revenues from programmes sold to ITV Broadcast (M&E), which as an integrated producer broadcaster, is an important part of our business.</p> <p>Performance ITV Studios total revenue declined by 25% to £1,370 million. This was impacted by the pause in global productions due to the COVID-19 pandemic which caused a significant delay in the delivery of productions. The subsequent social distancing and health and safety protocols that have had to be implemented, have caused further delays to productions, particularly scripted.</p> <p>Total organic revenue at constant currency (which excludes 2019 acquisitions and assumes exchange rates remain consistent with 2019) was also down 25%. There was a £3 million unfavourable currency impact in the year.</p>	<p>Definition This is the key profitability measure used across the Studios business. The profile of adjusted EBITA margin differs for production and distribution activities, and further varies with each production due to genre and maturity. Adjusted earnings before interest, tax and amortisation (EBITA) is calculated by adding back exceptional items and including high-end production tax credits. It reflects the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured on a day-to-day basis. The margin is calculated based on total ITV Studios revenue.</p> <p>Performance ITV Studios adjusted EBITA margin was 11% (2019: 15%), impacted by the lost revenue, ongoing fixed costs within the business, and incremental costs associated with social distancing guidelines and health and safety protocols in productions.</p>	<p>Definition Total hours of programming produced is an important measure of the scale and success of our global studios business. It measures the number of hours produced across all genres and geographies for ITV and other broadcasters and platform owners.</p> <p>Performance The number of hours of content produced by ITV Studios declined by 15% to 7,120 hours. This was driven by the pause in global productions and the subsequent delay in deliveries.</p>
<p>2020 £1,370m</p> <p>25% decline in 2020</p> <p>2017 1,579 2018 1,670 2019 1,822 2020 1,370</p>	<p>2020 11%</p> <p>4% point decline in 2020</p> <p>2017 15 2018 15 2019 15 2020 11</p>	<p>2020 7,120 hrs</p> <p>15% decline in 2020</p> <p>2017 8,468 2018 8,917 2019 8,393 2020 7,120</p>
<p>Target 3 years to 2021</p> <p>Grow by at least 5% average CAGR</p>	<p>Target 3 years to 2021</p> <p>Maintain at 14% to 16%</p>	<p>Target 3 years to 2021</p> <p>Grow to 10,000</p>

Transform

Broadcast (M&E)

Total advertising revenue
<p>Definition Total advertising revenue measures all our advertising revenues and includes ITV Family NAR, VOD, sponsorship and other advertising revenues.</p> <p>Performance Total advertising revenue declined by 11% to £1,577 million. There was strong growth in online revenues, up 17%, but this was more than offset by a decline in NAR, sponsorship and creative partnerships revenues, all of which were impacted by the pandemic.</p>
<p>2020 £1,577m</p> <p>11% decline in 2020</p> <p>2017 1,781 2018 1,795 2019 1,768 2020 1,577</p>
<p>Strategic ambition</p> <p>To grow total advertising in a flat NAR market</p>

2. A full reconciliation between our adjusted and statutory results is provided in the APMs.

Transform

Broadcast (M&E) (continued)

Online revenue growth	Total ITV viewing ¹	ITV Family share of viewing (SOV)	Online viewing																																								
<p>Definition Online revenues are advertising revenues from VOD via the ITV Hub. With the investment in the ITV Hub and the significant growth of viewing on the ITV Hub these are now a material part of our advertising revenues and an important measure of our success.</p> <p>Performance Online revenue continued to grow strongly, up 17% in the year, despite the uncertainty caused by the COVID-19 pandemic.</p>	<p>Definition Total ITV viewing is the total number of hours spent watching ITV channels live and recorded within 28 days, third-party VOD platforms, ITV Hub on owned and operated and ad-funded platforms, ITV Hub+, and managed YouTube channels.</p> <p>Performance Total ITV viewing grew by 1% to 16.6 billion hours with more viewing across our live linear channels. This was driven by our good schedule and also benefited from lockdown restrictions in the UK. Total broadcast viewing (broadcast channels including TV VOD) was up 6% with growth on: the BBC (for news and daily government briefings); Channel 4 (for The Great British Bake Off and Gogglebox); and Sky (for box sets and football). Including unmatched viewing (SVOD, YouTube, games consoles), total TV set viewing was up 15%, driven by growth to SVOD platforms.</p> <p>External source: BARB/Advantage, Crocus and third-party platforms</p>	<p>Definition Keeping our free-to-air proposition strong with unrivalled commercial audiences, is vital for the Broadcast business, and ITV Family SOV helps measure this. ITV Family SOV is the total viewing audience over the year achieved by ITV's family of channels as a proportion of total television viewing, including the BBC Family.</p> <p>Performance ITV Family SOV declined 4% to 22.2% in 2020. Within this, ITV main channel was down 1% to 16.7%, which is the third biggest SOV in a decade. ITV's other channels were down 13% to 5.5% which was driven predominantly by ITV2 due to no summer Love Island and a lower volume of the soaps/new content. While our daytime linear viewing was strong in 2020, our share of peak hours was impacted by the increased news output on the BBC, fewer episodes of the soaps and a lower volume of new content.</p> <p>External source: BARB/AdvantEdge</p>	<p>Definition Online viewing is an important indicator of our online success as it measures how long viewers are spending online watching long-form content². It is calculated as the total number of hours ITV VOD content is viewed on owned and operated ad-funded platforms and ITV Hub+ viewing.</p> <p>Performance The ITV Hub and ITV Hub+, is the online home for our family of channels and content. While viewing on the ITV Hub has grown rapidly in prior years, online viewing in 2020 declined by 5% to 482 million hours. This was significantly impacted by no summer Love Island, less episodes of the soaps, no major sporting event and a lower volume of new content in the year. We expect an increase in online viewing in 2021.</p> <p>External source: Crocus</p>																																								
<p>2020 17%</p> <table border="1"> <tr><th>Year</th><th>Growth (%)</th></tr> <tr><td>2017</td><td>14</td></tr> <tr><td>2018</td><td>36</td></tr> <tr><td>2019</td><td>21</td></tr> <tr><td>2020</td><td>17</td></tr> </table>	Year	Growth (%)	2017	14	2018	36	2019	21	2020	17	<p>2020 16.6bn hrs</p> <p>1% increase in 2020</p> <table border="1"> <tr><th>Year</th><th>Viewing (bn hrs)</th></tr> <tr><td>2017</td><td>16.6</td></tr> <tr><td>2018</td><td>17.0</td></tr> <tr><td>2019</td><td>16.3</td></tr> <tr><td>2020</td><td>16.6</td></tr> </table>	Year	Viewing (bn hrs)	2017	16.6	2018	17.0	2019	16.3	2020	16.6	<p>2020 22.2%</p> <p>4% decline in 2020</p> <table border="1"> <tr><th>Year</th><th>SOV (%)</th></tr> <tr><td>2017</td><td>21.7</td></tr> <tr><td>2018</td><td>23.2</td></tr> <tr><td>2019</td><td>23.2</td></tr> <tr><td>2020</td><td>22.2</td></tr> </table>	Year	SOV (%)	2017	21.7	2018	23.2	2019	23.2	2020	22.2	<p>2020 482m hrs</p> <p>5% decline in 2020</p> <table border="1"> <tr><th>Year</th><th>Viewing (m hrs)</th></tr> <tr><td>2017</td><td>337</td></tr> <tr><td>2018</td><td>447</td></tr> <tr><td>2019</td><td>506</td></tr> <tr><td>2020</td><td>482</td></tr> </table>	Year	Viewing (m hrs)	2017	337	2018	447	2019	506	2020	482
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<p>Target 3 years to 2021</p> <p>Double digit growth per annum</p>	<p>Strategic ambition</p> <p>To maintain total viewing¹</p>	<p>Strategic ambition</p> <p>Above 21%</p>	<p>Target 3 years to 2021</p> <p>Double digit growth per annum</p>																																								

1. Maintain total viewing compared to the 2015 – 2018 average of 16.8 billion hours.

2. Long-form is content which is more than ten minutes in length.

		Expand Direct to Consumer																																									
ITV Hub registered user accounts	Brand consideration	Direct to Consumer revenue	Paying product relationships																																								
<p>Definition A registered user is an individual viewer who has signed up to the ITV Hub and have been active in the last three years. The size of our viewer online reach is key for our advertising proposition.</p> <p>The target of 30 million registered user accounts was achieved in 2019.</p> <p>Performance The ITV Hub grew the number of registered user accounts by 6% to 32.6 million in 2020. This growth continues to be driven by our high-quality content and good user experience, which has been supported and enhanced by a process of continued improvement and investment in the year.</p> <p>The ITV Hub helps ITV reach valuable light viewers and younger audiences, who are increasingly using the ITV Hub for simulcast as well as catch-up. Simulcast viewing hours were up 13% year-on-year.</p>	<p>Definition UK public perception of the ITV brand as measured by YouGov. Our brand perception is very important as we look to attract light viewers to ITV and build a Direct to Consumer business.</p> <p>Performance Brand consideration in 2020 was 50%, down three percentage points on 2019. This was driven by the absence of key content in the schedule which would normally have a positive impact (sport, dramas, key entertainment), along with strong competition from the SVOD platforms who significantly benefited from marketing during the pandemic. All PSBs saw a decline in their brand consideration during 2020. ITV's brand consideration for light viewers declined by two percentage points.</p> <p>External source: YouGov</p>	<p>Definition Direct to Consumer revenue is a key measure of the success of our strategy. It measures revenue generated directly from relationships with a customer through the purchase of goods and services, and entry into competitions. This excludes BritBox revenues.</p> <p>Performance Direct to Consumer revenue grew 4% to £87 million in 2020. Growth was predominantly driven by an increase in competitions revenue which benefited from strong daytime viewing during the year. Offsetting this was the absence of pay per view boxing matches in the year, and the closure of the majority of our live events from March 2020 in line with government restrictions, which adversely impacted this revenue stream.</p>	<p>Definition We aim to grow ITV's Direct to Consumer revenues through increasing the number of people who pay for an ITV product as well as increasing spend per customer. This KPI measures the total number of paying relationships we have with consumers.</p> <p>Performance Paying product relationships declined by 7% to 7.8 million in 2020. The excludes relationships from BritBox.</p> <p>The decline in the year was largely due to the absence of pay per view boxing matches, and a reduction in the average number of Hub+ subscriptions and lower live event attendees, both of which were impacted by travel restrictions, nationwide lockdowns in the UK, and for ITV Hub+ in particular, no summer Love Island, less requirement for downloading for EU portability, and a lower volume of new content in the year.</p>																																								
<p>2020 32.6m</p> <p>6% growth in 2020</p> <table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2017</td><td>21.3</td></tr> <tr><td>2018</td><td>27.6</td></tr> <tr><td>2019</td><td>30.8</td></tr> <tr><td>2020</td><td>32.6</td></tr> </table>	Year	Value	2017	21.3	2018	27.6	2019	30.8	2020	32.6	<p>2020 49.6%</p> <p>3% pts decline in 2020</p> <table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2017</td><td>58.1</td></tr> <tr><td>2018</td><td>58.9</td></tr> <tr><td>2019</td><td>52.9</td></tr> <tr><td>2020</td><td>49.6</td></tr> </table>	Year	Value	2017	58.1	2018	58.9	2019	52.9	2020	49.6	<p>2020 £87m</p> <p>4% growth in 2020</p> <table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2017</td><td>65</td></tr> <tr><td>2018</td><td>81</td></tr> <tr><td>2019</td><td>84</td></tr> <tr><td>2020</td><td>87</td></tr> </table>	Year	Value	2017	65	2018	81	2019	84	2020	87	<p>2020 7.8m</p> <p>7% decline in 2020</p> <table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2017</td><td>6.7</td></tr> <tr><td>2018</td><td>8.5</td></tr> <tr><td>2019</td><td>8.4</td></tr> <tr><td>2020</td><td>7.8</td></tr> </table>	Year	Value	2017	6.7	2018	8.5	2019	8.4	2020	7.8
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<p>Target 3 years to 2021 Increase to 30 million</p>	<p>Target 3 years to 2021 Increase to 60% for all adults</p>	<p>Target 3 years to 2021 Grow to at least £100 million</p>	<p>Target 3 years to 2021 Grow to 10 million</p>																																								

Operating and Performance Review

ITV's operational and financial performance in 2020 was materially impacted by the COVID-19 pandemic, which caused the majority of productions to pause and a significant decline in advertising demand. Despite this, ITV continued to make good progress in executing its strategy, building a digitally led media and entertainment company.



▲ Following the restart of productions after global COVID-19 lockdown restrictions, our productions follow country specific health and safety protocols and social distancing measures.

Key financial highlights

See APMs on page 55 for a full reconciliation between our statutory and adjusted results.

Group external revenue

£2,781m
-16% (2019: £3,308m)

Total advertising revenue

£1,577m
-11% (2019: £1,768m)

Total non-advertising revenue

£1,683m
-21% (2019: £2,117m)

ITV's operational and financial performance in 2020 was materially impacted by the COVID-19 pandemic, with government imposed lockdowns and containment measures in the UK and internationally negatively impacting productions and causing a significant decline in the demand for advertising. Despite the disruption and challenges created, we worked with purpose and determination to successfully manage our way through the crisis while investing in our future. The significant value of being an integrated producer broadcaster was evident during 2020 and enabled us to continue investing in and delivering our key strategic priorities. Within ITV Studios, we further invested in creative talent and our content pipeline, and across the business focused on digitally transforming the business externally and internally.

We have restructured the Broadcast business to create a new Media and Entertainment division to better reflect and serve changing viewing habits; the delivery of the ITV Hub acceleration plan remains on track; Planet V (our programmable addressable advertising platform) was successfully rolled out to the majority of major agencies; content and distribution on BritBox UK were extended, along with the international roll out of BritBox in Australia, and, we augmented our data and analytics team.

The global lockdown restrictions during 2020 drove an increase in viewing and demand for content across all platforms. ITV Studios' strong position in the international market, with its diversity in scripted and unscripted content production, enviable talent pool, development pipeline, and strength in relationships with broadcasters, distribution networks and platform owners was critical during this time. It was able to capitalise on the demand for content from broadcasters and OTT platforms for both new and library content. While this revenue stream is small, it helped to partly offset some of ITV Studios' overall revenue decline from the delay in productions. SVOD platforms, who have been less financially impacted than FTA broadcasters during the pandemic have continued to commission new content, which ITV Studios has been in a good position to serve.

Our Broadcast business, while seeing a decline in advertising, saw an increase in total viewing in 2020 with people watching more linear television during lockdown restrictions. Our schedule was impacted during the pandemic but we continued to broadcast live daytime and news programming that played a key part in providing viewers with accurate and trustworthy information, and a broad schedule of entertainment and drama to provide an escape. While the viewing landscape changed during the pandemic, with people streaming more content than

ever before, ITV's extensive offering of linear television channels, the ITV Hub and BritBox, gave viewers the choice in how, where and when they consume content, while continuing to provide advertisers with mass simultaneous reach, alongside a more targeted advertising proposition.

Group financial overview

We measure performance through a range of metrics, particularly through our alternative performance measures and KPIs, as well as statutory results, all of which are set out in this report.

The COVID-19 pandemic significantly impacted our two main sources of revenue – production and advertising – which were both down in 2020. Total ITV revenue decreased by 16% to £3,260 million (2019: £3,885 million), with external revenue down 16% at £2,781 million (2019: £3,308 million). Total advertising revenue was down 11% to £1,577 million (2019: £1,768 million) driven by a decrease in NAR, partly offset by online VOD advertising revenue which was up 17% in the year. Total non-advertising revenue was down 21% to £1,683 million (2019: £2,117 million), of which ITV Studios was down 25% at £1,370 million (2019: £1,822 million).

Network schedule costs were £156 million lower in the year at £935 million (2019: £1,091 million), and this coupled with the delivery of £116 million of overhead cost savings, more than offset the decline in TAR in the year. The



▲ **Ant and Dec's Saturday Night Takeaway**, produced by ITV Studios UK, had its 16th series in 2020 and was partly filmed under UK lockdown restrictions. It averaged 8.5 million viewers across the series.

Adjusted EBITA

£573m

-21% (2019: £729m)

Adjusted EPS

10.9p

-22% (2019: 13.9p)

Statutory EPS

7.1p

-40% (2019: 11.8p)

Reported net debt

£545m

(2019: £893m)

£116 million of cost savings delivered was ahead of our planned £60 million. Of this, £21 million were permanent and £95 million were temporary. The permanent savings include contract renegotiations across the business and headcount savings from reorganisational changes, particularly in ITV Studios. The temporary savings were in relation to steps taken to mitigate the impact of COVID-19, including a reduction in executive and non-executive director pay of 20%, a suspension of performance-related cash bonuses, the furlough of colleagues during the height of the pandemic, and the natural decrease in non-essential spend such as travel and entertainment. Since 2019, we have delivered a cumulative £46 million of permanent cost savings. In 2021 we will deliver around £30 million of permanent cost savings, with total cumulative cost savings of around £100 million by 2022 (from 2019). This is £40 million to £45 million more than our original guidance over this period. We continue to take a systematic multi year approach to our cost saving programme which is increasing in its effectiveness as it matures.

Our essential investments to support our strategic priorities totalled £16 million in the year which was slightly lower than our planned £18 million due to timing. This will unwind in 2021, and our essential investments will be £25 million, £13 million ahead of our previous guidance as we accelerate the delivery of our strategy.

BritBox UK venture loss was £59 million which was in line with our guidance of £55 million to £60 million.

Adjusted EBITA declined 21% to £573 million (2019: £729 million), with a 43% decline in ITV Studios adjusted EBITA and a 9% decline in Broadcast adjusted EBITA. The margins of both businesses have been impacted by the decline in revenue, ongoing fixed costs and our essential investments to support the delivery of our strategic priorities.

Adjusted financing costs were down £4 million year-on-year to £36 million and our adjusted tax rate was 18% (2019: 18%). Adjusted EPS declined 22% to 10.9p (2019: 13.9p).

Statutory EBITA was £561 million, down 19% (2019: £693 million), which was marginally lower than the decline in adjusted EBITA due to a decrease in production tax credits in the year. Total exceptional items were £114 million (2019: £22 million) and includes costs relating to COVID-19, the impairment of sports rights, and an onerous contract provision.

Statutory financing costs were £44 million which was down in 2020 due to the inclusion of Eurobond buyback costs in 2019 (2019: £68 million). Our reported effective tax rate was 13.5% (2019: 9.8%) and statutory EPS decreased by 40% to 7.1p (2019: 11.8p). See the Finance Review for further detail.

We have good access to liquidity. At 31 December 2020, we had cash and committed undrawn facilities totalling £1,447 million, including unrestricted cash of £618 million. Our profit to cash conversion was 138% (2019: 87%). At 31 December 2020 our reported net debt (including IFRS16 liabilities) was £545 million (31 December 2019: £893 million) which benefited from the deferred VAT payments and is before earnout payments which we anticipate paying in 2021. Our reported net debt (including IFRS 16 liabilities) to adjusted EBITDA was 0.9x (31 December 2019: 1.2x).

We continue to maintain tight control over cashflow and costs whilst continuing to pay our suppliers on the agreed terms. Our objective is to run an efficient balance sheet and manage our financial metrics appropriately, consistent with investment grade metrics over the medium term. Our priority remains to invest in our key assets and value drivers in line with our strategic priorities and balance this investment with the returns to shareholders. The Board recognises the importance of the dividend to our shareholders and intends to restore dividend payments as soon as circumstances permit.

A range of scenarios reflecting ITV's principal risks, including those arising from the ongoing COVID-19 pandemic, have been modelled and considered in the assessment of the longer-term viability of ITV. See page 86 of our Viability Statement.

ITV Studios

ITV Studios is the largest commercial producer in the UK, as well as one of the largest producers in Europe, and one of the largest independent unscripted producers in the US. With a combined content library of over 46,000 hours, it is also one of the largest distributors in the UK.

Growing UK and global productions is central to ITV's More than TV strategy, with ITV Studios aiming to be a leading creative force in global content production and distribution. As ITV Studios creates more content, our linear and on-demand channels in the UK provide a platform to showcase our programmes before distributing them further in the UK and internationally. In addition, we have built significant scale in the key creative markets around the world that also drive content revenues, creating and producing programmes and formats that return and travel.

At the start of 2020, the international distribution and commercial exploitation business of ITV Studios was reorganised from an operational perspective to strengthen ITV Studios' position as a creator, producer and distributor of world-leading programmes. The new structure focuses on three centres of excellence – the Creative Network, which boosts creativity across ITV Studios' unscripted format labels to increase the potential of developing global hit shows; Global Entertainment, which brings together international unscripted format sales and exploitation across the group under one roof, and Global Distribution, which focuses on the international distribution of finished tape versions of both drama and unscripted programmes. The three centres of excellence will work closely together and with ITV Studios' UK and international production businesses.



▲ **The Serpent** was produced by Mammoth Screen (part of ITV Studios UK) for the BBC and Netflix internationally. It has been well received generating over 30 million streams on the BBC iPlayer.

◀ **The Graham Norton Show** is produced by So Television (part of ITV Studios UK) for the BBC and has been broadcast for 13 years.

▼ **Line of Duty** is a popular scripted series produced by World Productions (part of ITV Studios UK) for the BBC. The sixth series is due for delivery in 2021.



Resilient and diverse production and distribution businesses in a challenging year

Performance in our different production territories can be impacted by phasing and in a normal year, we manage this risk through our portfolio. COVID-19 impacted the production business differently in each territory due to restrictions varying by country, and different customer bases, however, through the resilience and diversity of each territory, we were able to mitigate some of the negative impact caused by the pandemic.

While the majority of our productions were paused in mid-March, the teams focused on remote post-production, creative development and growing the creative pipeline. We did not cut development spend during 2020 and this places ITV Studios in a strong position to meet the increasing global demand for content. Our scale means that we were able to manage risks effectively when restarting productions, and the safeguards in place have enabled us to be more resilient in subsequent lockdowns, continuing to producing content.

During the first government lockdown in the UK, with the innovation, creativity and dedication of our production teams, we were able to keep producing our daytime shows. In addition, we filmed other shows without a studio audience, including The Graham Norton Show, The Martin Lewis

Money Show and Saturday Night Takeaway, and we made Isolation Stories a short four-part drama written, filmed and edited during the UK lockdown. Differing country restrictions also enabled us to continue filming in some of our international locations, including the Netherlands (Koffietijd – daily morning talk show), Germany (The Chase) and Australia (The Voice and The Chase).

ITV worked closely with the UK government and the industry to develop a set of protocols to minimise COVID-19 health and safety risks to our talent, participants, colleagues and crew during content production. We have undertaken risk assessments on all productions since the start of the pandemic, and have developed procedures outlining how the protocols should be applied to each production globally. This has enabled us to continue to produce large scale entertainment formats, such as Love Island in the US, and I'm A Celebrity...Get Me Out Of Here! in both the UK and Australia.

Despite the challenges presented by COVID-19, ITV Studios was able to build upon its global profile of being a leading creator, producer and distributor of content, and shaping the path for longer-term revenue growth by focusing on the following key areas:

Strengthening creative talent

A key part of ITV Studios investment strategy is to strengthen and retain our creative talent and despite the challenges caused by the pandemic, we continued to do this successfully during 2020. ITV Studios US entered into several new partnerships aimed at further building and strengthening the US business and establishing it as a leading independent television studio in the highly competitive US market. Within scripted, ITV Studios America has partnered with Tomorrow Studios and Nick Weidenfeld to launch Work Friends, an animation label, which secured its first commission for HBO Max called 10-Year-Old-Tom. ITV Studios America also invested in a new drama label run by acclaimed producer Tony To (Band of Brothers) and Dan Sackheim (True Detective) called Bedrock Entertainment. Within unscripted, ITV America partnered with production label Nobody's Hero, created by Christopher Potts and Jonty Nash, (Nailed It! and Sugar Rush for Netflix) to develop and produce unscripted content and formats, working alongside the ITV team.

In the UK, award-winning producer Nicola Shindler (Happy Valley, Last Tango in Halifax, It's A Sin, The Stranger) joined ITV Studios UK launching a new scripted label focusing on producing premium drama for the UK and international market.

During the year ITV Studios also expanded its existing production partnership with Boomerang TV in Spain, giving Boomerang exclusive production rights to a large selection of the ITV Studios formats catalogue. The Spanish market has a strong demand for non-scripted programming and is a bridge towards other Spanish speaking countries. Altresmedia has since commissioned ITV formats, Love Island and game show, Divided, to be produced by Boomerang TV in Spain.

In March 2021, ITV Studios International stepped up its investment in Apple Tree Productions in Denmark to take a controlling stake.

Growing scripted

While ITV Studios is predominantly unscripted in terms of scale, scripted is an area of higher growth driven by demand from the OTT platforms, and we also are seeing increasing demand from platforms internationally for original long-form and secondary rights. Part of our strategy within ITV Studios is to build a scripted business of scale and we have boosted this through the recent talent deals mentioned previously and we will look at further investments in other key scripted markets to continue to take advantage of the demand for local scripted content.



▲ **Love Island** continues to sell well internationally. The format has been sold to 20 countries including the UK, USA, Australia, Germany and South Africa, and is produced by ITV Studios in many of those countries.

Many of our scripted labels are creating and producing high-quality content with global appeal for FTA and OTT platforms, including Mammoth Screen, creators of *The Serpent*, McDonald & Dodds, *Victoria*, *World on Fire* and *Poldark*, and World Productions creators of *Line of Duty*, *Save Me*, *The Pembrokeshire Murders*, *Vigil* and *Bodyguard*. Our international scripted businesses Cattleya in Italy and Tetra Media Studio in France, also create and produce long-running and new critically acclaimed foreign-language dramas, including *Paris Police 1900* and *Balthazar* in France, and *Gomorra*, *Suburra*, *Zero Zero Zero* and *Summertime* in Italy.

Diversifying customer base particularly with local and international OTT platforms

As the demand from OTT platforms grows, this presents a significant opportunity for ITV Studios to diversify its customer base and grow revenues. In the US, we have strengthened our relationships with SVOD platforms, having both scripted and unscripted development projects and commissions in place with all the major platforms. A third of US scripted revenues now come from OTT's. Our UK and International Studios (aside from Italy) remain more reliant on local broadcasters, and going forward they will harness the strength and position of the ITV Studios group and key creative talent, to develop their relationships with these platforms. Original hours supplied to OTT platforms increased by 4% in 2020, with scripted and unscripted programmes including: *Queer Eye*, *Suburra*, *The Big Flower Fight* and *Snowpiercer* (internationally) all for Netflix, *Love Island France* for Amazon – the first reality show on the service and *Becoming for Disney+*. New commissions for future broadcast by OTTs include *Spy Amongst Friends* for BritBox UK, *Cowboy Bebop* and *One Piece* for Netflix, *Physical* for Apple TV, along with several other titles in progress with HBO Max, Netflix, Hulu and Amazon. We expect that in 2021 we will double our revenues from OTT platforms.

Producing more content for, and distributing more content to OTT platforms will impact our working capital going forward due to the upfront cash requirements and the extended payment profile from the OTTs. In addition, it limits the ability for us to maximise margins on high-value scripted titles as the OTT platforms invariably want worldwide rights for original commissions.

We balance our financial exposure through building a portfolio of customers and programmes, across genres and their content life cycle, with successful international dramas offsetting the risk that

we will not recover the full deficit on every show. This efficiently uses the rights windows of our content to maximise monetisation opportunities.

Globalising and maximising the value of key formats and monetising our strong pipeline of programmes

Our Global Formats business includes a large portfolio of some of the world's most successful entertainment and factual entertainment formats that return and travel, many of which are made globally through ITV Studios' production bases. We are very focused on developing, managing and exploiting our global formats to maximise IP revenues. We have a portfolio of world-class brands which we continue to protect and strengthen each year, including (number of countries the format has been sold to, to date is included in brackets); *The Voice* (70+ countries), *Love Island* (20 countries), *The Chase* (16 countries), *Beat The Chasers* (5 countries), *Four Weddings* (20+ countries), *I'm A Celebrity...Get Me Out Of Here!* (11 countries) and *Come Dine With Me* (40+ countries). These formats continue to generate strong mass audiences for our clients, with *I'm A Celebrity...Get Me Out Of Here!* in the UK having one of its best viewing performances in 2020, and *Beat The Chasers* in the UK and Netherlands, and *The Chase* in the US all launching successfully on their respective channels/networks.

We have several new formats recently commissioned in our UK, US and International production bases that have the potential to be future global hits. These include UK formats; *Moneyball*, and *Rat In The Kitchen*, which has had its first commission in the US to be produced by ITV America. In addition, *Let Love Rule*, an ITVS Netherlands format produced by

ITVS Sweden and ITVS UK (commissioned as *The Cabins for ITV2*), and also commissioned in Belgium.

Building on the success of key franchises, we are also focusing on expanding our production hubs, driving further sales of formats by supporting productions in a cost-effective and safe environment (e.g. *Love Island*, *I'm A Celebrity...Get Me Out Of Here!*). During 2020 we acquired the unscripted formats catalogue from Elk Entertainment, which includes the formats and IP of 65 titles, as we look to continue building our creative strength and monetisation capabilities.

In 2020 across our Global Formats business we sold 56 (2019: 62) different formats internationally, 14 of which were sold to three or more countries (2019: 14).

Through our Global Distribution business, we focused on exploiting our 46,000+ hour library of global scripted and unscripted content assets and maximising the value of primary and secondary windows with FTA, Pay TV, SVOD and AVOD customers. We are investing in ITV Studios produced content (including *Vigil*, *Line of Duty*, *Vera*, and McDonald & Dodds), selective third-party content (including *A Year on Planet Earth*, and *Harry Palmer: The Ipress File*) as well as executing high profile English and local language drama deals, in turn attracting more opportunities and talent. We also sell an increasing amount of content to BritBox UK and BritBox internationally. Going forward we will look at how we drive long-term revenues from new AVOD market entrants such as *Tubi*, and *Pluto*, as well as continuing to exploit new rights opportunities including stacking and box sets.



Twelve months to 31 December	2020 £m	2019 £m	Change £m	Change %
ITV Studios UK	535	725	(190)	(26)
ITV Studios US	234	271	(37)	(14)
ITV Studios International	343	508	(165)	(32)
Global Formats and Distribution	258	318	(60)	(19)
Total ITV Studios revenue	1,370	1,822	(452)	(25)
Total ITV Studios costs	(1,218)	(1,555)	337	(22)
Total ITV Studios adjusted EBITA*	152	267	(115)	(43)
ITV Studios adjusted EBITA margin	11%	15%		

* Includes the benefit of production tax credits.

Twelve months to 31 December	2020 £m	2019 £m	Change £m	Change %
Sales from ITV Studios to Broadcast and DTC	472	573	(101)	(18)
External revenue	898	1,249	(351)	(28)
Total ITV Studios revenue	1,370	1,822	(452)	(25)

* Includes the benefit of production tax credits.

Twelve months to 31 December	2020 £m	2019 £m	Change £m	Change %
Scripted	354	520	(166)	(32)
Unscripted	773	1,018	(245)	(24)
Core ITV* and Other	243	284	(41)	(14)
Total ITV Studios revenue	1,370	1,822	(452)	(25)

* Core ITV includes the soaps and daytime shows produced by ITV Studios for the ITV main channel.

ITV Studios financial performance in 2020

ITV Studios started 2020 with good momentum, expecting a good slate of programme deliveries over the full year and to see revenue growth and a stable margin being delivered. The COVID-19 pandemic changed this outlook, causing around 230 of ITV Studios productions globally to be paused or impacted as a result of country lockdowns and restrictions on working practises. While the majority of productions were able to resume in the second half of 2020, the delay in production and delivery of a number of our programmes caused ITV Studios total revenue to decline by 25% in 2020 to £1,370 million (2019: £1,822 million), with external revenue down 28% to £898 million (2019: £1,249 million). Total organic revenue at constant currency was down 25%. There was a £3 million unfavourable impact from foreign exchange in the year.

Due to the pause in productions, the number of hours delivered in 2020 was down 15% year-on-year to 7,120 hours, this was lower than the decrease in total revenue of 25%, due to the mix of productions that were delivered. While the year-on-year decrease in scripted production hours was lower than the decrease in unscripted hours, scripted is of higher value and therefore had a more significant impact on revenue in the year. Scripted revenue was down 32% to £354 million (2019: £520 million), with unscripted revenue down 24% to £773 million (£1,018 million) in the year.

Reflecting our presence in key global production markets, 56% of ITV Studios' revenue was generated outside the UK. This was marginally lower than the prior year (2019: 58%).

Adjusted EBITA was down 43% year-on-year at £152 million (2019: £267 million), with the adjusted EBITA margin at 11% (2019: 15%) and a £1 million favourable impact from foreign exchange. While ITV Studios is a largely variable cost business, the decline in margin reflects the lost revenue, ongoing fixed costs in the business, investments of £8 million in line with our strategic priorities, and costs associated with social distancing guidelines and health and safety protocols in productions. This more than offset the £63 million of overhead cost savings delivered in the year (£50 million of which are temporary and £13 million permanent). While guidelines remain in place globally to mitigate the transmission of COVID-19, our productions will continue to be impacted by increased costs to adhere to social distancing and safety protocols. Going forward we will improve the use of technology and data to drive cost and revenue efficiencies, taking steps to digitalise processes and use remote editing more routinely.



▲ **Suburra** is an Italian crime drama produced by Cattleya (part of ITV Studios International) for Netflix.

▶ **Crank Yankers** is a comedy prank show produced by ITV America for Comedy Central. It had its fifth season in 2020 and has been renewed for a sixth.

▶ **Let Love Rule** is a new unscripted format developed in the Netherlands. To date it has been sold to four countries, and was adapted as 'The Cabins' in the UK.



ITV Studios UK

As the largest commercial producer of content in the UK, ITV Studios UK is made up of nearly 30 production labels, with a diverse range of scripted and unscripted titles for the UK's PSBs and OTT platforms. The business is built upon many long-running and recurring titles, the majority of which are sold to the Broadcast business for transmission on ITV's family of channels, ITV Hub and BritBox UK. The core portfolio includes daytime programmes such as: Good Morning Britain, This Morning, Loose Women; the soaps: Coronation Street and Emmerdale; and entertainment programmes such as The Voice, Love Island and I'm A Celebrity...Get Me Out Of Here! ITV Studios UK's share of original content on ITV main channel was up at 68% (2019: 65%), however, this is based on a lower available network programme budget year-on-year.

In 2020, total ITV Studios UK revenue was down 26% to £535 million (2019: £725 million), and also down 26% on an organic basis. Internal sales to Broadcast and Direct to Consumer was down 18% across the year, with the first quarter of 2020 benefiting from the return of Saturday Night Takeaway and the new winter series of Love Island. From the end of Q1, the rest of the year was subsequently impacted by COVID-19 with the delay and cancellation of productions. This included a lower number of episodes of Coronation Street and Emmerdale delivered to Broadcast across Q2 and part of Q3, no summer series of Love Island and, a lower volume of drama deliveries compared to 2019, with several planned deliveries delayed into 2021. Deliveries in 2020 included: Saturday Night Takeaway, The Bay, Beat The Chasers, The Pembrokeshire Murders, The Voice Kids, The Chase, I'm A Celebrity...Get Me Out Of Here! and the winter series of Love Island.

Internal deliveries in the first half of 2021 should include new and returning programmes, Unforgotten, McDonald & Dodds, Grace, Vera and the first series of The Cabins.

Off-ITV revenues (productions for non-ITV channels in the UK) decreased by 39%, impacted by the delay of planned deliveries, combined with strong comparatives from the delivery of 2019 high-end scripted commissions, including Noughts & Crosses, World on Fire, Poldark and Harlots. Offsetting this, was growth from new and returning deliveries in 2020, such as: The Big Flower Fight for Netflix; The Serpent, Four Lives and Ghosts all for BBC; and Back and Friday Night Dinner for Channel 4. Deliveries in the first half of 2021 should include: Line of Duty, Vigil and The Graham Norton Show all for the BBC; and 24 Hours in A&E and Countdown for Channel 4.

ITV Studios US

ITV Studios US is a scaled production business, providing content to all the major networks and cable channels in the US, along with every major SVOD platform. It has a good foundation of core programmes, including unscripted titles with multiple seasons and a high volume of episodes, which, combined with the output from our investment in scripted content over the last few years, has enabled the business to grow its presence significantly in a highly competitive market. This diversity of content and customer base has enabled ITV Studios US to mitigate some of the impact seen from the pandemic. In addition, a number of programmes were remotely post-produced during this time, many of which were delivered in the first half of 2020.

ITV Studios US total revenue declined by 14% to £234 million (2019: £271 million) and 12% to £238 million when adjusted for the unfavourable foreign exchange impact. Within ITV Studios America (scripted), deliveries included Snowpiercer S2 to TNT and S1 to Netflix, and Good Witch S6 to Hallmark. ITV America (unscripted) deliveries included: Cannonball to NBC and USA, Crank Yankers to Comedy Central, Love Island S2 for CBS, and Becoming to Disney+ along with core unscripted titles: Alone, Marriage Bootcamp and First 48, all delivered in the year. Offsetting this was strong comparatives in 2019, which included the delivery of two seasons of Hell's Kitchen to Fox.

ITV Studios America has several larger scripted programmes which should deliver in 2021, these include Physical for Apple TV, 10-Year-Old Tom for HBO Max, Cowboy Bebop for Netflix, the third season of Snowpiercer for TNT, and the seventh season of Good Witch. Within ITV America, deliveries expected in 2021 include Love Island S3, Rat In The Kitchen for TBS, The Chase for ABC, and Forged in Fire for History.

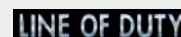
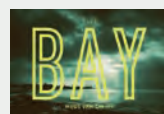
The development and commissioning pipeline for the ITV Studios US is strong, with several large scale unscripted commissions in progress with existing and emerging SVOD platforms, which have the potential for multiple series.

ITV Studios International

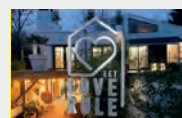
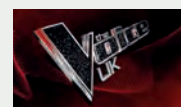
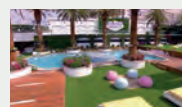
ITV Studios International has production bases in Australia, Germany, France, the Netherlands, the Nordics, and Italy, where we produce original scripted and unscripted content, as well as local versions of key formats developed through our Global Formats business.

Revenue within ITV Studios International declined by 32% to £343 million (2019: £508 million), and by 32% to

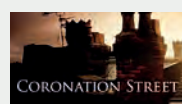
Scripted



Unscripted



Core ITV



£342 million when adjusted for the favourable impact of foreign currency. While the pause in productions impacted most of our territories, the decline was also driven by strong comparatives in 2019 which had deliveries of high-end scripted titles, such as Zero Zero Zero and Gomorrah in Italy, and Profilage and Une Belle Histoire in France. Deliveries in 2020 included: Love Island France for Amazon; Suburra and Vampires for Netflix; Paris Police 1900 for Canal+, Masantonio for Mediaset; and Romulus for Sky Italia.

Productions across all our international bases have largely resumed, but with many of our large entertainment franchises being filmed but with no audience. We have scripted productions in France and Italy underway but there remain challenges operating under COVID-19 restrictions. We have a good diversity of shows in our portfolio across multiple territories and we continue to strengthen the depth of our offering.

In 2021 we will continue to focus on growing our European scripted business to allow us to benefit from the increasing demand for

locally produced content with global appeal. Deliveries expected in the first half of 2021 should include Summertime for Netflix, The Voice in France and Netherlands, The Voice Kids in Germany, Love Island in Germany and I'm A Celebrity...Get Me Out Of Here in Australia and Germany.

Global Formats and Distribution

Global Formats and Distribution revenues were down 19% year-on-year to £258 million (2019: £318 million), with nil impact from foreign exchange. Much of this decline was driven by Global Formats, which had strong comparatives due to a number of multi-year deals secured for The Voice in 2019, and other unrepeatable 2019 format licensing deals. Global Distribution saw increased catalogue sales due to high demand for our content globally as networks and platforms tried to fill gaps in their schedule left by the delay in productions during the year. However, this was offset by the delay of new scripted and unscripted content in the year. Classic British scripted titles such as Marple, Vera, Endeavour, Victoria and Poldark sold well, with many territories relicensing old seasons of programmes. We also benefited from the international distribution of

Snowpiercer to Netflix and Little Birds to Starz, Bodyguard entering its second window rights, the distribution of natural history titles such as Wild Tokyo and India's Wild Karnataka and global sales of Emmy and Golden Globe award-winning Schitt's Creek. Unscripted titles such as The Graham Norton Show, 24 Hours in Police Custody and Autopsy USA also sold well.

In 2021, the full pipeline of new content for Global Distribution will be dependent on whether COVID-19 restrictions continue to impact the filming of productions. However, we have a strong slate of new scripted titles including Grace, Line of Duty, Vigil and The Serpent, and finished tapes sales of unscripted formats including The Voice, Love Island, Hell's Kitchen, The Chase and Come Dine With Me, all delivering across a number of different territories. We will also start the pre-selling third-party productions including international spy drama, Harry Palmer: The Ipcress File, and A Year On Planet Earth, a new natural history series.



▲ **Romulus** is a scripted production by Cattleya for Sky Italia. It is based on the Roman mythology story of Romulus and Remus and filmed in archaic Latin.

▼ **Good Witch** is a scripted production by ITV Studios America for the Hallmark Channel. It had its sixth season in 2020 and has been renewed for its seventh, due in 2021.

▶ **Schitt's Creek** has received critical acclaim globally. The six season sitcom started on CBC in Canada and Pop TV in the USA, and is also available on Netflix. ITV Studios owns the global distribution and format rights.



Broadcast (M&E)

ITV, through our family of free-to-air channels and platforms, offers unique audience scale and reach, as well as more targeted demographics demanded by advertisers. The ITV Hub, the online home for content on our family of channels, has grown rapidly over a number of years, driven by viewers' appetite for our content on catch up, VOD and simulcast. Through our Direct to Consumer business, we are building relationships with consumers who are increasingly willing to pay to engage with our brands, content and intellectual property (IP). This is through SVOD, competitions, voting, live events, gaming and merchandising. Data and technology are key to evolving our broadcast business and driving revenue growth and new revenue streams.

The media market environment in which we operate is dynamic. The viewing and advertising landscape is evolving rapidly and becoming increasingly competitive, and our Broadcast business is constantly adapting. COVID-19 accelerated some of the changes we were already seeing presenting both challenges and opportunities. Our strategy is designed to mitigate the long-term impact of changing viewing patterns, and we are increasing the pace of implementation.

As part of our More than TV strategy and to better reflect and serve changing viewing habits, the Broadcast business has been restructured, creating a new Media and Entertainment division which is effective from 1 April 2021 with two business streams – Broadcast and On-Demand. The Broadcast business will remain the home of ITV main channel and will continue to deliver ITV's USP of mass simultaneous reach and unmissable content. The On-Demand business will focus on digital product development and digital growth for ITV, providing new content that appeals to audiences who already do most or all of their viewing on demand, and will serve it to them in whatever way they want to access it.



▲ **The Pembrokeshire Murders** was produced by World Productions for ITV. It was delivered in 2020, and broadcast in January 2021. It is the biggest drama on television to date in 2021, with the series averaging 12.1 million viewers across all devices.

◀ **Who Wants To Be A Millionaire** had its sixth series with Jeremy Clarkson as the presenter. It remains a popular entertainment game show on ITV.

▼ **The Virtual Grand National** was broadcast on ITV following the cancellation of the annual live race due to COVID-19. It included 40 virtual horses and riders and used technology and data to determine how the race would have been run, and the most likely winner.



Continuing to deliver unrivalled audiences

ITV's on-screen viewing in 2020 benefited from lockdown restrictions in the UK, with more people at home watching linear television. Total ITV viewing (which combines live viewing of ITV channels, recorded and VOD) was up 1%, with ITV main channel share of commercial impacts (SOCl) up 2% to 25.8% (2019: 25.3%). ITV main channel SOV and ITV Family SOV, however, declined by 1% and 4% respectively to 16.7% and 22.2% (2019: 16.9% and 23.2%) partly impacted by the volume of news output on the BBC, fewer episodes of the soaps and less new content as a result of COVID-19. Despite this, ITV main channel had its third-biggest SOV in a decade.

Total broadcaster TV viewing (live and catch up viewing to broadcast channels including TV VOD) was up 6% in the year, benefiting from the increase in viewing on the BBC, along with Channel 4 (with increased viewing for The Great British Bake Off and Gogglebox), and Sky (due to increased viewing for its box sets and football). Total TV set viewing, which includes unmatched viewing (content that cannot be matched to broadcast TV such as SVOD, YouTube, games consoles) was up 15% and driven by the significant increase in viewing on SVOD platforms during the year (Source: BARB).

With the lack of on-demand viewing drivers such as the absence of summer Love Island, fewer episodes of the soaps, lower volumes of new content following the pause in production and no major sporting event, online viewing (which measures the total number of hours viewers are spending

online) on the ITV Hub was down 5% year-on-year. Within this, simulcast viewing hours were up 13% in the year, as more viewers used the ITV Hub as a destination for live viewing via connected TVs and streaming devices. The growth of the ITV Hub is a key part of our strategy. We have a number of initiatives focused on improving the user experience and content to help drive strong viewing over the coming year. Further details are included in the ITV Hub section on the following page. In addition, as part of the restructure of the Broadcast business, we will assess the appropriate allocation of the network schedule cost between our linear channels and AVOD to balance our ability to deliver mass audiences and increase on-demand viewing.

On average the number of minutes of television viewers watched per day in 2020 was 192 minutes (C7 total broadcast TV including catch up), up 5% on the previous year (2019: 183 minutes), this is the first time growth has been seen in total broadcast TV viewing since 2010. Despite the decline in SOV and online viewing, ITV delivered record-breaking audiences both in linear and on-demand, with programming such as Des, Quiz, I'm A Celebrity...Get Me Out Of Here! and The Chase. During the day, most of our daytime shows had their strongest viewing in years, including Good Morning Britain, This Morning and Loose Women. However, during peak hours, our share of linear viewing was impacted by the factors mentioned previously and the significant increase in viewing on SVOD platforms, particularly amongst 16-34s. While younger viewers are watching less linear television than they used to, television still reaches on average, around 80% of young people

each week. Through delivering great content such as Saturday Night Takeaway, winter Love Island and Gordon, Gino and Fred: Road Trip, we were able to reach them both through linear and online, with ITV main channel being the most-watched channel for 16-34s in 2020 (Source: BARB C7 viewing).

On ITV main channel, Coronation Street and Emmerdale maintained their position as the UK's two largest soaps, with Coronation Street increasing its audience year-on-year. We successfully aired a range of new programmes, including four of the top five most-watched new dramas such as Des – ITV's biggest new drama ever, White House Farm and Van Der Valk; new entertainment shows, including The Masked Singer and Beat The Chasers – the two biggest new entertainment series launches in 13 years; and successful factual entertainment, including; Bradley Walsh & Son: Breaking Dad, Gordon, Gino and Fred: Road Trip, and Long Lost Family: Born Without A Trace. We continue to drive significant audiences with our returning brands such as The Voice, Britain's Got Talent, and I'm A Celebrity...Get Me Out Of Here! – which was the most-watched entertainment series of the year. Our news programming performed well, with our national weekday bulletins increasing their share year-on-year. Viewing was however impacted by the decision to cancel or postpone the majority of sporting tournaments and live entertainment shows including the European Football Championships, horse racing and the summer series of Love Island. The delay in delivery of a number of programmes, particularly scripted, arising from the pause in production in ITV Studios and other indies also had an impact on viewing.

We continue to target the demographics most highly demanded by advertisers – particularly young and male audiences – through our family of channels and online.

On ITV2, SOV and SOCl for 16-34s were down 27% and 25% respectively, with the cancellation of the summer series of Love Island and less new content, having a significant impact on the schedule. Despite this, ITV2 remained the most-watched digital channel for 16-34s for the fourth year in a row. This was helped by the winter series of Love Island, Ibiza Weekender, and several box-office films.

On ITV3, ABC1 adults SOV was up 6% in the year due to the strong slate of classic dramas which appealed to the increased number of people at home looking for quality content to watch. Programmes included Downton Abbey, Midsomer Murders and Vera, as well as repeats of Emmerdale and Coronation Street.



▲ **Bradley Walsh and Son: Breaking Dad** returned for its second series on ITV. It averaged 5.6 million viewers and was ITV's third biggest factual show in 2020.

On ITV4, Male SOV was down 1%, impacted by the loss of sport in the schedule, such as the Isle of Man TT, Tour of Britain and Yorkshire and the Snooker Tour Championship. The return of live sport with snooker and horse racing in June helped to mitigate some of this viewing decline.

We have a strong schedule in 2021 with new and returning dramas including: The Pembrokeshire Murders, Finding Alice, Grace, Viewpoint, The Bay, Marcella, Unforgotten, McDonald & Dodds and Vera; and new and returning entertainment including: The Masked Singer, Saturday Night Takeaway, The Cabins, and the summer series of Love Island. Our sporting schedule includes the Rugby Six Nations and the rescheduled European Football Championships, along with the FA Cup which we will start broadcasting in the second half of 2021.

While there remains a risk that some programmes due to broadcast during the year, may be delayed due to continued COVID-19 restrictions, being an integrated producer broadcaster puts us in a unique position enabling us to work with ITV Studios to develop filming plans on key programmes, and to source additional library content for our channels.

Spontaneous consideration amongst all adults and light viewers was down 3.3 percentage points and 2.5 percentage points respectively year-on-year, mainly impacted by the growth in SVOD brands during the pandemic. Our decline was less than that of the BBC demonstrating the high-quality of our content and the positive impact of our marketing investment.

Growing and enhancing our AVOD and SVOD propositions

Our AVOD proposition is the ITV Hub in the UK and our SVOD propositions are ITV Hub+, BritBox UK, BritBox International in the US, Canada and Australia, and Cirkus in the Nordics, Germany, Austria and Switzerland.

ITV Hub

The ITV Hub has 32.6 million registered user accounts (31 December 2019: 30.8 million) and is available on 28 platforms, and is pre-installed on the majority of connected televisions currently sold in the UK.

During 2020, despite the challenges presented by the COVID-19 pandemic, we continued to invest in, and deliver the Hub acceleration plan which is a key part of the More than TV strategy. There has been a process of continued enhancement and improvement in the ITV Hub over the last two years, focused on redesigning the interface on all platforms to further improve the overall user experience, increasing personalisation, prominence

and distribution to make it a destination for viewing our content, and integrating BritBox UK, to make the transition to the service seamless. We have also redesigned the ITV News online site. During 2020 we strengthened the content available through extending the catch up window for content from 30 days to 12 months; trialling short-form content on iOs and itv.com; showing live exclusive events such as British Touring Cars, and had the re-run of the 1996 European Football Championship and the 2003 Rugby World Cup. We also launched a 'Continue Watching' option, a recommendations rail, and a 'My List' function.

Our investment in the ITV Hub in 2021 will be focused on further accelerating its growth to make the ITV Hub a destination, not just catch up service, along with rolling out the redesign across connected TVs. We plan to trial a new windowing strategy which will include: increasing the number of dramas series we make available in full on the ITV Hub once the first episode launches on linear – such as Finding Alice, The Bay and Marcella; having exclusive content including spin-offs from large entertainment shows such as The Masked Singer and Saturday Night Takeaway; and increasing the curation of content using our vast archive. We will also focus on the increased distribution of the ITV Hub on new platforms and TVs. In 2021 we would expect our investment to drive an increase in online viewing and monthly active users.

ITV Hub+

The ITV Hub+ offers an ad-free subscription version of the ITV Hub with content download capability. The number of subscriptions at the end of December 2020 was c410,000 which was broadly in line with 2019. The absence of key programming, a lower volume of new content along with travel restrictions resulting in people not requiring download functionality or EU portability, all had an impact on our ability to drive new subscriptions in the year. We continued our process of improvement on ITV Hub+, launching an annual subscription pass, incorporating programme download functionality on Android devices and integrating in-app purchases on Amazon. At 31 December 2020, EU portability on ITV Hub+ was disabled as the Brexit transition period ended. In 2021 we would expect the return of key entertainment shows and sport to positively impact our Hub+ subscriptions and we will focus on other initiatives including embedding Google Play billing in the app and creating more upselling opportunities for ITV Hub+ within the ITV Hub.

BritBox

BritBox UK has seen good growth in subscriptions in the year, and as expected, the lockdown restrictions along with the increase in content and distribution of the service, increased the number of customers signing up for the free trial period. We have continued to see strong subscriber appeal and in January 2021 we had over 500,000 subscriptions, which was ahead of our business plan. Conversion and churn rates are in line with our plan. Distribution of BritBox UK was extended during the year, with the roll out through BT and EE, the service now available on over 20 million devices and to 65% of streaming households. It has also reached over 90% brand awareness in the UK (Source: YouGov). We are continuing to explore opportunities to expand the distribution of BritBox UK and are working with a number of platforms to enable this. During the year Channel 4 and Film4 content became available on the platform and we saw the launch of our first original commission, Spitting Image, which helped drive a ten-fold increase in subscriptions to the service. Spitting Image has been recommissioned for a second series in 2021, with four original dramas, and one factual expected to launch on the service across 2021 and 2022. The first will be The Beast Must Die, and Secrets of the Krays in the first half of 2021, followed by Magpie Murders, Crime and A Spy Amongst Friends. The content pipeline for BritBox UK is healthy with further originals currently in development.



Our international BritBox joint venture with the BBC is currently available in the US, Canada, and Australia, and provides an ad-free SVOD service offering the most comprehensive collection of British content available in those territories. Subscriptions have grown strongly, increasing by 50% in the US and Canada in 2020. We now have over 1.7 million BritBox subscriptions internationally. We are planning a phased roll out of BritBox in up to 25 countries, with South Africa expected to launch in 2021. The countries we have identified are those where research indicates we could launch the service profitably, managing our SVOD rights more effectively and drive more value from them. Our funding for the next phase of the roll out will be from our share of BritBox US cashflows, which is a profitable service, and we will undertake a full business case review for each territory before deciding to launch.

Across all our SVOD services (including Hub+) we now have over 2.6 million subscriptions globally.

Strong linear and online advertising proposition

While the COVID-19 pandemic and uncertain outlook led advertisers to reduce their total advertising spend, our Commercial team continued to work very closely with advertisers and agencies during the year to create relevant and innovative marketing and advertising opportunities. They helped brands to market themselves in a way that was socially responsible and reflected the mood of the nation. During the height of the pandemic, the team hosted weekly webinars reaching over 3,000 customers and sent weekly updates to all our customers during this time. We removed the late booking penalty for advertisers and had no charges for making amendments to existing campaigns to give advertisers as much flexibility as possible during the uncertain backdrop. ITV Creative remained operational and was able to help advertisers film and produce campaigns. Some of the innovative campaigns we were involved in included BT providing technology tips in the wake of the pandemic, The People's Ad Break, Waitrose Pick For Britain, and Just Eat taking over an ad break to support Britain Get Talking, our mental health campaign.

Television remains one of the most efficient and effective mediums for advertisers to achieve mass reach and in 2020, ITV delivered 94% of all commercial audiences over three million and over five million. As viewing and advertising become more fragmented, the scale and reach of advertising that television, and particularly ITV, delivers becomes increasingly valuable. We provide a safe, trusted, measured and transparent environment in which to advertise, and television generates the highest return on investment of any media. With the significant increase in television viewing volumes, combined with the decline in advertising revenue, there was 50% to 60% deflation in the cost of television advertising during the height of the pandemic compared to before the pandemic. With the proven return on investment which television offers, we set up ITV AdVentures, aimed at encouraging digitally native brands to advertise on television for the first time, including car insurance brand By Miles, pregnancy app Peanut, business-to-business comparison site Bionic, and Butternut Box, a subscription service dog food brand.

The focus going forward will be to continue to build deep strategic relationships with our advertisers and the Commercial team has a number of initiatives underway to help drive this. This includes ITV Backing Business, making it as flexible as possible for British businesses to advertise on television, providing them with marketing support and a wealth of resources to help them return to growth. We also forged partnerships between Backing Business and established advertisers, such as NatWest's business banking unit, as they launched a competition for small businesses to win advertising creative; and with Facebook Portal to help people connect with their friends and families over Christmas. In addition, we created ITV Home Planet, a new initiative for sustainable brands to encourage viewers to reduce their carbon footprint, with Quorn (meat substitute brand) becoming ITV's first brand partner.

During 2021 we will also continue to explore linear addressable advertising opportunities.

Online video advertising on the ITV Hub delivers targeted demographics in a high-quality, trusted and measured environment for advertisers. We have now rolled out Planet V, our scaled programmatic addressable advertising platform, to the majority of major agencies, with around 85% of all customer orders now managed on the platform. Planet V is designed and deployed as a self-service platform for advertisers and agencies, enabling them to plan and buy ITV Hub inventory seamlessly and cost effectively,

▶ **Spitting Image** was the first original for BritBox UK. It helped drive a ten-fold increase in subscriptions to the service and has been recommissioned for a second series in 2021.

◀ **The Martin Lewis Money Show** is produced by Multistory Media (part of ITV Studios UK) and started its tenth series in 2020. It was one of the first productions to restart filming in the UK, with a number of 'specials' across March to July.

▼ **ITV partnered with BT** for an innovative advertising campaign to promote technology tips following the first lockdown in the UK.



create bespoke audiences, add their first party data and monitor their campaigns via a custom built user interface. Our Commercial business is therefore able to offer our clients the best of both worlds, mass audiences with simultaneous reach on linear channels, and addressable targeting at scale around our premium inventory on the ITV Hub. We have also agreed our first third-party partnership with Samsung Plus TV for their inventory to be plannable and buyable via Planet V.

We have recently invested in InfoSum, a data and identity infrastructure company, to augment Planet V's first party data capabilities. Infosum allows us to merge advertisers first-party data with ITV's data, in a secure and compliant way. This will enable more granular targeting and measurement across ITV's premium video inventory, providing the capability to build new and more powerful audience segments, at scale, unique to each advertiser.

To provide more insight into the effectiveness of television advertising, ITV has joined Channel 4 and Sky to launch a new total television advertising measurement system in the UK. CFlight (designed by NBCU in the US) is a post-campaign online evaluation tool, using combined linear television and Broadcast VOD (BVOD) data to show advertisers and media agencies what the overall advertising exposure is for television advertising, including reach and frequency metrics. This will give advertisers and agencies a unique view of the coverage achieved by their commercial campaigns across both linear and BVOD. We expect this to be available during 2021.

Broadcast financial performance in 2020

Broadcast total revenue was down 8% in the year at £1,890 million (2019: £2,063 million). This decline was entirely driven by a decrease in total advertising revenue which was down 11% to £1,577 million (2019: £1,768 million) in 2020. Within this VOD advertising revenues up 17%. Broadcast non-advertising revenues were up 6% in the year to £313 million (2019: £295 million) with growth across all areas. Further detail on the year-on-year movement in revenue is detailed below.

Total costs within Broadcast were down 8%, primarily driven by lower schedule costs, which were down 14% to £935 million (2019: £1,091 million) due to the cancellation or delay of programming impacted by the pandemic. This included the UEFA European Football Championship, the summer series of Love Island, a reduction in episodes of the soaps and the delay of some scripted titles into 2021. It is expected that schedule costs in 2021 will return to previous levels of around £1.1 billion. Variable costs were up

20% at £161 million (2019: £134 million), mainly driven by costs for marketing and content for BritBox UK and higher interactive costs associated with the increase in revenue and prize costs in the year. Broadcast infrastructure and overhead costs decreased by 1% to £373 million, with additional overhead costs associated with BritBox UK and Planet V, along with investments of £8 million in data, the ITV Hub, ITV Hub+ and technology in line with our strategic priorities. This was offset by £53 million of cost savings made across Broadcast (£45 million of which are temporary and £8 million are permanent).

The 2020 net investment in BritBox UK was £49 million (2019: £19 million) with venture losses of £59 million (2019: £21 million), both of which were in line with expectation. We anticipate that as we build BritBox UK's subscriber base, it will remain in the net investment phase for several years.

Broadcast adjusted EBITA (excluding BritBox UK) was down 1% to £480 million (2019: £483 million), with a margin of 25% (2019: 23%). Total Broadcast adjusted EBITA (including BritBox) was down 9% to £421 million (2019: £462 million), with a 22% margin (2019: 22%).

Within exceptional items we have included a £23 million impairment to sports rights, reflecting the impact of COVID-19, along with changing forecasts of audience mix and revenues for certain sporting events. We have also included a £19 million onerous contract provision for one of our satellite

transponders which we are no longer utilising. See the exceptional items note within the Finance Review for further detail.

Total advertising revenue (TAR)

At the start of 2020, there was good momentum in total advertising with revenues in Q1 up 2%, preceded by two-quarters of growth in the second half of 2019. However, the COVID-19 pandemic had a severe negative impact on advertising demand from Q2. The announcement of the UK government imposed lockdown and containment measures in March, caused an almost immediate decline in advertising, with many brands reducing, or stopping their advertising spend completely. Total advertising in Q2 2020 was down 43%, the most severe decline in the history of TV. We saw trends improve in Q3 with TAR down 7% and in Q4 with TAR up 3%, as advertisers spent more in advance of Christmas with confidence boosted from the commencement of the roll out of the COVID-19 vaccine.

Most advertising categories decreased their spend during 2020, with categories such as Airlines and Travel, Entertainment and Leisure, and Retail being the hardest hit as travel restrictions were imposed and shops, leisure facilities and showrooms were closed. While the spend from online brands (excluding gambling) also declined in the year, they declined less than most categories and we did see increased spend from social networking brands, OTT platforms and food delivery brands, who benefited from people being at home.

Twelve months to 31 December	2020 £m	2019 £m	Change £m	Change %
Total advertising revenue	1,577	1,768	(191)	(11)
Direct to Consumer	87	84	3	4
SDN	73	69	4	6
Other revenue	153	142	11	8
Broadcast non-advertising revenue	313	295	18	6
Total Broadcast revenue	1,890	2,063	(173)	(8)
Network schedule costs	(935)	(1,091)	156	14
Variable costs	(161)	(134)	(27)	(20)
Broadcast infrastructure and overheads	(373)	(376)	3	1
Total Broadcast costs	(1,469)	(1,601)	132	8
Total Broadcast adjusted EBITA*	421	462	(41)	(9)
Total adjusted EBITA margin	22%	22%		
BritBox UK venture loss**	59	21	38	-
Adjusted EBITA Broadcast (ex BritBox UK)	480	483	(3)	(1)
Adjusted EBITA margin (ex BritBox UK)	25%	23%		

* There are no adjusting items within Broadcast EBITA.

** BritBox UK venture loss includes the cost of advertising on ITV, and the acquisition of programmes from ITV Studios. The venture loss better reflects the stand-alone performance of BritBox.

Government, Charities and Other, Publishing and Broadcasting, Cosmetics and Toiletries, and Household Stores were key categories which grew spend in the year.

VOD advertising revenue on the ITV Hub was up 17% in the year, with the second half of 2020 seeing strong demand from advertisers.

The current advertising environment remains challenging, and the tightening of restrictions at the end of 2020 and further national lockdown introduced at the beginning of January 2021, has impacted Q1 2021 with TAR expected to be down around 6%. March is expected to be up around 8%, and April up between 60% and 75%, with January to April up between 5% and 7%. This assumes there is no change in the current planned restrictions.

Direct to Consumer

Direct to Consumer (DTC) generates revenue directly from the customer and includes ITV Hub+, competitions, merchandise, live events and gaming. DTC revenue does not include BritBox UK (which is included within Other Revenue) or BritBox US/Australia (which is included within JVs and Associates).

In 2020, DTC revenue increased by 4% to £87 million (2019: £84 million) predominantly due to an increase in competitions revenues which performed strongly across the schedule. Daytime was particularly important, which corresponded with the increase in viewers, and also programming such as Saturday Night

Takeaway and I'm A Celebrity...Get Me Out Of Here! Our rebranded competitions portal, ITV Win, has seen a significant uplift in traffic in the year, with an increasing proportion of competitions revenue being generated through it. We will continue to extend the offering and marketing around ITV Win in 2021.

Partly offsetting some of the DTC growth in the year, was the absence of pay per view boxing revenues included within the 2019 comparatives, along with a decline in live events revenue. All our live events were closed in line with government restrictions from March. Events such as the Coronation Street set tour and Emmerdale village tour and studio experience are linked to our production sets and therefore are likely to remain closed until social distancing guidelines are eased further. Our branded Ninja Warrior Experiences around the UK are managed by third parties and opened briefly when restrictions were relaxed. Our I'm A Celebrity...Get Me Out Of Here! leisure attraction in the UK which was due to launch in 2020, has been delayed until the first half of 2021. These initiatives help build relationships directly with our viewers and, while the current environment has impacted our ability to generate revenues, we will continue to have a focused approach to opportunities in this area. With the restructure of Broadcast, gaming, live events and merchandising revenues around our IP will move to Global Formats and Distribution within ITV Studios from 2021. The impact to Broadcast from the reclassification of this revenue stream will be small.

SDN

SDN generates revenue by licensing multiplex capacity to broadcast channels, radio stations and data providers on digital terrestrial television (DTT) or Freeview. Currently, the SDN platform utilises the radio spectrum licensed to it to provide capacity for 18 broadcast channels and a number of data and radio services.

SDN customers include ITV and third parties, with external revenue (non-ITV) increasing by 6% in the year to £73 million (2019: £69 million), driven by the launch of two new video streams in January 2020.

SDN's current multiplex licence expires towards the end of 2022. The Government is currently consulting on the future of the SDN licence (as well as most of those held by Arqiva, the BBC and Channel 4). The consultation indicated that the Government is seeking to renew the licence and not to hold an open competition, though the period of the possible renewal is not yet determined. The Government recognises the need to ensure that Ofcom can undertake the renewal of these licences sufficiently in advance of their expiry in 2022, and is aiming for the amended legislation to come into force during 2021.

In 2022 and 2023, some long-standing contracts which were agreed at the peak of the DTT capacity market ten years ago will come to an end, which we expect these to revert to current market rates.

Other revenue

Other revenue includes revenue from platforms, such as Sky and Virgin, and third-party commissions, e.g. for services we provide to STV, along with subscription revenue for BritBox UK. This is up 8% year-on-year to £153 million (2019: £142 million) predominantly due to BritBox UK which has seen good growth since its launch in 2019 and has benefited during the pandemic. A reduction in third-party commission due to the corresponding decline in NAR in the year partly offset this growth.



▲ **Don't Hate The Playaz** returned for a third series on ITV2 in 2020. The comedy game show is popular for 16-34s, with over half the audience being within this demographic.

▶ **The Six Nations Rugby Championship** had seven matches across 2020 on ITV, with some being postponed due to COVID-19. The England vs. Wales match had the biggest audience with 5.3 million viewers.



Social Purpose

Social purpose is central to ITV's More than TV strategy. ITV is a creative force that does more than entertain – it makes a difference to British culture in a way that global competitors cannot. With the huge reach of our platforms, much-loved shows and creative talent, ITV has a unique ability to drive meaningful change by reflecting and shaping culture.

Our Social Purpose strategy, *Shaping Culture for Good*, is built on four priorities: Better Health, Diversity and Inclusion, Climate Action and Giving Back, each with goals on and off screen, which were set in 2019. We identified better mental and physical health as the cause we want to be known for and it is where we focus our major behaviour change campaigns.

The performance of our campaigns is monitored through extensive research commissioned from YouGov and other partners. Performance and plans are reviewed by the Board annually and Management Board quarterly. The Studios and Media and Entertainment Boards review progress against environmental targets quarterly and progress against diversity targets biannually.

Our social purpose goals align with the UN's Sustainable Development Goals (SDGs). The following nine SDGs are those where we believe ITV can make the most significant contribution.



Our priorities:



Better Health

Inspiring change in how we look after our mental and physical health.

Our goal

Encourage **10 million** people to take action to improve their mental or physical health by 2023. (2 million each year from 2019)

Sustainable Development Goals



ITV puts the power of TV behind behaviour change campaigns. We have created a distinctive approach which is built around: encouraging preventative action; being disruptive; always entertaining; learning from experts; and demonstrating results.

Off-screen we also have a real focus on the wellbeing of our people, producers and participants.

Mental Wellness

Britain Get Talking

Throughout 2020 we continued our award-winning campaign supported by the charities Mind and YoungMinds to encourage people to improve mental wellbeing by staying connected. It is the UK's most recognised mental health campaign for the second year running.

The campaigns

COVID-19 lockdown restrictions in the UK and around the world created a real risk to mental health. ITV launched a campaign before the UK lockdown began to encourage people to stay connected to reduce stress and ease the anxiety of loneliness. Ant and Dec spoke at the end of Saturday Night Takeaway, talking to 7.5 million viewers, about the importance of keeping in touch. In addition, we broadcast over 200 messages of support from over 100 celebrities and from ITV viewers, all about staying in touch while we stayed at home. The campaign further extended its reach through brand partnerships with TalkTalk and Just Eat.



Eat Better

For Mental Health Awareness Week in May, the focus turned to connecting with those outside our inner circle. Again, 20 well-loved ITV faces joined in the campaign and it was accompanied by a series of animated adverts encouraging people to get in touch.

ITV launched a fundraiser on World Mental Health Day to help support the vital helplines provided by Mind, YoungMinds, SAMH and CALM. Inspired by the campaign, the UK government pledged an additional £1 million to support mental health helplines, announced on air, during the final of Britain's Got Talent.

The results

6.4 million

people started a conversation¹ with friends or family as a result of the campaigns, in 15 million phone calls and 27 million text messages

£1.4 million

was generated for mental health helplines

Eat Them To Defeat Them

In February 2020, ITV continued its partnership with Veg Power to encourage children to eat vegetables.

The campaign

Following impressive results in 2019, Eat Them To Defeat Them returned in 2020 with six brand new ten-second adverts, each focusing on a different vegetable. These ran alongside the original adverts over seven weeks of family-focused commercial airtime.

Sky and Channel 4 also joined in to support with commercial airtime as part of our shared £10 million commitment to supporting children's health from 2020-2022

The results

9 out of 10 households

The campaign reached nearly 9 out of 10 households with 4-9 year olds²

425,000

children took part in the campaign in schools³

217 million

additional portions of vegetables were sold as a result of the campaign⁴

1. Source: Extrapolated from YouGov, May 2020, Sample: 2078 UK adults

2. Source: BARB

3. Source: Data supplied by VegPower, 2020

4. Source: PearlMetrics econometric analysis of sales factors, 2020

5. Source: Daily Mile schools registrations, supplied by the Daily Mile

Move More

Daily Mile

ITV began supporting the Daily Mile in 2018, an initiative that encourages school children to complete 15 minutes of daily exercise. In 2020 we continued to support this through regional News coverage and a September on air campaign with the message 'It's never been more important to get back moving with the Daily Mile'.

The results⁵

Over **70,000**

more children are doing the Daily Mile as a result of the September campaign

1.63 million

Since ITV began supporting the Daily Mile in April 2019, 1.63m more children are doing the Daily Mile, in over 6,000 more schools



Additional response to COVID-19

In addition to our planned campaigns, ITV helped promote public health messages and raise morale during the pandemic.

Colleague wellbeing

The wellbeing of colleagues continues to be a priority. Further detail on how we have engaged with, and supported the mental health and wellbeing of our colleagues during the pandemic is included in the Chief Executive's Report and Our People section.

Stay at Home

Public Health England approached ITV for help in encouraging people to stay at home during the first lockdown.

The campaign

In May 2020 we developed two irreverent campaigns on ITV2 and ITV4, to encourage audiences to rethink their decisions on breaking lockdown rules.

The results

5.7 million

The campaign reached 5.7 million adults¹

25%

of those who saw the campaign said they were more aware of why they shouldn't break lockdown, and

24%

said they were more motivated to stay at home²

Handwashing

The campaign

Handwashing is considered one of the simplest and most effective ways of preventing the spread of COVID-19. To make the public health message around handwashing more engaging, we translated the critical handwashing time of 20 seconds into something relatable for our young viewers. We created a series of 20-second spots with hilarious moments from Ibiza Weekender, Keith Lemon, and Love Island showing young people exactly how long 20 seconds is.

The results

11.5 million

The campaign reached 11.5 million people³

64%

of people surveyed thought this campaign stood out from other COVID-19 themed adverts,

41%

said it would make them more likely to wash their hands for longer⁴

NHS Day

ITV wanted to highlight the incredible work of the NHS during the pandemic and raise money to help support NHS workers.

The campaign

ITV paused the main channel each Thursday at 8pm to support the Clap for Our Carers and celebrate NHS workers.

On 16 April, the whole day was dedicated to the NHS, with the main channel celebrating the NHS across daytime, and news. An appeal advert ran during breaks to raise money for the NHS Charities Together One Million Claps campaign. Proceeds from the Virtual Grand National also went to NHS Charities Together.

The results⁵

Over

200,000

viewers donated to NHS Charities Together which, combined with our efforts for the Virtual Grand National, raised

£3.6 million

1. Source: BARB
 2. Source: YouGov, June 2020, Sample: 2,023 UK Adults
 3. Source: BARB
 4. Source: YouGov, July 2020, Sample: 1,105 UK Adults
 5. Source: NHS Charities Together



Our priorities:



Giving Back

Giving back to our local and international communities through causes we care about.

Our goal

Increase the amount raised for Soccer Aid for UNICEF and increase the amount of colleague volunteering

Sustainable Development Goals



ITV's Giving Back focus is on giving time, money and support to those who need it, both at home and further away.

Fundraising

Soccer Aid for UNICEF

ITV and Unicef have partnered on Soccer Aid since 2006, and in 2020 teams of celebrities and former professional footballers played for 'Generation Covid'. Money raised will help Unicef stop the spread of coronavirus and limit its impact on children's lives around the world.

The event

Due to lockdown restrictions, the match was moved to September and played behind-closed-doors at Old Trafford stadium. In support of the appeal, ITV commissioned a special documentary 'A Game of Two Halves'.

The results

£9.3 million

A record-breaking £9.3 million was raised

18%

uplift year-on-year⁶

6. Source: ITV Interactive/Unicef

7. Source: BARB

8. Source: Extrapolated from YouGov, November 2020 Sample: 2,037 UK Adults

Volunteering

ITV encourages colleagues to use three paid days a year to volunteer. In 2020, most volunteering opportunities were moved online. For example, we were still able to encourage outreach to those interested in a career in TV through sessions, such as the ITV and Media Trust workshop day. We also partnered with the National Lottery to create 'Miss Out to Help Out', an on-air campaign to encourage the general public to miss out on a TV show in order to volunteer.

The results

9.5 million

saw ITV and The National Lottery's 'Miss Out To Help Out' campaign.⁷ As a result, over

700,000

people looked for volunteering opportunities in their community⁸

With COVID-19 restrictions, we have and will continue to put in place online volunteering opportunities as well as in-person volunteering.



Our priorities:



Climate Action

Creating programmes with the biggest impact on the audience and the smallest impact on the planet.

Our goals

- Net Zero Carbon by 2030
- 2030 science-based targets to reduce Scope 1&2 emissions by 46.2% and Scope 3 by 28%
- Zero waste by 2030
- 100% sustainable supply chain by 2030
- 100% albert certified and trained by 2030

Sustainable Development Goals



In 2020, ITV made significant progress on climate action.

We announced 2030 Net Zero¹ targets. Sustainability was embedded through new governance structures, platforms and training, and a new data platform was commissioned to collate all emissions and waste data.

We achieved a B for our first response to the CDP Climate Change questionnaire. This puts ITV in the top 15% of the 9,526 companies that responded to the questionnaire which is above the media industry average.

ITV joined external initiatives to drive global action on Net Zero; becoming one of the founding signatories of the Media Climate Pact and was among the first to join The Climate Pledge and Ad Net Zero.

ITV is a signatory to the Taskforce for Climate-related Financial Disclosures (TCFD), and in 2020 Climate Scenario Analysis began, to determine how the changing climate could impact business strategy. See further detail on this and our goals, in the TCFD section, from page 62.

Energy

Net Zero by 2030

To become a Net Zero Carbon business by 2030, ITV will reduce emissions in line with our Science Based Targets (SBT) by 46.2% in the emissions we control (scope 1 & 2), and by 28% in the emissions we influence, such as business travel and products and services that we use (scope 3). Any remaining emissions will be sequestered in nature-based solutions such as tree planting. ITV's SBTs have been validated by the Science Based Targets initiative.

In 2020, our scope 1&2 emissions reduced by **26%** and Scope 3 reduced by **16%**

Our reduction in Scope 1&2 and Scope 3 emissions has been influenced by remote working, travel restrictions and production pauses due COVID-19, as well as the initiatives we have taken to reduce our impact across the business.

To address scope 3 emissions

- ITV's procurement team has begun work to identify our highest environmental impact suppliers and has published a new 'Procuring with Social Purpose' framework to influence sustainability through our supply chain
- Our Technology team helped build the world's first carbon calculator for digital content distribution along with Bristol University – DIMPACT. This tool is being used to inform decision-making to reduce emissions in the infrastructure ITV does not own
- Our Technology team also developed a cloud efficiency calculator improving the efficiency of ITV's web services. This helped to save 20 tonnes of carbon in 2020 by reducing electricity usage

Further energy efficiency initiatives in 2020 and for 2021, have been included under the Streamlined Energy and Carbon Reporting table on the following page.

Waste

Zero waste by 2030

ITV is committed to achieving zero waste by 2030, which means 90% of our waste in the UK will be reused or recycled. We have begun work on our 2019 baseline, and will develop our waste reduction roadmap in 2021.

In 2020 ITV focused on improving waste segregation in our offices, piloting a new bin configuration and internal communications to increase the amounts recycled. Our initial results are positive, and we will explore ways to improve this in 2021, as and when more colleagues return to work at ITV offices. We will also engage with our productions on reducing waste.

Sourcing

100% sustainable supply chain by 2030

ITV's target is to make sure all our highest environmental risk suppliers align to our enhanced sustainability criteria by 2025, and to work with all our suppliers to improve their impact by 2030.

In 2020 the Procurement team developed a new Supplier Code of Conduct, to launch in 2021, that sets out the expectation of all our suppliers to help deliver against our 2030 climate action targets. The new 'Procuring with Social Purpose' framework helps weigh up decision-making factors including cost, service, social and environmental factors.



1. Net Zero is a state when no incremental emissions are released into the atmosphere. It is achieved when absolute emissions are reduced in line with science based targets to as close to zero as possible, and any remaining emissions are taken out of the atmosphere through carbon sequestration such as tree planting.

Streamlined Energy and Carbon Reporting (SECR) – based on data for year ended 31 December

Scope	Description	Unit	2020 UK	2020 Global (excl UK)	2019 UK	2019 Global (excl UK)
1	Emissions from gas, refrigerants and owned vehicles	tCO ₂ e	1,631	923	2,031	1,370
2	Location-based Electricity emissions using geographical location	tCO ₂ e	9,118	774	11,569	1,994
	Market-based Electricity emissions using purchased electricity factor		4,954	595	6,347	1,994
1&2	Total emissions	tCO ₂ e	10,749	1,698	13,600	3,364
			6,585	1,518	8,378	3,364
	Direct & Indirect Energy Consumption	kWh	44,290,976	3,060,668	58,153,385	8,664,993
	Total revenue	£m	3,260		3,885	
1&2	Normalised emissions to revenue	tCO ₂ e/£m	3.2971	0.5208	3.5006	0.8659
			2.0198	0.4657	2.1565	0.8659
3	Purchased Goods and Services	tCO ₂ e	345,097		382,305	
3	Business travel	tCO ₂ e	13,650		43,618	
Total Scope 1, 2 & 3 (market-based)		tCO₂e	366,850		437,665	

Methodology

2020 Scopes 1&2 emissions data covers global operations for which we have operational control. We use the Greenhouse Gases (GHG) Protocol Corporate Accounting and Reporting Standard and the latest conversion factors from the Department for Business, Energy & Industrial Strategy to calculate Scope 1 emissions, and the latest conversion factors from the International Energy Agency to calculate Scope 2 emissions in tonnes of carbon dioxide equivalents. 9% of our data set is based on estimated data. Estimates are calculated from previous consumption trends and published benchmarks.

Energy efficiency initiatives

- In 2020, we continued installing LED lighting in our Emmerdale studios in the UK, completing two out of seven studios to date, saving up to 85% of energy compared to the previous lighting infrastructure. Due to the pandemic, we were also able to switch off a number of boilers in our main UK offices as the majority of colleagues have

worked from home since mid-March. The sale of our Southbank site in 2019 also helped reduce gas consumption in the UK. A number of planned 2020 efficiency initiatives, including upgrade of LED lighting to two further Emmerdale studios, has been postponed to 2021, and will recommence once we return to our offices.

- As an outcome of our 2019 Energy Savings Opportunities Scheme (ESOS) review, in 2020 we ran a test in our Coronation Street computer room to reduce the amount of lighting and air conditioning used. We made small adjustments which allowed us to save 50% of the energy previously used. We plan to roll out the same methodology in all our computer rooms in 2021.
- A renewable energy review was conducted on ITV's UK properties, and we are working with relevant landlords to upgrade to renewable energy contracts. In 2020, 46% of our energy came from renewables, up by six percentage points compared to 2019.

Culture

100% environmentally trained and certified

ITV has committed to training 100% of our global workforce in climate action by the end of 2021, and we are the first broadcaster to announce that all programmes produced and commissioned in the UK will be environmentally certified using BAFTA's albert carbon calculator² by the end of 2021.

In 2020 ITV rolled out Climate Crisis to Climate Action training for all UK colleagues which was delivered virtually by the albert BAFTA team. In addition, a new mandatory Climate Action e-learning module was

introduced and to date has been completed by over 90% of all colleagues globally.

ITV made good progress on albert environmental certification³ in 2020, with 60% more certifications compared to 2019, including ITV's Regional News Services which became albert certified.

- albert carbon calculator quantifies the carbon impact of a production.
- albert sustainable production certification is a certification for a television production's efforts to reduce its carbon footprint. Productions are rewarded with one, two or three stars for reducing the impact of their production.

Climate action on-screen

Driving climate action on-screen

TV programmes can inspire the public to adopt more sustainable habits and in 2020 ITV continued to normalise sustainable living across a range of programmes.

ITV launched our first climate action campaign, The Shows We Never Want to Make, which told of ITV's Net Zero ambition, and drove viewers to a dedicated website where they could measure their carbon footprint.

For more information see: www.itv.com/footprint/

4. Source: BARB

The campaign reached 24 million⁴ people and has led to thousands completing WWF's carbon footprint tool. The campaign will run again in 2021.

A new climate action commercial proposition, ITV Home Planet, was also launched to help advertisers scale up new sustainable products and services, with the first brand partnership agreed in early 2021.

Our priorities:



Diversity & Inclusion

Fostering creativity by embracing diversity

Our goal

Improve gender, BAME, disability and LGBT+ representation on and off-screen by 2022

Sustainable Development Goals



Black Voices



As a commercial public service broadcaster and a responsible business, we aim to represent the rich diversity of modern Britain in our programming, behind-the-screens and within our workforce. We want our viewers to see their lives authentically reflected on-screen and to change perceptions at the heart of mainstream television. This is crucial to ITV's success, both creatively and commercially. We must attract the very best talent, from the widest range of backgrounds and nurture an inclusive, enabling environment for all.

In July, ITV launched its Diversity Acceleration Plan, which set out the steps we will take to create more opportunities for those from Black, Asian, minority ethnic (BAME) and other underrepresented groups across all levels and parts of ITV.

There are five key areas of action, each of which has a detailed series of supporting activities illustrated by the commitments outlined below and will be delivered over the next 12 months:

- 1. Increasing diversity on ITV's Management Board and senior leadership teams**
- 2. Commissioning to ensure ITV better represents contemporary British life on-screen within the next 12 months**
- 3. Improving diversity and career progression in TV production**
- 4. Recruitment – taking positive action at entry level as well as middle and senior leadership**
- 5. Educating and developing ourselves so everyone understands racism and their role in creating an inclusive culture**

ITV will report on progress on each of these commitments every year and will also establish a Cultural Advisory Council – a group of independent external advisers who will advise, challenge and counsel ITV.

Following the publication of this plan, we launched Black Voices, a series of short films offering Black people a platform to share stories of racism and their vision of fundamental changes they would like to see in the future. It promoted understanding and discussion around a cause of profound importance and featured a range of voices, including MPs, journalists, on-screen talent, and other colleagues from across ITV.

On-screen

We work to ensure that ITV authentically represents the many diverse ways of life and experiences in contemporary society on-screen. One of the key tools for ensuring this is ITV's Commissioning Commitments which forms part of the commissioning process. All programme makers are required to take measurable actions to improve diversity and inclusion, alongside commitments to environmental sustainability and charitable causes. This year the focus was on improving the diversity of main characters, presenters and contributors in our biggest shows. Commissioning editors and producers are also expected to actively work to ensure better representation in those working behind the camera.

In October, ITV celebrated Black History Month on-air for the first time with a range of newly commissioned programmes shown across ITV's family of channels.

On-screen

On-screen targets by 2022

Gender
50%

BAME
15%

Declared disability
10%

LGBT+
7%

Off-screen

ITV workforce targets by 2022

Gender
50%
of women in SLT, managers and colleagues

BAME
15%
of SLT, managers and colleagues
And 30% women, and 10% BAME on the PLC Board

Declared disability
12%
of SLT, managers and colleagues

LGBT+
7%

SLT = Senior Leadership Team, the top c.200 senior leaders in the business.

Off-screen

ITV was recognised as one of The Times' Top 50 Employers for women. We have established a data-driven, systemic approach to increasing female representation, building a pipeline to recruit and develop women at all levels. To improve BAME representation in senior editorial roles behind the camera, ITV's 'Step Up 60' initiative will create opportunities for at least 60 people to 'step up' and secure their first ITV senior editorial and production role, such as directing or writing episodes of ITV shows.

Our Inclusion and Diversity Council, which meets quarterly and is chaired by our CEO, ensures greater Management Board focus and provides challenge and external stimulus to help drive our Diversity and Inclusion strategy.

To help us achieve our published target, we launched the ITV Rise Programme to promote BAME talent progression at manager

and SLT level by providing Black and Asian colleagues greater visibility with senior leaders through networking and sponsorship, alongside career coaching.

Our five internal staff networks – Able, Balance, Embrace, Pride and The Women's Network are instrumental in embedding our diversity activities and helping us to create an inclusive culture. At the end of Q3 2020, the total number of members across all our networks, increased by over 100%. They have proved an essential source of support and connection whilst people have been working from home, due to COVID-19 restrictions.

 **ITV has published its Gender Pay Gap Report which includes Ethnicity Pay Gap Reporting, see www.itvplc.com/investors/governance**

 **For more information see our Social Purpose Report and website: www.itvplc.com/socialpurpose**

Progress against Targets¹

BAME

We have increased our off-screen BAME representation in the year, being 12.9% of all colleagues, 10.6% of SLT and 10.1% of managers. On-screen we surpassed our BAME target, with 17.6%² representation.

LGBT+

We have surpassed most of our targets for LGBT+ representation, with on-screen at 14.8%², and off-screen being 7.3% for all colleagues and 7.2% for managers. We are working to improve SLT representation which is currently at 4.9%.

Gender

We have surpassed most of our female representation targets, with on-screen being 53.8%², and off-screen being 52.9% of colleagues and 49.3% of managers being female. Our SLT representation of 45.3% is ahead of most of the FTSE 100, however are still working to reach 50%.

Disability

In 2020, disability representation amongst all colleagues was 11.0%, exceeding our previous 2022 target of 8%. We have subsequently increased our 2022 target to 12.0%, with the aim to review again at the end of 2021. On-screen disability is 11.2%², which is the highest of all the UK broadcasters

The 2020 Hampton-Alexander report ranked ITV tenth in FTSE 250 for female representation in our combined Executive Committee and direct report roles, and second within the FTSE 350 Media sector.

1. Data as at 31 December 2020
2. Source: 2019-20 Diamond: The Fourth Cut report published by the Creative Diversity Network

Off-screen Diversity Data (based on disclosed population at 31 December 2020)

Characteristic	Senior Leadership Team (SLT)*		Managers		All colleagues	
	2020	2022 Target	2020	2022 Target	2020	2022 Target
Colleagues who are female	45.3%	50.0%	49.3%	50.0%	52.9%	50.0%
Black, Asian & minority ethnic	10.6%	15.0%	10.1%	15.0%	12.9%	15.0%
LGBT+**	4.9%***	7.0%	7.2%***	7.0%	7.3%***	7.0%
Colleagues with a disability or long-term health condition	11.6%	12.0%	9.2%	12.0%	11.0%	12.0%

* Senior Leadership Team (SLT) includes management board –there is no separate target for the Management Board as the numbers are too small, however there is an expectation that this will also be representative in terms of diversity.

** This target is based on estimated working population data in these communities.

*** This number is based on LGB disclosure only (trans/non-binary data is too small to report).



Our People

Our people are at the heart of ITV. The development we offer leaders, managers and colleagues is designed to drive our inclusive culture, where everybody can perform at their best, realise their potential and thrive. Our ambition is to be the most flexible employer across Media and Entertainment.

The ITV Way

The *ITV Way* provides all colleagues with the guiding principles of how we like to work at ITV in order to deliver our strategy.

our recruitment practices, onboarding experience and Talking Performance approach (set out on page 51).

The *ITV Way* is embedded throughout the organisation through leader, manager and colleague workshops, supplemented with online resources, and through setting consistent expectations within



Make it brilliant

Creativity for everyone, without fear or caution

At ITV we connect with millions of people every day, make content they can't get enough of and reflect and shape the world we live in... and we do all of this through the power of creativity.

That means creativity at scale. It means creativity without fear or caution. It means creativity from everyone. For everyone. Every day.

Make it new

Openness to change, with no barriers

ITV is a place to make things happen. New ideas. New shows. New takes on old shows. New technology.

New relationships with our audiences and customers. There are no barriers here. ITV is changing. And when we change, we change the game, because we reach millions.

Make it together

Collaborating, respecting and embracing differences

ITV is for everyone. It is yours. It is ours. It is open. So take ownership. Work together.

Embrace every difference. Our difference creates better stories. Our difference makes a difference. We are together. We are proud.

Composition of our workforce

Our workforce consists of permanent and fixed term employees, freelancers and contractors.

Investing in and rewarding our people

We are committed to investing in and building a productive, creative and diverse workforce. We adopt a comprehensive and inclusive approach to investing in and rewarding our workforce, including apprenticeship and mentoring programmes.

Our apprentice programme continues to provide a diverse pipeline of entry level talent into ITV, developing individuals at the beginning of their career in the media industry. We had 23 apprentices on our 2019/2020 programme located across London, Cardiff, Manchester and Birmingham and the group completed Level 3 apprentice qualifications across Business Administration, Junior Journalism, Junior Content Producer, Digital Marketing and Broadcast Production. We are looking forward to welcoming circa 45 apprentices into ITV in 2021, to continue to grow this pipeline of talent into ITV.

We continue to invest in the development of our workforce through a range of online and classroom based workshops, including our online development portal 'My Academy'. These build leadership and line manager capability and support personal skills development, wellbeing and resilience for all colleagues. Furthermore, the ITV Way is the foundation for our newly developed leadership behaviours which fit into three broad themes – resilient leader, agile leader and driven leader – and underpins the selection and development of our leaders. During 2020, we developed our leadership capability through investment in the following leadership programmes and initiatives:

- **Leadership Labs:** we've invested in the development of our leaders and managers to equip them with the mindset, behaviours and tools to manage dispersed teams within the context of our digital transformation and a changing external landscape. We've provided external stimulus and worked with the latest insights from leading experts to build capabilities in leading change, harnessing diverse thinking, developing psychological fitness and inspiring creativity whilst working remotely.
- **Manager Essentials:** in light of COVID-19 and our new remote working practices, we redesigned and relaunched the Manager Essentials programme to consist of three bite-size online workshops focused on the managers' mindset, building trust and motivating teams.
- **Talking Performance:** our Talking Performance approach continues to drive high performance, providing the opportunity for managers and colleagues to engage in regular, good quality conversations about objectives, performance reviews and career development. It equips managers with the tools to check in with their teams on a regular basis, whether managing teams remotely or with a mix of remote and in-office working, with regular workshops allowing managers to refresh their knowledge and learn some new skills to support their conversations.

At ITV, we understand the need to stay competitive to retain our talent. Our approach to attracting and retaining talent through pay is set out on page 139. Our successful and popular Save As You Earn scheme gives our workforce the opportunity to engage with and celebrate ITV's success, and encourages voluntary investment in ITV shares. For further information on the Remuneration Committee's consideration of workforce remuneration and related policies see page 139.

Building an inclusive culture

At ITV, we understand and value the creativity that diversity brings to our business, and strive for an inclusive environment where everyone can be their authentic self. Our aim is to reflect the diversity of modern society both on and off-screen. To this end, ITV launched an accelerated Diversity and Inclusion Plan in July (see page 48 for further details). There are a number of workforce initiatives that support this plan and drive our inclusive culture, as follows:

1. Leaders and managers have attended mandatory inclusive leader sessions, taking away practical tools for creating

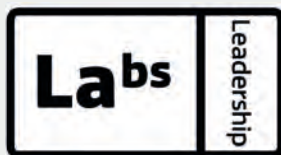
2. a working environment where all colleagues feel valued, increasing the awareness of bias and for harnessing the full potential of their teams.
2. With a particular focus on racial inclusion, we've launched mandatory race fluency workshops for all leaders and managers.
3. All hiring managers are expected to attend Inclusive Hiring – a three-part programme looking at unconscious bias, equality legislation and the selection and assessment process.
4. We have launched ITV Rise, a holistic 12-month culture change programme designed for 45 Black, Asian and ethnic minority colleagues, working with their line managers and senior leader advocates to build race confidence, promote talent progression into manager roles and accelerate inclusive culture change.

We were named one of The Times Top 50 Employers for Women in recognition of the actions we have taken to increase representation of women into senior positions, and ensuring gender balance at all levels and within both recruitment and progression.

We have continued to position ITV as an inclusive employer of choice by strengthening and broadening our talent attraction strategy, including:

- Expanding our reach through specialist job board partners, for example Evenbreak, a specialist disability job board with a reach of 33,000 disabled candidates
- Engaging and building strong relationships with new partner organisations who work with young people across all strands of diversity to advertise opportunities
- Our sign production house ITV Signpost, who employ at least 50% disabled crew on every production, ran a new trainee scheme in 2020 with the British Sign Language Broadcasting Trust for deaf film-makers and production talent who want to break into the industry

ITV's Able network group champions the disability agenda throughout the organisation, supported by our Group Chief Technology Officer at Management Board Level, and has had a 364% increase in membership in the last year. ITV's steadfast commitment to recruiting, retaining and developing disabled people has been recognised by the Department for Work and Pensions with Disability Confident Leader accreditation. The Company gives full and fair consideration to the employment of people with a disability or health condition, and guarantees an interview to any candidate with a disability who meets the



ITV Rise

Building race confidence, promoting minority ethnic talent progression and inclusive culture change

SignPost

minimum requirement for a role. We continue to work with specialist providers who advise and support colleagues and managers regarding workplace adjustments as well as any adjustments candidates need through the application and hiring process. We are committed to ensuring that all training, career development and promotion opportunities are accessible and inclusive to all colleagues with a disability and that they have equal career opportunities for growth and progression. For any employee who becomes disabled whilst in employment we ensure the right support is in place to enable them to return to work. This may include an occupational health assessment, a phased return to work and reasonable adjustments as required, supported by our specialist partners. We have become members of the global disability inclusion group, Valuable 500, and as a member we are committed to putting disability inclusion on the leadership agenda.

See pages 105 to 108 for our culture, and how the Board monitors and assesses culture

See pages 48 and 49 for our Diversity and Inclusion strategy, including our gender and BAME workforce metrics

See page 113 for the Nomination Committee's work in Diversity and Inclusion and the Board Diversity Policy

Smart Working and the impact of COVID-19 on our people

COVID-19 has accelerated the adoption of Smart Working, our flexible and digital approach to how we work, which is in support of our ambition to be the most flexible employer in media and entertainment. COVID-19 has also accelerated our digital capability, with the rapid adoption of virtual collaboration tools, new ways to communicate and remote production edits and operational processes. Smart Working remains a key focus to retain the benefits gained from the accelerated adoption of remote working, and to reach a balance of colleagues working from home and using ITV locations as a place to deliver productions and news as well as for collaboration.

For those colleagues unable to work from home or who need to attend the office for mental health or physical safety reasons, we have implemented both social distancing and elevated health measures, including mandatory face coverings and additional cleaning regimes, to ensure the safety of our people. All colleagues classified as vulnerable, or with a vulnerable family member, were identified early on and special measures put in place to support and safeguard them. In the UK, inspections by the Health and Safety Executive and/or Local Health Authority have been exemplary

and we have not needed to take any actions in relation to COVID-19. We have also adopted all government and public health authority guidelines in each of our markets.

Engagement

We continue to connect and engage with our workforce, providing a forum for colleagues to have their views heard. In light of COVID-19, we undertook a 'pulse' survey to understand colleague confidence in our response to the pandemic and obtain learnings for future ways of working. 92% of colleagues said that ITV is supporting its colleagues during COVID-19 and 88% said that they have confidence in ITV's response to COVID-19 – they feel well informed and able to continue working effectively. Insights from this survey enabled us to target our wellbeing offering to provide focused support for the mental and physical wellbeing of colleagues and provide managers with further tools to check in with their teams. For further information on how the Board and management engages with the workforce, please see pages 102 to 105.

Mental health and wellbeing

Supporting the mental and physical health of colleagues remains a priority, particularly in light of COVID-19 and the arrangements we have made to enable colleagues to work from home. Our ITV Feel Good offering continues to provide advice, support and tools for inspiring and enabling colleagues to look after their own wellbeing and have a balanced and healthy working lifestyle. This is combined with the use of specific online workshops and curation of resources each focused on assisting colleagues to work remotely and build personal resilience and

psychological fitness. In addition, we launched TogetherAll, an anonymous online resource designed to encourage peer to peer support which includes support documents, resources and self assessments.

Having achieved a Silver award in the MIND Wellbeing Index, which recognises the progress made in promoting and positively impacting colleague mental health, the best practice and key recommendations provided continue to inform our offering in 2020:

- The Duty of Care Board and Mental Health Advisory Group (comprising external subject matter experts as well as ITV relevant leaders), meet regularly to provide practical guidance and support on all aspects of our approach to the mental health and wellbeing of our colleagues, programme participants, and viewing public. Their advice includes best existing practice and evolving new thinking on mental health, which in turn is reflected in our policies and decision-making.
- The development of a robust portfolio of online development and support for leaders, managers and colleagues to build resilience and continue to lead high performing teams during 2020.

Please refer to page 70 for information on our policies in relation to our colleagues' health and safety.





▶ **Holly Willoughby and Phillip Schofield** are an integral part of the ITV family, having presented both *This Morning*, and *Dancing on Ice*, for many years in the UK.

Alternative Performance Measures

The Annual Report and Accounts includes both statutory and adjusted measures (Alternative Performance Measures or APMs), the latter of which, in management's view, reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis.

Our APMs and KPIs are aligned with our strategy and business segments and together are used to measure the performance of our business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because, if included, they could distort the understanding of our performance for the period and the comparability between periods. The Audit and Risk Committee has oversight of ITV's APMs and actively reviews, revises and approves the policy for classifying adjustments and exceptional items. Further detail is included below.

Key adjustments for adjusted EBITA, profit before tax and EPS

Adjusted EBITA is calculated by adding back exceptional items and high-end production tax credits to EBITA. Further adjustments, which include the gain/loss on the sale of non-current assets, amortisation and impairment of assets acquired through business combinations and investments, and certain net financing costs, are made to remove their effect from adjusted profit before tax and adjusted EPS. The tax effects of all these adjustments are reflected in the adjusted tax charge. These adjustments are detailed below.

Production tax credits

The ability to access tax credits, which are rebates based on production spend, is fundamental to our Studios business when assessing the viability of investment in green-lighting decisions, especially with regards to high-end drama. ITV reports tax credits generated in the US and other countries (e.g. New Zealand, Italy, Canada and Spain) within cost of sales, whereas in the UK tax credits for high-end drama must be classified as a corporation tax item. However, in our view all tax credits relate directly to the production of programmes.

Therefore, to align treatment, regardless of production location, and to reflect the way the business is managed and measured on a day-to-day basis, these are recognised in adjusted EBITA. Our cash measures, including profit to cash conversion and free cash flow are also adjusted for the impact of production tax credits. Further detail is included in the Finance Review.

Exceptional items

These items are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis. They are typically material gains or losses arising from events that are not considered part of the core operations of the business, though they may cross several accounting periods. These include, but are not limited to, costs directly related to the impact of COVID-19, impairment of sports rights, acquisition-related costs, reorganisation and restructuring costs, non-routine legal costs (e.g. legal costs related to items which are themselves considered to be exceptional items), and onerous contracts. We also adjust for the tax effect of these items. Further detail is included in note 2.2.

Acquisition-related costs

We structure our acquisitions with earnouts or put and call options, to allow part of the consideration to be based on the future performance of the business as well as to lock in and incentivise creative talent. Where consideration paid or contingent consideration payable in the future is employment-linked, it is treated as an expense (under accounting rules) and therefore part of our statutory results. However, we exclude all consideration of this type from adjusted EBITA, adjusted profit after tax and adjusted EPS as, in our view, these items are part of the capital transaction and do not form part of the Group's core operations. The Finance Review explains this further. Acquisition-related costs, including legal and advisory fees on completed deals

or significant deals that do not complete, are also treated as an expense (under accounting rules) and therefore on a statutory basis form part of our reported results. In our view, these items also form part of the capital transaction or are one-off and material in nature and are therefore excluded from our adjusted measures.

Restructuring and reorganisation costs

Where there has been a material change in the organisational structure of a business area or a material initiative, these costs are highlighted and are excluded from our adjusted measures. These costs arise from significant initiatives to reduce the ongoing cost base and improve efficiency in the business to enable the delivery of our strategic priorities. We consider each project individually to determine whether its size and nature warrant separate disclosure.

COVID-19 related costs

These are direct incremental costs incurred exclusively as a result of COVID-19 and include; costs associated with closure of ITV Studios productions and their subsequent restart in a safe environment, and additional costs incurred to maintain the production of daytime and news programming during the government imposed lockdown.

Impairment of sports rights

COVID-19 has impacted our planned 2020-21 sporting schedule. This combined with the consequential impact on TAR, changing forecasts of audience mix and revenues for certain sporting events has resulted in a material impairment to our sports rights. It is not possible to split the impairment between that caused by COVID-19 and underlying market movements.

Onerous contracts

A contract is considered onerous when the unavoidable costs of the contract exceed the revenues associated with it. In 2020 we had a significant onerous transmission contract relating to committed costs of transmission capacity on a satellite transponder that is no longer used in the Broadcast business. There are no revenues associated with this capacity as there are no channels on the relevant satellite transponder.

Amortisation and impairment

Amortisation and impairment of assets acquired through business combinations and investments are not included within adjusted earnings. As these costs are acquisition-related, and in line with our treatment of other acquisition-related costs, we consider them to be capital in nature as they do not reflect the underlying trading performance of the Group. Amortisation of software licences and development is included within our adjusted results as management consider

these assets to be core to supporting the operations of the business.

Net financing costs

Net financing costs are adjusted to reflect the underlying cash cost of interest for the business, providing a more meaningful comparison of how the business is managed and funded on a day-to-day basis. The adjustments made remove the impact of mark-to-market gains or losses on swaps and foreign exchange, one-off fees and premiums relating to the buyback of bonds, imputed pension interest and other financial gains and losses that do not reflect the relevant interest cash cost to the business and are not yet realised balances.

Other Alternative Performance Measures

Total revenue

As an integrated producer broadcaster, we look at the total revenue generated by the business including internal revenue, which is the sale of ITV Studios programmes to Broadcast and Direct to Consumer. ITV Studios selling programmes to the Broadcast and Direct to Consumer businesses is an important part of our strategy as an integrated producer broadcaster and it ensures we own all the rights to the content.

Twelve months to 31 December	2020 £m	2019 £m
External revenue (Reported)	2,781	3,308
Internal supply	479	577
Total revenue (Adjusted)	3,260	3,885

Net pension deficit/surplus

This is our defined benefit pension scheme surplus or deficit under IAS 19 adjusted for other pension assets, mainly gilts, which are held by the Group as security for future unfunded pension payments for four Granada executives and over which that pension scheme holds a charge. See note 3.7 of the financial statements.

Profit to cash conversion

This is the measure of our effectiveness of cash generation used for working capital management. It is calculated as our adjusted cash flow as a proportion of adjusted EBITA. Adjusted cash flow, which reflects the cash generation of our underlying business, is calculated on our statutory cash generated from operations and adjusted for exceptional items, net of capex on property, plant and equipment and intangible assets, and including the cash impact of high-end production tax credits.

Prior to 2020, any movement in our non-recourse receivables purchase agreement was included in our profit to cash conversion calculation. From 2020 onwards, any such movement will be excluded. We regard any drawing on this agreement as

Reconciliation between statutory and adjusted results

Twelve months to 31 December	2020 Statutory £m	2020 Adjustments £m	2020 Adjusted £m	2019 Statutory £m	2019 Adjustments £m	2019 Adjusted £m
EBITA ¹	561	12	573	693	36	729
Exceptional items (operating) ²	(118)	118	–	(84)	84	–
Amortisation and impairment ³	(87)	68	(19)	(74)	63	(11)
Operating profit	356	198	554	535	183	718
Net financing costs ⁴	(44)	8	(36)	(68)	28	(40)
Share of profits on JVs and associates	9	–	9	1	–	1
Gain on sale of non-current assets and subsidiaries (non-operating exceptional items) ²	4	(4)	–	62	(62)	–
Profit before tax	325	202	527	530	149	679
Tax ⁵	(44)	(51)	(95)	(52)	(67)	(119)
Profit after tax	281	151	432	478	82	560
Non-controlling interests	4	–	4	(5)	–	(5)
Earnings	285	151	436	473	82	555
Shares (million), weighted average	4,002		4,002	4,000		4,000
EPS (p)	7.1p		10.9p	11.8p		13.9p
Diluted EPS (p)	7.1p		10.8p	11.8p		13.8p

- £12 million (2019: £36 million) adjustment relates to production tax credits which we consider to be a contribution to production costs and working capital in nature rather than a corporate tax item.
- Exceptional items largely relate to the impairment of sports rights, COVID-19 related costs, an onerous contract provision, a settlement of the Box Clever legal case, and acquisition-related costs. Refer to the Finance Review.
- £68 million (2019: £63 million) adjustment relates to amortisation and impairment of assets acquired through business combinations and investments. We include only amortisation on purchased intangibles, such as software within adjusted profit before tax.
- £8 million (£28 million) adjustment is primarily for non-cash interest cost. This provides a more meaningful comparison of how the business is managed and funded on a day-to-day basis.
- Tax adjustments are the tax effects of the adjustments made to reconcile profit before tax and adjusted profit before tax. A full reconciliation is included in the Finance Review.

a form of funding and believe that cash generated from funding activities should be excluded from our profit to cash conversion calculation. This gives a better measure of the underlying working capital performance of the business. At 31 December 2019 the amount sold under the non-recourse receivables purchase agreement, and therefore included in our profit to cash conversion was £100 million. At 31 December 2020 no receivables were sold.

Adjusted free cash flow

This is our measure of adjusted free cash flow after we have met our financial obligations. It takes our adjusted cash flow and removes the impact of net interest, adjusted cash tax (which is total tax paid adjusted to exclude the receipt of production tax credits) and pension funding. A full reconciliation is included on page 59.

Covenant net debt and covenant liquidity

Covenant net debt is our leverage as defined in our revolving credit facility (RCF) agreement. This calculation is materially different to how we define reported net debt and is relevant in demonstrating we have met required RCF financial covenants at our reporting date. Prior to 2020, we disclosed

adjusted net debt as an APM which better reflected how credit rating agencies looked at our balance sheet. As the methodology to calculate net debt differs by credit rating agency, replicating this calculation is not deemed necessary going forward.

At 31 December	2020 £m	2019 £m
Reported net debt (including IFRS 16 lease liabilities)	(545)	(893)
Impact of IFRS 16	105	89
Long-term trade and other payables	(54)	(61)
Other pension assets	62	58
Covenant net debt	(432)	(807)
Covenant net debt to adjusted EBITDA**	0.7x	1.1x
Cash and cash equivalents	668	246
Undrawn RCF	630	630
Undrawn CDS facility	199	300
Covenant liquidity*	1,497	1,176

* Total liquidity is defined as: unrestricted cash and cash equivalents plus undrawn committed facilities.

** Adjusted EBITDA is defined per the facility agreement. The Finance Review includes further detail on our covenant ratios.

Finance Review

This Finance Review focuses on the more technical aspects of our financial results while the operating and financial performance has been discussed within the Operating and Performance Review. Our Alternative Performance Measures (APMs) section, explains the adjustments we make to our statutory results. This enables focus on the key measures that we report on and use as KPIs across the business. See earlier sections for further detail.



Chris Kennedy, Group Chief Financial Officer

Our adjusted and statutory results detailed below, have been significantly impacted by COVID-19. The Operating and Performance Review includes further detail on how it has impacted the operational and financial performance of our two businesses, ITV Studios and Broadcast.

Twelve months to 31 December	2020 £m	2019 £m	Change £m	Change %
Total advertising revenue	1,577	1,768	(191)	(11)
Total non-advertising revenue	1,683	2,117	(434)	(21)
Total revenue	3,260	3,885	(625)	(16)
Internal supply	(479)	(577)	98	17
Group external revenue	2,781	3,308	(527)	(16)
Group adjusted EBITA	573	729	(156)	(21)
Group adjusted EBITA margin	21%	22%		
Group statutory EBITA	561	693	(132)	(19)
Adjusted EPS	10.9p	13.9p	(3.0p)	(22)
Statutory EPS	7.1p	11.8p	(4.7p)	(40)
Dividend per share	-	8.0p	(8.0p)	-
Reported net debt as at 31 December	(545)	(893)	348	

Exceptional items

Twelve months to 31 December	2020 £m	2019 £m
Acquisition-related expenses	(13)	(75)
Restructuring and reorganisation costs	(11)	(24)
COVID-19 related costs	(11)	-
Impairment of sports rights	(23)	-
Other	(60)	15
Total operating exceptional items	(118)	(84)
Non-operating exceptional items	4	62
Total exceptional items	(114)	(22)

Total exceptional items in the period were £114 million (2019: £22 million). Acquisition-related expenses of £13 million are predominantly performance based, employment-linked consideration to former owners. This has decreased year-on-year as we approach the end of the earnout period for several of our acquisitions.

Restructuring and reorganisation costs of £11 million relate to one-off restructuring projects stemming from the Group-wide commitment to reduce the overhead cost base and reorganisation costs to deliver strategy.

COVID-19 related costs of £11 million includes direct incremental costs incurred exclusively as a result of COVID-19. These relate to the closure of ITV Studios productions and the subsequent restart in a safe environment, along with additional costs incurred to maintain the production of daytime programming during the government imposed lockdown.

Impairment of sports rights relates to the impact of COVID-19 on the planned sporting schedule for 2020 and 2021 and the consequential impact on TAR, along with changing forecasts of audience mix and revenues for certain sporting events. The Group has recognised a provision for these sporting events of £23 million, which is included in programme rights and programme commitments. It is not possible to split the impairment between that caused by COVID-19 and underlying market movements.

Other exceptional costs of £60 million include: an estimate for the settlement of the Box Clever case of £31 million; an onerous contract provision of £19 million for satellite transponder capacity no longer required (see below for further detail); past service charges on pension schemes of £6 million; and other legal costs in relation to legal matters which are considered to be outside the normal course of business (see exceptionals note 2.2 for further detail). In 2019, other exceptionals included the release the Box Clever provision, as the cost of resolving the matter at that time could not be reliably estimated. This was partly offset by the trade insurance receivables provision. See note 3.6 for further detail.

During the year, we commenced a review of the efficiency of our satellite transponder capacity usage, aimed at reducing our capacity requirements. This has allowed us to reorganise and clear all channels from one transponder, and as we are now no longer utilising it in our Broadcast business, we are including £19 million from the date the transponder was cleared, as an onerous contract provision. The review is ongoing and we expect to clear a second transponder in 2021.

Non-operating exceptional items relate to a gain on the sale of Freeview channel, Merit, during the year. In 2019, there was a gain on the sale of the London Television Centre.

Net financing costs

Twelve months to 31 December	2020 £m	2019 £m
Financing costs directly attributable to loans and bonds	(27)	(31)
Cash-related net financing costs	(9)	(8)
Amortisation of bonds	–	(1)
Adjusted financing costs	(36)	(40)
Imputed pension interest	(2)	(1)
Other net financial losses and unrealised foreign exchange	(6)	(27)
Net financing costs	(44)	(68)

Adjusted financing costs were down £4 million to £36 million (2019: £40 million) reflecting lower levels of net debt in the year. Net financing costs were £24 million lower in 2020 at £44 million (2019: £68 million) and largely due to the prior year including one-off fees and premiums in relation to the buyback of €506 million of Eurobonds, as well as the acceleration of amortisation on these bonds.

JVs and associates

Our share of profits from JVs and associates in the year was £9 million (2019: profit of £1 million). This was the net profit arising from our investments, such as BritBox US and Canada, Circle of Confusion and Blumhouse Television.

Profit before tax

Statutory profit before tax decreased by 39% to £325 million (2019: £530 million) in the year. Production tax credits decreased to £12 million (2019: £36 million) as a result of fewer high-value dramas due to the pause in productions. Adjusted profit before tax was down 22% to £527 million (2019: £679 million).

Profit before tax (PBT)

Twelve months to 31 December	2020 £m	2019 £m
Profit before tax	325	530
Production tax credits	12	36
Exceptional items	114	22
Amortisation and impairment*	68	63
Adjustments to net financing costs	8	28
Adjusted profit before tax	527	679

* In respect of assets arising from business combinations and investments.

Tax

Adjusted tax charge

The total adjusted tax charge for the year was £95 million (2019: £119 million), corresponding to an effective tax rate on adjusted profit before tax (PBT) of 18% (2019: 18%), which is lower than the standard UK corporation tax rate of 19% (2019: 19%). We expect the adjusted effective tax rate to be between 18% and 19% in 2021 and 2022, and then move to around 25% over the medium term. On a reported basis, the tax charge is £44 million (2019: £32 million tax charge) and corresponds to an effective tax rate of 13.5% (2019: 9.8%). The adjustments made to reconcile the tax charge with the adjusted tax charge are the tax effects of the adjustments made to reconcile PBT and adjusted PBT, as detailed in the table above.

Twelve months to 31 December	2020 £m	2019 £m
Tax charge	(44)	(52)
Production tax credits	(12)	(36)
Charge for exceptional items	(21)	(6)
Charge in respect of amortisation and impairment*	(16)	(19)
Charge in respect of adjustments to net financing costs	(2)	(6)
Adjusted tax charge	(95)	(119)
Effective tax rate on adjusted profits	18%	18%

* In respect of intangible assets arising from business combinations and investments. Also reflects the cash tax benefit of tax deductions for US goodwill.

Cash tax

Cash tax paid in the year was £88 million (2019: £108 million) and is net of £22 million of production tax credits received (2019: £37 million). The majority of the cash tax payments were made in the UK. Cash tax paid is lower than the prior year due to reduced payments on account resulting from a lower profit forecast. As previously guided, 2020 included six quarterly tax payments rather than four. This was a one-off and will return to four quarterly payments in 2021. A reconciliation between the tax charge for the year and the cash tax paid in the year is shown below.

Twelve months to 31 December	2020 £m	2019 £m
Tax charge	(44)	(52)
Temporary differences recognised through deferred tax	(1)	(21)
Prior year adjustments to current tax	(7)	(8)
Current tax, current year	(52)	(81)
Phasing of tax payments (including in respect of pension contribution benefits)	(46)	(28)
Production tax credits – timing of receipt	10	1
Cash tax paid	(88)	(108)

Tax strategy

ITV is a responsible business, and we take a responsible attitude to tax, recognising that it affects all of our stakeholders. To allow those stakeholders to understand our approach to tax, we have published our Global Tax Strategy, which is available on our corporate website.

 www.itvplc.com/investors/governance/policies

We have four key strategic tax objectives:

1. Engage with tax authorities in an open and transparent way to minimise uncertainty
2. Proactively partner with the business to provide clear, timely, relevant and business focused advice across all aspects of tax
3. Take an appropriate and balanced approach when considering how to structure tax sensitive transactions
4. Manage ITV's tax risk by operating effective tax governance and understanding our tax control framework with a view to continuously adjusting our approach to be compliant with our tax obligations

Our tax strategy is aligned with that of the business and its commercial activities and establishes a clear Group-wide approach based on openness and transparency in all aspects of tax reporting and compliance, wherever the Company and its subsidiaries operate. The strategy confirms that ITV does not engage in or condone tax evasion or the facilitation of tax evasion in any form and that we have in place reasonable procedures to prevent the facilitation of tax evasion. Within our overall governance structure, the governance of tax and tax risk is given a high priority by the Board and Audit and Risk Committee (ARC). The ITV Global Tax Strategy, approved by the Board and ARC in September 2020, and as published on the ITV plc website, is compliant with the UK tax strategy publication requirement set out in Part 2 Schedule 19 of the Finance Act 2016.

EPS – adjusted and statutory

Overall, adjusted profit after tax was down 23% to £432 million (2019: £560 million). Non-controlling interests was a share of losses of £4 million (2019: £5 million share of profits) which is the net loss from our unowned share in entities such as BritBox UK, Work Friends, Cattleya and Tetra Media. Adjusted basic EPS was 10.9p (2019: 13.9p), down 22%, which is broadly in line with the decrease in adjusted EBITA of 21%. The weighted average number of shares increased to 4,002 million in the year (2019: 4,000 million). Diluted adjusted EPS in the year was 10.8p (2019: 13.8p) reflecting a weighted average diluted number of shares of 4,025 million (2019: 4,018 million).

Statutory EPS declined by 40% to 7.1p (2019: 11.8p), which is larger than the decline in adjusted EPS, predominantly due to the increase in exceptional costs in the period, as explained earlier.

A full reconciliation between statutory and adjusted results is included within the Alternative Performance Measures section.

Dividend per share

The Board recognises the importance of the dividend to our shareholders and intends to restore dividend payments as soon as circumstances permit. The Board will balance shareholder returns with our commitment to maintain investment grade metrics over the medium term, to continue to invest behind the strategy and with the ongoing uncertainty with COVID-19.

Acquisitions

Since 2012, we have acquired a number of content businesses in the UK, US and creative locations across Europe, developing a strong portfolio of programmes that return and travel. As we have grown in size and expanded our network relationships and distribution capability, this has helped to renew and strengthen our creative talent and build our reputation as a leading European producer and distributor and a leading unscripted independent production company in the US.

As part of our strategy, we will consider selective value-creating M&A and talent deals in both scripted and unscripted to obtain further creative talent and IP.

We have strict criteria for evaluating potential acquisitions. Financially, we assess ownership of intellectual property, earnings growth and valuation based on return on capital employed and discounted cash flow. Strategically, we ensure an acquisition target has a strong creative track record and pipeline in content genres that return and travel, namely drama, entertainment and factual, as well as retention and succession planning for key individuals in the business.

We generally structure our deals with earnouts or with put and call options in place for the remainder of the equity, capping the maximum consideration payable by basing a significant part of the consideration on future performance. In this way, not only can we lock-in creative talent and ensure our incentives are aligned, but we also reduce our risk by only paying for the actual, not expected, performance delivered over time. We believe this is the right way to structure our deals as we should not pay upfront for future performance and should incentivise and reward delivery by the business over time.

The majority of earnouts or put and call options are dependent on the seller remaining within the business. Where future payments are directly related to the seller remaining with the business, these payments are treated as employment costs and, therefore, are part of our statutory results. However, we exclude these payments from adjusted profits and adjusted EPS as an exceptional item, as in our view, for the reasons set out above, these items are part of the capital consideration reflecting how we structure our transactions and do not form part of the core operations.

The following table sets out the initial consideration payable on our acquisitions, additional consideration subsequently paid, our expected future payments based on our current view of performance and the total expected consideration payable, which is only payable if exceptional compound earnings growth is delivered.

Acquisition-related liabilities or performance-based employment-linked earnouts are amounts estimated to be payable to previous owners. The estimated future payments of £227 million are sensitive to forecast profits as they are based on a multiple of earnings. The estimated future payments, treated as employment costs, are accrued over the period the sellers are required to remain with the business, and those not linked to employment are recognised at acquisition at their time discounted value.

Acquisitions – between 2012 and 2020 (undiscounted)

Company	Geography	Genre	Initial consideration £m	Additional consideration paid £m	Expected future payments* £m	Total expected consideration** £m	Expected payment period***
Total for 2012–2020	Various	Content & Broadcast TV	957	205	227	1,389	2021-2026

* Undiscounted and adjusted for foreign exchange. All future payments are performance related.

** Undiscounted and adjusted for foreign exchange, including the initial cash consideration and excluding working capital adjustments. Total maximum consideration which was potentially payable at the time of acquisition was £2.4 billion.

*** £163 million is expected to be paid in 2021

We closely monitor the forecast performance of each acquisition and, where there has been a change in expectations, we adjust our view of potential future commitments. Expected future payments of £227 million have decreased by £3 million since 31 December 2019 mainly due to payments made in the year being offset by an increase in expected future payments on certain acquisitions and the associated impact of foreign exchange. At 31 December 2020, £209 million of expected future payments had been recorded on the balance sheet, with the balance of £18 million to be accrued over the period in which the sellers are required to remain with the business.

A large proportion of the expected future payments relate to our best estimate of the final payment we will make in relation to the acquisition of Talpa. The amount payable will depend on the average EBITDA from 2017 to 2019 being between €75 million and €100 million. Contractually the payment is capped at €400 million if the average EBITDA for 2017-2019 is €100 million or more. See note 3.1.5 of the financial statements for further detail.

There were no significant acquisitions in 2020. However, during the year we agreed a number of talent deals within ITV Studios UK and ITV Studios US to strengthen our creative talent pool.

Cash generation

Profit to cash conversion

Twelve months to 31 December	2020 £m	2019 £m
Adjusted EBITA	573	729
Working capital movement*	237	(63)
Adjustment for production tax credits	10	1
Depreciation	57	56
Share-based compensation	6	10
Acquisition of property, plant and equipment and intangible assets**	(66)	(68)
Capex relating to redevelopment of new London headquarters	-	2
Lease liability payments (including lease interest)	(26)	(35)
Adjusted cash flow	791	632
Profit to cash ratio	138%	87%

* Working capital movement in 2020 excludes the unwind of the £100 million non-recourse receivables purchase agreement

** Except where disclosed, management views the acquisition of operating property, plant and equipment and intangibles as business as usual capex, necessary to the ongoing investment in the business.

One of ITV's strengths is its cash generation reflecting our ongoing tight management of working capital balances. We manage risk when making all investment decisions, particularly into scripted content and BritBox UK, through having a disciplined approach to cash and costs. This has been particularly important during the COVID-19 pandemic. Remaining focused on cash and costs means we are in a good position to continue to invest across the business in line with our strategic priorities.

In the year, we generated £791 million of adjusted operational cash (2019: £632 million) from £573 million of adjusted EBITA (2019: £729 million), resulting in a profit to cash ratio of 138% (2019: 87%). This increase was driven by a large working capital inflow arising from a reduction in programme stock (where we delivered programmes but were unable to continue producing) and the timing of VAT payments which have been deferred (see further detail below). This working capital benefit is expected to unwind in 2021.

To facilitate our working capital management, we have a £100 million non-recourse receivables purchase agreement (free of financial covenants), which gives us the flexibility to access additional liquidity when required. At 31 December 2020, no receivables were sold under this agreement (2019: £100 million). Prior to 2020, any movement in our non-recourse receivables purchase agreement was included in our profit to cash conversion calculation. From 2020 onwards, any such movement is excluded. Further detail is included on page 55 of our APMs.

Adjusted free cash flow

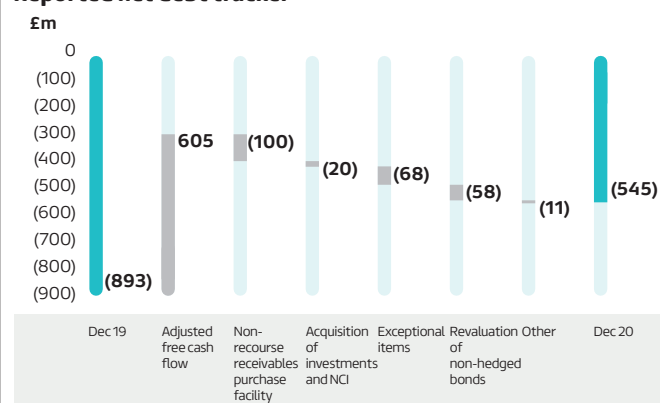
Twelve months to 31 December	2020 £m	2019 £m
Adjusted cash flow	791	632
Net interest paid (excluding lease interest)	(17)	(54)
Adjusted cash tax*	(110)	(145)
Pension funding	(59)	(74)
Adjusted free cash flow	605	359

* Adjusted cash tax of £110 million is total cash tax paid of £88 million plus receipt of production tax credits of £22 million, which are included within adjusted cash flow from operations, as these production tax credits relate directly to the production of programmes.

Our free cash flow after payments for interest, cash tax and pension funding remained healthy in the year at £605 million (2019: £359 million). As agreed with the tax authorities and our pension trustees, we deferred £90 million of payments out of 2020, with £75 million of VAT payments payable in 2021 and £15 million of pension contributions payable across 2022 – 2025.

Overall, after acquisitions and acquisition-related costs, pension and tax payments, we ended the period with reported net debt (including IFRS 16 lease liabilities) of £545 million (31 December 2019: £893 million). This has benefited from the deferred VAT and pension payments above and is before earnout payments which we anticipate paying in 2021.

Reported net debt tracker



Funding and liquidity

Debt structure and liquidity

The Group's financing policy is to manage its liquidity and funding risk for the medium to long-term. ITV uses debt instruments with a range of maturities to ensure access to appropriate short-term borrowing facilities with a minimum of £250 million of cash and undrawn committed facilities available at all times. We have a number of facilities in place to preserve our financial flexibility, which includes a £630 million Revolving Credit Facility (RCF) in place until 2023. The RCF has leverage and interest cover covenants which require us to maintain a covenant net debt to adjusted EBITDA ratio of below 3.5x and interest cover (adjusted EBITDA to net finance charges) above 3.0x. As a precautionary measure, during the first half of 2020, we agreed with our banking group to replace the leverage and interest cover covenants in the RCF with a cap on covenant net debt at £1.8 billion and a minimum covenant liquidity requirement (cash plus undrawn committed funding lines) of £250 million until 30 December 2021. In addition, ITV has agreed not to pay a dividend in the period of the amendment. ITV has the right to restore its original covenants at any time should it so choose, in which case the dividend restriction would fall away. At 31 December 2020, ITV's financial position was well within its covenants.

We also have a bilateral financing facility of £300 million, which is free of financial covenants. In March 2020, the Group extended the maturity of its existing £300 million bilateral loan facility by five years to 30 June 2026.

This provides us with sufficient liquidity to meet the requirements of the business in the short to medium term under a variety of scenarios, including a severe but plausible downside scenario. At 31 December 2020, the £630 million RCF was undrawn and £199 million of the £300 million bilateral facility was available, which with unrestricted cash of £618 million, provided total liquidity at 31 December 2020 of £1,447 million.

Reported net debt

At 31 December	2020 £m	2019 £m
Gross cash*	668	246
Gross debt (including IFRS 16 lease liabilities)	(1,213)	1,139
Reported net debt	(545)	(893)

* Gross cash includes £50 million of restricted cash in relation to the LTVC Pension Funding Partnership (2019: £75 million of restricted cash).

Financing – gross debt

We are financed using debt instruments and facilities with a range of maturities. Borrowings at 31 December 2020 were repayable as follows:

Amount repayable as at 31 December 2020	£m	Maturity
£630 million Revolving Credit Facility	–	Dec 2023
€600 million Eurobond	537	Sep 2026
€335 million Eurobond	299	Sep 2022
€259 million Eurobond	232	Dec 2023
Other loans	17	Various
Total debt*	1,085	

* Net of £23 million cross-currency swaps and excluding £105 million of IFRS 16 lease liabilities.

Capital allocation and leverage

Our objective is to run an efficient balance sheet and manage our financial metrics appropriately, consistent with our commitment to investment grade metrics over the medium term. At 31 December 2020 reported net debt (including IFRS 16 liabilities) to adjusted EBITDA was 0.9x (31 December 2019: 1.2x).

Our priority remains to invest in our key assets and value drivers in line with our strategic priorities and balance this investment with the returns to shareholders.

Credit ratings

We continue to be rated investment grade by both ratings agencies: BBB- (negative outlook) by Standard and Poor's and Baa3 (stable outlook) by Moody's Investor Services. These ratings were reiterated in Q2. The factors that are taken into account in assessing our credit rating include our degree of operational gearing and exposure to the economic cycle, as well as business and geographical diversity.

Foreign exchange

As ITV continues to grow internationally, we are increasingly exposed to foreign exchange on our overseas operations. We do not hedge our exposure to revenues and profits generated overseas, as this is seen as an inherent risk. We may elect to hedge our overseas net assets, where material. To date, we have hedged a significant portion of the euro net assets arising from the Talpa Media acquisition.

ITV is also exposed to foreign exchange risk on transactions we undertake in a foreign currency. Our policy is to hedge a portion of any known or forecast transaction where there is an underlying cash exposure for the full tenor of that exposure, to a maximum of five years forward, where the portion hedged depends on the level of certainty we have on the final size of the transaction.

Finally, ITV is exposed to foreign exchange risk on the retranslation of foreign currency loans and deposits. Our policy is to hedge such exposures where there is an expectation that any changes in the value of these items will result in a realised cash movement over the short to medium term.

The foreign exchange and interest rate hedging strategy is set out in our Treasury policies which are approved by the ITV plc Board.

Foreign exchange sensitivity

The following table highlights ITV's sensitivity, on a full year basis, to translation resulting from a 10% appreciation/depreciation in sterling against the US dollar and euro, assuming all other variables are held constant. An appreciation in sterling has a negative effect on revenue and adjusted EBITA; a depreciation has a positive effect.

Currency	Revenue	Adjusted
	£m	EBITDA
US dollar	+/- 20-30	+/- 0-2
Euro	+/- 30-40	+/- 3-5

Pensions

The net pension deficit for the defined benefit schemes at 31 December 2020 was £26 million (31 December 2019: £87 million deficit). The movement in the year was driven by an increase in liabilities caused by a reduction in corporate bond yields and changes in the longevity swap, offset by updated inflation and demographic assumptions and our deficit funding contributions made in the year. The pension assets have increased due to a reduction in gilt yields.

The net pension assets include £62 million of gilts (2019: £58 million), which are held by the Group as security for future unfunded pension payments to four former Granada executives, the liabilities of which are included in our pension obligations.

A full reconciliation is included in note 3.7 of the financial statements.

Actuarial valuation

The last triennial actuarial valuation was undertaken in 2017. On the basis agreed with the Trustee, the combined deficits of the ITV defined benefit pension scheme as at 1 January 2017 amounted to £470 million.

The Trustee is in the process of undertaking a full actuarial valuation of all sections of the scheme as at 1 January 2020, which we expect to agree during 2021.

Deficit funding contributions

The Group continues to make deficit funding contributions in line with the most recent actuarial valuation in order to eliminate the deficits in each section. The accounting deficit does not drive the deficit funding contribution.

The Group's deficit funding contributions in 2020 were £59 million. We have agreed with the pension Trustees to delay around £15 million, which will be deferred across 2022 to 2025 (subject to the new funding schedule which will be finalised as part of the Triennial valuation). Further details are included within note 3.7 of the financial statements.

In 2021 we expect deficit funding contributions to be around £75 million.

SDN pension funding partnership

In 2010, ITV established a Pension Funding Partnership (PFP) with the Trustee backed by the asset of SDN which resulted in the assets of Section A of the defined benefit pension scheme being increased by £200 million. The Group is contracted to provide additional collateral to support the original value of the structure at the rate of £50.7 million each year from March 2019 to March 2022. This cash collateral would not leave the Group but would be maintained in a restricted bank account. The Trustee agreed to accept a bank guarantee as an alternative to the 2019 and 2020 collateral instalments with the result that £101 million cash collateral did not become due in March 2020. The PFP is currently being reviewed as we look to replace it with an alternative asset to SDN. If the asset in the SDN PFP structure is not replaced, the Group will pay to the pension scheme the lower of any deficit calculated on the funding basis in 2022 or £200 million.

2021 full year planning assumptions

The following planning assumptions for 2021 are based on our current best view but may change depending on how events unfold over the year.

Profit and Loss impact

- Total schedule costs are estimated to be around £1.1 billion
- Total essential investment of around £25 million in 2021, which includes £10 million as previously guided, the phasing of 2020 investments which fall into 2021 and £13 million of additional investments to accelerate the delivery of our strategy
- Total BritBox UK venture losses are expected to be around the same level as 2020 and will decline thereafter
- Overhead cost savings are expected to be around £30 million in 2021. We will deliver around £100 million of annualised permanent overhead cost savings by the end of 2022 (from 2019) compared to our previous guidance of £55 million to £60 million over that period
- Adjusted interest is expected to be around £36 million, which is in line with 2020
- The adjusted effective tax rate is expected to be between 18% and 19% in 2021 and 2022, and then move to around 25% over the medium term
- The translation impact of foreign exchange, assuming rates remain at current levels, could have an adverse impact of around £25 million on revenue and around £3 million on profit
- Exceptional items are expected to be around £25 million, mainly due to acquisition related expenses, restructuring and reorganisation costs, and reducing our transponder capacity

Cash impact

- Tax will reflect the payment of £75 million deferred VAT from 2020
- Total capex is expected to be around £75 million as we further invest in our digital transformation
- The cash cost of exceptionals are expected to be around £190 million, largely relating to accrued earnouts which includes the final earnout payment for Talpa
- Profit to cash conversion is expected to be around 30% in 2021, as the favourable working capital position in 2020 unwinds. Taking 2020 and 2021 together, cash conversion is expected to be 80% to 85% over the two year period in line with historic levels
- Total pension deficit funding contribution for 2021 is expected to be around £75 million

Chris Kennedy

Group Chief Financial Officer

Task Force on Climate-related Financial Disclosures (TCFD)

We recognise the climate crisis and the role we must play to mitigate the impact on both the wider world and our business. The threat of climate change poses some challenges to certain areas of ITV, including our productions, supply chain and operations. It also offers opportunities to increase engagement with viewers through programming on climate change and grow advertising with brands seeking to showcase their environmental credentials.

Our commitment is demonstrated by the ambitious environmental targets we have set, including Net Zero by 2030, and as a signatory to TCFD. In 2019 we started to make disclosures structured around the TCFD framework and we have built on this in 2020. We will continue to develop the detail of our TCFD disclosure as we complete further analysis.

Governance

To successfully evaluate and respond to the challenges and opportunities posed by climate change, we must embed an understanding and awareness of climate change issues across the business, supported by effective governance. During 2020, we published ITV's environmental targets and, as detailed below, updated our Environmental Governance Structure in order to facilitate their delivery. The governance structure is aligned with our wider risk management framework and will also be used to identify, escalate and monitor the effectiveness of our response to climate-related risks and opportunities.

In 2020, we established ITV's Climate Change Delivery Group, chaired by Chris Kennedy, the Group Chief Financial Officer (CFO). In addition, we also set up the ITV Green Team Steering Group. Both of these groups support the Environmental Governance Structure, and a summary of their functions (and how they interact and support the governance and reporting

structure of the Group) are set out in the diagram on the following page.

Strategy

Action on climate change is defined within ITV's Social Purpose strategy as set out on page 42 and aligned to our corporate purpose and strategy. Reducing our impact on the environment is one of the four pillars of the Social Purpose strategy.

We have committed to becoming a Net Zero business by 2030 and have set 1.5°C aligned science-based emissions targets (SBTs) for our Scope 1 and 2 emissions (emissions we control), and well below 2°C targets for Scope 3 (emissions we influence, such as business travel and products and services we use). We have also set targets for the areas that are most material to our business: the waste we generate, the sustainability of our supply chain, and our culture. These targets are important so we can reduce the impact our operations have on the environment and reduce our exposure to climate related risks.

To deliver against our global emissions targets, we have developed roadmaps and action plans for the business areas with the most opportunity to drive down ITV's emissions. The work has provided each business area with their Scope 1, 2 and 3 emissions baseline and target. The business areas/functions have responsibility for developing their action plans to achieve their targets and this is monitored through the Environmental Governance structure. The business areas/functions are:

- Production (UK and International)
- Operations
- Technology
- Broadcast (will become Media and Entertainment)
- Procurement

Risk management

We also recognise the impact climate change may have on our strategy and operations. Climate-related risks have been identified by the Board as an emerging business risk. Emerging risks are defined in ITV as uncertainties which originate from known or previously unconsidered sources and which are not clearly understood, visible or possible to fully assess.

In 2020, ITV began climate scenario analysis, starting with a detailed review of the risks and opportunities climate change poses for the business. Climate related risks have been identified by members of the Climate Change Delivery Group with the support of Group Risk and subject matter expert teams.

As part of this exercise, we used our existing risk management framework to perform an initial assessment of the risks and prioritised these in a workshop with business stakeholders based on their potential for some financial impact, taking into account existing mitigations. Our initial assessment of the risks suggests we are not materially exposed to climate change and that these risks (individually or collectively) do not represent a threat to our strategy, long-term viability, liquidity or ability to operate. Furthermore, we do not expect that either the risks identified as part of our TCFD work nor the actions required to meet net zero will have a significant financial impact, in terms of operating costs, capital investment or balance sheet valuations. However, as noted below in 2021 we will undertake further analysis.

The major infrastructure for our Broadcast (Media and Entertainment) business is based in the UK, and is less exposed to physical climate risks. Furthermore, our Studios business can operate in an agile manner, changing filming locations to respond to evolving physical climate and other risks and events (as has been proven during the COVID-19 pandemic). However, we recognise there remains some uncertainty and further work is needed to better understand the potential scale of these risks. In 2021 the prioritised risks will be taken forward into quantitative analysis in high and low carbon scenarios. The results of our quantitative analysis will help us better understand our exposure; develop metrics to monitor our exposure and strengthen our mitigations; and inform our long-term strategic, financial and operational business planning.

Further detail of how we track, monitor and report our emerging risks is set out in the Risks and Uncertainties, and Governance sections of the report.

Environmental Governance structure

Board

Responsible for:

- Ensuring the effective delivery of environmental targets

- Reviewing key climate-related risks and opportunities and overseeing mitigation strategies as part of the bi-annual review of

- principal and emerging risks
- Considering climate change as part of stakeholder engagement



Management Board

Responsible for:

- Reviewing and monitoring climate-related risks at least bi-annually, as part of the principal and emerging risks

- reviews and establishing effective mitigation and controls to manage risks
- Ensuring appropriate action is being taken to meet our environmental targets,

- through review of quarterly reporting on climate change issues, including proposed metrics and KPIs

Divisional Boards (Studios and Media & Entertainment)

- Responsible for:
 - Monitoring divisional progress on environmental targets through tracking KPIs

- and assessing climate change risks and opportunities within the division



Climate Change Delivery Group

Chaired by the Group CFO, this group is responsible for:

- Identifying all climate-related risks and opportunities, including and developing appropriate mitigation strategies

- Establishing action plans to deliver our environmental targets, tracking progress against the targets and reporting to the PLC Board/Audit and Risk Committee and Management Board
- Embedding accountability in each business area for delivery of the targets and

- monitoring progress and actions
- The group meets quarterly and comprises senior business leaders from across ITV, who also lead working groups in their respective business to deliver actions required



Green Team Steering Group and business area Green Teams

Responsible for:

- Embedding and championing environmentally sustainable behaviours across the organisation

- Supporting local green team champions in business areas
- This group is chaired by the Senior Manager of our Social Purpose team and comprises senior leaders across the business

Direct and advise

Report and escalate

Audit and Risk Committee

Responsible for supporting the Board in its responsibilities with respect to climate change, including:

- Considering climate change risks as part of the bi-annual review of principal and emerging risks
- Overseeing compliance with, and progress on, climate change reporting
- Overseeing ITV's environmental data and its accuracy and completeness, the Company's environmental targets set in 2020, and the governance and planned roadmap to enable the targets to be achieved



Working Groups

Responsible for:

- Delivering the relevant actions related to their area to meet our environmental targets
- Day-to-day management of climate-related risks
- Embedding the climate change culture and mindset within their business area
- Working groups are led by senior business leaders from across ITV, supported by colleagues within their area

TCFD progress roadmap

We have made significant progress in improving how we manage our environmental targets and climate-related risks and opportunities. However, we recognise that we can build on these priorities further, to continue enhancing our approach and strengthen the quality of our reporting.

2019

- Launched ITV's Social Purpose strategy
- Identified Group CFO as owner for climate-related risks
- Set baseline for targets, including SBTs
- Carbon neutral across Scope 1, 2 and 3 (for business travel only)
- Updated ITV's global emissions data collection process
- Launched the Green Team Steering Group
- Established Environmental Governance

2020

- Updated Environmental Governance structure
- Created Climate Change Delivery Group chaired by Group CFO
- Launched ITV's environmental 2030 targets, including SBTs and 100% renewable electricity target by 2025
- Set a Net Zero target by 2030
- Achieved a B rating for Climate Change for our responses in the Carbon Disclosure Project program
- Started climate scenario analysis and identified key risks and opportunities with stakeholders
- Developed a climate risk register

2021

- Obtain verification for SBT from the SBT initiative
- Complete climate scenario analysis quantification of climate-related risks
- Finalise emissions reduction roadmaps for all business areas
- Launched new global environmental data platform for emissions and waste
- Establish business area environmental key performance indicators

Detailed risks and opportunities

Link to Strategy	Risk direction of travel (after current mitigations)	Impact time horizon	From (years)	To (years)	Aligned to
 Grow UK and global production	 Risk is increasing	Short term	2020	end 2021	ITV annual reporting period
 Transform Broadcast	 Risk remains static	Medium term	2021	end 2023	ITV long-term viability assessment period and strategic planning cycle
 Expand Direct to Consumer	 Risk is reducing	Long term	2024	end 2030	ITV science-based and Net Zero targets

Temperature scenarios

High carbon scenarios: ('business as usual'/4°C)

This is where **physical impacts** of climate change are likely to be most impactful, for example with higher sea level rise, **higher temperatures** and **extreme weather events**

Low carbon scenarios (1.5°C/2°C)



This is where the impacts of transitioning to a low carbon economy are likely to be most impactful as governments worldwide commit to driving down emissions; this could be manifested as **higher carbon prices** and **greater regulation** on land use and raw materials

Prioritised climate-related risks

Through our risk identification process we identified three risks which have potential for some financial impact. Our initial review of the risks is that we do not expect they present a material financial impact or a threat to viability and liquidity. However, we intend to perform quantitative analysis on these risks to assess them further and to support us in developing mitigations.



1. Carbon pricing

Link to strategy   

Context	How we are responding	Direction in a high carbon scenario	Direction in a low carbon scenario
<p>As governments increasingly intervene to limit the impact of climate change, we may see an increase in carbon pricing/ taxations on organisations to encourage carbon reduction.</p> <p>As a result, we may be exposed to some additional costs of operating in areas of our business where we produce carbon. This may include pricing on the use of generators on remote filming locations, business travel, or on directly purchased goods such as technology equipment.</p> <p>Time horizon Medium</p>	<p>By committing to our net zero carbon target we are actively seeking to limit the amount of carbon we use in our business. As we reduce our carbon emissions and increase our use of renewable energy to deliver against this target, our exposure to this risk will be reduced.</p> <p>Link to existing principal risk N/A</p>		

2. Extreme weather events

Link to strategy   

Context	How we are responding	Direction in a high carbon scenario	Direction in a low carbon scenario
<p>If governments and organisations fail to adequately respond to climate change, we are likely to see an increase in physical climate risks, such as extreme weather events causing floods, wildfires and acute heatwaves.</p>	<p>Within the international Studios business, we are monitoring the local situation in each of the territories we operate, and respond on a case-by-case basis to potential weather events. We build contingency and business continuity into all our productions and are able to be agile to respond to changing circumstances.</p>		

2. Extreme weather events continued

Context	How we are responding		
<p>ITV's highest value property and infrastructure assets are located within the UK, as part of our Media and Entertainment and Group business areas and, therefore, less exposed to physical climate risks, when compared to other global territories. However, extreme weather events do have the capacity to result in some business or service interruption, including production delay and damage to property.</p> <p>Time horizon Medium</p>	<p>We also have extensive business continuity and resilience measures built into our existing Media and Entertainment transmission and Group operations and will continue to develop these in light of this evolving risk.</p> <p>Link to existing principal risk N/A</p>		

3. Government and regulatory action

Link to strategy



Context	How we are responding	Direction in a high carbon scenario	Direction in a low carbon scenario
<p>Many governments globally have announced their commitments to responding to climate change and are likely to enact legislation/regulation on organisations to support this.</p> <p>We may be impacted by changing regulation, such as advertising restrictions on high carbon products and services, travel restrictions, or quotas on goods and services. These restrictions may result in operational challenges or, in the case of advertising, restrictions impacting revenue.</p> <p>Time horizon Medium</p>	<p>We have an experienced Policy and Regulatory Affairs team that are responsible for undertaking ongoing horizon scanning to monitor potential policy, legal and regulatory developments.</p> <p>With respect to advertising restrictions, we have a systematic approach to analysing the impact of potential changes and implementing processes to replace any lost revenue. Organisations are also increasingly investing in the development of substitute products as alternatives to high carbon products, which will materially limit this risk.</p> <p>Link to existing principal risk</p> <ul style="list-style-type: none"> • Policy and regulatory changes • Advertising market changes <p> See page 79 of the Risks and Uncertainties section</p>	↔	↔

Other climate related risks

We also identified two further risks with a low potential for financial impact. We have existing processes in place to manage these risks and therefore they will not be subject to quantitative analysis at this stage.

Health and safety

We recognise that the environmental impacts of climate change have the potential to impact worker productivity and/or the physical and mental health and wellbeing of our staff, cast, crew and contributors in the future. Protecting our people will always remain our top priority and we have existing controls and processes in place which we can leverage to mitigate this risk to the lowest possible level.

Link to principal risks

- Duty of care and health and safety risk

Changing attitudes

Social and government attitudes to climate change are evolving and are increasingly seen as a key human issue. We understand that failure to (i) address the environmental impact of our programming, (ii) publish targets and (iii) comply with any applicable regulation, may result in damage to the ITV brand and reputation. However, our commitment to the environment, as demonstrated by our environmental targets, risk identification process and the robust governance we have put around these will help us manage this risk. Furthermore, we will also take advantage of the opportunities to use our content to influence the public's conversation around climate change and enhance our brand, as set out on the following page.

Link to principal risks

- Commissioning risk, changing viewer habits

Climate-related opportunities

We are conscious not just of the risk surrounding climate change but also the opportunities. We are and will continue to take advantage of these opportunities to make a difference to wider society and promote our business.

Advertising

More and more of our advertising clients are seeking the trusted advertising environment of ITV to showcase their environmental credentials and encourage sustainable consumption. In response to this demand, we've created 'ITV Home Planet', a commercial initiative that provides a platform for advertisers to communicate their message, grow their business and help to increase environmentally conscious purchasing amongst consumers.

Brand and programming

We are in a position to use our brand and programming to raise the profile of climate change and promote or normalise positive sustainable behaviours amongst our viewers and wider society. As audiences are increasingly looking for ways to reduce their own carbon footprint, we can educate and inspire them through engaging programming. For example, vegan recipes are regularly featured in cooking shows, sustainable behaviours are shown within our continuing dramas such as Emmerdale, and our Tonight programmes cover topics such as electric vehicles and food waste. See our Social Purpose section for further information.

Technology

We also have the opportunity to increase the use of sustainable technology, which will support us in mitigating some of the risks highlighted earlier and reduce our environmental impact. We are in the process of investigating potential options across our workspace and operations.

Metrics and targets

Current targets:

- In August 2020, ITV announced the commitment to be a Net Zero business by 2030, having set a Scope 1 and 2 science-based emissions target aligned to the Paris Agreement's 1.5°C warming limit, and a Scope 3 target aligned to well below 2°C, using 2019 as the baseline. This equates to 46.2% reduction for Scope 1 and 2, and 28% reduction for Scope 3
- Net Zero will be achieved by reducing emissions in line with our science-based targets, setting an internal carbon price on business travel that will be invested into nature-based sequestration solutions, and investing the impact of our programmes into nature-based solutions via albert's Creative Offsets. ITV has also committed to powering the business with 100% renewable energy by 2025. The Group achieved its carbon neutral target in 2019 by offsetting 2018's Scope 1, 2 and business travel emissions by investing in certified carbon offset projects
- Business area emissions reduction roadmaps and action plans have been developed, and progress against these actions is being assessed within the Climate Change Delivery Group
- ITV has also committed to becoming a zero-waste business; running a 100% sustainable supply chain; and embedding sustainable decision-making into every part of the business by 2030. The roadmaps for these targets will be developed and published in 2021
- ITV is also the first broadcaster to commit to obtaining albert certification for 100% of programmes produced and commissioned in the UK by the end of 2021. The albert certification is the industry authority on sustainable TV and film production. Teams are able to use the albert calculator to assess the environmental impact of their production and in completing a Carbon Action Plan, achieve an albert rating
- An internal audit of ITV's environmental reporting approach conducted by ITV's internal auditor (Deloitte) in 2020 recommended the implementation of a global environmental data platform in order to ensure robust, accurate and timely reporting on our global emissions. ITV has adopted the recommendation and is currently implementing a global environmental data platform, having consulted with the internal auditor on the structure, reporting approach and workflow of the platform. The platform will be used for ITV's 2021 data and reporting

For further detail on ITV's 2020 energy consumption and GHG emissions disclosure, please refer to page 47.






Our commitment to Section 172(1)

The Directors consider that they have acted, in good faith, in a way that is most likely to promote the success of the Company for the benefit of its members as a whole, having regard (among other matters) to the matters set out in section 172(1)(a-f) of the Companies Act 2006. As the Chairman makes clear in his introduction, the Board regularly considers stakeholder groups and their most significant issues, views and interests as well as the financial and

long-term impact of key actions throughout its decision-making process. The Board also undertakes a formal assessment on an annual basis of whether the key stakeholders identified remain appropriate.

During 2020, the challenges arising from COVID-19 required the Board to act swiftly and approve measures to increase the resilience of the business and protect the interests of all stakeholders. Examples of

some of the key strategic issues considered and decisions made by the Board during the year and an explanation of how the Board has had regard to the matters in section 172(1) (a-f) in reaching decisions are set out in the table below.

-  See pages 97 to 102 to read more on Stakeholder Engagement
-  See pages 42 to 49 to read more on Social Purpose
-  See pages 50 to 52 to read more on Our People
-  See pages 102 to 105 to read more on Workforce Engagement
-  See pages 6 and 7 to read the Chairman's Statement

 Long-term impact	 Interests of colleagues	 Fostering business relationships	 Impact on community and environment	 Maintaining reputation for high standards of business conduct	 Acting fairly between members
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Maintaining the resilience of the business in the context of the significant financial and economic uncertainty caused by COVID-19 and BREXIT



Directors consideration of key factors set out in section 172(1)

Long-term impact:

- In response to the uncertainty and pressures on revenue streams caused by COVID-19, the Board focused on preserving cash, which was paramount to safeguarding financial stability and longer-term sustainability
- The Board has regularly considered the range of forecasts available to it, particularly in light of the uncertainties caused by COVID-19 and Brexit on the advertising market. Whilst the direct impacts of Brexit are not significant in the short-term, traditional TV spenders are contributing less towards advertising in the face of economic headwinds
- The Board was mindful that the continued growth of the Studios business in 2021 would depend on how quickly COVID-19 restrictions are eased and therefore ensured that the budget and five year plan took this into account

Shareholders: The Board was mindful of shareholders' concerns regarding the impact of COVID-19 on ITV's financial and operating performance and resilience as well as its ongoing ability to pay dividends.

Colleagues: The Board recognised that the economic uncertainty caused by COVID-19 could result in our colleagues worrying about their personal financial situation and was regularly updated on communications, which included the Chief Executive's vodcast and through the Workforce Engagement Director, to ensure colleagues were kept informed about cost-reduction measures that would impact them.

Partners and customers: The Board considered an inability to complete productions in light of global restrictions, the impact this would have on revenue and our free-to-air customers and the impact on delivering content to customers. The Board also considered business continuity risks with critical suppliers and the evolving competitor landscape due to COVID-19.

Outcomes on Board decision-making and other key strategic decisions

- Replacement of the leverage and interest cover covenants in the Revolving Credit Facility with a cap on covenant net debt at £1.8 billion and a minimum covenant liquidity requirement of £250 million until 30 December 2021
- Reductions to Executive Director and Management Board salaries and a voluntary 20% reduction in fees for Board members from April 2020 to October 2020
- Ongoing monitoring by the Board of:
 - business performance against a wide range of scenarios as well as analysis to inform planning and decision-making to ensure costs and cash are managed appropriately
 - the risks associated with COVID-19 and changes in regulation and impact of Brexit on the business

- Withdrawal of the 2019 final dividend and previously announced intention to pay an 8.0p full year dividend for 2020
- Increased Chief Executive and Group CFO meetings with shareholders during the initial phase of the crisis

- Implementation of other cost-reduction measures, including: recruitment and pay freezes across the business; the cancellation of the 2020 bonus for all colleagues; furloughing colleagues as appropriate; reducing non-essential travel and other expenses

- Ongoing monitoring of advertising trends and the impact of those trends in the medium to long-term, and the impact of COVID-19 restrictions on Studios productions and production restarts globally
- Increased supplier due diligence and acceleration of initiatives in relation to enhancing partnerships

Looking after the health and safety of colleagues, programme participants and the wider community in the context of COVID-19



Directors consideration of key factors set out in section 172(1)

Colleagues: The Board recognised that the pandemic could have a negative impact on our colleagues' physical and mental wellbeing, reinforcing that people and communications continue to be our top priority. Regular updates on colleagues are provided to the Board in the Chief Executive report. In addition, ITV took a leading role in the development of COVID-19 TV production protocols with UK government to minimise health and safety risks for colleagues – a role that has been specifically recognised by the government in Parliament.

Customers and programme participants: In order to protect the health and safety of our talent and crew, ITV productions were paused at the start of the pandemic, whilst recognising the impact and costs for the business of having to take such actions in the long-term.

Legislators and Regulators: The UK government and industry players were consulted when agreeing measures to protect our employees and programme participants from the risk of infection. Public health (mental and physical) has been a particularly important topic over the past year. Public Health England asked ITV to help communicate critical health messages to key demographics.

Community, environment, viewers and subscribers: The pandemic presented new opportunities for ITV to further its Social Purpose priorities (Better Health, Diversity and Inclusion, Environment, and Giving Back), raise awareness of key issues and shape culture for good. The Board considered ITV's responsibility as a public service broadcaster to ensure that it informs, entertains and provides companionship to viewers, in particular to help build resilience to cope with lockdown.

Outcomes on Board decision-making and other key strategic decisions

- Use and development of existing programmes to support the mental wellbeing of our colleagues (refer to page 52), especially in the context of working from home
- Continued investment in technology and systems to enable colleagues to optimise digital working. For more detail on measures put in place for colleagues, refer to page 52
- Development of a phased approach to re-entering the office safely (to be implemented as appropriate in line with government guidelines)

- Implementation of new processes and protocols to minimise health and safety risks for colleagues and programme participants working on content production to allow them to work safely during the pandemic. This included working with partners to drive the government's introduction of the COVID indemnity scheme (Film & TV Production Restart Scheme)

- Integration of public health messaging into our broadcasting. In addition to editorial content, we created campaigns with messages on mental health (e.g. how to combat loneliness), the importance of staying at home, handwashing, healthy eating (Eat Them To Defeat Them) for children and exercise (with the Daily Mile)

- Running our award-winning mental health campaign, Britain Get Talking, and Board discussion on the widening of Britain Get Talking beyond mental health to neighbourliness
- Other examples of how we have raised awareness and delivered against our Social Purpose priorities during the pandemic are set out on page 44
- Running public health messaging campaigns (as described above)

Restructuring of the Broadcast business to establish a new Media and Entertainment division with two new business units



Directors consideration of key factors set out in section 172(1)

Long-term impact: The Board believes the restructuring will ensure that ITV's business model better reflects and serves changing viewing habits in the longer-term and will enable the Company to reduce the ongoing cost base, improve efficiency and accelerate delivery of ITV's strategic priorities.

Colleagues: The Board considered how best to preserve the culture of the Broadcast business, ensure transparency through communications with colleagues and minimise disruption to the business. The Board also discussed the necessary reallocation of resources between the On Demand and Broadcast business units within the Media and Entertainment division.

Viewers and subscribers: The Board believes that the restructuring will facilitate the growth of ITV's online offering to provide new content that appeals and improves accessibility to audiences who already do most or all of their viewing on demand.

Partners and customers: The Board was mindful of how the restructuring would impact how we work with our partners. Growing our digital viewing will provide more opportunities for advertisers to reach new audiences.

Outcomes on Board decision-making and other key strategic decisions

- Review of analysis/modelling to understand the financial impact of the restructuring (following which the Board concluded that its implementation would be in the long-term interests of the Company)

- Open and transparent communications with colleagues in relation to the restructuring, including through regular vodcasts with the Chief Executive where colleagues were able to ask questions anonymously. When necessary, we also undertook individual and collective consultations. Individuals at risk were supported by our ITV Ambassadors (our employee representatives)

- Feedback from viewers, subscribers and customers indicated that this would strengthen ITV's digital offering and attract a broader demographic who would spend more time with ITV content. The impact of the restructuring on revenue will continue to be monitored

- Discussions with advertisers to ensure they understand what the restructuring will mean for the business

Non-Financial Information Statement (NFIS)

The table below, and the information it refers to, sets out our position on non-financial reporting requirements in accordance with sections 414CA and 414CB of the Companies Act 2006.

The description of Our Business Model can be found on pages 22 and 23.

Environment

Policies	Due diligence in pursuance of policies	Outcomes of policies and impacts of activities including related KPIs	Related principal risks (pages 76 to 85)
<ul style="list-style-type: none"> Our Environmental Management Policy sets out our commitment to Net Zero Carbon, zero waste and a sustainable supply chain by 2030 We are also a signatory to the Task Force on Climate-related Financial Disclosures (TCFD), which provides a framework for assessing our exposure to climate-related risks and processes to mitigate against these risks Our Supplier Code of Conduct sets out our expectation of our suppliers to align to our 2030 environmental targets 	<ul style="list-style-type: none"> We evaluate and monitor climate change risks and progress against our environmental targets through our governance structure, which includes the Climate Change Delivery Group, and is referenced in further detail in our TCFD report (see pages 62 to 66) Progress against our environmental targets are reported to the Studios, Media and Entertainment, and Management Boards four times a year, and annually to the Board. The Audit and Risk Committee also has oversight of environmental matters, receiving frequent updates (page 121) All colleagues are required to complete mandatory training on climate action 	<ul style="list-style-type: none"> Reducing our impact on the environment is one of the four priorities of ITV's Social Purpose strategy (see pages 46 and 47) Refer to page 47 for our greenhouse gas emissions data We are members of the albert directorate and consortium, and committed to reducing the impact of production by ensuring all the programmes we produce and commission are albert certified 	<ul style="list-style-type: none"> Climate change is not currently recognised as a principal risk, but is categorised as an emerging risk and kept under regular review through our risk management framework. In 2020 we performed an assessment of this area, in order to identify specific climate risks for ITV and the result of this assessment is detailed in our TCFD report on page 62

Social impact

Policies	Due diligence in pursuance of policies	Outcomes of policies and impacts of activities including related KPIs	Related principal risks (pages 76 to 85)
<ul style="list-style-type: none"> Social Purpose is a core part of ITV's overall strategy. We use ITV's scale and creativity to shape culture for good. We have set and published ambitious targets which align to the United Nations Sustainable Development Goals (UN SDGs) 	<ul style="list-style-type: none"> We evaluate and monitor all our Social Purpose campaigns and progress against our goals A Mental Health Advisory Group, chaired by Ruth Davidson (former leader of the Scottish Conservative Party), comprises external expert advisers and provides guidance on best practice for people, productions and campaigns ITV is a member of the Responsible Media Forum Progress against our targets and the impact of our campaigns are reported to the Management Board four times a year, and annually to the Board 	<ul style="list-style-type: none"> Our Social Purpose strategy has four priorities relating to Better Health, Diversity and Inclusion, the Environment and Giving Back (see pages 42 to 49) The Social Purpose strategy is aligned to the UN SDGs. ITV has identified SDGs 3, 5, 7, 10, 12, 13 where it can have the most impact 	<ul style="list-style-type: none"> Social impact matters are not considered to be a principal risk as we are committed to our Social Purpose and have taken steps to deliver this

Colleagues

Policies	Due diligence in pursuance of policies	Outcomes of policies and impacts of activities including related KPIs	Related principal risks (pages 76 to 85)
<ul style="list-style-type: none"> Our Code of Conduct promotes the highest standards of ethical business, underpinning our values and corporate culture. Adherence to the Code of Conduct is a key requirement of our overall compliance framework Our Diversity and Inclusion strategy is aligned with and supports our business strategy Our employment and recruitment policies are based on equal opportunities and non-discrimination, and set out our commitment to an open and inclusive culture ITV's Duty of Care Charter sets out our commitment to the care we take for the physical and mental health and safety of employees and others we work with ITV has a 'Speaking Up' framework (revised in 2020) for employees and freelancers to raise concerns and grievances in confidence (and if they wish anonymously), as well as a freelancer complaints procedure We also have policies on bullying, harassment and dignity at work, and grievances 	<ul style="list-style-type: none"> All colleagues are required to complete annual mandatory training aligned with the Code of Conduct. Board members also completed the mandatory training for colleagues in 2020 The Code of Conduct is reviewed and updated regularly Our Inclusion and Diversity Council, chaired by the Chief Executive, drives the organisation's diversity and inclusion agenda (see page 49) Progress against our diversity targets are reported to the Studios and Media and Entertainment Boards biannually, the Management Board four times a year, the Nominations Committee regularly, and annually to the Board The Audit and Risk Committee reviews the Group's health and safety procedures at least annually, and receives regular reports on duty of care from the Duty of Care Operating Board, providing feedback to the Board Our Speaking Up arrangements and the wider 'Speaking Up' framework, including incident statistics, are monitored and reviewed annually by the Audit and Risk Committee, which provides feedback to the Board 	<ul style="list-style-type: none"> In 2020, a 'pulse' survey was carried out to understand colleague confidence in our response to the COVID-19 pandemic and obtain learnings for future ways of working, the results of which have informed Board discussions (see pages 104 and 106) Diversity and Inclusion is one of the four priorities of ITV's Social Purpose strategy (see pages 48 and 49) During 2020 we appointed a Group Diversity and Inclusion Director to the Management Board In 2020 we launched the Diversity Acceleration Plan, which is aligned with and supports our business strategy (see page 48) 	<ul style="list-style-type: none"> Non-compliance with laws and regulation is recognised as a principal risk (for which we have zero tolerance) and we regularly assess potential risks associated with employee conduct and ethics as part of our compliance processes Failure to deliver our Diversity Acceleration Plan is a risk which remains under review, monitored by the Nominations Committee Failure to create the right organisational culture, which allows colleagues to speak up and deliver the strategy (Risk 11), and failure to extend an adequate duty of care or a major health and safety incident (Risk 12) are recognised as principal risks

Anti-corruption and anti-bribery

Policies	Due diligence in pursuance of policies	Outcomes of policies and impacts of activities including related KPIs	Related principal risks (pages 76 to 85)
<ul style="list-style-type: none"> Our Code of Conduct promotes the highest standards of ethical business and reinforces the importance of awareness of compliance requirements and maintaining high ethical standards Our Anti-Bribery Policy sets out our responsibilities and provides information and guidance on what bribery is and how to deal with bribery and corruption issues. Those working or with us must observe and uphold the Policy Our Sanctions Policy ensures that the business complies with all relevant international and financial sanctions in force at the time by the UN, EU or UK government Our Supplier Code of Conduct sets out our expectation of our suppliers to comply with all anti-bribery laws 	<ul style="list-style-type: none"> All colleagues are required to complete annual mandatory training aligned with the Code of Conduct, and systems are in place to enable employees to identify and raise issues, including suspected wrongdoing, fraud or malpractice in the workplace Bespoke training on the Anti-Bribery Policy is provided to employees working in roles or territories at higher risk of bribery and corruption issues Compliance with the Anti-Bribery Policy is kept under review and reported to the Management Board and Audit and Risk Committee biannually Bribery and corruption risks are reviewed annually by the Audit and Risk Committee, as is wider policy compliance 	<ul style="list-style-type: none"> We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, as well as implementing and enforcing effective systems to counter bribery and corruption 	<ul style="list-style-type: none"> Legal and regulatory non-compliance (including the Bribery Act 2010) is recognised as a principal risk (Risk 13). We have a compliance programme in place to mitigate the risk of bribery, which is articulated in our Anti-Bribery Policy

Human rights

Policies	Due diligence in pursuance of policies	Outcomes of policies and impacts of activities including related KPIs	Related principal risks (pages 76 to 85)
<ul style="list-style-type: none"> ITV is fully committed to ensuring that we do not participate in the violation of human rights and we expect the same of our suppliers. We are a founding member of the TV Industry and Human Rights Forum set up to identify and proactively address labour rights issues in the television industry and raise awareness beyond it ITV's Modern Slavery Statement sets out the steps taken by ITV to identify, address and prevent modern slavery and human trafficking in our business and supply chain Our Supplier Code of Conduct sets out our expectation of our suppliers to protect human rights of workers and communities impacted by operations and supply chains 	<ul style="list-style-type: none"> Ultimate oversight belongs to the Board ITV's Modern Slavery Steering Group is responsible for overseeing modern slavery risk management for ITV in a manner that places concerns for potential victims at the centre. It agrees strategies for addressing key risks identified and raises awareness among ITV's decision-makers of labour rights considerations and seeks their support for appropriate initiatives Our Modern Slavery Statement is reviewed by the Board on an annual basis 	<ul style="list-style-type: none"> No incidences of human rights abuse or modern slavery have been identified During 2020, we strengthened risk management processes, and new reporting processes are being established to ensure better data from the due diligence processes we perform for new suppliers and the targeted assessments being undertaken for our current suppliers that pose the highest (material) risk of modern slavery across our supply chain. This will help us measure the effectiveness of our supply chain risk mitigation 	<ul style="list-style-type: none"> Legal and regulatory non-compliance (including labour rights issues) is recognised as a principal risk (Risk 13). We have a compliance and risk management framework in place to identify potential risks and mitigate these

Risks and Uncertainties

ITV operates in a rapidly changing business environment. Viewer behaviours, competitors and the broader industry are evolving at a significantly faster pace than before, creating an increasingly complex risk landscape.

The COVID-19 pandemic has created unprecedented challenges for ITV, impacting many of the principal risks facing our business and further highlighting to us the importance of having an effective understanding of and ability to respond quickly to changing and emerging risks.

We understand that taking certain risks is unavoidable and necessary to enable us to pursue our strategic goals. However, we must also adequately manage and respond to risks which represent a threat to our reputation, finances, the safety of our staff, contributors and the environment. Our continued success is dependent on striking the right balance between risk-taking and risk-mitigation. ITV's risk management framework is designed to support strategic and operational decision-making by providing us with the tools to identify, manage and continually review our risks.

Enhancing risk management

Throughout 2020, we have introduced enhancements to better support our teams to effectively understand and respond to risks. We will continue to build on this work in 2021.

Key enhancements in 2020

- Increasing the frequency of risk discussions at all levels of the business
- Performing deep dives with management, the Audit and Risk Committee and the Board, to further scrutinise the approach we take to our principal risks (detail of the deep dives completed in 2020 are outlined within each principal risk identified on the following pages)
- Further developing the risk appetite framework for the business and articulating our risk appetite in respect of key risks
- Supporting the business with the management of risks and evolving threats created as a result of COVID-19
- Undertaking a series of workshops to identify climate-related risks and improve our related disclosures and mitigations/response
- Improving the robustness of our processes to monitor third party and supplier risks

Building on these priorities in 2021

- Continuing to embed and build risk management capability and culture within the business
- Increasing the number of risk deep dives with the Board
- Enhancing risk reporting to better support decision-making, by incorporating increased metrics and scenario modelling
- Improving quantitative and qualitative risk appetite metrics, which allow us to monitor compliance and focus on areas outside of tolerance
- Continuing to learn from our response to COVID-19 and build learnings into existing crisis management and business continuity activities
- Building on the work in 2020 by performing climate scenario analysis, to better quantify climate risks
- Further developing the third-party risk management framework and rolling this out to the business

Risk management framework

The key objective of our risk management framework is to support the achievement of our strategic goals. The framework seeks to drive clarity and proactivity and enable us to respond to threats, by defining the required governance, process and enablers for effective risk management at ITV.

Governance



Process



Enablers



Risk governance structure

Board

- Sets strategic objectives
- Reviews and evaluates principal risks and uncertainties
- Sets our strategy on risk and establishes tolerance levels and risk appetite
- Ensures the effective operation of the risk management framework and internal control systems



Management Board

- Has responsibility for:
- The development and operation of the risk management framework and systems of internal control, including:
 - Reviewing and monitoring the effectiveness of internal controls and putting in place remedial plans where required. Serious control weaknesses (if any) are reported to the Board and action is taken as appropriate
 - Routinely reviewing and challenging risks and migrations, including relevant reports or other performance indicators
 - Continuously reviewing risk exposure and ensuring that decisions taken are in line with the organisation's risk appetite and within the defined tolerance levels
 - Reviewing emerging risks



Divisional Boards and Central Functions

- Have responsibility for ensuring appropriate risk management within their business area, including:
- Routinely reviewing and challenging risks and mitigations, including relevant reports or other performance indicators
 - Reviewing local policies and monitoring the local implementation of key group policies and procedures
 - Reviewing emerging risks identified through the risk management framework

Group Risk

- Has responsibility for:
- Maintaining the risk management framework, systems and processes and supporting management in its adoption and embedding
 - Coordinating all risk identification, reporting and governance forum activity
 - Developing risk capability and culture in the business
 - Supporting and advising the business on the development of risk management solutions

Audit and Risk Committee

- Has responsibility for:
- Overseeing and advising the Board on risk exposures and future mitigation strategy
 - Reviewing the effectiveness of the risk management framework and internal control systems
 - Conducting in-depth reviews of high-risk business areas or processes
 - Setting the internal audit plan to gain assurance of the effectiveness of key risk controls and mitigations
 - Reviewing implementation of internal audit actions
 - Overseeing and monitoring the business's compliance with the risk appetite set by the Board

Details of risk reviews undertaken during the year are set out in the Audit and Risk Committee Report within the Governance section of the report.

Key

- Direction and Management
- Reporting and Escalation
- Advice and Oversight

Three lines of defence

The three lines of defence model is a core enabler within our risk management framework and provides ongoing assurance over the effectiveness of our risk management activities.

Business Operations and Divisions: Divisions and Central Functions identify, assess and manage risk on an ongoing basis, including maintenance and operation of the internal control framework to mitigate key risks. These risks are reported and escalated through the risk governance structure



Risk

Group Risk and Central Functions: Where relevant, Group Risk and Central Functions support the business in their risk management activities. They are responsible for setting policies related to their remit, monitoring application of policies within the business and advising the business on risk mitigations.



Risk

Internal Audit: Internal Audit provides independent assurance over the effectiveness of the Group's internal control systems and risk management processes. The internal audit plan is driven from ITV's risk management framework and is aligned to auditable elements of the Group's principal risks.



Reporting



Reporting



Reporting

The Board: Oversight over principal risks

Audit and Risk Committee: Oversight over risk management framework

Senior management: Oversight over all business risks

Risk appetite

In 2020, we undertook an exercise to improve the articulation of our risk appetite across key areas of the business in order to better support management's ability to identify and respond to risks as they arise and strike the right balance between taking too much or too little risk. This involved a workshop with the Management Board, facilitated by Group Risk, to define our risk appetite for each

principal risk and across other key areas. This included, but was not limited to, liquidity, acquisitions, data privacy, business continuity and resilience, and people and culture. The output from this workshop was a set of risk appetite statements for Studios, Media and Entertainment, and Group. Our risk appetite reflects ITV's willingness to be innovative and open to new ideas as we

pursue our strategy, whilst maintaining our low tolerance in operational areas such as compliance, duty of care, cyber and data protection.

The risk appetite statements have been approved by the Board and in 2021 we will build on this work by developing metrics to support the Management Board's role in monitoring compliance against risk appetite.

Principal risks

A member of the Management Board is responsible for monitoring and ensuring mitigation of each of the principal risks on an ongoing basis. The principal risks are reviewed on an ongoing basis by senior management, subject to periodic deep dives at the Board, Audit and Risk Committee, Management Board and Divisional Boards, and are formally reviewed and approved by the Board twice a year.

COVID-19



Despite the unprecedented challenges presented by the COVID-19 pandemic, we have continued to broadcast, serve our advertising clients and agencies, and have restarted production on the majority of our programmes internationally.

However, COVID-19 remains a risk for ITV and we continue to respond to the emerging health and safety threats the pandemic presents. During 2020, we made changes to our office and production-based health and safety protocols, which has allowed us to continue operating and safeguard our people, cast, crew and programme participants.

We have also observed changes in viewer behaviours during the pandemic, which may exacerbate many of our existing strategic risks and result in those risks materialising sooner than anticipated. We have accelerated the pace of our strategic delivery to address these shifting dynamics in the market and to respond to the increasing risk.

We have included a new COVID-19 principal risk below, which provides an overview of the broader uncertainties related to the pandemic for ITV and have provided additional context within existing principal risks, where appropriate, to reflect the impacts of COVID-19. Further detail of our response to COVID-19 can be found on page 14.

Other changes in our principal risks

- We have removed the principal risk relating to legal disputes, as we no longer consider this risk as having the same level of potential long-term impact as other principal risks. We recognise that some litigation is ongoing and there remains uncertainty as to the estimations and potential final financial quantum of that litigation. As a result, we have continued to include this risk as a sensitivity factor within the assessment of going concern and long-term viability, in order to further stress test our cash and liquidity assumptions. Whilst there are certain discussions ongoing that may lead to litigation, we continue to improve our processes to mitigate the risk of a dispute arising and track this through our internal risk management processes
- The principal risk relating to the macroeconomic environment has been removed as a standalone risk and incorporated into existing principal risks
- The principal risk in relation to structure and ways of working has been removed, as it continues to be substantially mitigated through ongoing work to restructure the business and improve ways of working
- The principal risk in relation to BritBox growth has been expanded to encompass all of our digital and On demand products, which are all fundamental to our Media and Entertainment strategy
- We have included a new principal risk relating to regulatory change, which is driven primarily by the uncertainty around the government's PSB review, advertising sector restrictions and Brexit

Emerging risks

We define emerging risks as uncertainties which originate from known or previously unconsidered sources, and which are not clearly understood, visible or possible to fully assess. These risks could impact ITV over a longer period and have the potential to significantly impact our business model and/or operations.

As part of the enhancements made to the risk management framework in 2020, we have improved our processes to identify, assess and report emerging risks. ITV's Group Risk team supports management in the identification of emerging risks by undertaking horizon scanning, maintaining ongoing dialogue with the business and keeping up-to-date with wider market movements. Emerging risks are tracked and escalated through the risk management framework and are formally reviewed by the Board twice a year.

Climate change



Throughout 2020, we undertook a series of workshops to identify climate change risks and opportunities for ITV. We identified some potential risk areas which are detailed in our TCFD report. There are some risks associated with transitioning to a low carbon economy, for example, the risk of governments introducing carbon taxation measures and or quotas on certain activities carried out in the jurisdictions in which our business operates. However, government actions to respond to climate change are evolving, and the extent of potential risks remain unclear.

We have been impacted by the physical effects of climate change on a small number of our productions, including the wildfires in California and Australia; however, to date, we have been able to deploy localised responses to mitigate against production delay or financial loss. Viewer and consumer sentiment with respect to climate change is also fragmented and continues to change.









Our initial assessment of the risks suggests we are not materially exposed to climate change or that this represents a threat to our long-term viability, liquidity or ability

to operate. However, there remains some uncertainty as to the potential significance, impact or timing of these risks. These factors all limit our ability to fully assess our risk profile and as a result we continue to categorise climate change as an emerging risk for ITV.

We also recognise that there are also opportunities for ITV to use its content and platform to educate our viewers about climate change and promote sustainable behaviours. Please refer to our Social Purpose section further information on the work we are doing in this regard.

In 2021, we will complete detailed climate scenario modelling to develop a more accurate picture of our climate change risk profile and the potential impact risks may have on our strategy, operations and finances. We will also continue to monitor the risks identified to date through the existing risk management framework and develop mitigations to respond. Further detail on the risks and opportunities we identified as part of our exercise and risk management in this area is provided in the TCFD section of the report. Where relevant we have also included additional climate risk commentary in our principal risks on the following page.

Detailed Principal Risks

Link to Strategy	Risk direction of travel (after current mitigations)	Principal and emerging risks
 Grow UK and global production	 Risk is increasing	 We have indicated below if there is a change in the risk profile associated with a particular risk that is attributable to COVID-19.  We have also indicated where there are specific environmental or climate related factors, which may impact our risks.
 Transform Broadcast	 Risk remains static	
 Expand Direct to Consumer	 Risk is reducing	

Strategic, External risks

External environmental risks, including macroeconomic, socio-political or market changes, that may impact ITV's strategic vision or ability to deliver the strategic initiatives

1. COVID-19 pandemic




Link to strategy   

Description	Context	Mitigating activities	Risk direction
 <p>The COVID-19 pandemic may have longer-term implications on the macroeconomic environment or impact our people, operations or ability to deliver our strategy.</p>	<ul style="list-style-type: none"> COVID-19 has had, and may continue to have a strategic, operational and financial impact on all areas of our business. We are observing further (and potentially more serious) waves of the virus in many of the territories in which we operate, which may result in a short-term increase of all aspects of this risk, including: A prolonged negative impact on the global economy, which may impact sales activity Operational challenges associated with filming during COVID-19, resulting in further production delays Increased health and safety risks, resulting in the need for additional steps to keep our staff, crew, cast and participants safe, and increased costs of operating The potential for high employee absence, resulting in challenges in operational and strategic delivery Increased costs of operating, reduced revenue and delayed payments from customers, which may have an adverse impact on our cash position <p>Changes in direction of travel</p> <p>The COVID-19 pandemic has affected all areas of our business, and accordingly, we have moved this risk from an emerging risk to a principal risk. The development of a planned roll out of a vaccine in the UK will lead to an overall reduction of the level of this risk. However, when balanced against the current and potential future waves of the pandemic, different timelines for the roll out of a vaccine in our international markets and the potential restrictions to activities imposed by governments, the level of this risk is increasing at present.</p>	<p>We have developed a COVID-19 response governance structure, with responsibility for managing the risks associated with the pandemic. This is supported by a Project Management Office function, which regularly reports into the Management Board and the Board.</p> <p>We manage the risks associated with COVID-19 across five fronts:</p> <ul style="list-style-type: none"> Situational Analysis: Regular conversations with government and external advisors on the medical, political and economic impact of COVID-19 Cash and Costs: Modelling our financial position across a range of scenarios (informed by situational analysis), developing cost mitigations (with defined trigger points), and cash monitoring and management Revenue: Developing and implementing plans to continue identifying opportunities and mitigate against negative sales impacts Technology and Operations: Invoking existing business continuity plans to ensure critical operations can continue through the crisis People and Communications: Putting in place processes and responses that protect the health and wellbeing of our people, cast, crew, participants and support the wider community <p>We have also made improvements to our crisis management and business continuity approach across the Group. We have identified further activities to protect our critical services and have implemented those activities into business as usual. This has included implementing additional security measures on our enterprise systems; improving efficiency and resilience in production through technology and remote editing; and increasing the adoption of tools to facilitate remote working.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Monthly reports to the Board on the emerging COVID-19 situation and impact to ITV (weekly at the height of the crisis) Risk deep dive at the Audit and Risk Committee, focused on health, safety and wellbeing during COVID-19 (April 2020) 	<p>2020</p> <p> 2019</p> <p></p>

2. Changing viewing habits

Link to strategy



Description	Context	Mitigating activities	Risk direction
<p>A failure to anticipate or respond to fast changing viewer habits and behaviours may impact total viewing and the success of our channels.</p>	<ul style="list-style-type: none"> Content is now available across many different devices and platforms, which is impacting how viewers consume video Viewers are watching less linear television and are increasingly accessing content through video on demand (VOD) services Younger viewers are also engaging with alternative media, moving away from long-form video A faster than anticipated shift towards digital viewing and alternative content would impact the reach of ITV viewing and in turn the advertising revenue we are able to realise <p>Changes in direction of travel Whilst there has been increased ITV viewing during the pandemic, the acceleration in VOD viewing results in this risk increasing.</p> 	<p>Our strategy is focused on allowing our audiences to access our content wherever, whenever and however they choose to watch. In 2020, we developed an On Demand business unit to accelerate the growth of our digital viewing propositions, both in advertising video on demand (AVOD) and subscription video on demand (SVOD).</p> <p>In AVOD, this involved making all our linear content available on digital platforms, as well as investing in the enhancement of the ITV Hub product. In SVOD, we continue to invest in BritBox and will be rolling out the product to further international markets in 2021 and beyond.</p> <p>Our strategy also involves investing in alternative media products to more effectively compete for non-viewing time and allow viewers to engage with the ITV brands and formats in different ways. This includes investing in gaming, short-form content and podcasts.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Strategy session with the Board, focused on evolving viewer habits in light of COVID-19 (June 2020) 	<p>2020</p>  <p>2019</p> 


3. Advertising market changes

Link to strategy





Description	Context	Mitigating activities	Risk direction
<p>Ongoing changes in the advertising market may result in reduced demand for ITV's advertising products and a longer-term decline in advertising revenue.</p>	 <p>Advertising is slowly returning to pre-COVID levels. However, the advertising market was significantly impacted by COVID-19 and advertiser spend may continue to be impacted by ongoing decline of certain sectors and the UK economy more broadly, driven by COVID-19 and also Brexit.</p> <ul style="list-style-type: none"> An increasing proportion of advertising budgets is also being spent on digital offerings and with media owners with advanced features, such as audience attribution An increasing number of viewers are using advertising-skipping technology on linear products, reducing revenue  <p>Certain sectors are either already or may become subject to regulatory advertising restriction, impacting the advertising they can do with ITV. Particular industries which are at higher risk of advertising restriction include gambling and food and drink. In addition, we are monitoring the potential for advertising restrictions on high carbon emitting products and services, for example air travel and motor vehicles.</p> <p>Changes in direction of travel Continued uncertainty in the economic environment means this risk is trending upwards.</p>	<p>We are closely monitoring the economic environment and tracking the potential financial impact on advertising revenues in a defined range of scenarios. We continue to demonstrate the benefits of advertising on ITV to our existing clients, whilst seeking to increase awareness of these benefits within growing sectors.</p> <p>As part of our strategy to grow our digital viewing and reach, we seek to serve advertising wherever our viewers consume our content. This includes working with technology and distribution partners to allow us to insert advertising across all platforms and investigate methods to minimise the financial impact of ad skipping.</p> <p>We are also focused on enhancing the features and attractiveness of our advertising products, including by investing in addressable advertising capability. Our Planet V product was successfully launched in 2020 and is designed to provide advertisers an easy-to-use, self-service platform to deliver highly targeted ads.</p> <p>We monitor the regulatory landscape and engage with the UK government to understand and limit the impact of advertising restrictions on our revenues. Specifically, in relation to the intended ban on advertising for high fat, salt and sugar products, we are assessing the potential financial impact and identifying approaches to mitigate the loss of revenue while we wait for further details on the scope of the ban and timing of application.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Deep dive on advertising market risk with the Board (July 2020) 	<p>2020</p>  <p>2019</p> 



4. Evolving demand in the content market

Link to strategy 


Description	Context	Mitigating activities	Risk direction
<p>Fundamental changes in the content market may result in reduced opportunities, non-renewal of premium programmes, and/or impact the profitability of ITV Studios content.</p>	<p> COVID-19 has resulted in delays to the completion of a number of shows on the Studio's slate. Although production is resuming globally, further waves of the virus and the introduction of further restrictive measures by governments (including periods of lockdown) may continue to impact our ability to produce.</p> <ul style="list-style-type: none"> The demand for content globally continues to increase, in particular from SVOD buyers. However, there is a risk that these players will increasingly use their scale to produce content in-house. The profitability of the Studios business may be impacted by buyers seeking better terms on pricing and rights and increased costs of production as a result of new ways of working during COVID-19. <p> Costs associated with carbon offsetting and new technologies to reduce the environmental impact of our productions may also impact margins in the future.</p> <p>Changes in direction of travel Whilst there is continued risk to our production pipeline caused by COVID-19, the global demand for content remains high and we anticipate being able to continue production with the support of our COVID-19 safety protocols.</p>	<p>ITV has been actively involved in the development of industry-wide production protocols to support the industry return to work. The protocols have also been rolled out across our productions internationally, with some variances to respond to local requirements. As the situation has evolved, we have responded by rapidly flexing the protocols to continue production.</p> <p>We are also growing and maintaining relationships with a diversified set of local and global customers, with varied business models. We have continued to invest in development and in attracting creative talent throughout the pandemic in order to ensure we can continue to provide quality content to these customers.</p> <p>We believe that by taking action now to reduce the environmental impact of our productions, we are mitigating against longer-term increases in costs, e.g. arising from carbon taxation or higher prices of fossil fuel. From a cost perspective, we are also continually implementing new processes to drive efficiency in our production and project margins. These include robust procurement procedures, maximisation of tax credits and technological approaches to optimising filming.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Deep dive on studios market risk with the Board (September 2020) 	<p>2020</p> <p></p> <p>2019</p> <p></p>




5. Platform relationship risk

Link to strategy  


Description	Context	Mitigating activities	Risk direction
<p>An inability to develop and maintain adequate relationships with major platform and distribution providers may result in viewers being unable to find our content and lack of fair value for that content.</p>	<ul style="list-style-type: none"> Video content is viewed across a very wide variety of platforms and devices and ITV needs to work with these platform providers to ensure viewers can continue to find ITV content whenever and wherever they choose to watch As a public service broadcaster (PSB), we are guaranteed prominence in the UK within the linear Electronic Program Guide (EPG) grid. However, this prominence is not guaranteed for digital viewing and other ways viewers now or will choose to consume ITV content Our commercial arrangements with platform owners are increasingly complex and, in the absence of regulatory protections, we must form strong relationships under mutually favourable terms, to allow viewers to continue to easily find our content and in order to fully monetise that content <p>Changes in direction of travel As viewing continues to shift away from linear and onto other platforms and devices, the need for strong distribution arrangements increases.</p>	<p>Our aim is to allow viewers to access our content, wherever, whenever and however they choose to watch and this is underpinned by a defined partnership and distribution strategy, which has been further developed throughout 2020. We will continue to focus on this as a priority as we transition to our new organisational structure.</p> <p>We have a dedicated team that has developed relationships with all the major distribution providers and TV platform/device manufacturers in the UK. This team is also responsible for inputting into product and commercial decision-making, to confirm ITV remains an attractive proposition from a distribution perspective. We are therefore in a position to negotiate the prominence and monetisation of ITV's content on their platform/devices.</p> <p>We also continue to actively participate in the dialogue with Ofcom and the UK government regarding the modernisation of the PSB regulatory regime and make the case for addressing the key areas of inclusion, prominence and fair value.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Strategy session with the Board, focused on partnership strategy in light of platform relationship risk (June 2020) 	<p>2020</p> <p></p> <p>2019</p> <p></p>

6. Pension deficit increase

Link to strategy 

Description	Context	Mitigating activities	Risk direction
<p>A financial crisis or macro-economic change could impact the value of pension scheme investments and liabilities and increase the deficit.</p>	<ul style="list-style-type: none"> Changes in credit spreads could result in material movements in the Group's defined benefit pension scheme liabilities A major change in longevity, investment values or in the discount rate affecting the value of liabilities could have a material impact on the net pension liability. ITV may need to respond in such an event by increasing future contributions <p>Changes in direction of travel</p> <p> The pension scheme trustees' approach has always been focused on taking a conservative approach to limit the impact of uncertainty. Therefore, the wider implications of COVID-19 have not impacted the value of the scheme significantly or our ability to meet liabilities.</p>	<p>The pension scheme assets are invested in a diversified portfolio, with a significant amount of the fund held in lower risk bonds, with interest and inflation rate hedging in place. We have worked with the pension trustees to limit the potential deficits through a series of asset backed arrangements. In addition, the trustees have removed some of the mortality risk with a longevity swap and by hedging a portion of inflation and interest rate variability.</p> <p>Increased monitoring of the pensioner population and mortality rates of the schemes has taken place to assess the likely risk of a mortality shock as a result of COVID-19. This would result in a requirement to increase collateral in relation to the longevity swap and restrictions on the preferred investment strategy. However, a mortality shock would also reduce the scheme's liabilities, partly offsetting the risk of the deficit.</p> <p>We have reduced some of our exposure through the purchase of a bulk annuity policy (a 'buy-in' policy) for a section of the scheme. This contract matches the pension liabilities covered by the policy and, therefore, removes the investment, interest rate and inflation risks associated with those liabilities. In order to mitigate the risk of not being able to meet our liabilities as they arise, we have reviewed our cash matching and hedging strategies.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Annual pension process and controls review at the Audit and Risk Committee (December 2020) 	<p>2020</p> <p></p> <p>2019</p> <p></p>

7. Regulatory policy changes

Link to strategy 

Description	Context	Mitigating activities	Risk direction
<p>Changes to policy and regulation or a failure by the UK government to regulate may have a negative impact on the future of public service broadcast, our business model and/or the cost of operations.</p>	<ul style="list-style-type: none"> Public service broadcasters (PSB) regulation needs reform to respond to changes in viewer behaviours and the increasing scale of digital media companies. The outcomes of the ongoing PSB regime review may have a significant impact on ITV's business model and strategy Changes in advertising regulation for certain sectors may have a negative impact on the revenue we are able to generate from these sectors The agreement of a deal between the UK and EU has gone some way to managing Brexit uncertainty. Whilst there may be additional operational requirements and cost resulting from future regulation (e.g. requirements to obtain working visas), these do not present a material barrier or threat to ITV <p> Other areas of regulation and policy which could have an impact on our business, include: sustainability, child protection, broadcasting regionality and longer-term regulation in relation to pandemic preparedness.</p>	<p>We have an experienced Policy and Regulatory Affairs team that monitors for potential policy, legal and regulatory developments. We have a systematic approach to analysing the impact of potential changes and are proactive in putting forward our position during the development of new policies, legislation and regulation.</p> <p>We continue to engage with the government and regulators on the PSB regime and other topics affecting our industry. This includes collaborating with other organisations in the industry, where appropriate and objectives align.</p> <p>From a COVID-19 perspective, we held regular CEO-led conversations with the UK government to influence decision-making on specific areas affecting our industry. We are also monitoring the emerging regulatory landscape with respect to the pandemic to understand and prepare for changes.</p>	<p>2020</p> <p></p> <p>2019</p> <p></p>

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7. Regulatory policy changes continued





Description	Context	Mitigating activities
	<p>Changes in direction of travel Reform of the PSB regime represents both a risk and an opportunity to ITV. However, a reluctance by government to intervene on key issues (such as fair value, prominence, and the influence of digital players) may have a negative impact on ITV's business model and strategy.</p>	<p>Throughout 2020, our Brexit working group met regularly to consider the implications of different scenarios for Brexit. Plans were developed to mitigate the impact of Brexit and to identify any process changes required. Those processes are now being rolled out and transitioned into business as usual activities.</p> <p>Our Social Purpose team works alongside the Policy and Regulatory Affairs team to identify regulatory changes related to the environment/sustainability and to support the business to implement processes to comply with such changes. This included advising the business on requirements for TCFD, of which we were an early signatory.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Regular reports to the Board on PSB reform Regular updates on emerging regulation in light of COVID-19

Strategic, Internal, Change risks


Internal risks, including culture and capability, that may impede the achievement of strategic and/or operational change goals




8. Commissioning pipeline risk

Link to strategy



Description	Context	Mitigating activities	Risk direction
<p>Failure to sustain a diversified broadcast commissioning pipeline that is resilient and financially viable may reduce profitability.</p>	<ul style="list-style-type: none"> In order to protect viewing and, in turn, advertising revenues, we must develop a broadcast pipeline that is both resilient to changes in viewer preferences and is financially viable. In particular, we must commission programmes with broad appeal and that attract younger audiences <p> The COVID-19 crisis impacted producers' ability to make content, which has impacted our broadcast schedule and resulted in delays in producers delivering programmes.</p> <ul style="list-style-type: none"> The public response to the Black Lives Matter movement has further highlighted the need to respond to increasing scrutiny in relation to on-screen diversity <p> Furthermore, we also need to be conscious of the environmental impact of our programming and how environmental behaviours are presented in our content.</p> <p>Changes in direction of travel Further waves of the virus and continued challenges for producers in developing content may impact the commissioning pipeline, resulting in this risk increasing.</p>	<p>We have an experienced Commissioning team in place, which is focused on identifying programmes and formats which have national appeal. In order to increase the resilience of our pipeline and reduce reliance on historically successful programmes, we also continue to invest in new premium formats, live sports, high-end drama and programmes which appeal to younger audiences.</p> <p>In addition to our own Studios business, we have strong relationships with independent studios, both in the UK and internationally, from whom we commission content.</p> <p>We also have a dedicated Research team, which is responsible for providing insight on audience preferences that is used to adapt our commissioning strategy.</p> <p>We have developed a Diversity Acceleration Plan which aims to improve our on-screen diversity, develop a representative talent pipeline and better represent all communities in our programmes.</p> <p>We are also committed to reducing our environmental impact and communicating the need to respond to climate change to our viewers. We have developed plans to help us meet our environmental targets and routinely use our content to raise the profile of the climate change agenda.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Deep dive with the Board on commissioning pipeline risk (July 2020) 	<p>2020</p> <p></p> <p>2019</p> <p></p>

9. Insufficient growth in our On Demand products

Link to strategy 

Description	Context	Mitigating activities	Risk direction
<p>The Hub, Hub+ and Britbox do not grow at the pace required to deliver the desired strategic or financial outcomes.</p>	<ul style="list-style-type: none"> The video on demand market is highly competitive market, both in the UK and internationally The success of the Hub is dependent on maximising the number of viewers on the Hub product (reach) and then maximising the amount of content they view on Hub (consumption) The success of Hub+, BritBox UK and BritBox International is dependent on attracting new customers, converting them to paying subscribers and subsequently retaining them We need to maintain strong relationships with platforms and distributors to maximise the availability and reach of our all our on demand products <p> Content is key to the attractiveness of our On Demand products. There is a risk of delays in receiving this content due to production pauses during the COVID-19 pandemic.</p> <p>Changes in direction of travel We have seen some positive outcomes for our On Demand products, as a result of increased viewing during the COVID-19 pandemic. However, further competition in the market means this risk is increasing.</p>	<p>We invest in data driven and mass marketing campaigns to increase market awareness of our On Demand products (both in the UK and internationally).</p> <p>We continue to investigate creative ways to deliver our content on the ITV Hub and Hub+ in order to maximise viewing on the product. This has included curating short-form content specifically for the Hub; extending online catch up windows for selected content; making previous series programme box sets available in advance of new series transmission, and making current series available on ITV Hub in full directly following transmission of the first episode on our channels.</p> <p>For Britbox, COVID-19 and our first original programme, Spitting Image, have increased the rate at which we have acquired subscribers. In order to increase BritBox's appeal and optimise customer retention, we continue to invest in additional and original content for the service.</p> <p>We also assess the performance of our On Demand products on an ongoing basis, to identify and implement user experience and functionality improvements. We use data to enhance user experience and personalisation on our On Demand products and will continue to focus on this as a key priority in 2021.</p> <p>In order to maximise reach, we have developed distribution deals with hardware and software providers in order to make our On Demand products available on a growing number of major platforms and devices.</p> <p>We track and evaluate the performance of our On Demand products through a suite of KPIs. Root cause analysis is performed on subscriber growth and customer churn data for BritBox and ITV Hub+, and on registered user growth and consumption volumes for the ITV Hub.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Regular On Demand performance reports to the Board 	<p>2020</p> <p></p> <p>2019</p> <p></p>




10. Strategic and digital transformation risk

Link to strategy   

Description	Context	Mitigating activities	Risk direction
<p>Failure to successfully deliver key components of our strategy and digital transformation, due to the speed and extent of change required, may negatively impact our business.</p>	<ul style="list-style-type: none"> Digital transformation underpins all elements of our strategy and is a key enabler for increasing operational efficiency. Failure to effectively deliver digital transformation projects could impact ITV's ability to keep pace with changes in the market and ultimately future growth As we digitally transform the business, our exposure to cyber security and data privacy risk increases. We need to manage these risks in order to continue protecting our viewer and staff data. For further detail on these risks and mitigations, refer to the cyber security and data breach risk and the legal and regulatory non-compliance risk below 	<p>Despite the challenges presented by COVID-19, we have continued to successfully deliver against our strategy. Our strategy is articulated through defined strategic initiatives. Each initiative is sponsored by a Management Board member and led day-to-day by a member of the ITV Executive Leadership Team. We have formal processes in place, led by the Group Strategy team, to report monthly on the performance of each of these initiatives to the CEO and CFO.</p>	<p>2020</p> <p></p> <p>2019</p> <p></p>

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10. Strategic and digital transformation risk continued

Description	Context	Mitigating activities	Risk direction
<p>Failure to successfully deliver key components of our strategy and digital transformation, due to the speed and extent of change required, may negatively impact our business.</p>	 <p>COVID-19 has resulted in an acceleration of previously observed viewer trends and the need to increase the pace of strategic delivery. This requires significant alignment and effort across the whole Group.</p> <p>Changes in direction of travel The move to remote working, as a result of COVID-19, has accelerated the adoption of digital tools within our business. However, further fracturing of viewing across platforms has highlighted the increasing importance of transitioning to a digitally led business. As a result, this risk is trending upwards.</p>	<p>The strategic initiatives involve the digital transformation of ITV, including enhancement of our digital viewer/customer facing products (Hub, Planet V, BritBox), as well as optimising the use of technology in our middle and back office. We have initiated the digital transformation of the middle and back office through wide adoption of agile processes and initiating a number of digital 'lighthouse' projects, aimed at improving efficiency and operations.</p> <p>Furthermore, this year we announced an organisational restructuring, which is aimed at removing barriers to strategic delivery in our operational ways of working. The creation of a new Media and Entertainment division will support us in accelerating the strategy and growing our digital products.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Board Strategy session (June 2020) 	<p>2020</p>  <p>2019</p> 

11. Insufficient cultural change

Link to strategy



Description	Context	Mitigating activities	Risk direction
<p>Failure to evolve the underlying culture of the business may result in an inability to deliver the level of change required to achieve our strategic objectives.</p>	<ul style="list-style-type: none"> We could be negatively impacted if we fail to create the agile and collaborative culture required to deliver our strategy During COVID-19, we have seen increased adoption of digital tools in the business, which demonstrates a positive shift towards moving to a digital culture. However, there remains a risk that the protracted period of home-working may lead to siloed working and impact collaboration  <p>There is a risk that engagement and morale may be negatively impacted by fatigue as a result of additional work due to COVID-19.</p> <p>Changes in direction of travel There remains uncertainty as to how sustained home-working may impact wider culture. However, we have taken many steps to move towards our cultural vision, including the organisational restructure. As a result, this risk remains static.</p>	<p>In 2019 we developed and communicated the 'ITV Way'. The ITV Way defines the culture needed to ensure our future success and outlines the behaviours we expect from our staff to support our desired culture.</p> <p>Throughout the pandemic, we have held fortnightly all staff vodcasts, chaired by the CEO (weekly at the height of the crisis). We have also moved many events online, developed remote onboarding for new staff, and have provided training to line managers on managing remote teams. All of these initiatives are focused on ensuring that the culture we are aiming to create remains visible to and resonates with our colleagues. We have also undertaken regular Pulse and Employee Engagement Surveys throughout the COVID-19 pandemic. Learnings from these surveys have fed into short-term actions and longer-term improvement plans.</p> <p>The Board undertakes a formal programme of employee engagement (led by a Non-executive Director), in order to obtain insight into culture. We also continue to positively reinforce desired behaviours and attributes through direct links to reward and recognition.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Board Strategy session (June 2020) Regular updates to the Board from the Non-executive Director on employee engagement and from HR on results of Pulse and Engagement Surveys 	<p>2020</p>  <p>2019</p> 




Operational risks

Risks that could impact our operational and business as usual activities

12. Duty of care and health & safety incident

Link to strategy



Description	Context	Mitigating activities	Risk direction
<p>Failure to extend an adequate duty of care, or the occurrence of a major health and safety incident or a global pandemic, could result in physical and mental harm, loss of human life and reputational damage.</p>	<ul style="list-style-type: none"> We have a duty of care (DoC) to our staff, cast, crew, programme participants and the general public  <p>COVID-19 has resulted in increased risks to health and safety (H&S), both in our offices and on our productions.</p> <ul style="list-style-type: none"> As we continue to increase production hours, our risks in relation to health and safety continue to increase. We need to consider the duty of care across all aspects of productions, taking into account the physical health and safety risks posed by COVID-19 and broader aspects of mental wellbeing Amongst our staff (employees, contractors and freelancers) we must monitor the impact the COVID-19 crisis is having on mental health and ensure we provide support <p>Changes in direction of travel As our production hours increase to pre COVID-19 levels and COVID-19 continues to have an impact on physical and mental health, this risk increases.</p>	<ul style="list-style-type: none"> We have a central team with responsibility for implementing controls and processes for DoC and H&S. During the crisis, we have leveraged existing controls and implemented new processes in order to further protect our staff and individuals involved on our productions. This has included implementing a new mental health peer-to-peer platform for staff (employees, contractors and freelancers), implementation of home-working for the majority of staff and development of robust office and production safety protocols, which have been agreed with the UK government and the industry We have also enhanced our existing DoC processes, which encompass procedures relating to both physical and mental health and safety. This has included engaging two medical professionals (a former Chief Medical Officer and a clinical psychologist) on an advisory basis, to provide ongoing support and challenge to our DoC activities. We have a Duty of Care Operating Board (DoC Board) in place, with responsibility for monitoring implementation and continuous improvement of our DoC framework and policies. This DoC Board is chaired by the Group Chief Executive Officer (CEO) and includes senior representation from our Studios, Media and Entertainment, Legal, HR, and Risk areas of the business. The DoC Board meetings are also attended by the Chair of the Audit and Risk Committee on behalf of the Board <p>Board oversight</p> <ul style="list-style-type: none"> Deep dive on duty of care risk with the Audit and Risk Committee (July 2020) Risk deep dive at the Audit and Risk Committee, focused on health, safety and wellbeing during the COVID-19 pandemic (April 2020) 	<p>2020</p>  <p>2019</p> 

13. Legal and regulatory non-compliance

Link to strategy




Description	Context	Mitigating activities	Risk direction
<p>Failure to comply with applicable laws and regulation could result in reputational damage, financial penalties or suspension of our licences to operate.</p>	<ul style="list-style-type: none"> We are a global business and are therefore subject to multiple local and international legal and regulatory regimes. These cover a range of areas including: broadcasting and media regulations, anti-trust and competition law, anti-bribery and corruption, data privacy, and health and safety 	<p>We have a Group Legal and Business Affairs team in place, which consists of subject matter experts who oversee and are responsible for ensuring business compliance with all elements of regulatory and legal requirements. Where appropriate we also engage specialist external legal advisers to support.</p>	<p>2020</p>  <p>2019</p> 




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13. Legal and regulatory non-compliance continued

Description	Context	Mitigating activities	Risk direction
<p>Failure to comply with applicable regulation could result in reputational damage, financial penalties or suspension of our licences to operate.</p>	<p> During the COVID-19 pandemic, the scope of laws and regulations has increased and we have needed to respond to various government guidelines and restrictions across all the territories in which we operate.</p> <ul style="list-style-type: none"> As we develop our data and digital strategy and evolve the way we use personal data to deliver transformation in our Media and Entertainment business, we need to confirm we remain in compliance with data protection and privacy regulation. <p>Changes in direction of travel This risk is trending upwards, due to ongoing changes in the compliance landscape, as a result of increased requirements all employers have to comply with respect to COVID-19 and a potential broadening of our data privacy compliance obligations as a result of our digital and data strategy.</p>	<p>We operate a compliance programme which is embedded within our internal policy framework. Internal policies are owned by business leaders, regularly reviewed by the Management Board and the Audit and Risk Committee. The Group Legal and Business Affairs team works with the business to support the adoption and implementation of these policies.</p> <p>Our Regulatory Affairs team regularly engages with regulators such as Ofcom and the Advertising Standards Agency (ASA) in order to understand and interpret changes in policy and compliance requirements. This team has worked closely with the industry during the COVID-19 crisis in order to engage the government on a range of issues impacting the business.</p> <p>We also have a suite of mandatory compliance training and learning in place, which helps drive positive attitudes to compliance across the whole business.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Deep dive on compliance framework and risk with the Audit and Risk Committee (July 2020) 	<p>2020</p> <p></p> <p>2019</p> <p></p>

14. Cyber attack or data breach incident

Link to strategy 

Description	Context	Mitigating activities	Risk direction
<p>A cyber attack may result in major operational disruption, critical system outage or loss of IP, customer or business data and potentially lead to material financial fines/penalties and reputational damage.</p>	<ul style="list-style-type: none"> We operate in a highly public environment and, due to our reputation, we are at greater risk of attack (than the norm) from well organised threat groups As technology becomes increasingly more complex and we transition to a digitally led business, we are required to evolve our cyber security procedures in order to effectively protect against and respond to evolving cyber threats <p> Remote working results in increasing activity occurring outside the enterprise network and increases cyber and data breach risk.</p> <ul style="list-style-type: none"> As we continue to grow our digital product offerings, we work increasingly with third-party partners and suppliers. A failure by these partners to implement suitable security processes may result in increased risk to ITV <p>Changes in direction of travel As threats become more active and increasing activity takes place outside the network the cyber security risk facing ITV is increasing.</p>	<p>We have implemented a robust cyber security risk management framework across the organisation to address the evolving nature of the cyber security threats. Our framework incorporates a variety of technical preventative and detective measures to mitigate the risk of an incident, as well as an extensive training and awareness programme. We have strengthened and accelerated previously planned enhancements to our controls and technical measures in response to the increased risk caused by remote working.</p> <p>We actively manage cyber and data security in our supply chain and undertake due diligence assessments on key suppliers as part of procurement activities. We also have an incident response and notification process in place, which are followed in the event a cyber or data breach incident were to occur.</p> <p>The strength of our control environment is tested on an ongoing basis by independent security experts and recommendations are implemented in a prioritised manner. We also work with our security partners to undertake cyber simulation exercises at all levels of the organisation to continuously improve our response to cyber or data attacks.</p> <p>Board oversight</p> <ul style="list-style-type: none"> Deep dive on cyber risk with the Audit and Risk Committee (September 2020) Data privacy programme and risk review with the Audit and Risk Committee (September 2020) 	<p>2020</p> <p></p> <p>2019</p> <p></p>

15. Recruitment and retention of talent risk

Link to strategy



Description	Context	Mitigating activities	Risk direction
<p>An inability to attract, develop and retain key creative, commercial, technical and managerial talent could adversely affect our business.</p>	<ul style="list-style-type: none"> The market for talent is extremely competitive. We must be able to attract, develop and retain the best creative, technological, commercial and managerial talent in order to successfully grow our business There is increasing scrutiny in relation to diversity and inclusion. We must commit to improving inclusivity and diversity across our business (across all aspects, including race, gender and disability) through both our recruitment and retention processes <p>Changes in direction of travel</p> <p> Economic and behavioural factors may mean individuals in our sector are less inclined to move jobs due to COVID-19, however, there is also opportunity for ITV if organisations let go of talent due to financial pressures. Therefore this risk remains static.</p>	<p>There is a deep understanding of the skills and capability required to deliver our strategic objectives and our HR department works closely with the business to confirm those needs are met.</p> <p>We also continue to strengthen our existing capability, through a combination of learning, development and performance. Our Board Nominations Committee reviews the skills and capability of senior leadership twice a year and supports leaders in addressing potential gaps in light of strategic requirements.</p> <p>We have developed a Diversity Acceleration Plan, which aims to improve diversity and inclusion within the ITV workforce, through a combination of development, training and recruitment initiatives.</p> <p>Whilst a certain level of attrition is inevitable, we evaluate root causes through exit interviews and declared reasons for leaving. Furthermore, succession plans have been developed and implemented for business critical and management roles (which includes nominated deputies).</p> <p>Board oversight</p> <ul style="list-style-type: none"> Ongoing updates to and succession planning reviews with the Nominations Committee 	<p>2020</p> <p></p> <p>2019</p> <p></p>

Viability statement

How we assess prospects and risks

The Board continually assesses ITV's prospects and risks at its meetings, including the following:

- Holding 'Strategy Days' twice a year, to oversee the delivery of the Strategy and consider changes to or new initiatives to further improve the ITV Strategy. Further detail can be found in the overview of Board meetings in 2020, from page 116
- Considering ad-hoc topics on strategic areas at the periodic Board meetings. Further detail can be found in the overview of Board meetings in 2020, from page 116
- Performing a full review of the principal and emerging risks twice a year. Further detail can be found earlier within the Principal Risks and Uncertainties section
- Performing periodic deep dives on specific risk areas, to further scrutinise the effectiveness of risk mitigation approaches and confirm operation within risk appetite. Further detail can be found earlier within the Principal Risks and Uncertainties section
- The Board and management significantly increased their focus on ITV's prospects, risks and viability in light of the evolving COVID-19 situation. This involved holding a session on the specific impact of COVID-19 on ITV's Strategy (June 2020); developing a range of COVID-19 scenarios for 2020 and beyond and modelling their potential financial impact; identifying cost interventions/mitigations to respond to severe downside scenarios; and increasing the level of financial performance reviews and reforecasting to track performance against these scenarios. Further details of the specific measures to respond to COVID-19 are provided in the Chief Executive's Report, page 14.

How we assess viability

When assessing the longer-term viability of ITV, we considered (i) ITV's strategy and business model (page 20 to 23); (ii) the principal risks and uncertainties (page 76 to 84); (iii) the Group's financing facilities, including covenant tests and future funding plans (page 60); (iv) the long range financial plan and cash forecast; and (v) other sensitivity factors or risks which have the potential to materially impact liquidity and cash in the assessment period.

Based on this review a set of hypothetical and severe but plausible scenarios were developed. We then modelled these scenarios against the long-range financial plan and cash forecast both individually and in parallel, in order to assess viability.

The output from this work was reviewed and approved by the Board and the Audit and Risk Committee. In reaching its view, the Board and Committee also considered analyst commentary, to understand the wider market and views on the Group's future prospects, and the external auditor's findings and conclusions on this matter. Further detail of the work performed by the Audit and Risk Committee to consider assumptions applied in the assessment viability is set out on page 118.

Assessment period for viability

The Board reviewed the long range financial and strategic planning horizon and is of the view that a three year assessment period (1 January 2021 to 31 December 2023) continues to be most appropriate. The factors the Board considered in adopting this timeframe were as follows:

- The situation with respect to the COVID-19 pandemic remains uncertain and is likely to continue impacting ITV in the medium term. We are closely monitoring the external environment and continue to manage the risks associated with the pandemic to support us in returning to pre-COVID performance levels. Further detail of our response to COVID-19 is provided within the Chief Executive's Report, page 14 and in the COVID-19 principal risk mitigations, page 76
- Visibility over ITV's broadcast advertising business is relatively short term. Advertising remains cyclical and closely linked to the UK economic growth, which may continue to be impacted by the COVID-19 pandemic, Brexit and other uncertainties in the UK macroeconomic climate

- The commissioning process and life cycle of programming gives the ITV Studios division more medium-term outlook. However, while non-returning brands are replaced with new commissions, over time there is less visibility as programmes can experience changes in viewer demand or come to a natural expiration
- Technology and innovation in the media industry continues to change the demand for content and also how it is consumed
- Pension funding, which is one of ITV's key funding obligations, is agreed triennially with the Trustees of the pension schemes
- ITV's business model does not necessitate investment in large capital projects that would require a longer-term horizon assessment or returns


Assumptions applied

We applied the following assumptions when assessing viability in the scenarios below:

- A vaccine is not rolled out to a substantial number of the population in territories in which we operate until the end of 2022, which delays businesses returning to normal operations

- Consequently, there is the possibility of national and local lockdowns during this period
- Ongoing additional production costs associated with COVID-19 protocols and health and safety measures until the vaccine is rolled out
- Ongoing access to the UK bond market, but with an increased interest rate on bonds renewed in the period to reflect a potential decrease in credit rating
- Ongoing availability of the financing facilities, but at increased interest rates. This comprises of; an undrawn Revolving Credit Facility of £630 million expiring on 15 December 2023; and a bilateral financing facility of £300 million expiring in June 2026, of which £199 million is available as at 9 March 2021

Taking into account current operational and financial performance, the Board has analysed the impact of following hypothetical scenarios. These scenarios were assessed in isolation and in parallel to further stress test viability:

Scenario modelled	Link to Principal risks
<p>Scenario 1</p>	
<p>A significant and sustained downturn in the advertising market when compared to 2019, as a result of further COVID-19 lockdowns, the possible impact of Brexit or other macro economic factors. In this scenario we also fail to replace the advertising revenue lost as a result of the government's announced restriction on HFSS advertising, which is due to come into force from the beginning of 2023.</p> <p>Based on our experiences during the initial 2020 COVID-19 lockdown the scenario assumes total advertising revenues continuing to remain significantly below 2019 level (2021 versus 2019: -9%); (2022 versus 2021: 1%*); (2023 versus 2022: -4%)</p> <p>1. *1% year-on-year increase, reflects marginal macroeconomic recovery in 2022 versus 2021, but still represents a significantly reduced position when compared to 2019. 2023 is further impacted by HFSS regulation.</p> <p>Business area impacted Broadcast (to become Media and Entertainment)</p>	<ul style="list-style-type: none"> • Advertising market changes • Policy and regulatory changes • COVID-19 pandemic • Changing viewer habits <p> Further detail of how we are mitigating these risks are included in the earlier Risks and Uncertainties section</p>
<p>Scenario 2</p>	
<p>A number of key programme brands within the ITV Studios division are not recommissioned and new format growth does not materialise.</p> <p>Although 2021 would typically be too imminent for commissioners to make a decision to cancel a show, we have included the scenario from 2021 onwards to reflect ongoing risk of decreased production activity/delivery due to COVID-19. The scenario assumes key shows come to an end from 2021 (2021 impact: circa £45 million; 2022 and 2023 impact: circa £65 million p.a.)</p> <p>Business area impacted Studios</p>	<ul style="list-style-type: none"> • Evolving demand in the content market • COVID-19 pandemic <p> Further detail of how we are mitigating these risks are included in the earlier Risks and Uncertainties section</p>

Scenario modelled

Link to Principal risks

Scenario 3


A significant change in ITV's pension funding obligations, following the triennial valuation in March 2021 resulting in a significant increase in pension deficit funding payments.

This scenario assumes that pension funding payments increase from £75 million p.a. to £115 million p.a. in 2021 and remain flat in the following two years.

Business area impacted

Group

• Pension deficit increases

 Further detail of how we are mitigating these risks are included in the earlier Risks and Uncertainties section

Scenario modelled

Link to Accounting judgements and estimates

Scenario 4


Settlements for ongoing litigation and earnouts for our larger acquisitions are significantly higher than estimated, resulting in large one-off cash payments.

This scenario assumes increased acquisition earnout payouts in 2021 (see note 3.1.5 of the financial statements) and payments in 2023 (see note 4.3 of the financial statements).

Business area impacted

Group

• The complexity and potential scale of the ongoing litigation settlements and earnout negotiations, results in a lack of certainty in the final liabilities and payments

 Further detail of the accounting judgements and estimates applied to ongoing litigation and earnouts are provided in Section 1 of the Financial Statements. An overview the assessments performed by the Audit and Risk Committee with respect to these accounting judgements is provided on page 115 of the Audit and Risk Committee report

We have considered the impact of climate change risks and do not believe they represent a material threat to the long-term viability, liquidity or operations of the business in the assessment period.

Viability assessment

If any of the above scenarios were to occur in isolation we would maintain sufficient liquidity and would not breach any banking covenants.

Management and the Board are of the view that the likelihood of all the above scenarios and sensitivities occurring concurrently is remote. If this situation were to occur and no action was taken to mitigate the financial losses sustained, we would still have sufficient liquidity to remain viable, but would risk breaching our revolving credit facility banking covenant in December 2022, June 2023 and December 2023.

Potential mitigations

In the event that these scenarios occur simultaneously, there are reasonable options at the disposal of the Board to maintain liquidity to continue operations and to avoid breaching banking covenants. These include but are not limited to, reducing capital and investment expenditure, suspending payment of discretionary bonuses, reducing the programming budget, further reductions in operational and overhead costs, and refinancing the pension asset.

Viability statement

Based on the above, the Board has a reasonable expectation that ITV will be able to continue operations and meet its liabilities as they fall due over the three year-period ending 31 December 2023. The assessment has been made with reference to ITV's strategy and the current position and prospects and risks.

The Strategic Report was approved by the Board and signed on its behalf by:

Chris Kennedy
Group CFO
9 March 2021

Chairman's Governance Statement

Dear Shareholder

On behalf of the Board, I am pleased to present our Corporate Governance Report for 2020. The Board remains committed to maintaining effective corporate governance and integrity, enabling us to deliver our strategy for the long-term benefit of all our stakeholders.

Year in review

Much of 2020 was dominated by COVID-19 and the unprecedented challenges it presented. The Board's immediate priority was to act swiftly and decisively to oversee the delivery of a comprehensive set of measures (including in relation to cost reduction and cash management) to mitigate the risks arising or exacerbated as a result of the pandemic and to protect the business going forward, ensuring it remains well positioned for the longer-term (see further detail in the Strategic Report on page 14). The pandemic has also propelled us into increasing the pace of implementation of our strategic initiatives (taking into consideration the Group's medium and longer-term prospects) and we have made significant progress in this regard (see pages 20 and 21).

Our robust governance arrangements and well established processes gave the Board and its Committees the flexibility to adapt their focus to address the rapidly evolving developments and challenges facing the business. Following the imposition of the first lockdown, physical Board meetings became impossible. However, in order to address the impact of COVID-19 (particularly on our productions and advertising revenue), the Board needed to communicate on a more frequent basis so that it could guide the business's response to the challenges. The Non-executive Directors devoted considerable additional time and support to management during this period, providing independent guidance and advice as required (see page 96).

I would like to take this opportunity to thank my Board colleagues and the Management Board team who served during this most challenging year for ITV; they made themselves available whenever required, frequently at short notice, and their diverse and extensive set of skills and experience have been invaluable in navigating the Group through this uncertain period.

Changes to the Board

Through the Nominations Committee, we focus on Board succession and composition, to ensure that we have the appropriate balance of skills, independence, experience and diversity. During the year, we welcomed Graham Cooke and Sharmila Nebhrajani as independent Non-executive Directors. Both Graham and Sharmila strengthen the broad range of skills and experience on the Board. These appointments were subject to a formal, rigorous and transparent procedure, led by the Nominations Committee. More information on Graham and Sharmila's inductions and search processes can be found on pages 112 and 113. Roger Faxon, our longest serving Board member, stepped down from the Board in December. I would like to reiterate my thanks to Roger for his very significant contribution to ITV over the past eight years.

Diversity

The Board fully recognises the importance of diversity in all forms on the Board and across the organisation. We are encouraged by ITV's significant progress, demonstrated in particular by the launch of the Diversity Acceleration Plan and the appointment of Ade Rawcliffe, as Group Director of Diversity and Inclusion, to the Management Board. Diversity was a key consideration in the two Non-executive Director searches undertaken during the year and we complied with the objectives of our Board Diversity Policy in respect of both searches (see page 113). We are pleased with, but not complacent regarding, our gender and ethnic diversity representation on the Board (45.5% and 18.2% respectively) which exceeds the Hampton-Alexander and Parker recommendations. We are conscious that diversity extends beyond race and gender and therefore for the first time this year, we have collected data from our Board members on other diversity measures, including social mobility and disability. 18.2% of the Board has identified as having a disability as defined by the 2010 Equality Act.

Engaging with our stakeholders, including our workforce

We place a huge amount of importance on our relationships with our stakeholders. I have focused my statement in the Strategic Report (on pages 6 and 7) on setting out the ways in which we engaged and worked with stakeholders during 2020 to support the delivery of our strategy and



Sir Peter Bazalgette, Chairman

business sustainability. Pages 97 to 102 set out details of our key stakeholders, their interests, the forms of engagement with them and how they and their interests have been considered in Board discussions and decision-making.

The Board devoted additional time to considering the impact of COVID-19 on the Company's stakeholders and how to reflect this in its decision-making. We also sought to balance their interests throughout the year. See page 96 for examples of key strategic issues considered and Board decisions taken in 2020, and pages 67 and 68 for an explanation of how the Board has had regard to the section 172 matters (including certain key stakeholder considerations). This includes the Board's careful considerations regarding the withdrawal of the 2019 final dividend and previously announced intention to pay 8.0p full year dividend for 2020.

Our colleagues are particularly important to us and Edward Bonham Carter, our Senior Independent Director and Workforce Engagement Director, has taken steps to ensure their interests and concerns are understood and addressed by the Board. Although the pandemic has meant that not as much face-to-face interaction has taken place as Edward would have liked, the use of technology has allowed engagement with more Ambassador constituents than last year. For further information on Edward's role and work, and the Board's workforce engagement activities, please refer to pages 102 to 105.

Culture

The Board has continued to ensure that the Company's purpose, values and strategy are aligned with its culture, particularly during

2020, in light of the changes to the working environment brought about by COVID-19. Please see pages 105 to 108 on the key ways in which the Board and Committees monitored culture during 2020.

2021 Annual General Meeting and matters being brought to the meeting

Given the ongoing situation as regards COVID-19, regretfully, restrictions will continue to prevent large physical gatherings and we will not be able to hold a fully-attended physical Annual General Meeting (AGM) in April. In the prevailing circumstances, we are grateful for your understanding. Details of how to follow proceedings at the AGM through a livestream and how to vote by proxy as well as how questions can be put to the Board are set out in the Notice of AGM. Further details of and any required changes in the meeting arrangements will be posted on the Company's website.

You will also note that, at this year's AGM, we propose to amend our Articles to bring them up-to-date with market practice and, most importantly, to allow for hybrid meetings in order to give flexibility to participate either electronically or in person at future AGMs. Further details of the proposed amendments to the Articles are included in the Notice of AGM.

Another special business matter which is being put to shareholders for approval is a proposed Remuneration Policy which involves a shift to a restricted share plan for our senior executives (including the Executive Directors), which the Remuneration Committee has determined fits better than a traditional long-term incentive plan with the characteristics of the media sector in the current and anticipated future environment. The Remuneration Committee spent considerable time reviewing the remuneration structure for our senior executives in 2020. Accordingly, Mary Harris, Chair of the Remuneration Committee, engaged extensively with our largest shareholders in relation to the proposed changes to the Directors' Remuneration Policy (provided in the Remuneration Report on page 132).

With the expectation that the year ahead will continue to be impacted by challenging external factors, the Board will continue to work with management to deliver on our strategic initiatives while ensuring that we continue to safeguard our business and the wellbeing of our colleagues and other stakeholders.

Sir Peter Bazalgette
Chairman
9 March 2021

The 2018 UK Corporate Governance Code (the Code)

The Board considers that, during 2020, the Company has complied with the principles and provisions of the Code. In respect of provision 38 of the Code, the relevant steps intended to be taken to ensure more effective alignment of incumbent Executive Director pension contributions to those available to the workforce are set out on pages 140 and 141.

The Code (July 2018), issued by the Financial Reporting Council (FRC), and associated guidance are available on the FRC website at www.frc.org.uk

Taking each of the main headings of the Code:

Board Leadership and Company Purpose

The Board's ultimate objective is the long-term sustainable success of the Company. Read more about our strategy in the Strategic Report and how the Board achieves this through, amongst other things, stakeholder and workforce engagement (pages 97 to 105) and establishing a clear and aligned Company purpose, strategy and values (page 105). See pages 105 to 108 for how the Board assesses and monitors culture.

Division of Responsibilities

The Board is made up of two Executive Directors, eight independent Non-executive Directors and the Non-executive Chairman, who was considered independent on appointment to the Board. As stated in last year's Annual Report, the Chairman was Executive Chairman for a six-month period until the Chief Executive joined the business in January 2018. For Board meeting attendance, please see page 95. Additional external appointments of Board members during 2020 received prior Board approval. The Directors' other time commitments are in line with the key institutional investor and investor body guidelines.

Composition, Succession and Evaluation

The Nominations Committee Report (pages 111 to 113) sets out its activities during 2020, including information regarding succession planning and progress on achieving the Board's diversity objectives. Read more about the internal Board evaluation which took place during the year on page 109 and Board composition on page 95.

Audit, Risk and Internal Control

The Audit and Risk Committee Report (pages 114 to 125) describes the work of the Committee and how it discharges its roles and responsibilities. The Board completed a robust assessment of the Company's emerging and principal risks during the year and has well established procedures to manage risk, which were further enhanced during the year. The Company's disclosures regarding principal risks are on pages 74 to 85.

Remuneration

The Remuneration Report (pages 126 to 151) describes the work of the Remuneration Committee during the year, and sets out how executive remuneration is aligned to the Company's purpose, values and strategy and how workforce remuneration and related policies have been considered in its decision-making regarding executive remuneration.

Board of Directors



Sir Peter Bazalgette



Carolyn McCall



Salman Amin



Chris Kennedy



Edward Bonham Carter



Margaret Ewing



Mary Harris



Anna Manz



Duncan Painter



Graham Cooke



Sharmila Nebhrajani

Committee membership

- A Audit and Risk
- N Nominations
- R Remuneration



Terms of engagement for the Non-executive Directors and job descriptions for the Chairman, Chief Executive and Senior Independent Director are available on our website: www.itvplc.com/investors/governance

Board of Directors changes during 2020 and up to 9 March 2021

- Graham Cooke was appointed to the Board as a Non-executive Director on 1 May 2020
- Sharmila Nebhrajani was appointed to the Board as a Non-executive Director on 10 December 2020.
- Roger Faxon stepped down from the Board on 10 December 2020.

Sir Peter Bazalgette N R

Chairman, Chair of the Nominations Committee

Appointed: June 2013

Key skills and experience: Peter joined ITV in June 2013 and was appointed Chairman in 2016. He is also a member of the Remuneration and Nominations Committees, chairing the latter. He has over 40 years' extensive media experience having served as Chairman of the Arts Council, President of the Royal Television Society, and Chairman of Endemol UK Ltd as well as the Chief Creative Officer of Endemol where he created successful television formats that were exploited globally. In 2017 Peter led the Independent Review of the Creative Industries for the government and outlined key recommendations for how the creative Industries can underpin the UK's future economic growth. He has a track record of successfully managing creativity in television and tremendous knowledge and commercial experience of the global content business, deep commercial skills with wide knowledge and understanding of the creative industries. Since his appointment he has demonstrated strong and decisive leadership and has been instrumental in working with the Executive Directors in establishing ITV's More than TV strategy.

Current external appointments: Chairman, Lovecraft Collective Ltd; Non-executive Director of UK Research and Innovation, and Edge Performance VCT plc; Member of Advisory Board for Bartle Bogle Hegarty.

Carolyn McCall

Chief Executive

Appointed: January 2018

Key skills and experience: Carolyn joined ITV in 2018 as Chief Executive. Previously she was Chief Executive of easyJet plc for over seven years and spent over 20 years at the Guardian Media Group holding a number of senior roles, including CEO of Guardian News and Media and then four years as Chief Executive of Guardian Media Group. She has previously served as a Non-executive Director of Lloyds TSB, Tesco plc and New Look Group plc. In 2008, Carolyn was awarded an OBE for her services to women in business and in 2016 a Damehood for her services to the aviation industry. She has an impressive track record in media and experience of leading digital transformational change both in an international and regulated environment. She has clear strategic acumen and a strong record of driving operational excellence and delivering value to shareholders. Carolyn created ITV's More than TV strategy in 2018 when she joined, which she continues to execute effectively through her strong leadership of the Company ensuring ITV's transformation into a successful digitally led media and entertainment company.

Current external appointments: Senior Independent Director and member of the Audit and Nomination Committees, Burberry Group plc; Trustee of the Development Board of the Royal Academy of Arts.

Salman Amin N R

Non-executive Director

Appointed: January 2017

Key skills and experience: Salman joined ITV in January 2017 and is a member of the Remuneration and Nominations Committees. He is Chief Executive Officer of food group Pladis. Previously he was COO, Global Commercial Division at SC Johnson & Son, and has held positions at Procter & Gamble and PepsiCo. He brings to the Board a wealth of experience in global businesses having worked for over 30 years managing global brand advertising and media spend.

Current external appointments: Chief Executive Officer, Pladis.

Chris Kennedy

Group CFO

Appointed: February 2019

Key skills and experience: Chris joined ITV as Group CFO in February 2019. Previously he was Chief Financial Officer of Micro Focus International plc, ARM Holdings and easyJet plc where he spent five years and was voted FTSE 100 CFO in 2015. He has a strong media background, holding senior management positions over a 17 year career at EMI. His experience in executing and driving strategy play an important role in the delivery of the ITV More than TV strategy and driving a rationalisation/cost savings initiative.

Current external appointments: Non-executive Director, Chair of the Audit Committee and member of the Nomination Committee, Whitbread plc; Non-executive Director of the Great Ormond Street Hospital for Children NHS Foundation Trust; Trustee of the EMI Group Archive Trust.

Edward Bonham Carter N A

Senior Independent Director

Appointed: October 2018

Key skills and experience: Edward joined ITV in October 2018. He is our Senior Independent Director, Workforce Engagement Director and a member of both the Audit and Risk, and Nominations Committees. He is currently Vice Chairman of Jupiter Fund Management plc (2014). He joined Jupiter in 1994 as a UK fund manager and held the position of Chief Investment Officer from 1999 to 2010 and Group Chief Executive until 2014. He started his career at Schroders as an investment analyst before moving to Electra Investment Trust where he was a fund manager. He brings to the Board a wide range of City experience and invaluable insight in the understanding of stock markets and investor expectations.

Current external appointments: Vice Chairman, Jupiter Fund Management plc; Senior Independent Director, Land Securities Group plc; Senior Independent Director, The Investor Forum CIC; Trustee, The Esmée Fairbairn Foundation; Member of the Strategic Advisory Board, Livingbridge; Chairman, Netwealth Investments Ltd.

Please see page 110 for further information on Edward's external time commitments.

Margaret Ewing A

Non-executive Director, Chair of the Audit and Risk Committee

Appointed: October 2017

Key skills and experience: Margaret joined ITV and its Audit and Risk Committee in October 2017 and was appointed Chair of the Committee in May 2018. She has extensive experience in financial accounting, corporate finance, strategic and corporate planning having served as a Managing Partner of Deloitte LLP and Chief Financial Officer of BAA plc and Trinity Mirror plc. Margaret also held Non-executive Director and Audit Committee positions with Standard Chartered plc and Whitbread plc and was an external member of the Audit and Risk Committee of the John Lewis Partnership. Margaret's skills and experience give her substantial insight into the Company's reporting and risk management processes.

Current external appointments: Non-executive Director, Chair of the Audit and Compliance Committee and member of the Nominations Committee of International Consolidated Airlines Group, S.A.; Senior Independent Director, Chair of the Audit and Risk Committee and member of the Nominations Committee of ConvaTec Group plc.

Please see page 110 for further information on Margaret's external time commitments.

Mary Harris N A R

Non-executive Director, Chair of the Remuneration Committee

Appointed: July 2014

Key skills and experience: Mary joined ITV in July 2014, and became Chair of the Remuneration Committee in May 2017 having served on the Committee since May 2016. She is also a member of the Audit and Risk and Nominations Committees. She is a former partner at McKinsey & Company, where she worked primarily with retail and consumer clients in China, South East Asia and Europe. She brings to the Board extensive experience in executive remuneration, business management consulting, sales and marketing, mergers and acquisitions, media, television and interactive media investments and digital rights management.

Current external appointments: Non-executive Director and Chair of the Remuneration Committee, Reckitt Benckiser Group PLC; Non-executive Director, HAL Holding NV; Member of Remuneration Committee, St Hilda's College, Oxford University.

Anna Manz A R

Non-executive Director

Appointed: February 2016

Key skills and experience: Anna joined ITV in February 2016 and is a member of the Remuneration and Audit and Risk Committees. She is currently Chief Financial Officer of The London Stock Exchange Group and prior to that held the role of Group Finance Director at Johnson Matthey plc. Previously Anna held senior strategy and financial roles at Diageo plc, both in the UK and internationally. She brings over 20 years consumer, financial and strategic experience to her role on the Board and the Committees on which she sits.

Current external appointments: Chief Financial Officer, The London Stock Exchange Group plc.

Duncan Painter R

Non-executive Director

Appointed: May 2018

Key skills and experience: Duncan joined ITV in May 2018 and is a member of the Remuneration Committee. He is currently Chief Executive Officer of Ascential plc and a Board Adviser to Investis Digital. Previously he was an executive at BSkyB and Global Product Leader at Experian plc following its acquisition of ClarityBlue, a consumer intelligence company which he founded. He brings to the Board a broad range of experience particularly in digital media, consumer intelligence systems and targeted advertising.

Current external appointments: Chief Executive Officer, Ascential plc; Board Adviser, Investis Limited.

Graham Cooke

Non-executive Director

Appointed: May 2020

Key skills and experience: Graham joined ITV in May 2020. He has extensive technical and digital experience, a focus in user-centric product design, coupled with in-depth knowledge of the e-commerce and digital sectors. He is a founder and CEO of Qubit, the leading provider of e-commerce personalisation technology. Prior to founding Qubit, he spent five years working at Google. His most recent role there was as global leader on Google's strategy for conversion rate improvement. Graham has been working with web technology since 1995, designing and building websites with emergent technology.

Current external appointments: CEO, Qubit.

Sharmila Nebhrajani R

Non-executive Director

Appointed: December 2020

Key skills and experience: Sharmila joined ITV in December 2020. She has strong public sector, commercial, government and non-profit experience across a wide range of sectors. She was previously chief executive at Wilton Park, an executive agency of the FCO, and prior to that held various roles in global health and medical research. Earlier in her career, she held the post of Chief Operating Officer at BBC Future Media & Technology, where she managed the business functions of bbc.co.uk, including the launch of iPlayer. Sharmila studied medicine at the University of Oxford, is a chartered accountant and was made an OBE in 2014 for services to medical research.

Current external appointments: Non-executive Director, Severn Trent plc; Chairman of National Institute for Health and Care Excellence; Non-executive Director, National Savings & Investments; Independent Trustee, Lifesight Limited; Governor, The Health Foundation.

Management Board



Julian Bellamy



David Osborn



Carolyn McCall



Kevin Lygo



Rufus Radcliffe



Chris Kennedy



Kelly Williams



Mark Smith



Kyla Mullins



Paul Moore



Ade Rawcliffe

Management Board changes during 2020 and up to 9 March 2021

- It was announced on 8 February 2021 that Magnus Brooke and Dan Colton were both appointed as members of the Management Board.

Julian Bellamy

Managing Director, ITV Studios

Appointed: February 2016

Experience: Julian joined ITV in 2014 as Managing Director of ITV Studios in the UK. He was promoted to Managing Director of ITV Studios and appointed to the Management Board in February 2016. He has responsibility for running ITV's global production and distribution business that creates, produces and sells finished programmes and formats in the UK and internationally. Julian's previous roles included Creative Director and Head of Commissioning at Discovery Networks International, Head of Programming at Channel 4 and prior to that he ran BBC3 and E4. He also spent time as Channel 4's Head of Factual Entertainment and was a commissioning editor of Channel 4 News and Current Affairs.

David Osborn

Group HR Director

Appointed: October 2014

Experience: David joined ITV as the HR Director for ITV Studios in 2011. He was promoted to Group HR Director and appointed to the Management Board in 2014. He has responsibility for formulating and implementing ITV's global HR strategy and policies. Prior to joining ITV David gained substantial experience in both the UK and internationally whilst working in a variety of businesses, including EMI Music, Vodafone, Visa Europe and Marks & Spencer.

Carolyn McCall

Chief Executive

Appointed: January 2018

Experience: Biography on page 90.

Kevin Lygo

Managing Director, Media and Entertainment

Appointed: August 2010

Experience: Kevin joined ITV as Managing Director of ITV Studios and a member of the Management Board in 2010. He became Director of Television in February 2016 and in October 2020 he was appointed Managing Director of the newly created Media and Entertainment division. As well as having overall responsibility for the Media and Entertainment division, Kevin continues to run the Broadcast business unit (one of the two business units making up the division) and to oversee the commissioning of popular programming delivering ITV's USP of mass simultaneous reach. Kevin's previous roles included Director of Television and Content at Channel 4, Director of Programmes at Channel 5 and a number of positions at the BBC, including Head of Independent Commissioning for Entertainment.

Rufus Radcliffe

Managing Director, On Demand

Appointed: April 2017

Experience: Rufus joined ITV as Group Marketing and Research Director in 2011. He was promoted to Chief Marketing Officer and appointed to the Management Board in 2017. In 2019 he took on additional responsibility for the Direct to Consumer division as Chief Marketing Officer and Director of Direct to Consumer. In October 2020 he was appointed Managing Director of On Demand, one of the two business units making up the newly created Media and Entertainment division. Rufus has responsibility for heading up the On Demand business unit, which will be the focus of digital product development and growth for ITV, and includes Hub, Hub+ (the ad free version of the Hub) and BritBox. Before joining ITV, Rufus spent ten years at Channel 4, and prior to that held various positions at McCann Erickson and JWT.

Chris Kennedy

Group CFO

Appointed: February 2019

Experience: Biography on page 91.

Kelly Williams

Managing Director, Commercial

Appointed: December 2014

Experience: Kelly joined ITV in 2011 as Group Commercial Director. He was promoted to Managing Director, Consumer and appointed to the Management Board in 2014. He also sits on the Board of Thinkbox TV; is a member of the BARB Strategy board; and sits on the RTL Adconnect Board. He has responsibility for all commercial advertising deals across the ITV family of channels. Prior to joining ITV, Kelly was the Sales Director at Channel 5 and prior to that held various positions at UKTV, Sky and Thames Television.

Mark Smith

Group Chief Technology Officer

Appointed: September 2018

Experience: Mark joined ITV in 2011 as a member of the technology management team. He was promoted to Chief Technology Officer in 2015, before taking on the Group Chief Technology Officer role and joining the Management Board in 2018. He has responsibility for all technology and related operational matters across the Group, including leading on the digital transformation strategy. Prior to joining ITV, Mark held senior technology positions at the BBC, BBC Worldwide and Sky. Over the past 15 years Mark has specialised in digital transformation and has led the design, build and delivery of industry leading VOD platforms. Mark started his career as a software engineer at BT.

Kyla Mullins

General Counsel and Company Secretary

Appointed: January 2019

Experience: Kyla joined ITV as General Counsel and Company Secretary and a member of the Management Board in 2019. She has responsibility for legal, company secretarial and compliance matters across the Group. Prior to joining ITV, Kyla held senior legal positions in the media, entertainment, strategic outsourcing and aviation sectors. She was General Counsel and Company Secretary at easyJet plc and Mitie Group plc; Global General Counsel of EMI Music; and Group Legal Director at ITV plc and Granada Media. Kyla is currently Chair of Independent Television News Limited (ITN) and is also a Non-executive Director on the Board of Northern Ballet.

Paul Moore

Group Communications and Corporate Affairs Director

Appointed: June 2018

Experience: Paul joined ITV as Group Communications and Corporate Affairs Director and member of the Management Board in 2018. He has responsibility for all Group communications, including corporate and internal communications, public affairs, programme publicity and the recently launched Social Purpose strategy. Prior to joining ITV, Paul was the Communications and Public Affairs Director at easyJet plc for eight years and before this worked for FirstGroup and also Virgin Atlantic Airways for ten years as Director of Corporate Affairs. Paul first started his career as a civil servant and worked for the Department of Transport.

Ade Rawcliffe

Group Director of Diversity and Inclusion

Appointed: September 2020

Experience: Ade joined ITV as Head of Diversity Commissioning in 2017. She was later promoted to Director of Creative Diversity, before taking on the role of Group Director of Diversity and Inclusion and joining the Management Board in 2020. She has responsibility for all diversity and inclusion related matters across the Group, including leading, developing and growing ITV's Diversity and Inclusion strategy on and off-screen. Prior to joining ITV, Ade spent over 10 years at Channel 4, most recently as Creative Diversity Manager, where she supported and nurtured the careers of diverse creative talent and sought out and commissioned a slate of developments which encouraged diversity, risk-taking and innovation. Ade is currently a Trustee of BAFTA, Chair of BAFTA's Learning and New Talent Committee, and a Trustee of the National Trust.

Corporate Governance

The written responsibilities of the Chairman, Senior Independent Director and Chief Executive are available on the ITV plc website: www.itvplc.com

Our governance structure

Shareholders



Chairman

Leads the PLC Board and is responsible for its overall effectiveness, including its Committees. In doing so, promotes a culture of openness and debate, and ensures that ITV maintains effective and regular engagement with its shareholders and stakeholders.



The PLC Board

Responsible for providing leadership to the Group's business, including setting the Group's purpose, strategy and values and promoting its long-term sustainable success.



PLC Board Committees

The terms of reference for each Committee are documented and agreed by the PLC Board. These terms of reference are reviewed annually and are available on our website: www.itvplc.com/investors/governance/terms-of-reference.



Nominations Committee

See the Nominations Committee Report on page 111.



Remuneration Committee

See the Remuneration Report on page 126.



Audit and Risk Committee

See the Audit and Risk Committee Report on page 114.



Disclosure Committee

Consists of the Chairman of the PLC Board, Chief Executive, Audit and Risk Committee Chair, Group CFO, and General Counsel and Company Secretary. The Director of Investor Relations also attends meetings. The Committee signs off and approves the release of RNS announcements relating to financial results or other material information. It also makes inside information determinations, including approving the disclosure (or delay in disclosure) of any inside information, and supports the PLC Board in drawing up and maintaining procedures and controls for the identification, treatment and disclosure of inside information.



Duty of Care Operating Board

Consisting of key Management Board members including the Chief Executive, the Operating Board sets the Group's duty of care processes and monitors and assesses the processes in place to ensure they continue to evolve as appropriate. The Audit and Risk Committee Chair also attends meetings on behalf of the Board.



Chief Executive

Responsible for the day-to-day running of the Group's business and performance, the development and implementation of strategy and promoting our culture and standards.



Management Board

Led by the Chief Executive, the Management Board members are collectively responsible for overseeing and driving the overarching Group financial and operational performance and executing on the strategic initiatives required to deliver the Group's strategy set by the PLC Board. The Management Board balances the needs and resources of the business divisions to make decisions based on what's best for ITV as a whole.



Studios Board

Responsible for developing and implementing strategic objectives and operational plans for the ITV Studios business, monitoring operational and financial performance, and assessing and managing risk, in line with the Group's risk management framework.

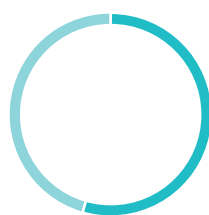


Media and Entertainment Board

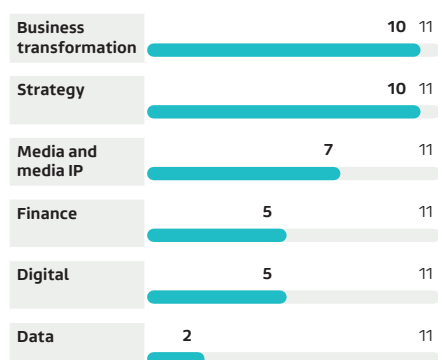
Responsible for developing and implementing strategic objectives for the Media and Entertainment business (Broadcast and On Demand business units, including Hub, Hub+ and BritBox), monitoring operational and financial performance, and assessing and managing risk, in line with the Group's risk management framework.

Board composition

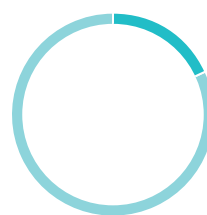
Gender diversity



Skills and experience



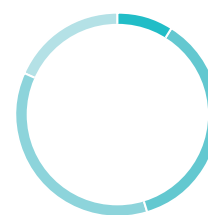
Ethnicity



PLC Board tenure



Age



PLC Board and Committee membership and attendance

PLC Board and Committee membership and attendance at scheduled meetings in 2020 is set out below.

	Status	Notes	Date of appointment to the Board	Attendance at scheduled meetings			
				Board ¹	Nominations Committee ⁷	Remuneration Committee	Audit and Risk Committee
Current							
Peter Bazalgette	Chairman	2	1 June 2013	9/9	3/3	6/6	7*
Salman Amin	Independent		9 January 2017	9/9	3/3	6/6	–
Edward Bonham Carter	Independent (SID)		11 October 2018	9/9	3/3	–	7/7
Margaret Ewing	Independent	3	31 October 2017	9/9	1*	2*	7/7
Roger Faxon	Independent	4	31 October 2012	9/9	1*	6/6	–
Graham Cooke	Independent	5	1 May 2020	6/6, 1*	1*	–	–
Mary Harris	Independent		28 July 2014	9/9	3/3	6/6	7/7
Chris Kennedy	Executive		21 February 2019	9/9	1*	3*	7*
Anna Manz	Independent		1 February 2016	9/9	1*	6/6	7/7
Carolyn McCall	Executive		8 January 2018	9/9	1*	1*	–
Sharmila Nebhrajani	Independent	6	10 December 2020	–	–	–	–
Duncan Painter	Independent		1 May 2018	9/9	1*	6/6	–

* Indicates where a Director has attended a PLC Board or Committee meeting by invitation (i.e. when not a member or prior to being a Director). The Executive Directors did not attend parts of any Committee meetings where to do so would result in a conflict of interest.

- In June a series of PLC Board meetings were held over a two day virtual strategy meeting. For the purposes of this table these two days are counted as one meeting. In addition a half-day strategy session was held in December, which is not reflected in the table above.
- Peter Bazalgette was invited and attended all Audit and Risk Committee meetings during the year.
- Margaret Ewing was invited and attended two Remuneration Committee meetings during the year.
- Roger Faxon stepped down from the PLC Board on 10 December 2020.
- Graham Cooke attended one PLC Board meeting prior to his appointment on 1 May 2020.
- Sharmila Nebhrajani was appointed to the PLC Board and Remuneration Committee on 10 December 2020, and no meetings were held after this date.
- All PLC Board members were invited to, and attended, a Nominations Committee meeting for a senior management succession planning session.

In order to respond effectively to the challenges presented by the COVID-19 pandemic, the PLC Board also held two formal ad hoc meetings in the year to make key decisions to mitigate the impact of the pandemic, which were attended by all Board members. There were also two Sub-Committee meetings to consider the Company's funding and liquidity requirements.

The Nominations Committee also held a number of ad hoc meetings in relation to the Non-executive Director searches and selection of the executive search firm for the Chairman's successor search. These additional meetings are not reflected in the table above.

The Chairman and Non-executive Directors met without any of the Executive Directors three times during the year. In addition, the Non-executive Directors met without the Chairman or management during the year to discuss Chairman performance, and also on an informal basis to discuss matters relevant to the Group.

Key strategic matters considered by the Board in 2020

S Shareholders	C Colleagues	P Partners	CZ Citizens
PP Programme participants	VC Viewers and subscribers	CT Customers (including advertisers)	LR Legislators and regulators

Strategy and performance

Re-evaluation of the ITV strategy in light of the COVID-19 pandemic	• Principal risks 1, 2, 3, 4, 5, 9 and 10	S C P VC CT LR
Reviews of capital structure, liquidity, investor proposition and valuation	• Principal risk 1	S LR
Review of five year plan with focus on COVID-19 pandemic	• Principal risks 1 and 10	S C LR
Programme of cost and complexity reduction	• Principal risks 1 and 10	S C P VC CT
Future of our commercial model	• Principal risks 2, 3 and 9	P CT LR
Investor insights and dividend policy	N/A	S C

Transform Broadcasting

Plans for next generation IP proposition for TV viewing	• Principal risks 2, 5 and 9	P VC CT
Viewer journeys – understanding how viewer and customer needs and behaviours are changing and how this affects ITV's strategy	• Principal risks 1, 2, 3, 5, 9 and 10	P VC
Vision for our channels	• Principal risks 2 and 8	VC CT
Creation of a Media and Entertainment division with two business units – Broadcast and On Demand, including Hub, Hub+ and BritBox to streamline the development and implementation of strategic objectives	• Principal risk 10	S C P VC CT

Grow UK and global production

Pandemic planning – development of production protocols to enable key productions to continue; change of working plans	• Principal risks 1, 4 and 12	C CZ PP VC LR
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Expand Direct to Consumer

Vision and strategy for our Digital products – developing the Hub, Hub + and BritBox to maximise digital viewing and revenue	• Principal risks 9 and 10	S P VC
BritBox international expansion plans	• Principal risks 9 and 10	P VC
Partnership Strategy – our partnership priorities and relationships	• Principal risks 5, 9 and 10	P VC

Other

Brexit and regulation – continued focus on key policy and regulatory issues, including Brexit, CRR and advertising restrictions (e.g. HFSS), PSB review. These continue to be kept under close review along with other issues that could have a potential long-term impact on the business	• Principal risks 7 and 13	S C LR
Social Purpose strategy – delivery of strategy with launch of environmental targets and mental health and 'giving back' campaigns	• Principal risk 10	S C CZ VC
Accelerating change in Diversity and Inclusion	• Principal risks 8 and 15	S C CZ VC

For further information on principal risks please see pages 76 to 85.

Engaging with our stakeholders

Why it matters

It is fundamental to the successful delivery of our strategy and continued achievement of our purpose for the Board to understand the issues relating to and expectations of our stakeholders so that their views are taken into account during decision-making processes.

The Board's approach

The Board both directly engages with relevant stakeholders and also assesses details provided by management and other colleagues of how decisions made across the organisation have taken into account stakeholder interests. The General Counsel and Company Secretary supports the Board

in ensuring that due consideration is given to stakeholder issues and papers submitted to the Board detail the impact of proposals on key stakeholder groups. At least once a year, the Board identifies its key stakeholders, reviews the issues that matter to them most and discusses potential enhancements to engagement with them.

Examples of engagement

The table below sets out some key engagement mechanisms used in 2020. COVID-19 has required us to adapt the ways in which we engage with key stakeholders, especially those who were hardest hit. It also meant that planned engagement, such as the Chairman's visit to the Border news region and the Board's visit to the

Emmerdale site in Leeds, had to be postponed. We have nevertheless sought to demonstrate in the following table our ability to move at pace with the changing circumstances and ensure we engage meaningfully with key stakeholders during these challenging times.

Viewers and Subscribers

Through regular engagement, the Board recognises the evolution of ITV's relationship with viewers, which has been pivotal in shaping the Company's strategy.

Link to strategic priorities

 [Grow digital viewing: see Our Strategy \(from page 20\)](#)

Forms of engagement

External meetings and presentations

- AGM vodcast (providing an overview of how ITV was continuing to provide news, factual, drama and entertainment programmes to viewers during the COVID-19 pandemic)

Internal Board and Committee reviews and assessments

- Reviews by Executive Directors, as members of the Media and Entertainment Board, of compliance reports detailing viewer/regulator concerns
- Regular Chief Executive reports to the Board on viewing and subscription figures and increased data insights and research into programming (Hub, Hub+ and BritBox UK)
- Regular reviews by the Chief Executive of viewer comments and concerns (including discussion with the Management Board) and reviews of research on the opinions of viewers (as well as viewing data) reported by Ofcom

Key issues or priorities identified

- Increasingly changing viewing habits (including as a result of COVID-19) and ITV's digital viewing proposition
- Further international expansion of BritBox
- Ongoing need to respond on a timely basis to viewer/subscriber complaints and issues

Outcomes and impact on principal decisions

General

- Consideration of changes in viewer habits, particularly the decline in linear viewing and increase in on demand viewing and impact of this on ITV, as part of the Board strategy offsite sessions
- Enhanced delivery of content to viewers directly through Hub, Hub+ and BritBox in the UK and internationally
- Board approval of the expansion of BritBox to Australia
- Use of a campaign on air regarding everyday racism (with people contributing stories about their experiences)

COVID-19

- Increase in the pace of implementation of our strategic initiatives and operating model (e.g. the restructuring of the Broadcast business to establish a new Media and Entertainment division – see page 68 for how Directors have had regard to the matters in section 172(1) (a-f)

Read more

 [Our Business Model \(from page 22\)](#)

 [Key Performance Indicators \(from page 24\)](#)

 [Social Purpose strategy \(from page 42\)](#)

Customers (including advertisers)

Customers and advertiser relationships are integral to monetising our content and delivering on our strategy.

Link to strategic priorities

 [Grow digital and data solutions; grow UK and global production: see Our Strategy \(from page 20\)](#)

Forms of engagement

External meetings and presentations

- Attendance by Board members at the virtual 2020 ITV Palooza event, our annual commercial and programming showcase for our buyers
- Chief Executive participation in the ITV Studios Fall Festival, a virtual global-event held for our buyers in September 2020
- Meetings between the Chief Executive and Group CFO and their industry counterparts (many of whom are also buyers of ITV Studios content)
- Meetings between the Chief Executive and key partners in advertising

Internal Board and Committee reviews and assessments

- Updates from the Chief Executive on key advertising relationships and developments in the advertising market (included in the Chief Executive Report)
- Receipt by the Board of regular reports on ITV's engagement and relationship initiatives with its advertisers and agencies during the pandemic which included creating a series of webinars called 'Backing Business', increasing flexibility on planning TV advertising at short notice and reacting appropriately to changing government guidelines
- Regular reports on Commercial and Studios performance by the Chief Executive to rest of the Board
- Regular engagement by various members of the Management Board with advertisers and agencies through key ITV events, such as the ITV Palooza, the ITV Regional Showcase, Marketing Director dinners (pre-lockdown) and CEO virtual gatherings, as well as more specific, regular advertising meetings and key industry events such as Advertising Association Lead, and the ISBA Conference (pre-lockdown)

Outcomes and impact on principal decisions

General

- The Board discussions benefit from Salman Amin's experience in the consumer packaged goods sector. Salman provides valuable insight into the advertisers' mindset and how advertisers might be impacted by an external situation or Board decision
- Increased focus on intellectual property and advanced advertising in response to stakeholders' desired outcomes. Board discussions on this topic benefited from Graham Cooke and Duncan Painter's digital and commercial expertise

COVID-19

- Acceleration of initiatives in relation to advertising, including by holding a deep dive session on the risk of declines in TV advertising as a result of COVID-19 and broader market changes, and endorsing the assessments and approach to managing this risk

Key issues or priorities identified

- Impact of COVID-19 on production
- Investment in talent
- Impact of COVID-19 on the advertising market
- Flexibility (booking airtime)
- Effectiveness of advertising and partnerships
- Audience profile and size (big audiences particularly in key demographics such as 16-34s)
- Quality programming environments

Read more

 [Our Business Model \(from page 22\)](#)

 [Key Performance Indicators \(from page 24\)](#)

 [Risks and Uncertainties \(from page 72\)](#)

Partners (including Suppliers, other Broadcasters and Platform Owners)

Strong relationships with our partners are fundamental to our business and operating model, and to ensure we meet the high standards of conduct that we set ourselves.

Link to strategic priorities

 [Create and deliver enhanced partnership strategy: see Our Strategy \(from page 20\)](#)

Forms of engagement

External meetings and presentations

- Executive Directors' engagements (meetings, conferences) with key suppliers and partners (including distribution partners)
- Executive Directors sit on the BritBox Partnership Board with their BBC counterparts and other senior managers, and regular Chief Executive counterpart meetings take place with other key partners

Internal Board and Committee reviews and assessments

- Board approval of significant contracts with suppliers or partners
- Chief Executive reports on key/strategic partner relationships, and Group CFO reports on key negotiations with key partnerships, at every Board meeting
- Audit and Risk Committee review of the Group's supplier payment practices and the procedures in place to safeguard both ITV and suppliers from fraud (see page 121)

Outcomes and impact on principal decisions

General

- Appointment of Non-executive Director, Graham Cooke who has in-depth knowledge of key players in the e-commerce, data and digital sectors
- Completion of a modern slavery risk assessment (to understand the areas in our supply chain where modern slavery could manifest), and increased level of oversight and mitigations over our suppliers and partners (to mitigate and prevent labour rights issues)
- Increased supplier due diligence; development of our third-party risk framework and ongoing risk monitoring to inform supplier management processes and the controls within this

COVID-19

- Acceleration of initiatives in relation to enhancing partnerships
- In-depth strategy session on Partnership Strategy in relation to ITV's highest priority partners

Continued next page

Partners (including Suppliers, other Broadcasters and Platform Owners) continued

Key issues or priorities identified

- ITV's Partnership strategy and ITV's approach and proposed trade-offs over the next five years with strategic partners, including PayTV, Big Tech and other UK broadcasters
- Impact of COVID-19 on business continuity risks with critical suppliers
- Responsible, transparent and fair procurement, trust and ethics

Read more

 [Our Business Model](#)
(from page 22)

 [Key Performance Indicators](#)
(from page 24)

 [Social Purpose strategy](#)
(from page 42)

Citizens

As a public broadcaster, we strive to reflect, remain in touch with, and shape public sentiment and national conversations. Our engagement in this stakeholder category is an integral part of our Social Purpose strategy. Please refer to page 42 for our work in this area. For information regarding our charitable giving and volunteering, please refer to page 45.

Link to strategic priorities

 [Social Purpose: see our Social Purpose strategy](#)
(from page 42)

Forms of engagement

External meetings and presentations

- Chairman's speech at the virtual Albert Conference on Climate Change 'Net Zero and the Economics of Broadcasting' (on the role that broadcasting plays in UK society and in relation to the climate change crisis)
- Chief Executive's participation in the virtual Power Up Festival (focused on wellbeing) to discuss how ITV is making wellbeing in the workplace a strategic priority and the impact of ITV's Britain Get Talking campaign

Internal Board and Committee reviews and assessments

- Group CFO's overall responsibility for ITV's climate change agenda and leadership of ITV's Climate Change Delivery Group
- Board receipt of annual updates on Social Purpose, the Group's climate-related agenda including risk, opportunities and targets, and Diversity and Inclusion
- Training undertaken by Board and Audit and Risk Committee members on climate change (see page 121 for further details)
- Audit and Risk Committee monitoring of compliance with, and progress on, climate change reporting; reports to the Board on its outcome (see page 121)
- Board annual review of progress against ITV's Diversity Acceleration Plan (including discussion of ITV's diversity targets both on-screen and at various levels of the organisation)
- Board discussion of the impact and reaction to the killing of George Floyd and wider Black Lives Matter movement, and the action ITV was taking to accelerate change in diversity and inclusion

Outcomes and impact on principal decisions

General

- Appointment of new Non-executive Director, Sharmila Nebhrajani, who has experience across a wide range of sectors, particularly in the environmental, social and governance fields and broadcasting
- Establishment of the Mental Health Advisory Group chaired by Ruth Davidson (former leader of the Scottish Conservative Party) comprising external expert advisers
- Investment in marketing campaigns to drive social purpose and responsible behaviour (e.g. behaviour change campaigns, to support better mental health, healthy-eating and activity, diversity, promoting volunteering, fundraising for Unicef and encouraging people to adopt more environmentally sustainable behaviours)


COVID-19

- For Social Purpose initiatives that were influenced by the COVID-19 pandemic, please refer to page 44

Key issues or priorities identified

- Harnessing our unique mass-reach platform and the power of our programmes to raise awareness and action on issues that are important and help shape culture for good; and helping the nation take better care of its mental health
- Our sustainability and setting of new environmental targets
- Our contribution to wider society in other ways, including charitable giving and volunteering
- Increased focus and commitment to increasing on and off-screen diversity through our Diversity Acceleration Plan (see page 48)

Read more

 [Task Force on Climate-related Financial Disclosures](#)
(from page 62)

 [Our environmental targets](#)
(page 46)

Legislators and Regulators

The Board is committed to its responsibility as a public service broadcaster (PSB) and conducting business in line with the appropriate laws and regulation, to ensure we operate in an ethical and responsible way.

Link to strategic priorities

 Availability of viewer content: see Our Strategy (from page 20)

Forms of engagement

External meetings and presentations

- Meeting between the Chief Executive and the Prime Minister's Chief Business Adviser responsible for developing policies and working with business and across government to support UK businesses
- Chairman's meeting with the Ofcom Chair on PSB and COVID-19 matters
- Regular meetings of the Audit and Risk Committee Chair, with the Chief Executive and other leaders of the Financial Reporting Council regarding corporate and audit regulatory reform
- Regular (at least monthly) meetings of the Chief Executive and Director of Policy and Regulatory Affairs with the Minister of State for Media and Data (on matters, including the response to COVID-19, the future of PSB, and other key issues of concern to the TV industry) as well as other ministers on an ad hoc basis
- Provision of evidence by the Chief Executive and Director of Policy and Regulatory Affairs to the House of Commons Select Committee on Digital, Culture, Media and Sport as part of the Committee's inquiry into the future of PSB
- Regular meetings of the Chief Executive and Director of Policy and Regulatory Affairs with the Chief Executive and other senior officials at Ofcom including participation in a live Ofcom event about the future of PSB
- Engagement by the Chief Executive and other senior ITV employees in consultations and new initiatives with the government and with regulators

Internal Board and Committee reviews and assessments

- Updates from the Chief Executive, supported as appropriate by the Director of Policy and Regulation, on policy and regulation at every Board meeting
- Updates to the Audit and Risk Committee from the Committee Chair and external auditor regarding FRC developments and proposed regulatory changes

Key issues or priorities identified

- COVID-19 restrictions
- Brexit and related trade issues
- Sustainability performance

Outcomes and impact on principal decisions

General

- Two Board sessions on the proposed HFSS advertising ban (including discussion of the impact of the ban on revenue and strategy) and engagement between the policy/regulatory and public affairs teams and the UK government, and a subsequent Board discussion on proposed actions to mitigate the impact of HFSS on ITV
- Further Board discussion and consideration of the PSB regulation and proposed approach to the expiry of the Public Services Broadcasting licence in 2024 (which remains subject to further discussion in the coming year)
- Audit and Risk Committee discussion of the gap between current status and expected regulatory reform related to audit, and the development of a plan to ensure compliance with anticipated changes

COVID-19

- Taking the lead in developing an industry protocol for the safe return of TV production (which was approved by the UK government and led directly to the widespread resumption in TV production in the summer of 2020). ITV's leadership role in this area was specifically recognised by the government in Parliament
- Implementation of specific COVID-19 initiatives, including working with the UK government to integrate public health messages in our broadcasting

Read more

 [Our Business Model](#)
(from page 22)

 [Social Purpose strategy](#)
(from page 42)


Colleagues

For information on how Directors have engaged with colleagues, and the effect of their regard for colleague interests on principal decisions taken by the Company, please refer to page 102.

Programme participants

So that participants know and are assured that we take our duty of care to them very seriously, and trust that we will do the right thing to safeguard their physical and mental health and wellbeing.

Link to strategic priorities

 Development of the creative pipeline: see Our Strategy (from page 20)

Forms of engagement

External meetings and presentations

- Chief Executive/Managing Director of ITV Studios visited the set of I'm A Celebrity... Get Me Out Of Here in Wales (to assess and monitor working conditions and the strict COVID-19 procedures that were in place)

Internal Board and Committee reviews and assessments

- Regular Board updates on duty of care processes and issues, and on the Duty of Care Operating Board's discussions and activities (including feedback from ITV's Mental Health Advisory Group), through updates from the Audit and Risk Committee Chair, who is a standing attendee of the Operating Board
- Board updates from Management regarding the steps taken to further enhance processes and guidance for producers to support programme participants before, during and after production, and on any challenges relating to, or publicity surrounding, duty of care processes relating to any programmes produced or broadcast by ITV
- Three Audit and Risk Committee sessions on duty of care and health and safety processes
- Annual Audit and Risk Committee reviews of duty of care risks and mitigations for the business
- Board updates from the Chief Executive on physical security measures being taken in relation to production restarts halted by COVID-19
- Board review of minutes from the Duty of Care Operating Board meetings

Outcomes and impact on principal decisions

General

- Annual review by the Duty of Care Operating Board of ITV's Guidance on protecting programme participants and the ITV Duty of Care Charter
- Appointment of a Clinical Psychologist to review and enhance psychological processes and strategy relating to duty of care
- Initiatives to educate the business and labels on ITV's duty of care model and processes, for example, the use of a Wellbeing Working Group (which was set up to ensure the wellbeing approach and supporting activities for participants)
- Ongoing engagement with Dr Paul Litchfield CBE, independent medical adviser to ITV, advising on continued enhancement of duty of care processes
- Input from Board members into the Ofcom consultation on protecting participants in TV and radio programmes

COVID-19

- Increased implementation of processes and safeguards to maintain participant safety
- Regular Board updates from the Chief Executive on processes in place to manage the increased health and safety risks as a result of COVID-19
- Audit and Risk Committee review of the risk approach to the pandemic, which included a 'deep-dive' on wellbeing during this period

Key issues or priorities identified


- Duty of care to participants (this is a principal risk – see page 83)
- Mental health and wellbeing of our participants
- Safety of participants during the COVID-19 pandemic

Read more

 [Our Business Model](#)
(from page 22)

 [Risks and Uncertainties](#)
(from page 72)

 [Social Purpose strategy](#)
(from page 42)

 [Our People](#)
(from page 50)

Shareholders (Individual and Institutional), Bond Holders and other Providers of Debt and Analysts

Delivering for our investors (equity and debt) and understanding their views and interests ensures the business continues to be successful in the long-term and therefore can deliver for all our stakeholders.

Link to strategic priorities

 Deliver value for shareholders: see Our Strategy (from page 20)

Forms of engagement

External meetings and presentations

- Direct meetings between:
 - Executive Directors and institutional investors representing about 70% of the Company's share capital, as well as potential investors across the UK, US and parts of Europe
 - the Chairman, Senior Independent Director, Remuneration Committee Chair and Audit and Risk Committee Chair and investors
 - the Chief Executive and Group CFO and shareholders (in particular, throughout the evolving COVID-19 crisis)
 - the Chief Executive and Group CFO and analysts (for Full and Half Year presentations and Q&A)
 - the Group CFO and analysts on a regular basis

Outcomes and impact on principal decisions

General

- Feedback from the Company's shareholder engagement informs, amongst other things, its long-term strategy, five year plan, capital structure and approach to ESG and other governance issues
- Board sessions with the Company's brokers and advisers on market performance, bid defence and capital structure in light of additional pressures faced as a result of the COVID-19 pandemic
- Increased Board reviews of progress made against the 2020 Social Purpose targets and endorsement of the approach for 2021
- Training undertaken by the Audit and Risk Committee on climate change and other ESG reporting; these materials were shared with the Board

Continued on next page

Shareholders (Individual and Institutional), Bond Holders and other Providers of Debt and Analysts continued

Forms of engagement

External meetings and presentations

- Virtual investment Salesforce presentations and other virtual investor engagements by the Executive Directors
- AGM vodcast on our website (providing updates on how the Company was managing through the COVID-19 pandemic)
- Regular dialogue between the Group CFO and Director of Tax & Treasury and the Rating Agencies (Standard & Poors and Moody's) and the Core Banking Group throughout 2020, providing updates on the performance of the business, specifically in relation to COVID-19
- Consultations with our top institutional shareholders and investor bodies on the proposed Remuneration Policy for approval in 2020 and 2021 by the Chair of the Remuneration Committee. We consulted with around 70% of our share register

Internal Board and Committee reviews and assessments

- Board reviews of reports on key shareholder engagement activities undertaken by the Chief Executive, Group CFO and Investor Relations team
- Board presentations by brokers on shareholder sentiment regarding ITV's performance, strategy and capital structure
- Audit and Risk Committee review and discussion of a report from the Director of Investor Relations on investors' and analysts' views in relation to ITV's accounting policies, risks and disclosures

Key issues or priorities identified

- Impact of COVID-19 on financial and operating performance
- Strategy and investment plans and delivery against strategic and financial targets and KPIs
- Share price performance

Outcomes and impact on principal decisions

COVID-19

- Further engagement with investors and market analysts regarding the withdrawal of the 2019 final dividend and withdrawal of the previously announced intention to pay an 8.0p full year dividend for 2020 – see page 67 for how Directors have had regard to the matters in section 172(1) (a-f)
- Increased Board calls to consider ITV's financial position across a range of scenarios, cost mitigations, regular reforecasting and cash monitoring
- Increased Board strategy sessions focused on the impact of COVID-19 on ITV and the acceleration of the delivery of ITV's strategic initiatives


- Impact of COVID-19 on dividend and leverage
- Environmental, social and governance (ESG) performance
- Planned changes to the Remuneration Policy. See the Remuneration Committee report from page 126 for more details

Read more

 [Our Business Model \(from page 22\)](#)

 [Investor Proposition \(page 15\)](#)

 [Social Purpose strategy \(from page 42\)](#)

 [Task Force on Climate-related Financial Disclosures \(from page 62\)](#)

Colleagues

The workforce voice is integral to the Board's decision-making. It has been particularly important in 2020 as a result of the challenges we have experienced because of the COVID-19 pandemic, and we have taken extra measures to ensure the wellbeing of our colleagues during this difficult time.

 [For a definition of our workforce, please refer to page 51](#)

Workforce engagement

To ensure effective engagement with the workforce, the Board uses two of the methods stipulated under the Code: a designated Workforce Engagement Director (Edward Bonham Carter, our Senior Independent Director) and a formal workforce advisory panel (our Ambassador network). The Board also recognises the benefits of personal interaction and informal discussion to both learn more about day-to-day operations and the practical execution of strategy, and gather direct insights into workforce sentiment.

Regrettably, during 2020, the Board was not able to go ahead with some planned engagement, such as the Board's visit to our office and Emmerdale site in Leeds. However, set out below are the key instances of the direct engagement the Board members have had with our employees, some important insights and priorities identified through engagement with them, and the outcomes and impact of discussions with them on principal decisions taken by the Company.

Our Ambassador network represents all parts of the business and was established in 2015 to represent employee interests, share information and help inform our culture by giving our employees a voice. Each Ambassador represents around 50 colleagues from their business area, called their constituency. Some larger constituencies have more than one Ambassador, while smaller departments are grouped together within a single constituency. There are approximately 75 Ambassador constituencies. The Ambassadors are organised through five groups: Manchester, Leeds, London

Waterhouse Square offices, London Grays Inn Road offices, and our International offices. The Ambassadors meet in their groups four times a year and this year, throughout the pandemic, additional remote meetings were organised to ensure Ambassadors were connected and able to share any concerns effectively. This year eight Management Board members attended Ambassador meetings to provide updates from their business areas and hear feedback and themes from the Ambassadors. For example, the Group HR Director attended a meeting to discuss the Broadcast restructuring and the Group Director of Diversity and Inclusion joined a meeting to talk about ITV's approach to diversity and inclusion. The Ambassador meetings allow good engagement regarding business issues affecting colleagues, and this year, allowed them to receive valuable feedback regarding communications, support and wellbeing of colleagues during the COVID-19 pandemic.

The Board and Management Board also receive feedback from other ITV colleague networks, including Embrace (the black,

Asian and ethnic minority network), through regular Social Purpose and Diversity and Inclusion updates. The ITV colleague networks' observations are shared with the Chief Executive at the quarterly Inclusion and Diversity Council meetings directly by the networks' chairs. For example, in 2020 they were asked to relay the experiences of their members during lockdown and how the pandemic was affecting them.

Our designated Workforce Engagement Director, Edward Bonham Carter, attended

14 Ambassador meetings, including a Q&A session on employee and executive remuneration (more than double the number of meetings he attended in 2019). Through active two-way dialogue, these meetings have provided Edward with the opportunity to share insights into external factors affecting ITV, which the Ambassadors then share with their constituents. Following these meetings, Edward provides feedback to the Board on employee topics and issues of interest and/or concern. He also reports to the Board annually, on a more formal basis, on the

insights gained from these engagements and on any outcomes and proposed recommendations that arise.



Edward Bonham Carter

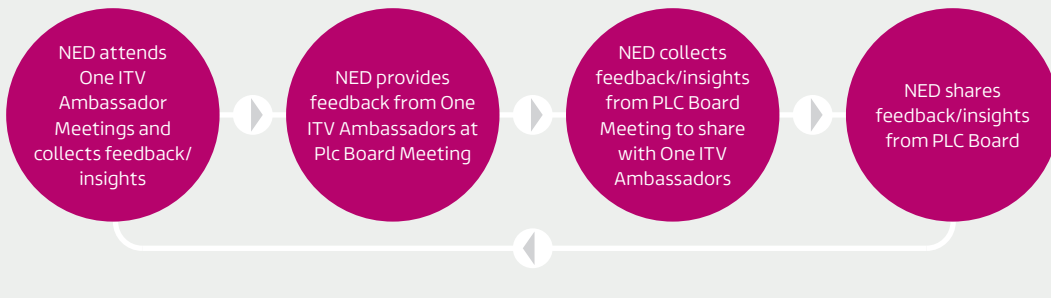
This year, attending the Ambassador meetings has been invaluable to my understanding of colleague sentiment, as I was able to obtain feedback on how colleagues regarded ITV's response to the COVID-19 pandemic and whether they felt supported during this time.

Not only do I feel that I have a good understanding of the range of topics close to the hearts of our workforce, but I am also able to raise the profile of those issues – our constructive two-way dialogue on the new operating model and understanding ITV's strategy has helped inform our

communications approach and our discussion on Smart Working highlighted the breadth of views across ITV. Additionally, during my meetings with Ambassadors, we have had a number of conversations about mental health, wellbeing and resilience and the support ITV can provide employees.

As part of my role in ensuring that information flows both ways, I also shared the Board's views on the changing media landscape and impact that COVID-19 has had on the business."

Ambassador Feedback Loop



Edward's activities during 2020 as Workforce Engagement Director

- Attended eight UK Ambassador meetings from three UK regions
- Attended five international Ambassador meetings representing all ITV territories
- Together with the Remuneration Committee Chair, hosted the live Q&A session for all Ambassadors on the approach to executive and employee pay at ITV
- Gave five verbal updates to the Board on activities
- Presented one formal paper regarding activities and outcomes to the Board

Key priorities observed and reported by Edward to the Board

- The wellbeing and mental health of colleagues during the COVID-19 pandemic
- The additional pressures and intensity of digital remote working, including IT support
- The impact of COVID-19 on job security and future arrangements regarding 'return to work'
- Organisation and job security in relation to the restructuring of the Broadcast business
- How structural changes may affect the Diversity and Inclusion agenda
- More awareness and visibility of the Ambassador network and their roles

The Board and Management Board use a number of other arrangements for direct workforce engagement. Examples are set out as follows:

Primary methods of engagement	Outcomes and impact on principal decisions and considerations
<ul style="list-style-type: none"> Engagement through Workforce Engagement Director A 'pulse' survey to understand colleague confidence in our response to the COVID-19 pandemic and obtain learnings for future ways of working Direct contact with the Chief Executive through her Ask Carolyn email address 	<ul style="list-style-type: none"> The feedback and results from the COVID-19 'pulse' survey were presented to the Duty of Care Operating Board in July 2020 as well as the Board (via the Audit and Risk Committee) in September The Board regularly considers colleague wellbeing as part of Board discussions, for example, in relation to remote ways of working, and ensures adequate support is provided to colleagues <p>92% of colleagues felt that ITV is supporting its colleagues during COVID-19; 88% of colleagues have confidence in ITV's response to COVID-19</p>
<ul style="list-style-type: none"> The Workforce Engagement Director identified key priorities in relation to the impact of COVID-19 on job security, and organisation and job security in relation to the restructuring of the Broadcast business The Chief Executive reports on employee engagement as part of her Chief Executive report. People and communications have been and will continue to be a core priority during the pandemic, and regular updates are provided to the Board 	<ul style="list-style-type: none"> As part of Board discussions, the Board considered the impact of the restructuring on colleagues, including redundancies and communications to the wider business. The Board ensured there was regular communication between management and colleagues on these issues <p>The Chief Executive focused on the restructure during two of her vodcasts and continues to respond to colleagues questions as part of the Q&A and directly through her Ask Carolyn email address</p>
<ul style="list-style-type: none"> The Workforce Engagement Director identified that the Ambassadors' felt there could be more awareness and visibility of the Ambassador network and their roles Management Board members have also attended Ambassador meetings to provide updates from their respective areas of the business, take questions and hear feedback from the Ambassador network 	<ul style="list-style-type: none"> Ambassadors joined one of the Chief Executive's vodcasts to increase visibility and raise awareness of the Ambassador network amongst colleagues <p>The vodcast with the Ambassadors had 1,000 views and 522 transcript reads</p>
<ul style="list-style-type: none"> The Chief Executive vodcast has played a major role during the pandemic in ensuring our colleagues continue to feel connected to ITV despite being required to work remotely. Our colleagues are able to submit questions ahead of the vodcast recording which are answered directly. Board members also listen to the vodcasts, which enable them to understand the issues that matter to the workforce The Board Chairman also joined the Chief Executive's vodcast during the year to answer questions on ITV leaving the FTSE 100, and discuss the acceleration of strategic initiatives given COVID-19 	<ul style="list-style-type: none"> The Chief Executive communicated to colleagues about the future of working and took questions via her vodcasts After six months of weekly vodcast recordings, an employee survey was conducted to enable the Board and Management to understand the opinions of colleagues on the vodcast recordings. The results and recommendations of this survey were shared with the Board and have shaped the way vodcasts are now conducted. For example, at the peak of the pandemic, the vodcasts were broadcast weekly and now they are fortnightly <p>Chief Executive's vodcasts peaked at 70% of ITV viewing</p>
<ul style="list-style-type: none"> The Workforce Engagement Director identified key priorities in relation to the wellbeing and mental health of colleagues during the COVID-19 pandemic and added additional pressures and intensity of digital remote working, including IT support 	<ul style="list-style-type: none"> The Audit and Risk Committee reviewed deep dives related to, among other things: the wellbeing of ITV's people, talent and programme participants during the COVID-19 pandemic; duty of care; health and safety; cyber security and increased risks and mitigating controls of widespread remote working <p>Events promoting a balanced and healthy working lifestyle have been made available to the whole of ITV globally since the start of the pandemic</p>
<ul style="list-style-type: none"> The Remuneration Committee Chair and the Workforce Engagement Director hosted a live Zoom session for the Ambassadors which focused on Board governance and executive and employee remuneration (which was recorded for wider circulation) 	<ul style="list-style-type: none"> The Remuneration Committee endorsed the approach to workforce engagement in relation to executive remuneration and considered the impact of COVID-19 on wider employee reward and remuneration, including a review of the benefits available to colleagues during this period <p>68% of the Ambassadors attended the Remuneration session</p>
<ul style="list-style-type: none"> Engagement through the Workforce Engagement Director and Group Director of Diversity and Inclusion to reassure on the continued focus of our inclusion strategy despite structural changes The Audit and Risk Committee Chair met with members from the ITV Able Network and attended an Able Network Board meeting; the Able Network champions the disability agenda throughout the organisation 	<ul style="list-style-type: none"> The Board reviewed and endorsed the 2019 Gender and Ethnicity Pay Gap report and reviews at least annually ITV's approach to diversity and inclusion The Audit and Risk Committee Chair ensures that the disability element of diversity is represented at the Board <p>ITV's Able network has had a 364% increase in membership in the last year</p>

Examples of other arrangements for direct workforce engagement:

- The Chairman has regular contact with Management Board members and Divisional heads, who feed back to him on workforce issues. Prior to COVID-19, the Chairman would be present in the ITV offices for a full day at least once a week and during this time was visible in the workplace and met with senior leaders.
- This year, the Chief Executive, together with the Management Board, led virtual town halls in order to keep employees in their business area engaged and up-to-date during the COVID-19 pandemic; these town halls also gave our employees the opportunity to hear directly from and question the Chief Executive and the management team, and enabled employees to understand ITV's Strategy and the role that they would play in delivering that strategy.
- The Board regularly engages with the members of the Management Board, including at the Board's strategy days.
- Board members undertook the 2020 mandatory training for colleagues. Refer to page 106 for how this engagement informs culture.
- The Executive Directors hold frequent Executive Leadership Team and Senior Leadership Team sessions (made up of approximately 50 and approximately 200 of the top senior leaders respectively).
- The Management Board attends and coordinates regular senior leader events to ensure that senior leaders understand the views of the Board and Management Board and have the opportunity to provide input into strategy.

The mechanisms above relate to engagement with our employees and not freelancers, to avoid conflict with our responsibilities under HMRC contract and compliance requirements. For all our colleagues, including freelancers, we have our 'Speaking Up' process. This year, with oversight from the Audit and Risk Committee and input from key stakeholders, we have refreshed our Speaking Up process and updated our Speaking Up policy in line with the EU Whistleblowing Directive and best practice, including the implementation of an external Speaking Up hotline and reporting system (refer to page 122). We also gain feedback from the freelancer perspective through the trade unions, the Directors UK forum and the Producers Alliance for Cinema and Television (PACT), which helps us address other issues and concerns that may be raised by this group.

Values in action – understanding and monitoring our culture

To support the creation of long-term value for the mutual benefit of stakeholders, it is critical we continue to build and promote a culture of openness and integrity, where inclusion and diversity are valued. We also recognise that the failure to evolve the underlying culture of the business may result in an inability to deliver the level of change required to achieve our strategic objectives, which is identified as a principal risk (see page 82).

Our culture also extends to consideration of our dealings with all our stakeholders (including partners and colleagues) who give us direct cultural insights (pages 97 to 105) and our Social Purpose initiatives (from page 42). In our unique position, where we have the opportunity to shape society, start conversations and encourage action on things that matter through the millions of people we reach, it is even more fundamental that our organisation's culture reflects the values that we promote more widely.

The COVID-19 pandemic has shaped the framework and engagement structures within which we have operated during the last nine months of 2020 and continue to operate. In particular, the move to a digital culture in the context of the protracted period of working from home has required us to take measures to accelerate the

implementation of our digital strategy. The Board has been regularly monitoring Management's response to, and actions taken during, the COVID-19 pandemic to ensure that the Company's response remains aligned to our desired values and behaviours, understanding that their actions will inevitably shape culture for years to come.

Measuring and monitoring culture

During 2020, the Board has continued to drive the Company's strategic vision and purpose with the clear embodiment of ITV's cultural values in mind. It has focused, and will continue to focus, on cultural alignment across all offices and within each business division following changes to the Company's business structure and operating model (for example, the full integration of the Talpa business, and the digital transformation and Smart Working initiatives being embraced throughout the organisation).

The Board formally considers culture on an annual basis and, through its activities during the year, is able to satisfy itself that the policies, practices and behaviour throughout the Group are aligned with ITV's purpose (including its Social Purpose), vision, values and strategy. Through discussion of relevant observations, the Chief Executive's focus on people and culture in her Board reports, and the methods listed below, culture is covered, whether implicitly or explicitly, at every Board meeting.

Our ITV values underpin the culture at ITV and these are embedded through our Code of Conduct:

Creativity

Without fear or caution

Collaboration

Working together at pace

Inclusion

Respecting and embracing differences

The ITV Way encapsulates the values that underpin the culture at ITV:

The ITV Way

Make it Brilliant

Creativity for everyone, without fear or caution

Make it New

Openness to change, with no barriers

Make it Together

Collaborating, respecting and embracing differences

96%

Completion rate of Code of Conduct annual training

8.2%

Voluntary employee turnover

Silver award

2019 Mind Workplace Wellbeing Survey

The table below sets out key ways in which the Board and/or Committees monitored culture during 2020 and how these contributed to delivering insights into ITV's culture. The matters set out below are regularly considered by the Board at their meetings.

How the Board monitors culture	Cultural insight gained
Engagement	
<p>Board culture review The Board reviewed an analysis of the Company's culture through the results from the 'pulse' survey focused on COVID-19 in 2020, and by benchmarking ITV's data against key indicators of organisational culture (gender pay gap, ethnicity pay gap, voluntary employee turnover, wellbeing survey score).</p>	<p>▶ Results from the 'pulse' survey identified high levels of confidence amongst colleagues in ITV's response to COVID-19 and demonstrated that colleagues felt supported during the crisis (88% of colleagues had confidence in ITV's response to COVID-19; 92% of colleagues felt supported during COVID-19; and 89% felt that ITV was making sufficient adjustments to deal with COVID-19).</p>
<p>Chief Executive The Board received a weekly written report from the Chief Executive between March and May (moving to fortnightly until July) commenting on, amongst other things, culture and morale. The Board has access to the regular Chief Executive vodcast and Q&A. Please see pages 102 to 105 for more ways in which the Directors have engaged with the workforce this year.</p>	<p>▶ An understanding of day-to-day operations, the practical execution of strategy and the cultural context in which employees work. During the COVID-19 pandemic, this was fundamental to providing the Board with an understanding of how employees were coping with the changed working environment and their view on management's response to the crisis.</p>
<p>Outcome Insights from the 'pulse' survey enabled us to target our wellbeing, offering to provide focused support for the mental and physical wellbeing of colleagues, which was monitored by the Board through updates from the Chief Executive.</p>	
Compliance	
<p>Board updates The Board and its Committees are updated on a broad range of business integrity matters, including approaches to combating modern slavery, anti-bribery and corruption, and reporting against the Prompt Payment Code in the UK.</p>	<p>▶ A broad understanding of practices and behaviours and how these align with the purpose, values and strategy of the Group, including an understanding of the Group's approach to supply chain partners.</p>
<p>Mandatory training Board members undertook the 2020 mandatory training for colleagues on the Code of Conduct, cyber security, data protection and privacy and climate action, and subsequently reviewed how the Company supports the understanding and embedding of the Code of Conduct and related policies and standards through this training.</p>	<p>▶ A deeper understanding of how ITV's values and standards are imparted and how colleagues are kept safe and secure and act in a compliant way.</p>
<p>Board culture review The Board reviewed ITV's Code of Conduct.</p>	<p>▶ Insight into how the Code of Conduct promotes the highest standards of ethical business underpinning ITV's values and corporate culture.</p>
<p>Outcome The members of the Board will continue to undertake training on an annual basis, to ensure their understanding of how colleagues are kept safe and secure and act in a compliant way remains current.</p>	

How the Board monitors culture

Cultural insight gained

Health and Safety

The Audit and Risk Committee reviews the systems in place to enable all employees, suppliers, programme participants and all others involved in our production business to identify and raise health and safety issues, as well as duty of care concerns. This includes review of metrics on safety observations reported by colleagues.

Further insight into safety behaviours by evidencing the individual responsibility taken by employees with regard to proactively reporting safety concerns. This has included insight into the additional measures put in place to ensure the physical safety of our colleagues, suppliers and production participants during the COVID-19 pandemic.

Outcome

Through regular Board updates from the Chief Executive and from the Audit and Risk Committee, the Board will continue to ensure the right processes and procedures are in place for the safety of our employees, suppliers and programme participants, and that ITV continues to uphold high standards of duty of care.

Wellbeing and Mental Health

'Deep-dive'

The Audit and Risk Committee undertook a 'deep dive' on wellbeing during COVID-19 for our people, talent and programme participants.

Insight into how the business was prioritising the health and wellbeing of our colleagues across five fronts during the COVID-19 pandemic: health, security, environment, relationships and purpose.

Review of mental health in ITV's Social Purpose campaigns

The Board reviews the impact of our Social Purpose campaigns annually.

Insight into how ITV's Social Purpose campaigns promote awareness and acceptance of mental health issues on-screen and off-screen, and the success of these initiatives in influencing culture internally and externally.

Duty of care

The Audit and Risk Committee reviewed ITV's duty of care processes and received updates from the Duty of Care Operating Board (which were reported to the Board), on the processes and standards in place for employee wellbeing and what we expect from our partners producing shows for broadcast on ITV. There was also feedback from the Mental Health Advisory Group (external expert advisers) regarding our programmes and external campaigns, as well as guidance and support on all aspects of ITV's approach to mental health and wellbeing in the areas of workforce, production teams, participants in our programmes and viewers, to ensure ITV remains at the leading edge of best practice. This included feedback regarding ITV's management of the COVID-19 crisis and the Britain Get Talking campaign, one of ITV's mental wellness campaigns to help families get closer.

- Insight into mental wellbeing processes and support for colleagues, to ensure that the acceptance, importance and safeguarding of culture, both organisationally and in what we broadcast, embraces social inclusion. This has enabled the Board, through management, to monitor colleagues' mental and physical wellbeing during the COVID-19 pandemic and ensure the appropriate tools and support are in place.
- Insight into the Mental Health Advisory Group's recommendations and guidance on approaching mental health, both internally and externally, and into the ways in which ITV uses its platform to get messages across to audiences, which during 2020, included key demographics seen to be particularly vulnerable during the COVID-19 crisis.

Outcome

Additional measures were put in place to further support colleagues' health and wellbeing when working remotely during the COVID-19 pandemic (as detailed on page 52). The Duty of Care Board is responsible for monitoring the efficacy of these actions on culture, which is reported to the Board.

Social Purpose, Diversity and Inclusion

The Board annually reviews Social Purpose, Diversity and Inclusion. The appointment of Ade Rawcliffe to the Management Board as the Group Diversity and Inclusion Director in 2020 has added further importance to the topic of diversity and inclusion in the Boardroom. Ade provides updates to the Board on progress on ITV's Diversity and Inclusion strategy (see page 48).

- Insight into key priorities and initiatives in pursuit of the Company's wider strategic vision, and how these translate into shaping society for good both on-screen and off-screen. This includes insight into the pace of delivery of the Diversity Acceleration Plan, the impact this plan is having on colleague sentiment and ITV's reputation as having an inclusive culture, and the latter's appeal to future employees.
- Insight into internal and external engagement with the Company's strategy and how ITV's Social Purpose is perceived amongst stakeholders.

Continued on next page

How the Board monitors culture

Cultural insight gained

Social Purpose, Diversity and Inclusion continued

The Nominations Committee monitors progress against diversity targets regularly, with diversity on the Board agenda annually.



Insight into management's accountability for improving BAME and disability representation in their functions year-on-year, and also into how change is being accelerated through Group-wide initiatives.

Outcome

See pages 42 to 49 for outcomes related to Social Purpose, Diversity and Inclusion.

Speaking Up

The Audit and Risk Committee monitors and reviews the effectiveness of the Group's whistleblowing arrangements annually, as well as the wider 'Speaking Up' framework of raising concerns and grievances, and provides feedback to the Board. See page 122 for how the Speaking Up framework is being revised.



A perspective on the nature of employee concerns and trends in the behaviours of the workforce generally, which was also considered in light of the ongoing difficulties created by the COVID-19 pandemic. The Audit and Risk Committee was pleased with the proposed improvements, which will enhance our people's ability to raise concerns and support ITV's open culture, and enable more meaningful reporting on Speaking Up concerns to the Management Board and Audit and Risk Committee.

Outcome

The Audit and Risk Committee Report is responsible for tracking progress and monitoring the revised Speaking Up framework, and feeding back to the Board on how this has supported the openness of ITV's culture (refer to page 122).

Internal Audit

Internal Audit provides the Audit and Risk Committee with observations and commentary on culture to help the Committee understand why certain behaviours occur and any pressures that might be driving those behaviours. Also, the details of outcomes of internal audit reports judged to be less than satisfactory are available to all Board members.



- Insight from an independent third party, Deloitte, on the culture across the Group and the reflection of the Group's values by management and other employees.
- A direct view of areas of practice, policy and behaviours that were not at the desired standard and details of the corrective action being taken.

Outcome

The 2021 internal audit plan includes a proposed standalone review of management's approach to monitoring culture and assessment against ITV's values. The findings will be reported back to the Audit and Risk Committee.

Remuneration

The Board is conscious of the role that remuneration, and setting performance goals, has on promoting the right behaviours and the need to align incentives and rewards with culture.

Outcome

Please refer to the Remuneration Report on page 130 for specific actions taken, and how the Committee will monitor performance goals and align incentives and rewards with culture (with oversight from the Board).

Board evaluation

Having undertaken an external evaluation in 2019, in 2020 the Board undertook an internally facilitated evaluation using a bespoke online questionnaire. The General Counsel and Company Secretary, regular attendees of Board and Committee meetings and some external advisers also completed certain parts of the questionnaire to take non-Director views into account. The review sought to evaluate a number of aspects of Board, Committee, Chairman and individual performance, including:

- **Board:** composition, diversity, dynamics, expertise, time management, support, stakeholders and workforce, effectiveness in its strategic oversight and risk management, risk appetite, succession planning and human resource management and priorities for change.

- **Committees:** effectiveness of Committees' use of time, structure, performance, competencies and composition.
- **Chairman:** relationships and communications with Board members, chairing and managing of Board meetings, relationship with the Company's stakeholders, including shareholders.
- **Individuals:** contribution at, and preparation for, meetings, time commitment, relationship with fellow Board members, extent to which knowledge and experience is drawn upon.

The evaluation found that the Board and its Committees continue to operate at a high standard. The Board's management of the COVID-19 response, and its understanding of the challenges facing the Group and what ITV was doing to address those challenges,

were rated particularly highly. The findings of the evaluation were presented to the Board in January 2021, and the Board discussed the points raised by the review and recommendations on follow-up actions. The Board also reviewed and endorsed the action plan proposed by the General Counsel and Company Secretary. The General Counsel and Company Secretary also held individual meetings to follow up on certain commentary and ratings with a number of respondents to understand their views or recommendations.

The Senior Independent Director also led a separate evaluation of the Chairman with the Non-executive Directors to appraise the Chairman's performance. It was concluded that Sir Peter Bazalgette's performance and contribution remain strong and that he demonstrates effective leadership.

2020 Internal evaluation areas of focus and actions

Areas of focus identified:

Succession planning

Our key follow up actions:

Ensure an effective and orderly process for the succession of the Chairman and continue to give the Board visibility of the positive progress made on succession planning at the Management Board and Executive Leadership Team level.

Stakeholder engagement

Continue to build on the processes and significant work which the Board already undertakes to integrate stakeholder interests in Board decision-making processes and to raise the visibility of stakeholder concerns in Board discussions.

Board development and training

Offer the Board training and deep dive sessions on topics that Board members have identified in the Board evaluation questionnaire.

The General Counsel and Company Secretary is responsible for driving the actions forward. She compiled a detailed action plan listing specific actions to address the findings of the evaluation and further enhance the Board's effectiveness. The Board will monitor the implementation of the follow-up actions to review progress against the recommendations.

Progress against 2019 actions

Action

Deep dives of certain principal risks to be tabled at the Board in addition to the Audit and Risk Committee in order to encourage debate of our most critical risks at the highest level of governance.

Outcome

During 2020, three risk deep dive sessions were tabled at the Board and two at the Audit and Risk Committee. See page 121 for details of the progress made in the ongoing embedding of the enhanced Enterprise Risk Management model and framework.

Action

Continued focus on Board composition and succession planning.

Outcome

Following an analytical review of Board composition, including diversity, skills and expertise, the Nominations Committee led searches for two Non-executive Directors (see pages 112 and 113). In December, Spencer Stuart was appointed to lead the search for a new Chairman as Peter Bazalgette will have been on the Board for nine years by Spring 2022. All Board members attended the Nominations Committee session on talent succession planning at the Management Board and Executive Leadership Team level.

Action

Give further guidance to presenters and paper contributors for Board and Committee papers regarding clarity on the Board output sought, appropriate level of detail and consideration of stakeholders.

Outcome

Templates and guidelines for preparing papers and presenting at Board meetings were rolled out in 2020. The quality of management's presentations to the Board was rated very highly overall in the 2020 evaluation.

Action

KPIs supporting the monitoring of performance delivery progress to be kept under review.

Outcome

ITV regularly reviews its KPIs to ensure that they align performance and accountability to its strategic priorities. With the establishment of the new Media and Entertainment division, the Board is cognisant that some of the KPIs may need redefining to ensure they remain appropriate to our business and priorities.

Director training, induction and time commitments

Ongoing training and development

The Chairman, with the support of the General Counsel and Company Secretary, keeps the training and development needs of Directors under review. In support of the ongoing development of Directors, teach-ins and technical updates are provided at Board and Committee meetings to ensure that Directors remain up-to-date with key developments in the business environment in which ITV operates, including on legal, regulatory, compliance and governance matters. For example, the Board received foundational information ahead of their strategy sessions regarding, amongst other things, the UK distribution landscape, changes in linear TV viewing and commercial model, and background on prominence regulation. Further, Board members completed the mandatory training for colleagues, and PwC ran a session for the Audit and Risk Committee on climate change and other ESG reporting; the materials were also shared with the Board (see page 121). In 2021, the Board development and training programme will include the topics identified in the 2020 Board evaluation, on which Directors felt they could benefit from further training and deep dive sessions.

Directors are encouraged to attend training sessions and to ask for any support they need; they are aware that there is always an open line to management on any topic and during the COVID-19 pandemic have been encouraged to set up calls with management. Non-executive Directors also have access to a professional development pack, which contains Non-executive Director programmes from Deloitte, PwC and KPMG. In more normal circumstances, we also encourage all Directors to visit our sites and offices to meet colleagues and broaden their understanding of the business; for more information on stakeholder and workforce engagement see pages 97 to 105. In addition, each Director may obtain independent professional advice at the Company's expense as required.

Tailored induction for new Directors

The General Counsel and Company Secretary assists the Chairman in designing and facilitating an induction programme for new Directors and their ongoing training.

Each newly appointed Director receives a comprehensive induction programme designed to give them a thorough overview and understanding of the business, covering the Company's core purpose and values, strategy, key business areas and operations, and corporate governance structure. This is tailored to take into account a Director's previous experience and responsibilities.

Directors are also briefed on their roles and responsibilities as Directors of a listed company. For Non-executive Directors, specific Committee responsibilities relevant to their Committee memberships are covered, to enable them to function effectively as quickly as possible.

For the Non-executive Director appointments of Graham Cooke and Sharmila Nebhrajani, the induction programme included the following elements:

- One-to-one meetings with both Executive and each of the Non-executive Directors
- Briefing from the Chief Executive on the Group's strategy, and from the Chief Executive and Group CFO on operational matters
- Briefing from the Group CFO on financial matters
- Briefings from the General Counsel and Company Secretary and the Head of Investor Relations on legal and governance matters and shareholder relationships, which were followed up by sessions with the Group's brokers and external advisers
- Briefings from senior executives and managers across our key business areas and operations, including Studios, Media and Entertainment, Commercial, Policy and Regulatory Affairs, Diversity and Inclusion, Communications and Technology
- Access to a library of reference materials, including key information on our governance framework, recent financial data and the policies supporting our business practices, including our share dealing policies, conflicts of interest procedure and gifts and hospitality policy

Regrettably, given the COVID-19 pandemic, these sessions were held remotely and onsite visits were not possible. However, as soon as restrictions ease, visits to our office locations and other direct engagement with advisers and staff will be arranged.

In addition, Graham and Sharmila's induction covered deep dives relevant to their background and experience. For Graham this included a deep dive into technology and data (given his extensive technical and digital experience), and increased focus on listed company governance and regulation (as he was assuming his first role as director of a listed company). For Sharmila this included training on the competitive environment for key creative talent as part of a deep dive into remuneration and reward (as an onboarding member of the Remuneration Committee), and sessions on ESG and duty of care (given her expertise and background on health and public policy). Directors were also offered follow up

sessions in any areas they wanted to increase their knowledge on, or if they felt they could support management with their experience.

Time commitments

The Directors have demonstrated a strong commitment to their roles on our Board and Committees in a year where all companies have asked more of their directors to meet the challenges of the global pandemic crisis. The Directors attended 100% of the Board and Committee meetings scheduled in 2020 as well as the additional ad hoc meetings and certain Directors also attended two Finance Sub-Committee meetings that took place last year. The Directors have also given careful consideration to their external time commitments to ensure that they are able to devote an appropriate amount of time to their roles on our Board and Committees. For each of the Directors, the Board considers that the time commitment that he or she is required to devote to those roles do not compromise their commitments to their roles at ITV (on the Board, Committees and otherwise). The Nominations Committee reviews on an ongoing basis Directors' time commitments against the recommended guidance from investor bodies and our top shareholders to anticipate any perception of overboarding at the forthcoming AGM, and confirmed that they were fully satisfied with the amount of time each Director devoted to the business.

Two Directors in particular had changes to their time commitments during 2020; the Board does not consider that these changes in external time commitments compromise their commitments to their roles on our Board and Committees. Since last year's AGM, Margaret Ewing has stepped down from her roles as Chair of the Finance and Audit Committee, Deputy Chair of the Board, and member of a number of other committees of Great Ormond Street Hospital and Children's Charity (GOSHC) as well as Trustee of Sparks Charity (a charity owned by GOSHC). She has also ceased to be a member of the Remuneration and Corporate Responsibility Committees of ConvaTec Group plc. Margaret also became Chair of IAG's Audit and Compliance Committee in September 2020 and a member of IAG's Nominations Committee in January 2021. Margaret has given careful consideration to her external time commitments to ensure she is able to devote an appropriate amount of time to her role on our Board and Committees and considers the roles she has stepped down from required more of her time than the additional commitments she has taken on during 2020. Edward Bonham Carter will step down from the Board of Jupiter Fund Management plc at its upcoming AGM, but will continue his tenure as an executive for approximately two days per week.

Nominations Committee Report



In this report:

The purpose of this report is to highlight the role that the Nominations Committee plays in ensuring that the Board has the appropriate balance of skills, experience, knowledge and background to provide the breadth, depth, diversity of thinking and perspective needed to effectively deliver long-term sustainable success.



Sir Peter Bazalgette
Chairman

Who is on the Committee

The Committee is composed entirely of Non-executive Directors.



The current members are:

- Sir Peter Bazalgette (Chair)
- Salman Amin
- Edward Bonham Carter
- Mary Harris



Full details of attendance at Committee meetings can be found on the table on page 95



Detailed biographies can be found on page 90 and 91

Our role

Following each meeting, the Committee communicates its main discussion points and findings to the Board.

The Committee's terms of reference can be accessed on our website.

 www.itvplc.com/investors/governance



The main role of the Committee is to:

- Regularly review Board composition and the balance of skills, knowledge, experience and diversity
- Determine when appointments and retirements are appropriate, and lead on any Director searches
- Give full consideration to succession planning and oversee the development of a diverse pipeline for succession, at Board and senior management levels
- Set measurable objectives on Board diversity and monitor progress on these objectives, as well as review Company-wide targets

Meetings in 2020

In addition to Committee members, the Group HR Director and General Counsel and Company Secretary regularly attended meetings of the Committee.



February

- Update on Non-executive Director search
- Board succession planning (including short-term cover)
- Board and Group-wide diversity
- Committee evaluation
- Review of draft Nominations Committee Report in Annual Report

July

- Board succession planning update (including review of Board composition)
- Annual review of Terms of Reference

- Director time commitments and 'overboarding' considerations
- Appointment of search firm for second Non-executive Director search
- November** – attended by all members of the Board
- People strategy review (including review of executive succession plans)
- Update on Non-executive Director search
- Conflicts of interest process

The Committee also held a number of ad hoc meetings in

relation to the Non-executive Director searches which took place (including discussion of the candidate specifications and longlists, approval of the candidate shortlists, discussion of the candidates following interview), and selection of the executive search firm for the Chairman's successor search.

Annual review

An annual review of the performance of the Committee is conducted each year.



In 2020, an internally facilitated Board evaluation was undertaken which included a review of the Committee. The results are summarised on page 109.

Overall, the evaluation concluded that the Committee is working

effectively and responding appropriately to its terms of reference.

The Committee discussed the evaluation of the Committee and its findings at its meeting in January 2021. As part of the Committee's succession planning

agenda, the key priority identified for 2021 is to undertake and complete a rigorous search process to identify and appoint (subject to shareholder approval) a new Chair of the Board by the Spring of 2022.

Board diversity

45.5%

female Board representation

10th

in the 2020 Hampton-Alexander review's 'Top Ten Best Performers' with 43% female representation on the Combined Executive Committee and Direct Reports

18.2%

BAME Board representation

Key areas of focus for the Committee during the year

Board composition and succession planning

Composition: During the year, the Committee undertook an analytical review of Board composition, assessing the range and balance of skills, experience, diversity, knowledge and independence to identify any gaps and inform the proposed Non-executive Director searches to take place during the year. A breakdown of the Board's skills, experience and certain diversity measures are set out on page 95. The review highlighted that the search for Non-executive Directors should focus on additional experience of digital transformation with a disruptor mindset, and also environmental, social and governance experience, as well as further ethnic diversity.

Non-executive Director succession planning

The Board also reviewed succession planning for each of the Chairman, Senior Independent Director, Committee Chair and Workforce Engagement Director roles, and identified either where internal candidates are appropriate, or an external search may be needed, for both emergency and longer-term succession. Given the Chairman will have been on the Board for nine years as at June 2022, the Committee began its initial evaluations regarding the search process for a new Chair of the Board. In December 2020, the Committee appointed Spencer Stuart to commence the search in 2021. Other than the provision of search services, Spencer Stuart has no connection with ITV, with the exception of supporting the Board's desktop succession planning review, and has previously supported the recruitment of the current Executive Directors and some of ITV's Non-executive Directors.

Executive Director and Management Board succession planning

During the year, the Chief Executive and Group HR Director reported on the succession planning measures in place for the Management Board (including the Executive Directors), as well as the direct reports of the Management Board. This included Management Board and Executive Leadership Team bench strength analysis for each role identifying short and medium-term successors and the diversity of the pipeline. The Committee was satisfied that the Company has effective executive succession planning processes in place, including appropriate development plans for individuals, and was able to understand the areas where external candidates may need to be considered. The Committee also had a session on improving the strength, depth and diversity of our talent. All of the

Board members attended the Committee meeting on this topic.

Non-executive Director searches

During the year, the Committee oversaw the search process for two Non-executive Directors, resulting in the appointment of Graham Cooke in May and Sharmila Nebhrajani in December. Their appointments further strengthen the diverse mix of expertise and experience on the Board; Graham brings digital content and direct to consumer expertise to the Board, and Sharmila adds further public affairs, broadcasting and ESG experience.

Search process

- **Selection of recruitment consultants:** Founders Keepers was selected for the search which led to the appointment of Graham Cooke, given its specialism in transformative digital and technology talent. Russell Reynolds was engaged to conduct the second search during the year, given its broad expertise and network. These appointments were approved by the Committee. Other than the provision of search services, neither Founders Keepers nor Russell Reynolds have any other connection with the Company or any individual director, and both have previously supported the recruitment of Non-executive Directors to the Board.
- **Candidate specification:** The specification for each candidate – setting out the agreed key skills and character profile being sought to fit with the current balance, membership and dynamics of the Board – was discussed with the Committee. As in prior years, the Committee focused on diversity as part of the selection criteria, selecting the highest calibre candidates for appointment to the Board, based on merit and objective criteria.
- **Potential candidates:** A longlist of candidates meeting the specification was identified by each search firm through their network, database and deep market research. In accordance with the Board's Diversity Policy, this included a diverse range of backgrounds and a gender balance. The Committee members and Chief Executive reviewed the longlist and also identified some other potential candidates for consideration. The search firms then assessed and vetted those potential candidates via their network. An assessment of the candidates' time commitments was also taken into account.
- **Interviews:** A shortlist of candidates was interviewed by all the members of the Nominations Committee (led by the Chairman) and the Chief Executive and Group CFO.

- **Recommendation to, and approval by, the Board:** Following this, the Committee recommended the appointments of Graham Cooke and Sharmila Nebhrajani to the Board which the Board subsequently approved.

Both new Non-executive Directors undertook comprehensive induction programmes. See page 110 for further information.

Board diversity policy

Our objective of driving the benefits of a diverse senior management team and wider workforce is underpinned by our Board Diversity Policy. Our belief is that diversity at all levels makes business sense, as it allows the organisation to harness the benefit of differences in skills, experience, culture, personality, background and work-style. We are proud of our commitment to driving further diversity on a Group-wide basis. This is exemplified by diversity being one of the four priorities in our Social Purpose strategy and the launch of our Diversity Acceleration Plan in July. Please refer to pages 48 and 49 for further information on our Group-wide diversity plan and targets.

 A copy of the policy can be found on our website www.itvplc.com/investors/governance/directors

Set out below are the objectives of our Board Diversity Policy and our assessment of performance against them. These objectives ensure that both appointments and succession planning support developing a diverse pipeline.

Ensure ITV has a development pipeline of high calibre senior executive candidates and encourage senior executives to obtain external board experience

The ongoing development of senior leaders, to ensure we retain the best talent and to broaden their skillsets and experience to prepare them for future senior roles, is important to us. ITV runs a high potential leadership programme, building a pipeline of diverse talent for senior levels roles and launched a Returners Programme in 2019, identifying senior external female talent that have potential to move into roles at ITV. The Rise Programme launched in 2020 aims to promote BAME talent progression at manager and Senior Leadership Level by providing BAME colleagues greater visibility with senior leaders through networking and sponsorship, alongside career coaching. The programme also works with Managers and Executive Leadership Team advocates to build race confidence and accelerate an inclusive culture change at ITV.

Bespoke development initiatives are in place for senior executives who have been identified as potential successors, based on particular development needs. These include:

- External executive coaching, with clear coaching objectives (including 360 degrees feedback where relevant)
- Psychometric testing such as the Hogan Leadership series that identifies leadership strengths, derailers and values
- Mentoring by a Non-Executive Director
- Business School executive education programmes
- Non-Executive Director and Trustee appointments where there is a suitable match and development support for those interested in these opportunities
- One of our senior leaders has secured a place on the Deloitte BAME on Boards programme and another on the Deloitte Women on Boards Programme

The Committee held a session on succession planning at the senior executive level during the year which the whole Board attended.

Maintain at least 30% female Directors on the Board over the short to medium term

As at 31 December 2020, the Board had 45.5% female representation, including one Executive Director and two Committee Chairs; we have therefore exceeded both the target of 30% as well as the Hampton-Alexander target of 33% female representation by the end of 2020. Whilst the Board recognises that an effective board with broad strategic perspective requires diversity, ultimately the Board appoints candidates based on merit and assesses potential Directors against measurable, objective criteria.

Our principles for Board diversity also apply to our Management Board and senior management below this level. We are therefore pleased to be ranked 10th in the Hampton-Alexander 2020 review for female representation on the Combined Executive Committee and Direct Reports, with female representation of 43%.

Maintain at least 10% BAME Directors on the Board over the short to medium term

As at 31 December 2020, the Board had 18.2% BAME representation with two BAME Directors on the Board. We therefore also comply with the recommendation of the Parker Review to have at least one director of colour on the Board by 2021.

Use search firms who have signed up to the Voluntary Code of Conduct on gender diversity

The Board supports the provisions of the Voluntary Code of Conduct for Executive Search Firms. Two executive search agencies supported our two Non-executive Director searches this year: Russell Reynolds and Founders Keepers, both of which are signatories to the Voluntary Code of Conduct for Executive Search Firms. Founders Keepers, as a recently established firm, became a signatory to the Code during the Non-executive Director search. Spencer Stuart, who is supporting our Chairman search, is also a signatory to the Code.

Ensure Non-executive Director shortlists include at least 50% female candidates

Given that there was already strong female Board representation at the beginning of 2020, the Board determined that other diversity elements, including ethnicity, should be a particular focus in the searches for Non-executive Directors during 2020. The longlist of candidates for both searches consisted of at least 50% female candidates. These lists were reviewed and refined based on measurable, objective criteria, to come to a shortlist made up of at least 50% diverse candidates (female and/or BAME).

Ensure the Non-executive Director search pool is sufficiently wide and covers candidates from BAME backgrounds and candidates with a wide range of expertise, skills and backgrounds

As part of the Non-executive Director searches during 2020, the Committee worked closely with both executive search agencies in compiling long and shortlists of candidates from various backgrounds and industries, including BAME backgrounds. In Sharmila's search, at least 30% of the longlist consisted of BAME candidates. Candidates were identified and interviewed and their skills and qualities were assessed against measurable, objective criteria.

Audit and Risk Committee Report



Margaret Ewing
Chair, Audit and Risk Committee

Dear Shareholder

I am pleased to present the Audit and Risk Committee Report, which provides an overview of the role of the Committee and the matters considered, reviewed and discussed in 2020.

The fundamental priorities for the Committee are to ensure the integrity of the Group's financial reporting (including the quality and effectiveness of the external and internal audit processes) and monitor the management of the principal risks of the business on an ongoing basis. We have spent considerable time reviewing and scrutinising the Group's financial results and details of the significant issues we considered can be found on pages 118 to 120.

COVID-19 has clearly had a major impact on the business and, in particular, presented a number of challenges for the Committee in relation to financial reporting by increasing the degree and complexity of certain estimates, judgements and exceptional items that have needed to be reflected in the financial statements and consideration of the going concern status of the Group. The Committee responded to these challenges by applying an increased level of focus to these matters and effectively

continued to perform its oversight responsibilities as set out in further detail in this report.

The finance team and our external auditor also had to adapt quickly to the remote working restrictions. I am pleased to report that both worked extremely hard to ensure the integrity of our financial reporting, reflecting the underlying complex estimates and judgements, and management was able to maintain a rigorous financial control environment despite the circumstances. The internal audit plan also continued to be adjusted with the evolving COVID-19 situation to adapt appropriately to the changing needs of the business. The response and agility of the ITV management and finance teams and external and internal audit teams clearly demonstrated their professional dedication and the quality of their processes. During these extraordinary circumstances, I have been able to maintain regular dialogue with other members of the Committee, management and the auditors (the incoming and outgoing external auditor and the internal auditor), asking questions, challenging proposals and ideas where relevant and providing input as solutions to issues started to unfold, ensuring that the Committee would be provided with the necessary information to enable it to guide, challenge and advise and, when required, make informed decisions.

Throughout the year, the Committee requested additional items on its meeting agendas to ensure it had clear oversight over the evolving impact of COVID-19 on the business, and how management's response was being adapted. This included a review of IT controls given increased remote working, management's risk approach to the COVID-19 outbreak, a deep dive on the enhanced measures to safeguard physical and mental wellbeing for our people, talent and programme participants during COVID-19, and reviews of the frequently updated cash and liquidity forecasts. Following each Committee meeting, I communicated our main discussion points and findings to the Board.

Paul Sawdon and KPMG conducted their last audit for the 2020 financial year as the external audit engagement partner and firm respectively, and I would like to take the opportunity to thank them for their diligence and constructive challenge during their tenure.

Our focus for 2020 in light of the matters highlighted above, and the priorities for 2021, are set out on the next page. I hope that you find this report informative and can continue to take assurance from the work undertaken by the Committee this year. We seek to respond to shareholders'


Who is on the Committee?

Composition

The Committee is composed entirely of independent Non-executive Directors and its membership has remained consistent during the year.

The current members are:

- Margaret Ewing
- Edward Bonham Carter
- Mary Harris
- Anna Manz

 Full details of attendance at Committee meetings can be found on the table on page 95.

 Detailed biographies can be found on pages 90 and 91.

The Committee members have between them a wide range of business and financial experience. This enables the Committee to fulfil its terms of reference, including by providing independent and robust challenge to management and our internal and external auditors, to ensure there are effective and high-quality controls in place and appropriate judgements are taken. For the purposes of the Code, the Board considers that Margaret Ewing (a chartered accountant, previous FTSE 100 Chief Financial Officer and, until 2012, an executive member of the Board of Deloitte LLP) and Anna Manz (a chartered accountant and currently a Chief Financial Officer of a FTSE 100 company) have recent and relevant financial experience. Edward Bonham Carter, with extensive executive fund management experience, provides valuable investor insight and challenge to the Committee's deliberations. In addition, Mary Harris has had executive sector experience as a management consultant with experience in media, television and interactive media investments. The Committee, therefore, as a whole has financial expertise and considerable competence relevant to the sector in which the Company operates.

expectations in our reporting and, as always, welcome any feedback from shareholders or other stakeholders. I and other members of the Committee would be very happy to meet with shareholders and other stakeholders to answer any questions you may have on matters pertinent to the Committee's remit.

Margaret Ewing
Chair, Audit and Risk Committee
9 March 2021

Our role

The Committee's terms of reference, reviewed annually and last updated in July 2020, can be accessed on our website. The role and main duties of the Committee are to:

Financial Reporting

- Monitor the integrity of published financial information and review and challenge significant financial reporting issues, estimates and judgements
- Review the appropriateness of accounting policies and practices
- Provide advice to the Board on whether the Annual Report and Accounts are fair, balanced and understandable and the appropriateness of the going concern statement and the longer-term viability statement
- Provide advice to the Remuneration Committee on financial reporting matters and related judgements as they affect executive remuneration performance objectives

External audit

- Review the quality and effectiveness of the external audit, including approval of the annual audit plan, and the procedures and controls designed to ensure auditor independence and objectiveness
- Review and make recommendations to the Board on the tendering of the external

audit contract, and the appointment, remuneration and terms of engagement of the external auditor

Risk management and internal control

- Assist the Board to establish and articulate overall risk appetite and oversee and advise the Board on specific strategic risk exposures and mitigations
- Review the risk identification and mitigation processes and undertake deep dives into high-risk business areas or processes
- Review the effectiveness of the internal control and risk management processes
- Oversee appropriate whistleblowing and fraud prevention arrangements

Internal audit

- Monitor and review the effectiveness and independence of the internal audit function
- Review and approve the internal audit plan and monitor its implementation, approving any amendments to the plan
- Review the continued appropriateness of the outsourcing of the internal audit function, oversee the tendering of the internal audit contract and approve the appointment of the internal auditor and the remuneration and terms of engagement

Annual Review

During the year, the Committee members and regular attendees (including the internal and external auditors) completed a detailed and customised questionnaire to evaluate the Committee's effectiveness. The findings related to the Committee were discussed and shared with the Board. Overall, it was concluded that the Committee continued to perform effectively.

Following discussion regarding the conclusions of the Committee evaluation, it was agreed that the Committee should focus in 2021 on continuing to enhance ITV's risk appetite processes within the wider risk management framework, monitoring readiness for internal controls regulation, and have regular updates on the status of acquisition earnouts. Committee members also agreed they should receive further training on climate change and other non-financial information regulation and reporting.

Key activities and priorities in addition to routine business

Focus – 2020 Financial Year

- COVID-19 pandemic outbreak and corresponding financial consequences – impact on going-concern statement, viability assessment, business model resilience, financing arrangements and other financial reporting, internal controls and the audit process
- Consideration of the status of the Company's communications with the Pensions Regulator in respect of the Box Clever pension scheme deficit and consequential liability quantum and accounting implications
- Understanding the status of the determination of the final earnout payment to be made in relation to the acquisition of Talpa
 - [See pages 118 to 120 \(Significant Issues\)](#)
- Overseeing the ongoing embedding of the enhanced Enterprise Risk Management model and framework
 - [See page 121 \(Risk Management\)](#)
- Preparation of transition of external audit appointment from KPMG to PwC for the 2021 audit
 - [See page 125 \(External Auditor transition\)](#)
- External assessment of the Group's internal controls over financial reporting
 - [See page 121 \(Internal controls\)](#)
- Preparation of a revised 'Speaking Up' framework
 - [See page 122 \(Speaking Up\)](#)
- Overseeing the development of additional data protection risk mitigations, in light of the enhanced data strategy
 - [See page 121 \(Data privacy\)](#)
- Assessment of UK audit reform status, potential impact, and planning requirements for anticipated changes

Focus – 2021 Financial Year

- **Competitive tender process for the fully outsourced internal audit provision** – this was planned to take place in 2020 but was delayed given the significant change to the Group's agenda caused by COVID-19 as well as the impact of COVID-19 on the Group's resources, along with the ongoing transition to new external auditor for 2021 and significant change currently being implemented across the Group. The appointment arising from the tender in 2021 will be effective for the financial year 2022.
- **UK audit reform** – once published, respond to BEIS consultation on UK audit reform, update assessment of potential impact and plan requirements for complying with anticipated changes.
- **Internal controls and financial reporting framework** – supporting management in guiding the design and implementation of its 'HR and Finance transformation programme' and the delivery of its 2021 roadmap in enhancing its framework of financial reporting and internal controls (financial, operational and compliance).
- **Material litigation and final payment matters** – specifically Box Clever and Talpa.
 - [See page 121 \(Internal controls\)](#)

Meetings in 2020

The Committee held five formally planned meetings during the year. There was also an ad hoc meeting in August, to finalise the review and recommendation to the Board of the H1 financial statements and trading announcement, and in November to review and recommend the Q3 trading update announcement.

In addition to Committee members, the Chairman of the Board, Executive Directors, Director of Finance, General Counsel and Company Secretary, Head of Internal Audit, Director of Tax and Treasury and external audit partner regularly attend meetings. The Committee meets regularly with the external audit partner and Head of Internal Audit without executives present.

2020 key matters considered at each main meeting of the Audit and Risk Committee are set out in this table. The Committee also addresses specific queries referred to it by the Board or Remuneration Committee.

Review, challenge and agreement of financial disclosure, estimates and judgements

February

- FY19 financial reporting issues, including estimates, judgements and exceptional items
- Draft FY19 Annual Report and Accounts review, including review and assessment of whether they were fair, balanced and understandable and of the underlying assumptions of the viability and going concern statements (including related disclosures)
- Review of FY19 results announcement and attached financial statements to ensure consistency with Annual Report and Accounts
- Ad hoc meeting to conclude on treatment and disclosure re Talpa final earnout payment

April

- Review of Q1 trading update announcement
- Review on maintaining financial and IT general controls whilst remote working

July

- Progress report on key areas of judgement and issues for H1 results
- Review of policy on exceptional items
- Tax and treasury update

August

- Interim accounting update
- Review of H1 results report and announcement

September

- Subsidiary accounts audit and approval update

November

- Review of Q3 trading update announcement

December

- Anticipated year end accounting and audit matters
- Exceptional items review

At every scheduled meeting this year, the Committee also reviewed:

- Report from ITV Director of Finance covering, amongst other things:
 - Accounting judgements and estimates
 - Developments in financial reporting
 - Programme rights
 - Acquisition earnout liabilities, including Talpa
 - Intangible and goodwill impairment
 - Legal provisions including Box Clever liability determination
 - Pension accounting
 - Tax (including IR35 and employment status)
 - Finance team structure and resourcing
 - Treasury policies and strategy

External audit

(including transition and audit quality, effectiveness and independence)

February

- Meeting with the external auditor in the absence of management
- KPMG's report on the FY19 external audit conclusions and findings
- Auditor opinion on FY19 financial statements
- Review of external audit quality framework
- Recommendation to reappoint KPMG at 2020 AGM
- Approval of revised non-audit services policy
- External auditor FY19 fees approval

April

- External audit half year review plan
- External auditor response to COVID-19 outbreak

July

- Meeting with the external auditor in the absence of management
- KPMG initial findings on interim review
- PwC presentation on transition plan

August

- KPMG interim review findings and conclusions
- Approval of the external auditor H1 review representation letter
- Approval of the external auditor engagement letter

September

- Year end audit plan and strategy
- PwC update on transition plan

December

- KPMG interim report including processes and controls review
- PwC update on transition plan

At every scheduled meeting this year, the Committee also reviewed:

- Reporting from the external auditor, including audit findings, progress, review reports and audit opinion
- The ongoing independence of the external auditor and the evidence of quality and effectiveness in the delivery of the audit

Internal controls and audit

February

- Internal audit independence and effectiveness review
- Internal controls framework and effectiveness review
- Material litigation report
- Internal audit plan mapped to principal and emerging risks

April

- Review and approval of internal audit charter and comparison of ITV internal audit approach with IIA Code of Practice
- Review of internal audit approach and annual plan in light of COVID-19 outbreak
- Review of key fraud risks and fraud prevention, detection and controls framework

July

- Finance and HR transformation programme
- Insurance renewal and programme update

September


- Meeting with the internal auditor in the absence of management
- Management and Committee requested Internal Audit undertake a review of a whistleblowing incident

December

- Internal controls effectiveness review findings
- Approval of 2021 internal audit plan
- Internal auditor independence review
- Annual tax, pensions and treasury reviews, including controls and policies
- Speaking Up process, statistics, themes, learning and status
- Supplier payment practices review

At every scheduled meeting this year, the Committee also reviewed:

- Internal audit plan adjustments
- Reports from the internal auditor, including a review of activity, key conclusions and recommendations arising from audits, status report on action plans and regulatory and programme compliance

 See pages 121 and 122 for examples of the controls and projects reviewed by the Committee

Risk

February

- Principal and emerging risks and uncertainties and risk mitigations review

April


- Risk approach to COVID-19 outbreak
- Risk deep dive on colleague wellbeing during COVID-19
- Update on ERM framework implementation

July

- Principal and emerging risks FY20 H1 review
- Duty of Care and Health and Safety risk deep dive
- General IT controls during COVID-19 update
- Compliance framework and risk update, incorporating the anti-bribery and corruption risk assessment

September

- Cyber security programme update and risk deep dive
- Data privacy risk and programme review
- Risk management framework implementation progress update
- Duty of Care risk update

 Please also refer to the risk management and internal controls section on page 121

Governance and other

February

- Tax update
- Bonus and share plan outcomes for FY19
- 2019 Committee evaluation findings and 2020 Committee priorities

April

- Consideration of investor/analyst views regarding accounting policies, risks and disclosure

July

- Regulatory developments update
- Review and approval of revised Committee Terms of Reference

September

- Tax strategy review and approval
- Compliance with, and progress on, climate change and other non-financial information reporting
- Governance and audit reform developments (including Brydon recommendations)
- Update on legal cases

December

- Approval of Group Approvals Framework and M&A approvals process
- 2020 Committee evaluation findings and 2021 Committee priorities
- Update on compliance with, and progress on, climate change and NFI reporting

At every scheduled meeting this year, the Committee also reviewed:

- Minutes and actions from previous meetings

Significant financial reporting issues considered by the Audit and Risk Committee

In planning its own agenda and reviewing the audit plans of the internal and external auditors, the Committee has, during the year, taken into account significant operational and financial issues and risks which may have had an impact on the Company's financial statements, internal controls and/or the delivery and execution of the Company's strategy (including changes in the Group's key risks).

Significant issues relating to the Company's financial statements are detailed below. These issues were subject to robust challenge and debate between management, the external auditor and the Committee, following which there was no significant disagreement or unresolved issue that required referral to the Board.

The Committee focused on assessing whether management had made appropriate judgements and estimates, focusing in particular on the significant issues listed below. The Committee also reviewed detailed external auditor reports outlining work performed and any issues identified in respect of key judgements and estimates – see the Independent Auditor's Report on pages 158 to 166.

Viability and going concern assessments

Issue	Action taken by Committee	Outcome/future actions
<p>The uncertainty caused by the COVID-19 pandemic required the Committee to apply enhanced scrutiny to management's assumptions, stress testing and scenario analyses supporting the going concern and viability statements as well as seek impartial external views on ITV's viability.</p>	<p>The Committee reviewed and challenged management's assessment of going concern, longer-term prospects and viability by considering forecast cash flows that took into account potential impacts of COVID-19 restrictions and other principal risks, including uncertainties arising from the advertising market and Studios market.</p> <p>In reaching its view, the Committee also considered: (i) analyst and other expert commentary to understand the wider market and views on the Group's future financial performance and viability; (ii) financial forecasts for a range of scenarios stress testing the assumptions, including severe but plausible downside scenarios and a reverse stress test scenario; (iii) the Group's financing facilities including covenant tests, covenant waivers granted and future funding plans; and (iv) the external auditor's findings and conclusions on this matter.</p> <p>The Committee challenged in particular whether the downside scenarios reflected severe but plausible impacts of COVID-19 on the business, and considered the assumptions applied in each downside scenario particularly given the uncertainty of the trajectory of the pandemic and upcoming government responses, including potential further lockdowns. We also considered the quality of the basis of the preparation.</p> <p>The Committee also considered the adequacy and accuracy of the disclosures in the Annual Report in respect of the Group's ability to continue as a going concern and its future viability.</p>	<p>Following this thorough assessment, the Committee considered the extent of the assessment made by management to be appropriate and recommended the draft viability statement and related disclosures (for inclusion in the 2020 Annual Report) for approval by the Board. The Committee also concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements without a material uncertainty, and that the disclosure in the Annual Report, in respect of the Group's ability to continue as a going concern, was appropriate. See page 173.</p> <p>The Committee will continue to monitor the Group's going concern basis and viability assessment going forward and will give further consideration to providing a resilience statement in the 2021 Annual Report and Accounts.</p>

Recoverability of programme rights

Issue	Action taken by Committee	Outcome/future actions
<p>Changing forecasts of audience mix and revenues for certain sporting events led to an increased focus on the recoverability of the purchase cost of programme rights. This was further impacted by the pandemic during 2020 leading to rescheduling or cancellation of sports programmes over which the Group has purchased or committed to purchase rights leading to an impairment in carrying value of certain sports rights.</p>	<p>The Committee enhanced scrutiny over management's review of the recoverability of the purchase costs of programme rights held in the Broadcast business, including understanding the impact of postponements of events on the revenue and cost assumptions used in the impairment review and whether the impact of the COVID-19 pandemic was separately identifiable.</p>	<p>Management's assessment of the recoverability of the purchase cost of the programme rights and the requirement for impairment and onerous contract provisions was considered appropriate by the Committee. As timings of planned sporting events that the Company has purchased the broadcast rights to may change as the pandemic progresses, the Committee will regularly review management's assessment of potential further impairment.</p>

Impairment assessment

Issue	Action taken by Committee	Outcome/future actions
<p>The economic uncertainty caused by the COVID-19 pandemic triggered an additional goodwill impairment assessment during 2020. Other assets including trade receivables, Studios work in progress balances, accrued income and other receivables were also considered at a higher risk of impairment due to the economic uncertainty and were assessed for potential impairment of carrying value.</p>	<p>The Committee reviewed management's assessment of the level of aggregation of assets for cash-generating units (CGUs). It was agreed that no changes were required to the CGU assessment.</p> <p>The annual impairment review of CGUs was undertaken at both half year and year end, given the economic uncertainty caused by the pandemic. The Committee challenged management's assessment, incorporating the cash flows used to assess going concern and noted that no impairment was required in either the base case scenario or scenarios adjusted for sensitivities.</p> <p>The Committee also discussed management's assessment of the impairment of other assets, in particular the recoverability of the Studios work in progress balances and the treatment of one-off costs incurred as a result of productions shutting down.</p>	<p>The Committee agreed that management's assessment that no impairment of CGUs is required was appropriate.</p> <p>The Committee was also comfortable with management's assessment of impairment of other assets and agreed to keep the assessment under review as the pandemic progresses.</p>

Legal provisions

Issue	Action taken by Committee	Outcome/future actions
<p>ITV is currently subject to ongoing legal disputes where the outcome is not certain, including the quantum of liability in respect of the Box Clever pension scheme deficit.</p>	<p>The Committee spent considerable time over a number of meetings during the year reviewing the material litigation report and discussed the key cases, including Box Clever, with the General Counsel and Company Secretary.</p> <p>The Committee held private meetings with the external auditor and management separately to understand and challenge the high level of uncertainty around the quantum of the Box Clever liability and the potential length of the legal process based on the Company's latest communications with the Pensions Regulator. The Committee Chair met with external legal advisers to discuss views on likely timetables and outcome. The Committee considered whether the nature and status of the matter, and information available to the Company relating to the current position of the pension scheme, lent itself better to being treated as a contingent liability or provision.</p>	<p>The Committee agreed that the best estimate provisions and disclosure had been made for all material litigation and disputes, including in respect of Box Clever based on the currently available information (that had become available to the Company during 2020), most likely outcomes or unknown positions.</p> <p>See note 3.6 to the financial statements.</p>

Acquisition-related liabilities

Issue	Action taken by Committee	Outcome/future actions
<p>The complexity and potential scale of the expected earnouts of Company acquisitions results in the potential total liability for earnouts being a significant business liability, particularly in respect of the Talpa acquisition, which is in the process of being determined.</p>	<p>The most material acquisition earnout liability relates to the acquisition of Talpa. The Committee received regular updates regarding the Talpa earnout liability. External advisers supported management's estimated range of possible final consideration. The Committee and external auditor assessed the key assumptions underlying management's calculations.</p> <p>The Committee held discussions with the external auditor (including assessing the adequacy of the year end audit procedures and approach in respect of this liability) and with management to identify any material changes to the status of the determination of the earnout liability. The Committee Chair also met with the Company's external legal and accounting expert advisers.</p>	<p>The Committee was given an in-depth understanding of the issues, challenged management's assumptions in respect of the treatment of certain sources of revenue in the earnout calculations and was subsequently satisfied that the accrual for the earnout liabilities was appropriately based on best estimate and the related disclosures provided appropriate transparency of the quantum of the range of the potential final determination of the liability. Please refer to notes 3.1.4 and 3.1.5 to the financial statements.</p>

Pensions

Issue	Action taken by Committee	Outcome/future actions
The Group's net defined benefit pension deficit decreased by £57 million during 2020 to £88 million at 31 December (2019: £145 million deficit) primarily due to increased market volatility, including movements in the corporate bond yields and updated demographic assumptions.	The Committee reviewed the elements and amounts driving the decrease in net deficit, as well as the key assumptions (as detailed in note 3.7) applied in determining the net liability at 31 December. The Committee also sought assurance from the external auditor whose view was that the financial assumptions applied in estimating the net deficit were considered to be appropriately balanced when compared to KPMG benchmarks, and that the reasonableness of the assumptions applied were appropriate.	The Committee concluded that the assumptions applied in determining the net liability of the pension were appropriate, and the net deficit correctly reflected evidenced market values of the assets held in the schemes at 31 December. See note 3.7 to the financial statements.

Exceptional items

Issue	Action taken by Committee	Outcome/future actions
During 2020, there were, amongst other things, acquisition-related costs, reorganisation and restructuring costs, provisions for onerous capacity contracts and costs relating to the COVID-19 pandemic to consider classifying as exceptional items. (See an explanation of the exceptional items policy on page 183).	The Committee required management to give a detailed breakdown of the exceptional costs and justify the inclusion of those items under the exceptional items policy. The Committee considered the classification of the exceptional items in the financial statements with reference to the policy and FRC guidance, and took into account the views of the external auditor. The Committee scrutinised in particular the exceptional COVID-19 related costs and asked management to reconsider the treatment of some of the low value costs in terms of materiality and the treatment of certain sunk costs (such as costs of furloughed staff) as exceptional costs.	Following management's response to the Committee's challenge, the Committee was able to conclude that the final approach taken was appropriate and had been consistently applied in line with the policy. The Committee noted that it would continue to review the exceptional items policy and definitions regularly to ensure that the classification of the items as exceptional continues to be appropriate, particularly in the light of evolving regulatory scrutiny.

Deal debt

Issue	Action taken by Committee	Outcome/future actions
Taking into account the current and recent trading position in respect of the delivery of advertising value to customers, particularly in light of the impact of COVID-19, management's approach in estimating the over or under delivery of advertising value to agencies and method of determining the related provisions were reviewed.	Management reviews the deal debt provision as part of the wider negotiations with the agencies on an annual basis. The rationale and methodology of calculation of the deal debt provision was discussed by the Committee, taking into account the views of the external auditor.	The Committee was comfortable with the deal debt provision recognised as at 31 December (within Total Advertising Revenue). Any future changes in the provision level or methodology of calculation will be discussed by the Committee. See note 2.1 to the financial statements.

The Committee's stakeholder engagement

Information regarding the Board's stakeholder engagement is set out on pages 97 to 105, which also indicates where the Committee took account of the views of the Company's key stakeholders and considered their interests in its discussions and decision-making.

Risk management and internal controls

Risk management

During 2020, the Committee continued to consider the process for identifying and managing risk within the business and assisted the Board in relation to compliance with the 2018 UK Corporate Governance Code and FRC guidance. Further information on our risk management approach, including details of our principal risks and our processes for identifying and responding to principal and emerging risks are set out on pages 72 to 85. The Group's principal risks reflect those inherent within the annual budget and five year plan, whilst also taking into account developments in the markets in which the Company operates and in society generally.

Risks are emerging at a faster pace than previously observed. COVID-19 has presented unprecedented challenges for businesses globally and has further highlighted the importance of companies effectively understanding and responding to risks. Recognising the challenges this brings to ITV, the business delivered the core enhancements to the enterprise risk management framework to improve the manner in which risks are identified, assessed, managed and reported. The Group Risk teams also supported the Management Board in coordinating the COVID-19 response across the business. Embedding the enterprise risk management framework and assessing management's response to the evolving threats presented by COVID-19 was an area of focus for the Committee during the year, with the Committee providing challenge and guidance as appropriate.

The Chair of the Committee also regularly met with management in order to further understand the progress of the embedding of the enterprise risk management framework and provide guidance in the implementation of enhancements.

During 2020, in addition to the risk deep dives undertaken by the Board, the Committee reviewed deep dive reports and met with relevant senior management relating to certain principal risks in order to understand and challenge the related governance, risk management and effective mitigation of those risks. These included the wellbeing of ITV's people, talent and participants during COVID-19, cyber security and duty of care. The Committee also reviewed a number of other risk topics during the year, including risks arising from COVID-19, health and safety, fraud, data privacy, IT general controls, compliance and anti-bribery and corruption. Detail of the risk deep dives performed in the year and the relevant governance group that considered those deep dives are set out on pages 76 to 85.

In 2020 the Committee also reviewed proposed enhancements to the compliance framework for ITV. The report also covered key elements of compliance within the Group, to give the Committee a more complete picture of compliance risks, incidents and processes for compliance across key regulatory areas. The Committee noted the requirement for increased focus on the Group's compliance risk, including the need for additional resource to provide a second line of defence, and will continue to monitor progress of the proposed enhancements identified and discussed to bring some areas to the target level of maturity.

Data privacy: One of the focuses for the Committee in 2020 was overseeing the enhancement of ITV's data privacy practice and development of additional data protection risk mitigations, in light of the Group's acceleration of the implementation of its data strategy. A Global Data Protection Officer was recruited in 2019 and, together with her team, has been enhancing the Group's data privacy framework. This has included working closely with the Chief Data Officer to implement effective data protection risk mitigations to ensure ITV is able to leverage data in an appropriate way when delivering its data strategy. The Committee and management recognise that the digital transformation the Group is undergoing requires close scrutiny, given the significant changes and cultural shifts taking place in some areas of the business. An internal audit was undertaken to provide the Committee with additional assurance over the approach taken in this area. The Committee reviewed the recommendations from the 2019 internal audit and requested a further review in 2021 to continue to monitor progress made in this key area.

Environment: The Committee plays a key role in the governance of climate-related risks and opportunities and other environmental related regulatory reporting requirements. Please see page 63 for the Committee's responsibilities with respect to environmental matters, particularly climate change, which it discharged in 2020 during two focused sessions, and in which PwC and KPMG both provided input. The Committee is pleased with the significant progress made by management on the TCFD disclosures in this year's Annual Report (pages 62 to 66), the approach outlined by management to meet the ambitious environmental targets which were set in 2020 and the establishment of the Climate Change Delivery Group to further define and monitor the roadmap to meet these environmental targets. Going forward, the Committee will monitor how climate risks disclosed on pages 64 and 65 are reflected in the financial statements. All the

Committee members also attended bespoke training given by PwC on climate change considerations and other non-Financial Reporting, which also considered ITV specific matters in relation to, for example, climate risk in connection with productions.

Internal controls

The Board has overall responsibility for overseeing and reviewing the effectiveness of the Group's framework for internal control. The Committee supports the Board in assessing the effectiveness of the framework. The primary responsibility for the operation of the framework for internal control is delegated to management. The framework can only provide reasonable and not absolute assurance against material misstatement or loss. Key control procedures are designed to manage rather than eliminate risk.

The Committee satisfies itself that internal controls are operating throughout the year. This is principally based on a programme of internal audit reviews, reviews of the effectiveness of internal controls, including fraud and anti-bribery, reviews of balance sheet checklists certified by local management, reviews of controls operating in the COVID-19 environment and through a suite of automated analytics that monitor financial transactions in our systems. In addition to the internal audit programme, there are a number of exception reports that cover transaction processing. For those subsidiaries not covered by exception reporting software, a monthly self-assessment takes place, which is subject to independent internal review.

During the year, the Committee also received reports from the treasury, legal and compliance, pensions, technology, information security, data privacy, insurance, tax, financial reporting, and health and safety functions. These reports gave the Committee an overview of the controls in place to mitigate key risks within each of these functions. The Committee also received assurance over the governance for key projects through the combination of updates from management and specific internal audits on projects, changes (which it approved) to the Group Approvals Framework, and the assessment of the effectiveness of controls through the Group Finance Assurance Plan. The Committee also reviewed the fraud prevention framework, including the continuing enhancements to processes, procedures and controls at the business services centre in response to increasingly sophisticated fraud from purported suppliers.

As part of our internal control process, an annual strategy review, including preparation of a rolling five year financial plan, is

undertaken by management and reviewed and approved by the Board. The five year plan feeds into the annual budget cycle. The Executive Directors (together with the other members of the Management Board) review formal forecasts, detailed budgets, strategies and action plans and the Board approves the overall Group budget as part of its normal responsibilities. The results of operating units are reported monthly to the Board, along with an update on the Group's performance against strategic KPIs and cash targets. The Committee reviews actual results, compared with budget and forecasts; key trends and variances for reasonableness and consistency of explanation and analysis; and the actions proposed to address performance variances or emerging issues, which are subsequently reported back to the Committee once implemented.

Management are in the initial stages of defining an HR and Finance Transformation Programme incorporating ITV's core HR and Finance operating models, processes, and systems, and its enabling internal controls framework. The Committee is conscious of the business imperative and magnitude of the programme and the critical factors necessary to enable the programme to succeed. The Committee will therefore provide strong governance and robust challenge over the course of this programme to support management in its delivery.

To prepare for anticipated regulation on enhanced internal controls over financial reporting (ICFR) regimes for companies, and to inform the HR and Finance Transformation Programme being designed and implemented, an external consultant was engaged to perform a high level 'health check' of ITV's ICFR framework, environment maturity and readiness. The assessment considered our ICFR maturity across the Group and in individual businesses, functions and other COSO categories. The assessment classified the maturity of ITV's current ICFR framework as 'developing', and concluded that processes and controls are in place in most cases and that its control environment is broadly in line with ITV's sector and the consultant's benchmark. Although the Committee drew some comfort from the assessment's conclusions, the review highlighted a number of key improvement opportunities, particularly in ITV's IT environment (including legacy systems) and standardisation of processes and control documentation, which the HR and Finance Transformation Programme will address. Some clear proposed focus areas and a 2021 improvement roadmap were set out, which will be incorporated into the HR and Finance Transformation Programme workstream. The Committee will closely monitor progress against these focus areas and the delivery of the roadmap in 2021, ensuring

that the Company is able to be compliant with any potential regulatory changes to be introduced relating to management or Board attestation regarding the effective operation of the Company's ICFR processes.

Speaking Up

In 2020, the Committee requested that an internal audit of the Company's 'Speaking Up' processes be undertaken. The Committee considered this course of action to be appropriate in light of the increased regulatory focus on whistleblowing (e.g. the EU Whistleblowing Directive and the two Private Members' Bills which could lead to a step change from the current UK legislation) and the ongoing difficulties which the COVID-19 pandemic has presented with traditional face-to-face exchanges as a channel for raising concerns. The Committee reviewed a revised Speaking Up policy and framework in December 2020 and was pleased with the proposed improvements, which will enhance both our people's ability to raise concerns and ITV's open culture. The policy and processes are due to be implemented internationally in Q1 of 2021. The improvements include, amongst other things, the appointment of Safecall, an independent third party, to provide a confidential Speaking Up telephone hotline and web-based reporting tool and proposals for fuller and more meaningful reporting on Speaking Up concerns to the Management Board and the Committee. The Committee will review the roll out of the Speaking Up policy and the revised elements of the framework in 2021.

Our auditors

Internal auditor

The Group's internal audit activity is outsourced to Deloitte LLP (Deloitte), who report directly to the Committee. The Committee continues to support ITV's current model of a fully outsourced internal audit function which allows best practice in terms of risk-based approach and auditing techniques, continuous robust and independent challenge, and the use of specialists in high-risk areas and across the various geographies.

The Committee keeps under review the internal audit relationship with Deloitte and the procedures to ensure that appropriate independence of the internal audit function is maintained. The Committee had planned on undertaking a competitive tender process for the appointment of internal auditor during 2020. However, due to the significant change agenda within the Group, including the impact of COVID-19 on the Group's resources, the Committee concluded that the tender process should be deferred until 2021. Deloitte will be invited to participate in this tender process.

The effectiveness of the internal audit is assessed over the year using a number of measures, including reports from internal audit on the development and delivery of the internal audit plan and the completion of agreed actions arising from reviews.

The Committee also had a private discussion with the Group CFO on internal auditor effectiveness in December. The discussion was guided by a series of questions circulated by the Committee Chair, which included internal auditor independence and objectivity, resourcing, involvement with business discussions on risk, and communications between the internal auditor and the Committee. The Group CFO's input to the session with the Committee was informed by a prior meeting with relevant colleagues across the business and at various levels who had worked with the internal auditor on internal audits or more generally.

Having carefully considered the findings arising from our deliberations and measures above, the Committee is satisfied that the quality, experience and expertise of the internal auditor is appropriate for the business and the internal auditor remains independent of management.

During the year, the Committee reviewed and approved ITV's new internal audit charter, which sets out and clarifies internal audit's role in the overall internal control framework of the Group, and also assessed the alignment of the internal audit function and approach to the Institute of Internal Auditors (IIA) Code of Practice, which it found to be closely aligned. The Committee welcomes the direction the new Code brings in increasing the status, scope and skills of the internal audit function.

Prior to the start of the year, the Committee considered and approved the 2020 internal audit plan for operational, financial and technology controls, which was structured to align with ITV's strategic drivers and principal risks. During the course of 2020, as result of the disruption to the business caused by COVID-19, an agile and flexible approach was adopted for reconsidering and redeveloping the internal audit plan and delivering internal audits. 21 internal audits were completed during the year, which covered business continuity and crisis management during COVID-19, environmental matters, Group procurement processes, music rights and clearance management processes, operational readiness for the Planet V launch and a review of a sample of internal and subsidiary studios for key finance control changes due to remote working practices. The internal audits performed provided assurance over areas deemed to be of greater risk and relative importance to the Group in 2020. Regrettably, given the restrictions imposed

by the COVID-19 pandemic, visits to some international subsidiaries and internal audits on productions had to be deferred. Other internal audits were also completed in relation to the shared service centre, cloud software and cyber.

The internal auditor also provides the Committee (and therefore the Board) with valuable insight on the culture across the Group and the reflection of the Group's values by management and other employees. A cultural assessment is routinely incorporated in audit ratings.

At the majority of Committee meetings, the Committee received a report from the internal audit team on the progress of the internal audit plan, and reviewed findings from the completed internal audits, the actions taken to implement the recommendations made in the reports and the status of progress against previously agreed actions. All detailed internal audit reports are available to the Committee. We pay particular attention to identified themes across the business, relative importance and relationship of findings, recommended and agreed remedial actions and compliance with timescales for resolution and follow-up. Following some of the internal audit findings, we asked certain members of management to present their remediation plans directly to the Committee. Cloud software was an example of where the Committee requested further information following the audit outcome. The Committee also specifically requested certain internal audits be undertaken, for example, on the review of the Group's Speaking Up framework (which is ongoing), and a further review of the GDPR framework (in 2020). The internal auditor was also requested to undertake a review of a matter arising from a whistleblowing incident, the results of which were reported to management and the Committee and appropriate action taken to address the issues identified, which did not lead to a risk to the financial statements.

The Committee is satisfied that delivery of the approved internal audit strategy and plan is providing timely and appropriate assurance on the effectiveness of controls in place to successfully manage relevant Group principal risks.

External auditor

The Group's external auditor is KPMG. The table on page 124 summarises the process followed to manage the relationship and audit process.

Non-audit services

In order to safeguard auditor independence and objectivity, the external auditor does not provide non-audit services unless this is

Engagement

The Committee carefully considers, before approving the scope of planned audit work, the assessment of risk and materiality on which it is based. The Committee's aim is to support a robust, quality and effective audit with strong reporting lines to the Committee.

The Committee discusses the senior resource employed in the audit and the background, relevant sector and other experience of new senior team members. It also considers implications for the audit of new reporting, accounting and governance guidelines and standards.

The Committee agrees the terms of engagement, audit and non-audit fees and reviews progress and results throughout the year.

in compliance with the Group's non-audit services policy. During the year, the Committee revised the non-audit services policy contained in ITV's Policy on Auditor Independence and Objectivity to reflect the final version of the FRC's 2019 Ethical Standard. The policy is available on the governance section of ITV's website: www.itvplc.com/investors/governance/policies.

In accordance with this policy, in the 2020 financial year, the Company incurred fees for non-audit services of £295,000 (2019: £159,558) which related to: (i) work to review the interim financial information £215,000 (2019: £114,558); and (ii) audit related assurance over the government salary compensation scheme in the Netherlands £80,000 (2019: £nil). In 2019, fees for non-audit services related to the issuance of a €600 million Eurobond were £45,000. The Committee approved this work under the non-audit services policy. The services are permissible under the 2019 Ethical Standard, and both are considered to be a closely related non-audit service. For information on audit fees see note 2.1 to the financial statements.

External audit effectiveness and quality

Please refer to page 116 in relation to the review programme the Committee follows throughout the year to ensure the quality and effectiveness of the external audit. In making this assessment, the Committee has regard to the external audit team's

Audit tendering and rotation

KPMG was appointed as auditor of ITV plc in December 2003. Following a competitive tender in 2012, KPMG was reappointed as auditor. The current lead audit partner, Paul Sawdon, has been audit partner since January 2016 and his tenure ends following completion of the audit for the 2020 financial year.

In light of the length of KPMG's tenure, in 2019 the Committee led a tender process for the appointment of the external auditor, effective from 1 January 2021. As a result, the Board will seek approval for PwC to be appointed as external auditor for the year ending 31 December 2021, at the 2021 AGM.

Independence and objectivity

The Committee seeks to ensure the objectivity and independence of our auditor through:

- Focus on the assignment and rotation of key personnel
- The adequacy of audit resource
- Its Auditor Independence policy (updated in 2020), which includes a policy on the provision of non-audit services and the hiring of former external auditor employees

See below for detail on the approach to non-audit services and page 116 for the Committee's review programme during the year to assess external auditor independence and objectivity.

objectivity, professional scepticism, continuing professional education and its relationship with the finance team. In particular, the Committee assesses the depth of review and level of challenge provided by the external auditor over the significant judgements and estimates made by management.

The Committee remains focused on audit effectiveness, independence and objectivity, which is reviewed on an ongoing basis to ensure the quality, rigour and challenge of the external audit process is maintained. As referred to above in respect of the internal auditor, the Committee also met in private with the Group CFO and had an open discussion on these matters in December. This discussion covered an assessment of the factors set out below, as well as the audit partner, communication by KPMG, audit planning and auditor independence and objectivity. The Group CFO's input to this session with the Committee was informed by a prior meeting with relevant members of the finance team to ensure that feedback was obtained from all levels and divisions of the finance team that interacted with KPMG. Following the Committee's assessment session, the Committee Chair and Group CFO held a meeting with the KPMG lead audit partner to discuss potential improvements to KPMG's 2020 financial year end planning and resourcing capabilities, given the additional level of scrutiny that would need to be applied to

<p>Audit scope and strategy</p>	<p>The Committee and KPMG discussed the detailed audit scope and strategy for the year, taking into account the impact of the COVID-19 pandemic, the restructuring of the Dutch business (formerly Talpa) and other proposed areas of focus and risks identified, including the level of materiality to be applied by the auditor. The Committee challenged KPMG on the appropriateness of the basis of determining materiality that had been applied and the timing of aspects of the audit. After discussion, the Committee approved the scope of the audit, the proposed materiality threshold, and key audit risks identified but noted that the scope and materiality would be kept under review and adapted as required to address the implications of the final Brexit agreement and the ongoing and uncertain trajectory of the COVID-19 pandemic.</p>	<p>the 2020 financial statements and the increased audit work required for the 2020 year end as a result of the COVID-19 pandemic, plus the impact of COVID-19 and government responses on the availability of relevant resources. KPMG was able to satisfy the Group CFO and Committee Chair that adequate resources would be available for the Group audit to ensure delivery of a quality audit within the timetable set by the Company.</p>
<p>External audit quality reports</p>	<p>The audit strategy for the year addressed thematic concerns that the FRC had highlighted in its annual review of corporate reporting (including narrative reporting, the section 172 statement, significant accounting judgements and estimates and reporting on cash and revenue).</p> <p>The Committee also reviewed KPMG's 2020 FRC Audit Quality Review report and the actions it was taking to address the identified issues including to take further steps to ensure that audit teams apply appropriate levels of challenge and scepticism.</p>	<p>As noted above, the lead audit partner attended all Committee meetings in 2020 and the Committee met regularly with him throughout the year, without management present.</p>
<p>Auditor interaction with management</p>	<p>KPMG had discussions throughout the year with management and challenged them on key judgements and estimates, accounting treatments and disclosures, with clear indications of scepticism being applied when appropriate. This included COVID-19 costs, acquisition earnouts, asset valuations, going concern underlying assumptions and the Box Clever provision.</p> <p>The Committee Chair also met frequently with the lead audit partner to discuss emerging audit risks and issues identified by KPMG and obtain additional insight on quality and performance capability of the ITV finance function.</p>	<p>The Committee also continued to use the FRC's Audit Quality Practice Aid to structure its review of audit quality. In making its assessment, the matters the Committee focused on included the factors set out to the left. There were no significant findings from the assessment this year and the Committee considers the external audit to have been robust, effective and of a high quality.</p>
<p>Auditor's own view of effectiveness</p>	<p>The Committee made enquiries of KPMG regarding:</p> <ul style="list-style-type: none"> • The proposed audit methodology and its effective application to ITV • The robustness of challenges and findings on areas that require management judgement • Whether there had been an internal peer review of the ITV audit and what the findings were • Which elements of the audit have taken longer than they should and why this had happened • How they gained assurance on the effectiveness of the Group's internal controls • The experience of the senior members of the audit team and their interactions with management and the ITV finance function 	
<p>Other Committee assessments</p>	<p>Other assessments made by the Committee relate to:</p> <ul style="list-style-type: none"> • Group and component levels of materiality • Delivery and execution of the agreed external audit process for 2020 • Quality, knowledge and expertise of the KPMG audit team • The competence with which KPMG handled and communicated the key accounting and audit judgements <p>See also the Engagement section on page 123.</p>	

External Auditor transition

In 2019, the Committee led a formal, rigorous and competitive tender process for external audit services for the 2021 financial year onwards (detailed in the 2019 Annual Report and Accounts). We have therefore complied (and will continue to comply) with the UK Competition and Market's Authority's Statutory Audit Services Order, which states, among other matters, that FTSE 350 listed companies should put their external audit contract out to public tender at least every ten years.

In anticipation of this start date and to ensure full auditor independence and objectivity, PwC and ITV management ensured that all prohibited non-audit services provided by PwC to ITV had ceased by 30 June 2020.

The proposed external auditor, PwC, started their transition from July 2020, in preparation for the external audit cycle in 2021, by shadowing the outgoing external auditor in the 2020 interim review and year end audit, and attending the Committee meetings from July 2020 onwards, presenting an update paper on their transition plan at every main Committee meeting.

We are pleased to note that PwC have already immersed themselves comprehensively in the business, holding meetings with the various finance directors, senior finance staff and the IT team to build up their understanding of the Group, the key processes and critical systems, and undertaking walkthroughs for key IT systems and business processes

in ITV's business services centre. In addition, and importantly, they have been able to confirm, with support from ITV's IT team, that PwC will be able to apply their digital audit tools to ITV's IT systems, to continue to uphold the quality and effectiveness of the audit. They have been shadowing KPMG on key accounting matters and judgements during the audit and providing input when requested in Committee meetings.

Accordingly, the Board is recommending to shareholders the appointment of PwC as its external auditor at the 2021 AGM for the year ending 31 December 2021.

Fair, balanced and understandable

The Board is required to provide its opinion on whether it considers that the Company's Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

We discussed the preparation of the Company's Annual Report and Accounts with the Board and have reviewed and assigned responsibilities for its content and overall cohesion and clarity. To further support the Board in providing its opinion, we assessed the quality of reporting through discussion with members of management and our external auditor and ensured that feedback from stakeholders and other individuals had been addressed and that examples of best practice had carefully been considered in the context of the Group.

The process included considering each of the elements (fair, balanced and understandable) on an individual basis to ensure our reporting was comprehensive in a clear and consistent way, and in compliance with accounting standards and regulatory and legal requirements. The reviews carried out by internal functions within the Company and independent reviewers have been undertaken with a view to ensuring that all material matters have been reflected in the Company's Annual Report and Accounts and that they correctly reflect:

- The Company's position and performance as described on pages 28 to 41
- The Company's business model as described on pages 22 and 23
- The Company's strategy, as described on pages 20 and 21

Following our review, we advised the Board that the Company's Annual Report and Accounts for the year ended 31 December 2020 were fair, balanced and understandable.

Remuneration Report



In this report:

The purpose of this report is to set out for shareholders the principles and policy we apply to remuneration for our Directors and to update you on how we have applied these for the financial year ended 31 December 2020. The report also aims to demonstrate how our current approach and our proposed Remuneration Policy aligns with our strategy, supports the retention of key talent and rewards them for strong performance.

Dear Shareholder

Over recent years, the business has sought to take a measured approach on pay. This has been demonstrated by being a first mover on reducing executive pensions and seeking to exercise negative discretion where appropriate. In April 2020, quick proactive steps were taken in response to COVID-19 to ensure pay impacts for executives and wider employees were closely aligned. Firstly, the Board voluntarily agreed a 20% reduction in base salaries and fees, and secondly, the bonus scheme for 2020 was cancelled so that no award would be made to either Executive Director.

Despite 2020 being one of the most challenging times in the history of ITV, our colleagues responded brilliantly to the COVID-19 pandemic and helped demonstrate the enduring value of ITV as a public service broadcaster. While our two main sources of revenue – production and advertising – were down significantly over the year, we had a strong end to the year with Q4 advertising revenues up 3% year-on-year and the majority of our programmes are now back in production. The action taken to manage and mitigate the impact of COVID-19 puts us in a good position to continue to invest in our strategy of transforming ITV into a digitally led media and entertainment company.

In light of the strategic priorities for the business and the accelerating shift seen in what remains a highly cyclical sector, the Committee was focused on ensuring that the pay structure for our wider senior executive population was able to support the business over the medium and longer

term. We therefore undertook a review of our approach to pay and have consulted with our major shareholders on a revised approach. Further details are set out below.

Review of Remuneration Policy

The previous remuneration structure for senior executives at ITV had been in place for a number of years. While the formal Remuneration Policy was technically renewed at the 2020 AGM, the structure remained largely unchanged, with only minimal updates made to reflect evolving best practice. While this policy renewal was recent, it was in practice designed and conceived in mid-2019.

Our aim is to be a digitally led media and entertainment company that creates and brings our brilliant content to audiences wherever, whenever and however they choose. The strategy is focused on: (i) transforming our Broadcast business; (ii) growing our UK and global production business; and (iii) expanding our already established DTC business. We have a clear vision, and clear priorities each supported by a number of initiatives for how we can compete in a changing environment. We have strong foundations: our integrated producer broadcaster (IPB) model, world-class content, strong advertiser relationships, loyal audiences, a powerful brand, talented commercial and creative colleagues and sufficient financial flexibility to invest.



Mary Harris
Chair, Remuneration Committee

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We remain committed to taking a measured approach to pay and continue to value the support of our shareholders in this approach.

The Remuneration Committee conducted a review of our policy to ensure that it continued to support the execution of this strategy. The Committee was particularly mindful of the following challenges:

- **Retaining key talent** – The market in which ITV seeks to retain and recruit talent is increasingly global and impacted by the practices adopted by larger global media companies. The reward structure must be cognisant of this and the increased intensity of these competitors' interest in ITV talent.
- **Digital transformation and strategic investment** – Our On Demand business will be a key growth engine attracting younger and more targeted audiences to ITV. Given the nature of the sector, it will be important for the Company to be agile in how it implements the strategy over a number of years. The reward structure must permit this flexibility, to allow the delivery of the strategy to be judged over the longer term rather than within fixed three year performance periods.
- **Advertising market volatility** – The performance of the Company is still inherently linked to the buoyancy of the wider advertising market. The advertising market is highly cyclical and driven by external factors that are outside management's control. This makes long-term target setting highly challenging, as targets can be too soft or too hard based on actual market conditions. Therefore, there is a risk of a mismatch between reward and the successful execution of the strategy that is in the long-term interests of shareholders. This is a challenge that the Committee has struggled with for a number of years, without being able to identify a satisfactory solution. Several external factors, such as Brexit, regulatory changes and now COVID-19 have further amplified this volatility and the Committee has concluded it is imperative to take action now. The reward structure must be robust against this cyclicity.

Ultimately, the Committee concluded that annual grants of restricted shares provided a more effective mechanism for aligning executive and shareholder interests over the long-term. This alternative structure is simple, reflects practices in the global talent market, rewards strategic investment that delivers long-term sustainable performance rather than short-term gain and enables the business to remain agile in a dynamic and cyclical sector where viewer behaviours continue to evolve.

Introducing a Restricted Share Plan

The current LTIP was based on a combination of metrics that sought to measure the successful execution of the strategy. While there was a clear rationale for the selection of each metric in a more stable economic environment, they have proved to be problematic in recent years, including in terms of effective target setting. The Committee was also concerned that some metrics set over a three year period may potentially create perverse incentives to focus on the shorter term and underinvest in the long-term future of the business.

Given the pace of sectoral change, the strategic decisions required for the Company to achieve value for shareholders, the intensification of competition for talent and the difficulty of effective target setting in an uncertain environment, the Committee has concluded that the creation of long-term value would be better supported by the introduction of a Restricted Share structure. This will be operated as a simple plan, which encourages the management team to make decisions, which are in the long-term interests of our shareholders, where the effective execution of the strategy is ultimately reflected in the ITV share price.

The key design features of the new structure will be as follows:

- a discount of 50% on the previous LTIP award levels – i.e. proposed grant levels: Chief Executive – 132.5% of salary; Group CFO – 112.5% of salary;
- shares released after five years; and
- the vesting of awards subject to a performance underpin. If any of the underpin thresholds set are not met, the Committee would consider the extent to which vesting levels should be scaled back (including to nil) to reflect this.

The Committee has been very mindful regarding the discount level, taking into account best practice guidance, historical vesting levels and the overall shareholder experience. Further details of historic vesting levels are shown on page 151 of this Remuneration Report. In light of ongoing market volatility the Committee will continue to keep grant levels under review, however, we currently remain comfortable that the discount has been set appropriately.

The Committee is also keen to stress the importance of retaining discretion to adjust awards. As well as making awards conditional on financial returns above our cost of capital, the Committee has deliberately provided for flexibility within the underpin as this: (i) enables the Committee to assess how the business has performed against evolving strategic priorities and market conditions; and (ii) provides sufficient flexibility to exercise judgement and act to reduce awards in the event of circumstances that were unforeseen at the point of grant. The Committee believes that this approach will ensure a robust and sustainable safeguard against payments for failure. The Committee intends to disclose information on how the underpin has been assessed at the point of vesting. In line with best practice, awards also remain subject to malus and clawback provisions.

In order to accommodate the new Restricted Share structure, a new Remuneration Policy and share plan will be presented to shareholders for approval at the 2021 AGM. Other than the change to the long-term incentive structure, no further material changes are being proposed as the remaining elements of the previous policy continue to remain in line with mainstream FTSE 100 practice and best practice developments over recent years.

The Executive Directors will receive no salary increase for 2021 and the bonus structure for 2021 will be consistent with prior years. As noted in last year's report, while pension levels for the CEO role have already been reduced in 2017 from 25% of salary to 15% of salary, the intention is to align the Chief Executive's pension with the rate for wider employees by 1 January 2023.

There are no changes to inflight long-term incentive plans.

Remuneration outcomes for the year

As in prior years, the Committee has been kept informed of pay trends in the wider group. This provides important context when determining pay for the most senior levels. While the pay arrangements across the organisation are tailored to reflect the role and seniority of individuals, the Committee is satisfied that there is consistency in the underlying principles which are used in the approach to pay.

We continue to be committed to ensuring all colleagues earn at least the Living Wage or greater, and where appropriate we have agreed additional increases. The Committee ensures they have sufficient insight into the views of the wider workforce through our designated Workforce Engagement Director, Edward Bonham Carter, who regularly attends Ambassador meetings to understand workforce views, sharing these with the Committee. As the Remuneration Committee Chair I also attended an Ambassador meeting in December 2020 in order to share the Committee's approach to remuneration in the wider context.

Around 1,500 employees were initially placed on furlough, of which circa 450 were freelancers. The majority of employees had returned to work by the end of August. The Company has not utilised any government-funded furlough schemes beyond 31 October 2020. During this period of furloughing employees, the Board and Management Board voluntarily agreed to a 20% reduction in base salary and fees. These arrangements remained in place until 31 October 2020.

The Bonus scheme for 2020 was also cancelled across the workforce as part of the actions taken in April 2020, and therefore no bonus awards are being made to either Executive Director for 2020. In January 2021, more junior colleagues received a one-off payment of £750 as a thank you for their contribution in 2020.

The LTIP granted in 2018 was assessed based on performance over the three year period to 31 December 2020. While the targets were set in a different economic context, there will be a very modest vesting of 8.83% of this award. The vesting levels have been heavily impacted by COVID-19 despite the business making good progress on the execution of the strategy. Awards vesting in Spring 2021 will be subject to a two year holding period.

Shareholder Engagement

Over recent years, we have engaged with our major shareholders and their representatives on multiple occasions to ensure that investor views are taken into account when formulating our approach to pay.

We have consulted with our major shareholders regarding the introduction of the new Restricted Shares structure. We recognised at the outset that moving to Restricted Shares marks a significant change for ITV and this structure naturally attracts more diverse views than other pay proposals. However, we have been pleased with the balance of feedback received to date and the overall level of support indicated by our major shareholders.

I would like to thank all of our shareholders who contributed to what was an open and constructive consultation process. The feedback helped frame the Committee's discussions and facilitated a more robust decision-making process.

We remain committed to taking a measured approach to pay and continue to value the support of our shareholders in this approach. We hope that you will therefore support the remuneration resolutions and the introduction of the new ITV plc Executive Share Plan at the upcoming AGM.

Mary Harris

Chair, Remuneration Committee

9 March 2021

Overview of Remuneration Policy

How executives will be paid in future years

Salary and benefits

Chief Executive Officer
£943,256

Group Chief Financial Officer
£674,850

- No salary increases for 2021
- Benefits package remains unchanged – includes private medical insurance and car-related benefit

Retirement benefits

25%

- Limit under 2017 Policy
- Paid to previous Chief Executive and Group CFO

15%

- Chief Executive appointed at lower rate in 2018

9%

- Policy on new appointments aligns with wider employees
- Chief Executive to align with employees by 1 January 2023
- Group CFO appointed at employee rate in 2019

Annual bonus

Cash element

Deferral into shares for three years

- Cash element** – Chief Executive: up to 120% of salary; Group CFO: up to 110% of salary
- Deferred shares** – Chief Executive: up to 60% of salary; Group CFO: up to 55% of salary
- Awards subject to malus and clawback**

2021 bonus metrics – measure and support execution of the strategy

Adjusted EBITA – profitability of underlying business

Profit to cash conversion – effective cash generation

Cost savings – savings from cost base to fund investment

Individual strategic – deliver strategic priorities

- Grow UK and global production
- Transform Media and Entertainment (Broadcast)
- Expand Direct to Consumer

Restricted shares

Released after five years

- Annual grant:** Chief Executive: up to 132.5% of salary; Group CFO: up to 112.5% of salary – 50% discount to previous LTIP awards
- Release of shares subject to performance underpin:** assessed after year three – ability for Remuneration Committee to scale back awards if hurdles not met
- Awards subject to malus and clawback**

Successful execution of strategy ultimately reflected in the share price

- Simple structure – aligns with strategy and shareholders over the long-term
- Retains key talent – aligned to global talent market and peer practices
- Rewards strategic investment – delivery of long-term sustainable performance, rather than short-term gain
- Reflective of dynamic and cyclical nature of sector and viewer behaviours, where business needs to remain agile and adapt
- Focus on long-term stewardship of the brand

Shareholding guidelines

Guidelines apply in post, and extend beyond tenure

- In-post guideline** – Chief Executive: 400% of salary/Group CFO: 225% of salary
- Post-employment** – applies for two years after departure, equal to two times the award of restricted shares under the ITV plc Executive Share Plan

Remuneration for 2020 – What did Executive Directors earn during 2020

Single figure remuneration at a glance

Carolyn McCall

Chris Kennedy

● Salary ● Benefits ● Pension ● Share awards

- Executive Directors agreed to 20% reduction in base salary and cash allowances payable in respect of pension and car-related benefits, for the period 1 April 2020 to 31 October 2020
- No bonus paid in respect of 2020
- 2018 LTIP to vest at 8.83% of maximum for Chief Executive

In developing the approach to pay, the Remuneration Committee has discussed the impact of the 2018 UK Corporate Governance Code and a summary of the deliberations is below.

Clarity

Code provision: Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.

- A balance of performance-related and shareholder approved remuneration supports our strategy. This provides clarity to all stakeholders on the relationship between successful implementation of strategy and how we reward our leadership.
- The Company places great importance on communicating with all of its stakeholders in a timely, transparent and relevant way. Further information on how ITV engages with stakeholders can be found on pages 97 to 105.

Simplicity

Code provision: Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.

The Company operates an approach to remuneration that is simple to understand and familiar to key stakeholders with three key elements:

- Fixed element: comprising base salary, taxable benefits and a pension scheme allowance
- Short-term element: an annual performance-related bonus with a selection of financial and non-financial targets measured over the financial year, two-thirds paid in cash and one-third in shares deferred for a three year period
- Restricted share element: normally released after five years subject to achievement of an underpin

Risk

Code provision: Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that might arise from target-based incentive plans, are identified and mitigated.

A combination of capped reward for short and long-term incentives with the majority delivered in shares encourages Executive Directors to deliver long-term sustainable shareholder returns, discouraging short-term decisions.

The Committee retains flexibility to adjust payments through malus and clawback provisions, and an overriding discretion to depart from formulaic outcomes where behaviours may be viewed as inappropriate or criteria on which the award was based do not reflect the underlying performance of the Company.

Predictability

Code provision: The range of possible values of awards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.

Shareholders are kept fully informed and are consulted on the values that can be earned under the incentive plans for different levels of performance.

The chart on page 136 provides estimates of potential future reward in different performance scenarios.

Proportionality

Code provision: The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.

The Company's incentive plans clearly reward the successful implementation of our Strategy.

The weighting of the package towards deferred shares ensures that the Executive Directors are fully committed to sustainable long-term performance.

The Committee has overriding discretion over eventual outcomes when they do not reflect business performance, and/or shareholder experience, and ensures that poor performance would not be rewarded.

Alignment to culture

Code provision: Incentive schemes should drive behaviours consistent with company purpose, values and strategy.

When considering the alignment of incentive plans and culture the Committee considers the following:

- **Metrics** – ensuring that performance targets used in the incentive schemes are aligned to our culture and do not drive the wrong behaviours.
- **Governance** – ensuring adoption of best practice through a robust malus and clawback policy with a substantial list of relevant trigger events, such as corporate failure and reputational damage. The Committee also retains discretion under the plan rules to override formulaic vesting outcomes and to extend holding periods. These initiatives enable the Committee to satisfy itself that the right steps have been taken to ensure executive remuneration is appropriate from a cultural context.
- **Engagement** – understanding remuneration for the wider workforce and ensuring that pay decisions are aligned across the Group and wider engagement with our stakeholders, including our employees. Further details can be found on pages 97 to 105.

Remuneration Committee

Who is on the Committee

The Committee is composed of independent Non-executive Directors.



The current members are:

- Mary Harris (Chair)
- Salman Amin
- Sir Peter Bazalgette – independent on appointment
- Anna Manz
- Sharmila Nebhrajani – joined December 2020
- Duncan Painter

- Roger Faxon served on the Committee until December 2020 when he stepped down from the Board

Full details of attendance at Committee meetings can be found in the table on page 95.

Detailed biographies can be found on pages 90 and 91.

Our role

Following each meeting, the Committee communicates its main discussion points and findings to the Board.

The Committee's terms of reference can be accessed on our website.

www.itvplc.com/investors/governance



The main role of the Committee is to:

- Review the ongoing appropriateness, relevance and effectiveness of the Remuneration Policy, including in relation to retention and development, whilst taking into account workforce remuneration and related policies, and the alignment of incentives and reward

- Propose to shareholders changes to the Remuneration Policy as appropriate
- Approve the implementation of remuneration arrangements for the Executive Directors, Management Board and other senior executives (together the Senior Executive Group) taking into account arrangements for the wider employee group. Details on employee remuneration can be found on page 139

- Approve the design of the Company's annual bonus arrangements and long-term incentive plans, including the performance targets that apply for the Senior Executive Group
- Determine the award levels for the Senior Executive Group based on performance against annual bonus targets and long-term incentive conditions

Meetings in 2020

In addition to Committee members, the Executive Directors, Group HR Director, General Counsel and Company Secretary, Director of Reward and Pensions and independent adviser Deloitte attend meetings as required.



January

- Indicative bonus outcomes and LTIP performance
- Pay review outcomes
- Financial performance update
- Gender and BAME pay gap reporting and CEO pay ratios
- Adviser independence
- Compliance with shareholding guidelines

February

- Financial performance update
- Bonus targets for 2020
- LTIP awards and targets for 2020
- Remuneration Report and new Remuneration Policy
- Shareholder consultation and the new Remuneration Policy

April

- COVID-19 impact and reductions to pay, cancellation of bonus arrangements

July

- Workforce engagement update
- Performance targets
- Committee terms of reference review

September

- Employee reward framework (including review of remuneration and related policies) and remuneration trends
- Review of existing LTIP arrangements
- Review of COVID-19 pay adjustments

November

- Review of alternative incentive structures

December

- Proposed Restricted Share structure arrangements, new Remuneration Policy and shareholder consultation process
- Bonus framework and targets for 2021
- Pension arrangements
- Review of remuneration consultants
- Workforce engagement update
- Committee evaluation

Annual review

An annual review of the performance of the Committee is conducted each year.



In 2020 an internally facilitated Board evaluation was undertaken, which included a review of the Committee. The results are summarised on page 109

Overall, the evaluation concluded that the Committee is working effectively and responding appropriately to its terms of reference

Directors' Remuneration Policy

The following sets out the proposed ITV Directors' Remuneration Policy (the Policy). The Policy is subject to a binding shareholder vote at ITV's AGM on 29 April 2021 and, if approved, will apply from this date.

The previous remuneration structure for senior executives at ITV has been in place for a number of years. While the formal Remuneration Policy (the Current Policy) was last renewed at the 2020 AGM, the structure from prior years was largely retained.

As noted in the statement from the Chair, the Committee discussed the Current Policy over a series of meetings throughout 2020 and early 2021, debating its continued effectiveness given the strategic priorities of the business, the cyclical nature of the sector, evolving market trends and investor guidance. Input was sought from the management team, while ensuring that conflicts of interest were suitably mitigated. An external perspective was provided by the Committee's independent advisers. The Committee undertook an extensive consultation process with major shareholders before finalising the Policy. The key features of our approach were also assessed against the principles of clarity, simplicity, risk management, predictability, proportionality and alignment to culture.

On balance, the Committee decided that a Restricted Shares structure would be a more appropriate and effective long-term incentive vehicle for ITV, and therefore the Policy is proposed for approval at the 2021 AGM. The introduction of Restricted Shares is the key change to the Current Policy. The remaining features of the Current Policy previously approved by shareholders continue to align with mainstream market and best practice and have therefore been largely retained.

Executive Director Remuneration Policy Table

Fixed pay policy for Executive Directors

Base salary	
Purpose and link to strategy	Reflects the individual's skills, responsibilities and experience. Supports the recruitment and retention of Executive Directors of the calibre required to deliver the business strategy within the competitive media market.
Operation	Normally reviewed annually and paid monthly in cash. Consideration is typically given to a range of factors when determining salary levels, including: <ul style="list-style-type: none"> • Personal and Company-wide performance • Typical pay levels in relevant markets for each executive whilst recognising the need for an appropriate premium to attract and retain superior talent, balanced against the need to provide a cost-effective overall remuneration package • The wider employee pay review
Maximum potential payment	Ordinarily salary increases will be in line with the average increase awarded to other employees in the Company. Increases may be made above this level to take account of individual and business circumstances, which may include factors such as: an increase in size or scope of the role or responsibility; or an increase to reflect the individual's development and performance in the role. While there is no maximum, salary levels for each individual are responsibly set taking into account the factors described above.
Performance metrics	None, although overall individual and business performance is considered when setting and reviewing salaries.

Retirement benefits

Purpose and link to strategy	To provide competitive post-retirement benefits or cash allowance as a framework to save for retirement. Supports the recruitment and retention of Executive Directors of the calibre required to deliver the business strategy within the competitive media market.
Operation	Executives can choose to participate in the ITV defined contribution scheme, receive a cash allowance or receive payments into a personal pension or a combination thereof. Contributions are set as a percentage of base salary. Post-retirement benefits do not form part of the base salary for the purposes of determining incentives.

Retirement benefits continued

Maximum potential payment	<p>The maximum benefit will normally be capped at a level comparable to the benefit available to the wider employee base. This is currently 9% of salary.</p> <p>The current benefit levels are 15% of salary for the Chief Executive and 9% of salary for the Group CFO. As noted in the Annual Report on Remuneration, the Committee intends to move all benefit levels to be comparable with the wider employee base by 1 January 2023.</p>
Performance metrics	None

Benefits

Purpose and link to strategy	Ensures the overall package is competitive and provides financial protection for employees and their families.
Operation	<p>The Company provides a range of market competitive benefits, including travel-related benefits, private medical insurance and other insurance benefits.</p> <p>Additional benefits may also be provided in certain circumstances, if required for business needs. For example (but not limited to), relocation expenses, housing allowance and education support.</p> <p>Executive Directors are also entitled to participate in any all-employee share plans (e.g. tax-approved plans) operated by the Company from time-to-time, on the same basis as other employees.</p>
Maximum potential payment	<p>Set at a level which the Committee considers to be appropriately positioned taking into account typical market levels for comparable roles, individual circumstances and the overall cost to the business.</p> <p>While there is no maximum monetary value for benefits, any benefits provided will be reasonable in the context of relevant market practice, individual circumstances and overall cost to the business.</p> <p>In addition, the Company may reimburse relocation expenses and/or provide for tax equalization arrangements. Participation in any tax-approved all-employee share plans will be limited by the maximum permitted under the relevant legislation.</p>

Variable pay policy for Executive Directors

Annual Bonus Scheme (Bonus) and Deferred Share Award Plan (DSA)

Purpose and link to strategy	<p>Incentivises executives and colleagues to achieve key strategic outcomes on an annual basis. Focus on key financial metrics and objectives to deliver the business strategy.</p> <p>The element of the Bonus compulsorily deferred into shares rewards delivery of sustained long-term performance, provides alignment with the shareholder experience and supports the retention of executives.</p>
Operation	<p>Measures and targets are set annually, normally based on business plans at the start of the financial year and pay-out levels are determined by the Committee following the year end based on performance against objectives.</p> <p>Paid once the results have been audited. Financial results used for bonus calculation will be subject to suitable review (e.g. sign-off by Audit and Risk Committee) before consideration by the Committee.</p> <p>The Committee has the discretion to amend the bonus outcome if any formulaic assessment of performance is considered to be inappropriate taking into account factors such as a balanced view of overall business or individual performance for the year, and the original intentions of the plan.</p> <p>Not more than two-thirds of the Bonus is delivered in cash with the balance deferred into shares under the DSA normally for a period of three years.</p> <p>During the deferral period share awards may be reduced or cancelled in certain circumstances. Further detail is provided on page 135. Dividends or equivalents may be earned on deferred shares.</p>
Maximum potential payment	<p>The maximum Bonus opportunity for any Executive Director will not exceed 200% of salary.</p> <p>The current maximum Bonus opportunities are 180% of salary for the Chief Executive and 165% of salary for the Group CFO. Increases above the current opportunities, up to the maximum limit, may be made to take account of individual circumstances, which may include: an increase in size or scope of the role or responsibility; a change in business circumstances; or an increase to reflect the individual's development and performance in their role.</p>

Annual Bonus Scheme (Bonus) and Deferred Share Award Plan (DSA) continued

Performance metrics	<p>Performance measures and targets are set by the Committee each year based on corporate objectives closely linked to strategic priorities of the business. The majority of the Bonus opportunity will be based on corporate and financial measures. The remainder of the Bonus will be based on performance against individual and/or strategic objectives.</p> <p>Details of the performance criteria for the Bonus in 2021 are set out in the Annual Report on Remuneration.</p> <p>Up to 20% of the maximum opportunity will be received for threshold performance.</p>
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Restricted Shares

Purpose and link to strategy	<p>Incentivises Executive Directors to deliver the business strategy and align with the longer-term Company performance and the shareholder experience.</p> <p>Acts as a retention tool to retain the executives required to deliver the business strategy.</p>
Operation	<p>Awards will be granted under the proposed ITV plc Executive Share Plan which will be presented to shareholders for approval at the 2021 AGM.</p> <p>Awards will be structured as conditional rights or nil-cost options (or economic equivalent). Awards will normally be granted annually with vesting after three years, subject to satisfaction of a performance underpin. Awards will normally be required to be held for an additional two year holding period so that the award is released after five years. During the holding period awards may be reduced or cancelled in certain circumstances. Further detail is provided on page 135.</p> <p>Dividends (or equivalents) may be earned in respect of any vested shares.</p>
Maximum potential payment	<p>The maximum award level under the ITV plc Executive Share Plan is 175% of salary.</p> <p>Our current operational policy is to make annual awards of 132.5% of salary to the Chief Executive and 112.5% to the Group CFO.</p>
Performance metrics	<p>The Committee may define the terms of the performance underpin. The criteria may be based on financial and/or non-financial metrics and include reference to corporate, divisional or individual performance. When determining vesting the Remuneration Committee will take into account all factors deemed relevant at the time (e.g. progress against execution of the strategy, the nature of the wider trading environment).</p> <p>Information on the proposed 2021 grants is set out on page 144 of the Annual Report on Remuneration.</p>

Shareholding guidelines

Purpose and link to strategy	<p>To create alignment between Executive Directors and shareholders both during service and after departure.</p>
Operation	<p>Shareholding guidelines are in place which encourage Executive Directors to build up a holding in Company shares during the course of tenure.</p> <p>The shareholding guideline for the Chief Executive is 400% of base salary and for the Group CFO 225%.</p> <p>Executive Directors will normally also be expected to retain an interest in Company shares for two years following departure. The expected holding requirement following departure will be equal to two times the Executive Director's Restricted Stock grant level.</p> <p>Further details of current shareholdings of the Executive Directors, together with further detail on the operation of the shareholding guidelines are set out in the Annual Report on Remuneration.</p>

Legacy awards – Long Term Incentive Plan (LTIP)

Operation

Long-term incentive awards were previously made under the shareholder approved LTIP. Awards were made annually with vesting dependent on business performance during the performance period. Performance periods were set by the Committee, and were usually three years.

The Committee has discretion to amend the final vesting level if any formulaic assessment of performance is considered to be inappropriate.

Awards made under the LTIP will usually be required to be held for an additional two year holding period after the end of the performance period. During the holding period awards may be reduced or cancelled in certain circumstances. Dividends (or equivalents) may be earned in respect of vested shares.

Although executives will continue to hold an interest in unvested awards, no further awards will be granted to the current Executive Directors under this incentive vehicle.

Performance metric

The performance criteria for unvested awards are detailed in the Annual Report on Remuneration. The proportion of each element of the award that will vest for threshold performance against a metric is not more than 20%.

Detailed provisions

The Committee may make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above, where the terms of the payment was agreed either: (i) during the term of, and was consistent with any previous policy; or (ii) at a time when the relevant individual was not a director of the Company and the payment was not in consideration for the individual becoming a director of the Company.

The Committee may adjust or amend Bonus and share awards only in accordance with the provisions of the relevant plan rules. This includes making adjustment to reflect one-off corporate events, such as a change of control or a change in the Company's capital structure. In accordance with the plan rules, share awards may be settled in cash rather than shares where the Committee considers this appropriate (e.g. to comply with securities law).

The Committee may make minor amendments to the Policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) provided that any such change is not to the material advantage of the Director.

Malus and clawback

Malus and clawback provisions may be operated at the discretion of the Committee in respect of any cash and deferred share elements of the bonus, Restricted Share awards and legacy LTIP awards. Under malus, unvested share awards (including any Restricted Share or legacy LTIP awards subject to a post-vesting holding period) can be reduced (down to zero if considered appropriate) or be made subject to additional conditions. Clawback allows for repayment of bonuses previously paid and/or shares previously received following vesting. Malus/clawback can be operated up to four years following the start of the relevant bonus year for bonuses, and up to six years from the relevant date of grant for Restricted Share and LTIP awards.

For awards granted from 2020 onwards, the Committee has the discretion to apply malus and/or clawback in the event of the following circumstances: material misstatement of financial results; gross misconduct; fraud; payments based on an erroneous calculation or data; serious reputational damage or material corporate failure.

Performance measures and target setting

The annual bonus is assessed against financial, strategic and individual targets determined by the Committee. This enables the Committee to reward annual financial performance delivered for shareholders, and performance against specific financial, operational or strategic objectives set for each director, which are closely linked to the strategic priorities of the business. The Committee sets targets taking into account external forecasts, internal budgets and business priorities.

A key feature of Restricted Share awards is that the successful execution of the strategy and the success of the business is ultimately reflected in the share price, therefore providing strong alignment with the interests of our shareholders. The vesting of Restricted Share awards is subject to a performance underpin. For 2021 awards, full vesting would require Return on Capital Employed to exceed the Company's cost of capital. In addition, the Committee has retained a broader discretion to also enable reduction in vesting levels where there is a material weakness in the underlying financial health and sustainability of the business. These underpins have been selected as they are considered to provide a robust and sustainable safeguard against payments for failure. Further detail on performance criteria is set out in the Annual Report on Remuneration.

When considering performance outcomes the Committee will look beyond formulaic results to ensure the outcomes align with the overall business or individual performance. The Committee may adjust the targets for awards or the calculation of performance measures and vesting outcomes for events not foreseen at the time the targets were set to ensure they remain a fair reflection of performance over the relevant period. Discretion will be exercised mindful of broader performance, and any change to the outcome will be disclosed in the next Annual Report on Remuneration.

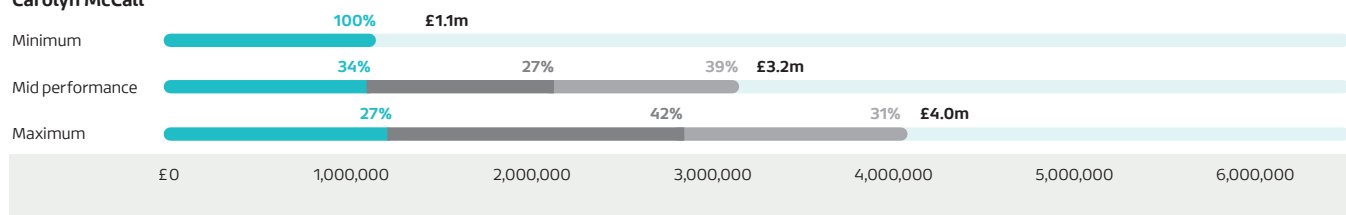
Application of Remuneration Policy

The chart below provides an indication of the level of remuneration that would be received by each Executive Director under the following three assumed performance scenarios:

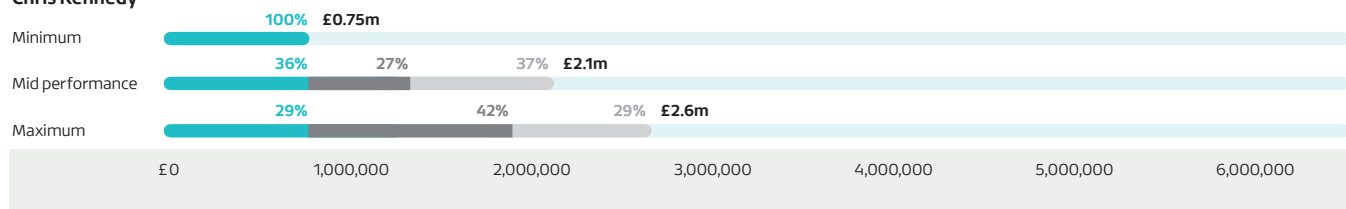
Below threshold performance	Fixed elements of remuneration only – base salary, benefits and pension
Mid-performance	Assumes 50% pay-out under the annual bonus Assumes 100% vesting of the Restricted Shares
Maximum performance	Assumes 100% pay-out under the annual bonus Assumes 100% vesting of the Restricted Shares

Scenario charts

Carolyn McCall



Chris Kennedy



- Notes:
- Fixed pay is the salary as at 1 January 2021, pension is per the Policy, and the value for benefits is equivalent to that included in the remuneration table on page 140.
 - Annual bonus is based on 180% of salary for Carolyn McCall and 165% of salary for Chris Kennedy.
 - Based on Restricted Share grants of 132.5% for Carolyn McCall and 112.5% for Chris Kennedy.

Impact of share price

The value of Restricted Shares will fluctuate based on the share price over the relevant vesting and holding period. For example, if the share price increased by 50% over the relevant vesting and holding period, the maximum values shown in the charts above would increase to £4.67 million for Carolyn McCall and to £3.0 million for Chris Kennedy. Conversely if the share price was to fall by 50%, the maximum values shown in the charts above would reduce to £3.42 million for Carolyn McCall and to £2.25 million for Chris Kennedy.

Recruitment remuneration

When agreeing the components of a remuneration package for a new Executive Director, the Committee will apply the principles detailed below.

The package will be competitive to attract and retain the most suitable candidate for the job. Where possible, the Committee will always seek to align the remuneration package with the Policy outlined above. However, where appropriate, detailed elements of the package may be tailored to the circumstances of the individual upon recruitment. The Committee will ensure that the arrangements are in the best interests of both ITV and its shareholders and remain subject to the overall variable pay limits set out below.

Ongoing remuneration

In determining an appropriate remuneration structure and levels, the Committee will take into account all relevant factors to ensure that ITV are able to recruit the most appropriate candidate for the job and that the arrangements are in the best interests of both ITV and its shareholders. The Committee will typically seek to align the ongoing remuneration package with the ongoing Policy outlined on pages 132 to 139.

Fixed pay will be determined in line with the policy table on page 132. The Committee may also hire a new Executive Director at a lower salary, with more significant increases to salary being awarded as the individual gains experience.

The maximum level of variable remuneration which may be granted to a new director upon appointment (excluding any buy out awards for forfeited remuneration) will not be greater than 375% of salary (the sum of the maximum bonus opportunity and the maximum Restricted Share award under the proposed ITV plc Executive Share Plan. Under the previous policy the maximum variable incentive on recruitment was 550% of salary.

Buyout awards for forfeited remuneration

The Committee may make awards to 'Buyout' a candidate's remuneration arrangements that are forfeited as a result of joining the Company.

In doing so, the Committee will take account of relevant factors, including any performance conditions attaching to forfeited awards, the likelihood of the awards vesting and the form and timing of the awards. The Committee will typically seek to make buy out awards on a comparable basis to those that have been forfeited but, particularly where the performance period is substantially complete, may reflect such conditions in some other way such as through a significant discount to the face value of awards forfeited. Exceptionally, where necessary, this may include a guaranteed or non-prorated annual bonus in the year of joining.

In exceptional circumstances, the Committee may grant a Buyout award under a structure not included in the policy but that is consistent with the principles set out above (and may rely upon Listing Rule 9.4.2 in structuring such a Buyout).

The Committee will take all relevant factors into account (including the candidate's location, the calibre of the individual, external influences, internal relativities and the overall business context) when determining the new remuneration package and seek to ensure that no more is paid than necessary.

In the Remuneration Report following the appointment, the Committee will fully explain to shareholders the remuneration package for the appointed individual and the rationale for such arrangements.

On the appointment of a new Non-executive Chairman or Non-executive Director, the terms and fees will normally be consistent with the fee policy outlined in the Policy.

Service contracts and loss of office**Executive Directors**

Executive Directors have rolling service contracts that provide for 12 months' notice on either side. For a new joiner, the contract may commence with a notice period of up to two years reducing to the standard 12 months over time. There are no special provisions that apply in the event of a change of control. Service contracts are available for inspection at the Company's registered office.

A payment in lieu of notice, including base salary, benefits and retirement benefits may be made in certain circumstances, including if:

- the Company terminates the employment of the executive with immediate effect, or without due notice; or
- termination is agreed by mutual consent.

Service contracts normally include clauses requiring departing directors to mitigate losses from termination, balancing the commercial circumstances at the time (e.g. impact on non-compete/non-solicitation clauses, protection of intellectual property).

The Company may also make a payment in respect of outplacement costs, legal fees and the cost of any settlement agreement where appropriate.

With the exception of termination for cause, Executive Directors may be eligible for a bonus award prorated to reflect the proportion of the financial year for which they were employed and subject to the performance achieved, provided they have a minimum of three months' service in that bonus year.

In accordance with the terms of the relevant incentive plans rules, the Committee retains discretion to determine the treatment of any outstanding awards held by a departing Executive Director. The appropriate treatment will vary depending on the relevant facts and circumstances at the time. The table overleaf sets out the general position and range of approaches in respect of incentive arrangements.

Plan	Good leaver (e.g. ill health)	Bad leaver (e.g. dismissed for cause)	Change of control
Bonus	Executive Directors may be eligible for a bonus award prorated to reflect the proportion of the financial year for which they were employed and subject to the performance achieved, provided they have a minimum of three months' service in that bonus year.	Awards lapse.	Awards would normally continue unless the Committee determined otherwise.
DSA	Injury, ill health, disability or transfer of undertakings. Awards release in full at the leaving date. For other good leavers identified by the Committee, awards release at the end of the deferral period unless the Committee decides to release the shares earlier.	Awards lapse.	Awards release in full at effective date of change.
Restricted Shares – during the performance period	Awards are typically prorated for time served (where departure occurs during the first three years) and vest subject to satisfaction of performance underpins. Awards are released at the end of holding period unless the Committee decides to release the shares earlier.	Awards lapse.	Outstanding awards would normally vest and be released subject to satisfaction of performance underpins and capped based on the time elapsed since grant, subject to the discretion of the Committee.
Restricted Shares – during the additional holding period	Awards are released at end of holding period unless the Committee decides to release the shares earlier.	Awards are normally retained, and are released at end of holding period unless the Committee decides to release the shares earlier. In the case of misconduct, awards will lapse.	Awards are released at the effective date of change.
Legacy LTIP – during the performance period	Awards are typically prorated for time served and subject to achievement of the performance conditions during the performance period. Awards become exercisable at end of holding period unless the Committee decides to release the shares earlier.	Awards lapse.	Outstanding awards would normally vest and become exercisable subject to satisfaction of performance conditions and capped based on the time in the performance period since grant, subject to the discretion of the Committee.
Legacy LTIP – during the additional holding period	Awards become exercisable at end of holding period unless the Committee decides to release the shares earlier.	Awards are normally retained, and become exercisable at end of holding period unless the Committee decides to release the shares earlier. In the case of misconduct, awards will lapse.	Awards become exercisable at effective date of change.

External appointments

With specific prior approval of the Board, Executive Directors may normally undertake one external appointment as a non-executive director of another publicly quoted company and retain any related fees paid to them.

Non-executive Directors

The table below summarises the main elements of remuneration for Non-executive Directors.

Component	Operation	Maximum potential payment
Non-executive Director fees	<p>The Committee determines the fees of the Non-executive Chairman. The Chairman and the Executive Directors determine the fees of the Non-executive Directors, which are accepted by the Board.</p> <p>Additional benefits may also be provided in certain circumstances. This includes the reimbursement of any travel expenses (and associated tax on those expenses).</p> <p>The fees are set at a level that is considered to be appropriate, taking into account the size and complexity of the business and the expected time commitment and contribution of the role.</p> <p>Additional fees may be payable for membership and/or chair of a committee or other additional responsibilities.</p> <p>Non-executive Directors are not entitled to any performance-related pay or pension.</p> <p>Role-appropriate benefits may also be provided in certain circumstances. This includes the reimbursement of any travel expenses (and associated tax on those expenses).</p>	<p>The aggregate fees of the Chairman and Non-executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association (currently £1,500,000 p.a.). The value of benefits (including the reimbursement of travel and other expenses, and associated taxes) provided will be reasonable in the market context and take account of the individual circumstances and requirements of the Company.</p>

Each Non-executive Director, including the Chairman, has a contract of service with the Company. Non-executive Directors will serve for an initial term of three years, subject to election and annual re-election by shareholders, unless otherwise terminated earlier by and at the discretion of either party upon one month's written notice (12 months for the Chairman). The Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Employment conditions elsewhere in the Company

The Committee has responsibility for ensuring effective engagement and alignment with the workforce in relation to remuneration and related policies and practices. When setting the policy for Directors' remuneration, the Committee considers the pay and employment conditions of employees to ensure fairness across the organisation. Although it doesn't consult directly with employees in respect of determining the Directors' Remuneration Policy, it receives general feedback from employees via the HR function as part of the output from the employee engagement survey and receives a report on employment practices elsewhere in the Company. Edward Bonham Carter, as our designated Workforce Engagement Director, regularly attends Ambassador meetings to understand any views and concerns colleagues may have on this matter and is responsible for sharing these with the Committee – more information on this can be found on page 103. In her role as Chair of the Committee, Mary Harris joined Edward at an Ambassador meeting in December 2020 in order to share the Committee's approach to remuneration in the wider context.

The approach to determining the compensation for employees globally follows the same principles as for our Executive Directors. Consideration is given to the level of experience, responsibility, individual performance and remuneration paid for comparable roles within the market. The Committee considers data on pay trends and practices, such as gender pay gap information, and the CEO to worker pay ratio.

The principles that apply to the Executive Directors are used throughout the Company. We offer competitive pay and career opportunities in order to attract the best talent. When determining compensation, local managers consider how the employee's pay compares to the local market alongside other factors, such as experience and sustained performance. Incentive arrangements across the Company are tailored based on the nature of the role. Bonuses operate on a wide basis across the Company and long-term share awards are offered to senior management. Being a great place to work is key to developing our culture. Pay is just one factor used to attract, retain and develop a talented and diverse workforce. More information on ITV's commitment to investing in and building a productive, creative and diverse workforce can be found on pages 50 to 52 and 102 to 108.

Shareholder views

The Committee maintains regular and transparent communication with shareholders. We believe that it is important to regularly meet with our key shareholders to understand their views on our remuneration arrangements and what they would like to see going forward. We welcome feedback from shareholders at any time during the year.

Where we are proposing to make any significant changes to the remuneration framework or the manner in which the framework is operated we would seek major shareholders' views and take these into account. In recent years, the Committee has consulted with major shareholders regarding the operation of the policy on numerous occasions.

Prior to the finalisation of this Policy, the Committee undertook an extensive consultation with major shareholders regarding the key terms. During consultation considerable time was spent explaining the strategic rationale for the proposed structure as well as key terms of the policy. The consultation enabled the Committee to identify and refine plan features that were of particular interest to our major investors, including the detail of how the performance underpin for Restricted Share awards would be operated.

We intend to maintain a dialogue with our shareholders in future years, particularly when the Committee anticipates any substantial change to the remuneration framework.

Annual Report on Remuneration

The sections of the Annual Report on Remuneration that have been audited by KPMG are the Executive Directors' single total figure of remuneration; the Non-executive Directors' remuneration; LTIP awards made in 2020; Outstanding interests in share plans; and Directors' interests.

Remuneration Policy application in 2020

On 23 March 2020, ITV plc announced a number of measures that would cut costs and manage its cash flow in response to the COVID-19 pandemic. As a result the Executive Directors asked the Committee to consider the application of the Remuneration Policy in 2020 and the Committee decided to apply its discretion in the following ways:

- The annual bonus opportunity was cancelled with no annual bonuses payable to Executive Directors in respect of performance in 2020
- All Directors agreed to a voluntary reduction in base salary, cash allowances and fees for the period from 1 April to 31 October 2020, the period during which the Company had furloughed staff. The Company did not utilise the UK government-funded furlough scheme after 31 October 2020

The following section provides details of how the current Remuneration Policy was implemented in 2020.

Executive Directors

The table below sets out in a single figure the total remuneration for both Executive Directors for the financial year.

	Notes	Carolyn McCall		Chris Kennedy ⁵	
		2020 £000	2019 £000	2020 £000	2019 £000
Salary	1	833	923	596	565
Taxable benefits	1	15	17	15	14
Pension	1	125	138	54	51
Bonus (cash and shares)	2	–	1,453	–	816
Share awards	3	129	–	–	–
Transitional arrangements					
Buyout awards	4	–	591	–	799
Total		1,102	3,122	665	2,245
Total (excluding transitional arrangements)		1,102	2,531	665	1,446
Total fixed remuneration		973	1,078	665	630
Total variable remuneration		129	2,044	–	1,615

1. Both Executive Directors voluntarily agreed to take a 20% reduction to their basic salary, car and pension allowance payments from 1 April 2020 to 31 October 2020. Before the reduction, total fixed remuneration for Carolyn McCall would have been £1,102k (a reduction of £128k) and for Chris Kennedy would have been £753k (a reduction of £88k).
2. Bonus payments for 2020 were cancelled.
3. The 2018 LTIP awards were subject to performance conditions measured to 31 December 2020. The amount shown is the indicative vesting value using the average share price in Q4 of 2020 (88.58 pence). The awards will vest in March 2021. Following a two year holding period they will become exercisable from March 2023. These awards were granted at a share price of 145.25 pence.
4. In the 2019 Annual Remuneration Report, the amount shown for the Buyout awards made to Carolyn McCall was the indicative vesting value of an award made in March 2019, that met performance conditions in 2019, and was valued using the average share price in Q4 of 2019 (138 pence). The figure for Carolyn McCall has been adjusted in the table above to show the subsequent value of the shares on the vesting date of 28 March 2020 using the share price on that date (62.38 pence). Following a holding period the shares will become exercisable in December 2021.
5. Chris Kennedy was appointed to the Board on 21 February 2019 and remuneration in 2019 is pro-rated from that date.

The aggregate emoluments for all Directors as required under Schedule 5 (SI 2008/410), is the total remuneration shown in the table above less share awards but including gains on exercise of options and amounts receivable under LTIPs, plus the total emolument figures for Non-executive Directors shown on page 142.

Further information in relation to each of the elements of remuneration for 2020 set out in the table above is detailed below. An explanation for 2019 is set out in detail in our 2019 Annual Report and Accounts, which can be found on our website.

 www.itvplc.com/investors

Salary

As disclosed in last year's report, both Executive Directors received a 2.25% salary increase from 1 January 2020 in line with the wider employee group. For 2020 Carolyn McCall's salary was £943,256 and Chris Kennedy's salary was £674,850.

The figures shown in the table above take into account the Executive Directors' decision to accept a 20% reduction in salary for the period from 1 April 2020 to 31 October 2020.

Taxable benefits and pension

The benefits provided to the Executive Directors include the cost of private medical insurance and car-related benefits.

The Executive Directors were not part of an ITV pension scheme but received a cash allowance in lieu of pension. Carolyn McCall received 15% of base salary. In accordance with the 2018 UK Corporate Governance Code (the Code) the Committee determined that directors joining from 1 January 2019 would receive pension contributions in line with the wider employee group, therefore Chris Kennedy received a cash allowance in lieu of pension of 9% of salary. This is aligned with the maximum matching percentage amount payable to employees in the ITV Defined Contribution Pension Scheme, which is the pension scheme offered to the majority of Group employees. The intention is for Carolyn McCall's pension to be aligned to the wider employee rate from 1 January 2023.

In line with the Executive Directors' decision to accept a reduction in base salary, cash allowances payable in respect of pension and car-related benefits were reduced by 20% for the period 1 April 2020 to 31 October 2020. The figures in the single figure table reflect this deduction.

Bonus (cash and shares)

Annual incentives are provided to Executive Directors through the bonus, with one-third of any award deferred into shares under the Deferred Share Award Plan (DSA). The performance conditions that apply to the bonus are set on an individual basis and are linked to the Company's corporate, financial and strategic priorities.

Early in the 2020 financial year, the Company announced a number of measures to reduce its costs and manage its cash flow in response to the COVID-19 pandemic. In April 2020 it was announced that at the request of the Executive Directors, the Remuneration Committee had determined that the Annual Bonus for the Executive Directors and Management Board would be cancelled and there will be no award payable to them in respect of 2020. Therefore, no bonus payments are shown in the single figure table above.

The original corporate and financial targets for the year were set in January 2020, before the global impact of COVID-19 had become fully apparent. The financial element of the 2020 bonus was initially based on Adjusted EBITA (60%), cash conversion (10%) and cost savings (5%). Threshold payments required Adjusted EBITA of £571m, cash conversion of 72% and cost savings of £17m. Full payment under these elements required Adjusted EBITA of £671m, cash conversion of 80% and cost savings of £25m.

The remainder of the bonus (25%) is normally based upon the Committee's assessment of the contribution each Executive Director made to the overall strategy through the delivery of specific targets. The targets for the year included focus on execution of the strategy and diversification of revenue streams, driving digital transformation, risk management and delivering improvements in diversity and inclusion of the ITV workforce.

The financial targets set at the start of the year were partially met, for further details see pages 24 and 29. As noted in the Strategic Report, progress was made in the continued execution of our strategic goals. However, no bonus was payable due to the cancellation of the 2020 award.

Share awards

The LTIP awards made in 2018 were subject to performance measured to 31 December 2020. The indicative value of these awards is set out below.

	Number of shares awarded	Value at award date £	Number of shares vesting ¹	Value at 31 December 2020 ² £
Carolyn McCall	1,641,997	2,385,000	144,989	£128,431

1. The vesting figures shown in the table above reflect the 8.83% of the total award that met performance conditions on 31 December 2020. The vesting shares will become exercisable after a two year holding period on 28 March 2023.
2. The share price used to value the shares at 31 December 2020 is the average share price for the final quarter of 2020 (88.58 pence). The share price used to calculate the number of shares under award was 145.25 pence (the average of the share prices on the three days before grant – 23, 26, 27 March 2018).

When considering performance outcomes the Committee looks beyond formulaic results to ensure the outcomes align with overall business performance. The outcomes for this award were primarily based on results for 2020 and were therefore heavily impacted by COVID-19. Although the pandemic had a material impact on the financial results for the year, the business has continued to make progress in a number of areas. Performance trends in the latter half of the year were also more positive. Therefore, the formulae were applied without adjustment. Details of the performance achieved for the 2018 LTIP awards are below:

	Weightings	Threshold (20% vesting)	Maximum (100% vesting)	Performance achieved	Payout level (% of maximum)
Adjusted EPS	40%	13p	17p	7.8p	0
Total non-advertising revenues	40%	3% growth pa	6.5% growth pa	(3.5)%	0
Viewing health:					
– ITV Family SOV	10%	21.2%	23.1%	22.22%	8.83
– Online viewing	10%	+200m hours growth	+400m hours growth	179.9m	0

Chairman and Non-executive Directors

The table below sets out in a single figure the total remuneration for Non-executive Directors for the financial year. The figures take into account their decision to take a 20% reduction in their fees for the period from 1 April 2020 to 31 October 2020.

The level of fees paid to Non-executive Directors remains unchanged since 2016, for further details see page 144. Any increase or decrease to fees that have been paid below reflects either a change to committee membership or where a director has not served for a full year.

	Notes	Fees		Taxable benefits ¹		Total	
		2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Peter Bazalgette (Chairman)		398	450	2	3	400	453
Salman Amin		62	70	–	1	62	71
Edward Bonham Carter		84	95	–	1	84	96
Graham Cooke	2	41	–	–	–	41	–
Margaret Ewing		75	85	–	1	75	86
Roger Faxon	3	59	70	1	4	60	74
Mary Harris		80	90	1	4	81	94
Anna Manz		67	76	–	1	67	77
Sharmila Nebhrajani	4	4	–	–	–	4	–
Duncan Painter		62	70	–	1	62	71
		932	1,006	4	16	936	1,022

1. The amounts disclosed in the table above relate to the reimbursement of taxable relevant travel and accommodation expenses (and associated taxes) for attending Board meetings and related business. In addition, Peter Bazalgette receives private healthcare.
2. Graham Cooke joined the Board on 1 May 2020.
3. Roger Faxon stepped down from the Board on 10 December 2020.
4. Sharmila Nebhrajani joined the Board on 10 December 2020.

LTIP awards made in 2020

On 6 April 2020, awards were made under the LTIP to Carolyn McCall and Chris Kennedy, subject to performance over the period to 31 December 2022 as set out below

	% salary awarded	Number of share options (nil cost) ¹	Value at award date	Performance period ends	Holding period	Vesting date	Release date
Carolyn McCall	265	3,575,495	£2,499,628	31 December 2022	2 years	6 April 2023	6 April 2025
Chris Kennedy	225	2,171,954	£1,518,413	31 December 2022	2 years	6 April 2023	6 April 2025

1. Awards were granted based on the average share price on the 30 days preceding the award date which was 69.91 pence. The closing share price on the date of grant was 58.66 pence.

As disclosed last year, in response to feedback from major shareholders a relative TSR measure was introduced as a part of the assessment of overall Group performance in 2020. This will measure performance against FTSE 350 firms who principally derive their revenues in the UK. The remaining performance measures were unchanged.

When setting the performance measures and targets the Committee took into account the strategy, the planned essential investments over the period and internal and external forecasts for future performance. The targets are reflective of legislative and regulatory frameworks at the time of award. Delivery of performance at the top of the range was intended to represent significant outperformance of expectations. It should be noted that these performance targets were agreed before the global impact of COVID-19 was fully understood.

The performance measures and targets for 2020 are:

	KPI	Weightings	Threshold (20% vesting)	Maximum (100% vesting)
Adjusted EPS	see page 24	20%	12.5p	17p
TSR versus a cross sector of UK companies		20%	Median	Upper quartile
Total non-advertising revenues	see page 24	40%	3% growth p.a.	6.5% growth p.a.
Viewing health:				
– ITV Family SOV	see page 26	10%	21.2%	23.5%
– Online viewing	see page 26	10%	+250m hours growth	+500m hours growth

TSR will be assessed against a comparator group of FTSE 350 companies that predominantly operate in the UK (excluding financial services and extractive industries). With the exception of the SOV target, there will be straight-line vesting between the threshold and maximum levels.

The Committee will retain the ability to adjust the targets and definitions for exceptional, one-off events or new business opportunities, which may arise over the course of the performance period, in order to ensure that the plan continues to operate in line with the Committee's original intentions.

As a further safeguard, and in line with the Code, the Committee will continue to have discretion to amend the final vesting level should any formulaic assessment of performance not reflect a balanced view of the business performance during the performance period. When making this judgement the Committee may consider any such factors it deems relevant. The Committee believes that this discretion is an important feature of the plan and mitigates the risk of unwarranted vesting outcomes. This provision applies to all LTIP awards granted from 2019 onwards.

Remuneration Policy application in 2021

Executive Directors

The following section provides details of how the Policy will be implemented in 2021.

Salary

Salaries are paid in line with the Policy. In line with the wider employee group there were no salary increases from 1 January 2021.

	2021 Salary
Carolyn McCall	£943,256
Chris Kennedy	£674,850

Taxable benefits and pension

These are provided in line with the Policy. Both Executive Directors receive private medical cover, car-related benefits, and a cash allowance in lieu of participation in any ITV pension scheme.

Carolyn McCall's pension benefits for 2021 will remain unchanged (15% of salary). Chris Kennedy receives a cash allowance in lieu of pension of 9% of salary.

As advised in last year's report, in 2020 the Company undertook a review of its pension policy for the wider employee base. Following the completion of this review, the Committee has agreed that the contribution rate for Carolyn McCall will be reduced to 9% by 1 January 2023, fully aligning both Executive Directors with the wider employee group.

Bonus (cash and shares)

The maximum bonus opportunity for 2021 remains unchanged: Carolyn McCall – 180% of salary; and Chris Kennedy – 165% of salary. Awards made to Executive Directors through the bonus will be paid two-thirds in cash and one-third deferred into shares under the DSA.

The performance measures and weightings for 2021 bonuses will be broadly similar to previous years with a focus on profit, cashflow, cost savings and delivery of strategic goals. The target ranges for financial measures have been set to reflect planned essential investments and current expectations regarding advertising market performance for 2021. Overall the Committee is satisfied that the target ranges are realistic but highly stretching in this context. The Board considers the actual targets for 2021 to be commercially sensitive at this time, however, we envisage providing retrospective disclosure of these targets in next year's report.

The Committee may adjust bonus targets or outcomes to reflect significant one-off events (e.g. major transactions), foreign exchange movements or material changes to assumed plan conditions to ensure that the plan continues to reward performance fairly.

The Committee may amend the bonus pay-out should any formulaic assessment of performance not reflect overall performance in the year.

Restricted Share awards

As detailed in the Committee Chair's letter and in the proposed Remuneration Policy, the intention is to grant awards of Restricted Shares to Executive Directors in 2021. Subject to shareholder approval of the new policy and the accompanying ITV plc Executive Share Plan, awards would be granted to Executive Directors following the AGM.

The maximum Restricted Share award will be 132.5% of salary for the Chief Executive and 112.5% of salary for the Group CFO. This represents a 50% reduction compared to the previous annual LTIP awards granted under the previous policy.

Awards will normally vest after three years following the date of award subject to the satisfaction of a performance underpin. Any vested awards would then be subject to a two-year holding period.

For 2021 awards, the Remuneration Committee will retain the ability to reduce vesting of the Restricted Shares (including to nil) where:

- Adjusted Return on Capital Employed is below the Company's cost of capital; and/or
- There is a material weakness in the underlying financial health or sustainability of the business.

When assessing the latter, the Committee will take into account all factors deemed relevant at the time, including for example, progress against execution of the strategy, performance against financial and non-financial KPIs and the nature of the wider trading environment. In line with best practice, the Remuneration Committee will retain the discretion to adjust any incentive awards where vesting outcomes are considered to be inappropriate.

Further detail on the assessment of the underpin will be disclosed at the time of vesting.

Malus and clawback: Malus and clawback provisions may be operated at the discretion of the Committee in respect of any cash and deferred share elements of the bonus and Restricted Share awards. Under malus, unvested share awards (including any Restricted Share awards subject to a post-vesting holding period) can be reduced (down to zero if considered appropriate) or be made subject to additional conditions. Clawback allows for repayment of bonuses previously paid and/or shares previously received following vesting or release from a holding period if applicable. Malus/clawback can be operated up to four years following the start of the relevant bonus year for bonuses (for cash and shares), and up to six years from the relevant date of grant for Restricted Share awards. The circumstances in which the operation of these provisions would be applied may be considered from time to time but currently include material misstatement of financial results, gross misconduct or fraud, material reputational damage. The Committee maintains sufficient scope in the ITV plc Executive Share Plan rules to exercise discretion and judgement in line with the spirit of the Code.

Non-executive Directors

There has not been an increase to Non-executive Director fees since 2016. Current fees are as set out below.

	1 January 2021 £	1 January 2020 £	% Change
Chairman	450,000	450,000	–
Board fee	65,054	65,054	–
Additional fees for:			
Senior Independent Director	25,000	25,000	–
Audit and Risk Committee Chair	20,000	20,000	–
Audit and Risk Committee member	5,371	5,371	–
Remuneration Committee Chair	20,000	20,000	–
Remuneration Committee member	5,371	5,371	–

In addition to his fee, Peter Bazalgette received private medical insurance.

Details of Committee membership can be found on page 95.

Comparison of Directors to wider employees

In line with the requirements in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, which implement Articles 9a and 9b of European Directive 2017/828/EC1 (commonly known as the Revised Shareholder Rights Directive or SRD), the table below provides details of the percentage change in the base salary, benefits and bonus of the Directors between 31 December 2019 and 31 December 2020 compared with the average percentage change for other employees.

The absence of a global salary review in 2020 and the announcement that there would be no annual bonus payments in 2020 for the Executive Directors and wider workforce is reflected in the table.

2020	Year-on-year change in pay for Directors compared to wider employees												
	Average employee ³	Executive Directors ¹					Non-executive Directors ²						
		Carolyn McCall	Chris Kennedy	Peter Bazalgette	Salman Amin	Edward Bonham Carter	Graham Cooke ⁴	Margaret Ewing	Roger Faxon ⁵	Mary Harris	Anna Manz	Sharmila Nehbrajani ⁶	Duncan Painter
Salary	4.26%	(9.68)%	(9.68)%	(11.7)%	(11.7)%	(11.7)%	-	(11.7)%	(11.7)%	(11.7)%	(11.7)%	-	(11.1)%
Bonus ⁷	(100)%	(100)%	(100)%	-	-	-	-	-	-	-	-	-	-
Benefits ^{8,9}	5.86%	(9.24)%	(9.24)%	(17.7)%	(81.4)%	(92.0)%	-	(91.8)%	(63.8)%	(84.3)%	(88.3)%	-	(88.3)%

1. Calculated using the data from the single figure table on page 140. Benefits include the cost of medical insurance and car-related benefits.
2. Calculated using the fees and taxable benefits disclosed under the Non-executive Directors' remuneration in the table on page 142. Taxable benefits for Non-executive Directors comprise expense reimbursements relating to attendance at Board meetings. In addition, Peter Bazalgette received private healthcare.
3. The Executive Directors are the only employees of the parent company, and therefore there is no comparator data for this sample. In the interests of transparency, the percentage change in pay for all UK employees has been disclosed on a voluntary basis. As the majority of employees are based in the UK and share the same benefits as the Executive Directors, overseas employees have not been included.
4. Graham Cooke joined the Board in May 2020.
5. Roger Faxon stood down from the Board on 10 December 2020, for comparator reasons his figures have been rounded up for the full year.
6. Sharmila Nehbrajani joined the Board in December 2020.
7. There were no bonuses paid for 2020. A one-off thank you payment of £750 was made to eligible employees for their contribution in 2020. As this was not a payment made under the Annual Bonus Scheme this has not been included in the table above.
8. The percentage change in benefits is the average change for all UK employees (excluding the Chief Executive and Group CFO) with any of the same benefits as the Chief Executive and Group CFO.
9. The taxable benefits for Non-executive Directors relate to relevant travel and accommodation expenses for attending Board meetings and related business, rather than conventional employee benefits. The reductions seen in the year are primarily due to the majority of meetings being held on a virtual basis during 2020.

CEO pay ratio

Year	Methodology	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	31:1	23:1	17:1
2019	Option A	89:1	66:1	49:1

The employee at the 25th percentile, median and 75th percentile was determined based on the single figure of total remuneration for every UK employee, Option A in the Reporting Regulations.

We have changed our calculation methodology from Option B, which was used to calculate the pay ratios in the 2019 Remuneration Report based on ITV's most recent gender pay gap information, to Option A, as this is the most statistically accurate approach and is in line with the majority of other FTSE companies. It is our intention to continue to use the Option A methodology for future pay ratio disclosures.

As a result, our 2019 ratios have been recalculated using the Option A methodology and also the final actual 2019 remuneration values for the CEO and all other employees. Our 2020 pay ratios are based on the current CEO single figure and the indicative value of share awards that were subject to performance measured to 31st December, based on the average share price over the final quarter of the year. The 2020 ratios will be restated in the 2021 Remuneration Report to reflect the updated CEO single figure and the actual value of shares on the vesting date.

The total remuneration of each comparator employee has been calculated using the actual values received in respect of the full financial year and in accordance with the methodology used to calculate the single figure of remuneration for the CEO. We have not omitted any component from their pay and benefits and the only adjustment has been to gross up the actual remuneration for any comparator employees who were part-time or had taken family leave to the normal full-time equivalent values.

The full-time equivalent remuneration values for the individuals in the table above are as follows:

2020

	CEO	25th percentile	Median	75th percentile
Salary	£833,290	£32,307	£45,909	£58,628
Total remuneration	£1,103,426	£35,199	£47,184	£63,788

Updated for 2019

	CEO	25th percentile	Median	75th percentile
Salary	£922,500	£32,018	£37,915	£54,987
Total remuneration	£3,122,011	£35,010	£47,270	£63,715

The median pay ratio for 2020 is considered to be consistent with the pay, reward and progression policies during the year for the Company's UK employees taken as a whole. The total remuneration values for the comparator employees remain consistent year-on-year. There was no Company-wide annual pay increase in January 2021, but we remain committed to ensuring colleagues earn at least the real Living Wage or greater, and we implemented the increased rates that were announced by the Living Wage Foundation in November 2020. In January 2021, all eligible UK and international colleagues with a base salary below £100,000 received a one-off payment of £750 as a thank you for their contribution during 2020, with currency equivalent values applied outside of the UK.

The reduction in our 2020 pay ratios, compared to 2019, is attributable to the change in remuneration of the CEO as a result of the pandemic, and the actions we took in relation to remuneration arrangements. A significant proportion of the remuneration for the CEO is performance related and the level of actual performance outcomes has a corresponding effect on the CEO pay ratios. With the cancellation of the 2020 annual bonus and the modest vesting level of the 2018 LTIP award, as well as the voluntary reduction in base salary and cash allowances during 2020, the total remuneration figure for the CEO is considerably lower than in 2019, and the pay ratios have reduced accordingly.

Other Disclosures

Payments to past Directors

There were no payments made to past Directors in 2020. Ian Griffiths retains an interest in the 2018 LTIP grant with awards subject to pro-rating and performance. The performance assessment for this award is as detailed above for Carolyn McCall.

Directors' share interests and post-cessation shareholding

The Committee continues to recognise the importance of Directors being shareholders so as to align their interests with other shareholders.

Shareholding guidelines are in place, which encourage Executive Directors to build up a holding of ITV plc shares based on a percentage of base salary. The guideline is 400% of salary for the Chief Executive and 225% of salary for the Group CFO. Normally, 50% of the requirement must be obtained within three years of appointment and the remainder within five years.

Shares counted towards satisfaction of the requirement include all beneficially-owned shares. When assessing the level of interest in ITV shares, awards that are not subject to performance conditions (including vested LTIP awards subject to a holding period only, Deferred Share Awards and Restricted Share Awards subject to an underpin only), may be considered on a net-of-tax basis.

Where the value of shares required to be held increases as a result of a salary increase (or an increase in the relevant percentage), the Executive Directors will have three years from such increase to achieve compliance. The Committee may change the guidelines so long as they are not, overall, in the view of the Committee, less onerous.

Non-executive Directors are required to build and then maintain a holding of 100% of their base fee over the six years from the date of appointment to the Board (unless for some reason they are unable to retain their fees).

Interests in share awards following departure enable departing Executive Directors to remain aligned with the interest of shareholders for an extended period after leaving the Company. Deferred Share Awards, legacy LTIP awards and proposed Restricted Share awards will normally vest (and be released from their holding periods) at the normal time. This means that Executive Directors may retain a significant interest in shares for up to five years following departure from the Company.

Executive Directors will normally be required to retain an interest equivalent to twice their Restricted Shares grant level (or the actual holding on departure if lower) for two years following departure. This requirement will apply to shares acquired from the Company's standard incentive plans. The Committee will be formalising the implementation processes in place in order to enforce our post-employment shareholding later in the year.

The figures set out below represent shareholdings in the ordinary share capital of ITV plc beneficially owned by Directors and their family interests at 31 December 2020. To show alignment with the shareholding guidelines the net number of unvested share awards not subject to performance conditions are included for the Executive Directors. The Committee continues to keep both the shareholding guidelines and actual Director shareholdings under review and will take appropriate action should they feel it necessary.

	Notes	Interests in shares			Unconditional shares held at 31 December 2019	% required under shareholding guidelines
		Unconditional shares held at 31 December 2020 ¹	Restricted shares held at 31 December 2020 ²	% shareholding guidelines met ³		
Executive Directors						
Carolyn McCall	4	254,962	1,144,562	48	254,962	400
Chris Kennedy	5	87,831	385,315	33	87,831	225
Non-executive Directors						
Salman Amin		50,674	–	100	50,674	100
Peter Bazalgette		357,245	–	100	357,245	100
Edward Bonham Carter	6	50,000	–	82	–	100
Graham Cooke	7	–	–	–	–	100
Margaret Ewing	8	37,700	–	78	22,700	100
Mary Harris		59,815	–	100	41,442	100
Anna Manz	9	33,565	–	95	33,565	100
Sharmila Nebhrajani	10	–	–	–	–	100
Duncan Painter	11	–	–	–	–	100

1. Shares beneficially held by Directors and family interests.

2. Unvested restricted share awards (under the DSA or Buyout arrangements) not subject to performance conditions, accounted for on a net of tax basis.

3. In order to reflect economic exposure, shareholding guidelines are assessed on the greater of the share price on 31 December 2020 (106.8 pence) and the value at acquisition/grant.

4. Carolyn McCall was appointed to the Board on 8 January 2018 and has until 2023 to meet her shareholding guidelines. Following the vesting of the 2018 LTIP on 28 March 2021, she is expected to have a shareholding equivalent to 52% of salary.

5. Chris Kennedy was appointed to the Board on 21 February 2019 and has until 2024 to meet his shareholding guidelines.

6. Edward Bonham Carter was appointed to the Board on 11 October 2018 and has until 2024 to meet his shareholding guidelines.

7. Graham Cooke was appointed to the Board on 1 May 2020 and has until 2026 to meet his shareholding guidelines.

8. Margaret Ewing was appointed to the Board on 31 October 2017 and has until 2023 to meet her shareholding guidelines.

9. Anna Manz was appointed to the Board on 1 February 2016 and has until 2022 to meet her shareholding guidelines.

10. Sharmila Nebhrajani was appointed to the Board on 10 December 2020 and has until 2026 to meet her shareholding guidelines.

11. Duncan Painter was appointed to the Board on 1 May 2018 and has until 2024 to meet his shareholding guidelines.

Outstanding interests under share plans

The following tables provide details of the Executive Directors' interests in outstanding share awards.

	Notes	At 1 January 2020	Awarded in year	Vested in year	Exercised in year	Lapsed in year	At 31 December 2020	Share price used for award (pence)	Share option price (pence)	Share price at date of vesting (pence)	Vesting date	Holding period ends
Carolyn McCall												
Buyout awards												
28 March 2018	1	209,049	-	-	-	-	209,049	145.25	-	-	28 March 2021	
28 March 2019	2	1,520,249	-	947,876	-	572,373	947,876	169.60	-	-		19 Dec 2021
LTIP												
28 March 2018	3	1,641,997	-	-	-	-	1,641,997	145.25	-	-	28 March 2021	
28 March 2019	3	1,934,498	-	-	-	-	1,934,498	126.37	-	-	28 March 2022	
6 April 2020	3, 4	-	3,575,495	-	-	-	3,575,495	69.91	-	-	6 April 2023	
DSA												
28 March 2019		309,860	-	-	-	-	309,860	126.37	-	-	28 March 2022	
6 April 2020	5	-	692,767	-	-	-	692,767	69.91	-	-	6 April 2023	
Chris Kennedy												
Buyout awards												
28 March 2019	6	166,179	-	-	-	-	166,179	126.37	-	-	28 March 2021	
28 March 2019	6	24,532	-	-	-	-	24,532	126.37	-	-	2 September 2021	
28 March 2019	6	147,187	-	-	-	-	147,187	126.37	-	-	2 September 2021	
LTIP												
28 March 2019	3	1,175,121	-	-	-	-	1,175,121	126.37	-	-	28 March 2022	
6 April 2020	3, 4	-	2,171,954	-	-	-	2,171,954	69.91	-	-	6 April 2023	
DSA												
6 April 2020	5	-	389,111	-	-	-	389,111	69.91	-	-	6 April 2023	
SAYE												
2 Sept 2019		20,578	-	-	-	20,578	-	109.33	87.47	-	1 November 2022	
7 April 2020		-	24,426	-	-	-	24,426	92.11	73.69	-	1 June 2022	

- The buyout awards made in 2018 relate to the 2016/17 easyJet bonus – one-third deferred into shares for three years (209,049 ITV shares). The value reflects award forfeited under previous easyJet incentive arrangements and will vest and release over the same time horizons as the award that was forfeited.
- The buyout award made in 2019 relates to 2016 easyJet long-term incentive based on performance to September 2019. This award was made subject to ITV performance to 31 December 2019. This award vested at 62.35% and the vesting shares are subject to a holding period releasing in December 2021.
- The 2018 LTIP performance conditions were met in December 2020. 8.83% of the award will vest in March 2021 and become exercisable after a two year holding period in March 2023.
- The face value of awards granted in 2020 under the LTIP to Carolyn McCall was £2,499,628 and Chris Kennedy was £1,518,143.
- DSA awards made in 2020 for 2019 performance. There are no performance conditions attaching to the DSA.
- Buyout awards made in 2019 to replace those forfeited by Chris Kennedy on joining ITV.

Performance conditions that apply to the unvested awards under the LTIP are summarised in the table below. Full details for the 2019 award were provided in the 2019 Remuneration Report. For awards made in 2020 see page 143.

	2018				2019		2020		
	Weighting	Threshold vesting	Threshold	Maximum	Threshold	Maximum	Weighting	Threshold	Maximum
Adjusted EPS	40%	20%	13p	17p	12.5p	17p	20%	12.5p	17p
Annual non-NAR growth	40%	20%	3%	6.5%	3%	6.5%	40%	3%	6.5%
ITV Family SOV	10%	20%	21.2%	23.1%	21.2%	23.2%	10%	21.2%	23.5%
Online viewing, hours of VOD consumption growth	10%	20%	200m	400m	200m	450m	10%	250m	500m
TSR v. cross sector of UK companies							20%	Median	Upper quartile

External directorships

With specific approval of the Board, Executive Directors may undertake one external appointment as a non-executive director of another publicly quoted company and retain any related fees paid to them.

During the year, the Executive Directors retained fees for the directorships set out below.

	Company	2020 £000
Carolyn McCall ¹	Burberry Group plc	85
Chris Kennedy	Whitbread plc	78

1. Carolyn McCall was appointed Senior Independent Director on 15 July 2020. In line with other Directors she waived 20% of her base fee for the period 1 April to 30 June 2020.

The Committee is satisfied that these commitments do not compromise their duties as Executive Directors of ITV plc.

Service contracts

The Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Executive Directors: Executive Directors have rolling service contracts that provide for 12 months' notice on either side. There are no special provisions that apply in the event of a change of control.

	Date of appointment	Nature of contract	Notice period from Company	Notice period from Director	Compensation for early termination
Carolyn McCall	8 January 2018	Rolling	12 months	12 months	None
Chris Kennedy	21 February 2019	Rolling	12 months	12 months	None

Non-executive Directors: Each Non-executive Director, including the Chairman, has a contract of service with the Company. Non-executive Directors will serve for an initial term of three years, subject to election and then annual re-election by shareholders, unless otherwise terminated earlier by and at the discretion of either party upon one month's written notice (12 months for the current Chairman). After the initial three year term, reappointment is on an annual basis.

All Non-executive Directors are subject to re-election at the AGM in 2021. Details of tenure are set out in the table on page 95.

Committee membership and advisers

The Directors who were members of the Committee when matters relating to the Executive Directors' remuneration for the year were considered are set out on page 131.

The Committee obtains advice from various sources in order to ensure it makes informed decisions. The Executive Directors are invited to attend Committee meetings as appropriate. No individual is involved in decisions relating to their own remuneration.

The Group HR Director is the main internal adviser and provides updates on remuneration, employee relations and human resource issues.

Deloitte LLP was appointed by the Committee as the independent adviser on remuneration policy and the external remuneration environment from September 2017 following a review of other advisers in the market place. Total fees for advice provided to the Committee during the year amounted to £127k on a time/material basis (exclusive of VAT and expenses). The Committee has formally reviewed the work undertaken by Deloitte and is satisfied that the advice it has received has been objective and independent. Deloitte are members of the Remuneration Consultants Group and abide by its Code of Conduct.

The wider UK Deloitte firm provided ITV with a number of other services during the year relating to risk and internal audit, tax, financial advice and consultancy. The members of executive remuneration consulting team are not incentivised to cross-sell non-related services to ITV.

The Committee is satisfied that the Deloitte LLP engagement partner and advisory team that provide remuneration advice to the Committee, do not have any connections with the Company or individual directors that may impair their independence.

Relative importance of spend on pay

The table below shows pay for all employees compared with other key financial indicators.

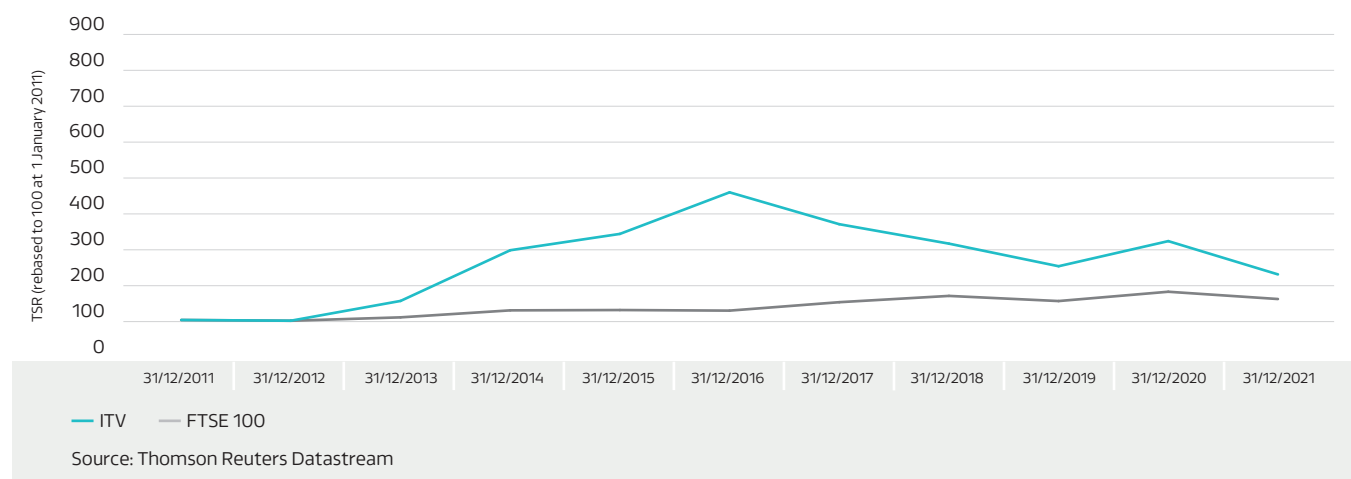
	2020 £m	2019 £m	% Change
Employee pay ¹	473	491	(3.66)
Ordinary dividend	0	320	(100)
Employee headcount ²	6,273	6,416	(2.23)

- 1. Employee pay is the total remuneration paid to all employees across ITV on a full-time equivalent basis. More detail is set out in note 2.1 of the Financial Statements.
- 2. Employee headcount is the monthly average number of employees across ITV on a full-time equivalent basis. More detail is set out in note 2.1 of the Financial Statements.

There were no share buybacks during either year.

Historical performance

The graph below shows the TSR performance of the Company against the FTSE 100 index over the ten year period to 31 December 2019. The FTSE 100 was chosen as ITV has been a member of the FTSE 100 during the ten year period.



Chief Executive remuneration

The table below provides a summary of the total remuneration received by the Chief Executive over the last ten years, including details of the annual bonus payout and long-term incentive award vesting level in each year.

		Total remuneration £000	Bonus % of maximum	Long-term incentive award vesting % of maximum
2020	Carolyn McCall	1,103	–	8.83
2019	Carolyn McCall	3,122	87.5	62.35
2018	Carolyn McCall	3,695	73.6	–
2017	Peter Bazalgette (for the six month period served as Executive Chairman)	225	–	–
	Adam Crozier (for the six month period served)	2,050	97.9	63
2016	Adam Crozier	3,632	40	80
2015	Adam Crozier	3,881	96	75
2014	Adam Crozier	4,842	94	75
2013	Adam Crozier	8,399	93	87
2012	Adam Crozier	2,915	91	12
2011	Adam Crozier	2,158	88	–
2010	Adam Crozier (for the eight month period served)	1,350	95	–
	John Cresswell (for the four month period served) – interim Chief Executive	661	83	–

The long-term incentive award vesting percentage relates to the proportion of the award that met performance conditions in the relevant financial year. For 2020 there was no bonus payment.

Shareholder voting

Votes cast by proxy and at the meeting by poll in respect of the Executive Directors' remuneration were as follows:

Resolution	Number of shares	Voting for %	Number of shares	Voting against %	Total votes cast	Votes withheld
Annual Report on Remuneration (2020 AGM)	2,910,001,914	92.48	236,735,826	7.52	3,146,737,740	977,125
Remuneration Policy (2020 AGM)	3,044,060,745	96.74	102,655,697	3.26	3,146,716,442	998,423

This Remuneration Report was approved by the Board on 9 March 2021 and signed on its behalf by -

Mary Harris

Chair, Remuneration Committee

9 March 2021

Directors' Report

The Directors present their Annual Report and the audited consolidated and parent company financial statements for the year ended 31 December 2020. The Directors' Report comprises this report and the entire Governance section including the Chairman's Governance Statement. In accordance with the Financial Conduct Authority's Listing Rules, the information to be included in the 2020 Annual Report and Accounts, where applicable, under LR 9.8.4, is set out in this Directors' Report. Other information that is relevant to this report, and which is incorporated by reference, can be located as follows:

Information	Page number
Carbon and greenhouse gas emissions	See page 47
Corporate Governance Report	See pages 88 to 110
Culture	See pages 105 to 108
Directors' service contracts	See page 149
Employee engagement and involvement	See pages 102 to 105
Employee equality, diversity, reward and inclusion	See pages 50 to 52
Future developments of the business of the Group	See pages 20 to 23
Membership of the Board during the 2020 financial year	See page 95
Research and development	See pages 28 to 41
Stakeholder engagement and Company's business relationships	See pages 97 to 105

Corporate

Articles of Association: The Articles of Association may only be amended by special resolution of the shareholders. The current Articles are available on our website. A resolution to amend the Articles will be proposed at the forthcoming AGM.

 www.itvplc.com/investors/governance

Auditor: The external auditor for the 2020 financial year was KPMG LLP. The Independent Auditors' Report starting on page 158 sets out the information contained in the Annual Report which has been audited by the external auditor.

In 2019 the Audit and Risk Committee undertook an external audit tender and PricewaterhouseCoopers LLP was proposed as the external auditor, with its appointment to take effect from, and including, the 2021 financial year. Accordingly, a resolution to appoint PricewaterhouseCoopers LLP as external auditor to the Company from 2021 will be proposed at the forthcoming AGM.

Change of control: No person holds securities in the Company carrying special rights with regard to control of the Company. All of the Company's share schemes contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions and proration for time where appropriate.

Certain of the Group's debt and derivative instruments have change of control clauses whereby the counterparty can require ITV to repay or redeem the instruments in the event of a change of control (although in some cases only if it is accompanied by a credit rating downgrade to sub investment grade). The Company is not aware of any other significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company.

Other agreements: The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment resulting from change of control following a takeover bid.

Dividends: The Board is not proposing payment of a final dividend for the year ended 31 December 2020. For more information please refer to page 58.

Political contributions: It is the Company's policy not to make cash contributions to any political party. However, within the normal activities of the Company's national and regional news-gathering operations, there may be occasions when an activity might fall within the broader definition of 'political expenditure' contained within the Companies Act 2006. Shareholder authority for such expenditure was given at the 2020 AGM. During 2020 there were no payments made by the Group falling within this definition (2019: nil). The Directors will seek to renew this authority at the 2021 AGM.

Branches: Branches of the Group outside the United Kingdom are indicated in the Subsidiary undertakings and investments section on pages 241 to 245.

Directors

Appointments: A table showing Directors who served in the year and to the date of this report can be found on page 95. Biographies for Directors currently in office can be found on pages 90 and 91 and on our website.

 www.itvplc.com/about/board-of-directors

The Directors may from time to time appoint one or more Directors. Any such Director shall hold office only until the next AGM and shall then be eligible for appointment by the Company's shareholders in accordance with the Corporate Governance Code. Subject to annual shareholder approval, Non-executive Directors are appointed for an initial three year period and annually thereafter. Each Director will retire and submit themselves for election or re-election at the forthcoming AGM.

Conflicts of interest: The Board has delegated the authorisation of any conflicts to the Nominations Committee and has adopted a Conflicts of Interest Policy. The Board has considered in detail the current external appointments of the Directors that may give rise to a situational conflict and has authorised potential conflicts where appropriate. This authorisation can be reviewed at any time but will always be subject to annual review.

Powers including in relation to issuing or buying back shares: Subject to applicable law and the Company's Articles of Association, the Directors may exercise all powers of the Company, including the power to authorise the issue and/or market purchase of the Company's shares (subject to an appropriate authority being given to the Directors by shareholders in a general meeting and any conditions attaching to such authority). The Articles and a schedule of Matters Reserved for the Board can be found on our website (below).

At the 2020 AGM, the Directors were given the following authority:

- to allot a maximum of 1.34 billion shares, representing approximately one-third of the Company's issued share capital, extending to 2.68 billion if used for a rights issue;
- to allot a maximum of 402.5 million shares, without first offering them to existing shareholders in proportion to their holdings, representing approximately 10% of the Company's issued share capital; and
- to purchase in the market a maximum of 402.5 million shares, representing up to approximately 10% of the Company's issued share capital.

No shares were allotted or bought back under these authorities during the 2020 financial year and up to the date of this report. These standard authorities will expire on 24 July 2021 or at the conclusion of the 2021 AGM, whichever is earlier. The Directors will seek to renew the authorities at the AGM in 2021.

Insurance and indemnities: The Company maintains liability insurance for its Directors and officers that is renewed on an annual basis. The Company has also entered into deeds of indemnity with its Directors and certain directors of associated companies. A copy of the indemnity can be found on our website. The indemnity, which constitutes a qualifying third party indemnity as defined in Section 234 of the Companies Act 2006, was in force during the 2020 financial year.

 www.itvplc.com/investors/governance

Disclosures

Listing Rule 9.8.4 disclosures: There are no disclosures to be made under Listing Rule 9.8.4, other than that the trustee of the Employees' Benefit Trust (EBT) waived its rights to receive dividends on shares it holds which do not relate to restricted shares held under the ITV Deferred Share Award Plan.

Financial risk management: The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including in relation to its business model, future performance, solvency and liquidity. Details of our principal risks and associated mitigations, together with details of our approach to risk management, are set out on pages 72 to 85. Note 4.3 to the financial statements on page 218 gives details of the Group's financial risk management policies and related exposures. Note 4.3 incorporated by reference and deemed to form part of this report.

Going concern: The going concern statement is set out on page 173. The statement is incorporated by reference and deemed to form part of this report.

Subsequent events: On 3 March 2021, the UK Government announced a change in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The rate change has not yet been enacted into law and therefore is not reflected in the deferred tax assets or liabilities as at 31 December 2020. The impact on deferred tax assets and liabilities is not expected to be material.

Data: As a part of our business activity, ITV processes large amounts of personal data. ITV recognises that to enable this use of personal data to transform our business and to meet the expectations of our viewers, advertisers and colleagues, it is critical that we continue to build on our approach to applying privacy in a lawful and ethical way. A programme of work to support this has been led by our Global Data Protection Officer. The work includes making improvements to our data governance framework and delivering our data privacy function to protect rights, engender trust and make data available for commercial purposes. ITV has a number of policies, procedures and tools in place to support this, including our Privacy and Data Protection Policy and an Information Security Policy that governs the processing and security of data. Compliance with these policies is mandatory and forms part of the Code of Conduct. All colleagues undergo regular training to remind them of their responsibilities under these policies. Privacy and data protection is kept under review by the Audit and Risk Committee.

Pensions

The Company operates a number of pension arrangements which provide retirement and death benefits for colleagues.

ITV Pension Scheme (the Scheme): The Scheme is predominantly a defined benefit (DB) scheme, which is closed to future accrual, but also includes a small defined contribution (DC) section closed to future contributions.

ITV Pension Scheme Limited (a wholly owned subsidiary of ITV plc) is a corporate trustee and manages the Scheme under a trust which is separate from the Company. Members of the trustee board are formally appointed as directors of ITV Pension Scheme Limited. There are six directors including the Chair — four appointed by the Company and two nominated by the members. The Company-appointed trustee directors include the Chair and two professional independent trustees.

Currently, the trustee has two committees: Investment and Corporate Affairs. The Corporate Affairs Committee is convened as and when appropriate for dealing with any corporate activities that may arise. The trustee board and each committee hold regular meetings throughout the year at which key issues and more routine business matters are dealt with. A budget is agreed each year. The trustee board manages risk through its meeting agendas and has a conflicts of interest policy and a register of interests policy, which are reviewed regularly. It is the responsibility of the trustee to have in place appropriate training for its directors and effective committee structures. The trustee directors receive regular training throughout the year and also have the support of various professional advisers. The Group pensions department helps identify training opportunities. Training is delivered both by attendance at external courses and with targeted training to support specific agenda items at the start of the relevant trustee board meeting. Where appropriate, longer training sessions are organised. Comprehensive records are kept of all training completed by each trustee director. The trustee board completes regular assessments of its advisers.

The Chair confirms in an annual statement that the trustee meets its legal duties in relation to the DC section as required under the Pensions Regulator's Code of Practice 13.

Full valuations are carried out every three years. The latest completed actuarial valuation of the main DB scheme was carried out as at 1 January 2017. Discussions are in progress relating to the latest actuarial valuation due as at 1 January 2020 and it is expected that the process will be completed by 31 March 2021.

ITV Defined Contribution Plan (the Plan): The trust based Plan was established to accept contributions from 1 March 2017 for ex-DB members and DC members who transferred from the Scheme. Eligible fixed term and permanent employees are invited to join the Plan after completing the required time in the Company's auto-enrolment (AE) arrangement – the AE Section of the Plan, which was set up on 1 April 2020. These individuals are given the opportunity to transfer funds from the AE plan and make backdated contributions within permitted levels.

ITV DC Trustee Limited (a wholly owned subsidiary of ITV plc) is a corporate trustee and manages the DC assets, which are held under trust separately from the Company. Members of the trustee board are formally appointed as directors of ITV DC Trustee Limited. There are five directors including the Chair — three appointed by the Company and two nominated by the members. There is currently a vacancy that will be filled by 30 June 2021. It is the responsibility of the trustee to have in place appropriate training for its directors. The governance framework for managing the Plan and developing the board is in line with that in place for the ITV Pension Scheme.

The Chair confirms in an annual statement that the trustee meets its legal duties in relation to the DC Plan as required under the Pensions Regulator's Code of Practice 13.

Ulster Television Pension and Assurance Scheme (the UTV Scheme): The UTV Scheme provides DB benefits. It closed to new members in 2002 and closed to future accrual with effect from 31 March 2019.

UTV Pension Scheme Limited (a wholly owned subsidiary of ITV plc) is a corporate trustee and manages the DB assets, which are held under trust separately from the Company. Members of the trustee board are formally appointed as directors of UTV Pension Scheme Limited. There are five directors including the Chair — three appointed by the Company (including a professional trustee as chairman) and two nominated by the members. It is the responsibility of the trustee to have in place appropriate training for its directors. The governance framework for managing the UTV Scheme and developing the board is in line with that in place for the Scheme.

Full valuations are carried out every three years. The latest completed actuarial valuation was carried out as at 1 July 2017. Discussions are in progress relating to the latest actuarial valuation due as at 1 July 2020 and it is expected that the process will be completed by 30 September 2021. The trustee board has adopted the Pensions Regulator's integrated risk management framework taking a holistic approach and looking at how risks around the employer covenant, funding and investment strategy are all linked and inter-dependent. A cashflow driven investment strategy was introduced from March 2018.

The People's Pension: Since 2013, employers within the Group have been required to enrol all eligible individuals into a pension scheme automatically (auto-enrolment). This applies to all eligible individuals who are contracted to work for us, regardless of their contract type or tax status (i.e. it applies to workers and not simply employees). For freelancers and employees not eligible to join the DC Plan the auto-enrolment plan is provided by a company called The People's Pension under a master trust which is run by an independent board of trustee directors and eligible individuals are enrolled into this arrangement.

Pension Scheme indemnities: Qualifying pension scheme indemnity provisions, as defined in Section 235 of the Companies Act 2006, were in force for the 2020 financial year and remain in force for the benefit of each of the directors of ITV Pension Scheme Limited, ITV DC Trustee Limited and UTV Pension Scheme Limited. These indemnity provisions cover, to the extent permitted by law, certain losses or liabilities incurred as a director or officer of ITV Pension Scheme Limited, ITV DC Trustee Limited and UTV Pension Scheme Limited.

Shares

Issued share capital: At the date of this report, there were 4,025,409,194 ordinary shares of 10 pence each in issue, all of which are fully paid up and quoted on the London Stock Exchange.

Rights: The rights attaching to the Company's ordinary shares are set out in the Articles of Association.

Restrictions: There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those which may be imposed by law from time to time. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights. With regard to the deadline for exercising voting rights, votes are exercisable at a general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy or, in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. However, when calculating the 48-hour period, the directors can, and have, decided not to take account of any part of a day that is not a working day. In accordance with the Disclosure Guidance and Transparency Rules (DTRs), Persons Discharging Managerial Responsibility are required to seek approval to deal in ITV shares. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

Share schemes: Details of employee share schemes are set out in note 4.8 of the Financial Statements. The Company has an Employees' Benefit Trust (EBT) funded by loans to acquire shares for the potential benefit of employees. Details of shares held by the EBT as at 31 December 2020 are set out in note 4.8. During the year, shares have been released from the EBT in respect of share schemes for employees. The trustee of the EBT has the power to exercise all voting rights in relation to any investment (including ordinary shares) held within the EBT.

Substantial shareholders: Information regarding interests in voting rights provided to the Company pursuant to the DTRs is published on a Regulatory Information Service and on the Company's website.

As at 9 March 2021, the information in the table below had been received, in accordance with DTR5, from holders of notifiable interests (voting rights) in the Company's issued share capital. However these holdings are likely to have changed since notified to the Company; notification of any change is not required until the next applicable threshold is crossed.

The number of shares is based on announcements made by each relevant shareholder using the Company's issued share capital at that date.

	% of interest in shares	Nature of interest in shares	Total number of shares as notified
Liberty Global Incorporated Limited	9.90	Indirect	398,515,510
Ameriprise Financial, Inc and its group	5.08	Indirect	204,366,654

Statement of Directors' Responsibilities

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Each of the Directors, whose name and function are listed on pages 90 and 91, confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

In accordance with Section 418 of the Companies Act 2006, the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Board has conducted a review of the effectiveness of the Group's systems of internal controls, including financial, operational and compliance controls, for the year ended 31 December 2020. In the opinion of the Board, the Company has complied with the internal control requirements of the UK Corporate Governance Code throughout the year, maintaining an ongoing process for identifying, evaluating and minimising risk.

The Directors are responsible for preparing the Annual Report and Accounts and the Group and parent Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law. In addition, the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU"). They have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable, relevant, reliable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU")
- For the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Chris Kennedy

Group CFO

9 March 2021

ITV plc

Registered Number: 4967001

Financial Statements

In this section



The financial statements have been presented in a style that attempts to make them less complex and more relevant to shareholders and other stakeholders. We have grouped the note disclosures into five sections: 'Basis of Preparation', 'Results for the Year', 'Operating Assets and Liabilities', 'Capital Structure and Financing Costs' and 'Other Notes'. Each section sets out the accounting policies applied in producing the relevant notes, along with details of any key judgements and estimates used. The purpose of this format is to provide readers with a clearer understanding of what drives financial performance of the Group. The aim of the text in boxes is to provide commentary on each section, or note, in plain English.

Keeping it simple



Notes to the financial statements provide information required by statute, accounting standards or Listing Rules to explain a particular feature of the financial statements. The notes are a part of the financial statements and will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the Annual Report and the financial statements.

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Independent Auditor's Report to the members of ITV plc

1 Our opinion is unmodified

We have audited the financial statements of ITV plc ("the Company") for the year ended 31 December 2020 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company balance sheet, company statement of changes in equity, and the related notes, including the accounting policies throughout the financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were first appointed as auditor by the directors in December 2003 prior to the Company becoming the parent company of the now ITV Group on 2 February 2004. The period of total uninterrupted engagement is for the 17 financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Going concern: Risk vs 2019: New

Refer to page 118 (Audit and Risk Committee report), pages 173 and 174 (accounting policy) and pages 173 and 174 (financial disclosures)


The risk	Our response
<p>Disclosure quality</p> <p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company.</p> <p>That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.</p> <p>The risks most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were:</p> <ul style="list-style-type: none"> • A prolonged downturn in the television advertising market; • Cancellation or inability to re-commission a number of key formats, alongside a lack of growth in the new formats in the Studios business; • Significant increase in the Group's pension funding obligations; • Significantly larger than estimated cash settlements for ongoing litigations and earnout payments. 	<p>We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively.</p> <p>Our procedures also included:</p> <ul style="list-style-type: none"> • Funding assessment: assessment of the financing arrangements currently in place and the actions taken by the Group, including covenant waivers, and headroom in existing facilities; • Historical comparisons: assessment of the directors' track record of forecasts vs actual cashflows by analysing actual results for the past five years against forecasts for those periods; • Key dependency assessment: identification of critical factors in determining whether there is a risk of failure with reference to our knowledge of the business and the audit work performed on the areas such as revenue, earnout liabilities, pensions, litigation and principal risks. We used our knowledge of inter-dependencies in our assessment of the severe but plausible downside.

The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the Group's ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.

- **Sensitivity analysis:** considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of plausible (but not unrealistic) adverse effects that could arise from these risks individually and collectively;
- **Benchmarking assumptions:** critically assessing the key assumptions in the base and downside scenarios in relation to specific risks with reference to market trends (for advertising, as well as scripted and non-scripted Studios productions), third-party economic forecasts and ITV's performance in period, assessment of secured bookings underpinning revenue forecasts, and our findings in relation to the work performed on other areas of the audit such as pensions, earnout liabilities and litigations.
- **Evaluating directors' intent:** evaluating the achievability of the actions the directors consider they would take to improve the position should the risks materialise, which included: reducing the programming budget, capital and investment expenditure; suspending payment of discretionary bonuses; and further reductions in operational and overhead costs, taking into account the extent to which the directors can control the timing and outcome of these.
- **Assessing transparency:** considering whether the going concern disclosure in Section 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

Our results:

We found the going concern disclosure indicating no material uncertainty to be acceptable (2019 result: acceptable).

Total Advertising Revenue: £1,577 million (2019: £1,768 million) Risk vs 2019: , Refer to page 120 (Audit and Risk Committee report), pages 177 and 178 (accounting policy) and pages 178 to 180 (financial disclosures)

The risk	Our response
<p>Accounting treatment</p> <p>The majority of the Group's advertising revenue is subject to regulation under Ofcom's Contract Rights Renewal system ('CRR'). CRR works by ensuring that the annual share of TV advertising that will be placed with the Group by each advertising agency can change in relation to the viewing figures for commercial television that it delivers. The CRR system, the pricing of the annual contractual arrangements with advertising agencies and the details of each advertising campaign, together with the related processes and controls, are complex.</p> <p>Our risk relates to the largest component of total advertising – spot advertising.</p> <p>In particular, the complexity of the pricing mechanism means it is possible for a difference to arise between the price received by the Group for an advertising campaign and the value it delivered, mainly as a result of the actual viewing figures differing from the expected level for the campaign. Where the Group has over-delivered viewers this is referred to as a 'deal credit', or a 'deal debt' where delivery has fallen short. Rather than the price paid for that campaign being adjusted at the end of the campaign, these differences are accumulated for each agency and then taken into account when agreeing either future campaigns or the annual contract. A net deal debt position with an agency is recorded in the Group's accounts, as a liability reflecting the agency's contractual entitlement to an airtime credit. Net deal credit positions are not recognised.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Control operation: testing of controls, assisted by our own IT specialists, including those over: segregation of duties; input of annual deal terms with agencies; input of individual campaigns' terms and pricing; link to transmission/viewer data; invoicing post transmission and the system generated calculation of deal debt for each campaign. • Tests of details: challenging the year-end deal debt positions based on comparison with customers' correspondence, contracts and agreed terms of business. • Tests of details: agreeing invoices to subsequent cash receipts on a sample basis. • Assessing disclosures: assessing the adequacy of the Group's disclosures in respect of the accounting policy on revenue recognition. <p>Our results:</p> <ul style="list-style-type: none"> • From the evidence we obtained we found the resulting amount of recorded spot advertising to be acceptable (2019: acceptable).

Independent Auditor's Report to the members of ITV plc continued

Spot advertising as the main component of total advertising is therefore considered a significant risk due to:

- The complexity of contractual agreements with advertising agencies;
- The complexity of the systems and processes of control used to record revenue; and
- The judgement involved in determining any deal debt liability at the period end.

Earnout liability: £164 million (2019: £165 million) Risk vs 2019: ◆

Refer to page 119 (Audit and Risk Committee report), page 192 (accounting policy) and page 192 (financial disclosures)

The risk	Our response
<p>Subjective estimate</p> <p>Acquisition-related liabilities include performance based, employment-linked earnouts which are estimated future payments to previous owners of the businesses acquired by the Group (the "earnout liability"). The estimated future payments are often based on a multiple of profits of the acquired entity. The most significant earnout relates to the acquisition of Talpa Media in 2015. The earnout period ended on 31 March 2020, with the liability for the final payout calculated based on a multiple of average EBITDA for the three year period ended 31 December 2019 under the terms of the Sales & Purchase Agreement (the "SPA").</p> <p>Due to the size of the business and the multiple applied, the earnout liability at 31 December 2020 is material to the Group financial statements. There is judgement involved in relation to the interpretation under the SPA of certain transactions for the purposes of the earnout calculation including the treatment of the insured trade receivable.</p> <p>Whilst the earnout period has ended, the final payment has not yet been made as the parties are still in dispute over the treatment of certain transactions under the SPA, an external arbiter was appointed in the year.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the Talpa earnout liability has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 3.1.5) disclose the range estimated by the Group.</p>	<p>We performed the tests below rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • Enquiry of external advisors: assessing correspondence and discussions with the Group's external advisors in relation to the merits of the treatments of items under discussion with the previous owners in the calculation of the estimated liability, and whether there is any new information which indicates that the assumptions used in the calculation of the estimate are no longer appropriate. • Tests of details: assessing whether the basis of the calculation of the earnout payment remains appropriate with reference to the terms of the Sale and Purchase Agreement and latest correspondence between the parties on the matter. We challenged the directors on their treatment of certain transactions including the insured trade receivable for the purpose of the calculation with reference to the contract terms. • Assessing transparency: assessing the adequacy of the Group's disclosures in relation to the earnout liability. <p>Our results:</p> <p>We found the resulting estimate of the earnout liability and the related disclosures to be acceptable (2019: acceptable).</p>

Gross defined benefit pension scheme obligations £4,120 million (2019: £4,037 million) Risk vs 2019: ◀

Refer to page 120 (Audit and Risk Committee report), pages 205 and 206 (accounting policy) and pages 206 to 213 (financial disclosures)

The risk	Our response
<p>Subjective valuation</p> <p>Significant estimates are made in determining the key assumptions used in valuing the Group's gross defined benefit pension scheme obligations. When making these assumptions the directors take independent actuarial advice relating to their appropriateness.</p> <p>The valuation of the gross defined benefit pension scheme obligations is considered a significant risk given the quantum of the gross defined benefit pension scheme obligations and that a small change in assumptions can have a material financial impact on the Group.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the gross defined benefit pension scheme obligations have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 3.7) disclose the sensitivity estimated by the Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Benchmarking assumptions: challenging the key assumptions applied in determining the Group's gross defined benefit pension scheme obligations, being the discount rate, inflation rate and mortality/life expectancy against externally derived data, with the support of our own actuarial specialists. • Assessing disclosures: assessing the adequacy of the Group's disclosures in respect of the sensitivity of the gross defined benefit pension scheme obligations to these assumptions. <p>Our results:</p> <p>From the evidence we obtained we found the resulting valuation of the gross defined benefit pension scheme obligations to be acceptable (2019: acceptable).</p>

Recoverability of the parent Company's investment in, and amounts due from, its subsidiaries Investment carrying value £2,733 million

(2019: £2,733 million), and amounts due from subsidiaries £4,291 million (2019: £4,541 million) Risk vs 2019: ▶

Refer to page 236 (accounting policy and financial disclosures)

The risk	Our response
<p>Low risk, high value</p> <p>The carrying amount of the parent Company's investments in, and amounts due from, its subsidiaries represents 36% and 57% (2019: 37% and 61%) of the Company's total assets respectively. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.</p>	<p>We performed the tests below rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • Tests of details: comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount; assessing 100% of amounts due from subsidiaries to identify, with reference to the relevant debtors' draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, and assessing, where relevant, whether those subsidiaries have historically been profit-making. <p>Our results:</p> <p>We found the carrying amounts of investments and the of intercompany receivables to be acceptable (2019: acceptable).</p>

We continue to perform procedures over non-advertising revenue. However, following completion of our procedures, we have not identified revenue recognition complexities that required additional audit effort. We therefore have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

Independent Auditor's Report to the members of ITV plc continued

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £19.0m (2019: £23.0m) determined with reference to a benchmark of the 88% of the three year average of the Group's normalised profit before tax averaged across 3 years. In 2020, materiality represents 4.8% of this benchmark of £395m, (2019: 4.9% of Group profit before tax normalised to exclude a gain on sale of non-current assets, of £468m).

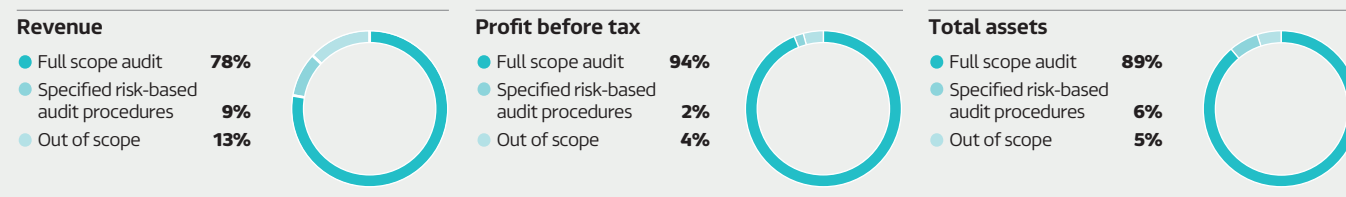
Performance materiality was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equated to £14.25m (2019: £17.25m) for the group and £13.5m (2019: £16.5m) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the Financial Statements as a whole.

Materiality for the parent Company financial statements as a whole was set at £18.0m (2019: £22.0m), determined with reference to a benchmark of the company total assets, of which it represents 0.2% (2019: 0.3%).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.95m (2019: £1.15m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Scoping and coverage



Of the Group's 6 (2019: 6) components, we subjected 3 (2019: 3) to full scope audits for Group purposes and 2 (2019: 2) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed. For these 2 components, specified risk-focused procedures were performed over revenue, stock, contract assets and liabilities, debtors and cash.

For the remaining component, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within the component. The Group team performed procedures on the items excluded from normalised Group profit before tax.

The Group audit team approved the component materiality levels, which ranged from £3 million to £18.0 million (2019: £2.5 million to £22.0 million), having regard to the mix of size and risk profile of the Group across the components. The work on 3 of the 6 components (2019: 3 of the 6 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

Detailed audit instructions were sent to the component auditors. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the Group audit team. Virtual meetings were held with component auditors throughout the audit. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

Together the above audit and the specified audit procedures covered 87% (2019: 86%) of Group revenue, 96% (2019: 97%) of Group profit before taxation; and 95% (2019: 92%) of total Group assets.

4 Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

An explanation of how we evaluated the directors' assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 153 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors, including the EPS target for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, recent revisions to guidance, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that advertising revenue and non-advertising revenue is recorded in the wrong period and the risk that Group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as revenue recognition, impairment of assets, provisions for onerous contracts, and acquisition-related liabilities.

Further detail in respect of total advertising revenue is set out in the key audit matter disclosures in section 2 of this report

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls. We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included unusual account pairings and those posted to unusual accounts.
- Challenging the year-end deal debt positions based on comparison with customers' correspondence and agreed terms of business.
- Testing that the revenue is recognised post transmission by testing IT controls and by agreeing invoices to subsequent cash receipts on a sample basis.

Independent Auditor's Report to the members of ITV plc continued

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: broadcasting and media regulations, anti-trust and competition law compliance, anti-bribery and corruption, data privacy and health and safety recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 85 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal and Emerging Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 85 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
 - we have not identified material misstatements therein; and
 - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

7 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's Report to the members of ITV plc continued

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 156, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Sawdon (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

9 March 2021

Consolidated Income Statement

For the year ended 31 December	Note	2020 £m	2019 £m
Revenue	2.1	2,781	3,308
Operating costs		(2,425)	(2,773)
Operating profit		356	535
Presented as:			
Earnings before interest, tax and amortisation (EBITA) before exceptional items	2.1	561	693
Operating exceptional items	2.2	(118)	(84)
Amortisation and impairment	3.3, 3.5	(87)	(74)
Operating profit		356	535
Financing income	4.4	2	12
Financing costs	4.4	(46)	(80)
Net financing costs	4.4	(44)	(68)
Share of profits of joint ventures and associated undertakings	3.5	9	1
Gain on sale of non-current assets (exceptional items)	2.2, 3.2	4	62
Profit before tax		325	530
Taxation	2.3	(44)	(52)
Profit for the year		281	478
Profit attributable to:			
Owners of the Company		285	473
Non-controlling interests	4.7.6	(4)	5
Profit for the year		281	478
Earnings per share			
Basic earnings per share	2.4	7.1p	11.8p
Diluted earnings per share	2.4	7.1p	11.8p

Consolidated Statement of Comprehensive Income

For the year ended 31 December	Note	2020 £m	2019 £m
Profit for the year		281	478
Other comprehensive loss:			
Items that are or may be reclassified to profit or loss			
Revaluation of financial assets	4.7.4	4	9
Net loss on cash flow hedges and costs of hedging	4.7.3	(6)	(17)
Exchange differences on translation of foreign operations (net of hedging)	4.7.3	(19)	(11)
Items that will never be reclassified to profit or loss			
Remeasurement gains/(losses) on defined benefit pension schemes	3.7	5	(134)
Income tax (charge)/credit on items that will never be reclassified	2.3	(1)	20
Other comprehensive loss for the year, net of income tax		(17)	(133)
Total comprehensive income for the year		264	345
Total comprehensive income attributable to:			
Owners of the Company		268	340
Non-controlling interests	4.7.6	(4)	5
Total comprehensive income for the year		264	345

Consolidated Statement of Financial Position

	Note	31 December 2020 £m	31 December 2019 £m
Non-current assets			
Property, plant and equipment	3.2	285	269
Intangible assets	3.3	1,545	1,592
Investments in joint ventures, associates and equity investments	3.5	77	52
Derivative financial instruments	4.3	2	–
Distribution rights	3.1.2	18	22
Contract assets	3.1.6	7	3
Defined benefit pension surplus	3.7	22	17
Other pension asset	3.7	62	58
Deferred tax asset	2.3	34	47
		2,052	2,060
Current assets			
Programme rights and other inventory	3.1.1	308	323
Trade and other receivables due within one year	3.1.3	458	413
Trade and other receivables due after more than one year	3.1.3	46	63
Trade and other receivables		504	476
Contract assets	3.1.6	409	442
Current tax receivable	2.3	6	15
Derivative financial instruments	4.3	6	6
Cash and cash equivalents	4.1	668	246
		1,901	1,508
Current liabilities			
Borrowings	4.1, 4.2	(7)	(10)
Lease liabilities	4.6	(22)	(25)
Derivative financial instruments	4.3	(7)	(5)
Trade and other payables due within one year	3.1.4	(959)	(917)
Trade payables due after more than one year	3.1.5	(54)	(61)
Trade and other payables		(1,013)	(978)
Contract liabilities	3.1.6	(271)	(219)
Current tax liabilities	2.3	(25)	(81)
Provisions	3.6	(59)	(2)
		(1,404)	(1,320)
Net current assets			
		497	188
Non-current liabilities			
Borrowings	4.1, 4.2	(1,078)	(1,016)
Lease liabilities	4.6	(83)	(64)
Derivative financial instruments	4.3	(24)	(43)
Defined benefit pension deficit	3.7	(110)	(162)
Deferred tax liabilities	2.3	(20)	(29)
Other payables	3.1.5	(61)	(51)
Provisions	3.6	(22)	(5)
		(1,398)	(1,370)
Net assets			
		1,151	878
Attributable to equity shareholders of the parent company			
Share capital	4.7.1	403	403
Share premium	4.7.1	174	174
Merger and other reserves	4.7.2	224	224
Translation reserve	4.7.3	7	32
Fair value reserve	4.7.4	18	14
Retained earnings	4.7.5	296	1
Total equity attributable to equity shareholders of the parent company		1,122	848
Non-controlling interests	4.7.6	29	30
Total equity		1,151	878

The accounts were approved by the Board of Directors on 9 March 2021 and were signed on its behalf by:

Chris Kennedy
Group Chief Financial Officer

Consolidated Statement of Changes in Equity

	Note	Attributable to equity shareholders of the parent company						Total £m	Non- controlling interests £m	Total equity £m
		Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Fair value reserve £m	Retained earnings £m			
Balance at 1 January 2020	4.7	403	174	224	32	14	1	848	30	878
Total comprehensive income/(loss) for the year										
Profit/(loss) for the year		-	-	-	-	-	285	285	(4)	281
Other comprehensive income/(loss)										
Revaluation of financial assets	4.7.4	-	-	-	-	4	-	4	-	4
Net loss on cash flow hedges and costs of hedging	4.7.3	-	-	-	(6)	-	-	(6)	-	(6)
Exchange differences on translation of foreign operations (net of hedging)	4.7.3	-	-	-	(19)	-	-	(19)	-	(19)
Remeasurement gains on defined benefit pension schemes	3.7	-	-	-	-	-	5	5	-	5
Income tax charge on other comprehensive income	2.3	-	-	-	-	-	(1)	(1)	-	(1)
Total other comprehensive (loss)/income		-	-	-	(25)	4	4	(17)	-	(17)
Total comprehensive (loss)/income for the year		-	-	-	(25)	4	289	268	(4)	264
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		-	-	-	-	-	-	-	(1)	(1)
Movements due to share-based compensation	4.8	-	-	-	-	-	6	6	-	6
Tax on items taken directly to equity	2.3	-	-	-	-	-	3	3	-	3
Purchase of own shares via employees' benefit trust	4.8	-	-	-	-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	9	9	(1)	8
Changes in non-controlling interests	4.7.6	-	-	-	-	-	(3)	(3)	4	1
Balance at 31 December 2020	4.7	403	174	224	7	18	296	1,122	29	1,151

	Note	Attributable to equity shareholders of the parent company						Total £m	Non- controlling interests £m	Total equity £m
		Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Fair value reserve £m	Retained earnings £m			
Balance at 1 January 2019	4.7	403	174	206	60	5	(33)	815	34	849
Total comprehensive income/(loss) for the year										
Profit for the year		–	–	–	–	–	473	473	5	478
Other comprehensive income/(loss)										
Revaluation of financial assets	4.7.4	–	–	–	–	9	–	9	–	9
Net loss on cash flow hedges and costs of hedging	4.7.3	–	–	–	(17)	–	–	(17)	–	(17)
Exchange differences on translation of foreign operations (net of hedging)	4.7.3	–	–	–	(11)	–	–	(11)	–	(11)
Remeasurement losses on defined benefit pension schemes	3.7	–	–	–	–	–	(134)	(134)	–	(134)
Income tax credit on other comprehensive income	2.3	–	–	–	–	–	20	20	–	20
Total other comprehensive (loss)/income		–	–	–	(28)	9	(114)	(133)	–	(133)
Total comprehensive (loss)/income for the year		–	–	–	(28)	9	359	340	5	345
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	(320)	(320)	(2)	(322)
Movements due to share-based compensation	4.8	–	–	–	–	–	10	10	–	10
Tax on items taken directly to equity	2.3	–	–	–	–	–	–	–	–	–
Purchase of own shares via employees' benefit trust	4.8	–	–	–	–	–	(4)	(4)	–	(4)
Total transactions with owners		–	–	–	–	–	(314)	(314)	(2)	(316)
Changes in non-controlling interests ^(a)	4.7.6	–	–	18	–	–	(11)	7	(7)	–
Balance at 31 December 2019	4.7	403	174	224	32	14	1	848	30	878

(a) Movements reported in merger and other reserves include a put option for the acquisition of non-controlling interests.

Consolidated Statement of Cash Flows

For the year ended 31 December	Note	£m	2020 £m	£m	2019 £m
Cash flows from operating activities					
Cash generated from operations before exceptional items	2.1		761		696
Cash flow relating to operating exceptional items:					
Operating exceptional items	2.2	(118)		(84)	
Increase in exceptional payables		47		98	
Decrease/(increase) in exceptional prepayments and other receivables		3		(2)	
Cash (outflow)/inflow from exceptional items			(68)		12
Cash generated from operations			693		708
Defined benefit pension deficit funding		(59)		(74)	
Interest received		13		30	
Interest paid on bank, other loans and lease liabilities*		(34)		(88)	
Net taxation paid		(88)		(108)	
			(168)		(240)
Net cash inflow from operating activities			525		468
Cash flows from investing activities					
Acquisition of subsidiary undertaking, net of cash acquired	3.4	–		(11)	
Acquisition of property, plant and equipment		(35)		(30)	
Acquisition of intangible assets		(31)		(38)	
Acquisition of investments		(18)		(18)	
Proceeds from sale of property, plant and equipment		4		–	
Proceeds from sale of assets held for sale		–		146	
Proceeds from sale of subsidiaries and available for sale investments		5			
Loans granted to associates and joint ventures		(2)		(5)	
Loans repaid by associates and joint ventures		5		1	
Dividends received from investments		–		1	
Net cash (outflow)/inflow from investing activities			(72)		46
Cash flows from financing activities					
Bank and other loans – amounts repaid		(7)		(931)	
Bank and other loans – amounts raised		5		968	
Payment of lease liabilities		(22)		(31)	
Equity dividends paid		–		(320)	
Acquisition of non-controlling interests		(2)		(41)	
Dividends paid to non-controlling interests		(1)		(2)	
Purchase of own shares via employees' benefit trust		(1)		(4)	
Net cash outflow from financing activities			(28)		(361)
Net increase in cash and cash equivalents			425		153
Cash and cash equivalents at 1 January	4.1		246		95
Effects of exchange rate changes and fair value movements			(3)		(2)
Cash and cash equivalents at 31 December	4.1		668		246

* Included in Interest paid on bank, other loans and lease liabilities is £4 million relating to lease liabilities (2019: £4 million)

Notes to the Financial Statements

Section 1: Basis of Preparation

In this section



This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. This section also shows new EU endorsed accounting standards, amendments and interpretations, and whether they are effective in 2020 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

The financial statements consolidate those of ITV plc ('the Company') and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and jointly controlled entities. The Company is domiciled in the United Kingdom.

These Group financial statements were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial statements are principally prepared on the basis of historical cost. Where other bases are applied, these are identified in the relevant accounting policy.

The parent company financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

The notes form part of the financial statements.

Going concern

The management and Board of Directors of ITV plc continue to closely monitor the COVID-19 situation and its impact on business performance and the Group's liquidity position.

As at 31 December 2020, the Group was in a reported net debt position of £545 million (2019: £893 million) with a positive gross cash position.

The Group had £618 million of unrestricted cash, a £630 million committed and undrawn Revolving Credit Facility expiring in December 2023 and a £300 million committed bilateral facility expiring in June 2026, of which £199 million was available at 31 December 2020, providing £1,447 million of liquidity. In addition, bond repayments only commence in September 2022 and there are no financial covenants in relation to the bonds in issue although there are cross default provisions.

The Revolving Credit Facility (RCF) is subject to leverage and interest cover semi-annual covenant tests that require the Group to maintain a leverage ratio of below 3.5x and interest cover above 3.0x (as defined in the RCF documentation), however, as a precautionary measure, the Group was granted replacement covenants for the tests at June 2020, December 2020 and June 2021. During this period two replacement covenants apply: a covenant net debt cap of £1.8 billion and a minimum covenant liquidity requirement of £250 million, which will be tested quarterly. As at 31 December 2020, the Group had covenant net debt of £432 million (30 June 2020: £679 million) and covenant liquidity of £1,497 million (30 June 2020: £1,264 million). The leverage and interest cover tests will be tested again on 31 December 2021.

The Directors have prepared forecasts for three cash flow scenarios (mid, high, and low cases), for the period of one year from the date of approval of these consolidated financial statements. The mid case scenario is the basis for the 2021 budget. The key assumptions in the scenarios relate to the degree of recovery of the advertising market and the scale and timing of productions for ITV Studios. All scenarios assume an impact from lockdowns and continued structural changes in the advertising market and to viewing habits.

The Directors have also considered a number of sensitivities to the mid case scenario to arrive at a severe but plausible scenario that has been used to assess the appropriateness of preparing these consolidated financial statements using the going concern concept. These sensitivities include an increase in acquisition-related items, increased pension contributions, lost and/or delayed Studios productions, and an increased rate of decline in advertising revenue in comparison to 2019.

In the severe but plausible downside scenario the Group experiences significant loss of profit and cash outflows but remains able to operate within its financial covenants and has adequate covenant liquidity available throughout the period of review.

Notes to the Financial Statements

Section 1: Basis of Preparation continued

The Directors will continue to monitor the changing impact of COVID-19 and the Group's performance against the scenarios. Management continue to manage costs and cash appropriately. The Directors recognise the importance of the dividend to our shareholders and intend to restore dividend payments as soon as circumstances permit. The Directors will balance shareholder returns with our commitment to maintain investment grade metrics over the medium term, to continue to invest behind the strategy and with the ongoing uncertainty with COVID-19. In 2020, no dividend payments were made (2019: £320 million). The Directors do not currently intend to pay any dividends during 2021.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these consolidated financial statements and therefore have prepared the consolidated financial statements on a going concern basis.

Subsidiaries, joint ventures, associates and investments

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity in order to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

A joint venture is a joint arrangement in which the Group holds an interest under a contractual arrangement where the Group and one or more other parties undertake an economic activity that is subject to joint control. The Group accounts for its interests in joint ventures using the equity method. Under the equity method, the investment in the entity is stated as one line item at cost plus the investor's share of retained post-acquisition profits and other changes in net assets.

An associate is an entity, other than a subsidiary or joint venture, over which the Group has significant influence. Significant influence is the power to participate in, but not control or jointly control, the financial and operating decisions of an entity. These investments are also accounted for using the equity method.

Investments are entities where the Group concludes it does not have significant influence and are held at fair value unless the investment is a start-up business, in which case it is valued at cost and assessed for impairment.

Current/non-current distinction

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or use in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement captions in the statement of financial position in accordance with IFRS 9 'Financial Instruments':

- Loans and receivables – separately disclosed as cash and cash equivalents and trade and other receivables
- Financial assets/liabilities at fair value through OCI – measured at fair value through other comprehensive income – separately disclosed as derivative financial instruments in assets/liabilities
- Financial assets/liabilities at fair value through profit or loss – separately disclosed as derivative financial instruments in assets/liabilities and included in other payables (put option liabilities and contingent consideration)
- Financial liabilities measured at amortised cost – separately disclosed as borrowings and trade and other payables

Judgement is required when determining the appropriate classification of the Group's financial instruments. Details on the accounting policies for measurement of the above instruments are set out in the relevant note. Where unconditional rights to set off financial instruments exist, the Group presents the relevant instruments net in the statement of financial position.

Recognition and derecognition of financial assets and liabilities

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are no longer recognised in the statement of financial position when the contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of less than or equal to three months from the date of acquisition. The carrying value of cash and cash equivalents is considered to approximate fair value.

Foreign currencies

The primary economic environment in which the Group operates is the UK and therefore the consolidated financial statements are presented in pounds sterling (£).

Where Group companies based in the UK transact in foreign currencies, these transactions are translated into pounds sterling at the exchange rate on the transaction date. Foreign currency monetary assets and liabilities are translated into pounds sterling at the year end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss is recognised in the income statement. Non-monetary assets and liabilities measured at historical cost are translated into pounds sterling at the exchange rate on the date of the transaction.

The assets and liabilities of Group companies outside of the UK are translated into pounds sterling at the year end exchange rate. The revenue, expenses and other comprehensive income of these companies are translated into pounds sterling at the average monthly exchange rate during the year. Where differences arise between these rates, they are recognised in the translation reserve within other comprehensive income.

The Group's net investments in companies outside the UK may be hedged where the currency exposure is considered to be material. Hedge accounting is implemented on certain foreign currency firm commitments, for which the effective portion of any foreign exchange gains or losses is recognised in other comprehensive income (note 4.3).

Where a forward currency contract is used to manage foreign exchange risk and hedge accounting is not applied, any impact of movements in currency for both the forward currency contracts and the assets and liabilities is taken to the income statement.

Exchange differences arising on the translation of the Group's interests in joint ventures and associates are recognised in the translation reserve within other comprehensive income.

On disposal of a foreign subsidiary, an interest in a joint venture or an associate, the related translation reserve is released to the income statement as part of the gain or loss on disposal.

Accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving material judgement or complexity are set out below. Additional detail on the judgements applied by Management are set out in the accounting policies section of the relevant notes:

- Revenue recognition (note 2.1)
- Acquisition-related liabilities (note 3.1.4 and note 3.1.5)
- Defined benefit pension (note 3.7)
- Provisions related to Box Clever (note 3.6)
- Impairment of intangible assets (note 3.3)

A summary of the key sources of estimation uncertainty is detailed below. Additional detail on the estimates, underlying assumptions and related sensitivities (where applicable) is given in the relevant notes.

Defined benefit pension and acquisition-related liabilities are most sensitive to estimation, where the assumptions applied could have a material impact on the financial statements in the next 12 months. Details of the estimation sensitivity are disclosed in the related notes.

In determining the estimate for the Box Clever provision, management has provided for the initial offer made to the Pensions Regulator (tPR), which is the Directors' and Management's current best estimate (see note 3.7). No provision was held at 31 December 2019 as the Financial Support Direction (FSD) had not yet been issued and Management could not reliably estimate the provision.

Notes to the Financial Statements

Section 1: Basis of Preparation continued

In addition to the above, there are a number of areas which involve a high degree of estimation and are significant to the financial statements but are not expected to have a material impact on them in the next 12 months. These areas include the reviews of the carrying value of goodwill and intangible assets, onerous contract and impairment provisions in relation to sports rights reviewed as a result of the COVID-19 pandemic and its economic effects and taxation. More detail on each of these items is given in the relevant notes.

New or amended EU endorsed accounting standards

The following new standards and/or amendments are effective 1 January 2020:

Changes in significant accounting policies

Accounting standard	Requirement
IFRS 3 'Business combinations'	The amendment provides entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.
IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors'	The amendment clarifies the definition of material throughout IFRSs and the Conceptual Framework for Financial Reporting.
IFRS 9, IAS 39 and IFRS 17: – Interest rate benchmark reform	The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.
Amendments to the Conceptual framework	The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS.
IFRS 16 'Leases'	In response to the COVID-19 coronavirus pandemic, the amendments to IFRS 16 'Leases' to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.

EU endorsed accounting standards effective in future periods

The above changes in accounting policies have been effective throughout 2020 but have not had a significant impact on the Group's results or Statement of Financial Position.

The Directors have also considered the impact on the Group of new and revised accounting standards, interpretations or amendments that are currently endorsed but not yet effective and do not expect them to have a significant impact on the Group's results and Statement of Financial Position.

Notes to the Financial Statements

Section 2: Results for the Year

In this section



This section focuses on the results and performance of the Group. On the following pages, you will find disclosures explaining the Group's results for the year, segmental information, exceptional items, taxation and earnings per share.

2.1 Profit before tax

Keeping it simple



This section analyses the Group's profit before tax by reference to the activities performed by the Group and an analysis of key operating costs.

Adjusted earnings before interest, tax and amortisation (EBITA) (as defined in the APMs) is the Group's key profit indicator. This reflects the way the business is managed and how the Directors assess the performance of the Group. This section therefore also shows each division's contribution to total revenue and adjusted EBITA.

Accounting policies

Revenue recognition

The Group derives revenue from the transfer of goods and services. Revenue recognition is based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognised either when the performance obligation in the contract has been performed ('point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

Customer contracts can have a wide variety of performance obligations, from production contracts to format licences and distribution activities. For these contracts, each performance obligation is identified and evaluated. Under IFRS 15 the Group needs to evaluate if a format or licence represents a right to access the content (revenue recognised over time) or represents a right to use the content (revenue recognised at a point in time). The Group has determined that most format and licence revenues are satisfied at a point in time due to there being limited ongoing involvement in the use of the licence following its transfer to the customer.

The transaction price, being the amount to which the Group expects to be entitled and has rights to under the contract is allocated to the identified performance obligations. The transaction price will also include an estimate of any variable consideration where the Group's performance may result in additional revenues based on the achievement of agreed targets such as audience targets. Variable consideration is not recognised until the performance obligations are met.

Revenue is stated exclusive of VAT and equivalent sales taxes.

Complexity in advertising revenue recognition is driven by a combination of automated and manual processes involved in measuring the value delivered to the customer. Complex one-off contracts in all classes of revenue are assessed individually and judgement is exercised in identifying performance obligations and allocating price to them. Timing of revenue recognition is another area of judgement in such contracts.

Revenue recognition criteria for the Group's key classes of revenue are as follows:

Segment	Major classes of revenue	Payment terms
ITV Studios		
Programme production	<ul style="list-style-type: none"> Revenue generated from the programmes produced for broadcasters and OTT platforms in the UK, US and internationally is recognised at the point of delivery of an episode and acceptance by the customer. Revenue from producer for hire contracts, where in an event of cancellation cost is recovered plus a margin, is recognised over time 	<ul style="list-style-type: none"> Payment term is over the term of the contract
Format licences	<ul style="list-style-type: none"> A licence is granted for the exploitation of a format in a stated territory, media and period. Licence revenue is recognised when the licence period has commenced (point in time) 	<ul style="list-style-type: none"> Payment term is over the term of the contract
Programme distribution rights	<ul style="list-style-type: none"> A licence is granted for the transmission of a programme in a stated territory, media and period and revenue is recognised at the point when the contract is signed, the content is available for download and the licence period has started (point in time) 	<ul style="list-style-type: none"> Payment term is over the term of the contract

Notes to the Financial Statements

Section 2: Results for the Year continued

Segment	Major classes of revenue	Payment terms
Broadcast		
Total advertising revenue	<ul style="list-style-type: none"> Net advertising revenue is generated from selling spot airtime on linear TV and is recognised at the point of transmission Online advertising revenue from video on demand (VOD) is generated from selling advertising on the ITV Hub and is recognised at the point of delivery Revenue from the sponsorship of programmes across ITV linear channels and online is recognised over the period of transmission 	<ul style="list-style-type: none"> Received in the month after transmission Received in the month after campaign is delivered Received prior to transmission
Direct to Consumer	<ul style="list-style-type: none"> Pay revenue is generated from the provision of HD channels, catch up content and licences to ready-made programmes in the form of box sets to third parties and is recognised either over the term of the contract or per subscriber or download (point in time) Interactive revenue is earned from entries to competitions and is recognised as the event occurs (point in time) Revenue from subscription services is recognised over the subscription period 	<ul style="list-style-type: none"> Payment term is over the term of the contract or subscription period
SDN	<ul style="list-style-type: none"> Revenue is generated from the carriage fee or capacity of the digital multiplex and is recognised over the term of the contract 	<ul style="list-style-type: none"> Payment term is over the term of the contract

The results for the year aggregate these classes of revenue into the following categories:

	2020 £m	2020 % of total	2019 £m	2019 % of total
ITV Studios UK	535		725	
ITV Studios US	234		271	
ITV Studios International	343		508	
Global Formats and Distribution	258		318	
Total ITV Studios*	1,370	42%	1,822	47%
Total advertising revenue ('TAR')	1,577	48%	1,768	46%
Direct to consumer	87		84	
SDN	73		69	
Other	153		142	
Total Broadcast	1,890	58%	2,063	53%
Total revenue**	3,260		3,885	

* Studios UK, ITV Studios US and Studios International revenues are mainly programme production. Global Formats and Distribution revenue is from programme distribution rights and format licences.

** Includes internal supply as discussed in the APMs.

Segmental information

Operating segments, which have not been aggregated, are determined in a manner that is consistent with how the business is managed and reported to the Board of Directors. The Board is regarded as the chief operating decision-maker. The Board considers the business primarily from an operating activity perspective.

The reportable segments for the years ended 31 December 2020 and 31 December 2019 are, therefore, ITV Studios and Broadcast, the results of which are outlined in the following tables:

	ITV Studios ⁽ⁱ⁾ 2020 £m	Broadcast 2020 £m	Consolidated 2020 £m
Total segment revenue	1,370	1,890	3,260
Intersegment revenue	(472)	(7)	(479)
Revenue from external customers	898	1,883	2,781
Adjusted EBITA⁽ⁱⁱ⁾	152	421	573

	ITV Studios ⁽ⁱ⁾ 2019 £m	Broadcast 2019 £m	Consolidated 2019 £m
Total segment revenue	1,822	2,063	3,885
Intersegment revenue	(573)	(4)	(577)
Revenue from external customers	1,249	2,059	3,308
Adjusted EBITA⁽ⁱⁱ⁾	267	462	729

(i) Revenue of £312 million (2019: £394 million) was generated in the US during the year; the US represented £346 million (2019: £312 million) of non-current assets at year end. Intersegment revenue originates mainly in the UK.

(ii) Adjusted EBITA is reported EBITA adjusted to exclude exceptional items and includes the benefit of production tax credits. It is stated after the elimination of intersegment revenue and costs.

The Group's principal operations are in the United Kingdom. Revenue from external customers in the United Kingdom is £1,985 million (2019: £2,213 million), and revenue from external customers in other countries is £796 million (2019: £1,095 million). The Operating and Performance Review provides further detail on ITV's international revenues.

Intersegment revenue, which is earned on arm's length terms, is mainly generated from the supply of ITV Studios programmes to Broadcast for transmission primarily on the ITV network. This revenue stream is a measure that informs the Group's strategic priority of building a strong international content business, as producing and retaining rights to the shows broadcast on the ITV network benefits the Group further from subsequent international content and format sales.

In preparing the segmental information, centrally managed costs have been allocated between reportable segments on a methodology driven principally by revenue, headcount and building occupancy of each segment. This is consistent with the basis of reporting to the Board of Directors.

There are two media buying agencies (2019: one) acting on behalf of a number of advertisers that represent the Group's major customers. These agencies are the only customers that individually represent over 10% of the Group's revenue. Revenue of approximately £775 million (2019: £551 million) was derived from these customers. This revenue is attributable to the Broadcast segment.

In October 2020, the Group announced a restructure within its Broadcast segment to better reflect and serve the changing viewing habits. Broadcast will be renamed Media and Entertainment and will continue to include Broadcast and On-Demand services. The restructure will be effective from 1 April 2021 and is, therefore, not reflected in these financial statements.

Notes to the Financial Statements

Section 2: Results for the Year continued

Timing of revenue recognition

The following table includes classes of revenue from contracts disaggregated by the timing of recognition:

	2020 £m	2019 £m	2020 £m	2019 £m
	Products and services transferred at a point in time		Products and services transferred over time	
Total advertising revenue, DTC, SDN	1,585	1,771	298	288
Programme production, programme distribution rights	684	944	114	200
Format licences	94	92	6	13
Total external revenue	2,363	2,807	418	501

Forward bookings

The following table includes revenue from contracts signed before the reporting date that is to be recognised in periods after the reporting date (i.e. the performance obligations remain unsatisfied or partially unsatisfied at the reporting date):

	2021 £m	2022 £m	2023 £m	Beyond £m
Broadcast	125	101	23	19
ITV Studios *	240	162	21	26
Revenue	365	263	44	45

* Includes internal supply.

The Group applies the practical expedients in IFRS 15 and, therefore, does not disclose information about remaining performance obligations that have original expected durations of less than one year or where the price is not yet known (e.g. NAR).

ITV Studios

ITV Studios is the Group's international content business, creating and producing programmes and formats that return and travel, namely drama, entertainment and factual entertainment.

ITV Studios UK is the largest commercial producer in the UK and produces programming for the Group's own channels, accounting for 68% of ITV main channel spend on commissioned programming (2019: 65%). Programming is also sold to other UK broadcasters and OTT platforms.

ITV Studios US is the leading unscripted independent producer of content in the US and is growing its scripted presence by increasing investment in high-profile dramas.

ITV Studios also operates in ten other international locations, together called ITV Studios International, being Australia, Germany, France, Italy, the Netherlands, Sweden, Norway, Finland and Denmark where content is produced for local broadcasters and international OTT platforms. This content is either locally created IP or formats that have been created elsewhere by ITV, primarily in the UK, the Netherlands and in Israel.

ITV's distribution and commercial division was reorganised, with effect from 1 January 2020, into three centres of excellence – The Creative Network, Global Distribution and Global Entertainment. This enables the Group to create more hits, to better build brands and formats internationally and to monetise them more effectively. Global Formats and Distribution license ITV's finished programmes, formats and third-party content internationally. Within this business, the Group also finances productions both on and off ITV to acquire global distribution rights.

Broadcast

The Group operates the largest commercial family of channels in the UK and delivers content through multiple platforms. In addition to linear television broadcast, the Group delivers its content on the ITV Hub, catch up services on pay platforms, and through direct content deals. Content commissioned and scheduled by this segment is funded primarily by advertising, where revenue is generated from the sale of audiences for advertising spot airtime, online advertising, sponsorship, and licensing.

Other sources of revenue are from: Direct to Consumer revenue (which includes interactive sales from competitions, ITV Hub+, BritBox UK, and Gaming, live events and merchandise); SDN revenue (which generates licence sales for DTT Multiplex A); HD digital channels on pay platforms (e.g. Sky and Virgin); and the ITV Choice subscription service in other countries.

In November 2019, we launched our new SVOD service with the BBC, BritBox UK. The service provides UK audiences with an unrivalled collection of British box sets all in one place. BritBox UK includes both ITV and BBC box sets and has content partnerships with Channel 4 (including Film4 content) and Channel 5, and distribution partnerships with BT and EE.

Adjusted EBITA

The Directors assess the performance of the reportable segments based on a measure of adjusted EBITA. The Directors use this non-IFRS measurement basis as it excludes the effect of transactions that could distort the understanding of the Group's performance for the year and comparability between periods. See the Operating and Performance Review on pages 28 to 41 for the detailed explanation of the Group's use of adjusted performance measures. A reconciliation of adjusted EBITA to reported profit before tax is provided as follows:

	Ref.	2020 £m	2019 £m
Adjusted EBITA		573	729
Production tax credits		(12)	(36)
EBITA before exceptional items		561	693
Operating exceptional items	2.2	(118)	(84)
Amortisation and impairment		(87)	(74)
Net financing costs	4.4	(44)	(68)
Share of profits of joint ventures and associated undertakings		9	1
Gain on sale of non-current assets (exceptional items)		4	62
Reported profit before tax		325	530

Cash generated from operations

A reconciliation from profit before tax to cash generated from operations before exceptional items is as follows:

	Ref.	2020 £m	2019 £m
Cash flows from operating activities			
Reported profit before tax		325	530
Add back:			
Gain on sale of non-current assets (exceptional items)		(4)	(62)
Share of profits of joint ventures and associated undertakings		(9)	(1)
Net financing costs	4.4	44	68
Operating exceptional items	2.2	118	84
Depreciation of property, plant and equipment	3.2	57	56
Amortisation and impairment		87	74
Share-based compensation	4.8	6	10
Decrease/(increase) in programme rights and distribution rights		16	(18)
Decrease/(increase) in receivables and contract assets		2	(37)
Increase/(decrease) in payables and contract liabilities		119	(8)
Movement in working capital		137	(63)
Cash generated from operations before exceptional items		761	696

Operating costs

The major components of operating costs of £2,425 million (2019: £2,773 million) are network schedule costs of £935 million (2019: £1,091 million), staff costs of £473 million (2019: £491 million), depreciation, amortisation and impairment of £144 million (2019: £130 million) and operating exceptional items of £118 million (2019: £84 million). During the year, the Group received £21 million income under government support schemes resulting from the Covid-19 pandemic. This income is netted against staff costs.

Staff costs

Staff costs before exceptional items can be analysed as follows:

	2020 £m	2019 £m
Wages and salaries	382	400
Social security and other costs	55	53
Share-based compensation (see note 4.8)	6	10
Pension costs	30	28
Total staff costs	473	491
Less: staff costs allocated to productions	(191)	(199)
FTEE staff costs (non-production)	282	292

Exceptional staff costs are disclosed separately in note 2.2.

Notes to the Financial Statements

Section 2: Results for the Year continued

Full-time equivalent employees (FTEE) include those FTEEs that are allocated to the cost of productions during the year, however they exclude short-term contractors and freelancers who are engaged on productions. The weighted average FTEE over the year is:

	2020	2019
ITV Studios	3,893	4,205
Broadcast	2,380	2,211
	6,273	6,416

The decrease in full-time equivalent employees is primarily driven by restructuring activities in ITV Studios. Details of Directors' emoluments, share options, pension entitlements and long-term incentive scheme interests are set out in the Remuneration Report. ITV plc Executive Directors' gains on share options for 2020 are set out in the ITV plc Company financial statements.

Depreciation

Depreciation in the year was £57 million (2019: £56 million), of which £36 million (2019: £35 million) relates to ITV Studios and £21 million (2019: £21 million) to Broadcast. See note 3.2 for further details.

Audit fees

The Group engages KPMG LLP (KPMG) on assignments additional to its statutory audit duties where its expertise and experience with the Group are important and are in line with Group's policy on auditor independence. Fees paid to KPMG and its associates during the year are set out below:

	2020 £m	2019 £m
For the audit of the Group's annual accounts	0.9	0.9
For the audit of subsidiaries of the Group	0.9	0.7
Audit-related assurance services	0.3	0.1
Total audit and audit-related assurance services	2.1	1.7
Other assurance services	–	0.1
Total non-audit services *	–	0.1
Total fees paid to KPMG	2.1	1.8

* See details of non-audit services in the Audit and Risk Committee Report on page 114.

There were no fees payable in 2020 or 2019 to KPMG and associates for the auditing of accounts of any associate or pension scheme of the Group, internal audit, and services relating to corporate finance transactions entered into or proposed to be entered into, by or on behalf of the Group or any of its associates. Fees paid to KPMG for audit and other services to the Company are not disclosed in its individual accounts as the Group accounts are required to disclose such fees on a consolidated basis.

2.2 Exceptional items



Exceptional items are excluded from management's assessment of profit because by their size or nature they could distort the Group's underlying quality of earnings. They are typically gains or losses arising from events that are not considered part of the core operations of the business. These items are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis.

Accounting policies

Exceptional items as described above are highlighted on the face of the income statement. See the Operating and Performance Review on pages 28 to 41 for the detailed explanation of the Group's use of adjusted performance measures. Gains or losses on disposal of non-core assets are also considered exceptional due to their nature and impact on the Group's underlying quality of earnings.

Exceptional items

Operating and non-operating exceptional items are analysed as follows:

(Charge)/credit	Ref.	2020 £m	2019 £m
Operating exceptional items:			
Acquisition-related expenses	A	(13)	(75)
Restructuring and property-related costs	B	(11)	(24)
Pension related (costs) /credit	C	(6)	1
COVID-19 directly related net costs	D	(11)	–
Sports rights	E	(23)	–
Other	F	(54)	14
Total operating exceptional items		(118)	(84)
Tax on operating exceptional items		22	6
Total operating exceptional items net of tax		(96)	(78)
Non-operating exceptional items:			
Gain on sale of non-current assets	G	4	62
Total non-operating exceptional items		4	62
Tax on non-operating exceptional items		(1)	–
Total exceptional items net of tax		(93)	(16)

A – Acquisition-related expenses

Acquisition-related expenses of £13 million (2019: £75 million) relate to performance-based, employment-linked expected payments to former owners. In 2019, the expense also includes professional fees (mainly financial due diligence and legal costs in respect of potential acquisitions during the year).

B – Restructuring and property-related costs

Restructuring costs of £11 million (2019: £18 million) relate to one-off significant restructuring projects of the business. In 2019, property-related costs of £6 million related to the Group's former headquarters at The London Television Centre, which was sold in November 2019.

C – Pension related (costs)/credit

On 20 November 2020, a High Court ruling determined that pension schemes need to address inequalities between men and women in Guaranteed Minimum Pension (GMP) for those members that transferred out of the Schemes between May 1990 and October 2018. A past service cost for GMP Equalisation in transfers out of £1 million (2019: £nil) was recognised. Also during 2020, the Group completed the rectification of historical benefits of the members of the Network Section of Section A of the ITV Pension Scheme. The change in benefits of £5 million (2019: £nil) have been recognised as a past service cost in the current year. Further details are provided in section 3.7.

The UTV Pension Scheme was closed to future benefit accruals in March 2019. This resulted in a one-off, non-cash £1 million curtailment credit in 2019.

D – COVID-19 directly related net costs

Costs directly related to the COVID-19 pandemic have been recognised as exceptional items. These include £11 million related to the costs incurred in productions shutting down and restarting in a safe environment and additional one-off costs to maintain production during the lockdown for certain daytime shows.

Notes to the Financial Statements

Section 2: Results for the Year continued

E – Sports rights

As a result of the impact of COVID-19 on the planned sporting schedule for 2020 and 2021 and the consequential impact on TAR, along with changing forecasts of audience mix and revenues for certain sporting events, the Group has recognised an impairment for these sporting events included in programme rights and programme commitments of £23 million. It is not possible to split the impairment between that caused by the COVID-19 pandemic and underlying market movements.

F – Other

Included in other costs for the current year, is an estimate of the settlement in relation to the Box Clever case (£31 million (2019: £nil)), a provision of £19 million (2019: £nil) for an onerous transmission supply contract for excess satellite transponder capacity and £4 million (2019: £4 million) of other costs in relation to legal matters outside the normal course of business. See note 3.6 for further details.

During the year, we commenced a review of the efficiency of our transponder capacity usage with a view to reducing our capacity requirements. This has allowed us to reorganise our channels over fewer transponders with the result that we have cleared all channels from one transponder and are no longer utilising it. We have provided for an onerous contract of £19 million from the date the transponder was cleared. The transponder efficiency review is ongoing and we expect to clear a second transponder in 2021.

In 2019, following the Supreme Court's decision to refuse to hear the Group appeal in relation to Box Clever, the provision previously held was released as the Group could not reliably estimate the cost of resolving the matter at that time. This was offset by movements in the insured trade receivables provision and costs in relation to the cancellation of The Jeremy Kyle show.

G – Gain on sale of non-current assets

The gain on sale of non-current assets in 2020 arose primarily as a result of the sale of Freeview channel Merit.

The gain on sale of non-current assets in 2019 arose primarily as a result of the sale of the London Television Centre. Further details are provided in note 3.2. The tax charge on the gain is £nil, as a result of the significant tax base cost of the asset, and the availability of capital losses to offset the remaining chargeable gain.

2.3 Taxation



This section sets out the Group's tax accounting policies, the current and deferred tax charges or credits in the year (which together make up the total tax charge or credit in the income statement), a reconciliation of profit before tax to the tax charge for the period and the movements in deferred tax assets and liabilities.

Accounting policies

The tax charge for the year is recognised in the income statement, the statement of comprehensive income and directly in equity, according to the accounting treatment of the related transactions. The tax charge comprises both current and deferred tax. The calculation of the Group's tax charge involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be fully determined until a resolution has been reached by the relevant tax authority.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment in respect of previous years.

The Group recognises liabilities for anticipated tax issues based on estimates of the additional taxes that are likely to become due, which require judgement. Amounts are accrued based on management's interpretation of specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes.

The following temporary differences are not provided for:

- The initial recognition of goodwill
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Recognition of deferred tax assets, therefore, involves judgement regarding the timing and level of future taxable income.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Taxation – Income statement

The total taxation charge in the income statement is analysed as follows:

	2020 £m	2019 £m
Current tax:		
Current tax charge on profit before exceptional items	(73)	(84)
Current tax credit on exceptional items	21	3
	(52)	(81)
Adjustments related to prior periods	7	8
	(45)	(73)
Deferred tax:		
Origination and reversal of temporary differences	3	7
Deferred tax credit on exceptional items	–	3
Impact of changes to statutory tax rates	(2)	5
	1	15
Adjustments related to prior periods	–	6
	1	21
Total taxation charge in the income statement	(44)	(52)

In order to understand how, in the income statement, a tax charge of £44 million (2019: £52 million) arises on a profit before tax of £325 million (2019: £530 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2020 £m	2019 £m
Profit before tax	325	530
Notional taxation charge at UK corporation tax rate of 19% (2019: 19%) on profit before tax	(62)	(101)
Non-taxable income/non-deductible expenses	2	(16)
Sale of the London Television Centre	–	12
Prior year adjustments	7	14
Other taxes	(4)	(4)
Previously unrecognised deferred tax assets	–	3
Current year losses not recognised	(3)	(1)
Impact of overseas tax rates	3	–
Impact of changes in tax rates	(2)	5
Production tax credits	15	36
Total taxation charge in the income statement	(44)	(52)

Non-deductible expenses are expenses that are not expected to be allowable for tax purposes. Similarly, non-taxable income is income that is not expected to be taxable.

Adjustments to prior periods primarily arise where an outcome is obtained on certain tax matters, which differs from expectations held when the related provision was made. Where the outcome is more favourable than the provision made, the difference is released, lowering the current year tax charge. Where the outcome is less favourable than our provision, an additional charge to current year tax will occur. The current tax charge includes a £7 million credit relating to prior years. This adjustment has arisen following changes in estimates of taxes that have already become due, or will become due in the future.

Previously unrecognised deferred tax assets in the prior year are in relation to capital losses utilised against gains on sale of property.

Notes to the Financial Statements

Section 2: Results for the Year continued

The impact of overseas tax rates reflects the fact that some of our profits are earned in territories other than the UK and taxed at rates different from the UK corporation tax rate. In 2020, the total impact is £3 million credit (2019: £nil credit) due to losses arising in higher taxed jurisdictions, which were recognised through deferred tax, giving rise to a reconciling benefit.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was announced on 3 March 2021. This will increase the Group's future current tax charge accordingly and have minimal impact on deferred tax.

The production tax credits included within the reconciliation above are UK High-End Television (HETV) tax credits and Children's Television tax credits, which are part of a group of incentives provided to support the creative industries in the UK. The ability to access these tax credits is fundamental when assessing the viability of investment decisions in the production of high-end drama and children's programmes. Under IFRS, these production tax credits are reported within the total taxation charge in the income statement. However, ITV considers them to be a contribution to production costs, and therefore working capital in nature, and excludes them from its adjusted tax charge, including them instead within Adjusted EBITA.

The effective tax rate is 13.5% (2019: 9.8%), and is the tax charge on the face of the income statement expressed as a percentage of the profit before tax. The tax rate is higher than in 2019 primarily because the 2019 tax rate was reduced by the disposal of the London Television Centre. As explained in the Finance Review, the Group uses an adjusted tax rate to show how tax impacts total adjusted earnings in a way that is more aligned with the Group's cash tax position. The adjusted tax rate is 18.0% (2019: 18.0%).

In 2020, the current year movement recognised in the income statement on origination and reversal of temporary differences (excluding exceptional items) is a credit of £3 million, compared with a credit of £7 million in 2019.

Taxation – Other comprehensive income (OCI) and equity

As analysed in the table below, a deferred tax charge of £8 million (2019: £22 million credit) on actuarial movements on pensions and a deferred tax credit of £5 million (2019: £nil) on derivative financial instruments has been recognised in other comprehensive income. A deferred tax credit of £3 million (2019: £nil) has been recognised in equity in respect of share-based payments.

A current tax credit of £2 million on foreign exchange movements net of hedging has been recognised in other comprehensive income (2019: £2 million charge). There is no current tax recognised in equity in relation to share-based payments (2019: £nil).

Taxation – Statement of financial position

The table below outlines the deferred tax assets/(liabilities) that are recognised in the statement of financial position, together with their movements in the year:

	At 1 January 2020 £m	Other movements £m	Recognised in the income statement £m	Recognised in OCI and equity £m	Business acquisitions £m	Foreign exchange £m	At 31 December 2020 £m
Tangible assets	7	–	1	–	–	–	8
Intangible assets	(50)	–	10	–	–	(1)	(41)
Programme rights	1	–	(1)	–	–	–	–
Pension scheme deficits	8	–	(5)	(8)	–	–	(5)
Tax losses	37	–	–	–	–	(2)	35
Share-based compensation	6	–	(1)	3	–	–	8
Other temporary differences	9	–	(3)	5	–	(2)	9
	18	–	1	–	–	(5)	14

	At 1 January 2019 £m	Other movements £m	Recognised in the income statement £m	Recognised in OCI and equity £m	Business acquisitions £m	Foreign exchange £m	At 31 December 2019 £m
Tangible assets	5	–	2	–	–	–	7
Intangible assets	(66)	–	15	–	(1)	2	(50)
Programme rights	–	–	1	–	–	–	1
Pension scheme deficits	(6)	–	(8)	22	–	–	8
Tax losses	37	–	1	–	–	(1)	37
Share-based compensation	–	–	6	–	–	–	6
Other temporary differences	4	1	4	–	–	–	9
	(26)	1	21	22	(1)	1	18

At 31 December 2020, total deferred tax assets are £22 million (2019: £74 million) and total deferred tax liabilities are £8 million (2019: £56 million). After netting off balances within countries, there is a deferred tax asset of £34 million and a deferred tax liability of £20 million (2019: deferred tax liability of £29 million and a deferred tax asset of £47 million) recognised in the Consolidated Statement of Financial Position.

The deferred tax balances relate to:

- Property, plant and equipment temporary differences arising on assets qualifying for tax depreciation
- Temporary differences on intangible assets, including those arising on business combinations
- Programme rights – temporary differences on intercompany profits on stock
- Pension scheme deficit temporary differences on the IAS 19 pension deficit
- Temporary differences arising from the timing of the use of tax losses
- Share-based compensation temporary differences on share schemes
- Other temporary differences on provisions and derivative financial instruments

The deferred tax balance associated with the pension deficit reflects the current tax benefit obtained in 2020 following the employer contributions to the Group's defined benefit pension scheme. The adjustment in other comprehensive income to the deferred tax balance relates to the actuarial gain recognised in the year and a prior year adjustment.

A deferred tax asset of £425 million (2019: £458 million) in respect of capital losses of £2,237 million (2019: £2,696 million) has not been recognised due to uncertainties as to whether capital gains will arise in the appropriate form and relevant territories against which such losses could be utilised. The decrease in capital losses compared to the prior year has arisen due to a company with substantial capital losses being liquidated during the period. For the same reasons, total deferred tax assets of £17 million (2019: £16 million) in respect of overseas losses have not been recognised (including £4 million in respect of losses that expire between 2020 and 2027).

In line with our accounting policy on current tax, provisions are held on the balance sheet within current tax liabilities in respect of uncertain tax positions where management believes that it is probable that future payments of tax will be required. At the balance sheet date, these tax provisions were not material for the Group.

2.4 Earnings per share

Keeping it simple



Earnings per share ('EPS') is the amount of post-tax profit attributable to each share.

Basic EPS is calculated on the Group profit for the year attributable to equity shareholders of £285 million (2019: £473 million) divided by 4,002 million (2019: 4,000 million), being the weighted average number of shares in issue during the year, which excludes EBT shares held in trust (see note 4.8).

Diluted EPS reflects any commitments made by the Group to issue shares in the future and so it includes the impact of share options.

Adjusted EPS is presented in order to show the business performance of the Group in a consistent manner and reflect how the business is managed and measured on a day-to-day basis. Adjusted EPS reflects the impact of operating and non-operating exceptional items on Basic EPS. Other items excluded from Adjusted EPS are amortisation and impairment of intangible assets acquired through business combinations; net financing cost adjustments; and the tax adjustments relating to these items. Each of these adjustments is explained in detail in the section below.

The calculation of Basic EPS and Adjusted EPS, together with the diluted impact on each, is set out below:

Basic earnings per share

	2020 £m	2019 £m
Profit for the year attributable to equity shareholders of ITV plc	285	473
Weighted average number of ordinary shares in issue – million	4,002	4,000
Basic earnings per ordinary share	7.1p	11.8p

Notes to the Financial Statements

Section 2: Results for the Year continued

Diluted earnings per share

	2020 £m	2019 £m
Profit for the year attributable to equity shareholders of ITV plc	285	473
Weighted average number of ordinary shares in issue – million	4,002	4,000
Dilution due to share options	23	18
Total weighted average number of ordinary shares in issue – million	4,025	4,018
Diluted earnings per ordinary share	7.1p	11.8p

Adjusted earnings per share

	Ref.	2020 £m	2019 £m
Profit for the year attributable to equity shareholders of ITV plc		285	473
Exceptional items (net of tax)	A	93	16
Profit for the year before exceptional items		378	489
Amortisation and impairment of acquired intangible assets	B	52	44
Adjustments to net financing costs	C	6	22
Adjusted profit		436	555
Total weighted average number of ordinary shares in issue – million		4,002	4,000
Adjusted earnings per ordinary share		10.9p	13.9p

Diluted adjusted earnings per share

	2020 £m	2019 £m
Adjusted profit	436	555
Weighted average number of ordinary shares in issue – million	4,002	4,000
Dilution due to share options	23	18
Total weighted average number of ordinary shares in issue – million	4,025	4,018
Diluted adjusted earnings per ordinary share	10.8p	13.8p

Details of the adjustments to earnings are as follows:

A. Exceptional items (net of tax) £93 million (2019: £16 million)

Exceptional items of £114 million (2019: £22 million), net of related tax credit of £21 million (2019: £6 million). See note 2.2 for the detailed composition of exceptional items

B. Amortisation and impairment of acquired intangible assets of £52 million (2019: £44 million)

Amortisation and impairment of assets acquired through business combinations and investments of £87 million (2019: £74 million), excluding amortisation of software licences and development of £19 million (2019: £11 million), net of related tax credit of £16 million (2019: £19 million)

C. Adjustments to net financing costs £6 million (2019: £22 million)

Adjustments to net financing costs includes foreign exchange, pension interest charges and the unwind of discounting on acquisition related liabilities of £8 million (2019: £28 million), net of related tax credit of £2 million (2019: £6 million)

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

In this section



This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. On the following pages, there are notes covering working capital, non-current assets and liabilities, acquisitions and disposals, provisions and pensions.

Liabilities relating to the Group's financing activities are addressed in section 4. Deferred tax assets and liabilities are shown in note 2.3.

3.1 Working capital

Keeping it simple



Working capital represents the assets and liabilities the Group generates through its trading activity. The Group therefore defines working capital as distribution rights, programme rights, trade and other receivables, trade and other payables and contract assets and liabilities.

Careful management of working capital ensures that the Group can meet its trading and financing obligations within its ordinary operating cycle.

Working capital is a driver of the profit to cash conversion ratio, a key performance indicator for the Group. For those subsidiaries acquired during the year, working capital at the date of acquisition is excluded from the profit to cash calculation so that only subsequent working capital movements in the period controlled by ITV are reflected in this metric.

In the following section, you will find further information regarding working capital management and analysis of the elements of working capital.

3.1.1 Programme rights and commitments

Accounting policies

Rights are recognised when the Group controls the respective rights and the risks and rewards associated with them.

Programme rights not yet utilised are included in the statement of financial position at the lower of cost and net realisable value. In assessing net realisable value for programmes in production, judgement is required when considering the contracted sales price and estimated costs to complete.

Broadcast programme rights

Acquired programme rights (which include films) and sports rights are purchased for the primary purpose of broadcasting on the ITV family of channels, including VOD and SVOD platforms. These are recognised within current assets the earlier of when payments are made or when the rights are ready for exploitation. The Group generally expenses these rights through operating costs over a number of transmissions reflecting the pattern and value in which the right is consumed.

Commissions, which primarily comprise programmes purchased, based on editorial specification and over which the Group has some control, are recognised in current assets as payments are made and are generally expensed to operating costs in full on first transmission. Where a commission is repeated on any platform, incremental costs associated with the broadcast are included in operating costs.

The net realisable value assessment for acquired and commissioned rights (excluding sports rights) is based on estimated airtime value, with consideration given to whether the number of transmissions purchased can be efficiently played out over the licence period. The net realisable value is assessed on a portfolio basis unless specific indicators of impairment are identified.

The net realisable value assessment for sports rights is based on the estimated airtime value on the transmission date of the sporting event.

As a result of the impact of COVID-19 on the planned sporting schedule for 2020 and 2021 and the consequential impact on TAR, along with changing forecasts of audience mix and revenues for certain sporting events, the Group has recognised an impairment for certain sporting events included in programme rights as well as onerous contract provisions for future commitments. Further details are provided in section 3.6.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities continued

The Broadcast programme rights and other inventory at the year end are shown in the table below:

	2020 £m	2019 £m
Acquired programme rights	169	173
Commissions	69	106
Sports rights	70	44
	308	323

£19 million relates to stock that will be transmitted in 2022 and beyond (2019: £3 million transmitted in 2021 and beyond)

Broadcast programme and transmission commitments

Transmission commitments are the contracted future payments under transmission supply agreements that require the use of transponder capacity for a period of up to ten years with payments increasing over time, limited by specific RPI caps. In 2020, we have recognised an onerous contract provision for £19 million in respect of transmission commitments. See note 3.6 for further details.

Programming commitments are transactions entered into in the ordinary course of business with programme suppliers, sports organisations and film distributors in respect of rights to broadcast on the ITV network and on BritBox UK.

Commitments in respect of these transactions, which are not reflected in the statement of financial position, are due for payment as follows:

	Transmission £m	Programme £m	Total £m
2020			
Within one year	35	479	514
Later than one year and not more than five years	95	465	560
	130	944	1,074
2019			
Within one year	35	376	411
Later than one year and not more than five years	126	609	735
	161	985	1,146

3.1.2 Distribution rights

Accounting policies

Distribution rights are programme rights the Group buys from producers to derive future revenue, principally through licensing to other broadcasters. These are classified as non-current assets as these rights are used to derive long-term economic benefit for the Group.

Distribution rights are recognised initially at cost and charged through operating costs in the income statement over a period not exceeding five years, reflecting the value and pattern in which the right is consumed. Advances paid for the acquisition of distribution rights are disclosed as distribution rights as soon as they are contracted. These advances are not expensed until the programme is available for distribution. Up to that point, they are assessed annually for impairment through the reassessment of the future sales expected to be earned from that title.

The net book value of distribution rights at the year end is as follows:

	2020 £m	2019 £m
Distribution rights	18	22

During the year, £19 million was charged to the income statement (2019: £49 million).

3.1.3 Trade and other receivables

Accounting policies

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amounts considered recoverable (amortised cost). Where payments are not due for more than one year, they are shown in the financial statements at their net present value to reflect the economic cost of delayed payment. The Group provides goods and services to substantially all of its customers on credit terms.

Estimates are used in determining the level of receivables that will not, in the opinion of the Directors, be collected. These estimates include such factors as historical experience, the current state of the UK and overseas economies and industry specific factors. A provision for impairment of trade receivables is established when there is sufficient evidence that the Group will not be able to collect all amounts due. The expected loss model was applied to trade and other receivables and contract assets and the impact was not material.

The carrying value of trade receivables is considered to approximate fair value. Trade and other receivables can be analysed as follows:

	2020 £m	2019 £m
Due within one year:		
Trade receivables	360	309
Other receivables	49	55
Prepayments	49	49
	458	413
Due after more than one year:		
Trade receivables	33	34
Other receivables	13	29
	46	63
Total trade and other receivables	504	476

£393 million (2019: £343 million) of total trade receivables, stated net of provisions for impairment, are aged as follows.

	2020 £m	2019 £m
Current	357	280
Up to 30 days overdue	16	35
Between 30 and 90 days overdue	19	25
Over 90 days overdue	1	3
	393	343

Movements in the Group's provision for impairment of trade receivables and contract assets can be shown as follows:

	2020 £m	2019 £m
At 1 January	38	39
Charged during the year	12	1
Unused amounts reversed	(4)	(2)
At 31 December	46	38

Of the provision total, £45 million relates to balances overdue by more than 90 days (2019: £36 million) and less than £1 million relates to current balances (2019: £2 million).

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities continued

3.1.4 Trade and other payables due within one year

Accounting policies

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of current and non-current trade payables is considered to approximate fair value. Trade and other payables due within one year can be analysed as follows:

	2020 £m	2019 £m
Trade payables	54	66
VAT and social security	132	77
Other payables	237	238
Acquisition-related liabilities – employment-linked contingent consideration	157	151
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition	6	–
Accruals	373	385
	959	917

3.1.5 Trade and other payables due after more than one year

Trade and other payables due after more than one year can be analysed as follows:

	2020 £m	2019 £m
Trade payables	54	61
Other payables	15	5
Acquisition-related liabilities – employment-linked contingent consideration	7	14
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition	39	32
	61	51
Total trade and other payables due after more than one year	115	112

Trade payables due after more than one year, relate primarily to film creditors of £35 million (2019: £33 million) and royalties of £19 million (2019: £28 million).

Acquisition-related liabilities or performance-based employment-linked earnouts are the estimated amounts payable to previous owners. The estimated future payments, treated as exceptional employment costs (see note 2.2), are accrued over the period the sellers are required to remain with the business. Those amounts not linked to employment are estimated and recognised at acquisition at their time discounted value, with the unwind of the discount recorded as part of finance costs.

Acquisition related liabilities at 31 December 2020 were £209 million (2019: £197 million) which represents the amount accrued to date at their time discounted value. The total estimated future payments of £227 million (2019: £230 million) are sensitive to forecast profits as they are based on a multiple of earnings. The range of reasonably possible outcomes for the liability is between £139 million and £427 million. To arrive at ITV's current best estimate of the accrued liability at 31 December 2020, total future payments and the possible range of outcomes for the liability, the Directors have taken into account the views of external advisors. The liabilities due after more than one year are expected to be settled between 2022 and 2026.

The most material payable is to the previous owner of the shares in Talpa Media B.V (now known as ITV Studios Holding B.V.), purchased in 2015 for the initial cash consideration of €500 million (£362 million) with further payments dependent on Talpa's future performance, up to a maximum consideration, including the initial payment, of €1.1 billion across three earnouts. The first earnout was paid in 2017 (€100 million), the second earnout (in respect of the 2017, 2018 and 2019 years) is payable following determination of the earnout calculation for that period and the final payment will not fall due given that John de Mol did not exercise his option to extend the earnout to 2022. The determination of the second earnout is currently undergoing an assessment by the independent arbiter. Payment will be made following the conclusion of that process. The other significant earnouts included within our expected future payments include Tomorrow Studios and Cattleya.

All earnouts are sensitive to forecast profits as they are based on a multiple of earnings and judgement is required where there may be adjustments to forecasted profits or when earnouts are negotiated, hence the reason for the range noted above. In the case of Talpa's earnout, the outcome of the ongoing review in relation to funds received for the insured trade receivable could have a material impact. The treatment of this receipt could increase the earnout by £150 million, within the range noted above (see note 5.2).

3.1.6 Contract assets and liabilities

Contract assets (accrued income) primarily relate to the Group's right to consideration for work completed but not billed at the reporting date. Many of the programmes the Studios division produces are sold internationally and also used within the ITV network. Production work in progress is treated as a contract asset until the point the programme is completed.

Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service. The following table provides movements in contract assets and liabilities in the period:

	2020		2019	
	Contract assets £m	Contract liabilities £m	Contract assets £m	Contract liabilities £m
Balance at 1 January	445	(219)	470	(255)
Decrease due to balance transferred to trade receivables	(409)	–	(462)	–
Increases as a result of the changes in the measure of progress	380	–	437	–
Decreases due to revenue recognised in the period	–	208	–	255
Increase due to cash received	–	(260)	–	(217)
Business combination	–	–	–	(2)
Balance at 31 December	416	(271)	445	(219)

Non-current contract assets of £7 million (2019: £3 million) is included in the above reconciliation.

3.1.7 Working capital management

Cash and working capital management has been a critical area of focus during 2020 and will continue to be in 2021. During the year, the cash inflow from working capital was £137 million (2019: outflow of £63 million) derived as follows:

	2020 £m	2019 £m
Decrease/(increase) in programme rights and distribution rights	16	(18)
Decrease/(increase) in receivables and contract assets	2	(37)
Increase/(decrease) in payables and contract liabilities	119	(8)
Working capital inflow/(outflow)	137	(63)

The working capital inflow/(outflow) excludes the impact of balances acquired on the acquisition of subsidiaries during the period (see note 3.4).

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities continued

3.2 Property, plant and equipment

Keeping it simple



The following section shows the physical assets used by the Group to operate the business, generating revenues and profits. These assets include office buildings and studios, as well as equipment used in broadcast transmission, programme production and support activities.

The cost of these assets is the amount initially paid for them. A depreciation expense is charged to the income statement to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is calculated by estimating the number of years the Group expects the asset to be used (useful economic life). If there has been a technological change or decline in business performance, the Directors review the value of the assets to ensure they have not fallen below their depreciated value. If an asset's value falls below its depreciated value, an additional impairment charge is made against profit.

This section also explains the accounting policies followed by ITV and the specific estimates made in arriving at the net book value of these assets.

Accounting policies

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Certain items of property, plant and equipment that were revalued to fair value prior to 1 January 2004 (the date of transition to IFRS) are measured on the basis of deemed cost, being the revalued amount less depreciation up to the date of transition.

Right of use assets

A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. These assets are called right of use assets and have been included on the Group's balance sheet at a value equal to the discounted future lease payments. For leases recognised on transition to IFRS 16 'Leases' the value is also adjusted by any prepayments or lease incentives recognised immediately before the date of initial application.

Depreciation

Depreciation is provided to write off the cost of property, plant and equipment less estimated residual value, on a straight-line basis over their estimated useful lives. The annual depreciation charge is sensitive to the estimated useful life of each asset and the expected residual value at the end of its life. The major categories of property, plant and equipment are depreciated as follows:

Asset class	Depreciation policy
Freehold land	not depreciated
Freehold buildings	up to 60 years
Leasehold improvements	shorter of residual lease term or estimated useful life
Vehicles, equipment and fittings*	3 to 20 years
Right of use assets	over the term of the lease

* Equipment includes studio production and technology assets.

Assets under construction are not depreciated until the point at which the asset comes into use by the Group.

Impairment of assets

Property, plant and equipment that is subject to depreciation is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment may include changes in technology and business performance and, in respect of 2020, the longer-term implications of the disruption caused by COVID-19. No impairments identified were linked directly to the pandemic.

Property, plant and equipment

Property, plant and equipment can be analysed as follows:

	Freehold land and buildings	Improvements to leasehold land and buildings		Vehicles, equipment and fittings	Right of use assets*	Total
	£m	Long £m	Short £m	Owned £m	£m	£m
Cost						
At 1 January 2019	9	69	26	237	–	341
IFRS 16 transition	–	–	–	–	112	112
Additions	3	1	1	25	–	30
Foreign exchange	–	–	–	(4)	–	(4)
Disposals and retirements	–	–	–	(18)	–	(18)
At 31 December 2019	12	70	27	240	112	461
Additions	1	15	1	20	40	77
Foreign exchange	–	(1)	–	–	(1)	(2)
Disposals and retirements	(1)	(4)	–	(38)	(4)	(47)
At 31 December 2020	12	80	28	222	147	489
Depreciation						
At 1 January 2019	–	21	16	113	–	150
Charge for the year	1	2	–	28	25	56
Foreign exchange	–	–	–	3	–	3
Disposals and retirements	–	–	–	(17)	–	(17)
At 31 December 2019	1	23	16	127	25	192
Charge for the year	1	3	–	26	27	57
Foreign exchange	–	–	–	–	(1)	(1)
Disposals and retirements	–	(4)	–	(36)	(4)	(44)
At 31 December 2020	2	22	16	117	47	204
Net book value						
At 31 December 2020	10	58	12	105	100	285
At 31 December 2019	11	47	11	113	87	269

* Under the modified retrospective approach in IFRS 16 'Leases', the 1 January 2019 numbers are not restated.

Included within property, plant and equipment are assets in the course of construction of £17 million (2019: £14 million).

Included in net book value of right of use assets is £99 million (2019: £85 million) related to properties and £1 million (2019: £2 million) relating to vehicles, equipment and fittings.

Capital commitments

There is £1 million of capital commitments at 31 December 2020 (2019: £1 million).

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities continued

3.3 Intangible assets

Keeping it simple



The following section shows the non-physical assets used by the Group to generate revenue and profits.

These assets include formats and brands, customer contracts and relationships, contractual arrangements, licences, software development, film libraries and goodwill. The cost of these assets is the amount that the Group has paid or, where there has been a business combination, the fair value of the specific intangible assets that could be sold separately or which arise from legal rights. In the case of goodwill, its cost is the amount the Group has paid in acquiring a business over and above the fair value of the individual assets and liabilities acquired. The value of goodwill is the 'intangible' value that comes from, for example, a uniquely strong market position and the outstanding productivity of its employees.

The value of intangible assets, with the exception of goodwill, reduces over the number of years the Group expects to use the asset, the useful economic life, via an annual amortisation charge to the income statement. Where there has been a technological change or decline in business performance, the Directors review the value of assets, including goodwill, to ensure they have not fallen below their amortised value. Should an asset's value fall below its amortised value, an additional impairment charge is made against profit.

This section explains the accounting policies applied and the specific judgements and estimates made by the Directors in arriving at the net book value of these assets.

Accounting policies

Goodwill

Goodwill represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised. The goodwill recognised by the Group has all arisen as a result of business combinations. Goodwill is stated at its recoverable amount being cost less any accumulated impairment losses and is allocated to the business to which it relates.

Due to changes in accounting standards, goodwill has been calculated using three different methods depending on the date the relevant business was purchased.

Method 1: All business combinations that have occurred since 1 January 2009 were accounted for using the acquisition method. Under this method, goodwill is measured as the fair value of the consideration transferred (including the recognition of any part of the business not yet owned (non-controlling interests)), less the fair value of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. Any contingent consideration expected to be transferred in the future is recognised at fair value at the acquisition date and recognised within other payables. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with changes in fair value recognised in the income statement. The determination of fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount rate.

Where less than 100% of a subsidiary is acquired, and call and put options are granted over the remaining interest, a non-controlling interest is initially recognised in equity at fair value, which is established based on the value of the put option. A call option is recognised as a derivative financial instrument, carried at fair value. The put option is recognised as a liability within other payables, carried at the present value of the put option exercise price, and a corresponding charge is included in merger and other reserves. Any subsequent remeasurement of the put option liability is recognised within finance income or cost.

Subsequent adjustments to the fair value of net assets acquired can only be made within 12 months of the acquisition date, and only if fair values were determined provisionally at an earlier reporting date. These adjustments are accounted for from the date of acquisition.

Acquisitions of non-controlling interests are accounted for as transactions with owners and therefore no goodwill is recognised as a result of such transactions. Transaction costs incurred in connection with those business combinations, such as legal fees, due diligence fees and other professional fees, are expensed as incurred. The Directors consider these costs to reflect the cost of acquisition and to form a part of the capital transaction, and highlight them separately as exceptional items.

Method 2: All business combinations that occurred between 1 January 2004 and 31 December 2008 were accounted for using the purchase method in accordance with IFRS 3 'Business Combinations' (2004). Goodwill on those combinations represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired and did not include the value of the non-controlling interest. Transaction costs incurred in connection with those business combinations, such as legal fees, due diligence fees and other professional fees, were included in the cost of acquisition.

Method 3: For business combinations prior to 1 January 2004, goodwill is included at its deemed cost, which represents the amount recorded under UK GAAP at that time less accumulated amortisation up to 31 December 2003. The classification and accounting treatment of business combinations occurring prior to 1 January 2004, the date of transition to IFRS, has not been reconsidered, as permitted under IFRS 1.

Other intangible assets

Intangible assets other than goodwill are those that are distinct and can be sold separately or which arise from legal rights.

The main intangible assets the Group has valued are formats, brands, licences, contractual arrangements, customer contracts and relationships and libraries.

Within ITV, there are two types of other intangible assets: those assets directly purchased by the Group for day-to-day operational purposes (such as software licences and development) and intangible assets identified as part of an acquisition of a business.

Intangible assets acquired directly by the Group are stated at cost less accumulated amortisation. Those separately identified intangible assets acquired as part of an acquisition or business combination are shown at fair value at the date of acquisition less accumulated amortisation.

Each class of intangible assets' valuation method on initial recognition, amortisation method and estimated useful life is set out in the table below:

Class of intangible asset	Amortisation method	Estimated useful life	Valuation method
Brands	Straight-line	8 to 14 years	Applying a royalty rate to the expected future revenue over the life of the brand.
Formats	Straight-line	up to 8 years	Expected future cash flows from those assets existing at the date of acquisition are estimated. If applicable, a contributory charge is deducted for the use of other assets needed to exploit the cash flow. The net cash flow is then discounted back to present value.
Customer contracts	Straight-line or reducing balance as appropriate	up to 6 years	
Customer relationships	Straight-line	5 to 10 years	Expected future cash flows from those contracts existing at the date of acquisition are estimated. If applicable, a contributory charge is deducted for the use of other assets needed to exploit the cash flow. The net cash flow is then discounted back to present value.
Contractual arrangements	Straight-line	up to 10 years depending on the contract terms	
Licences	Straight-line	11 to 29 years depending on term of licence	Start-up basis of expected future cash flows existing at the date of acquisition. If applicable, a contributory charge is deducted for the use of other assets needed to exploit the cash flow. The net cash flow is then discounted back to present value. PSB licences are valued as a start-up business with only the licence in place.
Libraries and other	Sum of digits or straight-line as appropriate	up to 20 years	Initially at cost and subsequently at cost less accumulated amortisation.
Software licences and development	Straight-line	1 to 10 years	Initially at cost and subsequently at cost less accumulated amortisation.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities continued

Determining the fair value of intangible assets arising on acquisition requires judgement. The Directors make estimates regarding the timing and amount of future cash flows derived from exploiting the assets being acquired. The Directors then estimate an appropriate discount rate to apply to the forecast cash flows. Such estimates are based on current budgets and forecasts, extrapolated for an appropriate period taking into account growth rates, operating costs and the expected useful lives of assets. Judgements are also made regarding whether, and for how long, licences will be renewed; this drives our amortisation policy for those assets.

The Directors estimate the appropriate discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the assets or businesses being acquired.

Amortisation

Amortisation is charged to the income statement over the estimated useful lives of intangible assets unless such lives are judged to be indefinite. Indefinite life assets, such as goodwill, are not amortised but are tested for impairment at each year end.

Impairment

Goodwill is not subject to amortisation and is tested annually for impairment and when circumstances indicate that the carrying value may be impaired.

Other intangible assets are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the amount carried in the statement of financial position is less than its recoverable amount.

Determining whether the carrying amount of intangible assets has any indication of impairment requires judgement. Any impairment is recognised in the income statement.

An impairment test is performed by assessing the recoverable amount of each asset, or for goodwill the cash-generating unit ("CGU"), or group of CGUs, related to the goodwill. Total assets (which include goodwill) are grouped at the lowest levels for which there are separately identifiable cash flows.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is based on the present value of the future cash flows expected to arise from the asset.

In testing for impairment, estimates are used in deriving cash flows and the discount rates. Such estimates reflect current market assessments of the risks specific to the asset and the time value of money. The estimation process is complex due to the inherent risks and uncertainties associated with long-term forecasting. If different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset, and as a consequence materially different amounts would be reported in the financial statements.

Impairment losses in respect of goodwill cannot be reversed. In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

In the light of the uncertainty caused by the COVID-19 outbreak, the Group has assessed goodwill and other assets for impairment as at 31 December 2020.

There is a wide range of potential outcomes regarding the possible future performance of each of ITV Group's cash-generating units, Broadcast, ITV Studios and SDN. The Directors, however, do not consider that any reasonably possible changes in the key assumptions would cause the value in use of the Group's cash-generating units to fall below their carrying values.

Other non-current and current assets were also reviewed for impairment in light of the disruption caused by COVID-19 as at 31 December 2020. Impairments identified, which were linked directly to the pandemic, have been treated as exceptional items discussed in detail in note 2.2.

Intangible assets

Intangible assets can be analysed as follows:

	Goodwill £m	Formats and brands £m	Customer contracts and relationships £m	Contractual arrangements £m	Licences £m	Libraries and other £m	Software licences and development £m	Total £m
Cost								
At 1 January 2019	3,904	551	438	11	176	103	164	5,347
Additions	-	-	-	-	-	1	57	58
Acquisitions	9	-	6	-	-	-	-	15
Foreign exchange	(16)	(21)	(3)	-	-	(1)	-	(41)
Disposals, retirements and impairment	-	-	-	-	-	-	(14)	(14)
At 31 December 2019	3,897	530	441	11	176	103	207	5,365
Additions	-	-	-	-	-	1	21	22
Foreign exchange	(2)	17	-	-	-	(1)	-	14
At 31 December 2020	3,895	547	441	11	176	103	228	5,401
Amortisation and impairment								
At 1 January 2019	2,654	349	418	11	112	89	100	3,733
Charge for the year	-	44	7	-	6	4	11	72
Foreign exchange	-	(11)	(3)	-	-	(2)	(2)	(18)
Disposals, retirements and impairment	-	-	-	-	-	-	(14)	(14)
At 31 December 2019	2,654	382	422	11	118	91	95	3,773
Charge for the year	-	42	6	-	6	1	20	75
Foreign exchange	-	11	(1)	-	-	(1)	(1)	8
At 31 December 2020	2,654	435	427	11	124	91	114	3,856
Net book value								
At 31 December 2020	1,241	112	14	-	52	12	114	1,545
At 31 December 2019	1,243	148	19	-	58	12	112	1,592

Goodwill impairment tests

The carrying amount of goodwill for each CGU is represented as follows:

	2020 £m	2019 £m
ITV Studios	779	781
Broadcast	386	386
SDN	76	76
	1,241	1,243

There has been no impairment charge for any CGU during the year (2019: £nil).

When assessing impairment, the recoverable amount of each CGU is based on value in use calculations. These calculations require the use of estimates, specifically: pre-tax cash flow projections; long-term growth rates; and a pre-tax market discount rate. Cash flow projections are based on the Group's current long-term plan. Beyond the plan, these projections are extrapolated using an estimated nominal long-term growth rate of 1% (2019: 1.5%). The growth rate used is consistent with the long-term average growth rates for both the industry and the countries in which the CGUs are located and is appropriate because these are long-term businesses.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities continued

The discount rate has been updated for each CGU to reflect the latest market assumptions for the risk-free rate, the equity risk premium and the net cost of debt. There is currently no reasonably possible change in discount rate that would reduce the headroom in any CGU to zero.

ITV Studios

The goodwill for ITV Studios has arisen as a result of the acquisition of production businesses since 1999. Significant balances were created from the acquisition by Granada of United News and Media's production businesses in 2000 and the merger of Granada and Carlton in 2004 to form ITV plc. ITV Studios goodwill also includes the goodwill arising from acquisitions since 2012, with the largest acquisitions being Leftfield in 2014, followed by Talpa in 2015.

The key assumptions on which the forecast cash flows for the whole CGU were based include revenue (including international revenue and the ITV Studios share of ITV output, growth in commissions and hours produced), margins and the pre-tax market discount rate. These assumptions have been determined by using a combination of extrapolation of historical trends within the business, industry estimates and in-house estimates of growth rates in all markets. No impairment was identified.

As part of the impairment review, sensitivity was applied to the main assumptions with no impairment identified (profit reduction between 12% and 23% in the five year outlook). The Directors believe that currently no reasonably possible change in the cash flow assumptions would reduce the headroom in this CGU to zero.

A pre-tax market discount rate of 7.7% (2019: 8.8%) has been used in discounting the projected cash flows.

Following the organisational redesign by ITV Studios, the Directors considered how assets and resources are shared across the ITV Studios division and the level of integration within the management structure for the purposes of reporting and strategic decision-making. They concluded that a single ITV Studios CGU continues to remain appropriate.

Broadcast

The goodwill in this CGU arose as a result of the acquisition of broadcasting businesses since 1999, the largest of which was the merger of Carlton and Granada in 2004 to form ITV plc, which was treated as an acquisition of Carlton for accounting purposes. Broadcast goodwill also includes the goodwill arising on acquisition of UTV Limited in February 2016.

The main assumptions on which the forecast cash flow projections for this CGU are based include: the performance and share of the television advertising market; share of commercial impacts; programme and other costs; and the pre-tax market discount rate.

The key assumption in assessing the recoverable amount of Broadcast goodwill is the size of the television advertising market. In forming its assumptions about the television advertising market, the Group has used a combination of long-term trends, industry forecasts and in-house estimates, which place greater emphasis on recent experience. No impairment was identified. Also as part of the impairment review, a sensitivity of a significant decline in the advertising market with no subsequent recovery was applied, with no impairment identified. The Directors believe that currently no reasonably possible change in these assumptions would reduce the headroom in this CGU to zero.

An impairment charge of £2,309 million was recognised in the Broadcast CGU in 2008, as a result of the downturn in the short-term outlook for the advertising market. The current year impairment review, set out above, results in significant headroom in excess of the 2008 impairment amount. Even though the advertising market has improved since then and the impaired assets are still owned and operated by the Group, due to accounting rules the impairment cannot be reversed.

A pre-tax market discount rate of 7.8% (2019: 8.7%) has been used in discounting the projected cash flows.

SDN

Goodwill was recognised when the Group acquired SDN (the licence operator for DTT Multiplex A) in 2005. It represented the wider strategic benefits of the acquisition specific to the Group, principally the enhanced ability to promote Freeview as a platform, business relationships with the channels which are on Multiplex A and additional capacity available from 2010. The licence is due for renewal in 2022.

The main assumptions on which the forecast cash flows are based are: income to be earned from renewals of medium-term contracts; the market price of available multiplex video streams; and the pre-tax market discount rate. These assumptions have been determined by using a combination of current contract terms, recent market transactions and in-house estimates of video stream availability and pricing. No impairment was identified.

As part of the impairment review, sensitivity was applied to the main assumptions with no impairment identified (2020: -10% growth, 2021: -10% growth, no renewal of the licence to operate in 2022). The Directors believe that currently no reasonably possible change in the cash flow assumptions would reduce the headroom in this CGU to zero.

A pre-tax market discount rate of 11.4% (2019: 13.6%) has been used in discounting the projected cash flows.

3.4 Acquisitions

Keeping it simple



The following section outlines what the Group has acquired in the year.

Most of the deals are structured so that a large part of the payment made to the sellers ('consideration') is determined based on future performance. This is done so that the Group can both align incentives for growth, while reducing risk so that total consideration reflects actual performance, not expected.

IFRS accounting standards require some of this consideration to be included in the purchase price used in determining goodwill ('contingent consideration'). Examples of contingent consideration include top-up payments and recoupable performance adjustments. Any remaining consideration is required to be recognised as a liability or expense outside of acquisition accounting (put option liabilities and employment-linked contingent payments known as 'earnout' payments).

The Group considers the income statement impact of all consideration to be capital in nature and so excludes it from adjusted profit. Therefore, for each acquisition below, the distinction between the types of consideration has been explained in detail.

Acquisitions in the current year – 2020

There have been no acquisitions in 2020.

Acquisitions in the prior year – 2019

In 2019, the Group made payments totalling £11 million for two acquisitions within the ITV Studios operating segment. The businesses fit with the strategy of strengthening the Group's existing position as a producer and global distributor of world-class content.

Armoza International Media Limited

On 31 July 2019, the Group purchased 100% of the share capital of Armoza International Media Ltd, one of Israel's leading television developers and distributors.

Monumental Television Limited

On 18 July 2019, the Group increased its stake in Monumental Television from 26% to a 51% majority in the UK production company.

Acquisition accounting:

Put and call options over the non-controlling interest and performance-related top up payments have been granted, with payments expected in the next five years. The total maximum consideration for the two acquisitions in 2019 is capped at £62 million (undiscounted). All future payments are dependent on future performance of the businesses and linked to ongoing employment.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities continued

	2020 Total £m	2019 Total* £m
Consideration transferred:		
Initial consideration (net of cash acquired) (Note A)	-	11
Total consideration	-	11
Fair value of net assets acquired:		
Intangible assets	-	6
Deferred tax liabilities	-	(1)
Inventory	-	9
Trade and other receivables	-	6
Trade and other payables	-	(14)
Borrowings	-	(3)
Net assets held for sale	-	-
Fair value of net assets	-	3
Non-controlling interest measured at fair value (Note B)	-	1
Goodwill	-	9
Other information		
Present value of the expected liability on put options	-	-
Present value of the expected earnout payment at acquisition	-	7
Contributions to the Group's performance:		
From date of acquisition		
Revenue	-	9
EBITA before exceptionals	-	1
Proforma – January to December		
Revenue	-	19
EBITA before exceptionals	-	1

* Provisional values as the acquisition accounting is finalised in the 12 month period following acquisition.

Note A: Consideration for all acquisitions is net of cash acquired and estimated debt and working capital settlements. Cash acquired during the period is nil (2019: £4 million).

Note B: Non-controlling interest arises where the Group acquires less than 100% of the equity interest in a business, but obtains control.

3.5 Investments

Keeping it simple



The Group holds non-controlling interests in a number of different entities. Accounting for these investments, and the Group's share of any profits and losses, depends on the level of control or influence the Group is granted via its interest. The three principal types of non-consolidated investments are: joint arrangements (joint ventures or joint operations), associates, and equity investments.

A joint arrangement is an investment where the Group has joint control, with one or more third parties. An associate is an entity over which the Group has significant influence (i.e. power to participate in the investee's financial and operating decisions). Any other investment is an equity investment.

Accounting policies

For joint ventures and associates, the Group applies equity accounting. Under this method, it recognises the investment in the entity at cost and subsequently adjusts this for its share of profits or losses, which are recognised in the income statement within non-operating items and included in adjusted profit.

Where the Group has invested in associates by acquiring preference shares or convertible debt instruments, the share of profit recognised is usually £nil as no equity interest exists.

Equity investments are held at fair value unless the investment is a start-up business, in which case it is valued at cost and assessed for impairment.

The carrying amount of each category of our investments is represented as follows:

	2020 £m	2019 £m
Joint ventures	24	1
Associates	52	43
Equity investments	1	8
	77	52

Investments have increased during the year primarily due to an increase in investment in BritBox US (to increase our investment to 50%) and an investment in Bedrock Entertainment, a US Studios business which develops and produces premium television content. Further smaller investments have been made in line with Group's strategy to grow the international content business. The Group also recognised share of profits in equity accounted investments of £9 million.

In 2020, following the closure of Qubi the Group's investment was fully written down.

Significant investments in associates include £30 million (2019: £30 million) relating to a 45% investment Blumhouse TV Holdings LLC, a film and television production company in the US.

Please refer to page 241 for the list of principal investments held at 31 December 2020.

3.6 Provisions

Keeping it simple



A provision is recognised by the Group where an obligation exists relating to events in the past and it is probable that cash will be paid to settle it.

A provision is made where the Group is not certain how much cash will be required to settle a liability, so an estimate is required. The main estimates relate to the cost of holding properties that are no longer in use by the Group, the likelihood of settling legal claims and contracts the Group has entered into that are now unprofitable.

Accounting policies

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation arising from past events, it is probable cash will be paid to settle it and the amount can be estimated reliably. Provisions are determined by discounting the expected future cash flows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a financing cost in the income statement. The value of the provision is determined based on assumptions and estimates in relation to the amount and timing of actual cash flows, which are dependent on future events.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities continued

Provisions

The movements in provisions during the year are as follows:

	Contract provisions £m	Property provisions £m	Legal and Other provisions £m	Total £m
At 31 December 2019	2	2	3	7
Additions	56	1	38	95
Utilised	(12)	–	–	(13)
Released	(9)	–	–	(8)
At 31 December 2020	37	3	41	81

Provisions of £59 million are classified as current liabilities (2019: £2 million). Unwind of the discount is £nil in 2020 and 2019.

- Contract provisions of £41 million (2019: £2 million) represent liabilities in respect of onerous contracts in relation to individual sports rights of £22 million (2019: £nil) and transmission capacity supply contract of £19 million (2019: £2 million).

The provision for sports rights is sensitive to the changes in the sporting schedule and consequential impact on TAR. As a result of the impact of COVID-19 and consequential changes to the sporting schedule, along with resulting changing forecasts of audience mix and revenues for certain sporting events, the Group has recognised a provision for the sporting events directly impacted by these changes. In calculating the provision, management has made estimates and used assumptions in determining the nature, amount and timing of potential outflows including the commercial impacts of the target audience that will be generated by those rights, scheduling of the events and revenue forecasts. A provision is recognised for rights where the estimated revenues are less than the obligation held. An initial provision was raised during the year for £37 million, of which £11 million has been utilised during the year and £8 million was released.

The onerous contract for the transmission supply contract of £19 million has been recognised in the current year as the capacity on the satellite transponder is no longer used by the Group. £2 million of the provision was utilised during the year. Management have applied judgement in their assessment that the individual element of the contract is separable from the remaining elements of the contract which are not considered onerous. The capacity on the satellite transponder is no longer used by the Broadcast business and is therefore not generating revenues. The contracted future commitment has therefore been recognised as a provision as there are no future economic benefits expected.

- Property provisions primarily relate to expected dilapidation costs at rental properties.
- Legal and Other provisions of £40 million (2019: £3 million) includes a provision of £31 million for the potential liability that may arise as a result of the Box Clever Financial Support Directions ('FSDs') being issued by the Pensions Regulator ('tPR').

The Box Clever Pension Scheme ('the Scheme') was managed from its establishment by an independent trustee and the Group has not had any commercial connection with the Box Clever business since it went into administrative receivership in 2003. After court proceedings in the Upper Tribunal and Court of Appeal were dismissed, certain companies within ITV were issued with FSDs by tPR on 17 March 2020. An FSD does not set out what form any financial support should take, nor its amount, and those issues have not yet been resolved as part of the legal process.

The legislation provides that any contribution that ITV may make must be considered reasonable and have regard to the Group's financial circumstances. If an agreement is reached with tPR there may not be an immediate cash flow impact. If an agreement cannot be reached then settlement may be protracted and subject to further legal proceedings over several years.

At 2003, the Scheme was estimated to have had a deficit on a buyout basis of £25 million. The most recent estimate of the deficit in the Box Clever Group Pension Scheme is £110 million as at 30 April 2020 and remains management's best estimate of the required provision. This estimate was calculated on a buyout basis, using membership data and benefits currently being provided in that Scheme, and based on membership data as of February 2020. Both of these valuations were of the whole Scheme, encompassing liabilities in respect of former employees of Granada's joint venture partner, Thorn, as well as former employees of the Group. Given the significant number of undecided issues as to the quantum and form of financial support, the Group will strongly contest any attempt to impose liability in an amount the Directors consider unreasonable.

The Directors continue to believe there are many important factors which need to be taken into account in any decision and therefore there remains a great deal of uncertainty around the quantum and form of financial support to be provided. The provision of £31 million is based on our proposal issued to the regulator on 31 July 2020 and represents the IAS 19 valuation, using market conditions at 30 April 2020. That proposal has not been accepted but it is expected that the Company and tPR will have discussions to try to resolve the matter on a consensual basis. No provision was held at 31 December 2019 as the Financial Support Direction (FSD) had not yet been issued and Management could not reliably estimate the provision as sufficient data around Scheme participants had not yet been received.

3.7 Pensions

Keeping it simple



In this note, we explain the accounting policies governing the Group's pension schemes, followed by analysis of the components of the net defined benefit pension deficit, including assumptions made, and where the related movements have been recognised in the financial statements. In addition, we have placed text boxes to explain some of the technical terms used in the disclosure.

What are the Group's pension schemes?

There are two types of pension schemes. A 'Defined Contribution' scheme that is open to ITV employees, and a number of 'Defined Benefit' schemes that have been closed to new members since 2006 and closed to future accrual in 2017. In 2016, on acquisition of UTV Limited, the Group took over the UTV Defined Benefit Scheme, which closed to future accrual at the end of March 2019.

What is a Defined Contribution scheme?

The Defined Contribution scheme is where the Group makes fixed payments into a separate fund on behalf of those employees participating in saving for their retirement. ITV has no further obligation to the participating employee and the risks and rewards associated with this type of scheme are assumed by the members rather than the Group. Although the Trustee of the scheme makes available a range of investment options, it is the members' responsibility to make investment decisions relating to their retirement benefits.

What is a Defined Benefit scheme?

In a Defined Benefit scheme, members receive payments during retirement, the value of which is dependent on factors such as salary and length of service. The Group makes contributions to the scheme, a separate trustee-administered fund that is not consolidated in these financial statements, but is reflected on the defined benefit pension deficit line in the consolidated statement of financial position.

The Trustee, appointed according to the terms of the Schemes' documentation, is required to act in the best interest of the beneficiaries and is responsible for managing and investing the assets of the Scheme and its funding position.

Schemes can be funded, where regular cash contributions are made by the employer into a fund which is invested. In the event of poor investment returns or increases in liabilities, the Group may need to address this through increased levels of contribution. Alternatively, schemes can be unfunded, where no regular money or assets are required to be put aside to cover future payments but in some cases security is required.

The accounting defined benefit pension deficit (IAS 19) is different from the actuarial valuation deficit as they are calculated on the basis of different assumptions, such as discount rate. The accounting defined benefit pension deficit (IAS 19) figure is calculated as at the balance sheet date, and the actuarial deficit was calculated for the last triennial valuation as of 1 January 2017 for the ITV Pension Scheme and 30 June 2017 for the UTV Pension Scheme. The 2020 Triennial valuations for each of the schemes are under way. The valuations are expected to be agreed during 2021.

Accounting policies

Defined contribution scheme

Obligations under the Group's defined contribution schemes are recognised as an operating cost in the income statement as incurred. For 2020, total contributions expensed were £25 million (2019: £23 million).

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities continued

Defined benefit scheme

The Group's obligation in respect of the Defined Benefit Scheme is calculated by estimating the amount of future retirement benefit that eligible employees ('beneficiaries') have earned during their services. That benefit payable in the future is discounted to today's value and then the fair value of scheme assets is deducted to measure the defined benefit pension position.

Unless otherwise stated, references to Defined Benefit Schemes ('the Schemes') within this note refer to the ITV Pension Scheme, the unfunded scheme and the UTV Scheme combined. Details on each scheme are provided below.

The liabilities of the Schemes are measured by discounting the best estimate of future cash flows to be paid using the 'projected unit' method. These calculations are complex and are performed by a qualified actuary. There are many judgements and estimates necessary to calculate the Group's estimated liabilities, the main assumptions are set out later in this section. Movements in assumptions during the year are called 'actuarial gains and losses' and these are recognised in the period in which they arise through the statement of comprehensive income.

The accounting defined benefit pension surplus or deficit (IAS 19) is different from the actuarial valuation deficit as they are calculated on the basis of different assumptions, such as discount rate. The accounting defined benefit pension surplus or deficit (IAS 19) figure is calculated as at the balance sheet date, and the actuarial valuation deficit is calculated per the last triennial valuation.

The latest triennial valuation of the ITV Pension Scheme was undertaken as at 1 January 2017 by an independent actuary appointed by the Trustee of the Scheme and agreed in early 2018. The combined funding deficits of the ITV Pension Scheme as at 1 January 2017 amounted to £470 million.

The Trustee is in the process of undertaking a full actuarial valuation of the ITV Pension Scheme as at 1 January 2020, which we expect to agree during 2021. This valuation will drive subsequent contribution rates.

The Group continues to make deficit funding contributions in line with the most recent actuarial valuation in order to eliminate the deficits in each section. The IAS 19 deficit does not drive the deficit funding contribution.

An unfunded scheme in relation to former beneficiaries who accrued benefits in excess of the maximum allowed for tax purposes is accounted for under IAS 19 and the Group is responsible for meeting the pension obligations as they fall due. For the four former Granada executives within the unfunded scheme, there is additional security in the form of a charge over £62 million of securitised gilts held by the Group, which are classified as other pension assets to reflect the Group's net pension deficit.

Due to the size of the UTV Pension Scheme, the Directors present the results and position of the UTV Scheme within this note combined with the existing ITV Schemes. The latest triennial valuation was undertaken as at 30 June 2017. The Trustee is in the process of undertaking a full actuarial valuation as at 30 June 2020, which we expect to agree during 2021.

The principal employer of the ITV Pension Scheme is ITV Services Limited, the unfunded scheme is Granada Group Limited and the UTV Scheme is UTV Limited.

The defined benefit pension deficit

Net pension deficit of £26 million at 31 December 2020 (2019: £87 million) is stated after including the unfunded scheme security asset of £62 million (2019: £58 million).

The totals recognised in 2020 and 2019 are:

	2020 £m	2019 £m
Total defined benefit scheme obligations	(4,120)	(4,037)
Total defined benefit scheme assets	4,032	3,892
Defined benefit pension deficit (IAS 19)	(88)	(145)
Presented as:		
Defined benefit pension surplus*	22	17
Defined benefit pension deficit	(110)	(162)
Defined benefit pension deficit (IAS 19)	(88)	(145)
Other pension asset	62	58
Net pension deficit	(26)	(87)

* The defined benefit pension surplus relates solely to the UTV Scheme. The defined benefit scheme assets in the UTV Scheme were £142 million as at 31 December 2020 (2019: £133 million) and the defined benefit scheme obligations were £120 million (2019: £116 million).

The remaining sections provide further detail of the value of the Schemes' assets and liabilities, how these are accounted for and the impact on the financial statements.

Defined benefit scheme obligations

Keeping it simple



What causes movements in the defined benefit pension obligations?

The areas that impact the defined benefit obligation (the pension scheme liabilities) position at the year end are as follows:

- **Past service cost** – is a change in present value of the benefits built up by the beneficiaries in the prior periods; can be positive or negative resulting from changes to the existing plan as a result of an agreement between ITV and employees or legislative change (including legal rulings) or as a result of significant reduction by ITV in the number of employees covered by the plan (curtailment)
- **Interest cost** – the pension obligations payable in the future are discounted to the present value at year end. A discount factor is used to determine the current value today of the future cost. The interest cost is the unwinding of one year's movement in the present value of the obligation. It is broadly determined by multiplying the discount rate at the beginning of the period by the updated present value of the obligation during the period. The discount rate is a key assumption explained later in this section. This interest cost is recognised through net financing costs in the income statement (see note 4.4)
- **Actuarial gains or losses** – there are broadly two causes of actuarial movements: 'experience' adjustments, which arise when comparing assumptions made when estimating the liabilities and what has actually occurred, and adjustments resulting from changes in actuarial assumptions e.g. movements in corporate bond yields or change in mortality. Key assumptions are explained in detail later in this section. Actuarial gains or losses are recognised through other comprehensive income
- **Benefits paid** – any cash benefits paid out by the Scheme will reduce the obligation
- **One-off events** – for example, the acquisition of UTV Limited

The movement in the present value of the Group's defined benefit obligation is analysed below:

	2020 £m	2019 £m
Defined benefit obligation at 1 January	4,037	3,719
Past service cost		
– GMP equalisation	1	–
– ITV A rectification	5	–
– Curtailment credit for the UTV scheme closure to future accrual	–	(1)
Interest cost	81	103
Actuarial loss	183	410
Benefits paid	(187)	(194)
Defined benefit obligation at 31 December	4,120	4,037

Of the above total defined benefit obligation at 31 December 2020, £60 million relates to the unfunded schemes (2019: £60 million).

On 20 November 2020, a High Court ruling determined that pension schemes need to address inequalities between men and women in Guaranteed Minimum Pension (GMP) for those beneficiaries that transferred out of the Schemes between May 1990 and October 2018. An allowance of £1 million (2019: £nil) for GMP Equalisation was recognised as a past service cost in the current year.

During 2020, the Group completed the rectification of historical benefits for the members of the Network Section of Section A of the ITV Pension Scheme. The review, which involved detailed individual member calculations, amended the benefits of the Network Section members accrued between 1991 and 1997 in accordance with an agreement approved by the High Court in February 2019. As part of the review, changes to membership data were also identified. The change in benefits of £5 million (2019: £nil) have been recognised as a past service cost in the current year. The change in membership data of £7 million (2019: £nil) has been included within the actuarial loss in Other Comprehensive Income.

In March 2019, the UTV scheme closed to future accrual which resulted in a past service credit or curtailment credit of £1 million.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities continued

Assumptions used to estimate the Scheme obligations

Keeping it simple



What are the main assumptions used to estimate the Scheme obligations?

The main assumptions are:

- An estimate of increases in pension payments
- The life expectancy of beneficiaries
- The effect of inflation on all these factors and
- The discount rate used to estimate the present day fair value of these obligations

How do we determine the appropriate assumptions?

The Group takes independent actuarial advice relating to the appropriateness of the assumptions used.

IFRS requires that we estimate a discount rate by reference to high-quality fixed income investments in the UK that match the estimated term of the pension obligations.

The inflation assumption has been set by looking at the difference between the yields on fixed and index-linked Government bonds. The inflation assumption is used as a basis for the remaining financial assumptions, except where caps have been implemented.

The discount rate has therefore been obtained using the yields available on AA rated corporate bonds, which match projected cash flows. The Group's estimate of the weighted average term of the liabilities is 16 years (2019: 16 years).

The principal assumptions used in the Schemes' valuations at the year end were:

	2020	2019
Discount rate	1.35%	2.05%
Inflation assumption (RPI) – before 2030	2.95%	3.00%
Inflation assumption (RPI) – post 2030	2.70%	3.00%
Rate of increase in pension payment (LPI ¹ 5% pension increases)	2.75%	2.90%
Rate of increase to deferred pensions (CPI)	2.05%	2.20%

1. Limited Price Index.

The Retail Prices Index ('RPI') reform consultation outcome was announced on 25 November 2020. The announcement means that from February 2030 onwards, increases in the RPI will be aligned with those under the Consumer Prices Index ('CPI'). For Defined Benefit schemes, it means that members with RPI-linked pension increases will see future retirement benefits increase more slowly from 2030 than they otherwise would. The Group updated its approach to setting RPI and CPI inflation assumptions as follows:

- The Group continued to set RPI inflation in line with the market break-even expectations less an inflation risk premium. The inflation risk premium has been increased from 0.25% at 31 December 2019 to 0.25% per annum pre-2030 and 0.5% per annum post-2030 at 31 December 2020. The estimated impact of the change in inflation risk premium in respect of Section A of the ITV Pensions Scheme is a reduction in the defined benefit obligation of approximately £40 million to £50 million. Section C of the ITV Pension Scheme, the Unfunded Scheme and the UTV Scheme is not expected to have a material change in the defined benefit obligations.
- For CPI, the Group changed the assumed difference between the RPI and CPI from 0.8% at 31 December 2019 to 1.00% per annum pre-2030 and 0% post-2030 at 31 December 2020. The change in approach is intended to be broadly equivalent to the prior year end.

The table below reflects published mortality investigation data in conjunction with the results of investigations into the mortality experience of Scheme beneficiaries. The assumed life expectations on retirement are:

	2020	2020	2019	2019
Retiring today at age	60	65	60	65
Males	26.3	21.7	27.3	22.6
Females	28.9	24.1	29.4	24.6
Retiring in 20 years at age	60	65	60	65
Males	27.6	22.8	28.9	24.1
Females	30.4	25.5	31.0	26.1

The net pension deficit is sensitive to changes in assumptions. These are disclosed further in this section.

Total defined benefit scheme assets

Keeping it simple



The Scheme holds assets across a number of different classes, which are managed by the Trustee, who consults with the Group on changes to its investment policy.

What are the pension Scheme assets?

At 31 December 2020, the Schemes' assets were invested in a diversified portfolio that consisted primarily of debt securities, infrastructure, property and insurance policies matching the pensions due to certain beneficiaries. The tables below set out the major categories of assets.

Financial instruments are in place in order to provide protection against changes in market factors (interest rates and inflation), which could act to increase the net pension deficit.

One such instrument is the longevity swap, which the Scheme transacted in 2011 to obtain protection against the effect of increases in the life expectancy of the majority of pensioner beneficiaries at that date. Under the swap, the Trustee agreed to make pre-determined payments in return for payments to meet the specified pension obligations as they fall due, irrespective of how long the beneficiaries and their dependants live. The difference in the present values of these two streams of payments is reflected in the Scheme assets. The swap had a nil valuation at inception and, using market-based assumptions, is subsequently adjusted for changes in the market life expectancy and market discount rates, in line with its fair value.

How do we measure the pension Scheme assets?

Defined benefit scheme assets are measured at their fair value and can change due to the following:

- Interest income on scheme assets – this is determined by multiplying the fair value of the Scheme assets by the discount rate, both taken as of the beginning of the year. This is recognised through net financing costs in the income statement
- Return on assets arise from differences between the actual return and interest income on Scheme assets and are recognised through other comprehensive income
- Employer's contributions are paid into the Scheme to be managed and invested and
- Benefits and administrative expenses paid out by the Schemes will lower the fair value of the Schemes' assets

The movement in the fair value of the defined benefit schemes' assets is analysed below:

	2020 £m	2019 £m
Fair value of Scheme assets at 1 January	3,892	3,632
Interest income on Scheme assets	78	102
Return on assets, excluding interest income	188	276
Employer contributions	67	82
Benefits paid	(187)	(194)
Administrative expenses paid	(6)	(6)
Fair value of Scheme assets at 31 December	4,032	3,892

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities continued

How are the Schemes' assets invested?

At 31 December 2020, the Schemes' assets were invested in a diversified portfolio that consisted primarily of debt securities, infrastructure, property and insurance policies matching pensions due to certain beneficiaries. The Trustee is responsible for deciding the investment strategy for the Schemes' assets, although changes in investment policies require consultation with the Group. The assets are invested in different classes to hedge against unfavourable movements in the funding obligation. When selecting the mix of assets to hold, and considering their related risks and returns, the Trustee will weigh up the variability of returns against the target long-term rate of return on the overall portfolio.

The fair value of the Schemes' assets is shown in the following table by major category:

	Market value 2020 £m		Market value 2019 £m	
Liability hedging assets				
Fixed interest gilts	591		689	
Index-linked interest gilts	1,142		886	
Interest rate and inflation hedging derivatives (swaps and repos)	57		127	
	1,790	44%	1,702	43%
Other bonds	1,815	45%	1,425	37%
Return seeking investments				
Quoted equities	–		76	
Infrastructure	181		161	
Property	144		134	
Hedge funds/alternatives	2		49	
	327	8%	420	11%
Other investments				
Cash and cash equivalents	149		140	
Insurance policies	553		544	
Longevity swap fair value	(602)		(339)	
	100	2%	345	9%
Total Scheme assets	4,032		3,892	

Included in the above are overseas assets of £275 million (2019: £404 million), comprised of quoted equities of £nil (2019: £72 million) and other assets of £275 million (2019: £338 million).

In November 2018, the Pension Trustee entered into a bulk annuity insurance contract in respect of the benefits of two sections of the ITV Pension Scheme. This type of deal is also known as a 'Buy-in'. A buy-in is where the Trustee purchases an insurance policy which is effectively a Scheme asset which pays the members benefits. The ultimate obligation to pay the members benefits still remains with the scheme. The assets in respect of the buy-in are included in the insurance policies listed above.

The Trustee entered into a longevity swap in 2011, which hedges the risk of increasing life expectancy over the next 70 years for 11,700 current pensioners at inception covering £1.7 billion of the pension obligation. The fair value of the longevity swap is negative due to declining mortality assumptions and equals the discounted value of the projected net cash flows resulting from the contract. The fair value loss has increased in 2020.

Defined pension deficit sensitivities

Keeping it simple



Which assumptions have the biggest impact on the Scheme?

It is important to note that comparatively small changes in the assumptions used may have a significant effect on the consolidated income statement and statement of financial position. This 'sensitivity' to change is analysed below to demonstrate how small changes in assumptions can have a large impact on the estimation of the defined benefit pension obligation. The Trustee manages the investment, mortality and inflation risks to ensure the pension obligations are met as they fall due.

The investment strategy is aimed at the Trustee's actuarial valuation deficit rather than IAS 19 defined pension deficit value. As such, the effectiveness of the risk hedging strategies on a valuation basis will not be the same as on an accounting basis. Those hedging strategies have significant impact on the movement in the net pension deficit as assumptions change, offsetting the impacts on the obligation disclosed below.

In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case). Changes in the assumptions may occur at the same time as changes in the market value of Scheme assets, which may or may not offset the changes in assumptions.

Changes in assumptions have a different level of impact as the value of the net pension deficit fluctuates, because the relationship between them is not linear.

The analysis below considers the impact of a single change in principal assumptions on the defined benefit obligation while keeping the other assumptions unchanged and does not take into account any risk hedging strategies:

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase by 0.1%	Decrease by £60 million
	Decrease by 0.1%	Increase by £60 million
Rate of inflation (Retail Price Index)	Increase by 0.1%	Increase by £30 million
	Decrease by 0.1%	Decrease by £30 million
Rate of inflation (Consumer Price Index)	Increase by 0.1%	Increase by £10 million
	Decrease by 0.1%	Decrease by £10 million
Life expectancies	Increase by one year	Increase by £185 million

The sensitivity analysis has been determined by extrapolating the impact on the defined benefit obligation at the year end with changes in key assumptions that might reasonably occur.

While the Schemes' risk hedging strategy is aimed at a valuation basis, the Directors estimate that on an accounting basis it would significantly reduce the above impact on the defined benefit obligation.

In particular, while an increase in assumption of life expectancies by one year would increase the defined benefit obligation by £185m, the assets would benefit from an estimated increase of the value of the longevity swap by £105 million and the value of the bulk annuity insurance contracts by £20 million, resulting in a net increase in the defined pension deficit of £60 million.

The insured assets in respect of the buy-in will move in line with the change to the defined benefit obligation, partially offsetting the change to the impacts in the table above.

Further, the ITV Pension Scheme invests in UK Government bonds and interest rate and inflation swap contracts and therefore movements in the defined benefit obligation are typically offset, to an extent, by asset movements.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities continued

Keeping it simple



What was the impact of movements on the Schemes' assets and liabilities?

The sections above describe how the Scheme obligations and assets are comprised and measured. The following section sets out the impact of various movements and expenses on the Scheme on the Group's financial statements.

Amounts recognised through the income statement

Amounts recognised through the income statement are as follows:

	2020 £m	2019 £m
Amount charged to operating costs:		
Scheme administration expenses	(6)	(6)
	(6)	(6)
Amount charged to exceptional costs:		
Past service (cost)/credit	(6)	1
Amount charged to net financing costs:		
Net interest on net pension deficit	(2)	(1)
Total charged in the consolidated income statement	(14)	(6)

Amounts recognised through the consolidated statement of comprehensive income

The amounts recognised through the consolidated statement of comprehensive income/(cost) are:

	2020 £m	2019 £m
Remeasurement gains/(losses):		
Return on scheme assets excluding interest income	188	276
Actuarial gains/(losses) on liabilities arising from change in:		
– experience adjustments	35	7
– financial assumptions	(355)	(402)
– demographic assumptions	137	(15)
	(183)	(410)
Total recognised in the consolidated statement of comprehensive income	5	(134)

The £183 million actuarial loss on the Schemes' liabilities was principally due to changes in bond yields offset by updated demographic assumptions. The £188 million gain on the Schemes' assets follows a fall in the gilts yields. This has been partially offset by a fall in market implied inflation, reducing the value of the inflation-linked assets, and a fall in the value of the longevity swap.

Addressing the defined benefit pension deficit

Keeping it simple



The Group works closely with the Trustee to agree appropriate levels of funding for the Scheme. This involves agreeing a Schedule of Contributions at each triennial valuation, which specifies the contribution rates for the employer and, where relevant, scheme beneficiaries and the date these contributions are due. A recovery plan setting out the steps that will be taken to address a funding shortfall is also agreed.

In the event that the Group's defined benefit scheme is in a net liability position, the Directors must take steps to manage the size of the deficit. Apart from the funding agreements mentioned above, this could involve pledging additional assets to the Scheme, as was the case in the SDN and London Television Centre pension funding partnerships.

The levels of ongoing contributions to the Scheme are based on the expected future cash flows of the Scheme. Contributions in 2021 for administration expenses are expected to be in the region of £6 million (2020: £6 million) and deficit funding contributions for the main ITV scheme in 2021 are expected to be £60 million (2020: £45 million), assuming current contribution rates continue as agreed with the Trustee.

The Group's deficit funding contributions for the year was £45 million (2019: £60 million). As part of the action to tighten cash flows as a result of COVID-19, we agreed with the pension Trustees to defer £15 million of the 2020 funding contributions across 2022 to 2025. This is subject to the new funding schedule which will be finalised as part of the Triennial valuation in 2021.

The Group has two asset-backed pension funding agreements with the Trustee and makes annual payments of £11 million for 12 years from 2011, and also £3 million, increasing by 5% per annum until 2038. In 2021, a payment of £14 million is expected as a result of those agreements.

SDN Pension funding partnership

In 2010, ITV established a Pension Funding Partnership (PFP) with the Trustees backed by SDN which resulted in the assets of Section A of the defined benefit pension scheme being increased by £200 million. The Group is contracted to provide additional collateral to support the original value of the structure at the rate of £50.7 million each year from March 2019 to March 2022. The Trustee agreed to accept a letter of credit as an alternative to the 2019 and 2020 collateral instalment with the result that £152.1 million becomes due in March 2021, however if required we would look to agree with the Trustee a similar approach in respect of that payment. The pension funding agreement is currently being reviewed as the Group looks to replace it with an alternative asset. If the asset in the SDN structure is not replaced, the Group will pay to the pension scheme the lower of any deficit calculated on the funding basis in 2022 or £200 million.

London Television Centre pension funding partnership

In 2014, ITV established a Pension Funding Partnership with the Trustees backed by the London Television Centre which resulted in the assets of Section A of the defined benefit pension scheme being increased by £50 million. In November 2019 the London Television Centre was sold. £50 million of the proceeds has been held in a restricted bank account as a replacement asset in the pension funding arrangement.

Both these structures continue to be reviewed in 2021.

IFRIC 14 clarifies how the asset ceiling rules should be applied if the Schemes are expected to be in surplus, for example as a result of deficit funding agreements. The Group has determined that it has an unconditional right to a refund of any surplus assets if the Schemes are run off until the last member dies. On this basis, IFRIC 14 rules do not cause any change in the pension deficit accounting or disclosures.

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs

In this section



This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The Directors determine the appropriate capital structure of ITV, specifically how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities both now and in the future. Maintaining capital discipline and balance sheet efficiency remains important to the Group. Any potential courses of action in relation to this will take into account the Group's liquidity needs, flexibility to invest in the business, pension deficit initiatives and impact on credit ratings.

The Directors consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results. The Directors take into account the available realised distributable reserves from which a dividend would be paid in addition to liquidity and solvency of the Group. The Directors also consider the capital structure and dividend policy in the context of the Group's ability to continue as a going concern, to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value. The ITV plc Board oversees governance and approves tax and treasury related policies and procedures.

The emphasis throughout 2020 has been on the liquidity of the Group and, therefore, the Board withdrew the 2019 final dividend, decided not to pay a 2020 interim dividend and is not recommending the payment of a final 2020 dividend in light of the ongoing impact of the COVID-19 pandemic leading to continued economic uncertainty.

4.1 Net debt

Keeping it simple



Reported net debt is the Group's key measure used to evaluate total cash resources net of the current outstanding debt including our discounted lease liabilities. A full analysis and discussion of reported net debt and covenant net debt is included in the Operating and Performance Review.

The tables below analyse movements in the components of reported net debt during the year:

	1 January 2020 £m	Net cash flow £m	Acquisitions £m	Currency and non-cash movements £m	31 December 2020 £m
Cash	93	205	–	(2)	296
Cash equivalents	153	220	–	(1)	372
Total cash and cash equivalents	246	425	–	(3)	668
Loans and facilities due within one year	(10)	7	–	(4)	(7)
Loans and facilities due after one year	(1,016)	(5)	–	(57)	(1,078)
Total debt	(1,026)	2	–	(61)	(1,085)
Currency component of swaps held against euro denominated bonds	(24)	–	–	1	(23)
Net debt	(804)	427	–	(63)	(440)
Lease liabilities	(89)	26	–	(42)	(105)
Reported net debt including lease liabilities	(893)	453	–	(105)	(545)

	1 January 2019 £m	Net cash flow £m	Acquisitions* £m	Currency and non-cash movements £m	31 December 2019 £m
Cash	85	7	4	(3)	93
Cash equivalents	10	143	–	–	153
Total cash and cash equivalents	95	150	4	(3)	246
Loans and facilities due within one year	(54)	47	(3)	–	(10)
Loans and facilities due after one year	(993)	(84)	–	61	(1,016)
Total debt	(1,047)	(37)	(3)	61	(1,026)
Currency component of swaps held against euro denominated bonds	25	(25)	–	(24)	(24)
Net debt	(927)	88	1	34	(804)
Lease liabilities	(121)	35	–	(3)	(89)
Reported net debt including lease liabilities	(1,048)	123	1	31	(893)

* Balances as at acquisition date

Cash and cash equivalents

Included within cash equivalents is £50 million (2019: £50 million), the use of which is restricted to meeting the commitments under the asset-backed pension agreements, and £nil (2019: £25 million) restricted money market funds. See note 3.7 for further details on the asset-backed pension arrangements.

Loans and facilities due within one year

At various periods during the year, the Group drew down on the £630 million Revolving Credit Facility ('RCF') to meet short-term funding requirements. At 31 December 2020, the Group had drawings of £nil under the RCF (2019: £nil), leaving £630 million available to draw down. The maximum draw down of the RCF during the year was £210 million (2019: £400 million).

Loans and loan notes due after one year

The Group has in issue the following Eurobonds:

- €335 million at a fixed coupon of 2.125%, which matures in September 2022
- €259 million at a fixed coupon of 2.0%, which matures in December 2023
- €600 million at a fixed coupon of 1.375%, which matures in September 2026

The €600 million bond issued in September 2019 has been swapped back to sterling using a number of cross-currency interest rate swaps. The resulting fixed rate payable in sterling is c. 2.9%.

Available facilities

The Group has taken a series of steps to strengthen the Group's liquidity:

- In March 2020 the Group extended the maturity of its existing £300 million bilateral loan facility by 5 years to 30 June 2026. Utilisation requests are subject to the lender's ability to source ITV Credit Default Swaps (CDS) in the market at the time the utilisation request is made. The facility remains free of financial covenants and at 31 December 2020 £101 million of the facility was utilised as a letter of credit to support the Group's asset-backed pension scheme arrangement currently in place in respect of the defined benefit pension scheme. See section 3.7 for details.
- As noted above, the Group has £630 million of committed funding through a Revolving Credit Facility ('RCF') with a group of relationship banks which is available until 2023. The RCF documentation defines a leverage covenant (which has to be maintained at less than 3.5x) and an interest cover covenant (which has to be maintained at greater than 3.0x). Both are tested at 30 June and 31 December each year. During the first half of 2020, as a precautionary measure, these financial covenants were replaced with two new covenants requiring covenant net debt to be maintained below £1,800 million and covenant liquidity (defined as cash and cash equivalents plus unused committed credit lines) to be maintained at greater than £250 million. Both of these financial covenants are tested on a quarterly basis from 30 June 2020 through to 30 December 2021 when the testing of the leverage and interest cover financial covenant tests will be reinstated and the two new but temporary covenants fall away. All financial covenants were met and the facility remains available at 31 December 2020.
- The Group has £100 million available under a non-recourse receivables purchase agreement. As at 31 December 2020 £100 million was available under the agreement (31 December 2019: £nil).

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs continued

4.2 Borrowings

Keeping it simple



The Group borrows money from financial institutions in the form of bonds, bank facilities and other financial instruments. The interest payable on these instruments is shown in the net financing costs note (note 4.4).

There are Board-approved policies in place to manage the Group's financial risks. Macroeconomic market risks, which impact currency transactions and interest rates, are discussed in note 4.3. Credit and liquidity risks are set out below.

- **Credit risk:** the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations and
- **Liquidity risk:** the risk that the Group will not be able to meet its financial obligations as they fall due

The Group is required to disclose the fair value of its debt instruments. The fair value is the amount the Group would pay a third party to transfer the liability. This estimation of fair value is consistent with instruments valued under level 1 in note 4.5.

Accounting policies

Borrowings

Borrowings are recognised initially at fair value less directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. Under the amortised cost method, the difference between the amount initially recognised and the redemption value is recorded in the income statement over the period of the borrowing on an effective interest rate basis.

Managing credit and liquidity risk

Credit risk

The Group's maximum exposure to credit risk is represented by the carrying amount of derivative financial assets (see note 4.3), trade receivables (see note 3.1.3), and cash and cash equivalents (see note 4.1).

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The majority of trade receivables relate to airtime sales contracts with advertising agencies and advertisers. Credit insurance has been taken out against these companies to minimise the impact on the Group in the event of a possible default. The Group also reviews other significant receivables and will seek to take out credit insurance on an individual basis where appropriate.

In 2016, the Group entered into a £100 million non-recourse receivables purchase agreement. As at 31 December 2020, this was not utilised with £100 million remaining available under the agreement (2019: £nil).

Any receivables in relation to the invoices sold are derecognised and the Group collects cash on behalf of the counterparty as payments fall due.

Cash

The Group operates investment guidelines with respect to surplus cash that emphasise preservation of capital. The guidelines set out procedures and limits on counterparty risk and maturity profile of cash placed. Counterparty limits for cash deposits are largely based upon long-term ratings published by the major credit rating agencies.

Borrowings

ITV is rated as investment grade by Moody's and S&P. ITV's credit ratings, the cost of credit default swap hedging and the absolute level of interest rates are key determinants in the cost of new borrowings for ITV.

Liquidity risk

The Group's financing policy is to fund itself for the medium to long-term by using debt instruments with a range of maturities and to ensure access to appropriate short-term borrowing facilities with a minimum of £250 million of undrawn facilities available at all times.

Long-term funding comes from the UK and European capital markets, while any short to medium-term debt requirements are provided through bank credit facilities totalling £930 million (see below). Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn bank facilities and cash and cash equivalents) on the basis of expected cash flows. This monitoring includes financial ratios to assess any possible future impact on credit ratings and headroom and takes into account the accessibility of cash and cash equivalents.

The Group has a £630 million Revolving Credit Facility with a group of relationship banks. This facility matures in 2023 and is committed with leverage and interest cover financial covenants. In addition, the Group has £300 million of financial covenant free financing, which runs to June 2026.

Fair value versus book value

The tables below provide fair value information for the Group's borrowings:

	Maturity	Book value		Fair value	
		2020 £m	2019 £m	2020 £m	2019 £m
Loans due within one year					
Other short-term loans	Various	7	10	7	10
		7	10	7	10
Loans due in more than one year					
€335 (previously €600) million Eurobond	Sept 2022	299	283	308	297
€259 (previously €500) million Eurobond	Dec 2023	232	219	240	231
€600 million Eurobond	Sept 2026	537	508	553	511
Other long-term loans	Various	10	6	10	6
		1,078	1,016	1,111	1,045
		1,085	1,026	1,118	1,055

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs continued

4.3 Managing market risks: derivative financial instruments

Keeping it simple



What is a derivative?

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage exposure in an underlying variable.

The Group is exposed to certain market risks. In accordance with Board-approved policies, which are set out in this note, the Group manages these risks by using derivative financial instruments to hedge the underlying exposures.

Why do we need them?

The key market risks facing the Group are:

- Currency risk arising from:
 - i. Translation risk, that is the risk in the period of adverse currency fluctuations in the translation of foreign currency profits, assets and liabilities ('balance sheet risk') and non-functional currency monetary assets and liabilities ('income statement risk') and
 - ii. Transaction risk, that is the risk that currency fluctuations will have a negative effect on the value of the Group's non-functional currency trading cash flows. A non-functional currency transaction is a transaction in any currency other than the reporting currency of the subsidiary
- Interest rate risk to the Group arises from significant changes in interest rates on borrowings issued at or swapped to floating rates

How do we use them?

The Group mainly employs three types of derivative financial instruments when managing its currency and interest rate risk:

- Foreign exchange swap contracts are derivative instruments used to hedge income statement translation risk arising from short-term intercompany loans denominated in a foreign currency
- Forward foreign exchange contracts are derivative instruments used to hedge transaction risk so they enable the sale or purchase of foreign currency at a known fixed rate on an agreed future date and
- Cross-currency interest rate swaps are derivative instruments used to exchange the principal and interest coupons in a debt instrument from one currency to another

Analysis of the derivatives used by the Group to hedge its exposure and the various methods used to calculate their respective fair values are detailed in this section.

Accounting policies

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in the income statement, except where derivatives qualify for cash flow hedge accounting. In this case, the effective portion of a cash flow hedge is recognised in other comprehensive income and presented in the hedging reserve within equity. The cumulative gain or loss is later reclassified to the income statement in the same period as the relevant hedged transaction is realised. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities.

Determining fair value

The fair value of forward foreign exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date from third parties. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and our current creditworthiness, as well as that of our swap counterparties.

Third-party valuations are used to fair value the Group's interest rate derivatives. The valuation techniques use inputs such as interest rate yield curves and currency prices/yields, volatilities of underlying instruments and correlations between inputs.

How do we manage our currency and interest rate risk?

Currency risk

As the Group expands its international operations, the performance of the business becomes increasingly sensitive to movements in foreign exchange rates, primarily with respect to the US dollar and the euro.

The Group's foreign exchange policy is to use forward foreign exchange contracts to hedge material non-functional currency denominated costs or revenue for up to five years forward.

The Group ensures that its net exposure to foreign currency denominated cash balances is kept to a minimal level by using foreign currency swaps to exchange balances back into sterling or by buying or selling foreign currencies at spot rates when necessary.

The Group also utilises foreign exchange swaps and cross-currency interest rate swaps both to manage foreign currency cash flow timing differences and to hedge foreign currency denominated monetary items.

The Group's net investments in overseas subsidiaries may be hedged where the currency exposure is considered to be material. The Group designated a portion of its euro borrowings into a net investment hedge against its euro denominated assets following the acquisition of Talpa Media.

The following table highlights the Group's sensitivity to translation risk resulting from a 10% strengthening/weakening in sterling against the US dollar and euro, assuming all other variables are held constant:

	2020				2019			
	Revenue £m	Adjusted EBITA £m	Profit after tax £m	Equity £m	Revenue £m	Adjusted EBITA £m	Profit after tax £m	Equity £m
US dollar	±20-30	±0-2	±1	±36	±50-60	±7-9	±1	±38
Euro	±30-40	±3-5	±4	±16	±35-45	±4-6	±2	±17

The key difference between the foreign currency sensitivity for adjusted EBITA and profit after tax is the impact on the US dollar and euro denominated exceptional costs, including acquisition-related costs, acquired intangible amortisation and net financing cost.

Interest rate risk

The Group's interest rate policy is to allow fixed rate gross debt to vary between 20% and 100% of total gross debt to accommodate floating rate borrowings under the Revolving Credit Facility.

At 31 December 2020, the Group's fixed rate debt represented 99% of total gross debt (2019: 99%). Consequently, a 1% movement in interest rates on floating rate debt would impact the 2020 post-tax profit for the year by less than £1 million (2019: less than £1 million).

For financial assets and liabilities classified at fair value through profit or loss, the movements in the year relating to changes in fair value and interest are not separated.

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs continued

What is the value of our derivative financial instruments?

The following table shows the fair value of derivative financial instruments analysed by type of contract. Interest rate swap fair values exclude accrued interest.

	Assets £m	Liabilities £m
At 31 December 2020		
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	4	(2)
Foreign exchange forward contracts and swaps – fair value through profit or loss	2	(5)
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(23)
Foreign exchange forward contracts and swaps – cash flow hedges	2	(1)
Foreign exchange forward contracts and swaps – fair value through profit or loss	–	–
	8	(31)
At 31 December 2019		
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	3	(3)
Foreign exchange forward contracts and swaps – fair value through profit or loss	3	(2)
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(39)
Foreign exchange forward contracts and swaps – cash flow hedges	–	(4)
Foreign exchange forward contracts and swaps – fair value through profit or loss	–	–
	6	(48)

Cash flow hedges

The Group applies hedge accounting for certain foreign currency firm commitments and highly probable cash flows where the underlying cash flows are payable within the next seven years. In order to fix the sterling cash outflows associated with the commitments and interest payments – which are mainly denominated in AUD or euros – the Group has taken out forward foreign exchange contracts and cross-currency interest rate swaps for the same foreign currency amount and maturity date as the expected foreign currency outflow.

The amount recognised in other comprehensive income during the period all relates to the effective portion of the revaluation loss associated with these contracts. There was less than £1 million (2019: less than £1 million) of ineffectiveness taken to the income statement and less than £1 million of cumulative gain (2019: £21 million loss) was recycled to the income statement in the year.

Under IFRS 9, the Group has adopted the 'cost of hedging' approach which allows the recognition of the value of the currency basis at inception of the hedge to be recorded on the Consolidated Statement of Financial Position and amortised through net financing costs in the Consolidated Income Statement over the life of the bond. Any mark-to-market change in fair value of the currency basis is recognised in 'cost of hedging' in the Consolidated Statement of Comprehensive Income.

Net investment hedges

The Group uses euro denominated debt to hedge against the change in the sterling value of its euro denominated net assets due to movements in foreign exchange rates. The fair value of debt in a net investment hedge was £216 million (2019: £209 million). A foreign exchange loss of £11 million (2019: gain of £12 million) relating to the net investment hedges has been netted off within exchange differences on translation of foreign operations as presented on the consolidated statement of comprehensive income.

Undiscounted financial liabilities

Keeping it simple



The Group is required to disclose the expected timings of cash outflows for each of its financial liabilities (including derivatives). The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the amounts disclosed on the Statement of Financial Position.

	Carrying value £m	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
At 31 December 2020						
Non-derivative financial liabilities						
Borrowings	(1,085)	(1,155)	(26)	(318)	(261)	(550)
Lease liabilities	(105)	(118)	(27)	(29)	(31)	(31)
Trade and other payables	(850)	(850)	(796)	(43)	(11)	-
Contract liabilities	(271)	(271)	(271)	-	-	-
Other payables – non-current	(15)	(15)	-	(8)	(7)	-
Other payables – commitments on acquisitions	(209)	(227)*	(166)	(22)	(17)	(22)
Derivative financial instruments						
Foreign exchange forward contracts and swaps – cash flow hedges						
Inflow	6	170	113	50	7	-
Outflow	(3)	(169)	(113)	(49)	(7)	-
Cross-currency swaps – cash flow hedges						
Inflow	-	580	7	7	22	544
Outflow	(23)	(627)	(16)	(16)	(47)	(548)
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	2	370	367	3	-	-
Outflow	(5)	(388)	(385)	(3)	-	-
	(2,558)	(2,700)	(1,313)	(428)	(352)	(607)
At 31 December 2019						
Non-derivative financial liabilities						
Borrowings	(1,026)	(1,095)	(18)	(17)	(539)	(521)
Lease liabilities	(89)	(103)	(26)	(27)	(30)	(20)
Trade and other payables	(828)	(828)	(767)	(36)	(25)	-
Contract liabilities	(219)	(219)	(219)	-	-	-
Other payables – non-current	(5)	(5)	-	(4)	(1)	-
Other payables – commitments on acquisitions	(197)	(230)*	(162)	(2)	(59)	(7)
Derivative financial instruments						
Foreign exchange forward contracts and swaps – cash flow hedges						
Inflow	3	199	128	45	26	-
Outflow	(7)	(203)	(129)	(46)	(28)	-
Cross-currency swaps – cash flow hedges						
Inflow	-	557	7	7	21	522
Outflow	(39)	(642)	(16)	(16)	(47)	(563)
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	3	339	335	4	-	-
Outflow	(2)	(338)	(334)	(4)	-	-
	(2,406)	(2,568)	(1,201)	(96)	(682)	(589)

* Undiscounted expected future payments depending on performance of acquisitions; the total maximum consideration is discussed in the Finance Review.

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs continued

4.4 Net financing costs

Keeping it simple



This section details the interest income generated on the Group's cash and other financial assets and the interest expense incurred on borrowings and other financial liabilities.

In reporting 'adjusted profit', the Group adjusts net financing costs to exclude unrealised mark-to-market movements on interest rate and foreign exchange derivatives, gains/losses on bond buybacks, net pension interest, interest and fair value movements in acquisition-related liabilities and other financing costs.

Our rationale for adjustments made to financing costs is set out in the Finance Review.

Accounting policies

Net financing costs comprise interest income on funds invested, gains/losses on the disposal of financial instruments, changes in the fair value of financial instruments, interest expense on borrowings, unwinding of the discount on provisions, unwinding of the discount on liabilities to non-controlling interest, foreign exchange gain/losses, and imputed interest on pension assets and liabilities. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method.

Net financing costs

Net financing costs can be analysed as follows:

	2020 £m	2019 £m
Financing income		
Interest income	2	4
Foreign exchange gain	-	8
	2	12
Financing costs		
Interest expense on financial liabilities measured at amortised cost	(27)	(31)
Net pension interest (see note 3.7)	(2)	(1)
Foreign exchange loss	(3)	-
Other finance expense	(14)	(48)
	(46)	(80)
Net financing costs	(44)	(68)

Interest on financial liabilities relates to the interest incurred on the Group's borrowings in the year.

Other finance expense includes lease interest payments, interest on acquisition-related contingent liabilities and bank charges.

In 2019, the Group completed the buyback of €506 million of the Eurobonds and closed out the portfolio of cross-currency interest rate swaps taken out in 2016. This transaction resulted in the acceleration of amortisation of previously capitalised transaction costs on the bonds as well as one-off fees and premiums paid to the bond holders and was also recognised in other finance expense.

4.5 Fair value hierarchy

Keeping it simple



The financial instruments included on the ITV Statement of Financial Position are measured at either fair value or amortised cost. The measurement of this fair value can in some cases be subjective, and can depend on the inputs used in the calculations. ITV generally uses external valuations using market inputs or market values (e.g. external share prices). The different valuation methods are called 'hierarchies' and are described below.

Level 1

Fair values are measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Fair values are measured using inputs, other than quoted prices included within Level 1, which are observable for the asset or liability either directly or indirectly.

Interest rate swaps and options are accounted for at their fair value based upon termination prices. Forward foreign exchange contracts are accounted for at the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date.

Level 3

Fair values are measured using inputs for the asset or liability that are not based on observable market data.

The tables below set out the financial instruments included on the ITV statement of financial position at 'fair value'.

	Fair value 31 December 2020 £m	Level 1 31 December 2020 £m	Level 2 31 December 2020 £m	Level 3 31 December 2020 £m
Assets measured at fair value				
Financial instruments				
Other pension assets – gilts (see note 3.7)	62	62	–	–
Equity investments (see note 3.5)	1	–	–	1
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	2	–	2	–
Financial assets at fair value through reserves				
Cash flow hedges	6	–	6	–
	71	62	8	1

	Fair value 31 December 2020 £m	Level 1 31 December 2020 £m	Level 2 31 December 2020 £m	Level 3 31 December 2020 £m
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts and swaps	(5)	–	(5)	–
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition	(45)	–	–	(45)
Financial liabilities at fair value through reserves				
Cash flow hedges	(26)	–	(26)	–
	(76)	–	(31)	(45)

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs continued

	Fair value 31 December 2019 £m	Level 1 31 December 2019 £m	Level 2 31 December 2019 £m	Level 3 31 December 2019 £m
Assets measured at fair value				
Financial instruments				
Other pension assets – gilts (see note 3.7)	58	58	–	–
Equity investments (see note 3.5)	8	–	–	8
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	3	–	3	–
Financial assets at fair value through reserves				
Cash flow hedges	3	–	3	–
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts and swaps	(2)	–	(2)	–
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition	(32)	–	–	(32)
Financial liabilities at fair value through reserves				
Cash flow hedges	(46)	–	(46)	–

Refer to note 4.3 for how we value interest rate swaps and forward foreign currency contracts. The equity investments are valued at cost and assessed for impairment.

4.6 Lease liabilities



From 1 January 2019, the Group accounts for operating leases under IFRS 16 'Leases'. Lease liabilities representing the discounted future lease payments and right of use assets are recognised in the Statement of Financial Position. Lease costs such as property rent are now recognised in the form of depreciation and interest.

Accounting policies

Lease liabilities represent the discounted future lease payments. Discount rates are calculated for similar assets, in similar economic environments, taking into account the length of the lease. The unwinding of the discounting is recognised in net financing costs in the Income Statement. The following table outlines the maturity analysis of the lease liabilities:

	2020 £m	2019 £m
Contractual discounted cash flows		
Less than one year	22	25
Two to five years	42	50
More than five years	41	14
Lease liabilities at 31 December	105	89

	1 January 2020 £m	Net cash flow £m	Currency and non-cash movements £m	31 December 2020 £m
Lease liabilities	(89)	26	(42)	(105)
Total lease liabilities	(89)	26	(42)	(105)

The following amounts have been included in the Income Statement:

	2020 £m	2019 £m
Interest expense on lease liabilities	(4)	(4)
Operating costs relating to short-term leases and low value assets	-	-
Amounts recognised in the Income Statement	(4)	(4)

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases (i.e. lease term less than 12 months) or low-value assets (i.e. under £5,000). The Group will continue to expense the lease payments associated with these leases on a straight-line basis over the lease term. At 31 December 2020, this was less than £1 million.

Variable lease payments that depend on an index or a rate are also less than £1 million.

Some property leases contain extension options beyond the non-cancellable period. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The lease liability at 31 December 2020 does not include such extensions however the Group estimated that the future lease payments, should it exercise the extension option, would result in an increase in the lease liability of £2 million.

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs continued

4.7 Equity



This section explains material movements recorded in shareholders' equity, presented in the Consolidated Statement in Changes in Equity, which are not explained elsewhere in the financial statements.

Accounting policies

Fair value reserve

Financial assets are stated at fair value, with any gain or loss recognised directly in the fair value reserve in equity, unless the loss is a permanent impairment, when it is then recorded in the income statement.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment. Dividends are distributed based on the realised distributable reserves (within retained earnings) of ITV plc (the Company) and not based on the Group's retained earnings.

4.7.1 Share capital and share premium

The Group's share capital at 31 December 2020 of £403 million (2019: £403 million) and share premium of £174 million (2019: £174 million) is the same as that of ITV plc. Details of this are given in the ITV plc Company financial statements section of this Annual Report.

4.7.2 Merger and other reserves

Merger and other reserves at 31 December include the following reserves:

	2020 £m	2019 £m
Merger reserves	98	98
Capital reserves	112	112
Capital redemption reserves	36	36
Revaluation reserves	2	2
Put option liabilities arising on acquisition of subsidiaries	(24)	(24)
Total	224	224

4.7.3 Translation reserve

The translation reserve comprises:

- All foreign exchange differences arising on the translation of the accounts of, and investments in, foreign operations
- The gains or losses on the portion of cash flow hedges that have been deemed effective and costs of hedging under IFRS 9 (see note 4.3)
- The net loss on cash flow hedges in the period was £6 million (2019: net loss £17 million) and included a movement in the cost of hedging of £6 million (2019: £8 million)

4.7.4 Fair value reserve

The fair value reserve comprises all movements arising on the revaluation of gilts accounted for at fair value through OCI financial instruments. The movement in 2020 is a £4 million gain (2019: £9 million gain). See note 3.7.

4.7.5 Retained earnings

The retained earnings reserve comprises profit for the year attributable to owners of the Company of £285 million (2019: £473 million) and other items recognised directly through equity as presented in the consolidated statement of changes in equity. Other items include the credit for the Group's share-based compensation schemes and the charge for the purchase of ITV shares via the ITV Employees' Benefit Trust, which are described in note 4.8.

The distributable reserves of ITV plc are disclosed in note viii to the ITV plc Company financial statements. See details on distributable reserves on page 239.

The Directors recognise the importance of the dividends to our shareholders and intends to restore dividend payments as soon as circumstances permit. The Directors will balance shareholder returns with our commitment to maintain investment grade metrics over the medium term, to continue to invest behind the strategy and with the ongoing uncertainty with COVID-19. In 2020, no dividend payments were made (2019: £320 million).

4.7.6 Non-controlling interests

Non-controlling interest (NCI) represents the share of non-wholly owned subsidiaries' net assets that are not directly attributable to the shareholders of the ITV Group. The movement for 2020 comprises:

- The share of losses attributable to NCI of £4 million (2019: share of profits attributable to NCI of £5 million)
- The distributions made to NCI of £1 million (2019: £2 million)
- The share of net assets attributable to NCI relating to subsidiaries acquired, disposed or changes in ownership interest in 2020 of £6 million (2019: £nil)

4.8 Share-based compensation

Keeping it simple



The Group utilises share award schemes as part of its employee remuneration packages, and therefore operates a number of share-based compensation schemes, namely the Deferred Share Award (DSA), Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and Save As You Earn (SAYE) schemes. The share-based compensation is not pensionable.

A transaction will be classed as share-based compensation where the Group receives services from employees and pays for these in shares or similar equity instruments. If the Group incurs a liability linked to the price or value of the Group's shares, this will also fall under a share-based transaction.

Accounting policies

For each of the Group's share-based compensation schemes, the fair value of the equity instrument granted is measured at grant date and spread over the vesting period via a charge to the income statement with a corresponding increase in equity.

The fair value of the share options and awards is measured using either market price at grant date or, for the SAYE scheme, a Black-Scholes model, taking into account the terms and conditions of the individual scheme.

Vesting conditions are limited to service conditions and performance conditions. For performance-based schemes, the relevant Group performance measures are projected to the end of the performance period in order to determine the number of options expected to vest. This estimate of the performance measures is used to determine the option fair value, discounted to present value. The Group revises the number of options that are expected to vest, including an estimate of forfeitures at each reporting date based on forecast performance measures. The impact of the revision to original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity.

Exercises of share options granted to employees can be satisfied by market purchase or issue of new shares. No new shares may be issued to satisfy exercises under the terms of the DSA. During the year, all exercises were satisfied by using shares purchased in the market and held in the ITV Employees' Benefit Trust.

Share-based compensation charges totalled £6 million in 2020 (2019: £10 million).

Share options outstanding

The table below summarises the movements in the number of share options outstanding for the Group and their weighted average exercise price:

	Number of options ('000)	2020 Weighted average exercise price (pence)	Number of options ('000)	2019 Weighted average exercise price (pence)
Outstanding at 1 January	60,073	36.88	44,022	49.33
Granted during the year – nil priced	34,192	–	19,754	–
Granted during the year – other	48,347	56.10	22,525	94.83
Forfeited during the year	(3,354)	83.27	(1,241)	128.35
Exercised during the year – nil priced	(6,017)	–	(2,805)	–
Exercised during the year – other	(3)	87.47	(24)	129.82
Expired during the year	(26,935)	76.87	(22,158)	87.09
Outstanding at 31 December	106,303	24.25	60,073	36.88
Exercisable at 31 December	2,247	34.42	3,090	55.78

The average share price during 2020 was 86.44 pence (2019: 126.10 pence).

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs continued

Of the options still outstanding, the range of exercise prices and weighted average remaining contractual life of these options can be analysed as follows:

Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of options ('000)	2020 Weighted average remaining contractual life (years)	Weighted average exercise price (pence)	Number of options ('000)	2019 Weighted average remaining contractual life (years)
Nil	–	62,666	1.26	–	38,685	2.25
20.00 – 49.99	49.17	34,413	3.70	–	–	–
50.00 – 69.99	–	–	–	–	–	–
70.00 – 99.99	80.00	6,019	2.91	87.47	13,335	3.73
100.00 – 109.99	105.98	1,043	2.22	105.98	2,685	3.21
110.00 – 119.99	–	–	–	–	–	–
120.00 – 149.99	131.50	1,939	1.10	131.18	3,481	2.11
150.00 – 199.99	167.99	200	1.53	162.25	1,851	0.84
200.00 – 249.99	206.83	23	0.33	206.83	36	1.33

Assumptions

DSA, LTIP and PSP options are valued directly by reference to the share price at date of grant.

The options granted in the current and prior years for the HMRC approved SAYE scheme, are valued using the Black-Scholes model, using the assumptions below:

Scheme name	Date of grant	Share price at grant (pence)	Exercise price (pence)	Expected volatility %	Expected life (years)	Gross dividend yield %	Risk-free rate %	Fair value (pence)
3 Year	4 April 2019	132.48	105.98	30.68	3.25	6.04	0.82	26.14
5 Year	4 April 2019	132.48	105.98	28.57	5.25	6.04	1.09	23.58
3 Year	5 September 2019	109.33	87.47	26.73	3.25	6.04	0.36	18.61
5 Year	5 September 2019	109.33	87.47	28.79	5.25	6.04	0.45	18.66
3 Year	7 April 2020	65.60	73.69	34.52	3.25	–	0.16	13.37
5 Year	7 April 2020	65.60	73.69	33.54	5.25	–	0.19	17.24
3 Year	7 September 2020	63.80	49.17	39.08	3.25	–	(0.10)	23.79
5 Year	7 September 2020	63.80	49.17	36.29	5.25	–	(0.04)	26.31

Notes to the Financial Statements

Section 5: Other Notes

Employees' Benefit Trust

The Group has investments in its own shares as a result of shares purchased by the ITV Employees' Benefit Trust ('EBT'). Transactions with the Group-sponsored EBT are included in these financial statements and primarily consist of the EBT's purchases of shares in ITV plc, which is accounted for as a reduction to retained earnings.

The table below shows the number of ITV plc shares held in the EBT at 31 December 2020 and the purchases/(releases) from the EBT made in the year to satisfy awards under the Group's share schemes:

Scheme	Shares held at	Number of shares (released)/purchased	Nominal value £
	1 January 2020	25,425,533	2,542,553
LTIP releases		(139,810)	
DSA releases		(597,933)	
PSP releases		(2,685,206)	
SAYE releases		(3,212)	
Shares purchased		–	
	31 December 2020	21,999,372	2,199,937

The total number of shares held by the EBT at 31 December 2020 represents 0.55% (2019: 0.63%) of ITV's issued share capital. The market value of own shares held at 31 December 2020 is £23 million (2019: £38 million).

The shares will be held in the EBT until such time as they may be transferred to participants of the various Group share schemes. Rights to dividends have been waived by the EBT in respect of shares held that do not relate to restricted shares under the DSA. In accordance with the Trust Deed, the Trustees of the EBT have the power to exercise all voting rights in relation to any investment (including shares) held within that trust. The Trust is accounted for as a separate entity and therefore is only accounted for in the consolidated financial statements and not included in the ITV plc Company financial statements.

5.1 Related party transactions

Keeping it simple



The related parties identified by the Directors include joint ventures, associated undertakings, fixed asset investments and key management personnel.

To enable users of our financial statements to form a view about the effects of related party relationships on the Group, we disclose the Group's transactions with those related parties during the year and any associated year end trading balances.

Transactions with joint ventures and associated undertakings

Transactions with joint ventures and associated undertakings during the year were:

	2020 £m	2019 £m
Sales to joint ventures	17	19
Sales to associated undertakings	9	8
Purchases from joint ventures	29	28
Purchases from associated undertakings	63	64

The transactions with joint ventures primarily relate to sales and purchases of digital multiplex services with Digital 3&4 Limited and distribution revenue from BritBox LLC. Sales to associated undertakings include airtime sales to DTV Services Limited. Purchases from associated undertakings primarily relate to the purchase of news services from ITN Limited.

All transactions with associated undertakings and joint ventures arise in the normal course of business on an arm's length basis.

The amounts owed by and to these related parties at the year end were:

	2020 £m	2019 £m
Amounts owed by joint ventures	9	14
Amounts owed by associated undertakings	5	7
Amounts owed to joint ventures	–	1
Amounts owed to associated undertakings	6	5

None of the balances are secured.

Notes to the Financial Statements

Section 5: Other Notes continued

Amounts owed by joint ventures primarily relate to trading with BritBox LLC. Balances owed by associated undertakings largely relate to loan notes with Route 24 Limited. Balances owed to associated undertakings primarily relate to trading with ITN Limited.

Amounts paid to the Group's retirement benefit plans are set out in note 3.7.

Transactions with key management personnel

Key management consists of ITV plc Executive and Non-executive Directors and the ITV Management Board. Key management personnel compensation is as follows:

	2020 £m	2019 £m
Short-term employee benefits	6	11
Share-based compensation	–	4
	6	15

5.2 Contingent assets and liabilities

Keeping it simple



A contingent asset or liability is a liability that is not sufficiently certain to qualify for recognition as an asset or provision where uncertainty may exist regarding the outcome of future events.

Contingent assets

In 2017 Talpa Media took back the licence for The Voice of China due to a breach of the agreement by the customer, Talent, for not fulfilling their payment obligations. During 2018 and 2019 £27 million has been received in relation to the amounts due. However, those receipts are currently the subject of an ongoing review. As a result the provision for bad debt, originally recognised as an exceptional cost in 2017, was reinstated at 31 December 2019.

Whilst the Directors remain confident of recovering the amounts due, accounting standards set very specific requirements for the recognition of an asset. As the review of the receipts remains in progress, as well as discussions with the credit insurers, the Group is not able to demonstrate sufficient certainty to be able to recognise a receivable at 31 December 2020.

Contingent liabilities

There are contingent liabilities in respect of certain litigation and guarantees, broadcasting issues, and in respect of warranties given in connection with certain disposals of businesses. None of these items are expected to have a material effect on the Group's results or financial position.

5.3 Subsequent events

Keeping it simple



Where the Group receives information in the period between 31 December 2020 and the date of this report about conditions related to certain events that existed at 31 December 2020, we update our disclosures that relate to those conditions in light of the new information. Such events can be categorised as adjusting or non-adjusting depending on whether the condition existed at 31 December 2020. If non-adjusting events are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. Accordingly, for each material category of non-adjusting event after the reporting period we disclose in this section the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

Announcement of change in UK corporation tax rate

On 3 March 2021, the UK Government announced a change in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The rate change has not yet been enacted into law and therefore is not reflected in the deferred tax assets or liabilities as at 31 December 2020. The impact on deferred tax assets and liabilities is not expected to be material.

5.4 Subsidiaries exempt from audit



Certain subsidiaries of the Group can take an exemption from having an audit. Strict criteria must be met for this exemption to be taken, and it must be agreed by the Directors of that subsidiary entity.

Listed below are subsidiaries controlled and consolidated by the Group, where the Directors have taken the exemption from having an audit of its financial statements. This exemption is taken in accordance with the Companies Act 2006 s479A.

Company number	Company name	Company number	Company name
04195187	12 Yard Productions (Investments) Limited	13087685	ITV Studios NEWCO 2 Limited
04145307	12 Yard Productions Limited	13087699	ITV Studios NEWCO 3 Limited
10058419	Back Productions Limited	13087693	ITV Studios NEWCO 4 Limited
10404493	Big Talk Bliss Limited	13087733	ITV Studios NEWCO 5 Limited
10496857	Big Talk Cold Feet Limited	13087735	ITV Studios NEWCO 6 Limited
10528766	Big Talk Diana Limited	13087759	ITV Studios NEWCO 7 Limited
12092620	Big Talk Friday Limited	13087782	ITV Studios NEWCO 8 Limited
11109596	Big Talk Goes Wrong Limited	13087812	ITV Studios NEWCO 9 Limited
11081338	Big Talk Guilty Limited	08516153	ITV Text Santa Limited
10528952	Big Talk Living the Dream Limited	11107934	ITV The Bay Limited
11109753	Big Talk Mum Limited	10602705	ITV The Man Limited
11723899	Big Talk Offenders Limited	08586211	ITV Thunderbirds Limited
11109572	Big Talk Peacock Limited	12368504	ITV TLC Limited
11109865	Big Talk Time Limited	09498177	ITV Top Class Limited
01891539	Broad Street Films Limited	13087805	ITV TWI Limited
02285229	Campania Limited	11107431	ITV Vera Limited
05078683	Carbon Media Limited	05518785	Juice Music UK Limited
04159249	Carlton Content Holdings Limited	00920028	Link Electronics Limited
00301188	Carlton Film Distributors Limited	11108285	Mammoth Screen (ABC) Limited
01692483	Carlton Finance Limited	12368661	Mammoth Screen (BHR) Limited
03984490	Carlton Food Network Limited	10528827	Mammoth Screen (End5) Limited
03053908	Carlton Programmes Development Limited	11109917	Mammoth Screen (End6) Limited
03210452	Carlton Screen Advertising (Holdings) Limited	11908267	Mammoth Screen (END7) Limited
03307790	Carltonco 103 Limited	12368766	Mammoth Screen (End8) Limited
02625225	Carltonco Forty Investments Limited	11995990	Mammoth Screen (Invisible) Limited
03210363	Carltonco Ninety-Six Limited	12735978	Mammoth Screen (MD2) Limited
02280048	Castlefield Properties Limited	11062257	Mammoth Screen (NC) Limited
04257248	Channel TV Holdings Limited	11908285	Mammoth Screen (PH) Limited
02852812	Cosgrove Hall Films Limited	09660486	Mammoth Screen (Po2) Limited
03209058	DTV Limited	10031005	Mammoth Screen (Po3) Limited
00290076	Granada Group Limited	10528763	Mammoth Screen (Po4) Limited
03962410	Granada Limited	11108289	Mammoth Screen (Po5) Limited
03106798	Granada Media Limited	09646520	Mammoth Screen (QV) Limited
05344772	Granada Screen (2005) Limited	11108327	Mammoth Screen (Serpent) Limited
00733063	Granada Television Overseas Limited	11204836	Mammoth Screen (SG) Limited
00608490	ITC Entertainment Group Limited	10528702	Mammoth Screen (VF) Limited
06914987	ITV (HC) Limited	11108322	Mammoth Screen (Vic3) Limited
11516620	ITV 112 Limited	11108320	Mammoth Screen (WOF) Limited
11423730	ITV Bancroft 2 Limited	10973979	Mammoth Screen (WOTW) Limited
11667230	ITV Barking Limited	04201477	Morning TV Limited
11107990	ITV Confession Limited	12368748	MT Ghosts 3 Limited
10494684	ITV Enterprises Limited	13087117	MT MURDER IN PROVENCE Limited
11723800	ITV F&B Limited	10789616	The Garden Productions (Film) Limited
10671435	ITV HG Limited	06469484	VOD Member (ITVA) Limited
04159210	ITV Holdings Limited	06469482	VOD Member (ITVB) Limited
04206925	ITV Investment Limited	11109744	WP (Anne) Limited
04033106	ITV Mr Selfridge Limited	10796122	WP (Bodyguard) Limited
11723842	ITV Nightingale Limited	12368477	WP (NEWCO 7) Limited
00603471	ITV Pension Scheme Limited	12368643	WP Diplomat Limited
03799828	ITV Play Limited	11109437	WP Faslane Limited
01565625	ITV Properties (Developments) Limited	12116627	WP Karen Pirie Limited
08554937	ITV Shetland Limited	11109287	WP LOD5 Limited
11723826	ITV Spy Limited	12116457	WP LOD6 Limited
13087656	ITV Studios NEWCO 1 Limited	12116461	WP Pembrokeshire Limited
13087860	ITV Studios NEWCO 10 Limited	11109929	WP Save Me 2 Limited
13087865	ITV Studios NEWCO 11 Limited	12368475	WP Showtrial Limited

• ITV Properties (Jersey) Limited is exempt from audit under article 113 of the Companies Act (Jersey) Law 1991

ITV plc Company Financial Statements

Company Balance Sheet

As at 31 December	Note	2020 £m	2020 £m	2019 £m	2019 £m
Non-current assets					
Investments in subsidiary undertakings	iii		2,733		2,733
Derivative financial instruments	vi		3		4
Deferred tax asset			1		1
			2,737		2,738
Current assets					
Amounts owed by subsidiary undertakings due within one year	iv	3,782		4,236	
Amounts owed by subsidiary undertakings due after more than one year	iv	509		305	
Amounts owed by subsidiary undertakings	iv	4,291		4,541	
Derivative financial instruments	vi	9		9	
Other receivables		4		5	
Cash and cash equivalents		449		108	
		4,753		4,663	
Current liabilities					
Amounts owed to subsidiary undertakings	iv	(4,197)		(4,070)	
Accruals and deferred income		(7)		(16)	
Derivative financial instruments	vi	(11)		(9)	
		(4,215)		(4,095)	
Net current assets			538		568
Total assets less current liabilities			3,275		3,306
Non-current liabilities					
Borrowings	v	(1,067)		(1,010)	
Derivative financial instruments	vi	(25)		(42)	
			(1,092)		(1,052)
Net assets			2,183		2,254
Capital and reserves					
Share capital	vii		403		403
Share premium	viii		174		174
Other reserves	viii		10		22
Retained earnings	viii		1,596		1,655
Total equity			2,183		2,254

The accounts were approved by the Board of Directors on 9 March 2021 and were signed on its behalf by:

Chris Kennedy
Director

Company Statement of Changes in Equity

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2020		403	174	22	1,655	2,254
Total comprehensive income for the year						
Loss		-	-	-	(65)	(65)
Net loss on cash flow hedges and cost of hedging		-	-	(12)	-	(12)
Total comprehensive income for the year		-	-	(12)	(65)	(77)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Equity dividends		-	-	-	-	-
Movements due to share-based compensation		-	-	-	6	6
Tax on items taken directly to equity		-	-	-	-	-
Total transactions with owners		-	-	-	6	6
Balance at 31 December 2020	vii/viii	403	174	10	1,596	2,183

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2019		403	174	37	1,612	2,226
Total comprehensive income for the year						
Profit		-	-	-	353	353
Net loss on cash flow hedges and cost of hedging		-	-	(15)	-	(15)
Total comprehensive income for the year		-	-	(15)	353	338
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Equity dividends		-	-	-	(320)	(320)
Movements due to share-based compensation		-	-	-	10	10
Tax on items taken directly to equity		-	-	-	-	-
Total transactions with owners		-	-	-	(310)	(310)
Balance at 31 December 2019	vii/viii	403	174	22	1,655	2,254

Notes to the ITV plc Company Financial Statements

Note i Accounting policies

In this section



This section sets out the notes to the ITV plc Company only financial statements. Those statements form the basis of the dividend decisions made by the Directors, as explained in detail in note viii below. The notes form part of the financial statements.

Basis of preparation

The Company is a qualifying entity as it is a member of the ITV plc Group where ITV plc, the ultimate parent prepares publicly available consolidated financial statements. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Exemptions applied

- Presentation of a Statement of Cash Flows and related notes
- Disclosure in respect of capital management
- Disclosure of related party transactions between wholly-owned subsidiaries and parents within a group
- Disclosures required under IFRS 2 'Share Based Payments' in respect of group settled share based payments
- Disclosures required by IFRS 7 'Financial Instrument: Disclosure'
- Certain disclosures required under IFRS 13 'Fair Value Measurement'
- Disclosure of information in relation to new standards not yet applied

As permitted by section 408 (3) of the Companies Act 2006, a separate income statement dealing with the results of the parent company has not been presented.

The Company proposes to continue to apply the reduced disclosure framework of FRS 101 in its next financial statements.

Change in accounting policy

There are no new accounting standards, interpretations and amendments effective from 1 January 2020.

Accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The area involving material judgement is the recoverability of investments in subsidiary undertaking. Further details are provided in note iii.

Subsidiaries

Subsidiaries are entities that are directly or indirectly controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The investment in the Company's subsidiaries is recorded at cost.

Foreign currency transactions

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account. Non-monetary assets and liabilities measured at historical cost are translated into sterling at the rate of exchange on the date of the transaction.

Borrowings

Borrowings are recognised initially at fair value including directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. The difference between initial fair value and the redemption value is recorded in the profit and loss account over the period of the liability on an effective interest basis.

Derivatives and other financial instruments

The Company uses a limited number of derivative financial instruments to hedge its exposure to fluctuations in interest and other foreign exchange rates. The Company does not hold or issue derivative instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in the profit and loss account within net financing costs, except where derivatives qualify for cash flow hedge accounting. In this case, the effective portion of cash flow hedge is recognised in retained profits within equity. The cumulative gain or loss is later reclassified to the profit and loss account in the same period as the relevant hedged transaction is realised. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities.

The fair value of foreign currency forward contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the balance sheet date.

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of swap counterparties.

Third-party valuations are used to fair value the Company's derivatives. The valuation techniques use inputs such as interest rate yield curves and currency prices/yields, volatilities of underlying instruments and correlations between inputs. For financial assets and liabilities classified at fair value through profit or loss, the fair value change and interest income/expense are not separated.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment in respect of previous years.

The Company recognises liabilities for anticipated tax issues based on estimates of the additional taxes that are likely to become due, which require judgement. Amounts are accrued based on management's interpretation of specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax

The tax charge for the period is recognised in the income statement or directly in equity according to the accounting treatment of the related transaction.

Deferred tax arises due to certain temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and those for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Recognition of deferred tax assets therefore involves judgement regarding timing and level of future taxable income.

Share-based compensation

The Company utilises share award schemes as part of its employee remuneration packages, and therefore operates a number of share-based compensation schemes, namely the Deferred Share Award (DSA), Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and Save As You Earn (SAYE) schemes.

A transaction will be classed as share-based compensation where the Company receives services from employees and pays for these in shares or similar equity instruments. If the Company incurs a liability based on the price or value of the shares, this will also fall under a share-based transaction. The Company recognises the retained earnings impact of the share-based compensation for the Group as awards are settled in ITV plc shares. The cost of providing those awards is recognised as a cost of investment to the subsidiaries that receive the service from employees.

The fair value of the equity instrument granted is measured at grant date and spread over the vesting period via a charge to the income statement with a corresponding increase in equity. The fair value of the share options and awards is measured using either market price at grant date or, for the SAYE scheme, a Black-Scholes model, taking into account the terms and conditions of the individual scheme.

Vesting conditions are limited to service conditions and performance conditions. For performance-based schemes, the relevant performance measures are projected to the end of the performance period in order to determine the number of options expected to vest. The estimate is then used to determine the option fair value, discounted to present value. The Company revises its estimates of the number of options that are expected to vest, including an estimate of forfeitures at each reporting date. The impact of the revision to original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity.

Notes to the ITV plc Company Financial Statements continued

Exercises of share options granted to employees can be satisfied by market purchase or issue of new shares. No new shares may be issued to satisfy exercises under the terms of the DSA. During the year, all exercises were satisfied by using shares purchased in the market and held in the ITV Employees' Benefit Trust. The Trust is accounted for as a separate entity and therefore is only accounted for in the consolidated financial statements.

Dividends to shareholders

Dividends payable to shareholders are recognised through equity on the earlier of their approval by the Company's shareholders or their payment. Dividends are distributed based on the realised distributable reserves (within retained earnings) of ITV plc (Company) and not based on the Group's retained earnings.

Two (2019: two) Directors of ITV plc (i.e. the Executive Directors) were employees of the Company during the year, both of whom remain employed at the year end. The costs relating to these Directors are disclosed in the Remuneration Report.

Share-based payments

The weighted average share price of share options exercised during the year was 87.47 pence (2019: 129.82 pence) (excluding nil priced share options). The options outstanding at the year end have an exercise price in the range of nil to 206.83 pence (2019: nil to 206.83 pence) and a weighted average contractual life of two years (2019: one year) for all the schemes in place for the Group.

Note ii Employees and share- based payments

Note iii Investments in subsidiary undertakings

The principal subsidiary undertakings are listed on page 241. The carrying value at 31 December 2020 was £2,733 million (2019: £2,733 million).

The carrying value of the Company's investments in subsidiary undertakings is assessed for impairment on an annual basis. Determining whether the carrying amount has any indication of impairment requires judgement. In testing for impairment, estimates are used in deriving cash flows and the discount rates. The estimation process is complex due to the inherent risks and uncertainties associated with long-term forecasting. The outcome of the value in use calculation supports the carrying value of the investment in subsidiary undertakings with headroom of £5,009 million.

Due to the significant headroom, there is no reasonably possible scenario that would result in a material adjustment to the amounts reported in the financial statements.

The Company's review resulted in no impairment for 2020 (2019: no impairment).

Note iv Amounts owed (to)/from subsidiary undertakings

The Company operates an intra-group cash pool policy with certain 100% owned UK subsidiaries. The pool applies to bank accounts where there is an unconditional right of set off and involves the daily closing cash position for participating subsidiaries whether positive or negative, being cleared to £nil via daily bank transfers to/from ITV plc. These daily transactions create a corresponding intercompany creditor or debtor, which can result in significant movements in amounts owed to and from subsidiary undertakings in the Company balance sheet. The classification of balances as due after more than one year is based on the intention of when the balances are expected to be settled rather than the contractual terms.

The expected loss model was applied to amounts owed from subsidiary undertakings and the impact was not material.

Note v Net debt

Keeping it simple



The Directors manage the Group's capital structure as disclosed in section 4 to the consolidated financial statements. Borrowings, cash and derivative financial instruments are mainly held by ITV plc and disclosed in these Company financial statements.

Cash and cash equivalents

Included within cash equivalents is £50 million (2019: £50 million), the use of which is restricted to meeting the commitments under the asset-backed pension agreements, and £nil (2019: £22 million) restricted money market funds. See note 3.7 for further details on the asset-backed pension arrangements.

Loans and facilities due within one year

At various periods during the year, the Group drew down on the £630 million Revolving Credit Facility ("RCF") to meet short-term funding requirements. At 31 December 2020, the Group had drawings of £nil million under the RCF (2019: £nil), leaving £630 million available to draw down at year end. The maximum draw down of the RCF during the year was £210 million (2019: £400 million).

Loans and loan notes due after one year

The Company has issued the following Eurobonds:

- €335 million at a fixed coupon of 2.125%, which matures in September 2022
- €259 million at a fixed coupon of 2.0%, which will mature in December 2023
- €600 million at a fixed coupon of 1.375%, which matures in September 2026

The €600 million bond issued in September 2019 has been swapped back to sterling using a number of cross-currency interest rate swaps. The resulting fixed rate payable in sterling is c. 2.9%.

See section 4.1 of the Group Notes for further details of borrowings and available facilities.

Note vi Managing market risks: derivative financial instruments

What is the value of our derivative financial instruments?

	Assets 2020 £m	Liabilities 2020 £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	6	(5)
Foreign exchange forward contracts and swaps – fair value through profit or loss	3	(6)
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(22)
Foreign exchange forward contracts and swaps – fair value through profit or loss	3	(3)
Foreign exchange forward contracts and swaps – cash flow hedges	–	–
	12	(36)

	Assets 2019 £m	Liabilities 2019 £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	6	(6)
Foreign exchange forward contracts and swaps – fair value through profit or loss	3	(3)
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(38)
Foreign exchange forward contracts and swaps – fair value through profit or loss	–	–
Foreign exchange forward contracts and swaps – cash flow hedges	4	(4)
	13	(51)

The Company mainly employs three types of derivative financial instruments when managing its currency and interest rate risk:

- Foreign exchange swap contracts are derivative instruments used to hedge income statement translation risk arising from short-term intercompany loans denominated in a foreign currency
- Forward foreign exchange contracts are derivative instruments used to hedge transaction risk so they enable the sale or purchase of foreign currency at a known fixed rate on an agreed future date and
- Cross-currency interest rate swaps are derivative instruments used to exchange the principal and interest coupons in a debt instrument from one currency to another

Currency risk

The Company's foreign exchange policy is to use forward foreign exchange contracts to hedge material non-functional currency denominated costs or revenue for up to five years forward. The Company also utilises foreign exchange swaps and cross-currency interest rate swaps both to manage foreign currency cash flow timing differences and to hedge foreign currency denominated monetary items.

Cash flow hedges

The Company applies hedge accounting for certain foreign currency firm commitments and highly probable cash flows where the underlying cash flows are payable within the next seven years. In order to fix the sterling cash outflows associated with the commitments and interest payments – which are mainly denominated in AUD or euros – the Company has taken out forward foreign exchange contracts and cross-currency interest rate swaps for the same foreign currency amount and maturity date as the expected foreign currency outflow.

Notes to the ITV plc Company Financial Statements continued

The amount recognised in other comprehensive income during the period all relates to the effective portion of the revaluation loss associated with these contracts. There was less than £1 million (2019: less than £1 million) ineffectiveness taken to the income statement and £4 million cumulative gain (2019: £19 million loss) recycled to the income statement in the year.

On issuing the 2026 Eurobond in September 2019, the Group subsequently entered into a new portfolio of cross-currency interest rate swaps, which swapped the euro principal and fixed euro interest rate coupons into fixed sterling interest rate. As a result, the Group makes sterling interest payments at a fixed rate.

Under IFRS 9, the Group has adopted the 'cost of hedging' approach which allows the recognition of the value of the currency basis at inception of the hedge to be recorded on the Consolidated Statement of Financial Position and amortised through net financing costs in the Consolidated Income Statement over the life of the bond. Any mark-to-market change in fair value of the currency basis is recognised in 'cost of hedging' in the Consolidated Statement of Comprehensive Income.

Undiscounted financial liabilities

The Company is required to disclose the expected timings of cash outflows for each of its derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the amounts disclosed on the statement of financial position.

	Carrying value £m	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
At 31 December 2020						
Non-current and current						
Foreign exchange forward contracts and swaps – cash flow hedges						
Inflow	9	341	227	100	14	–
Outflow	(8)	(341)	(227)	(100)	(14)	–
Cross-currency swaps – cash flow hedges						
Inflow	–	580	7	7	22	544
Outflow	(22)	(627)	(16)	(16)	(47)	(548)
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	3	465	458	7	–	–
Outflow	(6)	(468)	(461)	(7)	–	–
	(24)	(50)	(12)	(9)	(25)	(4)

	Carrying value £m	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
At 31 December 2019						
Non-current and current						
Foreign exchange forward contracts and swaps – cash flow hedges						
Inflow	10	375	229	91	55	–
Outflow	(10)	(375)	(229)	(91)	(55)	–
Cross-currency swaps – cash flow hedges						
Inflow	–	557	7	7	21	522
Outflow	(38)	(642)	(16)	(16)	(47)	(563)
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	3	451	338	113	–	–
Outflow	(3)	(451)	(338)	(113)	–	–
	(38)	(85)	(9)	(9)	(26)	(41)

Note vii Share capital

		Allotted, issued and fully paid 2020 & 2019 £m
Allotted, issued and fully paid ordinary shares of 10 pence each	4,025,409,194	403
Total		

The Company's ordinary shares give shareholders equal rights to vote, receive dividends and to the repayment of capital.

Note viii Equity and dividends

Keeping it simple



ITV plc is a non-trading investment holding company and derives its profits from dividends paid by subsidiary companies.

The Directors consider the Company's capital structure and dividend policy at least twice a year ahead of announcing results and do so in the context of its ability to continue as a going concern, to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value.

The dividend policy is influenced by a number of the principal risks as identified on pages 76 to 85 that could have a negative impact on the performance of the Company.

In determining the level of dividend in any year, the Directors follow the dividend policy and also consider a number of other factors that influence the proposed dividend and dividend policy, including:

- The level of retained distributable reserves in ITV plc the Company
- Availability of cash resources (as disclosed in note 4.1 to the consolidated financial statements) and
- Future cash commitments and investment plans, to deliver the Company's long term strategic plan
- Consideration of the factors underlying the Directors' viability assessment and
- The future availability of funds required to meet longer-term obligations including pension commitments.

Equity

The retained earnings reserve includes loss after tax for the year of £65 million (2019: profit after tax £353 million), which includes dividends of £nil from subsidiaries in 2020 (2019: £400 million). Other reserves of £10 million (2019: £22 million) relate to share buybacks in prior periods and foreign currency translation net of cash flow hedging.

Dividends

The Directors recognise the importance of the dividend to our shareholders and intends to restore dividend payments as soon as circumstances permit. The Board will balance shareholder returns with our commitment to maintain investment grade metrics over the medium term, to continue to invest behind the strategy and with the ongoing uncertainty with COVID-19. In 2020, no dividend payments were made (2019: £320 million).

Distributable reserves

The distributable reserves of ITV plc approximate to the balance of the retained earnings reserve of £1,596 million (2019: £1,655 million) as at 31 December 2020.

Note ix Contingent liabilities

Keeping it simple



A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

Under a Group registration, the Company is jointly and severally liable for VAT at 31 December 2020 of £53 million (31 December 2019: £40 million). The Company has guaranteed certain lease obligations of subsidiary undertakings.

Notes to the ITV plc Company Financial Statements continued

Note x Capital and other commitments

There are contingent liabilities in respect of certain litigation and guarantees, broadcasting issues, and in respect of warranties given in connection with certain disposals of businesses. None of these items are expected to have a material effect on the Company's results or financial position.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

In 2020, the Company entered into a stand-by letter of credit for £101 million in respect of one of the ITV Group asset-backed pension agreements.

There are no capital commitments at 31 December 2020 (2019: none).

Note xi Related party transactions

Keeping it simple



The related parties identified by the Directors include amounts owed to and from subsidiary undertakings that are not wholly owned within the Group as well as transactions with key management. The company is a holding company with no commercial activity.

To enable the users of the financial statements to form a view about the effects of related party relationships on the Company, we disclose the Company's transactions with those during the year.

Transactions with subsidiary undertakings that are not wholly owned

The amounts owed by and to these related parties at the year end were:

	2020 £m	2019 £m
Amounts owed by subsidiary undertakings that are not wholly owned	81	16
Amounts owed to subsidiary undertakings that are not wholly owned	9	26

Amounts owed by subsidiary undertakings that are not wholly owned relate mainly to funding to Britbox SVOD Limited and intra-group cash pooling balances with World Productions Limited. Amounts owed to subsidiary undertaking relate mainly to funding due to Tomorrow ITV Studios and intra-group cash pooling balances with Sixtymedia Limited.

Transactions with key management personnel

Key management consists of ITV plc Executive Directors.

Key management personnel compensation, on an accounting basis, is as follows:

	2020 £m	2019 £m
Short-term employee benefits	2	3
Share-based compensation	–	2
	2	5

Total emoluments and gains on share options received by key management personnel in the year were:

	2020 £m	2019 £m
Emoluments	3	4
Gains on exercise of share options	–	1
Gains on release of restricted share awards	–	1
	3	6

Subsidiary undertakings and investments

Principal subsidiary undertakings

The principal subsidiary undertakings of the Company at 31 December 2020, all of which are wholly owned (directly or indirectly) and incorporated and registered where stated.

Company Name	Country	Principal Business Activity	% Holding
Carlton Communications Limited* (1)(a)(d)	UK	Holding company	100
ITV Broadcasting Limited (1)(a)	UK	Broadcast of television programmes	100
ITV Consumer Limited (1)(a)	UK	Development of platforms, broadband, transactional and mobile services	100
ITV Digital Channels Limited (1)(a)	UK	Operation of digital television channels	100
ITV Studios Global Distribution Limited (1)(a)	UK	Rights ownership and distribution of television programmes and films	100
ITV Network Limited (1)(i)	UK	Scheduling and commissioning of television programmes	100
ITV Rights Limited (1)(a)	UK	Rights ownership	100
ITV Services Limited (1)(a)(e)	UK	Provision of services for other companies within the Group	100
ITV Studios Limited (1)(a)	UK	Production of television programmes	100
ITV2 Limited (1)(a)	UK	Operation of digital television channels	100
SDN Limited (1)(a)	UK	Operation of Freeview Multiplex A	100
ITV Studios Holding B.V.* (41)(a)	Netherlands	Production of television programmes	100
ITV America Inc. (30)(j)	USA	Production of television programmes	100
ITV Studios Global Distribution, Inc. (30)(j)	USA	Rights ownership and distribution of television programmes and films	100
Southbank Studios Inc. (30)(j)	USA	Production of television programmes	100

Wholly-owned subsidiary undertakings

Company Name	Country	% Holding
12 Yard (North) Productions Limited (1)(a)	UK	100
12 Yard Limited (1)(a)	UK	100
12 Yard Productions (Investments) Limited (1)(a)	UK	100
12 Yard Productions Limited (1)(a)	UK	100
A.C.E. (1988) Limited (1)(a)	UK	100
Back Productions Limited (7)(a)	UK	100
Big Talk Bliss Limited (1)(a)	UK	100
Big Talk Cold Feet Limited (1)(a)	UK	100
Big Talk Diana Limited (1)(a)	UK	100
Big Talk Friday Limited (1)(a)	UK	100
Big Talk Guilty Limited (1)(a)	UK	100
Big Talk Investments Limited (1)(a)	UK	100
Big Talk JL Limited (1)(a)	UK	100
Big Talk Living the Dream Limited (1)(a)	UK	100
Big Talk Mum Limited (1)(a)	UK	100
Big Talk NEWCO 4 Limited (1)(a)	UK	100
Big Talk NEWCO 5 Limited (1)(a)	UK	100
Big Talk Peacock Limited (1)(a)	UK	100
Big Talk Pictures Limited (1)(a)	UK	100
Big Talk Productions Limited (1)(a)	UK	100
Big Talk Time Limited (1)(a)	UK	100
Boom Cymru TV Ltd (5)(a)	UK	100
Boom Pictures Limited (1)(a)	UK	100
Broad Street Films Limited (1)(a)	UK	100
Campania Limited (1)(a)(k)	UK	100
Carbon Media Limited (1)(a)	UK	100
Carlton Active Limited (1)(a)	UK	100
Carlton Cinema Limited (1)(a)	UK	100
Carlton Content Holdings Limited (1)(a)	UK	100
Carlton Film Distributors Limited (1)(a)	UK	100
Carlton Finance Limited (1)(a)	UK	100
Carlton Food Network Limited (1)(a)	UK	100
Carlton Programmes Development Limited (1)(a)	UK	100
Carlton Screen Advertising (Holdings) Limited (1)(a)	UK	100
Carltonco 103 (1)(a)	UK	100
Carltonco 99 Limited (1)(a)	UK	100
Carltonco Eighty-One Limited (1)(a)(b)	UK	100
Carltonco Fifty Limited (1)(a)(k)	UK	100
Carltonco Forty Investments (1)(a)	UK	100
Carltonco Forty-Five Limited (1)(a)	UK	100
Carltonco Ninety-Six (1)(a)(f)	UK	100
Carltonco Seventeen Limited (1)(a)	UK	100
Castlefield Properties Limited (1)(a)	UK	100
Cat's on the Roof Media Limited (1)(a)	UK	100
Central Television Limited (1)(a)	UK	100
Channel Television Holdings Limited (1)(a)	UK	100
Cosgrove Hall Films Limited (1)(a)	UK	100
Cynhyrchiadau Boomerang Cyf (5)(a)	UK	100
Double Double Limited (1)(a)	UK	100

Company Name	Country	% Holding
Electronic Rentals Group (1)(a)	UK	100
EQ Pictures Limited (1)(a)	UK	100
GIL Limited (1)(a)	UK	100
Gorilla TV Group Limited (5)(a)	UK	100
Gorilla TV Limited (5)(a)	UK	100
Granada AV Solutions Limited (1)(a)	UK	100
Granada Film (1)(a)	UK	100
Granada Film Productions Limited (1)(a)	UK	100
Granada Group Limited (1)(a)	UK	100
Granada Limited (1)(a)	UK	100
Granada Media Limited (1)(a)(l)	UK	100
Granada Properties (1)(a)	UK	100
Granada Screen (2005) Limited (1)(a)	UK	100
Granada Television Limited (1)(a)	UK	100
Granada Television Overseas Limited (1)(a)	UK	100
Granada UK Rental and Retail Limited (1)(a)(e)	UK	100
Interactive Telephony Limited (1)(a)	UK	100
International Television Enterprises London Limited (1)(a)(d)	UK	100
ITC Distribution (1)(a)	UK	100
ITC Entertainment Group Limited (1)(a)	UK	100
ITC Entertainment Holdings Limited (1)(a)	UK	100
ITV (HC) Limited* (1)(a)	UK	100
ITV (Scotland) Limited (20)(a)	UK	100
ITV (Victor) Limited (1)(a)	UK	100
ITV 112 Limited (9)(a)	UK	100
ITV Adventures Limited (1)(a)	UK	100
ITV Bancroft 2 Limited (1)(a)	UK	100
ITV Barking Limited (1)(a)	UK	100
ITV Border Limited (1)(a)	UK	100
ITV Breakfast Broadcasting Limited (1)(a)	UK	100
ITV Breakfast Limited (1)(a)	UK	100
ITV Central Limited (1)(a)	UK	100
ITV Channels Limited (1)(a)	UK	100
ITV Confession Limited (1)(a)	UK	100
ITV Dark Heart Limited (1)(a)	UK	100
ITV DC Trustee Limited (1)(a)	UK	100
ITV Digital Holdings Limited (1)(a)	UK	100
ITV Enterprises Limited (1)(a)	UK	100
ITV F&B Limited (1)(a)	UK	100
ITV Global Content Limited (1)(a)	UK	100
ITV HG Limited (1)(a)	UK	100
ITV Holdings Limited (1)(a)	UK	100
ITV Home Fires Limited (1)(a)	UK	100
ITV International Channels Limited (1)(a)	UK	100
ITV Investments Limited* (1)(a)	UK	100
ITV Leila Limited (1)(a)	UK	100
ITV LTVC (Scotland) Limited (20)(a)	UK	100
ITV Meridian Limited (1)(a)	UK	100
ITV Moorside Limited (1)(a)	UK	100

Company Name	Country	% Holding	Company Name	Country	% Holding
ITV Mr Selfridge Limited (1)(a)	UK	100	Moving Picture Company Films Limited (1)(a)	UK	100
ITV News Channel Limited (1)(a)(k)	UK	100	MT Ghosts 3 Limited (1)(a)	UK	100
ITV Nightingale Limited (1)(a)	UK	100	MT Murder in Provence Limited (1)(a)	UK	100
ITV Pension Scheme Limited (1)(a)(b)	UK	100	New Providence Productions Limited (1)(a)	UK	100
ITV Productions Limited (1)(a)	UK	100	Pickwick Packaging Limited (1)(a)	UK	100
ITV Properties (Developments) Limited (1)(a)	UK	100	Sightseers Film Limited (1)(a)	UK	100
ITV Shetland Limited (1)(a)	UK	100	So Television Limited (1)(a)	UK	100
ITV Sport Channel Limited (1)(a)	UK	100	The CITV Channel Limited (1)(a)	UK	100
ITV Spy Limited (1)(a)	UK	100	The Garden Productions (Film) Limited (1)(a)	UK	100
ITV Studios (Israel) Limited (1)(a)	UK	100	The Garden Productions Limited (1)(a)	UK	100
ITV Studios NEWCO 1 Limited (1)(a)	UK	100	TwoFour Broadcast Limited (3)(a)	UK	100
ITV Studios NEWCO 10 Limited (1)(a)	UK	100	TwoFour Group Holdings Limited (1)(a)	UK	100
ITV Studios NEWCO 11 Limited (1)(a)	UK	100	TwoFour Group Limited (3)(a)	UK	100
ITV Studios NEWCO 2 Limited (1)(a)	UK	100	UTV Limited (24)(a)	UK	100
ITV Studios NEWCO 3 Limited (1)(a)	UK	100	UTV Pension Scheme Limited (24)(a)	UK	100
ITV Studios NEWCO 4 Limited (1)(a)	UK	100	VOD Member (ITVA) Limited (1)(a)	UK	100
ITV Studios NEWCO 5 Limited (1)(a)	UK	100	VOD Member (ITVB) Limited (1)(a)	UK	100
ITV Studios NEWCO 6 Limited (1)(a)	UK	100	Westcountry Television Limited (1)(a)	UK	100
ITV Studios NEWCO 7 Limited (1)(a)	UK	100	World of Sport Wrestling Limited (1)(a)	UK	100
ITV Studios NEWCO 8 Limited (1)(a)	UK	100	Yorkshire Television Limited (1)(a)	UK	100
ITV Studios NEWCO 9 Limited (1)(a)	UK	100	Zebedee Productions Limited (1)(a)	UK	100
ITV Supplementary Pension Scheme Limited (1)(a)	UK	100	Artist Services Cable Pty Ltd (26)(a)	Australia	100
ITV Text Santa Limited (1)(a)	UK	100	Artist Services Investments Pty Limited (26)(a)	Australia	100
ITV TFG Holdings Limited (1)(a)	UK	100	Artist Services Productions Pty Ltd (26)(a)	Australia	100
ITV The Bay Limited (1)(a)	UK	100	Granada Media International (Australia) Pty Ltd (26)(a)	Australia	100
ITV The Man Limited (1)(a)	UK	100	Granada Media Investments (Australia) Pty Ltd (26)(a)	Australia	100
ITV Thunderbirds Limited (1)(a)	UK	100	Granada Productions Pty Ltd (26)(a)	Australia	100
ITV TLC Limited (1)(a)	UK	100	ITV Services Pty Ltd (26)(a)	Australia	100
ITV Top Class Limited (1)(a)	UK	100	ITV Studios Australia Pty Limited (26)(a)	Australia	100
ITV TWI Limited (1)(a)	UK	100	ITV Studios Global Distribution Pty Limited (26)(a)	Australia	100
ITV Ventures Limited (1)(a)	UK	100	ITV SVOD Australia Pty Limited (26)(a)	Australia	100
ITV Vera Limited (1)(a)	UK	100	Totally Full Frontal Productions Pty Limited (26)(a)	Australia	100
ITV Wales & West Group Limited (1)(a)	UK	100	Talpa Cabo Verde SA (65)(a)	Cape Verde	100
ITV Wales & West Limited (1)(a)	UK	100	ITV Holdings (Cayman) Limited (27)(a)	Cayman Islands	100
ITV Wild Bill Limited (1)(a)	UK	100	ITV Studios Denmark Holdings Aps (73)(a)	Denmark	100
ITV3 Limited (1)(a)	UK	100	United Productions ApS (74)(a)	Denmark	100
ITV4 Limited (1)(a)	UK	100	ITV Studios Finland Oy (40)(a)	Finland	100
Juice Music UK Limited (1)(a)	UK	100	Granada (Fiji) Pte Ltd. (48)(a)	Fiji	100
London News Network (1)(a)	UK	100	ITV Studios France Holdings SAS (64)(a)	France	100
London Weekend Television Limited (1)(a)	UK	100	ITV Studios France SAS (64)(a)	France	100
LWT (Holdings) Limited (1)(a)(c)	UK	100	ITV Studios TV France (64)(a)	France	100
Mammoth Screen (ABC) Limited (1)(a)	UK	100	ITV Studios Germany GmbH (28)(a)	Germany	100
Mammoth Screen (ATTWN) Limited (1)(a)	UK	100	ITV Studios Germany Holdings GmbH (28)(a)	Germany	100
Mammoth Screen (BHR) Limited (1)(a)	UK	100	Talpa Germany Fiction GmbH (55)(a)	Germany	100
Mammoth Screen (City) Limited (1)(a)	UK	100	Talpa Germany GmbH & Co KG (55)(a)	Germany	100
Mammoth Screen (End) Ltd (1)(a)	UK	100	Talpa Germany Infotainment GmbH (55)(a)	Germany	100
Mammoth Screen (End2) Limited (1)(a)	UK	100	Talpa Germany Verwaltungs GmbH (55)(a)	Germany	100
Mammoth Screen (End5) Limited (1)(a)	UK	100	Elecrent Insurance Limited (21)(a)	Guernsey	100
Mammoth Screen (End6) Limited (1)(a)	UK	100	ITV Studios Global Distribution (Hong Kong) Limited (58)(a)	Hong Kong	100
Mammoth Screen (End7) Limited (1)(a)	UK	100	Talpa China Limited (57)(a)	Hong Kong	100
Mammoth Screen (End8) Limited (1)(a)	UK	100	Armoza International Media Ltd (56)(a)	Israel	100
Mammoth Screen (Invisible) Limited (1)(a)	UK	100	Channel Television Limited (22)(a)	Jersey	100
Mammoth Screen (MD2) Limited (1)(a)	UK	100	ITV London Properties Limited (23)(a)	Jersey	100
Mammoth Screen (Monroe) Limited (1)(a)	UK	100	ITV Properties (Jersey) Limited (23)(a)	Jersey	100
Mammoth Screen (NC) Limited (1)(a)	UK	100	April, May en June BV (46)(a)	Netherlands	100
Mammoth Screen (NI) Limited (25)(a)	UK	100	Global Music & Talent Agency B.V. (41)(a)	Netherlands	100
Mammoth Screen (OBI) Limited (1)(a)	UK	100	ITV (Europe) Holdings B.V.* (44)(a)	Netherlands	100
Mammoth Screen (PH) Limited (1)(a)	UK	100	ITV Studios Global Entertainment B.V. (41)(a)	Netherlands	100
Mammoth Screen (PoI2) Limited (1)(a)	UK	100	ITV Studios Netherlands B.V. (42)(a)	Netherlands	100
Mammoth Screen (PoI3) Limited (1)(a)	UK	100	ITV Studios Netherlands Content B.V. (42)(a)	Netherlands	100
Mammoth Screen (PoI4) Limited (1)(a)	UK	100	ITV Studios Netherlands Drama B.V. (43)(a)	Netherlands	100
Mammoth Screen (PoI5) Limited (1)(a)	UK	100	Stitchting 'Derdengelden' TV Producties (41)(a)	Netherlands	100
Mammoth Screen (Poldark) Limited (1)(a)	UK	100	Talpa Germany Holding B.V. (41)(a)	Netherlands	100
Mammoth Screen (QV) Limited (1)(a)	UK	100	Talpa Non-Spot B.V. (41)(a)	Netherlands	100
Mammoth Screen (Serpent) Limited (1)(a)	UK	100	Vorst Media B.V. (47)(a)	Netherlands	100
Mammoth Screen (SG) Limited (1)(a)	UK	100	ITV Studios Norway AS (70)(a)	Norway	100
Mammoth Screen (VF) Ltd (1)(a)	UK	100	ITV Studios Norway Vest AS (70)(a)	Norway	100
Mammoth Screen (Vic3) Limited (1)(a)	UK	100	ITV GE (Asia) Ptd Limited (77)(a)	Singapore	100
Mammoth Screen (WFTP) Limited (1)(a)	UK	100	ITV Studios Spain SL (78)(a)	Spain	100
Mammoth Screen (WOF) Limited (1)(a)	UK	100	ITV Studios Sweden Drama AB (59)(a)	Sweden	100
Mammoth Screen (WOTW) Limited (1)(a)	UK	100	ITV Studios Scandinavia Holdings AB (59)(a)	Sweden	100
Mammoth Screen Ltd (1)(a)	UK	100	ITV Studios Germany GmbH, Köln, Zweigniederlassung Zürich (60)(m)	Switzerland	100
Millbank Studios (1)(a)	UK	100	ALB1819 Productions Inc. (30)(j)	USA	100
Morning TV Limited (1)(a)	UK	100			

Company Name	Country	% Holding
Cardinal Productions of Ohio, Inc. (30)(j)	USA	100
Carlton Media Company, Inc. (30)(j)	USA	100
Chad Alan Productions, LLC (30)(h)	USA	100
Cranktown Productions Inc. (30)(j)	USA	100
Critical Productions Inc (30)(j)	USA	100
Electric Farm Entertainment Holdings Inc. (30)(j)	USA	100
Feeding Time Productions, LLC (34)(h)	USA	100
Fourth State Productions Inc (35) (j)	USA	100
Gear Shop Inc. (30)(j)	USA	100
Granada Cracker US Productions (32)(j)	USA	100
Granada Television International, Inc. (30)(j)	USA	100
Grafting 101, Inc. (30)(h)	USA	100
Gurney Productions, LLC (32)(h)	USA	100
GWC Enterprises Inc. (30)(j)	USA	100
Hamdon Entertainment, Inc. (30)(j)	USA	100
High Noon Group, LLC (33)(h)	USA	100
High Noon Productions, LLC (33)(h)	USA	100
ITC Distribution, LLC (30)(h)	USA	100
ITC Entertainment Group, Inc (30)(j)	USA	100
ITC Films, LLC (30)(h)	USA	100
ITC Productions, LLC (30)(h)	USA	100
ITV Bedrock Holding, Inc. (30)(h)	USA	100
ITV Believe Holding, Inc. (30)(j)	USA	100
ITV Blumhouse Holding Inc (30)(j)	USA	100
ITV Diga Holding, Inc (30)(j)	USA	100
ITV Entertainment Services Inc. (30)(j)	USA	100
ITV Gurney Holding Inc. (30)(j)	USA	100
ITV HN Holding Inc. (30)(j)	USA	100
ITV International Corporation (30)(j)	USA	100
ITV Leftfield Holding Inc. (30)(j)	USA	100
ITV New Form Holding Inc. (30)(j)	USA	100
ITV NewTV Holding Inc. (30)(j)	USA	100
ITV Popco Holding Inc. (30)(j)	USA	100
ITV Southpoint Holding Inc (30)(j)	USA	100
ITV Studios America Inc. (30)(j)	USA	100
ITV Studios, Inc. (32)(j)	USA	100
ITV Studios The Voice USA, Inc. (32)(j)	USA	100
ITV SVOD Holding Inc. (30)(j)	USA	100
ITV Thinkfactory Holding Inc. (30)(j)	USA	100
ITV Tomorrow Holding, Inc. (30)(j)	USA	100
ITV US Holdings, Inc. (30)(j)	USA	100
JB Entertainment Holding Company, Inc. (30)(j)	USA	100
Kirkstall Road Enterprises, Inc. (30)(j)	USA	100
Krewed Inc (30)(j)	USA	100
Leftfield Entertainment, LLC (30)(h)	USA	100
Leftfield Pictures of NY Holdings, LLC (30)(h)	USA	100
Leftfield Pictures of NY, LLC (30)(h)	USA	100
Leftfield Ventures, LLC (30)(h)	USA	100
Loud Television, LLC (30)(h)	USA	100
LWT Enterprises Inc. (30)(j)	USA	100
Marriage Boot Camp Reality Stars, LLC (30)(h)	USA	100
Moving Pictures Services Inc. (30)(j)	USA	100
Outpost Entertainment LLC, (30)(h)	USA	100
Over the Pond Productions, Inc. (30)(j)	USA	100
Post 460 Inc (30)(j)	USA	100
Quay Street Enterprises, Inc. (30)(j)	USA	100
Sirens Media, LLC (30)(h)	USA	100
Solowe Productions Inc (30)(j)	USA	100
Southsquare Productions Inc. (30)(j)	USA	100
Thinkfactory Group, LLC (30)(h)	USA	100
Thinkfactory Media, LLC (30)(h)	USA	100
Trailer Park Productions, Inc (30)(j)	USA	100
Upper Ground Enterprises, Inc. (30)(j)	USA	100

Other subsidiaries, joint ventures, associates and other significant holdings

Company Name	Country	% Holding
Absolutely Rights Limited (6)(f)	UK	20
DTV Services Limited (13)(a)	UK	20
That Mitchell and Webb Company Limited (7)(a)	UK	20
Route 24 Limited (17)(a)	UK	24.9
Clearcast Limited (11)(a)	UK	25
Genial Productions Limited (39)(a)	UK	25
Koska Limited (53)(a)	UK	25
South Shore Productions Limited (54)(a)	UK	25
Cirkus International Limited (10)(a)	UK	28
Thinkbox TV Limited (16)(a)	UK	28.58
Independent Television News Limited (15)(a)	UK	40
Malacara Limited (5)(a)	UK	49
Cloth Cat LBB Limited (5)(a)	UK	55
Box Clever Technology Limited (8)(a)	UK	50
British Film-Makers Limited (1)(a)	UK	50
Denipurna Limited (1)(a)	UK	50
Digital 3 and 4 Limited (12)(a)	UK	50
Freesat (UK) Limited (14)(a)	UK	50
Harlequin Agency Limited (5)(a)	UK	50
Noho Film and Television Limited (18)(a)	UK	50
Pink Rose Bud Limited (5)(a)	UK	50
Standard Music Limited (19)(a)	UK	50
Tell Me Everything Limited (18)(a)	UK	50
Second Act Productions Limited (1)(a)	UK	50.001
Second Act (Grace) Limited (1)(a)	UK	50.001
Gameface Productions Limited (1)(a)	UK	50.01
Crook Productions Limited (1)(a)	UK	50.01
Possessed Limited (1)(a)	UK	51
Monumental Television Limited (1)(a)	UK	51
MT Ghosts 2 Limited (1)(a)	UK	51
Cirkus Limited (10)(a)	UK	55.67
3sixtymedia Limited (1)(a)	UK	80
OSF (Wales) Limited (5)(a)	UK	85
Oxford Scientific Films Limited (5)(a)	UK	85
Age Before Beauty Limited (4)(a)	UK	90
Gold Digger Productions Limited (4)(a)	UK	90
Mainstreet Pictures Limited (4)(a)	UK	90
Unforgotten 2 Limited (4)(a)	UK	90
Unforgotten 3 Limited (4)(a)	UK	90
Unforgotten 4 Limited (4)(a)	UK	90
WP Anne Limited (1)(a)	UK	92
WP Bodyguard Limited (1)(a)	UK	92
WP LOD5 Limited (1)(a)	UK	92
WP Faslane Limited (1)(a)	UK	92
WP LOD6 Limited (1)(a)	UK	92
WP Save Me 2 Limited (1)(a)	UK	92
WP Diplomat Limited (1)(a)	UK	92
WP Showtrial Limited (1)(a)	UK	92
WP (NEWCO 7) Limited (1)(a)	UK	92
WP Pembrookshire Limited (1)(a)	UK	92
WP Karen Pirie Limited (1)(a)	UK	92
World Productions Limited (1)(a)	UK	92
World Productions (Northern Ireland) Limited (1)(a)	UK	92
BritBox SVOD Limited (1)(a)	UK	90
GC Films Pty Limited (26)(a)	Australia	49
Britbox Australia Management Pty Limited (38)(a)	Australia	50
LTP Productions Inc. (76)(h)	Canada	100
Apple Tree Productions ApS (75)(a)	Denmark	25
15:15 Productions (71)(a)	France	32.52
Balina Films SA (72)(a)	France	32.52
Beaubourg Audiovisuel (72)(a)	France	32.52
Beaubourg Fiction (72)(a)	France	32.52
Beaubourg Stories (72)(a)	France	32.52
SCI MD 60 (51)(a)	France	32.52
Gedesel (52)(a)	France	33.17
Funny Corp (51)(a)	France	33.17
Macondo Productions Audiovisuelles (51)(a)	France	33.17
Tangaro (51)(a)	France	42.28
Tetra Media Fiction (51)(a)	France	50.7
Shoot Again Productions (51)(a)	France	61.79
Phara Prod International (51)(a)	France	65.04
Tetra Media Studios SAS (51)(a)	France	65.04

Company Name	Country	% Holding
Imago TV Film und Fernsehproduktion GmbH (29)(a)	Germany	90
The Lab Television 2013 Limited Partnership (61)(a)	Israel	50
Think Cattleya Srl (37)(a)	Italy	25.5
Talpa Italia Srl (62)(a)	Italy	50
Cattleya Srl (37)(a)	Italy	51
Radio Cattleya Srl (37)(a)	Italy	51
Appletree Productions AB (59)(a)	Sweden	25
ITV Studios Sweden AB (59)(a)	Sweden	95
Maximum Media Production FZ-LLC (63)(a)	UAE	90
ITV Studios Arabia Holding Ltd (63)(a)	UAE	90
ITV Studios Middle East FZ-LLC (63)(a)	UAE	90
ITV Studios Lebanon S.A.R.L (63)(a)	Lebanon	90
Tomorrow Friends LLC (30)(h)	USA	25
Bedrock Entertainment LLC (30)(h)	USA	40
Southrock Productions LLC (30)(h)	USA	40
Blumhouse TV Holdings LLC (30)(h)	USA	45
Circle of Confusion Television Studios LLC (30)(h)	USA	49
South Circle Productions LLC (30)(h)	USA	49
BB Rights, LLC (30)(h)	USA	50
Britbox, LLC (36)(h)	USA	40.5
Jaffe/Braunstein Entertainment, LLC (31)(h)	USA	51
Next Steps Productions, LLC (30)(h)	USA	75
Tomorrow Studios LLC (30)(h)	USA	75

Memberships, Partnerships and Companies Limited by Guarantee

Company Name	Country	% Holding
ITV LTVC Scottish Limited Partnership (68)(h)**	UK	100
ITV Scottish Limited Partnership (68)(h)**	UK	100
Digital Production Partnership Limited (1)(i)	UK	50
Producers Rights Agency Limited (66)(i)	UK	50
DTT Multiplex Operators Limited (67)(i)	UK	25
Digital UK Limited (13)(i)	UK	25
Britbox Australia Partnership	Australia	50
Futureflip Entertainment India LLP (69)(h)	India	100

Address key

- (1) 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE, United Kingdom
- (2) 218 Penarth Road, Cardiff, CF11 8NN, United Kingdom
- (3) Twofour Studios, Estover, Plymouth, Devon, PL6 7RG, United Kingdom
- (4) Kingsbourne House, 229–231 High Holborn, London, WC1V 7DA, United Kingdom
- (5) Gloworks, Porth Teigr Way, Cardiff, Wales, CF10 4GA, United Kingdom
- (6) 18 The Glasshouse Studios, Fryern Court Road, Fordingbridge, Hampshire, SP6 1NG, United Kingdom
- (7) 26 Nassau Street, London, W1W 7AQ, United Kingdom
- (8) 5 New Street Square, London, EC4A 3TW, United Kingdom
- (9) Orange Tower, Media City UK, Salford M50 2HF
- (10) The Met Building, 22 Percy Street, London, W1T 2BU, United Kingdom
- (11) 4 Roger Street, 2nd Floor, London, WC1X 2JX, United Kingdom
- (12) 124 Horseferry Road, London, SW1P 2TX, United Kingdom
- (13) Fieldfisher Riverbank House, Swan Lane, London, England, EC4R 3TT
- (14) 23–24 Newman Street, London, W1T 1PJ, United Kingdom
- (15) 200 Gray's Inn Road, London, WC1X 8HF, United Kingdom
- (16) Manning House, 22 Carlisle Place, London, SW1P 1JA, United Kingdom
- (17) 325–327 Oldfield Lane North, Greenford, Middlesex, United Kingdom, UB6 0FX
- (18) 3rd Floor 20–22 Berkeley Square, London, United Kingdom, W1J 6EQ
- (19) Roundhouse, 212 Regent's Park Road, London, NW1 8AW, United Kingdom
- (20) Quartermile One, 15 Lauriston Place, Edinburgh, Scotland, EH3 9EP, United Kingdom
- (21) P.O. Box 308, St. Peter Port House, Union Street, St. Peter Port, GY1 3TA, Guernsey
- (22) Le Capelain House, Castle Quay, St. Helier, JE2 3EH, Jersey
- (23) Ogier House, The Esplanade, St. Helier, JE4 9WG, Jersey
- (24) City Quays 2, 8th Floor, 2 Clarendon Road, Belfast, BT1 3YD, United Kingdom
- (25) Office 306, Forsyth House, Cromac Square, Belfast, Northern Ireland, BT2 8LA, United Kingdom
- (26) Level 5, Building 61, Fox Studios Australia, 38 Driver Avenue, Moore Park NSW 2021, Australia
- (27) Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands
- (28) Agrippastrasse, 87-93, 50676, Köln, Germany
- (29) Keplerstrasse 4-6, 10589, Berlin, Germany
- (30) The Corporation Trust Company, Corporate Trust Center, 1209 Orange Street, Wilmington, Newcastle, DE 19801, USA
- (31) 321 Southern Beverly Drive, Suite M, Beverly Hills, CA 90212, USA
- (32) CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017, USA
- (33) The Hodson Law Firm, 1129, East 17th Avenue, Denver, CO 80014, USA
- (34) CT Corporation System, 3867 Plaza Tower Drive East Baton Rouge Parish, Baton Rouge, LA 70816, USA
- (35) CT Corporation System, 289 S. Culver Street, Lawrenceville, GA, 30046-4805, USA
- (36) 1120 Avenue of Americas, 5th Floor, New York, NY10036, USA
- (37) Piazzale Valerio Massimo, 7, 00162, Roma, Italy
- (38) Level 1, 35–51 Mitchell Street, McMahon's Point, NSW 2060, Australia
- (39) 39 Long Acre, London, WC2E 9LG, United Kingdom
- (40) Hämeentie 15A, 00500 Helsinki, Finland
- (41) Familie de Mollaan 1, 1217 ZB, Hilversum, Netherlands
- (42) Koos Postemalaan 8, 1217 ZC, Hilversum, Netherlands
- (43) Haarlemmer Houttuinen, 21 1013 GL, Amsterdam, Netherlands
- (44) Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands
- (45) Noorderweg 8, 1221 AA, Hilversum, Netherlands
- (46) Zevenend 45, 1251 RL, Laren, North Holland, Netherlands
- (47) Hollandse Kade 34, 1391JM, Abcoude, Netherlands
- (48) Level 3, Pacific House, Butt Street. Suva, Fiji
- (49) Westersingel 108, 3015 LD Rotterdam, Netherlands
- (50) Keizersgracht 149a, 1015CL, Amsterdam, Netherlands
- (51) 60 rue Marcel Dassault, 92100, Boulogne-Billancourt, France
- (52) 4 rue de Commaille, 75007, Paris, France
- (53) Jessop House, Jessop Avenue, Cheltenham, Gloucestershire, United Kingdom, GL50 3WG
- (54) 210 High Holborn, London, England, WC1V 7HD
- (55) Genthiner Strasse 5, 10785 Berlin, Germany
- (56) 16 Haarbaa St, Tel Aviv 6473916, Israel
- (57) 11/F, Unit B, Winbase Centre, 208 Queen's Road Central, Sheung Wan, Hong Kong
- (58) Rooms 517–520, 5th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong
- (59) Soder Malarstrand 65, 11825, Stockholm, Sweden
- (60) Scharenmoosstrasse 105, 8052, Zurich, Switzerland
- (61) 23 Habarzel Street, Tel Aviv, 69710, Israel
- (62) Via Enrico, Tazzoli 6, Rome, Italy
- (63) Building 2, Dubai Media City, Dubai, UAE
- (64) 12 boulevard des Iles, 92130 Issy-les-Moulineaux, Paris, France
- (65) Avenida Cidade de Lisboa, Frente Sucupira, 2º andar, Cidade de Praia, Cape Verde
- (66) Fitzrovia House, (3rd Floor), 153-157 Cleveland Street, London, W1T 6QW, United Kingdom
- (67) 27 Mortimer Street, London, England, W1T 3JF
- (68) C/O Dentons UK and Middle East LLP, Quartermile One 15 Lauriston Place, Edinburgh, EH3 9EP
- (69) #1302, Tower-3, Indiabulls Finance Centre, Senapati Bapat Road, Elphinstone Road (West), Mumbai, Mumbai City, Maharashtra 40013, India

- (70) Lars Hilles Gate 30, 5008, Bergan, Norway
- (71) 10 rue Maître Jacques, 92100 Boulogne, Billancourt, France
- (72) 5–7 rue Saint-Augustin, 75002, Paris, France
- (73) DLA Piper Denmark, Radhuspladsen 4, 1550 Kobenhavn V, Denmark
- (74) Finsensvej 6E, 2000, Frederiksberg, Denmark
- (75) Aumento Advokatfirma, Ny Osteragde 3,4, 1101, Kobenhavn, Denmark
- (76) 120 West 3rd Avenue #201, Vancouver BC V5Y 1E9, Canada
- (77) 101c Telok Ayer Street, Singapore 068574
- (78) Calle Velaquaz 18, 6-D, 28001 Madrid, Spain

Interest key

- | | |
|--------------------------------------|----------------------------|
| (a) Ordinary | (h) Membership/Partnership |
| (b) Deferred | (i) Guarantee |
| (c) Special deferred | (j) Common |
| (d) Redeemable preference | (k) preference |
| (e) Cumulative preference | (l) Part preference |
| (f) Cumulative redeemable preference | (m) Branch |
| (g) Convertible preference | |

* Direct subsidiary

** Having met the criteria under under Regulation 7 of the Partnership (Account) Regulations 2008 (SI 2008/569) these Limited Partnerships have taken the exemption to deliver accounts to the Registrar of Companies

Glossary

Advertiser funded platform – platforms that include advertising as part of the user experience e.g. itv.com, iOS, and Android

Advertising video on demand (AVOD) – advertiser funded service where subscribers have access to a wide range of content whenever they request it without charge

Broadcasters' Audience Research Board (BARB) – organisation owned by broadcasters and advertisers providing data on linear and online television viewing statistics by UK households

Catch up viewing – non-live viewing of recently broadcast television programmes, either via a recording device, often called a personal video recorder (PVR) or digital video recorder (DVR), such as Sky or through a Video on Demand service such as the ITV Hub, BBC iPlayer, All 4 or My5

Channel 3 licences – the 15 regional licences and one national licence awarded to transmit Channel 3 across the UK. All are owned by ITV with the exception of two of the regional licences which are owned by STV

Free-to-Air (FTA) television – viewing of television through devices not requiring a subscription such as the Freeview or Freesat services

Intellectual Property (IP) – intangible property that is the result of creativity

Inventory – advertising inventory is the number of advertisements, or amount of advertising space, we have available to sell to advertisers

Impact or Commercial Impact – one Commercial Impact is defined as one viewer watching one 30-second television commercial

ITV Family – the ITV family of channels which includes ITV main channel, ITV2, ITV3, ITV4, ITVBe, CITV and all associated +1 and HD equivalents

Key demographics – ITV monitors viewing performance across a group of audiences that constitute the majority of our targeted advertising revenue. In addition to individuals and adults, we also consider 16–34 year olds, social grades ABC1 and house-persons with children

Light viewer – the lightest 20% of viewers to ITV across a rolling 12 month period

Linear television – television service where the viewer has to watch a scheduled TV programme at the particular time it's offered, and on the particular channel it's presented on

Long-form online viewing (consumption) – total number of hours ITV VOD content is viewed on owned and operated ad funded platforms, and Hub+ viewing on owned and operated platforms, based on data from Crocus

Monthly Active User (MAU) – a registered user account that has accessed the ITV Hub on an owned and operated app (mobile or connected TV), or web platform in any given month. The number is deduplicated across platforms (user is only counted once if they watch on multiple platforms)

Net Advertising Revenue (NAR) – the amount of money received by a broadcaster as payment for television spot advertising net of any commission paid to agencies

Network Programme Budget (NPB) – the budget spent on programming broadcast on the ITV family of channels

Non-consolidated licensees – the two regional channel 3 licences which ITV does not own. These licences are owned by STV and revenues received from these licences for ITV programming content are referred to as minority revenues

Ofcom – communications regulator in the UK who regulate the TV, radio and video-on-demand sectors, fixed-line telecoms (phones), mobiles and postal services, plus the airwaves over which wireless devices operate

Over-the-top (OTT) – delivery of audio, video, and other media over the internet. This includes content from providers such as Netflix, Amazon and Hulu and also our own on demand service, the ITV Hub

SDN – multiplex operator owned by ITV, which operates one of the eight national multiplex licences in the UK on Freeview

Share of Broadcast (SOB) – ITV's share of UK television advertising revenue (NAR), a measure of market share

Share of Commercial Impacts (SOCi) – the term used to define the share of total UK television commercial impacts delivered by one channel or group of channels. This measure excludes viewing of BBC channels as they do not generate commercial impacts. Unless stated otherwise, SOCi figures cited throughout this report are based on BARB data and are based on the universe of Adults (16+)

Share of Viewing (SOV) – the share of the total viewing audience during a defined period gained by a programme or channel. This measure includes viewing of BBC channels. Unless stated otherwise, SOV figures cited throughout this report are based on BARB data and are based on the universe of individuals

Simulcast – streaming live TV channels via a broadcaster's on demand service, at the same time as broadcast on linear TV

Spot advertising – linear television advertising occupying a short break during or between programmes

Subscriptions – entitled users of ITV SVOD services, which includes those who pay ITV directly, those who are paid for by an operator, and free trialists

Subscription Video on Demand (SVOD) – a paid for service where subscribers have access to a wide range of content whenever they request it

Total Advertising Revenue (TAR) – this includes ITV Family NAR, online advertising via the ITV Hub, programme sponsorship revenue and other affiliated advertising revenue streams

Video on Demand (VOD) – the ability to deliver video content to a customer's television set, computer or device when the customer requests it

YouView – a joint venture (with the BBC, Channel 4, Channel 5, BT, TalkTalk, and Arqiva) to operate and promote a hybrid television platform combining Freeview channels with catch up and on demand service

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